Everything's better
On the Beach

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TOTAL FINANCIAL PROTECTION

On the Beach Group plc

Annual Report & Accounts

For the year ended 30 September 2019

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 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 B2B)
www.classic-package.co.uk (UK B2B)

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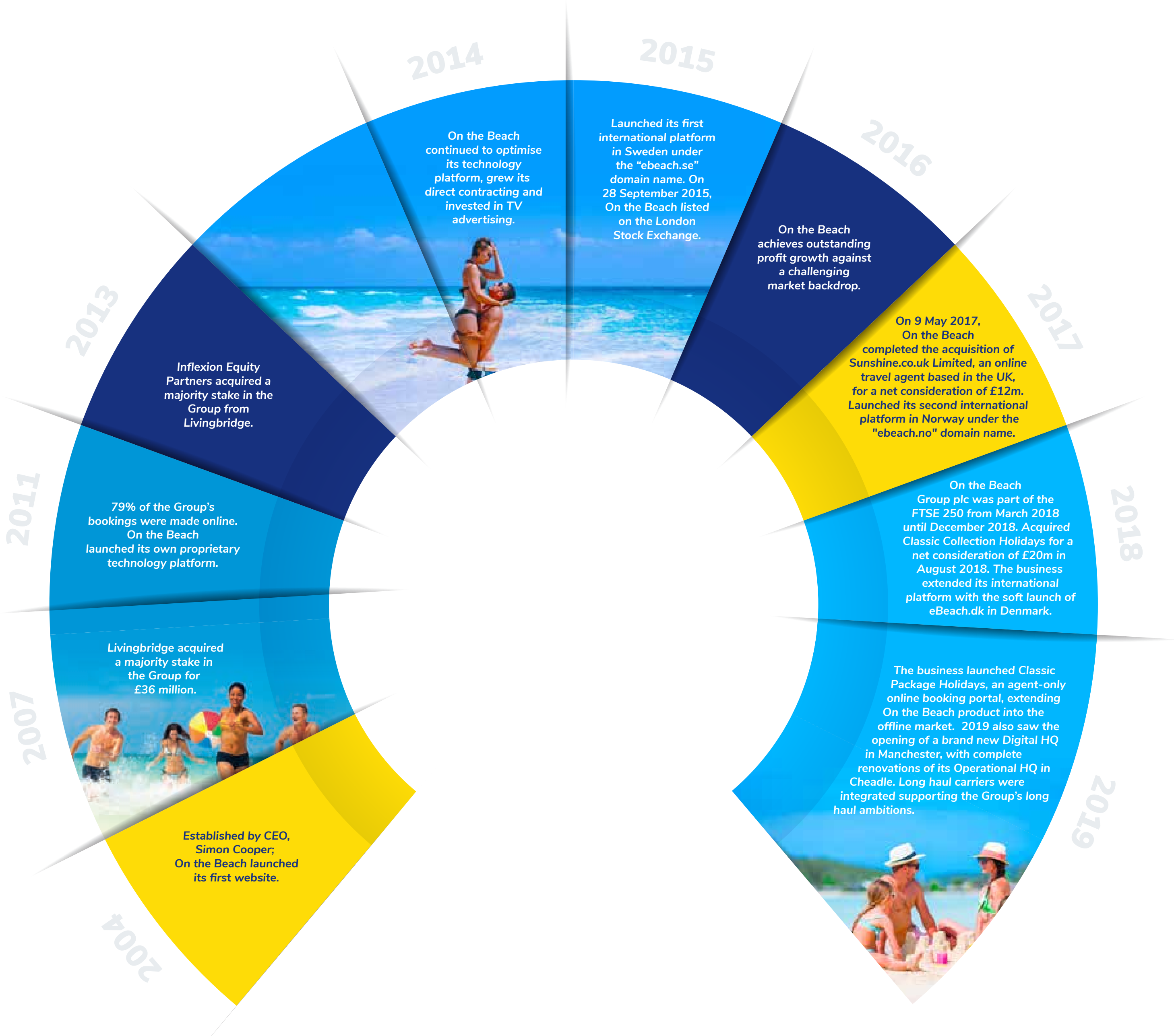
Our History Timeline



At a Glance

Group Overview

	2019		2018 (restated)[2]		Change	
	Adjusted[1]	GAAP	Adjusted[1]	GAAP	Adjusted[1]	GAAP
Group revenue	**£147.5m**	**£140.4m**	**£104.3m**	**£104.3m**	**41%**	**35%**
Revenue as agent	£92.5m	£85.4m	£90.9m	£90.9m	2%	(6%)
Revenue as principal	£55.0m	£55.0m	£13.4m	£13.4m	310%	310%
Group gross profit	**£99.1m**	**£92.0m**	**£92.6m**	**£92.6m**	**7%**	**(1%)**
Gross profit as agent	£92.0m	£84.9m	£90.9m	£90.9m	1%	(7%)
Gross profit as principal	£7.1m	£7.1m	£1.7m	£1.7m	318%	318%
Group profit before tax	**£34.6m**	**£19.4m**	**£33.6m**	**£26.1m**	**3%**	**(26)%**
Basic earnings per share	**21.4p**	**12.0p**	**21.2p**	**16.5p**	**1%**	**(27)%**
Total dividend payable	**3.3p**	**3.3p**	**3.3p**	**3.3p**	**-**	**-**

(1) *Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the APM Glossary on page 142*

(2) *Restated for adoption of IFRS 15. Refer to note 2c to the Consolidated Financial Statements on page 101.*

Thomas Cook Group plc Impact

On 23 September 2019, Thomas Cook Group plc ("TCG") announced that it had ceased trading and had entered compulsory liquidation. There was a one-off exceptional cost associated with helping customers to organise alternative travel arrangements and lost margin on cancelled bookings.

A summary of the adjustments between Adjusted and GAAP measures, split between the TCG impact and other costs, is shown below:

	2019			2018
	TCG	Other	Total	Total
Revenue as agent	(£7.1m)	-	(£7.1m)	-
Revenue as principal	-	-	-	-
Group revenue	**(£7.1m)**	**-**	**(£7.1m)**	**-**
Share based payments	-	(£0.7m)	(£0.7m)	(£1.4m)
Acquired intangibles amortisation	-	(£5.5m)	(£5.5m)	(£4.6m)
Other exceptional operating costs	(£0.6m)	(£1.3m)	(£1.9m)	(£1.5m)
Group overheads	**(£0.6m)**	**(£7.5m)**	**(£8.1m)**	**(£7.5m)**
Group profit before tax	**(£7.7m)**	**(£7.5m)**	**(£15.2m)**	**(£7.5m)**

At a Glance

The adjustment of £7.1m to revenue represents the lost revenue associated with providing refunds and the costs associated with organising alternative travel arrangements for customers. This totalled £25.6m and is stated net of a chargeback claim of £18.5m. The £0.6m of other exceptional operating costs relates to the incremental operational costs of managing the process and the loss of monies held by TCG agents.

Group revenue was up 35%, as a result of the full year contribution of Classic Collection (where revenue is reported gross, as Principal). Group profit before tax was down (26%) reflecting the impact of the failure of TCG. As shown above, the impact of the failure of TCG impacted revenue by £(7.1)m and profit before tax by £(7.7)m, with an adjusted Group revenue increase of 41% and an adjusted Group profit before tax increase of 3%.

The exceptional impact of the TCG failure has been excluded from performance measures in this report. A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the APM glossary on page 142.

The Directors believe that adjusting the income statement for the impact of the TCG failure provides a fair, balanced and understandable view of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight.

Financial Highlights

Group

- Group gross profit decreased 1% and Group profit before tax reduced by 26% reflecting the impact of the failure of TCG.
- Adjusted Group gross profit[1] increased 7% to £99.1m *(FY18: £92.6m)* reflecting revenue growth of 1% for Onthebeach.co.uk and Sunshine.co.uk ("OTB") and a full year contribution from Classic Collection Holidays ("Classic").
- Group adjusted profit before tax[1] up 3% to £34.6m *(FY18 : £33.6m).*
- Cash conversion[1] of 89% *(FY18: 95%).*
- Cash at Bank at year end of £54.8m *(FY18: £47.3m)*. Excluding the impact of refunds and costs of replacement flights paid in relation to the TCG failure, Cash at Bank would have been £62.0m.
- Proposed final dividend of 2.0p per share, dividend maintained at 3.3p per share for the year *(FY18: 3.3p per share).*

[1] *Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the APM Glossary on page 142.*

Strategic Highlights

Group

- Launched Classic Package Holidays ("CPH") in March 2019.
- Continued to expand long haul offering and more than doubled revenues in the year.
- Key management appointments including Stefan Nordin as CTO, Adam Hansen in the newly formed role of Corporate Development Director and Oliver Garner as CEO of Classic and CPH.
- Opened new Digital HQ in central Manchester and refurbished operational HQ in Cheadle

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
- Profit growth is the cumulative effect of improvements in performance of all of the levers individually

= **PBT**

Report from the Chair of the Board

"*On the Beach is a dynamic and evolving business that has huge opportunities for growth and I am delighted to have joined at this exciting time in the Group's journey.*"

Richard Pennycook
Chair of the Board, On the Beach Group plc

I am pleased to present the annual report and accounts of the Group for the year ended 30 September 2019.

Since my appointment as Chair of the Board on 1 April 2019, I have enjoyed getting to know the business and spending time with Simon Cooper and his senior management team. Their passion and dedication is evident and I thank them for providing me with a thorough and enthusiastic induction. On the Beach is a dynamic and evolving business that has huge opportunities for growth and I am delighted to have joined at this exciting time in the Group's journey.

A Challenging Environment and a Significant Growth Opportunity

The last year has presented a challenging environment with multiple failures (most notably the collapse of Thomas Cook Group ("TCG") towards the end of the financial year), continuing uncertainty over the timing and nature of the UK's departure from the EU, and a devaluation of Sterling against the Euro.

The collapse of TCG creates an unprecedented opportunity for the Group to take market share at an increased rate. The Group has therefore started to strategically increase its marketing investment both online and offline to attract new customers.

Group gross profit £m
£92.0m
(1)%
FY18: £92.6m

Group profit before tax £m
£19.4m
(26)%
FY18: £26.1m

Adjusted Group gross profit £m
£99.1m
+ 7%
FY18: £92.6m

Adjusted profit before tax £m
£34.6m
+ 3%
FY18: £33.6m

Strategic Progress

The Group has made significant progress against its strategic objectives during the year. Simon Cooper, CEO, covers this in greater detail in his report on pages 14 to 16.

During the year, On the Beach has continued to invest in areas that will support long-term sustainable and scalable growth.

Highlights include:

- The appointment of Stefan Nordin as CTO in October 2018 and the subsequent reorganisation of the tech and product functions. The new structure better enables the Group to scale and increase the pace of evolution of its platform to support its strategic objectives.
- The opening of a new Digital HQ in central Manchester and the refurbishment of the operational HQ in Cheadle to underpin the objective to recruit and retain the very best talent. It is clear that this move has enabled the Group to accelerate the pace at which it is growing digital headcount.
- Following the acquisition of Classic in August 2018, the Group launched CPH in March 2019. This launch enables the Group to offer competitively priced beach holidays to a wide range of intermediaries through an online portal, and the progress made to date is encouraging, with c.1,500 agents now live.
- The appointment of Adam Hansen as Corporate Development Director in August 2019, which will support our growth strategy as we continue to actively explore acquisition opportunities.
- Significant investment in our People function, and the execution of a new people strategy to align with strategic objectives *(see page 15)*. For the first time, the Group has run an all-employee culture survey. This will support the development of a cultural framework that ensures the link between strategy, values and culture, which is critical to ensure long-term sustainability for stakeholders *(see pages 15 to 16)*.
- The Group has continued to directly integrate scheduled long haul carriers onto its platform, with most of the key long haul airline partners now directly integrated and the Group continues to build its portfolio of directly contracted hotels. In FY19 we have grown long haul revenues by more than 100% and are excited about the medium term opportunities that these new destinations offer.
- Continued investment in online and offline marketing and our brand continues to strengthen with a 14% growth year-on-year in prompted brand awareness. We have selected a new creative agency and our new advert will launch in December 2019, with the aim of making the On the Beach brand famous offline.

Board Changes

We have seen a number of Board changes during the year, all of which were overseen by the Nomination Committee. Lee Ginsberg stepped down as Chair of the Board on 30 November 2018 and resigned as a Director on 6 February 2019 in order to focus on other time commitments. Lee made a valuable contribution to the Company since his appointment ahead of the Group's IPO in 2015 and on behalf of the Board, I express my thanks and best wishes to him.

David Kelly acted as Interim Chair of the Board from 30 November 2018 until my appointment on 1 April 2019, during which time, as Interim Chair of the Nomination Committee, he oversaw the Committee's search for a permanent Chair. On 1 April 2019, David resumed his position as Senior Independent Director and Chair of the Remuneration Committee. I would like to thank David for fulfilling this interim role and for his continuing guidance and support to the Board.

On the recommendation of the Nomination Committee, the Board appointed me to the role of Chair of the Board with effect from 1 April 2019. The Report of the Nomination Committee on pages 58 to 59 outlines the recruitment process in further detail.

Under the supervision of the Nomination Committee, we have undertaken an evaluation of the Board and its Committees and the balance of skills and experience on the Board. As a result of this exercise, the Committee concluded that it would be beneficial to recruit a further Non-Executive Director to complement the skills and experience of the current Directors and the Committee is in the process of recruiting for the vacancy. Further details are set out on page 59.

Change of Statutory Auditor

Last year, the Audit Committee made the decision to undertake a tender of the external audit, given KPMG's 11-year tenure. The Audit Committee ran the tender process during early 2019 which concluded with the appointment of Ernst & Young LLP ("EY") on 7 March 2019. I express my thanks to Elaine O'Donnell, Chair of the Audit Committee, and Paul Meehan, CFO, for running such a rigorous and efficient tender process.

Corporate Governance Code

The Board is committed to the highest standards of corporate governance, as outlined in detail in our Governance Report on pages 46 to 95. The 2018 UK Corporate Governance Code applies to the company with effect from 1 October 2019, and we have undertaken significant amounts of work and planning to ensure we are ready to comply with the new Code. In particular, the Group has undertaken a culture survey, to enable us to understand and assess the Group's culture, and to ensure that this is aligned with the Company's purpose, values and strategy. More details about this, as well as our employee and wider stakeholder engagement, are on pages 33 to 43.

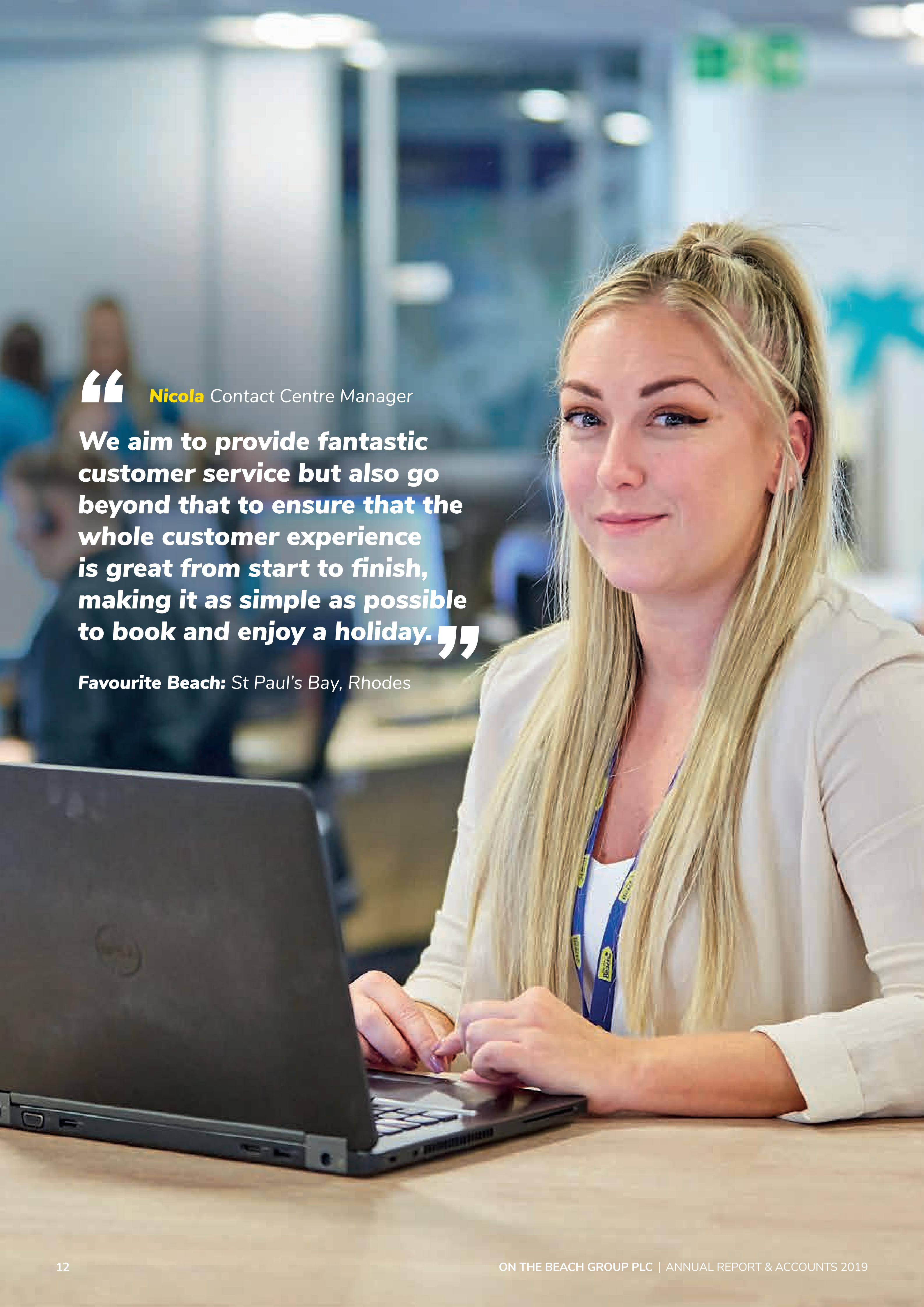
Final Dividend

The Board is pleased to recommend a final dividend of 2.0p per share, totalling 3.3p per share for the year *(2018: 3.3p)*.

AGM

Our AGM will be held at 11am on 6 February 2020 at the Group's digital headquarters at Aeroworks, 5 Adair Street, Manchester, M1 2NQ. We look forward to welcoming shareholders.

Richard Pennycook
Chair of the Board
27 November 2019



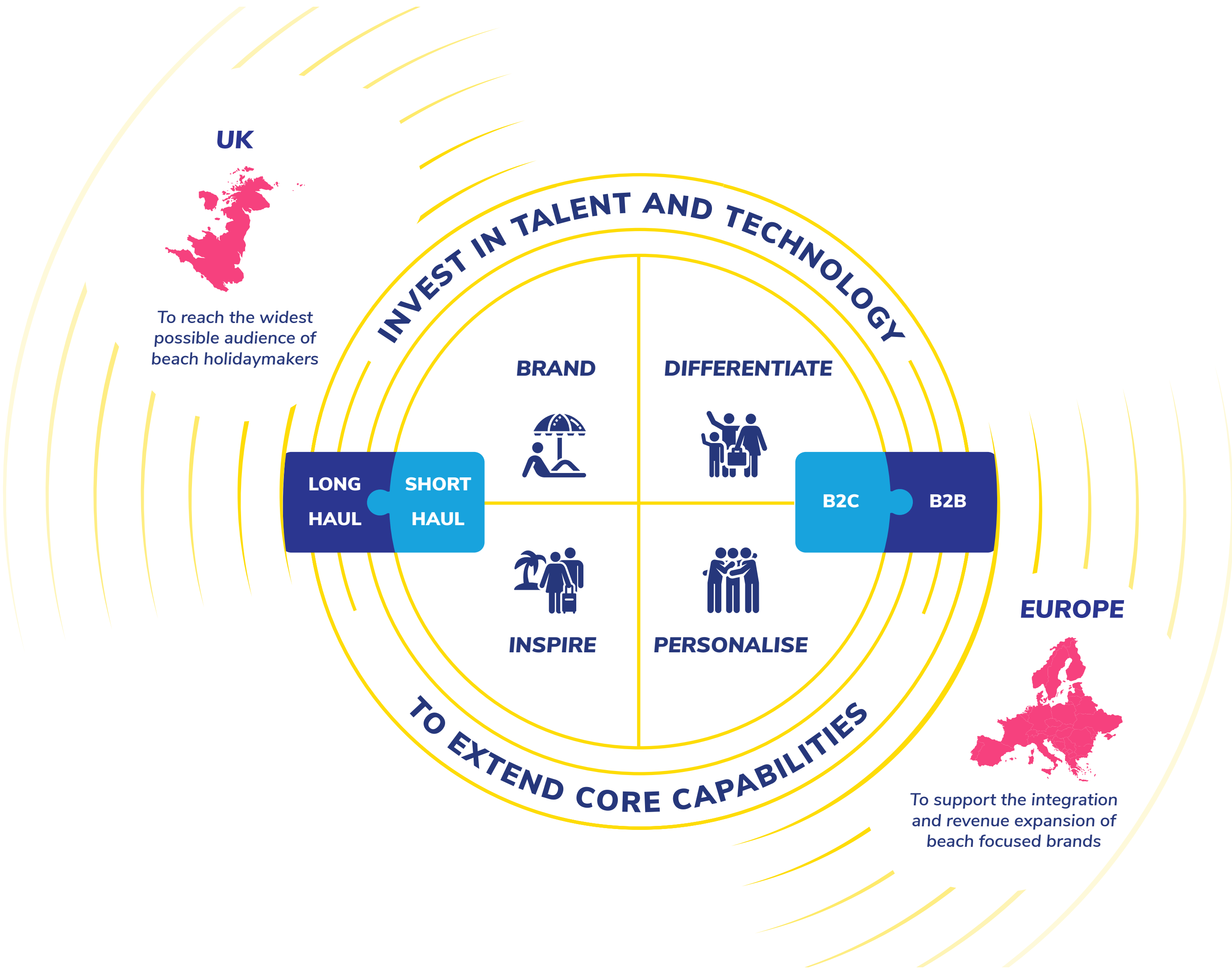
Nicola Contact Centre Manager

We aim to provide fantastic customer service but also go beyond that to ensure that the whole customer experience is great from start to finish, making it as simple as possible to book and enjoy a holiday.

Favourite Beach: St Paul's Bay, Rhodes

OTB Growth Strategy

Our vision is to build Europe's leading online beach holiday retailer via a single platform, multi brand strategy



Chief Executive Officer's Report

"In what has been a difficult economic climate, I am pleased with the Group's performance against strategic objectives while delivering a 3% increase in Group adjusted profit before tax."

Simon Cooper
Chief Executive Officer

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

Our continued growth has been delivered by executing a simple strategy, to personalise our customer proposition to increase conversion and improve margin while driving an efficient increase in our market traffic share. This underpins our ability to gain market share from traditional tour operators and other online travel agents ("OTAs").

Growth

The Group has delivered a solid performance in the year with significant progress made against strategic objectives. Key highlights include:

- 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 70% of overall traffic *(FY18: 64%)*.
- Smartphone traffic is now 69% of total traffic and smartphone bookings have increased 31% year on year.
- Increasing the directness of our relationships with end suppliers to achieve in excess of 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 7% year on year.
- Driving an increasing proportion of sales into exclusive product while maintaining our lean cost base.
- Building and launching Classic Package Holidays ("CPH"), which supports our strategic goal to gain 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 in the year for short haul beach holidays was affected by Brexit uncertainty and general consumer confidence.

We have observed the following market trends:

- A continued return in appetite for customers to travel to destinations in the Eastern Mediterranean, most notably Turkey;
- Tour operator discounting in the lates market to fill risk capacity, which became more aggressive in the eight weeks prior to the collapse of TCG;
- A weakening of Sterling leading to a slowdown in bookings; and
- A strong finish to the year with a strengthening of Sterling and early sales for summer 2020.

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.

The auction dynamics have remained relatively benign throughout FY19 with transient periods of aggressive spending by a range of competitors.

The increasing strength of our brand and efficiency in our online marketing activity has allowed us to increase investment into offline marketing and FY19 saw our largest ever offline campaign. We have continued to optimise our in-house econometric modelling to monitor the effectiveness of our offline marketing spend and are delighted that prompted and unprompted brand awareness are at their highest levels. We are well advanced with creative and media plans for the FY20 campaign, which we expect to be our largest ever.

In the four years since launching iPhone, iPad and Android apps, we have achieved more than two 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 before, during and after their holidays.

Against the backdrop of the TCG collapse at the end of the financial year, we have increased our investment in brand marketing activity to ensure that we are well positioned to offer holidays to all of those affected by the failure of TCG.

Investment in People
The Group moved into its digital headquarters in the centre of Manchester in November 2018 and we have continued to accelerate the pace at which we add digital talent. The contact centre teams continue to be based in our Operational HQ in Cheadle, which was refurbished in early 2019 and fitted with 50% more desk space to support growth. We will shortly invest to refurbish the Classic office in Worthing.

In October, we welcomed our new Chief Technology Officer, Stefan Nordin, into the business and we believe his prior experience as CTO of Betsson Group will greatly assist us in our ambition to double our digital capability over the next 3-5 years. Stefan has overseen a reorganisation of the Tech and Product resource, growing the teams by approximately 50% through FY19 and providing the foundations for us to add further talent in FY20.

We have continued to invest in multi-skilling our customer-facing staff and ensure that we can provide an even higher level of customer support for all of our valued customers across all brands. We are delighted that complaint ratios continue to fall, Net Promoter Scores continue to improve and our repeat purchase rates have increased significantly through FY19.

We have built a team of multi-skilled agent-facing staff to support the launch and growth of the CPH brand. We have also invested to broaden the senior management team in Worthing to ensure that Classic is able to evolve its product and sales strategies.

Following the failure of TCG, all teams across our business responded exceptionally to ensure that customers were either re-booked or refunded in the shortest possible time while maintaining high quality customer care.

Investment in Supply
Despite the increasing proportion of sales into Eastern Mediterranean and longer haul destinations, the investments we have made into our supply resource and technologies has helped us to deliver more than 70% of total hotel buying through direct contracting in FY19. 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 continued to add resource to build our portfolio of directly contracted hotel product in existing destinations, such as Greece, and in support of our long haul expansion in the Caribbean, the Middle East and Indian Ocean. We have also added talent to the hotel platform technology team to ensure that we are well placed to deliver our longer term strategic objectives.

In H2 2019, almost 35% of our hotel product was contracted with some form of exclusivity with us delivering significant incremental volume for our key partners and our focus will be to continue to build on this base throughout 2020 and to convert our differentiated supply position into incremental margin. The collapse of TCG has created numerous opportunities to expand our hotel portfolio and our team of contractors are working hard to forge new partnerships with former TCG exclusives. We continue to explore opportunities to contract with partner airlines on a more strategic basis to deliver incremental revenue.

We have also continued to invest significantly in our search technologies to support our strategic objective. This drives an increasing proportion of differentiated flight and hotel product via our Holiday Finder booking path and allows us to build innovative search tools for customers who are destination agnostic.

In the aftermath of the failure of TCG, we continue to explore innovative ways to backfill the lost flight capacity to destinations where TCG had a substantial share.

Chief Executive Officer's Report

International

After the failure of Primera airlines at the start of H1, and the subsequent weakness in performance in H1, we are pleased to have delivered strong growth in Sweden and Norway in H2 (+43% YOY). This growth was achieved with increasing efficiency delivering a breakeven performance in revenue post marketing spend. With a stable supply of seats across the coming year, we are confident that the progress we have made in H2 will allow us to drive significant and efficient growth in Sweden while we continue to invest in Norway.

We continue to evaluate opportunities to enter further markets outside of Scandinavia.

Strategy and Growth

The Group's vision is to build Europe's leading online beach holiday retailer via a single platform multi brand strategy.

On the Beach continues to grow market share by evolving a strategy based on the following strategic pillars:

1. **Investing in talent and technology to extend core capabilities**
   - Continuing to invest in our people and our platform to allow us to innovate at an increasing pace
   - Investing in our People function to ensure that we drive optimum performance from a growing talent base
   - Evolving platform capabilities to simplify the integration of further brands
   - Refreshing company-wide values

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 across all brands

3. **Personalising our customer experience**
   - Driving an increasingly simplified customer experience
   - Showing the most relevant product to all site visitors on all devices at the earliest possible opportunity
   - Enhancing personalisation logic through data science and machine learning
   - Optimising our multifunctional app to increase customer engagement

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
   - Leveraging our multi-brand capability to offer a range of distribution options to preferred partners

5. **Inspiring holidaymakers with destination agnostic search technologies**
   - Optimising destination agnostic search technologies
   - Leveraging capabilities to retail a wider range of product from a wider range of suppliers

6. **Reaching an ever wider audience of beach holidaymakers through product, channel and geographic extension**
   - Expanding our long haul offering to monetise existing search volumes
   - Growing share of B2B sales through the CPH online agent-facing portal
   - Evolving the product portfolio of the Classic luxury B2B brand
   - Leveraging our core capabilities to grow market share in Scandinavia
   - Seeking value-enhancing M&A opportunities

Current Trading and Outlook

The first quarter of our financial year *(calendar Q4)* has historically been the quietest trading period for the Group. The failure of TCG has led to a material shift in market dynamics as TCG had a 20% share of beach holiday passengers and approximately 20% of the seat capacity to beach holiday destinations. This has created a significant short-term lack of seat capacity as well as an unprecedented opportunity in the medium term to gain share.

Search demand has therefore been strong throughout the period following the failure albeit the loss of seat capacity has led to a supply/demand imbalance with a significant increase in flight pricing, particularly for winter 19/20 departures and for travel to Eastern Mediterranean destinations.

The Board strongly believes the correct course of action to ensure that On the Beach is best-positioned to capture market share, is to focus on price competitiveness and to increase the visibility of all of the Group's brands, with the expectation that seat supply will normalise during FY20. Whilst the consumer environment will continue to be challenging, we remain confident in the ability of our resilient and flexible business model to significantly increase our market share in the medium term.

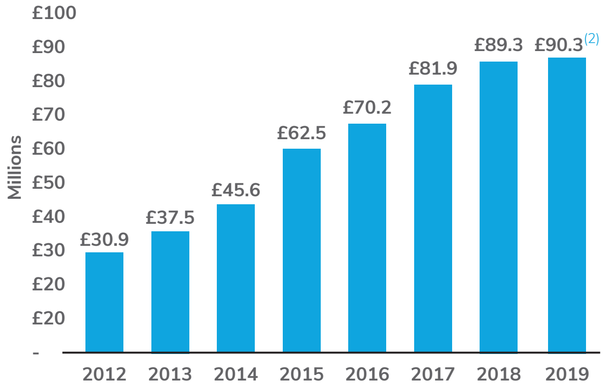
The Board will provide a further update on trading at our AGM on 6 February 2020.

Simon Cooper
Chief Executive Officer
27 November 2019

Key Performance Indicators

OTB Segment: Adjusted Revenue[(1)]

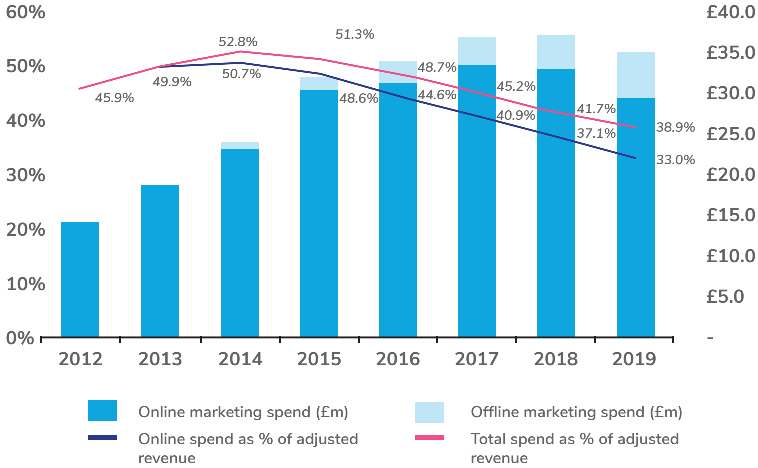
Revenue is continuing to grow at 1.1%



(2) Revenue before adjustment for the TCG failure was £83.3m

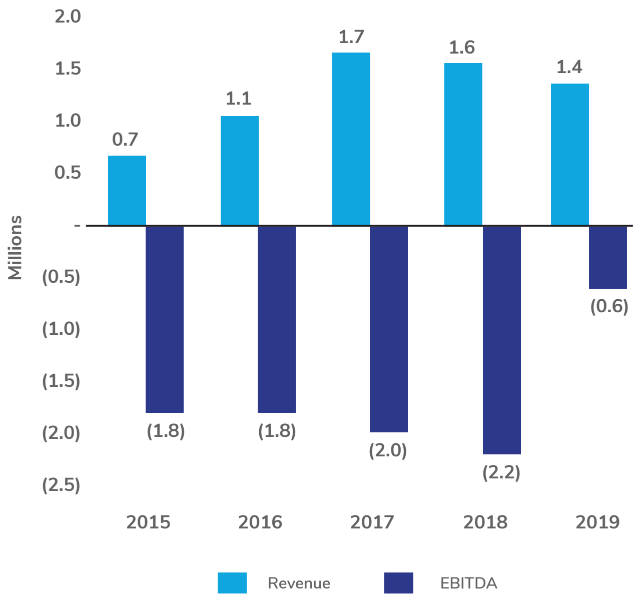
Marketing Spend as a Percentage of Adjusted Revenue[(1)]

Marketing % of adjusted revenue decreased to 33% *(2018: 37%)* excluding offline and to 39% *(2018: 42%)* including offline



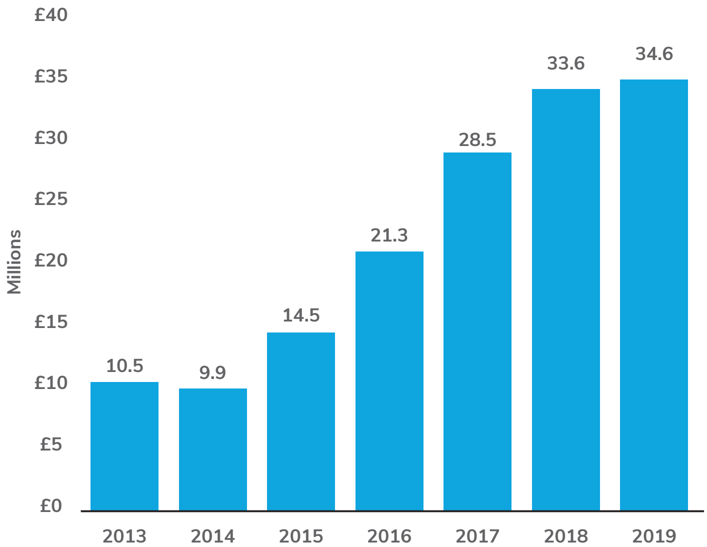
International Segment: Revenue

Decrease in revenue of 13% in FY19



Adjusted profit before tax[(1)]

Adjusted profit before tax grows by 3% to £34.6m *(FY18: £33.6m)*



(1) Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the APM Glossary on page 142

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Financial Review

"Despite the impact of the TCG failure, the Directors are pleased to recommend a final dividend of 2.0p, and therefore a total dividend in line with last year, demonstrating the Directors' confidence in the business model and strength of the balance sheet."

Paul Meehan
Chief Financial Officer

The Group organises its operations into four principal financial reporting segments, being OTB (onthebeach.co.uk and sunshine.co.uk), International (ebeach.se, ebeach.no and ebeach.dk), Classic (Classic Collection Holidays) and CPH (Classic Package Holidays).

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 OTB, International and CPH Segments, the Group offers dynamically packaged holidays acting as an agent rather than a principal.

The exceptional impact of the TCG failure has been excluded from performance measures in this Report as the Directors consider this necessary to provide a true, balanced and understandable view of the performance of the Group. A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the APM glossary on page 142.

The Directors believe that adjusting the income statement for the impact of the TCG failure provides a clearer reflection of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight. In addition, the proximity of the TCG failure to the year end means that customers did not have the opportunity to replace package holidays that were impacted.

OTB Financial Performance

OTB Revenue £m	OTB Adjusted Revenue £m
£83.3m	**£90.3m**
(7)%	+1%
FY18: £89.3m	FY18: £89.3m

OTB Adjusted Revenue after marketing costs £m	OTB Operating Profit £m
£55.1m	**£20.9m**
+6%	(25)%
FY18: £52.0m	FY18: £27.7m

OTB Adjusted EBITDA[1] £m	OTB EBITDA % of revenue
£38.2m	**42%**
+1%	
FY18: £37.9m	FY18: 42%

[1] *Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the APM Glossary on page 142*

Financial Review

OTB Performance

	2019 Adjusted £m	2019 GAAP £m	2018 Adjusted £m	2018[1] GAAP £m
Revenue	**90.3**	**83.3**	89.3	89.3
Revenue after marketing costs	**55.1**	**48.1**	52.0	52.0
Variable costs	**(7.2)**	**(7.2)**	(6.6)	(6.6)
Fixed costs	**(9.7)**	**(9.7)**	(7.5)	(7.5)
Depreciation and amortisation	**(4.0)**	**(4.0)**	(3.0)	(3.0)
Exceptional[2] operating costs	-	**(1.2)**	-	(1.5)
Share based payments	-	**(0.7)**	-	(1.4)
Amortisation of acquired Intangibles	-	**(4.4)**	-	(4.3)
Operating profit	**34.2**	**20.9**	34.9	27.7
EBITDA	**38.2**	**29.3**	37.9	35.0
EBITDA %	**42%**	**35%**	42%	39%

(1) *Restated for adoption of IFRS 15. Refer to note 2c to the Consolidated Financial Statements on page 101.*

(2) *Exceptional operating costs comprise the costs of dealing with the failure of TCG and re-organisation costs.*

An explanation of the adjusted and non-GAAP measures, and a reconciliation to the closest GAAP measure, is included in the APM Glossary on page 142.

Performance Summary

Following the TCG collapse, OTB revenue for the year was down 7% and operating profit was down 25%. The failure of TCG impacted revenue by £(7.0)m and operating profit by £(7.2)m.

Excluding the impact of TCG detailed above, and despite the challenging market and the weakening of Sterling between May and September 2019, OTB delivered an adjusted revenue growth of 1% to £90.3m *(FY18: £89.3m)*.

Adjusted revenue after marketing costs grew by 6% to £55.1m. Online marketing expenses as a percentage of adjusted revenue decreased to 33% *(FY18: 37%)* with total spend of £29.8m *(FY18: £33.2m)*. This reflects further optimisation of our online spend together with a continued increase in the share of branded and direct traffic.

We have again increased spending in the year on offline advertising campaigns to £5.4m *(FY18: £4.1m)*. This increased investment continues to drive greater brand awareness.

Improvements to the customer journey, including the Holiday Finder path, have been rolled out further during the year. Package holiday bookings grew by 10% YOY and now account for 88% of all bookings made on onthebeach.co.uk and sunshine.co.uk.

We have also made significant progress with expanding our long haul proposition. Long haul package holiday bookings doubled this year and we expect to continue to see expansion in this area as we integrate with more airlines and hotels in long haul destinations.

EBITDA

Overhead as % of adjusted revenue

	2019 Adjusted %	2019 GAAP %	2018 Adjusted %	2018 GAAP %
Variable costs % adjusted revenue	**8%**	**9%**	8%	8%
Fixed costs % adjusted revenue	**11%**	**11%**	8%	8%
Overheads % adjusted revenue	**19%**	**20%**	16%	16%

An explanation of the adjusted and non-GAAP measures, and a reconciliation to the closest GAAP measure, is included in the APM Glossary on page 142.

In spite of the market conditions leading to low revenue growth, the Group has continued to invest in areas that will support the long-term prospects of the Company. As a result, overheads increased to 19% of adjusted revenue. This reflects investment in our Digital HQ, talent acquisition & retention, and additional costs incurred as a result of the implementation of the Package Travel Regulations. A bonus will also be paid to eligible employees based on achievement of the non-financial targets.

Adjusted EBITDA of £38.2m *(FY18: £37.9m)* increased by 1% and adjusted EBITDA as a percentage of adjusted revenue remained at 42% *(FY18: 42%)*. The closest GAAP equivalent measure to Adjusted EBITDA is operating profit which decreased to £20.9m *(FY18: £27.7m)*. This decrease is attributable to exceptional costs paid in the year of £8.2m relating to the TCG failure and internal restructuring.

International Performance

	2019 £m	2018 £m	Change %
Revenue	1.4	1.6	(13)%
Revenue after marketing costs	-	(1.4)	
Variable costs	(0.2)	(0.3)	
Fixed costs	(0.4)	(0.5)	
Depreciation and amortisation	(0.1)	(0.2)	
Operating loss	(0.7)	(2.4)	
International EBITDA	(0.6)	(2.2)	

Financial Review

Performance Summary

- Revenue in H2 has grown 43% YOY. H1 revenues were adversely affected by the failure of Primera in October 2018 resulting in a FY reduction in revenue of (13)% to £1.4m.
- In H2 there was a significant recovery in booking volumes, as capacity returned to the market.
- Revenue after marketing is now break-even.
- EBITDA losses for the year have reduced from (£2.2m) to (£0.6m)
- The closest GAAP equivalent measure to International EBITDA is operating loss which decreased to (£0.7m) *(2018: (£2.4m))*

The International segment comprises websites in Sweden, Norway, and Denmark operating under the 'www.ebeach.se', 'www.ebeach.no', and 'www.ebeach.dk domains'.

Classic Performance

	2019 Adjusted £m	2019 GAAP £m	2018 Adjusted £m	2018[2] GAAP £m	Pro-forma[3] £m
Revenue	55.0	55.0	13.4	13.4	59.0
Revenue after marketing costs	6.3	6.3	1.6	1.6	6.7
Variable costs	(1.2)	(1.2)	(0.1)	(0.1)	(1.3)
Fixed costs	(2.9)	(2.9)	(0.4)	(0.4)	(3.0)
Depreciation and amortisation	(0.2)	(0.2)	-	-	(0.2)
Amortisation of acquired Intangibles	-	(1.1)	-	(0.2)	-
Exceptional[1] operating costs	-	(0.7)	-	-	-
Operating profit	2.0	0.2	1.1	0.9	2.2
Classic EBITDA	2.2	1.5	1.1	1.1	2.4

(1) *Exceptional operating costs comprise the costs of dealing with the failure of TCG and re-organisation costs*

(2) *Restated for adoption of IFRS 15. Refer to note 2c to the Consolidated Financial Statements on Page 101.*

(3) *Numbers are unaudited and taken from management accounts. FY18 Proforma has been included to show performance on a full-year basis. The Directors believe this provides a useful comparison and makes the results more understandable.*

An explanation of the adjusted and non-GAAP measures, and a reconciliation to the closest GAAP measure, is included in the APM Glossary on page 142

Classic was acquired on 15 August 2018. Classic has provided On the Beach with a "business to business" channel through which we are starting to access the five million short haul beach holidays that are booked offline each year.

As a principal (rather than an agent) Classic accounts for revenue on a "travelled" basis and reports revenue on a gross basis.

Revenue decreased by 7% to £55.0m while the new senior management team transitioned the business towards more luxury and tailor made travel. The performance in the year also reflects the continuing challenges of high street retail more generally.

CPH Performance

	2019 Adjusted £m	2019 GAAP £m
Revenue	0.8	0.7
Gross Profit after marketing	0.1	-
Variable costs	(0.2)	(0.2)
Fixed costs	(1.0)	(1.0)
Operating profit	(1.1)	(1.2)
CPH EBITDA	(1.1)	(1.2)

CPH provides an online B2B platform that enables high street travel agents to sell dynamically packaged holidays to their customers.

Since launch in March 2019, CPH has established a distribution network of c.1,500 travel agents. The primary focus in FY20 is to further increase the numbers of agents and the volume of bookings per agent.

Group Gross Profit

Group gross profit now comprises OTB, International, Classic and CPH revenues and has fallen to £92.0m *(FY18: £92.6m)* as a result of the failure of TCG. The adjusted group gross profit has increased by 7% to £99.1m. This is a result of growth in the OTB revenues of 1% and the increased contribution from the Classic and CPH segments of £5.8m.

Group profit before taxation £m

£19.4m

(26)%

FY18: £26.1m

Adjusted profit before tax £m

£34.6m

3%

FY18: £33.6m

Profit for the year £m

£15.7m

(27)%

FY18: £21.5m

Adjusted profit for the year £m

£28.0m

1%

FY18: £27.7m

Basic EPS pence

12.0p

(27)%

FY18: 16.5p

Adjusted proforma EPS pence

21.4p

1%

FY18: 21.2p

Profit Before Tax

Group profit before tax decreased by 26% to £19.4m *(FY18: £26.1m)*. The current year was impacted by the exceptional costs relating to the TCG failure and an internal restructure program.

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

	2019 £m	2018 £m	Change %
Group profit before taxation	19.4	26.1	(26)%
Amortisation of acquired intangibles	5.5	4.6	
Share based payments	0.7	1.4	
Exceptional operating costs[1]	9.0	1.5	
Adjusted profit before tax	34.6	33.6	3%

[1] *Exceptional operating costs comprise the costs of dealing with the failure of TCG, re-organisation costs and one-off property costs (FY18: Acquisition costs and one-off property costs)*

Finance Costs

The finance cost for the year was £0.3m *(FY18: £0.3m)*. With strong cash management, the maximum revolving credit facility drawdown during the year was £19m. During the year, the Group extended the revolving credit facility to 31 December 2022 and increased the facility from £28.5 million to £50 million to cover seasonal working capital requirements and expansion plans.

Share-Based Payments

The Group makes annual awards under a long term incentive plan ("LTIP"). In accordance with IFRS2, the Group has recognised a non-cash charge of £0.7m *(FY18: £1.4m)*.

Exceptional Operating Costs

Exceptional operating costs for the year were £9.0m *(FY18: £1.5m)*. These costs relate to:

- £1.3m relates to double property costs and an internal restructuring program to ensure that we have the best structure in place to deliver our strategic goals; and
- The net cost associated with the recent failure of TCG of £7.7m (£7.1m revenue and £0.6m operating costs), which represents the expected one-off costs associated with helping customers to organise alternative travel arrangements or providing refunds following the failure of the airline and is stated net of a chargeback claim of £18.5m.

Cash generated from operating activities £m

£26.5m

(21)%

FY18: £33.4m

Operating cash conversion %

89%

FY18: 95%

Dividend per share pence

3.3p

FY18: 3.3p

Net external cash[3] £m

£54.8m

FY18: £47.3m

Taxation

The Group tax charge of £3.7m represents an effective tax rate of 19% *(FY18: 18%)* which was in line with the standard UK rate of 19% *(FY18: 19%)*.

Earnings per share

Basic earnings per share, calculated for the current and comparative period, is based on the weighted average number of shares in issue and has decreased by (27)% to 12.0 pence in FY19 *(FY18: 16.5 pence)*.

The adjusted earnings per share based on adjusted earnings increased 1% to 21.4 pence *(FY18: 21.2 pence)*.

The table below shows the adjustment from actual earnings:

	2019 £m	2018 £m	Change %
Profit for the year	15.7	21.5	(27)%
Add backs:			
Share based payments (net of tax)	0.6	1.2	
Exceptional and non-underlying costs (net of tax)	7.2	1.2	
Amortisation of acquired intangibles	4.5	3.8	
Adjusted profit for the year	28.0	27.7	1%
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year and comparative period (millions)	131.2	131.0	-
Adjusted earnings per share (pence)	21.4	21.2	1%

An explanation of the adjusted and non-GAAP measures, and a reconciliation to the closest GAAP measure, is included in the APM Glossary on page 142

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Financial Review

Cash Flow and Net Debt

The Group continues to see strong cash conversion at 89% *(FY18: 95%)*.

	2019 £m	2018 £m	Change
Profit before taxation	**19.4**	**26.1**	*(26)%*
Depreciation	1.1	0.5	
Amortisation	8.7	7.2	
Net finance (income)/costs	(0.2)	0.1	
Share based payment charges	0.7	1.4	
EBITDA excluding share based payment charges	**29.7**	**35.3**	*(16)%*
Movement in working capital	2.4	(1.7)	
Movement in trust account	(5.6)	(0.2)	
Cash generated from operating activities	**26.5**	**33.4**	*(21)%*
Operating cash conversion %	89%	95%	
Other Cash Flows			
Corporation tax paid	(3.8)	(7.1)	
Capitalised development expenditure	(5.1)	(3.8)	
Capital expenditure net of proceeds	(3.0)	(2.2)	
Contingent consideration	(2.7)	(3.0)	
Acquisition of subsidiary net of cash acquired	-	1.0	
Net finance income/(costs)	0.2	(0.1)	
Dividends paid	(4.6)	(3.9)	
Net cash flows	**7.5**	**14.3**	*(48)%*
Closing cash at bank	54.8	47.3	
Closing trust account balance	44.0	38.4	
Total	**98.8**	**85.7**	*15%*

Closing Cash was £54.8m *(FY18: £47.3m)*. Excluding the impact of refunds and costs of replacement flights paid in relation to the TCG failure, Cash at Bank would have been £62.0m.

Cash generated from operating activities was £26.5m (FY18: £33.4m) and operating cash conversion was 89% (FY18: 95%) reflecting changes to the trust rules and supplier mix.

Dividend

The Directors recommend a final dividend of 2.0p per share, totalling 3.3p per share for the year *(FY18: 3.3p per share)*. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 6 February 2020, the dividend will be paid on 13 February 2020 to those shareholders who appear on the register of members at the close of business on 10 January 2020.

Paul Meehan
Chief Finance Officer
27 November 2019

“ **Dan** *Head of Performance Marketing*

The autonomy that you get at On the Beach is fantastic. The culture here promotes a test and trial mind-set, which allows us to experiment with new technologies and platforms that have the potential to revolutionise the business ”

Favourite Beach: *Agios Stefanos Beach, Mykonos*

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 company, including those which could threaten its business model, growth, future performance, solvency or liquidity. The principal risks and uncertainties identified are detailed in this section. This is not exhaustive, and additional risks and uncertainties may prove to have a material effect on the Group.

Link with Strategy

For each risk highlighted, we have specified the strategic pillars (as outlined in the CEO's report) that these risks impact.

These are:

1 Investing in talent and technology to extend core capabilities.

2 Driving an efficient increase in traffic through branded and direct channels.

3 Personalising our customer experience.

4 Leveraging increased revenue through direct and differentiated supply.

5 Inspiring holidaymakers with destination agnostic search technologies.

6 Reaching an ever-wider audience of beach holidaymakers through product, channel and geographic expansion.

Consumer Demand

Impact

A recession or reduced economic growth can lead to reduced job security and a reduction in consumer leisure spending.

A weak pound makes holidays and consumer spending abroad more expensive.

High-profile corporate failures reduces consumer confidence to make 'big ticket' purchases, particularly well in advance.

Terrorist attacks, war/acts of force and civil unrest undermine consumer confidence and cause consumer behaviour to shift suddenly (e.g. by choosing not to book a holiday, delaying booking or booking a different destination or a 'staycation').

Continued uncertainty over the Brexit outcome and the resulting economic position could lead to a material reduction in consumer demand for holidays.

Emerging Risks / Change in the Year

Brexit uncertainty / the political turmoil in the UK and high-profile failures of household names such as Thomas Cook, have heightened this risk considerably.

Key Mitigations

The Group's flexible payment arrangements enable customers to spread the cost of their holiday. The Group's ATOL and ABTA bonding, together with its consumer trust account arrangements (where customer monies are held safely in a trust until they travel), provide compelling reasons for customers to trust in the Group over other competitors.

In an environment of rapidly shifting consumer demand, the Group's flexible and asset-light business model means it is well placed to respond to sudden shifts in consumer demand.

Strategic pillars impacted

1 2 4 6

Direction of travel

Flight Supply

Impact

As is the case with all online travel agents ("OTA"), a lack of flight supply/capacity impacts the Group's ability to fulfil consumer demand for holidays.

For a number of low-cost airlines, the Group does not have agreements in place and instead acts as the customer's agent. Certain airlines may not wish to accept bookings from the Group's customers and might seek to impede the Group's access to flight data and bookability.

Certain airlines may use technological and other means to prevent the Group's bookings or to apply a price difference to make the Group's bookings more expensive. This could make the Group's offering less extensive or more expensive which could have a material adverse effect on the Group.

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. There have been no developments since the last annual report, so this has caused a delay to the anticipated timescales set out in the prospectus. Other airlines could seek to emulate Ryanair's claim against OTAs. Litigation is unpredictable and if Ryanair were to prevail, this could have a material impact on the Group's business.

In order to mitigate flight supply risk, the Group may take allocations of seats on certain key routes, which may involve some limited risk. If the Group cannot sell the seats profitably or the programme is cancelled, this could lead to material costs for the Group.

Emerging Risks / Change in the Year

Thomas Cook's collapse led to a reduction in flight capacity which will take time to be replaced. When replaced, there may be fewer seats available to OTAs on a seat-only basis to dynamically package.

Key mitigations

The Group is successfully building relationships with a wider range of airlines, including preferential commercial terms and rates. The Group's focus on beach holidays means its customers are concentrated on certain routes and its scale means that it can easily fill seats on these routes. This is attractive to airlines looking to fill seats on new routes (including those replacing Thomas Cook capacity) and the Group is in commercial discussions with a number of airlines.

The Group's proprietary technology is industry leading and enables it to ensure that its operations are robust.

Where allocations of flight seats are taken, this will be on routes where there is strong demand, and the Group will seek to build flexibility into the contract to enable cancellation when demand is lower than expected.

Strategic pillars impacted

1 4 6

Direction of travel

Principal Risks and Uncertainties

Supplier Failure

Impact

In the event of a major airline failure, the Group must replace the customer's flight arrangements, or refund the customer in full for the holiday, with no ability to claim back the costs from the failed airline or any bond or effective insurance or the ATOL scheme/CAA (which protects consumers, not package organisers). This leads to loss of margin on cancelled bookings, and incremental costs to arrange alternative flights.

The Group must refund customers within 14 days of cancellation, but it may take some weeks to recover monies via chargeback claim, creating a cash flow impact.

Failure of a major bedbank or key hotel partner would cause operational disruption.

Emerging Risks / Change in the Year

Thomas Cook's collapse crystallised this key risk for the Group, although it is possible that there will be further failures of smaller airlines.

Key Mitigations

The Group has detailed and well-rehearsed plans in place to deal with a major airline failure, having dealt with many airline failures, including Monarch and Thomas Cook failures. See pages 44 to 45 for a case study on how the Group planned for and executed its major airline failure plan.

The Group has a working capital facility in place to ensure it has sufficient funds to refund/replace customer bookings.

The Group pays for flights using credit/debit cards which include chargeback rights, which enable the Group to recover the cost.

Strategic pillars impacted

1 2 4 6

Direction of travel

↓

Competition Risk

Impact

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. New entrants to the market increase competition.

Emerging Risks / Change in the Year

The collapse of Thomas Cook led to the loss of a key competitor.

Key Mitigations

The Group has a strong brand and offers a great value proposition to customers as well as flexible payment options. The Group's investment in marketing, talent and its infrastructure means it can compete to attract and convert customers.

Strategic pillars impacted

1 2 4 6

Direction of travel

↓

Package Organiser Liability

Impact

For all holiday bookings made after 1 July 2018, these are treated as "packages" and OTB/Sunshine/Classic/CPH (as applicable) is the "package organiser" which means the Group is responsible for the proper performance of the package. The Group can therefore be held liable for death/personal injury or illness suffered by customers that are the fault of any of the suppliers. In the event of a catastrophic injury/fatality, or multiple injuries, the cost could run into millions of pounds.

Package organiser status brings with it other onerous responsibilities including finding replacements/providing refunds where flights are cancelled (through airline insolvency or otherwise) or there is a major change to the customer's holiday and providing accommodation where customers are stranded.

For holiday bookings made prior to 1 July 2018, OTB and Sunshine did not act as package organiser and do not have legal liability for claims for injury/illness arising out of these bookings. However, certain claimant solicitors will try to argue that these were packages in any event.

Emerging Risks / Change in the Year

As OTB and Sunshine only became package organisers in July 2018, almost all of the claims we received in FY18 did not relate to packages. By the end of FY19, almost all claims we have received are packages so our liability has naturally increased, as expected.

Key Mitigations

For bookings made prior to 1 July 2018, OTB and Sunshine acted only as travel agent and not as principal or package organiser and our processes, practices and paperwork firmly support this.

The Group has public liability insurance in place to cover its risks as a package organiser as well as thorough claims reporting, investigation and handling processes. The Group has indemnities in place with most suppliers, to enable recovery.

The Group has a health and safety management system in place and works with its suppliers to ensure that customers' health and safety is monitored throughout the supply chain.

Strategic pillars impacted

1 2 6

Direction of travel

Principal Risks and Uncertainties

Regulatory Breach

Impact

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

Unfavourable changes to or interpretation of existing laws could adversely affect the Group's business and financial performance.

Emerging Risks / Change in the Year

The CMA's investigation into online hotel booking platforms concluded in 2019 and the CMA issued new guidelines to be followed which the Group has complied with.

Key Mitigations

The Group 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 reviews draft proposals for law reform and participates in industry steering, policy groups and advisory committees, through which it is able to lobby on legislative change.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

No change

Damage to Brand/Reputation

Impact

The Group is one of the UK's largest online beach holiday retailers and relies on the strength of its brand to attract customers to its website and to secure bookings. Failure to maintain and protect our brand, or any events or circumstances which give rise to adverse publicity, could cause brand/reputation damage, lead to a loss of goodwill and reduced customer demand to book with the Group, impacting traffic and revenue.

Emerging Risks / Change in the Year

Our prompted brand awareness reached 50% in February 2019 and we have invested the most we ever have in our offline campaign to drive our brand.

Key Mitigations

We invest heavily in our brand, through a broad variety of online and offline marketing and PR campaigns, to build brand awareness and consideration.

We have internal and external PR advisers to support us to manage any PR incidents.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

No change

Exchange Rate Fluctuations

Impact

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 or the booking could fall into a loss.

A weak pound makes holidays and consumer spending abroad more expensive. If the pound weakens, tour operators have a competitive advantage over OTAs.

Emerging Risks / Change in the Year

The prospect of a no-deal Brexit has destablised currency markets, with a material weakening of Sterling against the Euro over the summer 2019 period.

Key Mitigations

The Group sets prices at prevailing spot rates and places forward contracts based on orders. Hedge effectiveness and stability of Euro rates is monitored regularly.

Where the pound strengthens, online travel agents have a competitive advantage over tour operators as their pricing will be more competitive.

Strategic pillars impacted

2 4 6

Direction of travel

↑

IT Systems and Data Security

Impact

The Group is exposed to risks of security breaches. A data security breach, in which a third party illegally gained access to our customers' or employees' personal data, could result in damage to brand, material fines and litigation, which would impact traffic, revenue and profit.

The Group's growth strategy is to build Europe's leading online beach holiday retailer via a single platform, multi-brand strategy. Our IT platforms must be scalable, robust and reliable. If our systems can't keep up with growing demand, this could affect our ability to deliver growth.

The enactment of GDPR in May 2018 significantly increased the size of the fines that would be levied in the event of a data breach.

Emerging Risks / Change in the Year

As M&A is part of our future strategy, the need for a scalable platform is even more critical.

Key Mitigations

We have stringent security in place which is regularly tested and audited. The Group is PCI DSS compliant and uses an external quality security assessor to maintain best practice.

The scalability of our platform is a priority for our tech and product teams and we invest heavily in talent and technology in this area.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

↑

Principal Risks and Uncertainties

Business Interruption

Impact

A significant business interruption could impact on the Group's ability to trade and/or manage the business, for example, an event preventing head office access, website or systems downtime or restrictions on taking or making payments.

Emerging Risks / Change in the Year

Failure to comply with the new Strong Consumer Authentication (SCA) rules under the new PSD2 regulations could restrict the Group's ability to accept online payments.

Key Mitigations

The Group's payment teams worked very closely with payment providers to ensure that the work required to adjust to the implementation of SCA was scoped out and completed.

The Group has a business continuity and disaster recovery plan and robust back up and failover facilities.

Strategic pillars impacted

2 3 5

Direction of travel

No change

People Risk

Impact

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 North West, where the Group's Digital HQ is located, is an area where there is a high degree of competition for digital talent.

The Group relies on key personnel and if those key personnel were unable to carry out their role, this could have a material effect on the Group's business.

Emerging Risks / Change in the Year

In FY19, we opened our new Digital HQ in central Manchester and refurbished our Operational HQ in Cheadle. This has enabled us to much more easily attract and retain talent.

Brexit poses a risk as, if there is a restriction on the free movement of people, this will impact on the Group's ability to attract and retain EU staff which could in turn have a negative effect on the diversity of our staff.

Key Mitigations

We provide an excellent working environment for our employees, and a very positive, informal and open culture, which contributes to our ability to recruit and retain staff.

The Group has various remuneration tools to recruit and retain employees, including base salary, bonus and share schemes including a HMRC-approved Share Incentive Plan and a Long-Term Incentive Plan.

We have a succession plan in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.

On the Beach has a Tier 2 Sponsorship Licence to broaden our pool of talent and this would mitigate the risk if EU rules on freedom of movement change.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

Viability Statement

Viability

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 and viability of the Group over a period significantly longer than 12 months from the approval of the financial statements.

Assessment of Prospects

The Board has determined that a period of three years to 30 September 2022 is the most appropriate period to provide its viability statement. The Group prepares rolling three-year strategic plans and cash flows, so setting the viability statement period at three years enables the assessment to be made based on reasonable expectations in terms of the reliability and accuracy of forecasts. The Directors believe that projections which extend beyond three years become significantly less meaningful given the dynamic and volatile nature of the industry in which the Group operates.

The Group's overall business model (illustrated on page 9) and its strategy (as outlined in the CEO report) are central to assessing its future prospects. As such, key factors likely to affect the future development, performance and position of the Group are:

› *Technology platform & personalisation:* continuous investment is made in developing platform technologies and personalisation techniques which lead to improvements for consumers, suppliers and employees;
› *Brand and marketing:* our strong brand and efficient marketing tools enables us to continue to take share of market traffic;
› *Differentiated supply:* the Group can leverage increased revenue through direct and differentiated supply; and
› *People:* the Group's continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on digital talent.

The Group's prospects are assessed primarily through its strategic planning process. The planning process is based on three limbs which are:

› The preparation of cash flow forecasts to cover the period for which we are assessing the potential impact of events on the Group's viability. The forecasts will be initially based on previously approved financial statements and then extrapolated to cover the period we are reviewing;
› A review of the specific sensitivities on those cash flow forecasts relevant to the Group, with a view to highlighting potential areas of stress for the business; and
› A review designed to estimate the impact of specific events and or circumstances which could be reasonably expected to occur, that have the potential to affect the viability of the Group.

Once those scenarios have been identified, the Group then considers the most effective means of mitigating the risks they pose. This is achieved through reviewing the existing procedures and controls already in practice that serve as key mitigations to those risks, and also considering where those controls and procedures could be revised or improved upon to better protect the Group as a going concern.

Assessment of Viability

The output of the Group's strategic and financial planning process reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 24 to 30.

These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period. While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled.

These were:
Scenario 1: Airline failure
Link to risk - supplier failure

Although the Group does not expect another airline failure in the immediate future, the possibility remains that another supplier could fail leading to a large exceptional cost to cover the necessary refunds to customers and any other related costs. This model has been thoroughly tested this year whilst dealing with the TCG failure and the Group remains confident that the short-term cash impact, before our chargeback claim is processed, can be covered by existing cash reserves or if necessary, utilising the Group's banking facility.

The Group has reviewed the list of its airline suppliers and does not consider any major airlines to be notable failure risks. In any event the Group remains prepared for such a failure through the combination of this hypothetical planning process and its recent experience of dealing with actual airline failures.

Scenario 2: GDPR fine or other major one-off cost.
Link to risk - regulatory breach

A serious GDPR breach can attract a fine of €20m or 4% of turnover, whichever is greater. For the Company, this would be €20m (£17m). The Group takes data protection very seriously and a series of controls and monitoring is in place to ensure compliance, the impact of such a fine has been considered.

The Group has considered the cash headroom over the next three years, and is comfortable that such a fine would not jeopardise the viability of the Group.

Viability Statement

The above scenarios are designed to allow the Group to review the maximum impact that such situations could have, for instance the maximum fine or the failure of a major supplier, in order to consider situations which could threaten its viability should they arise. However, as described above and in our key mitigations sections, there are controls and monitoring processes in place to allow us to observe the likelihood of these scenarios occurring and also to ensure we are best prepared to mitigate the impact on the business.

The planning process has indicated that through a mix of the available reserves, the Group's banking facility and real world experience of dealing with similar situations in the past that it would be capable of absorbing the potential impact on the business and remain a viable going concern.

Viability Statement

Based on their assessment of prospects and viability above, the Directors confirm that 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 three-year period ending 30 September 2022.

Going Concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Accounting Policies paragraph in note 2(b) to the Financial Statements.

Everything's Better On the Beach

Everything's Better On the Beach

We take great pride in our business and brand, and believe that everything's better On the Beach.

Making this mantra a reality for our customers and meaningful for our colleagues is a top priority and we apply this belief to all that we do. We adhere to the highest standards of corporate social responsibility, from the working environment that we create and the way that we treat our people, to our contribution within the community, and in operating responsibly and with long-term sustainability and value in mind.

Our Key Areas of Focus

› Our Customer
› Our People
› Our Community
› Our Sustainability

OUR CUSTOMER

Our purpose is to make it easy for people to find, book and enjoy their perfect beach holiday, and to deliver a great customer experience.

What Our Customers Say About On the Beach

A Great Customer Experience

We are relentless in our focus on providing customers with the very best care throughout their journey with us. We're incredibly proud of our industry-leading 4* customer review scores on Trust Pilot.

This year we further increased our focus on providing excellent customer service by including Net Promoter Score ("NPS") - along with our employee engagement score – as a key strategic measure, forming part of the management bonus scheme performance criteria and thereby giving this even greater prominence throughout the business. In the past year our NPS has increased and we continue to find new ways to give our customers the very best On the Beach experience.

Our customer service agents are dedicated to providing a great customer care and this year we introduced a new recognition scheme, whereby agents build time off in lieu for going above and beyond, to encourage and reward this even further.

Getting the Nation Swimming

We look to provide added value for our customers wherever possible. This summer, after our research found that fewer than half of British parents are confident swimmers and 68% are reluctant to swim with their children on holiday, we set out to help increase confidence in the water. Working with aquatics experts, we created bespoke family swim sessions, available at 150 locations around the UK, to help our holidaymakers create lasting memories in the pool or sea with our *#AllSwimclusive campaign.*

Combining water safety tips, swimming confidence activities and games to play as a family, we gave access to the sessions – which were completely free of charge – to 500 families.

Promoting Body Confidence to our Customers

We recognise that beach holidays can sometimes be positioned in the media and society alongside a myth of 'beach body readiness', promoting unrealistic and unhealthy expectations of flawlessness. We believe that all bodies are beach ready and that we have a responsibility to our customers not to contribute to these damaging ideals.

After finding that low body confidence prevents a third of women and a quarter of men in the UK from enjoying their holiday to the fullest, we launched body positivity campaigns - #ThisBikiniCan and #TheManBod - to celebrate the differences that make our bodies unique and beautiful in different ways, working with a series of high profile and diverse influencers to help spread our message.

Corporate Social Responsibility

OUR PEOPLE

Our teams grew by 20% this year and by the end of September there were 551 employees in the Group. Our workforce is composed of our customer-facing colleagues based in our Cheadle Operational HQ, our development and central business functions in our Digital HQ in Manchester and Classic in Worthing.

These colleagues are behind our success: from designing, developing and maintaining our websites and apps, to providing outstanding customer service, building our brands and ensuring that everything within the business runs like clockwork. This year we have brought in colleagues with the specific technical skillsets required to fulfill our strategic business aims, these have included data architecture, technical architecture, business intelligence and UX research roles.

Our redesigned and expanded graduate programme launched in September, when 16 software engineering graduates joined the Product Development team at our Digital HQ.

The graduates are a key part of our talent pipeline and will be receiving a mix of technical and general business skills training throughout the two-year programme, to develop them into fully -rounded technology leaders of the future. The programme kicks off with six weeks of training provided by Manchester-based Coding School, Northcoders.

Colleague turnover has remained stable and in line with our expectations over the year with a combined annualised attrition rate for OTB of 30.6% and for Classic of 14.6%.

Working Environment

A cornerstone of our people strategy is providing a working environment that motivates our teams and allows them to do their best work, along with helping to attract the very best talent. This year, in order to provide the space needed to fulfil our growth plans in the coming years, On the Beach opened a brand new Digital HQ in Manchester's city centre, and carried out a complete renovation of our Operational HQ in Cheadle.

Following extensive engagement with colleagues, these offices were designed specifically with their feedback and input in mind, creating spaces that allow us to get together, support greater collaboration and innovation, and provide modern working environments that we're proud to work in each day.

Within the Digital HQ at Manchester's Aeroworks building, features such as an auditorium, bar and extensive open-plan collaborative space have also allowed us to open the business up to the community to host a range of events, as well as communicate openly with colleagues.

Employee retention rates increased by

↑ **26%**

this year

Our Development team has grown by

↑ **26%**

since the opening of our Digital HQ.

Development

In the past 12 months we've invested significantly in our People team, which has doubled in size. A Head of People was appointed in May to lead this area of the business and implement and deliver our people strategy - which will create long-term value for our colleagues and the Group as a whole and is focused on:

- Optimising our organisational design
- Investing in diverse talent
- Building an inclusive, high-performance culture
- Delivering a high-quality and scalable people service

2019 saw us launch a programme designed to support our people managers and invest in all of those responsible for leading and developing others within the business. Introduced in August through Dive In, an off-site event attended by 60 managers from across the business, this programme includes formal management training along with networking opportunities to build a peer support community.

As strong and effective leadership is so integral to our success, we have also invested in the development of our senior leadership team. This year we kicked off a development programme for them starting with a 360° feedback exercise to build their awareness of their impact and perception within the business.

Company Culture

Ensuring the link between strategy, values and culture is critical in creating long-term sustainability in our working approach.

In anticipation of the 2018 Corporate Governance Code – which applies to the Company from 1 October 2019 – we have been especially focused on defining what a successful culture at On the Beach looks like, and implementing a framework to embed this within the business. This work began with a Group-wide culture survey during June. With excellent response rates across the board, the overall results were very positive with lower cultural stress levels than average. The results have informed a refresh of our company values and we are now building on these with competency frameworks and a new approach to managing performance to drive the values and behaviours that support our strategic aims and that we want to see more of. The approach will empower people managers to have meaningful development conversations with their teams by providing a structured system of values led objective setting, supported by quarterly check-ins and monthly one to ones.

Colleague Engagement and Feedback

Engaging colleagues and bringing them along on our journey is key to achieving our vision of building Europe's leading online beach holiday retailer.

Pier Group, our employee engagement committee, is made up of colleagues from every department, and is chaired by our CEO. With meetings taking place every six weeks, they provide a forum for colleagues to share feedback and ideas, and for company news and initiatives to be communicated.

To measure engagement, we run Hive, our annual employee survey which captures feedback on a range of topics, as well as gauging overall engagement levels. Engagement scores increased by 4% this year on 2018, and colleagues that would recommend On the Beach as a place to work increased by 5% on the prior year, with an average score of 8/10.

Acting on this feedback is vital in demonstrating to colleagues that when they talk to us, we listen. In response, improving our benefits offering, investing in management training and introducing more social events between our offices are just some of the things we've implemented this year.

The Board has determined that the most effective way of ensuring the employee voice is heard by the Board, is to have one or more designated Non-Executive Director(s) responsible for employee engagement. In the coming year, we will implement this into our employee engagement structure.

Encouraging Innovation

As a disruptive, tech-driven business, innovation is part of our heritage and critical in our day to day work. We strive to seek out new approaches, solutions and creative ideas. To support this, for the past three years we have held an annual 'hack week', in which our Development teams explore new projects, try out creative approaches, and test new tools. It's just one of the ways that we foster creativity and support teams in expanding their knowledge.

Investing in our Systems

This year we saw the successful launch of a new HR management system, People HR, which provides leading-edge and mobile-enabled technology to manage our HR data, along with recruitment management, absence planning and monitoring, and more. The tool has automated previously manual processes, and provides improved workforce insights and analytics that allow us to deliver our People strategy in a way that our previous systems couldn't support. The system will also provide the technology to support our new performance management approach from this autumn.

Wellbeing

We care deeply about our colleagues' wellbeing, which is key in not only retaining and attracting the very best talent, but is also central to supporting the long-term sustainability of the business and its people. As a result, our colleague benefits and wellbeing package is something which we have invested in significantly this year.

Several new benefits have been introduced, including Death in Service, Cycle2Work Scheme and the Simplyhealth Optimise Health Plan. This provides colleagues with a range of healthcare benefits including cashback on everyday healthcare costs, access to a GP 24 hours a day, free face-to-face counselling, plus an Employee Assistance Line offering confidential specialist advice 24 hours a day so our employees feel well supported no matter where they are or what time it is.

In 2019 we also introduced the flu jab, offered free of charge and on site to all colleagues.

Colleague Communications

This is an area of expertise that the business has invested in over the past 18 months and a range of channels are in place to support a communicative and collaborative culture, which not only informs but promotes two-way dialogue and encourages colleagues to share their thoughts, ideas and feedback.

This year we have extended our internal communications capabilities, including hiring an additional Communications Officer, allowing us to focus on providing yet more ways to keep colleagues informed, engaged and listened to.

Our quarterly magazine, Beach Life, is created by colleagues for colleagues and shares the latest news and updates from around the business and its brands, as well as features focused on our teams to help bring us all closer together. It also celebrates business triumphs to support our drive to succeed.

A regular all-company e-newsletter has launched to share timely business news and updates, as well as introduce our new starters to help keep us all working as a team and collaborating effectively.

We hold quarterly, all-company, business updates, bringing our teams together for face-to-face sessions with the senior leadership team to hear about the latest Company performance.

Throughout our office move and renovation, a range of communications channels were introduced to keep everyone informed throughout the process, as well as gather feedback from colleagues and maintain engagement. This included a dedicated microsite sharing video and photo content, news updates and a calendar with key dates. A working group, made up of departmental representatives, was also established to provide an open and two-way communication channel between teams within the business and this group met regularly before, during and after the move.

Job Evaluation

This year we embarked on a job evaluation programme across the Group in partnership with Willis Towers Watson, to create a job banding system. Measuring all roles within the business, this programme will support the business in transparent decision making, ensuring a fair pay structure and providing a clear career development path for colleagues. It will also be used to underpin a planned review of our employment terms and conditions in 2020.

Corporate Social Responsibility

"It's been phenomenal to see the response from On the Beach, and so rewarding to see the 500,000th person join the donor register in the very office that Andy worked in for so many years."

Louise Clague, Andy Clague's wife

OUR COMMUNITY

From providing opportunities for young people to supporting charitable initiatives, making a meaningful contribution to the communities in which we operate is something which we are passionate about. Here are just a few of the community-focused activities that we were involved in this year:

Charity

The business has a policy in place to support colleague fundraising initiatives and events and we've been involved in everything from bike rides to bake sales and golf tournaments this year.

A key focus for us over the past 12 months though has been the Stem Cell Donor Register, in memory of a much-loved colleague, Andy Clague, who passed away after a two-year battle with blood cancer in 2017. For people diagnosed with this type of illness, a blood stem cell donation is their best – and often only – chance of survival. As a result, this year we have been working with blood cancer charity DKMS to help encourage more people to join the Stem Cell Donor Register.

Donor registration events, held at both our Operational and Digital Headquarters, saw an incredible response from colleagues, with more than 160 (over 40% of our workforce at the time) signing up to join the Stem Cell Donor Register and helping DKMS to surpass the half a million registered donor mark.

Andy's wife, Louise Clague, said "It's been phenomenal to see the response from On the Beach, and so rewarding to see the 500,000th person join the donor register in the very office that Andy worked for so many years."

We continue to support DKMS through PR activity and in providing support and advice to other businesses in the Northwest to run their own registration events.

Getting Manchester On the Beach

Having moved to the city centre in November, we set about bringing the beach to Manchester to help create a must-visit – and free – space for families to enjoy the summer, complete with a giant sandpit, picnic areas, deckchairs and playhouse. The space played host to a full season of family-friendly activities between May and September, helping to build brand relations and visibility in the city.

A Part of the Digital Community

We host regular events at our Aeroworks office; from the Northwest Ruby User Group and CRAP (Conversion Rate, Analytics, Product) Talks, to Digital Her events to support women in technology, user experience meet ups, and blogger get-togethers which have raised our profile in the region's digital community as well as supported our recruitment aims.

Corporate Social Responsibility

Supporting Women in Tech
As a tech business, we are part of an industry which faces its own unique issues regarding gender and the shortage of women embarking on further education and careers in the fields of science, technology, engineering and mathematics (STEM).

We are working closely with local community groups, including Manchester Digital on their Digital Her campaign, which focuses on inspiring and empowering girls to engage with STEM – related subjects at GCSE and A-level and giving them the confidence to explore careers in digital and technology roles. A number of our female colleagues are acting as 'real role models' for the campaign, sharing their route into the industry and insight into their roles, and working with young girls to make the tech industry more accessible and appealing.

On the Beach has played host to the campaign's Real Role Model Meetups, as well as running sessions at Digital Her's Inspire and Empower Roadshow at Manchester's Etihad Stadium.

OUR SUSTAINABILITY

Reducing our Environmental Impact
We take our responsibility regarding the environment seriously and are committed to reducing our impact wherever possible.

This year we have reduced our paper output by moving to 'follow me' printers, paperless payslips and making our colleague magazine available online.

As part of a series of new benefits, we've focused on encouraging the use of more sustainable public transport with colleagues. This has included the introduction of the Cycle2Work Scheme, as well as interest-free loans on tram and train season tickets, making these options more affordable for our teams.

Gender Pay Gap Report
The benefits of a diverse and inclusive leadership and workforce are clear – both in terms of creating a thriving company culture and long-term sustainability.

In March 2019, the Company published its second annual Gender Pay Gap Report, looking at the difference in average pay between all men and women within the Company as at April 2018. The report found on average, hourly pay for a woman to be 26.1% less than a man.

There continue to be two main contributing factors to the Gender Pay Gap at On the Beach: the lower proportion of women within the most senior roles and the higher numbers of men within higher paid technology roles.

It is our aim going forwards to promote and recruit more women into both senior and technology roles across the business, which we believe will help lessen the gender pay imbalance at On the Beach in the future.

Diversity and Inclusion
Creating a diverse and inclusive workplace - and a company culture which supports this - is crucial for us as a business. To build a successful strategy to achieve this, we first sought to understand the make-up of our business by asking all colleagues to provide 'Equality & Diversity Data' within their personal People HR records. Collecting this information is considered to be best practice because it gives employers a powerful tool to measure success in creating a diverse and inclusive workplace by giving us a clear picture and understanding of the composition of our workforce.

Over 80% of colleagues provided their data and we have now set up a new governance structure to shape and implement our diversity and inclusion strategy and associated action plan in line with this. Our Diversity and Inclusion Steering Group, chaired by Bill Allen, our Chief Supply Officer, meets on a monthly basis and is responsible for delivering the Diversity & Inclusion Action Plan in line with business requirements and feedback.

The Steering Group is fed into by our Diversity and Inclusion Forum, a colleague engagement group focused entirely on this topic, made up of 10 self-nominated colleagues from across the business.

Priority initiatives planned for this autumn include the roll-out of Unconscious Bias training to all colleagues and the introduction of Colleague Inclusion Networks.

On the Beach has been granted a Tier 2 visa sponsorship licence which gives us access to a truly global talent pool and will contribute to the diversity of our colleagues.

Employment of Disabled Persons
The Group's policies and procedures and Company Handbook contain policies in relation to the employment of disabled persons which are carefully adhered to. Selection for employment, promotion, training and development (as well as other benefits and awards) are made on the basis of merit, aptitude and ability and the Group does not tolerate discrimination in any form, including in relation to disabled candidates.

The Group puts in place an Employee Wellbeing Plan ('EWP') with any employees who need support with any health conditions, physical or mental. Each EWP is designed to ensure the Group is meeting all the needs of the relevant employee, for example risk assessments, and details of all adjustments which need to be made to accommodate the additional needs of the relevant employees, e.g. disabled parking space, step-free access and specific workstation needs. Moreover, if any employees should become disabled during the course of their employment there are policies in place to oversee the continuation of their employment and to arrange training for these employees.

Anti-Corruption and Bribery

On the Beach is committed to operating ethically and employees do not actively seek gifts or favours from any of our suppliers, or from other persons or organisations that we associate with. 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.*

Greenhouse Gas Emissions

Because the Group's business is primarily online, with no retail footprint, our carbon emmissions are small, as demonstrated by the table below.

The Group's footprint has grown relative to last year as we now have three offices. Digital HQ in Manchester, Operational HQ in Cheadle and Classic in Worthing.

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 Director's Reports) Regulations 2013

Greenhouse gas emissions by Scope

	Unit	2019 Quantity[1]	2018 Quantity[2]
Scope 1			
Gas consumption	Tonnes CO_2e	**128.06**	88.18
Scope 2			
Electricity consumption	Tonnes CO_2e	**585.88**	422.95
Total emissions	Tonnes CO_2e	**713.94**	511.13
Relative emissions, by Group revenue	Tonnes CO_2e/£m Group revenue	**4.8**	4.9

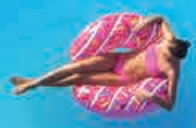
1 *These figures include the combined CO_2e totals for our Digital HQ, Operational HQ and Worthing office. The figure for our Operational HQ is based on information from 1 June 2018 to 31 May 2019 but we consider that the actual energy consumption during the reported period would not be materially different from the stated period.*

2 *These figures for our Operational HQ were based on information from 1 June 2017 to 31 May 2018 so did not correspond exactly to the FY18 reporting period, but we consider that the actual energy consumption during the reporting period would not be materially different from the stated period.*

Our Values

We have a clear vision:

To build Europe's leading online beach holiday retailer via a single platform, multi-brand strategy.



Nurturing a culture which supports us in achieving this vision is essential, and our company values provide the framework around which that culture is built and thrives.

In the years since our company values were first established the business has grown and changed: our teams have expanded, our product has extended and our strategy has evolved. To ensure that our company values reflect the business that On the Beach has become and aspires to be – and support us in achieving our vision - in 2019 we embarked on an exercise to review and refresh those values.

Taking into account feedback from our employee engagement and culture surveys - along with conducting workshops with the Leadership team and consulting colleagues - our previous company values were evolved into a new, memorable and meaningful set. Launching with colleagues in December 2019, these are now being embedded across the business and throughout every stage of the colleague lifecycle.

We are proud to have the following values at the heart of the business:

We're**Bold**

We set our sights high and we deliver. That means that we seek out new adventures near and far, do things differently and have the confidence to make bold choices. And we like to stand out from the crowd too.

We're**Open**

We pride ourselves on being great hosts: warm and welcoming, a bit like your favourite beach. We're a down to earth and friendly bunch who work together with a shared sense of purpose - and a purposefully open and inclusive attitude.

We're**Dynamic**

Travel is part of who we are and embedded in everything we do. We don't sit still and are always moving to stay ahead, learn quickly and find creative ways of doing things. Fast, flexible and full of energy; that's us.

Stakeholders

Stakeholder Engagement in 2019

The Board recognises its responsibility to take into consideration the needs and concerns of our stakeholders as part of its discussion and decision-making process. Set out below are examples of how the Company has engaged with its various different stakeholders during the year.

- Examples of engagement
- Examples of issues addressed with stakeholders

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
- Holiday checklist
- Arranging refunds/replacement flights for TCG customers
- Resolve supplier issues
- Increase service quality
- Deliver product (supply) quality
- Enhance product e.g. payment plans
- Increase repeat purchase rates
- Pre-departure checks/assistance

Colleagues

- HIVE survey (internal engagement barometer)
- Beach Life (Internal magazine)
- Pier Group
- R&D weeks (innovation weeks)
- Meet the CEO / Ideas inbox
- OTB colleague social events
- Townhall meetings
- Office relocation/refurbishment
- Gender Pay Gap Report
- Benefits Review
- Development, Training & Qualifications
- Culture Survey
- Spanish language classes
- Yoga classes
- Company performance updates
- Share schemes
- Charity events
- Focus groups
- Colleague awards

Shareholders

- Annual general meeting
- Annual Report
- Individual / group meetings
- Investor conferences
- Site visits
- Investor roadshows-UK/Europe/US
- Significant expansion of analyst coverage
- OTB growth strategy
- Corporate governance
- Remuneration
- Diversity and inclusion
- Environmental, Social & Governance
- Financial results
- Expansion opportunities
- Structural market change
- Mergers & Acquisitions
- FX Policy/Strategy

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
- Health and safety
- TCG Failure

Stakeholder Case Study - Thomas Cook Collapse

Handling the Thomas Cook Collapse: Supporting Stakeholders in a Crisis

As an online travel agent, the failure of a key supplier has an impact on the business itself, as well as on our key stakeholders, requiring robust crisis management and intricate contingency planning to be in place. On 23 September 2019, the compulsory liquidation of Thomas Cook Group ("TCG") - a significant airline partner of the Group – required a swift and effective response in order to minimise any such impact.

Having previously been identified by the business as a potential risk, an in-depth planning process had been undertaken in advance to ensure that the potential impacts on all stakeholders – as well as the financial and operational impacts on the business – had been fully considered. When the risk became a reality, this meant that we were able to react quickly, helping to mitigate those risks.

Key Stakeholder Impacts

Investors
Financial impact from company costs incurred and impact on share price

Suppliers
Incurring direct losses themselves, as well as through On the Beach bookings

Customers
Unable to take holiday, changes to return travel plans or difficulty in re-booking a future holiday due to wider industry impact, financial losses

Colleagues
Additional work and pressure, along with the need to be kept informed and provide accurate information to customers

Actions Taken

Stakeholder	Actions Taken
Investors	An RNS was issued to the London Stock Exchange at 7am on the morning of the failure announcing that TCG was to enter into compulsory liquidation, including the news that there would be a one-off exceptional cost as a result of helping customers organise alternative travel arrangements. A conference call for analysts was held that same morning. Management spoke to each of the nine covering sell side equity analysts separately on this day, providing context and details as to how this will impact the Group both in the short and long-term. The collapse of the tour operator also sparked key investor interest in the weeks following the failure. Conversations with the top shareholders were held, with added context and detail as to how this will not only impact the Group, but sector as a whole. On the day and during the weeks following the collapse, management spoke to the key business leisure journalists at the national, investment and trade publications to outline the business' position within such an unprecedented situation. This resulted in a positive array of media coverage which was supplemented by the commentary produced from the analysts as part of their research notes and forecasts. Furthermore, on the back of this market change, the Group recognised that there was the opportunity to take additional market share at an increased rate. As part of the Pre Close Trading Update on 22 October 2019, it was announced that the Group has started to strategically increase its marketing investment both online and offline to attract new customers to onthebeach.co.uk, sunshine.co.uk, Classic Collection and Classic Package Holidays.

Stakeholder	Actions Taken
Suppliers	All suppliers and regulators were communicated with promptly early in the morning of the collapse, and regularly thereafter, to outline actions being taken by the business and to provide updates.
Customers	Policies and customer communications were prepared and agreed in advance, enabling us to communicate with customers quickly the same morning of the collapse across a broad spectrum of channels - from SMS messaging, email, social media, IVR and an on-site Q&A page. Development work was carried out in advance to ensure that the technical capabilities were in place to process and issue refunds promptly should a failure occur. On average, customers were able to collect these refunds on the same day, accessible in their bank accounts within three to five days. Our operations teams worked around the clock to maximise the opportunity for customers to continue to take their holiday, to re-book holidays and issue refunds when this wasn't possible. We provided support to customers in a host of ways – including repatriating those not covered by the CAA repatriation programme, offering refunds on flight only TCG bookings and providing all those with cancelled bookings with a goodwill On the Beach voucher. Social media played an important part in our customer service response, with all messages received via these channels – more than 10,000 in total – being responded to directly by a member of the team. Fantastic feedback was received in response to the service provided across the board.
Colleagues	A core crisis response team was established in advance to set up processes and carry out any preparatory work needed. This team was brought together immediately following the failure announcement and a series of regular video conferences, which took place several times daily, allowed for regular 'face to face' meetings between our Digital HQ, Operational HQ and our Worthing office. A communication was issued first thing in the morning of the failure to notify all colleagues of the news, the steps being taken by the business and how we would be looking after customers during this time, with regular updates following. Prior preparation meant that plans were in place for colleagues when the collapse took place and they were able to take actions immediately, and have answers ready to respond to customers, reducing associated stress and pressure. Recognising the extraordinary efforts of our teams and maintaining morale was incredibly important, with thanks given in colleague communications, as well as a range of activities designed to maintain spirits, including company breakfasts and lunches, to give recognition to the outstanding work being put in by teams.

What our customers had to say

Annie McFadden
SEPTEMBER 23, 2019 6:18 PM(UTC+01:00)

I'm absolutely amazed at the response from On the Beach. Absolutely FANTASTIC. Had a full refund by this afternoon and that was without me contacting them. I take my hat off to all the staff, you've done amazing in a very difficult situation with no stress to your customers. I won't consider ever booking with another company again. And thank you for the £75 voucher, a lovely kind gesture. Honestly, I'm so impressed.

Governance

Chair's Introduction

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

Compliance with UK Corporate Governance Code

This year the Company was subject to the 2016 edition of the Financial Reporting Council UK Corporate Governance Code ('Code'). I am pleased to confirm that the Company complied with the Code except for a small number of provisions that are explained in more detail on page 51. The areas of non-compliance relate to Board and Committee composition and largely stem from the fact that the Board was a Director down for a short period of time following Lee Ginsberg's resignation on 6 February 2019. The areas of non-compliance were either remedied upon my appointment as Chair or will be remedied once an additional Non-Executive Director has been appointed, the search for which is underway.

The Board has spent time considering the changes brought in by the 2018 UK Corporate Governance Code which will apply to the Company for the financial year ending 30 September 2020. The new Code puts more emphasis on stakeholder engagement, diversity and corporate culture, and we are confident that next year we will be able to report that the Company is compliant with this version of the Code.

The report which follows this introduction will set out in detail how the Company ensures compliance with the provisions of the 2016 Code and its progress to preparing for compliance with the 2018 Code.

Board Composition and Diversity

Through the Nomination Committee, we keep the composition of the Board under review to ensure it is refreshed to reflect the skills, experience and diversity required to remain effective.

Over the last 12 months there have been some changes to the Board. Lee Ginsberg stepped down as Chair of the Board on 30 November 2018 to focus on other commitments and David Kelly was appointed interim Chair from this date. Lee resigned as a Non-Executive Director on 6 February 2019. I took on the role of Chair of the Board from 1 April 2019 and David resumed his role as Senior Independent Director and continues to chair the Remuneration Committee.

As mentioned earlier, we intend to appoint a further non-executive director to the Board and you can read more about this in the Nomination Committee report on pages 58 to 59.

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 pages 55 to 56.

An external Board evaluation exercise is currently being planned and will be reported on next year.

Future Priorities

During the coming year, the Board will continue to focus on the progress made against our strategic priorities and performance. In addition, we will oversee the implementation of the new Code, and ensure that the Company's purpose, values and strategy are aligned with the Company's culture.

Richard Pennycook
Chair of the Board
On the Beach Group plc
27 November 2019

Board of Directors*

Simon Cooper
CHIEF EXECUTIVE OFFICER

Appointed to Board:
17 August 2015
Independent:
No
Listed Company Appointments:
None
Committee Memberships:
Disclosure (Chair)

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' in 1996, which went on to be purchased by Thomson (now TUI) in 2008.

Simon has extensive travel experience, with over 20 years in the industry, and as the founder of On the Beach he has a detailed understanding of the business and all operations. He led the company through both its IPO process in 2015 and the acquisitions of Sunshine.co.uk and Classic Collection Holidays. As a seasoned entrepreneur Simon brings key expertise in strategy development and execution to the Company.

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

Paul Meehan
CHIEF FINANCIAL OFFICER

Appointed to Board:
16 January 2017
Independent:
No
Listed Company Appointments:
None
Committee Memberships:
Disclosure

Prior to joining On the Beach, Paul was a Director at Gala Coral Interactive (Gibraltar) Ltd. (now part of GVC Holdings plc). Paul joined Gala Interactive as Finance Director in April 2012, where the new management team successfully relaunched the online gaming businesses in Gibraltar.

Paul was the Director responsible for the online aspects of the merger between Gala Coral Group Limited and Ladbrokes plc. He previously held CFO positions in a number of businesses in the UK, within the online retail, gaming and technology industries.

Paul brings both financial and commercial expertise within the B2C and B2B environments, especially in business transformation, mergers and acquisitions. As a certified Accountant, Paul's previous experience means he brings knowledge of both the online and technology industries to the Company.

Richard Pennycook
NON-EXECUTIVE CHAIR OF THE BOARD AND CHAIR OF NOMINATION COMMITTEE

Appointed to Board:
1 April 2019
Independent:
Yes
Listed Company Appointments:
Howden Joinery Group plc
Committee Memberships:
Nomination (Chair), Remuneration, Audit and Disclosure

Richard Pennycook joined On the Beach as Chair of the Board and Chair of the Nomination Committee on 1st April 2019. Richard brings extensive experience in both private and public retail and consumer businesses, including fast-growing online businesses.

Richard is also Non-Executive Chairman of Howden Joinery Group plc, a position he has held since 2016, having joined the Board as a Non-Executive Director in 2013. He was previously Non-Executive Chairman of The Hut Group from 2012 to 2018, having worked with this fast-growing technology unicorn in an advisory capacity since 2008.

Prior to his Non-Executive career, Richard was CEO of The Co-operative Group from 2013 to 2017, and before this held main Board roles at a number of public companies, including Wm Morrison Supermarkets plc, RAC plc, HP Bulmer Holdings plc, Laura Ashley Holdings plc and J D Wetherspoon plc.

Elaine O'Donnell

NON-EXECUTIVE DIRECTOR AND CHAIR OF AUDIT COMMITTEE

Appointed to Board:
3 July 2018
Independent:
Yes
Listed Company Appointments:
Games Workshop Group PLC
Studio Retail Group plc
Committee Memberships:
Audit (Chair), Nomination, Remuneration

Through her other appointments Elaine brings to the Board extensive experience as a Non-Executive Director and Chair of not only Audit, Nomination and Remuneration committees but also as Chair of the Board of the wholly owned subsidiary Alliance Fund Managers (AFM). Elaine is a Chartered Accountant and brings online retail industry experience to the Company, as well as experience in regulated industries.

Elaine was previously a Partner at Ernst & Young LLP where she specialised in Corporate Finance, Mergers and Acquisitions.

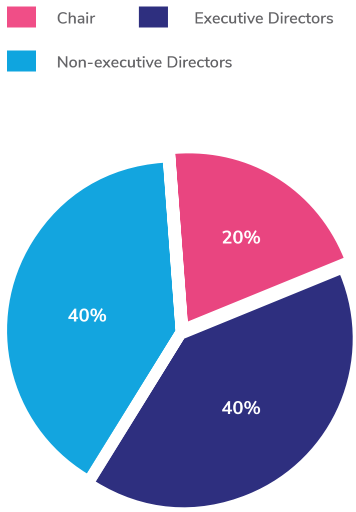
David Kelly

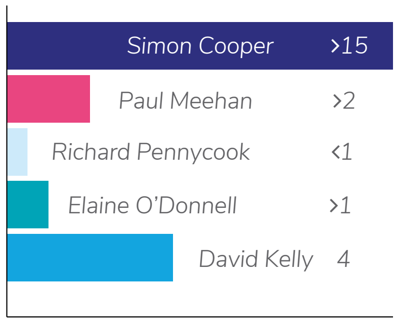
NON-EXECUTIVE DIRECTOR, CHAIR OF REMUNERATION COMMITTEE AND SENIOR INDEPENDENT DIRECTOR

Appointed to Board:
28 August 2015
Independent:
Yes
Listed Company Appointments:
The Gym Group plc
Reach PLC
Committee Memberships:
Audit, Nomination, Remuneration (Chair)

David joined On the Beach in August 2015 as Non-Executive Director and Chair of the Remuneration Committee. His previous experience spans a variety of complementary sectors, and he brings online travel industry knowledge from positions at Lastminute.com, Holiday Extras and Love Home Swap, along with a broad ecommerce background having held senior roles at Amazon, eBay and Qliro.

His current appointments also align with his position at On the Beach as they afford him extensive knowledge of both Non-Executive Directorships and Chair of Committee Roles. Specifically at On the Beach, David has in-depth knowledge of the business, being the Group's longest serving Non-Executive Director and the Company's Senior Independent Director.





Tenure in years

* Lee Ginsberg was a Director during the year but resigned on 6 February 2019.

Hannaan *Junior UX Designer*

There's a real energy and curiosity that thrives within the User Experience team and wider business – we're focused on finding innovative ways to make the experience of booking beach holidays exciting and seamless for our customers.

Favourite Beach: Mitjaneta Beach, Spain

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 (Code). This section also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules. 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 2019, the Company was compliant with the Code except for:

- Provision B.1.2. For part of the year, the Company did not comply with the requirement that at least half of the Board, excluding the Chair, should compromise of independent Non-Executive Directors. This non-compliance arose when Lee Ginsberg stepped down as a Non-Executive Director on 6 February 2019 and was remedied upon Richard Pennycook's appointment as Chair on 1 April 2019.

- Provision C.3.1. The Company did not comply with the requirement for the Audit Committee to have at least three independent Non-Executive Directors (or two in the case of smaller companies). Whilst the Audit Committee currently has three independent Non-Executive Directors, one of those is the Chair. Under the Code, the Chair may only be a member of the Audit Committee in smaller companies. Whilst the Company is not currently a constituent of the FTSE 350, it was a constituent from March 2018 to December 2018 and therefore is technically not classed as a smaller company for this financial year. We are also mindful that under the 2018 version of the UK Corporate Governance Code, the Chair should not be a member of the Audit Committee (regardless of whether the company is a smaller company or not). Accordingly, the search for an additional Non-Executive Director is underway (as explained in more detail in the Nomination Committee Report on page 58) and Richard Pennycook will accordingly step down as a member of the Audit Committee once the new Non-Executive Director has been appointed.

- Provision D.2.1. The Company did not comply with the requirement for the Remuneration Committee to have at least three independent members. The Chair can be a member of the Remuneration Committee but is not permitted to chair it. Following Lee Ginsberg's resignation on 6 February 2019, there were only two independent members of the Remuneration Committee and David Kelly, who is Chair of the Remuneration Committee, was appointed interim Chair of the Board. Accordingly, from the date that David Kelly was appointed interim Chair of the Board (22 November 2018) until Richard Pennycook's appointment on 1 April 2019, the Company was not in compliance with this provision of the Code.

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

Role of the Board

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

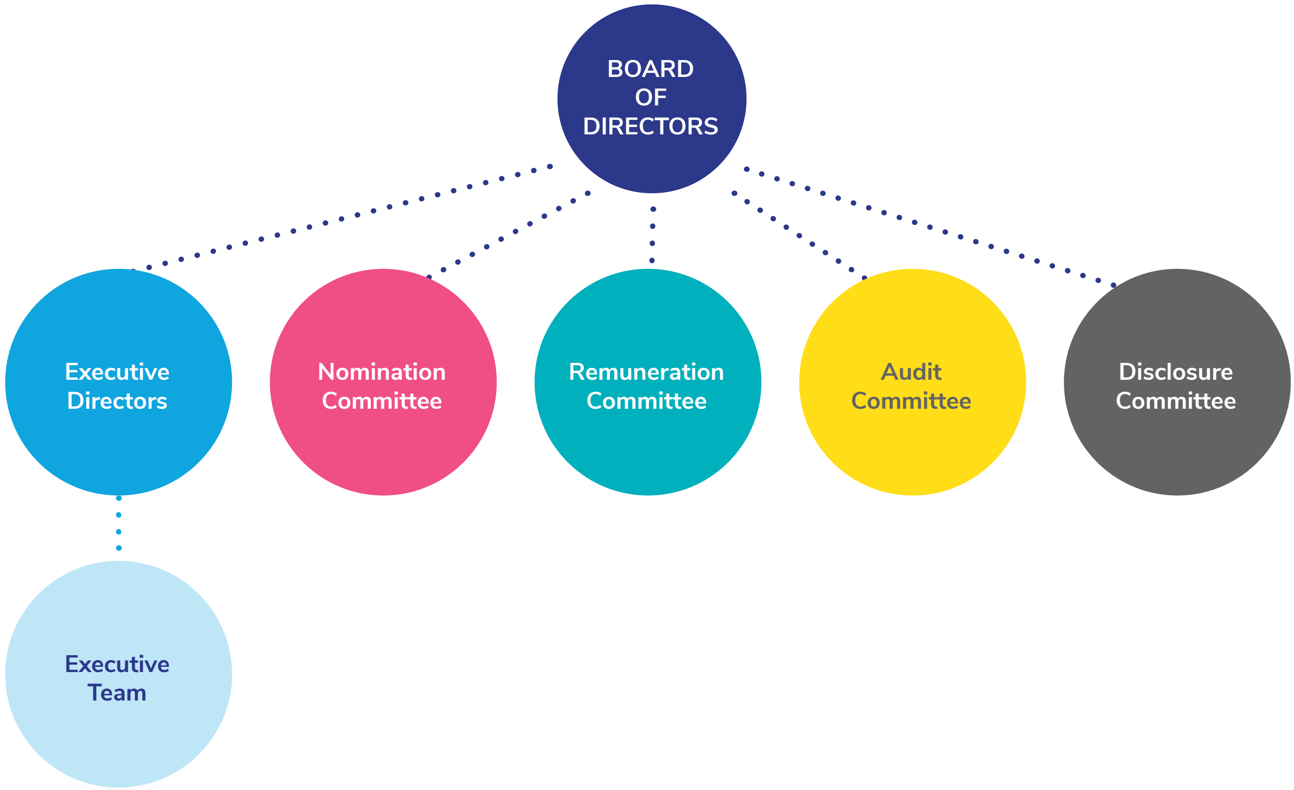
The Executive Directors are supported by an Executive team to whom the Board delegates the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business, who cascade this responsibility throughout the Group. The Board has close contact with the wider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

Matters Reserved to the Board

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

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

Corporate Governance Statement



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 Statutory Auditor.	**Elaine O'Donnell** (Chair) **David Kelly** **Richard Pennycook** (from 1 April 2019) **Lee Ginsberg** (until 6 February 2019)	60
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) **Elaine O'Donnell** **Richard Pennycook** (from 1 April 2019) **Lee Ginsberg** (until 6 February 2019)	66
Nomination Committee	Reviews structure, size and composition of the Board and makes appropriate recommendations to the Board	**Richard Pennycook** (Chair & member from 1 April 2019) **David Kelly** **Elaine O'Donnell** **Lee Ginsberg** (Chair until 30 November 2018, member until 6 February 2019)	58
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) **Paul Meehan** **Richard Pennycook** (from 1 April 2019) **Lee Ginsberg** (until 30 November 2018) **David Kelly** (1 December 2018 until 31 March 2019)	N/A

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.

Nine scheduled Board meetings were planned and held during the financial year. A number of other Board meetings, Committee meetings and telephone conferences were also held during the year, as the need arose. The table below shows the actual number of meetings attended and the maximum number of scheduled meetings the Directors could have attended.

Director	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Richard Pennycook[1]	4/4	3/3	2/2	1/1
Simon Cooper	9/9	-	-	-
Paul Meehan	9/9	-	-	-
David Kelly	9/9	6/6	6/6	5/5
Elaine O'Donnell	9/9	6/6	6/6	5/5
Lee Ginsberg[2]	3/3	2/2	2/2	3/3

1 *Richard Pennycook was appointed on 1 April 2019*

2 *Lee Ginsberg resigned on 6 February 2019*

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.

Non-Executive Chairman

Richard Pennycook, as Non Executive 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.

Chief Executive Officer

Simon Cooper, as 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.

Senior Independent Director

David Kelly was appointed as the Senior Independent Director on 3 September 2018. The following additional responsibilities fall within the remit of the Senior Independent Director:

- acting as a sounding board for the Non-Executive Chair and supporting him in ensuring the Board is effective and that constructive relations are maintained;
- acting as an intermediary for the other Directors when necessary;
- being available to shareholders in order to understand their issues and concerns in order to relay to the Board.

Corporate Governance Statement

Non-Executive Directors
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 Non-Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy and succession planning.

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. No such concerns arose during the financial year.

Company Secretary
The Company Secretary acts as secretary to the Board and its Committees and her appointment and removal is a matter for the Board as a whole. The Company Secretary is a member of the senior leadership team and all Directors have access to her advice and services. In certain circumstances, Board Committees and individual Directors may wish to take independent professional advice in connection with their responsibilities and duties, and, in this regard, the Company will meet the reasonable costs and expenses incurred and the Company Secretary will assist in arranging such advice.

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

Board Composition and Independence
During the year the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members. Further details of this review are set out in the Nomination Committee report on pages 58 to 59.

As required by the Code, at least 50% of the Board, excluding the Chair, are independent Non-Executive Directors. The Board is currently comprised of five members: the Non-Executive Chair of the Board, two Executive Directors and two Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 48 and 49.

Non-Executive Directors are required to be independent in character and judgement. The Board has determined that all the Non-Executive Directors who served during the year were independent and that, before and upon appointment as Chair, Richard Pennycook met the criteria of independence as outlined in the Code.

The Board also believes that each of the Non-Executives has retained independence of character and judgement and has not formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group.

Appointments to the Board
The Nomination Committee, which is chaired by the Chair of the Board and comprises all Non-Executive Directors, leads the process for Board appointments, which are made on merit, against objective criteria, and makes recommendations to the Board.

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.

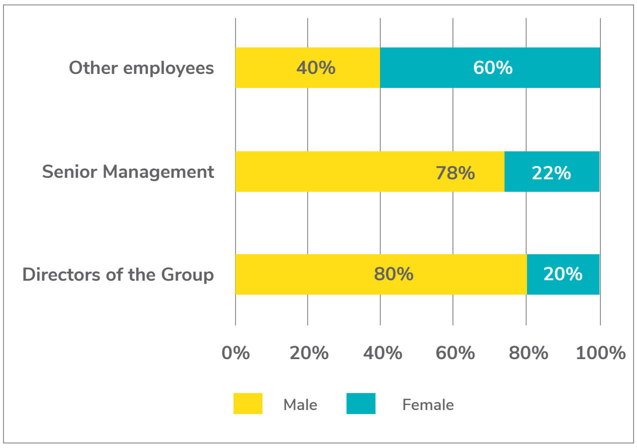
Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period. Any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.

For further details of the work of the Nomination Committee, including the appointment of Richard Pennycook as Chair of the Board, please see the report of the Nomination Committee on pages 58 to 59.

Diversity
The Group is committed to creating a diverse and inclusive workplace. Please refer to page 40 for more details on our diversity and inclusion strategy.

For any Board vacancies that 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 59 for further details.

As at 30 September 2019, the average age of our employees was 33 years old and the gender split between employees was as follows:



AGM

Our Annual General Meeting will be held at 11am on 6 February 2020 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

The Board is satisfied that all the Non-Executive Directors are able to devote sufficient time to the Company's business. Non-Executive Directors are advised when appointed of the time required to fulfil the role and asked to confirm that they can make the required commitment. Each individual's commitment to their role is reviewed annually and any external appointments or other significant commitments of the Directors require the prior approval of the Board. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.

The Chair and the Non-Executive Directors hold external directorship of listed businesses, and these are disclosed within their profiles on pages 48 and 49. The CEO is a Non-Executive Director of CurrentBody.com Limited.

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 that they consider is in good faith, and 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 Richard Pennycook during the year. Each induction is tailored to the relevant Director's experience and background with the aim of enhancing their understanding of the Group's strategy, business, operating divisions, employees, customers, suppliers and advisers and the role of the Board in setting the tone of our culture and the governance standards.

All Directors are kept informed of changes in relevant legislation and regulations and of changing financial and commercial risks, and 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 internal 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.

As part of the evaluation process, questionnaires were completed by each Board member in order to compare performance against the 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.

Corporate Governance Statement

The evaluation established that the Board and its Committees were operating effectively and efficiently, with good leadership and accountability. The Board dynamic works well, with great dedication and commitment of each of the Board members, and with the appropriate level of support and challenge from Non-Executive Directors. No major issues arose but the evaluation identified some actions to be taken to further improve Board effectiveness.

During the year, the Senior Independent Director evaluated the performance of the Chair and the Chair evaluated the performance of each Director. In addition, the Non-Executive Directors met independently from the Executive Directors to discuss with the Chair the overall functioning of the Board and the Chair's contribution in making it effective.

The Executive Directors, along with the senior leadership team, were appraised through an externally facilitated 360° review process.

Following the above evaluations, the Directors concluded that the Board and its Committees operate effectively and that each Director continues to contribute and demonstrates commitment to the role.

Investor Relations

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

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

Approved by the Board and signed on its behalf:

K Vickerstaff
Company Secretary
27 November 2019

Ezgi Talent Manager

As the business grows, it's essential that we're able to attract the right people to help us realise our goals, whilst maintaining our unique culture at the same time. The Talent team is involved at all stages of the recruitment process, which means we can really take the opportunity to showcase exactly what On the Beach has to offer and tailor the experience for each candidate throughout the journey.

Favourite Beach: Agios Stefanos

Report of the Nomination Committee

Richard Pennycook
Chairman, Nomination Committee

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2019.

Committee Membership

- The members of the Committee are as set out below.
- Lee Ginsberg was Chair of the Committee until November 2018. Lee was succeeded by David Kelly who acted as interim Chair of the Committee until my appointment in April 2019. Lee stepped down as a member of the Committee in February 2019.
- All members of the Committee are considered to be independent.

Committee Meetings

- The Committee meets at least twice annually and at such other times as are necessary to discharge its duties.
- Committee Members do not participate in discussion or vote on matters on which they are conflicted.
- Meetings are attended by the Chief Financial Officer, Chief Executive, Company Secretary and other relevant attendees by invitation.
- The Committee met five times during the year and member attendance is shown below:

	Members from	Meetings attended
Richard Pennycook (Chair)	April 2019	1/1
David Kelly	August 2015	5/5
Elaine O'Donnell	July 2018	5/5
Lee Ginsberg	August 2015[(1)]	3/3

[(1)] *Lee Ginsberg stepped down on 6 February 2019.*

Role of the Committee

- The Committee's responsibilities are set out in its terms of reference which are reviewed annually and were recently updated in line with the 2018 Code. The terms of reference can be found at the Company's website at www.onthebeachgroupplc.com.

The Committee's main responsibilities are:

- Keeping under review the size, balance and composition (evaluating the balance of skills, knowledge, experience and diversity) of the Board and its Committees, and making recommendations to the Board on any desired changes;
- Overseeing the succession planning for the Board and executive team, including the identification and assessment of potential candidates and making recommendations to the Board;
- Leading the process for Board appointments by identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise and ensuring there is a formal and transparent procedure for any such appointment;
- Reviewing the time commitment required from the Non-Executive Directors; and
- Keeping under review the leadership needs of the Group in respect of both its Executive Directors and other senior management, including an assessment of the time commitment expected and recognising the need for availability in the event of crises.

Nomination Committee activities in 2019

Appointment of New Chair of the Board

Lee Ginsberg announced his intention to step down as Chair of the Board in November 2018. David Kelly, as the Senior Independent Director, was appointed interim Chair of the Board and interim Chair of the Committee pending appointment of a permanent Chair of the Board.

The Nomination Committee led the search for the new Chair of the Board, beginning with preparation of a description of the role and the capabilities required for it. The Company appointed an external agency, The Up Group, to assist in the search. The Up Group had previously been engaged in relation to the search for a senior management role but they have no connection otherwise with the Company.

A detailed search and selection process then followed. A wide range of candidates were assessed against the agreed criteria for the role, with a thorough process resulting in a shortlist of preferred candidates, which was given final consideration by the Committee. The Committee subsequently made a recommendation to the Board, culminating with the announcement of my appointment as Chair of the Board with effect from 1 April 2019, on 26 March 2019, subject to approval by shareholders at the forthcoming AGM.

Board Composition and Skills

The Board currently consists of the Non-Executive Chair, two Executive Directors and two Non-Executive Directors.

During the year, a new skills matrix was created to highlight the skills and experience of the Board members and to identify where there were opportunities to further grow the Board's collective knowledge and to inform the Committee of those skills it may wish to prioritise when preparing future Non-Executive Director role briefs.

Having conducted the above skills exercise and looking at the knowledge, experience, background and diversity currently represented by the Board, the Committee considers that the Board has a good blend of commercial and governance experience and that the diverse range of skills and backgrounds of the Directors prevents any undue individual or collective influence. The Committee however is mindful that the Chair of the Board should not be a member of the Audit Committee under the Code and the Committee believes that appointing an additional Non-Executive Director will ensure the Board continues to have the skills and experience required to support the development and delivery of the Company's strategy. Taking into consideration the output of the skills matrix exercise, the Committee has drawn up a candidate brief and a search is currently underway to appoint a new Non-Executive Director.

The Committee also reviewed the length of service of its Non-Executive Directors, all of whom have a tenure of less than three years other than David Kelly, who was initially appointed as a director in August 2015. In September 2018, after careful consideration, the Board agreed (following the Committee's recommendation) to re-appoint David as Non-Executive Director for an additional three-year term.

Succession Planning

Throughout the reporting period the Committee continued to review the leadership talent pipeline and succession plans for the Board, and senior management, and the designated short and long-term caretakers for each Board and senior role, focusing on resolving key areas of vulnerability. The Committee takes an active interest in the quality and development of talent and capabilities within the Group, ensuring that appropriate opportunities are in place to develop high-performing individuals.

Diversity

The Company fully recognises the benefit of diversity, including gender and ethnic diversity, when the Committee is searching for candidates for Board appointments.

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, challenge and good decision making.

The Nomination Committee have again considered the diversity of the Board during the year, noting that in order to bring the widest range of perspectives to the Company, which would in turn lead to increased creativity, innovation, debate, understanding and ultimately better decision making as a whole, diversity should remain a key factor in determining appropriate nominations.

The Board agrees with the recommendations of the Women on Boards Davies Review (published October 2015), the FTSE Women Leaders Hampton-Alexander Review (published November 2016) and the Report into Ethnic Diversity of UK Boards Parker Review (published October 2017) and is committed to diversity on the Board. Whilst noting the recommendations of the Reviews, the Company's policy is to appoint the best possible candidate considered on merit and against objective criteria, rather than set objectives on gender that may deflect from achieving this fundamental target on each occasion. Subject to these requirements the Committee has an ongoing commitment to seek a more diverse representation at Board level and continued monitoring of all aspects of diversity across the Board, Committees and Company have and will continue to form part of the Committee's function.

Further details on diversity and inclusion are set out in the CSR section of this report from page 40.

Board Evaluation & Re-election of Directors

Having considered the results of the Board evaluation and the Director appraisal process as described on pages 55 to 56 and after evaluating the balance of skills, knowledge, independence and experience of each Director, the Committee has recommended that all Directors not appointed since the last AGM stand for re-election at the 2020 AGM. As I was appointed after the last AGM, I will seek election at the forthcoming AGM.

Richard Pennycook
Chairman, Nomination Committee
27 November 2019

Report of the Audit Committee

Elaine O'Donnell
Chair of the Audit Committee

I am pleased to present the Audit Committee Report for 2019. This report is intended to provide shareholders with an insight into how key topics were considered during the year, together with how the Committee discharged its responsibilities.

This year the Committee has overseen a competitive tender process for a new Statutory Auditor. As announced on 7 March 2019, Ernst and Young LLP ("EY") have been identified as the new Statutory Auditor. The appointment of EY as Statutory Auditor is a matter which requires shareholder approval, and I would like to recommend that you support this appointment at the forthcoming AGM.

With the assistance of management and EY, 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 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.

Elaine O'Donnell
Chair of the Audit Committee

Committee Membership

- The Committee is chaired by Elaine O'Donnell. The other members are David Kelly and Richard Pennycook. Lee Ginsberg also served as a member of the Committee until he stepped down on 6 February 2019.
- Summary biographies of each member of the Committee are included on pages 48 to 49. All members of the Committee are considered to be independent.
- The Board is satisfied that Elaine O'Donnell has extensive recent and relevant financial experience and that the Committee as a whole has competence relevant to the Company's sector.
- Whilst the Board believes the Committee to have the appropriate composition, skills and experience to discharge its responsibilities, it is mindful that the Chair should not be a member of the Audit Committee under the Code. Accordingly, the search for an additional Non-Executive Director is underway (as explained in more detail in the Nomination Committee Report on page 59) and Richard Pennycook will accordingly step down from being a member of the Committee once the new Non-Executive Director has been appointed.

Committee Meetings

- Only members of the Committee are entitled to attend meetings; however, standing invitations are extended to the Chief Financial Officer, Chief Executive, Company Secretary, Director of Finance and Statutory Auditor. In addition, the Committee also invites other senior finance and business managers to attend certain meetings. This allows the Committee to be given a deeper level of insight on certain business matters.
- During the year the Committee met with the Statutory Auditor without the Executive Directors being present.
- The agenda for each meeting reflected the annual reporting cycle of the Group and particular matters for the Committee's consideration.
- The attendance of individual Committee members at Committee meetings is shown in the table below.

	Member from	*Meetings attended*
Elaine O'Donnell (Chair)	July 2018	6/6
David Kelly	August 2015	6/6
Richard Pennycook	April 2019	3/3
Lee Ginsberg	August 2015[1]	2/2

(1) *Lee Ginsberg stepped down on 6 February 2019.*

Main Responsibilities of the Committee

The main roles and responsibility of the Committee are set out in its terms of reference. The terms of reference are reviewed annually by the Committee and proposed changes made to the Board. The current terms of reference can be found at the Company's website at www.onthebeachgroupplc.com. The Committee's main responsibilities are:

Financial Reporting	To review the reporting of financial and other information to the shareholders of the Company and monitor the integrity of the financial statements, including the application of key judgements in determining reported outcomes to ensure that they are fair, balanced and understandable.
External Audit	To review the effectiveness and objectivity of the external audit process, assess the independence of the Statutory Auditor and ensure appropriate policies and procedures are in place to protect such independence.
Internal Audit	To review regularly the need for an internal audit function and to evaluate the effectiveness and robustness of the current internal control systems.
Risk Management, Internal Controls and Compliance	To review and assess the adequacy of the systems of internal control and risk management and monitor the risk profile of the business. Review the Group's procedures for raising concerns.

Report of the Audit Committee

How the Committee Discharged its Responsibilities in 2019

Financial Reporting

Accounting Judgements and Significant Accounting Matters

As part of the process of monitoring the integrity of the financial information presented in the half-year results and the Annual Report and Accounts, the Committee reviewed the key accounting policies and judgements adopted by management to ensure that they were appropriate. The significant areas of judgement identified by the Committee, in conjunction with management and the Statutory Auditor, together with a number of areas that the Committee deemed significant in the context of the financial statements are set out below:

Description of Focus Area	Audit Committee Action
Capitalised Website Development Costs The Group incurs significant internal costs in respect of the development of the Group's websites. The accounting for these costs, as either development costs which are capitalised as intangible assets (for enhancement of the website) or expensed as incurred (in respect of maintenance), involves judgement.	The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment of whether current projects meet the criteria required for costs to be capitalised and consider the approach and application of this policy to be appropriate.
New Accounting Standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have become effective for the year ended 30 September 2019. In addition, IFRS 16 'Leases' will be effective for the year ending 30 September 2020.	During the financial year, the Committee received reports from management in relation to the adoption of IFRS 9 and IFRS 15 and also the implementation programme for the adoption of IFRS 16, including the proposed disclosures in relation to these matters in this Annual Report. Following discussions with management and the Statutory Auditor, the Committee approved the disclosures of the accounting policies which include details of the impacts of adopting IFRS 9, IFRS 15 and IFRS 16.
Failure of Thomas Cook Group – Recognition of Cost and Reimbursement Asset. The accounting for the failure of Thomas Cook Group on 23 September 2019 involves judgement to estimate the value of the potential liability in relation to the Group's obligations under the ATOL regulations and Package Travel Regulations. In addition, the recognition and recoverability of a chargeback asset is an area of judgement.	The Committee have reviewed the accounting and are satisfied with the approach of management. The Committee are satisfied with the accuracy of the potential liability and the recognition of a chargeback asset.
Valuation of Goodwill, Intangibles and Investments The estimated recoverable value is subjective due to inherent uncertainty involved in forecasting and discounting future cash flows.	The Committee have reviewed the accounting and are satisfied with the approach of management. The Committee are satisfied with the key assumptions used in the forecast, including the use of sensitivities growth rates and discount rates.

Fair, Balanced and Understandable
The Committee considered whether the half-year results and the Annual Report and Accounts were fair, balanced and understandable and whether the information provided was sufficient for a reader of the statements to understand the Group's position and performance, business model and strategy.

In arriving at its assessment the Committee has:
- Reviewed the Annual Report at several levels within the Group ensuring overall balance and consistency;
- Received an early review of the Annual Report to enable sufficient time for comment and review;
- Satisfied itself that there is a robust process in place to support the fair, balanced and understandable assessment; and
- Considered the Statutory Auditor's review of the Annual Report.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 95 of this Report.

Statutory Auditor
The Committee oversees the Group's relationship with the Statutory Auditor. The Committee holds meetings with the Statutory Auditor without management present with the purpose of understanding the Statutory Auditor's views on the control and governance environment and management's effectiveness within it.

KPMG was appointed as Statutory Auditor to the Group in 2007. The Mandatory Firm Rotation (MFR) rules in the UK introduced requirements that all EU Public Interest Entities (PIEs) must tender their audit contract at least every ten years and change or rotate their auditor at least every twenty 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. The Group would therefore have been required to run a tender process by 2025. However, due to the length of time that KPMG had been auditors to the Group (11 years), the Committee announced in the Annual Report and Accounts for the year ended 30 September 2018 that it felt it would be in the best interests of the Group to undertake a tender of the external audit.

Based on the output of a robust external audit tender process the Committee recommended, and the Board confirmed, the appointment of EY as the new Statutory Auditor for the year ended 30 September 2019. The appointment of EY requires shareholder approval and will be proposed to shareholders at the forthcoming AGM.

The tender process was led by a selection panel comprising of the Chair of the Audit Committee, the Chief Financial Officer, Group Finance Director, Group Financial Controller and the Company Secretary.

EY reviewed KPMG's audit files and met with key members of the Company's senior management team to ensure a smooth transition. Following their appointment, EY completed their review of the half-year results and then went on to complete the audit for this financial year.

Effectiveness
On behalf of the Board, the Committee reviews the effectiveness of the Statutory Auditor on an ongoing basis to ensure the quality, rigour and challenge of the external audit process is maintained.

During the year, the Committee reviewed the following:
- The quality of audit planning covering the approach, scope, and level of fees for the audit;
- Delivery and execution of the agreed external audit process for the 2019 financial year;
- Quality, knowledge and expertise of the EY audit engagement team;
- The competence with which EY handled and communicated the key accounting and audit judgements; and
- The communication and engagement between management, EY and the Committee.

The Committee confirmed the external audit process provided by EY had been delivered effectively. In particular, this was aided by robust testing as part of the interim review.

Independence and Objectivity
In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of EY through a combination of:
- assurances provided by EY on the safeguards in place to maintain independence;
- oversight of the non-audit services policy and fees paid; and
- oversight of policy on employing former auditors.

Report of the Audit Committee

Non-Audit Services
The Company's Statutory 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 Statutory 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 £185,000). In addition, all non-audit work in excess of £15,000 should be the subject of a competitive tender.

Non-audit fees are monitored by the Committee and the Committee is satisfied that all non-audit work undertaken this year was in line with our policy and did not detract from the objectivity and independence of the Statutory Auditors. The fees paid to EY in respect of non-audit services during the year related to the review of interim Financial Statements and ATOL return and totalled £55,000, representing 29.7% of the total audit fee.

Internal Audit
The Committee has again 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:

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

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

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 Statutory Auditor 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.

During the year, the Committee reviewed in detail the mitigation in place for the Group's key risks and agreed a rolling programme to give assurance to the Committee that effective mitigations were in place. Specific reviews included GDPR/data security compliance, supplier failure planning, and a VAT review.

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

The internal control systems include:

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

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

Committee Effectiveness Review
The Committee has reviewed and considered the effectiveness of its performance during the year. The review included views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors). The review indicated that the Committee continues to perform well.

Elaine O'Donnell
Chair of the Audit Committee
27 November 2019

Remuneration report

Annual Statement of the Chairman of the Remuneration Committee

David Kelly
Chair, 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 2019.

During the year, we operated within the Remuneration Policy that was approved by shareholders at the 2019 AGM, a summary of which can be found in the next section of this report. The Committee remains satisfied that the policy continues to support the Company's strategy for the forthcoming year: to retain and motivate our management team, to drive strong returns for our shareholders and to promote the long-term success of the Company. Shareholders will not therefore be asked to approve any revisions to the policy at the 2020 AGM.

Performance and Reward for FY19

Notwithstanding that the last year has presented an extremely challenging trading environment, the Company has delivered a solid performance, with an increase in Group adjusted gross profit of 7%, an increase in adjusted proforma EPS of 1% and significant progress towards achieving strategic objectives.

The FY19 annual bonus for the Executive Directors was based on both financial and non-financial targets that linked directly to 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 financial target (70% weighting) is payable. The achievement of performance conditions in relation to the non-financial targets relating to customer satisfaction (net promoter score) and employee engagement (as detailed on page 75) resulted in an overall payment of 30% of base salary for both the Chief Executive Officer and the Chief Financial Officer. Simon Cooper has waived his entitlement to a bonus this year in view of his considerable shareholding in the Company.

The LTIP awards granted in May 2017 were based on two performance metrics: EPS (70% weighting) and absolute total shareholder return (TSR) (30% weighting), measured over the three-year period to 30 September 2019. Adjusted EPS performance in 2019 was 21.4 pence and therefore 0% of this element of the award vested. Exceptional value was created for shareholders over the three-year performance period with an annualised TSR of 21.8%. As a result, 76.3% of the TSR element of the LTIP awards vested, meaning overall 22.9% of the LTIP awards vested.

The Committee is satisfied that the FY19 bonus and the 2017 LTIP targets were sufficiently stretching and that the resulting outcomes are appropriate in light of the Company's performance. Therefore, the Committee decided not to apply any discretion to the incentive outcomes.

FY20 Remuneration Approach

Key decisions by the Remuneration Committee in respect of FY20 include:

- Simon Cooper and Paul Meehan will both receive a salary increase of 1.5% with effective from 1 January 2020. These increases align directly with the general increase that will be made to our broader UK employee population.
- The maximum bonus opportunity remains unchanged at 100% of salary and the bonus will continue to be based on Group adjusted PBT (70% weighting), and non-financial targets (30% weighting). The forward-looking targets are deemed to be commercially sensitive but full details will be disclosed on a retrospective basis in next year's Annual Report and Accounts.
- It is intended that LTIP awards will be granted during the year up to a maximum of 200% of salary in line with the current policy. The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three-year period.

Corporate Governance Developments

The Committee has considered the new UK Corporate Governance Code 2018 (the "Code"), which will apply to the Company for the FY20 reporting year. The Committee already oversees the remuneration arrangements for senior management and pay and employment conditions throughout the Group, and we have now formalised this practice in the Committee's amended Terms of Reference. We will continue to ensure that share awards are subject to a total vesting and holding period of five years. The Committee will apply the post-vesting holding period for LTIP awards irrespective of employment status and will further consider the appropriateness of extending the application of the shareholding requirement for a period post termination of employment, as well as continuing to review compliance with the new Code in all other areas, and will report accordingly in the FY20 Remuneration Report.

Pension provision for future incoming Executive Directors will be aligned with the wider workforce in line with the Code. The Committee will oversee the Group's plan to align Executive Director's pensions with the majority of the workforce, and will provide an update in the FY20 Remuneration Report.

We are also committed to the disclosure of the CEO pay ratio in the FY20 Annual Report, in line with the Companies (Miscellaneous Reporting) Regulations 2018.

Key Activities of the Remuneration Committee

- Agreeing the performance against the targets and payments for the FY18 annual bonus awards.
- Agreeing the performance against the targets and vesting of the 2016 LTIP awards.
- Setting the performance targets for the Executive Directors FY19 annual bonus.
- Agreeing the population, award levels and performance targets for the FY19 LTIP awards.
- Agreeing the population and award levels for restricted share awards.
- Approving new management incentive scheme for Executive team (below Board).
- Approving the Directors' Remuneration Report and the Remuneration Policy for the FY18 Annual Report.
- Planning and executing a shareholder engagement exercise in relation to the new remuneration policy put to shareholders at the AGM in February 2019.
- Reviewing and responding to feedback from shareholders and shareholder organisations on remuneration.
- Reviewing Group-wide pay and conditions and share plans.
- Reviewing base salaries of Executive Directors.
- Reviewing base salaries for Executive team.
- Reviewing feedback from 2019 AGM.
- Review performance of independent advisers and fees over the year.
- Reviewing Gender Pay Gap calculations and reviewing disclosures.
- Reviewing the various changes to the regulatory environment, including the new Code.
- Reviewing and updating the Committee Terms of Reference.

Shareholder engagement

Last year we engaged with a significant proportion of shareholders to discuss the changes we were proposing to make to remuneration arrangements ahead of the publication of the Annual Report. Although major shareholders supported these changes, the Committee is mindful that there was a significant minority vote (just over 20%) against the approval of the Directors' Remuneration Report at the 2019 AGM, primarily due to the salary increase of the Chief Financial Officer.

The increase was awarded to reflect Paul Meehan's strong performance and the expansion of his role since his initial appointment in 2017. The Remuneration Committee however notes the concerns raised by some of the shareholders and proxy organisations about the level of increase. The Committee has reflected on this feedback when considering remuneration arrangements for the Executive Directors for the forthcoming financial year, and the salary increase for both Executive Directors will be in line with that awarded to the broader UK employee population in FY20.

We remain committed to ongoing engagement with our shareholders to ensure an open and transparent dialogue around executive remuneration arrangements.

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.
- A summary of The *Directors' Remuneration Policy* which was approved by shareholders at the 2019 AGM and which will continue to apply without amendment for the forthcoming year.
- The *Annual Report on Remuneration* which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2019 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the 2020 AGM.

In summary, 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
27 November 2019

Summary of Remuneration Policy

Introduction

The Directors' Remuneration Policy (the 'Policy') was approved by shareholders at the AGM on 7 February 2019 (81.80% of votes cast being in favour) and became effective from that date. There are no proposals to amend the Directors' Remuneration Policy at the 2020 AGM.

A summary of the policy (with updated references, where relevant) is included for reference to assist with the understanding of the contents of this report. The full policy is detailed in our 2018 Annual Report, which can be found in the 'Investors centre' section under 'Reports and presentations' on the Company's corporate website (www.onthebeachgroupplc.com).

The following tables summarise each element of remuneration and how it supports the Company's short and long-term strategic objectives.

Base Salary	
Short and Long-Term Strategic Objectives Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	**Operation** Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. The Committee considers a number of factors when determining an appropriate level of salary such as remuneration practices within the Company and the economic environment.
Opportunity Base salaries will be set at an appropriate level within a comparator group of listed companies of comparable size and will normally increase in line with increases made to the wider employee workforce. The Committee recognises that Simon Cooper's current base salary is below the market level, but it has given regard to Simon's considerable shareholding in the Company, and the desire to focus the remuneration structure on a long-term strategy.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Benefits	
Short and Long-Term Strategic Objectives Provides a competitive level of benefits.	**Operation** The Executive Directors receive benefits which include family private health cover. The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits to ensure it is able to support the objective of attracting and retaining personnel.
Opportunity The maximum will be set at the cost of providing the benefits described.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Pensions	
Short and Long-Term Strategic Objectives 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.	**Operation** On recruitment, the Committee maintains the ability to provide pension funding in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.
Opportunity 15% of base salary p.a. for existing Executive Directors. The Committee intends to align the pension contribution with the wider workforce for any Executive Directors recruited in the future.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Annual Bonus Plan	
Short and Long-Term Strategic Objectives The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	**Operation** Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.
Opportunity The maximum bonus opportunity is 100% of base salary.	**Performance Metrics Used, Weighting and Time Period Applicable** Performance is measured over the financial year. 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 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 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.

Summary of Remuneration Policy

Long-Term Incentive Plan (LTIP)	
Short and Long-Term Strategic Objectives Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value. The use of: › 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. › Absolute TSR measures the success of the implementation of the Company's strategy in delivering a minimum level of return.	**Operation** Awards are granted annually to Executive Directors in the form of nil cost options. These will vest at the end of a three year period subject to: › The Executive Director's continued employment at the date of vesting; and › Satisfaction of the performance conditions. 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.
Opportunity 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.	**Performance Metrics Used, Weighting and Time Period Applicable** The performance conditions for awards are currently split between EPS growth (70%) and 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 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	
Short and Long-Term Strategic Objectives To encourage wide employee share ownership and thereby align employees' interests with shareholders.	**Operation** The Company has a share incentive plan in which the Executive Directors are eligible to participate (which is HMRC registered and is open to all eligible staff).
Opportunity UK scheme in line with HMRC limits as amended from time to time.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Shareholding Requirement	
Short and Long-Term Strategic Objectives To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	**Operation** The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.
Opportunity 200% of salary.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Non-Executive Director Fees	
Short and Long-Term Strategic Objectives Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	**Operation** The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chair 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.
Opportunity 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 Chair and Non-Executive Directors.	**Performance Metrics Used, Weighting and Time Period Applicable** None.

Annual Report on Remuneration

The Remuneration Committee's Annual Report on remuneration for the year ended 30 September 2019 is set out below. The Statutory Auditor is required to report on the following information up to and including the Statement of Director's Shareholdings requirement and Share Interests.

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 report on pages 14 to 16. In the diagram below, we summarise how the Company's strategic priorities are aligned with the remuneration policy.

Strategic priority

1. Investing in talent and technology to extend core capabilities.
2. Driving an efficient increase in traffic through branded and direct channels.
3. Personalising our customer experience.
4. Leveraging increased revenue through direct and differentiated supply.
5. Inspiring holidaymakers with destination agnostic search technologies.
6. Reaching an ever-wider audience of beach holidaymakers through product, channel and geographic expansion.

Metric	Scheme	Measurement period	Link with strategy
Profit Before Tax (PBT)	Annual bonus	1 year	Progress towards the following strategic priorities drive an increase in profit: 1 2 3 4 5 6
Employee Engagement Score (EES)	Annual bonus	1 year	Employee satisfaction is impacted by the following strategic priorities: 1
Customer Satisfaction/ Net Promoter Score (NPS)	Annual bonus	1 year	Customer satisfaction will be positively impacted by the following strategic priorities: 1 3 5 6
Earnings Per Share (EPS)	LTIP scheme	3 years	Progress towards the following strategic priorities drive an increase in earnings over the longer term: 1 2 3 4 5 6
Absolute Total Shareholder Return (TSR)	LTIP scheme	3 years	Progress towards the following strategic priorities drive earnings growth, and in turn should provide returns for shareholders in the long-term through share price growth and dividends: 1 2 3 4 5 6

Single Total Figure of Remuneration

The tables below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2019 financial year. Comparative figures for the 2018 financial year have also been provided.

Figures provided have been calculated in accordance with the new UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Single total figure of remuneration for Executive Directors

		Simon Cooper		Paul Meehan	
		2019 (£'000)	2018 (£'000)	2019 (£'000)	2018 (£'000)
Fixed Pay	Base Salary[1]	204	203	310	253
	Benefits[2]	1	2	2	3
	Pension	1	-	45	42
	Total Fixed Pay	206	205	357	298
Variable Pay	Bonus[3]	-	-	93	-
	LTIP[4], [5]	99	111	185	-
	Total Variable Pay	99	111	278	-
Total Single Figure of Remuneration		**305**	**316**	**635**	**298**

Notes:

(1) Paul Meehan's salary was increased to £310,000 with effect from 1 October 2018. Simon Cooper's salary was not increased during FY19.

(2) Taxable benefits received were family medical insurance.

(3) Annual bonus payments for performance in the relevant financial year.

(4) The value of the LTIP for 2019 relates to the 2017 award, which had a three-year performance period ending 30 September 2019. Based on performance over this period, the Remuneration Committee determined that 22.9% of the maximum award vested on 26 November 2019, equivalent to 22,776 nil-cost options in the case of Simon Cooper and 42,705 nil-cost options in the case of Paul Meehan. The value of the award included above is therefore £98,847.84 in the case of Simon Cooper and £185,339.70 in the case of Paul Meehan, based on the closing share price of 434 pence at the vesting date. In the case of Simon Cooper £56,068.08 of the £98,847.84 and in the case of Paul Meehan £99,502.65 of the £185,339.70 is attributable to share price appreciation over the period to the vesting date based on the original share price of 201 pence used to determine the original number of awards on grant.

(5) 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 for Simon Cooper. 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

Single total figure of remuneration for Non-Executive Directors

		Richard Pennycook[1]		David Kelly[2]		Elaine O'Donnell		Lee Ginsberg[3]	
		2019 (£'000)	2018 (£'000)	2019 (£'000)	2018 (£'000)	2019 (£'000)	2018 (£'000)	2019 (£'000)	2018 (£'000)
Fixed Pay	Fees	67	-	95	50	57	12	65	61
	Benefits	-	-	-	-	-	-	-	-
	Pension	-	-	-	-	-	-	-	-
	Total Fixed Pay	**67**	**-**	**95**	**50**	**57**	**12**	**65**	**61**
Variable Pay	Bonus	-	-	-	-	-	-	-	-
	LTIP	-	-	-	-	-	-	-	-
	Total Variable Pay	-	-	-	-	-	-	-	-
Total Single Figure of Remuneration		**67**	**-**	**95**	**50**	**57**	**12**	**65**	**61**

Notes:

(1) *From 1 April 2019, Richard Pennycook was appointed Non-Executive Chair of the Board and Chair of the Nomination Committee.*

(2) *From 1 December 2018 until 31 March 2019, David Kelly acted as interim Chair of the Board and interim Chair of the Nomination Committee, for which role he received an additional fee of £32,667. David Kelly resumed his role as Senior Independent Director from 1 April 2019 and continued to Chair the Remuneration Committee following Richard Pennycook's appointment as Chair of the Board.*

(3) *Lee Ginsberg stepped down as Chair of the Board and Chair of the Nomination Committee on 1 December 2018 and stepped down from the Board on 6 February 2019.*

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)

2019 annual bonus awards and performance targets

For the year ended 30 September 2019, the maximum potential bonus opportunity for both Executive Directors was 100% of salary. The actual bonus payable to Simon Cooper was £61,200 and to Paul Meehan was £93,000 based on achievement of the performance conditions set out below. However, Simon Cooper has waived his bonus this year in view of his considerable shareholding in the Company. The Committee decided that, in view of the low-level payout of the bonus, and the fact that no bonus has been paid since FY16, it was appropriate not to defer any of the bonus award into shares. The performance measures and targets are set out below:

Performance metric	Weighting	Performance level				Actual bonus paid	
		Threshold	Target	Maximum	Actual	% of maximum	% of salary
Profit Before Tax	70%	£35.5m	£37.4m	£41.1m	£34.6	0%	0%
Employee Engagement Score	15%	6.3	6.6	7.0	7.1	100%	15%
Net Promoter Score	15%	40	48	55	58	100%	15%
Total	**100%**						**30%**

The Committee concluded that the bonus outcomes appropriately reflected the broader performance context and, as a result, no discretion was applied to the bonus outcome.

Long-Term Incentives Awarded in 2019 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2019 financial year to Executive Directors. 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	£204	41,087	Nil	25%	30 September 2021	EPS (70%)
							11 February 2022	Absolute TSR (30%)
Paul Meehan	LTIP – nil cost option	200% of salary	£620	124,874	Nil	25%	30 September 2021	EPS (70%)
							11 February 2022	Absolute TSR (30%)

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The awards were granted on 12 February 2019. The number of shares awarded was calculated using the closing share price on 28 September 2019, which was 496.5 pence.

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

Performance tier	Cumulative EPS over the three financial years FY19, FY20 and FY21[1]	% of EPS element capable of vesting
Below threshold	Less than 77.3 pence	0%
Threshold	77.3 pence	25%
Maximum	94.5 pence	100%
Between threshold and maximum	Between 77.3 and 94.5 pence	25% - 100% pro-rata on a straight line basis

[1] *Cumulative EPS means the sum of the actual adjusted earnings per share for FY19, FY20 and FY21.*

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

Performance tier	Annualised TSR over the three-year performance period to 12 February 2022	% of TSR element capable of vesting
Below threshold	Less than 8%	0%
Threshold	8%	25%
Maximum	15% or above	100%
Between threshold and maximum	Between 8% and 15%	25% - 100% pro-rata on a straight line basis

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 2017 with Performance Period Ending in 2019

Simon Cooper and Paul Meehan were both granted awards on 26 May 2017 with a three-year performance period commencing on 1 October 2016 and ending on 30 September 2019. The awards vested on 26 November 2019. 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 2019	Vesting
Less than 24.48p	0%
24.48p	25%
29.92p or above	100%
Between 24.48p and 29.92p	Straight line vesting between 25% and 100%
Actual EPS: 21.4p	**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 2019	Vesting
Less than 15%	0%
15%	25%
25% or above	100%
Between 15% and 25%	Straight line vesting between 25% and 100%
Actual TSR: 21.8%	**76.3%**

Based on the above performance outcomes, 22.9% of the awards vested on 26 November 2019 as detailed in the table below:

Executive	Maximum number of shares under award	Number of shares vested	Value on vesting date[1]	Face value of awards vesting[2]	Impact of share price on vesting[3]
Simon Cooper	99,502	22,776	£98,847.84	£45,779.76	£53,068.08
Paul Meehan	186,567	42,705	£185,339.70	£85,837.05	£99,502.65

No discretion was applied to the final vesting outcome shown above.

(1) *Based on closing share price of 434 pence on the vesting date.*

(2) *Based on the number of shares vesting multiplied by the share price at the date of grant (201 pence)*

(3) *Based on the value at vesting less the face value of awards on vesting.*

Statement of Directors' Shareholdings and Share Interests (audited)

Director	Share plan awards subject to performance conditions[1]	Share plan awards subject to continued employment	Share plan interests vested but unexercised	Shares held outright[2]
Simon Cooper	191,030	-	27,522[3]	11,330,950
Paul Meehan	406,019	-	-	22,222

No changes in the above Directors' interests have taken place between 30 September 2019 and the date of this report.

Notes:

(1) *Including the 2017 LTIP award for which the performance period ended on 30 September 2019.*

(2) *This information includes holdings of any connected persons.*

(3) *Simon Cooper's 2016 LTIP award vested on 27 November 2018. Performance was based on EPS (70% weighting) and annualised TSR (30% weighting) over the three-year period to 30 September 2018. 30% of the award vested, equivalent to 27,522 nil-cost options.*

The table below sets out details of the share options exercised by Executive Directors during the year:

Director	Share plan interests exercised during the year to 30 September 2019	
	Number of options exercised	Share price on date of exercise
Simon Cooper	-	N/A
Paul Meehan	-	N/A

The following information is unaudited.

The table below sets out the current shareholding and includes the shareholding requirement for the Executive Directors:

Director	Shareholding requirement	Shares held for purpose of shareholding requirement[1]		Shareholding requirement met?
		Number of shares	% of salary[2]	
Simon Cooper	200% of salary	11,358,472	21,236%	Yes
Paul Meehan[3]	200% of salary	22,222	27%	No

Notes:

[1] *Shares included for the purposes of measuring the shareholding requirement include shares owned outright (including those by connected persons), vested but unexercised share options and unvested shares subject to continued employment only (on a net of tax basis).*

[2] *The share price of 381.4 pence as at 30 September 2019 (the last business day of the financial year ending 30 September 2019) has been taken for the purpose of calculating the current shareholding as a percentage of salary.*

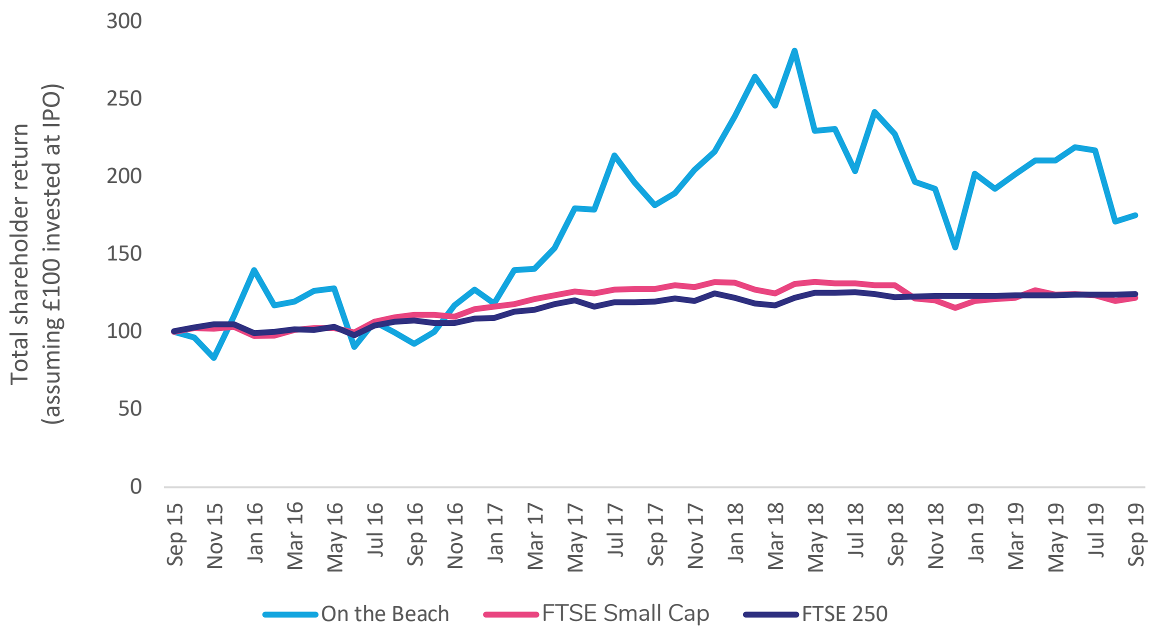
[3] *Paul Meehan joined the Company as CFO on 16 January 2017 and has five years from this date to build up his shareholding requirement. His shareholding requirement will be 150% from 16 January 2022 until 6 February 2024. This will rise to 200% on 7 February 2024 (the date falling five years after the 2019 policy change).*

Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below (including shares held by their persons closely associated):

Director	Shares held 30 September 2019
Richard Pennycook	38,333
David Kelly	3,345
Elaine O'Donnell	4,534

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 being the most relevant indices given the Group's current market capitalisation. 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. 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 2019.



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Chief Executive Officer Historical Remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer since admission to the London Stock Exchange ("Admission"):

	2019	2018	2017	2016	2015
Total single figure (£000s)	305	316	201	239	131
Annual bonus payment level achieved (% of maximum opportunity)	-	-	-	27.8%	-
LTIP vesting level achieved (% of maximum opportunity)	22.9%	30%	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.

Change in Chief Executive Officer's Remuneration Compared with Employees

The following table sets out the change in remuneration paid to the Chief Executive Officer from 2018 to 2019 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 2018 and 2019.

	Salary			Taxable benefits			Bonus		
	£'000		Percentage change	£'000		Percentage change	£'000		Percentage change
	2019	2018		2019	2018		2019	2018	
Chief Executive Officer	204	203	1%	1	2	-	-	-	-
Total for all employees	2,959	2,795	6%	27	18	50%	19	24	21%
Number of employees	104	104	-	104	104	-	104	104	-
Average per employee	28	27	6%	-	-	-	-	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 page 37.

Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2018 and 2019 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2019 financial year	Disbursements from profit in 2018 financial year	Percentage change
	£m	£m	
Profit distributed by way of dividend	4.3	4.3	-%
Overall spend on pay including Executive Directors	18.8	13.3	41%

Shareholder Voting at General Meetings

The Committee is committed to shareholder dialogue, it seeks to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Remuneration Policy and the Directors' Annual Report on Remuneration were each subject to a shareholder vote at the AGM on 7 February 2019, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' Remuneration Policy	76,896,941 (81.80%)	17,107,090 (18.20%)	274,790
Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 30 September 2018	73,404,924 (78.56%)	20,036,361 (21.44%)	837,536

The Remuneration Committee is mindful that there was a significant minority vote against the resolution to approve the Directors' Remuneration Report for the year ended 30 September 2018, namely due to the salary increase awarded to the Chief Financial Officer. Ahead of publication of the Annual Report, David Kelly, as Chair of the Remuneration Committee, had led an engagement process to discuss the proposed changes to the remuneration arrangements and the Company's major shareholders were supportive of these changes. The Committee felt the salary increase awarded was essential to support the retention of key talent to enable the Company to continue to grow and resulted in an appropriate market positioning as Paul Meehan has become more established in his role and taken on a wider range of responsibilities since his appointment in 2017. Nonetheless, the Remuneration Committee notes the concerns raised by some of the Company's shareholders and proxy organisations and has reflected on this feedback in implementing the policy for FY20.

Implementation of Remuneration Policy in Financial Year 2020

The Remuneration Committee proposes to implement the policy for FY20 as set out below. In implementing the policy, the Committee will continue to take into account factors such as remuneration packages available with comparable companies, the Company's overall performance, internal relativities, achievement of corporate objectives, individual performance and experience, general market and wider economic trends.

Salary

The Remuneration Committee has determined that salary increases of 1.5% will be applied for Simon Cooper and Paul Meehan, effective from 1 January 2020. This is in line with the average increase that will be provided across the wider workforce. The current salaries are set out below:

	Salary (£)		Percentage change
	2020	2019	
Simon Cooper	£207,060	£204,000	1.5%
Paul Meehan	£314,650	£310,000	1.5%

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NED Fees
The Non-Executive Directors' fees were reviewed in September 2018. Non-Executive Director fees are typically reviewed every three years other than in exceptional circumstances. No changes to the fees were made in 2019.

Position	Fee
Chair fee	£161,000
Base fee	£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 or for committee membership.

Remuneration for Employees Below Board Level
Remuneration packages for all Group employees may comprise both fixed and variable elements. Generally, the more senior the individual, the greater the variable pay offer as a proportion of overall pay due to the ability of senior managers to impact more directly upon Company performance. As well as assessing the remuneration packages of the Executive Directors, the Committee reviews the remuneration of the executive team and is kept informed of remuneration developments across the Group including the salary increases and employee benefits of the wider employee population. In accordance with prevailing commercial practice, the Committee does not consult with employees in preparing the remuneration policy.

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.

In line with the current Policy, 70% of the annual bonus for the FY20 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.

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 FY20. The maximum LTIP awards for the Executive Directors will be 200% of salary in line with the current Policy, though it is envisioned that Simon Cooper's LTIP award will be 100% of salary. The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three-year period.

Termination Payments
No Executive Director left in the year and no compensation for loss of office was paid.

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 Chair, 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 have been reviewed and amended to ensure alignment with the new UK Corporate Governance Code and are available on the Company's website, www.onthebeachgroupplc.com and from the Company Secretary at the registered office.

All members of the Remuneration Committee are independent Non-Executive Directors. The Remuneration Committee receives assistance from the CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met 6 times during FY 2019 and member attendance is set out below:

	Member from	Meetings attended
David Kelly (Chair)	August 2015	6/6
Elaine O'Donnell	July 2018	6/6
Richard Pennycook	April 2019	2/2
Lee Ginsberg	August 2015[1]	2/2

[1] *Lee Ginsberg stepped down on 6 February 2019.*

Advisers to the Remuneration Committee

During the financial year the Committee took advice from PricewaterhouseCoopers LLP (PwC) who were retained as external independent remuneration advisors to the Committee.

During the financial year, PwC advised the Company on all aspects of remuneration policy for Executive Directors and members of the executive team.

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 £41,050 for their advice during the year to 30 September 2019.

External Board Appointments

Where Board approval is given for an Executive Director to accept an outside Non-Executive Directorship, the individual is entitled to retain any fees received. Simon Cooper is a Non-Executive Director of CurrentBody.com Limited for which he receives a fee.

On behalf of the Board

David Kelly
Chair of the Remuneration Committee
27 November 2019

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 (pages 34 to 41)
Employee involvement	Corporate social responsibility (pages 36 to 37)
Employees with disabilities	Corporate social responsibility (page 40)
Future developments of the business	Strategic report (page 16)
Going concern	Strategic report (page 32)
Greenhouse gas emissions	Corporate social responsibility (page 41)
Risk management	Strategic report (pages 24 to 30) and note 24 to the consolidated financial statements
Significant related party agreements	note 27 to the consolidated financial statements

Directors' Report
All sections under the heading "Governance" on page 46 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 2019.

Strategic Report
All sections under the heading "Strategic Report" on page 5 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 24 to 30.

Management Report
This Directors' Report (pages 46 to 95) together with the Strategic Report (pages 5 to 45) 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 51. 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 ("Articles"), 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.

Richard Pennycook will stand for election and all the other Directors will retire and stand for re-election at the 2020 AGM.

Amendment of Articles
The Articles may only be amended by way of a special resolution at a general meeting of the shareholders.

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 2019 comprised 131,154,058 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 128 of the financial statements. Details of the movements in issued share capital during the year are provided in note 22 to the Group's financial statements contained on page 128. All the information detailed in note 22 on page 128 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company held on 7 February 2019 the Directors were granted 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), half of which amount may solely be used in connection with a pre-emptive rights issue. The Directors will seek to renew this authority at the 2020 AGM.

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 sometimes 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 2018 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 page 70.

Authority to Purchase Own Shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 13,104,251 shares (equivalent to 10% of the Company's ordinary share capital as at 13 December 2018). No shares were bought back under this authority for the year ended 30 September 2019. This authority will expire at the conclusion of the 2020 AGM, at which a resolution will be proposed for its renewal. 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 them 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 or a change of control.

As the Group holds Air Travel Organiser's Licences, the ATOL Standard Terms will apply. Those terms include provisions on change of control.

Annual General Meeting

The Annual General Meeting will be held at 11am on 6 February 2020 at the Company's Digital HQ at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

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.

Other Statutory and Regulatory Disclosures

Notifiable Changes to Substantial Shareholdings in the Year

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. Such notifications are published as an RNS and are also available on the Company's website (https://www.onthebeachgroupplc.com/investor-centre/rns).

The figures below represent the number of shares and how that translates to a percentage shareholding in the Company as at the date on which the change was notified. The holdings may have changed since notification but any further notification is not required until the next applicable threshold in DTR5 is crossed.

Please note there will be other shareholders with substantial shareholdings who are not listed below because their shareholdings has not increased above or decreased below a threshold during the year. For example, as at the date of this report, Simon Cooper and his PCAs continue to hold 11,330,950 shares (8.64% of the issue share capital).

Name of Shareholder	Number of Shares	% of Voting Rights	Date of Notification
Prudential plc group of companies	6,652,441	5.07%	14 January 2019
Mawer Investment Management	6,689,502	5.10%	3 June 2019
Canaccord Genuity Group Inc.	6,545,181	4.99%	11 September 2019
AXA Investment Managers	6,925,219	5.28%	18 October 2019
M&G Plc	11,082,598	8.45%	22 October 2019
Prudential plc group of companies*	0	0	22 October 2019
Royal London Asset Management	6,541,066	4.99%	23 October 2019

* *The notifications from M&G and Prudential on 22 October 2019 relate to their demerger.*

Save as disclosed above, between 30 September 2019 and the date of this report, no further interests have been notified to the Company in accordance with DTR5.

A list of our substantial shareholders is available on our corporate website.

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 41 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 128 to 135 in note 24 to the consolidated financial statements, and forms part of this report by reference.

Political Contributions

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

External Branches

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

Results and Dividends

The Group's and Company's audited financial statements for the year are set out on pages 96 to 141.

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 2.0 pence per share, totalling 3.3 pence per share for the year *(FY18: 3.3 pence per share)* to be paid on 13 February 2020 to shareholders on the register of members at 10 January 2020, subject to approval at the AGM on 6 February 2020.

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 76

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

Statutory Auditors

Following the conclusion of a formal tender process, and on the recommendation of the Audit Committee, the Company appointed EY as its new Statutory Auditor with effect from 7 March 2019. EY conducted the audit of the Company's financial statements for the financial year ending 30 September 2019. The appointment of EY for the following financial year will be subject to approval by shareholders at the next Annual General Meeting of the Company to be held in 2020.

KPMG LLP has resigned as the Company's Statutory Auditor and has confirmed to the Company that there are no matters connected with it ceasing to hold office that need to be brought to the attention of members or creditors of the Company for the purposes of section 519 Companies Act.

Disclosure of Information to Statutory Auditor

Each of the Directors has confirmed that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's Statutory Auditors are unaware; and

(ii) the Director has taken all reasonable steps to ascertain any relevant audit information, and has ensured the Statutory Auditor is aware of such 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 Directors' Report were approved by the Board on 27 November 2019.

Approved by the Board and signed on its behalf:

K Vickerstaff
Company Secretary
27 November 2019

Statutory Auditor's Report to the Members of On the Beach Group plc

Opinion

In our opinion:

- On the Beach Group plc's group financial statements and parent company financial statements (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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom generally Accepted Accounting Practice; 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.

We have audited the financial statements of On the Beach Group plc which comprise:

Group	Parent company
Consolidated Income Statement and Statement of Comprehensive Income for the year then ended	Company Balance sheet as at 30 September 2019
Consolidated balance sheet as at 30 September 2019	Company Statement of Changes in Equity for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated Statement of Changes in Equity for the year then ended	
Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 24 to 30 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 24 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 101 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

- the directors' explanation set out on pages 31 and 32 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity 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.

Overview of our audit approach

Key audit matters	› Revenue recognition › Exceptional items related to the Failure of Thomas Cook
Audit scope	› We performed an audit of the complete financial information of 12 components. › The components where we performed full audit procedures accounted for 100% of Profit before tax and 100% Profit before tax adjusted for the impact of Thomas Cook exceptional items, 100% of Revenue and 100% of Total assets.
Materiality	› Overall group materiality of £1.36m which represents 5% of profit before tax adjusted for the impact of Thomas Cook exceptional items.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	*Our response to the risk*	Key observations communicated to the Audit Committee
Revenue Recognition (£140.4m of risk, PY comparative £104.3m) *Refer to the Audit Committee Report (page 62); Accounting policies (page107); and Note 4 of the Consolidated Financial Statements (page 113)* Given the high volume, low value nature of the business, we have determined the revenue recognition risk to be related to journals made to revenue outside of the standard booking process throughout the year. For the On the Beach 'OTB', International 'Int'l' and Classic Package 'CPH' segments the revenue is reported on an agent basis (net) and the risk is therefore also applicable to gross costs. For the Classic segment, revenue is reported on a principal basis (gross) and the risk therefore only applies to revenue.	*We have performed the following procedures:* Identified and assessed the key controls over revenue recognition for all trading entities within the Group. Tested all material topside adjustments and journal entries impacting on revenue which fall outside of the standard booking process journals for evidence of management bias and evaluation of business rationale. Performed monthly analytical review on revenue and gross margin for each trading entity comparing actual results with prior year and budget and investigating and understanding unusual peaks and troughs in movements. Adopted a data analytics approach to corroborate our expectation of the relationship between gross revenue, trade receivables and cash receipts (all segments) and gross costs, trade payables and cash payments (OTB, Int'l & CPH) in relation to the standard booking process. Any exceptions to our expectation have been fully investigated and substantively tested. Reviewed management's paper and assessed if this was in line with our knowledge of the business, our understanding of IFRS 15 and industry specific guidance. We challenged management on the assumptions adopted and conclusions reached in their paper. Audited the IFRS 15 transition adjustment and corresponding disclosures in the year-end accounts We performed full scope audit procedures which covered 100% of revenue.	Our journal entry and data analytic testing procedures did not identify any instances of inappropriate management override in the recognition of revenue across the Group. Based on the audit procedures performed we did not identify evidence of material misstatements in the revenue recognised in the current year. We consider the revenue recognition policies applied to be appropriate.

Statutory Auditor's Report to the Members of On the Beach Group plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Exceptional items related to the Failure of Thomas Cook (£7.7m of risk) *Refer to the Audit Committee Report (page 62); Accounting policies (page 111); and Notes 7d, 16 and 19 of the Consolidated Financial Statements (pages 117 and 126 respectively)* We have identified a significant risk during our year-end audit in relation to the accounting implications following the collapse of Thomas Cook Group on 23rd September 2019 and the impact on the year end results. We consider the risk to be focused around the following areas: › Presentation of exceptional items › Appropriateness of the recognition of the receivable relating to the chargeback claim; and › Completeness and accuracy of the provision recorded at year-end in relation to future estimated costs	We have performed the following procedures: Identified and assessed the key controls over the appropriateness of the exceptional item. Understood the breakdown of exceptional items recognised in the year in relation to Thomas Cook and independently tested the completeness and accuracy of the various components. These include holiday cancellations and additional costs incurred in rebooking flights (net £7.1m) and additional head office operating costs (£0.6m). Challenged the presentation of the financial impact of Thomas Cook in the financial statements. This has resulted in a 3 columnar approach in the Income Statement to present income before impact of Thomas Cook, impact of Thomas Cook and statutory results and narrative reporting covering both GAAP and non-GAAP (adjusted) measures. Assessed the appropriateness of the recognition of the asset receivable in relation to the chargeback claim for reimbursement of costs previously incurred (£18.5m) and assessed the recoverability of the asset by testing a sample to post year-end settlements. Assessed the completeness and accuracy of the provision recorded at year-end (£12.3m), which is an estimate of expected costs to be incurred either for refunding customers for cancelled holidays or re-booking of alternative flights in comparison to post year-end actual costs incurred. We performed full scope audit procedures which covered 100% of the related balances.	Based on our procedures performed we are satisfied with presentation, recognition of the chargeback receivable and accuracy and completeness of the provision in place at year-end. We consider the presentation and narrative reporting to be fair, balanced and understandable.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and changes in the business environment when assessing the level of work to be performed at each entity.

Of the 12 components selected, we performed an audit of the complete financial information of all 12 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed full scope audit procedures accounted for 100% of the Group's Profit before tax and 100% of the Group's Profit before tax adjusted for the impact of Thomas Cook exceptional items, 100% of the Group's Revenue and 100% of the Group's Total assets.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.36 million, which is 5% of Profit before tax adjusted for the impact of Thomas Cook exceptional items. We believe that this measure provides us with an appropriate basis for materiality and have excluded the impact of Thomas Cook exceptional items as we consider this provides us with a more reflective view of the underlying business performance to the user of the accounts.

We determined materiality for the Parent Company to be £1.36 million, which is 2% of Equity, capped at the materiality of the Group.

Starting basis

› Profit before tax - £19.4m

Adjustment

› Thomas Cook exceptional costs - £7.7m

Materiality

› Totals £27.1m
› Materiality of £1.36m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and noted no changes.

Statutory Auditor’s Report to the Members of On the Beach Group plc

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group’s overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.68m. We have set performance materiality at this percentage due to it being a first year audit.

Audit work at the 12 components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £67k to £504k.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £68k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report set out on pages 1 to 95, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 95 – the statement given by the directors that they consider 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 60 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors’ statement of compliance with the UK Corporate Governance Code set out on page 51 – the parts of the directors’ statement required under the Listing Rules relating to the company’s compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept 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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 95, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors 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 for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 102, the Companies Act 2006 and UK Corporate Governance Code)
- We understood how On the Beach Group plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborate our enquiries through our review of board minutes and papers provided to the Audit Committee and discussions with the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 7 March 2019 to audit the financial statements for the year ending 30 September 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year ending 30 September 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Victoria Venning
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
27 November 2019

Statement of Directors' Responsibilities

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, being Simon Cooper, Paul Meehan, Richard Pennycook, Elaine O'Donnell and David Kelly, 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
27 November 2019

Financial Statements

Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2019

	Note	Income before impact of TCG[1] 2019 £'m	Impact of TCG[3] 2019 £'m	Total 2019 £'m	Restated (note 2) 2018 £'m
Revenue	4,5	147.5	(7.1)	140.4	104.3
Cost of sales		(48.4)	-	(48.4)	(11.7)
Gross profit		**99.1**	**(7.1)**	**92.0**	**92.6**
Administrative expenses	7	(72.2)	(0.6)	(72.8)	(66.4)
Group operating profit		**26.9**	**(7.7)**	**19.2**	**26.2**
Finance costs	9	(0.3)	-	(0.3)	(0.3)
Finance income	9	0.5	-	0.5	0.2
Net finance income/(costs)		**0.2**	**-**	**0.2**	**(0.1)**
Profit before taxation		**27.1**	**(7.7)**	**19.4**	**26.1**
Taxation	10	(5.2)	1.5	(3.7)	(4.6)
Profit for the year		**21.9**	**(6.2)**	**15.7**	**21.5**
Other comprehensive income:					
Net loss on cash flow hedges		(0.1)	-	(0.1)	-
Total comprehensive income for the year		**21.8**	**(6.2)**	**15.6**	**21.5**
Attributable to:					
Equity holders of the parent		21.8	(6.2)	15.6	21.5
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:					
Basic earnings per share	11			**12.0p**	**16.5p**
Diluted earnings per share	11			**11.9p**	**16.5p**
Adjusted earnings per share[2]	11			**21.4p**	**21.2p**
Adjusted profit measure [2]					
Adjusted PBT (before amortisation of acquired intangibles, exceptional & non underlying costs and share based payments) [2]	7			**34.6**	**33.6**

[1] *The impact of the TCG failure has been excluded.*

[2] *This is a non-GAAP measure, refer to notes.*

[3] *Refer to note 2bb.*

The notes on pages 101 to 137 form part of the financial statements.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Consolidated Balance Sheet

Year ended 30 September 2019

	Note	2019 £'m	Restated (note 2) 2018 £'m
Assets			
Non-current assets			
Intangible assets	12	85.1	88.2
Property, plant and equipment	13	6.4	4.5
Investment property	14	0.6	0.8
Total non-current assets		**92.1**	**93.5**
Current assets			
Trade and other receivables	16	94.5	71.5
Assets held for sale	17	0.2	0.5
Derivative financial instruments	24	-	0.1
Corporation tax receivable		-	0.7
Trust account	18	44.0	38.4
Cash at bank		54.8	47.3
Total current assets		193.5	158.5
Total assets		**285.6**	**252.0**
Equity			
Share capital	22	1.3	1.3
Retained earnings	23	257.1	245.3
Capital contribution reserve	23	0.5	0.5
Merger reserve	23	(129.5)	(129.5)
Total equity		**129.4**	**117.6**
Non-current liabilities			
Deferred tax	21	6.1	7.2
Total non-current liabilities		**6.1**	**7.2**
Current liabilities			
Corporation tax payable		0.2	-
Trade and other payables	19	136.6	127.2
Provisions	19	12.3	-
Derivative financial instruments	24	1.0	-
Total current liabilities		**150.1**	**127.2**
Total liabilities		156.2	134.4
Total equity and liabilities		**285.6**	**252.0**

The financial statements from pages 97 to 137 were approved by the Board of Directors and authorised for issue.

Paul Meehan
Chief Financial Officer
27 November 2019
On the Beach Group plc. Reg no 09736592

Consolidated Statement of Cash Flows

Year ended 30 September 2019

	Note	2019 £'m	2018 £'m
Profit before taxation		19.4	26.1
Adjustments for:			
Depreciation		1.1	0.5
Amortisation of intangible assets		8.7	7.2
Finance costs		0.3	0.3
Finance income		(0.5)	(0.2)
Share based payments		0.7	1.4
		29.7	**35.3**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(22.2)	(7.8)
Increase/(decrease) in trade and other payables		24.6	6.1
(Increase)/decrease in trust account		(5.6)	(0.2)
		(3.2)	(1.9)
Cash flows from operating activities			
Cash generated from operating activities		26.5	33.4
Tax paid		(3.8)	(7.1)
Net cash inflow from operating activities		**22.7**	**26.3**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(3.3)	(2.2)
Proceeds from disposal of assets held for sale		0.3	-
Purchase of intangible assets	12	(5.1)	(3.8)
Interest received		0.5	0.2
Contingent consideration		(2.7)	(3.0)
Acquisition of subsidiary, net of cash acquired		-	1.0
Net cash outflow from investing activities		**(10.3)**	**(7.8)**
Cash flows from financing activities			
Equity dividends paid		(4.6)	(3.9)
Interest paid		(0.3)	(0.3)
Net cash outflow from financing activities		**(4.9)**	**(4.2)**
Net increase in cash at bank and in hand		7.5	14.3
Cash at bank and in hand at beginning of year		47.3	33.0
Cash at bank and in hand at end of year		**54.8**	**47.3**

The notes on pages 101 to 137 form part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 September 2019

	Share capital £'m	Merger reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
Balance at 30 September 2017	1.3	(132.1)	0.5	226.5	96.2
Share based payment charges	-	-	-	1.2	1.2
Share issued during the year	-	2.6	-	-	2.6
Dividends paid during the year	-	-	-	(3.9)	(3.9)
Total comprehensive income for the year	-	-	-	21.5	21.5
Balance at 30 September 2018 restated (note 2)	**1.3**	**(129.5)**	**0.5**	**245.3**	**117.6**
Share based payments including tax	-	-	-	0.8	0.8
Dividends paid during the year	-	-	-	(4.6)	(4.6)
Total comprehensive income for the year	-	-	-	15.6	15.6
Balance at 30 September 2019	**1.3**	**(129.5)**	**0.5**	**257.1**	**129.4**

The notes on pages 101 to 137 form part of these financial statements.

Notes to the Consolidated Financial Statements

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 145.

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 Group has adopted the following standards, amendments and interpretations in these financial statements:

› *IFRS 15 Revenue from Contracts with Customers*

The Group has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 October 2018. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has applied IFRS 15 using the full retrospective method of adoption, the effect of the transition on the current period has not been disclosed. The following changes were required for the prior year as a result of IFRS 15:

(i) Administration Fees

Certain administration fees that were previously recognised at the time of booking are now recognised when payment has been received and the service has been provided.

The statement of financial position as at 30 September 2018 was restated, resulting in the reversal of administration fee debtors of £0.3m and reduction in retained earnings of £0.3m.

(ii) Timing of Recognition

The Group has performed analysis on the agent vs principal status of each segment and identification of performance obligations, see note 3 for details. For bookings sold as principal, the Group has the responsibility to provide all of the elements that make up the package.

The Group therefore believe that the provision of the complete package is one performance obligation and that revenue should be recognised over the duration of the customer's holiday. Prior to the adoption of IFRS 15, the Group recognised revenue from sales as principal upon the departure date of the booking.

For bookings sold as agent, the Group has the obligation to arrange the individual elements on behalf of the customer in return for a service fee and commission. Revenue is recognised once the booking confirmation has been sent to the customer.

The statement of financial position as at 30 September 2018 was restated resulting in £0.7m increase in trade receivables and a £0.8m increase in trade payables. The acquisition balance of Classic has been restated resulting in a £0.1m increase to goodwill (see note 6).

The income statement for the year ended 30 September 2018 was restated, resulting in a £0.2m increase in sales and a £0.2m increase in cost of sales.

Notes to the Consolidated Financial Statements

Impact on the consolidated statement of financial position:

	At 30 September 2018			
	Original £'m	Admin fee adjustment note(i) £'m	Timing adjustment note(ii) £'m	Restated £'m
Assets				
Non-current assets				
Intangible assets	88.1	-	0.1	88.2
Property, plant and equipment	4.5	-	-	4.5
Investment property	0.8	-	-	0.8
Total non-current assets	**93.4**	**-**	**0.1**	**93.5**
Current assets				
Trade and other receivables	71.1	(0.3)	0.7	71.5
Assets held for sale	0.5	-	-	0.5
Derivative financial instruments	0.1	-	-	0.1
Corporation tax receivable	0.7	-	-	0.7
Trust account	38.4	-	-	38.4
Cash at bank	47.3	-	-	47.3
Total current assets	**158.1**	**(0.3)**	**0.7**	**158.5**
Total assets	**251.5**	**(0.3)**	**0.8**	**252.0**
Equity				
Share capital	1.3	-	-	1.3
Retained earnings	245.6	(0.3)	-	245.3
Capital contribution reserve	0.5	-	-	0.5
Merger reserve	(129.5)	-	-	(129.5)
Total equity	**117.9**	**(0.3)**	**-**	**117.6**
Non-current liabilities				
Deferred tax	7.2	-	-	7.2
Total non-current liabilities	**7.2**	**-**	**-**	**7.2**
Current liabilities				
Trade and other payables	126.4	-	0.8	127.2
Total current liabilities	126.4	-	0.8	127.2
Total liabilities	133.6	-	0.8	134.4
Total equity and liabilities	**251.5**	**(0.3)**	**0.8**	**252.0**

Impact on consolidated income statement and statement of comprehensive income:

	Year ended 30 September 2018			
	Original £'m	Admin fee adjustment note(i) £'m	Timing adjustment note(ii) £'m	Restated £'m
Revenue	104.1	-	0.2	104.3
Cost of sales	(11.5)	-	(0.2)	(11.7)
Gross profit	**92.6**	**-**	**-**	**92.6**
Operating expenses	(66.4)	-	-	(66.4)
Finance costs	(0.3)	-	-	(0.3)
Finance income	0.2	-	-	0.2
Taxation	(4.6)	-	-	(4.6)
Profit for the period	**21.5**	**-**	**-**	**21.5**
Other comprehensive income - net loss on cash flow hedges	-	-	-	-
Total comprehensive income for the period	**21.5**	**-**	**-**	**21.5**

There is no material impact on the statement of cash flows. The impact on basic and diluted EPS is as follows:

Earnings per share	**Year ended 30 September 2018**
Basic, profit for the year attributable to ordinary equity holders of the parent	**£0.02**
Diluted, profit for the year attributable to ordinary equity holders of the parent	**£0.02**

› *IFRS 9 Financial Instruments*

The Group has adopted IFRS 9 with a date of initial application of 1 October 2018. The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment and hedge accounting. Management performed an assessment of the impact of the standard and any potential changes due to impairment.

Classification and Measurement

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities

The assessment of the Group's business model was made as of the date of initial application, 1 October 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement of the Group's financial liabilities have also been considered under IFRS 9. There was no impact on the measurement of the Group's financial assets and liabilities upon transition.

Notes to the Consolidated Financial Statements

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 October 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £'m	New carrying amount under IFRS 9 £'m
Financial assets				
Forward exchange contracts	Fair value - hedging instrument	Fair value - hedging instrument	0.1	0.1
Cash at Bank	Loans and receivables	Amortised cost	47.3	47.3
Trust account	Loans and receivables	Amortised cost	38.4	38.4
Trade and other receivables	Loans and receivables	Amortised cost	67.2	67.2
Total financial assets			**153.0**	**153.0**
Financial liabilities				
Contingent consideration	Fair value through profit or loss	Fair value through profit or loss	(2.7)	(2.7)
Trade and other payables	Other financial liabilities	Other financial liabilities	(124.5)	(124.5)
Total financial liabilities			**(127.2)**	**(127.2)**

Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Group made an assessment of the impairment of trade receivables and other receivables, applying the simplified approach in calculating ECLs, there has been no material impact on the impairment recognised.

Hedge Accounting
The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Standards Not Yet Effective
At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16 Leases
IFRIC 23 Uncertainty over Tax Treatments
Amendments to IFRSs 3, 11, IAS 12 and IAS 23 resulting from the annual improvements 2015-2017 cycle

Management are reviewing the impact of the above on the Group's financial statements. The main changes which will have a significant impact are:

IFRS 16 Leases

IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The new standard is effective for annual periods beginning on or after 1 January 2019 and therefore will first be applicable for the Group's year ending 30 September 2020. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases to help provide useful information to the users of financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. The Group will apply the new standard using the fully retrospective approach which means that comparative figures will be restated. The transition rules include the option to apply 'grandfathering' to all IAS 17 judgments previously made by an entity regarding whether a contract was indeed a lease or not, the Group have applied this option in the IFRS 16 considerations made. There is also an exemption for short-term leases, i.e. 12 months or less and low value assets to be expensed and the Group has taken this option.

The lease liabilities attributable to the Group's property leases which have previously been classified as operating leases under IAS 17 will be measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at the inception of the relevant lease. A corresponding right-of-use asset will be recognised at an amount equal to the depreciated cost as if the asset had been a right-of-use asset from inception of the lease. 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 initial analysis of property lease commitments held by the group at 30 September 2019, and using an estimated discount rates, the Group estimates that it will recognise additional lease liabilities of £4.5m and right-of-use assets of £4.2m as at 1 October 2019. The net impact on profit is expected to be £0.1m and there is no impact on the Group's cash flows.

The Group has calculated the incremental borrowing rate for each material class of operating leases and has applied these rates in the IFRS 16 calculations. The discount rates used have been tested for sensitivity and the opening adjustment was not materially sensitive to changes in discount rates.

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.

i. Subsidiaries are Entities Controlled by the Company.

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

ii. Transactions Eliminated on Consolidation

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

e) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. If the recoverable amount is less than the carrying amount of the unit, the impairment loss is allocated to first reduce the amount of goodwill allocated to the unit and then the other assets in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortised cost, the financial asset is under a 'hold to collect' business model and it needs to give rise to cash flows that are solely payments of principal and interest (SPPI)' on the principal amount outstanding.

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. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Cash at Bank

Cash at bank comprises 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.

Trust Account

All customer monies are held in a trust account until after the provision of the holiday service. The trust account is governed by a deed between the Group, the Civil Aviation Authority Air Travel Trustees, ABTA and independent trustees (Travel Trust Services Limited), which determines the inflows and outflows from the account.

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

ii. Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Trade and Other Payables

Trade and other payables including deferred consideration are recognised initially at fair value and net of directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate ("EIR") amortisation process.

iii. Derivative Financial Instruments, Including Hedge Accounting

The Group enters into forward foreign exchange contracts to manage exposure to foreign exchange rate risk. Further details of these derivative financial instruments are disclosed in note 24 of these financial statements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Fair Value Hedges

All derivative financial instruments are assessed against the hedge accounting criteria set out in IFRS 9. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item. This includes identification of the hedging instrument, the hedged item, 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.

Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

Cash Flow Hedges

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are recognised in profit or loss when the income or expense on the hedged item is recognised in the profit or loss.

h) Segment Reporting

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

The management team considers there to be four reportable segments:

i. *"OTB"* - activity via UK websites (www.onthebeach.co.uk, www.sunshine.co.uk and www.onthebeachtransfers.co.uk)
ii. *"International"* - activity via Swedish, Norwegian and Danish websites (www.eBeach.se, www.eBeach.no and www.eBeach.dk)
iii. *"Classic"* - activity via the newly acquired Tour Operator, Classic Collection Holidays Limited and subsidiaries
iv. *"CPH"* - activity via the Classic Package Holidays online business to business portal

i) Revenue Recognition

IFRS 15 Revenue from Contracts with Customers is a principle-based model of recognising revenue from customer contracts. It has a five-step model that requires revenue to be recognised when control over goods and services are transferred to the customer.The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The following paragraphs describe the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. Further details of the disaggregation of revenue are disclosed in note 4 of these financial statements.

As Agent:

The Group acts as agent when it is not the primary party responsible for providing the components that make up the customers booking and it does not control the components before they are transferred to customers. 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 the performance obligation of arranging and facilitating the customer to enter into individual contracts with principal suppliers is satisfied, usually on delivery of the booking confirmation.

Cancellations are estimated at the reporting date based on the historical profile of cancellations, this is then deducted from revenue.

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 and it controls components before transferring to the customer. Revenue represents amounts received or receivable for the sale of package holidays and other services supplied to the customers. Revenue is recognised when the performance obligation of delivering an integrated package holiday is satisfied, usually over the duration of the holiday.

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.

Notes to the Consolidated Financial Statements

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 acquire; 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	3-10 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
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties is recognised as other income in the income statement. Properties are externally valued on the basis of fair value at the balance sheet date.

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
› 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 and Classic have resulted in the brand of each 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, customer relationships have been identified as a separately identifiable assets. Classic'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 and individuals booking directly. 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 intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where 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.

Notes to the Consolidated Financial Statements

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 comprises 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 comprises 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*
Exceptional items are 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 Group's KPIs is adjusted profit before tax. When reviewing profitability, the Directors use an adjusted profit before taxation ("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 PBT 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.

bb) *Thomas Cook Group plc Impact*
On 23 September 2019, Thomas Cook Group plc ("TCG") announced that it had ceased trading and had entered compulsory liquidation. There was a one-off exceptional cost associated with helping customers to organise alternative travel arrangements, and lost margin on cancelled bookings.

The adjustment of £7.1m to revenue represents the lost revenue associated with providing refunds and the costs associated with organising alternative travel arrangements for customers. This totalled £25.6m and is stated net of a chargeback claim of £18.5m. The £0.6m of other exceptional operating costs relates to the incremental operational costs of managing the process and the loss of monies held by TCG agents.

The Directors believe that adjusting the income statement for the impact of the TCG failure provides a fair, balanced and understandable view of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight.

Notes to the Consolidated Financial Statements

3. *Critical Accounting Estimates and Judgements*

The Group's accounting policies have been set by management. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results. Under IFRS estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain or because different estimation methods or assumptions could reasonably have been used.

Critical Accounting Judgements

Revenue from Contracts with Customers

The Group applied the following key judgements on the agent vs principal status of each segment as well as the number of performance objections in each.

Performance Obligations

Revenue in the OTB, International and CPH segments is recognised based on there being a single performance obligation at the point of booking. This is to arrange and facilitate the customer entering into individual contracts with principal suppliers providing holiday related services including flights, hotels and transfers.

The Group has concluded that under IFRS 15 for revenue in the Classic segment, a package holiday constitutes the delivery of one distinct performance obligation which includes flights, accommodation, transfers and other holiday-related services. In formulating this conclusion, management has assessed that it provides a significant integration service to collate all of the elements within a customer's specification to produce one integrated package holiday. Whilst this is consistent with the treatment under IAS 18, management has further analysed the recognition profile and concluded that under IFRS 15, revenue and corresponding cost of sales should be recognised over the period a customer is on holiday rather than on date of departure as previously reported under IAS 18.

Agent vs Principal

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

Following review and consideration of the guidance within IFRS 15, management have concluded that revenue in the OTB, International and CPH segments will continue to be treated as an agent on the basis that the performance obligation is to arrange for another entity to provide the goods or services. This assessment has given consideration that there is no inventory risk and limited discretion in establishing prices. Revenue in the Classic segment will continue to be treated as a principal on the basis that Classic have the primary responsibility for fulfilling the package holiday for the customer.

Critical Accounting Estimates

Thomas Cook Insolvency

On 23 September 2019, Thomas Cook Group plc announced that it had ceased trading and entered compulsory liquidation. Bound by their terms of business and obligations under the ATOL regulations, the Group has a responsibility to organise alternative travel arrangements or provide a refund to affected customers.

The Directors considered a present obligation arising from a past event for which a provision was required. The total cost of the Group's obligations was £27.5 million of which £12.3 million is outstanding at year end and has been recognised as a provision *(note 19)* in the balance sheet. The Directors considered part of the provision could be mitigated through chargebacks and accordingly a £18.5 million receivable *(note 16)* relating to the amounts expected to be reclaimed from chargebacks was recognised.

Determining the amounts to be provided for the remaining bookings involves judgement and is dependent upon a number of assumptions by management including the number of suitable alternative flights for the customer and fluctuations in flight pricing. Sensitivity analysis for these remaining bookings was performed based on various scenarios and the range of resulting losses were not considered to be material on the provision recognised. Management expect the remaining 5% of affected bookings to have been dealt with before the end of the first half of 2020 and further to be no material effect on the carrying value of the assets and liabilities affected.

At the time of signing the accounts, the Group had either found a suitable alternative replacement flight or refunded 95% of the affected bookings which crystallised a number of the assumptions used at year end.

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

The Directors have exercised judgement in determining whether the threshold of virtual certainty has been met in recognising the Thomas Cook reimbursement asset, there is no estimation in the value of the assets. In arriving at this judgement, the Directors have considered the right to recover amounts from the payment card provider, correspondence and discussions with the card providers to date and the Group's history of being able to recover such amounts from chargeback claims.

4. Revenue

Following the introduction of IFRS 15, the Group is required to disaggregate its revenue to show the main drivers of its revenue streams. Revenue is accounted for at the point the Group has satisfied its performance obligations, details of the revenue performance obligations are set out in note 2i of these financial statements.

Year ended 30 September 2019

	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m
Adjusted Revenue					
Sales as agent	90.3	1.4	-	0.8	92.5
Sales as principal	-	-	55.0	-	55.0
Total Adjusted Revenue	90.3	1.4	55.0	0.8	147.5
Impact of TCG	(7.0)	-	-	(0.1)	(7.1)
Total Revenue	**83.3**	**1.4**	**55.0**	**0.7**	**140.4**

Restated (note 2)
Year ended 30 September 2018

	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m
Sales as agent	89.3	1.6	-	-	90.9
Sales as principal	-	-	13.4	-	13.4
Total Revenue	**89.3**	**1.6**	**13.4**	**-**	**104.3**

Details of receivables arising from contracts with customers are set out in note 16.

Notes to the Consolidated Financial Statements

5. Segmental Report

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

OTB, International and CPH recognise revenue as agent on a net basis. Classic recognises revenue as a principal on a gross basis.

	2019					Restated (note 2) 2018			
	OTB £'m	Int'l £'m	Classic £'m	CPH** £'m	Total £'m	OTB £'m	Int'l £'m	Classic* £'m	Total £'m
Income									
Revenue before impact of TCG	90.3	1.4	55.0	0.8	147.5	89.3	1.6	13.4	104.3
Impact of TCG	(7.0)	-	-	(0.1)	(7.1)	-	-	-	-
Total Revenue	**83.3**	**1.4**	**55.0**	**0.7**	**140.4**	**89.3**	**1.6**	**13.4**	**104.3**
Adjusted EBITDA	38.2	(0.6)	2.2	(1.1)	38.7	37.9	(2.2)	1.1	36.8
Share-based payments	(0.7)	-	-	-	(0.7)	(1.4)	-	-	(1.4)
Impact of TCG	(7.2)	-	(0.4)	(0.1)	(7.7)	-	-	-	-
Exceptional costs	(1.0)	-	(0.3)	-	(1.3)	(1.5)	-	-	(1.5)
EBITDA	**29.3**	**(0.6)**	**1.5**	**(1.2)**	**29.0**	**35.0**	**(2.2)**	**1.1**	**33.9**
Depreciation and amortisation	(8.4)	(0.1)	(1.3)	-	(9.8)	(7.3)	(0.2)	(0.2)	(7.7)
Group operating profit	**20.9**	**(0.7)**	**0.2**	**(1.2)**	**19.2**	**27.7**	**(2.4)**	**0.9**	**26.2**
Finance costs					(0.3)				(0.3)
Finance income					0.5				0.2
Profit before taxation					**19.4**				**26.1**
Non-current assets									
Goodwill	31.6	-	4.6	4.0	**40.2**	31.6	-	8.1	**39.7**
Other intangible assets	34.5	0.1	10.0	0.3	**44.9**	37.3	0.1	11.1	**48.5**
Property, plant and equipment	4.7	-	1.7	-	**6.4**	2.5	-	2.0	**4.5**
Investment property	-	-	0.6	-	**0.6**	-	-	0.8	**0.8**

* Results are from the acquisition date to 30 September 2018

** Trading commenced in March 2019.

6. *Business Combinations*

Prior Year Acquisition of Classic

On 15 August 2018 the Group acquired the entire share capital of Classic Collection 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 B2C network.

Assets 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:

	Restated (note 2) Recognised values on acquisition £'m	Adjustment £'m	Recognised values £'m
Net assets acquired			
Intangible assets	11.2	-	11.2
Property plant and equipment	2.0	(0.3)	1.7
Investment property	0.8	(0.2)	0.6
Trade and other receivables	5.9	-	5.9
Cash and cash equivalents	18.2	-	18.2
Trade and other payables	(21.0)	-	(21.0)
Deferred tax liabilities	(1.9)	-	(1.9)
Net identifiable assets and liabilities	**15.2**	**(0.5)**	**14.7**
Consideration paid			
Cash paid	20.7	-	20.7
Shares issued	2.6	-	2.6
Total consideration	23.3	-	23.3
Net working capital cash adjustment	(3.3)	-	(3.3)
Net consideration	**20.0**	**-**	**20.0**
Goodwill	**8.1**	**0.5**	**8.6**

Under IFRS 3 Business Combinations, the Classic Collection brand, including the domain name, has been identified as an asset separate from Goodwill with a value of £11.2m. The recognition of the brand 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 and gaining access to new customers in the luxury packaged holidays space. None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

Included within cash paid is £2.7m which on acquisition was contingent consideration, the contingent consideration was paid in full on the 15 August 2019. The fair value of the contingent consideration at acquisition amounted to £2.7m which was the agreed payment amount. The contingent consideration would have been reduced by any losses suffered or incurred resulting from any material breach of the Directors' service agreements. This was deemed to be remote, and therefore did not affect the fair value at acquisition. The Directors received market rate remuneration for the period of the service agreement which is separate from the consideration amount. There were no changes to the fair value of the contingent consideration since 30 September 2018.

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.

Notes to the Consolidated Financial Statements

The agreed purchase price for Classic Collection Holidays Group was £20m. Excess working capital was paid upon acquisition as additional consideration.

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.

The Group has recorded an adjustment to the valuation of the propery acquired in accordance with an external valuation obtained during the hindsight period.

The goodwill balance has been revised since 30 September 2018 due to the retrospective adoption of IFRS 15. The application of IFRS 15 resulted in a £0.7m increase in trade receivables, a £0.8m increase in trade payables and £0.1m to goodwill.

7. Operating Profit

a) Operating Expenses

Expenses by nature including exceptional items and impairment charges:

	2019 £'m	2018 £'m
Marketing	36.3	40.4
Depreciation	1.1	0.5
Staff costs (including share based payments)	14.7	10.9
IT hosting, licences & support	2.1	1.4
Rent	1.5	1.0
Credit / debit card charges	2.8	2.7
Insurance	0.6	0.1
Other	3.1	0.7
Administrative expenses before exceptional costs & amortisation of intangible assets	**62.2**	**57.7**
Impact of TCG failure	0.6	-
Exceptional costs (note 7b)	1.3	1.5
Amortisation of intangible assets	8.7	7.2
Exceptional costs & amortisation of intangible assets	**10.6**	**8.7**
Administrative expenses	**72.8**	**66.4**

b) Exceptional Items

The exceptional costs of £1.3m relate to £0.3m exceptional property costs, £0.8m relating to organisational restructuring costs and £0.2m relating to other exceptional costs.

Exceptional items in the prior period include £0.6m of costs incurred in relation to the purchase of Classic Collection Holidays Group, £0.5m relating to exceptional property cost and £0.4m relating to other exceptional costs.

c) *Services Provided by the Statutory Auditor*

During the year, the Group obtained the following services from the operating Statutory Auditor.

	2019 £'m	2018 £'m
Audit of the parent company financial statements	0.1	0.1
Amounts receivable by the Company's Statutory Auditor and its associated in respect of:		
› Audit of financial statements of subsidiaries pursuant to legislation	0.1	0.1
› Review of interim financial statements	-	-
› Other assurance services	-	-
	0.2	**0.2**

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 Groups performance:

	2019 £'m	2018 £'m
Profit before taxation	19.4	26.1
Impact of TCG failure	7.7	-
Exceptional costs:		
Exceptional acquisition costs	-	0.6
Exceptional property costs	0.3	0.5
Organisational restructure	0.8	-
Other costs	0.2	0.4
Total exceptional costs	**1.3**	**1.5**
Amortisation of acquired intangibles	5.5	4.6
Share based payments charge*	0.7	1.4
Adjusted PBT	**34.6**	**33.6**

* *The first LTIP was granted in 2016. As each LTIP award reaches maturity (three 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.*

8. Employees and Directors

a) *Payroll Costs*

The aggregate payroll costs of these persons were as follows:

	2019 £'m	2018 £'m
Wages and salaries	17.2	12.0
Defined contribution pension cost	0.3	0.1
Social security costs	1.7	1.2
Share-based payment charges	0.7	1.4
	19.9	**14.7**

Staff costs above include £5.2m *(2018: £3.8m)* employee costs capitalised as part of software development.

b) *Employee Numbers*

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

	2019 No.	2018 No.
By reportable segment:		
OTB	404	384
Int'l	13	18
Classic	99	102
CPH	5	-
	521	**504**

c) *Directors' Emoluments*

The remuneration of Directors was as follows:

	2019 £'m	2018 £'m
Aggregate emoluments	1.0	0.8
Defined contribution pension	-	0.1
Share-based payment charges	(0.1)	0.7
	0.9	**1.6**

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:

	2019 £'m	2018 £'m
Aggregate emoluments	0.4	0.3
Share-based payment charges	-	0.4
	0.4	**0.7**

d) *Key Management Compensation*

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

	2019 £'m	2018 £'m
Wages and salaries	1.9	1.1
Short-term non-monetary benefits	-	0.1
Share-based payment charges	0.1	0.9
	2.0	**2.1**

e) *Retirement Benefits*

Included in pension contributions payable by the Group of £0.2m *(2018: £0.1m)* is £26,000 *(2018: £42,000)* of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

9. *Finance Income and Finance Costs*

a) *Finance Costs*

	2019 £'m	2018 £'m
Rolling credit facility interest	0.3	0.3
Finance costs	**0.3**	**0.3**

b) *Finance Income*

	2019 £'m	2018 £'m
Bank interest receivable	0.5	0.2
Finance income	**0.5**	**0.2**

10. Taxation

		Restated (note 2)
	2019 £'m	**2018 £'m**
Current tax on profit for the year	4.8	6.1
Adjustments in respect of prior years	(0.1)	(0.4)
Total current tax	**4.7**	**5.7**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(1.0)	(1.1)
Total deferred tax	**(1.0)**	**(1.1)**
Total tax charge	**3.7**	**4.6**

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.

	2019 £'m	2018 £'m
Profit on ordinary activities before tax	19.4	26.1
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% *(2018: 19%)*	3.7	5.0
Effects of: Adjustments in respect of prior years	(0.1)	(0.4)
Expenses not deductible	0.1	-
Total taxation charge	**3.7**	**4.6**

The tax charge for the year is based on the effective rate of UK corporation tax for the period of 19% *(2018: 19%)*. A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was 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 2019 has been calculated based on these rates.

11. 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 average number of Ordinary Shares that would be issued on the conversion of all dilutive potential ordinary shares into Ordinary Shares.

Adjusted 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 2019			
Basic EPS	131.1	15.7	12.0p
Diluted EPS	131.4	15.7	11.9p
Adjusted EPS	131.1	28.0	21.4p
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

Adjusted earnings after tax is calculated as follows:

	2019 £'m	Restated (note 2) 2018 £'m
Profit for the year after taxation	15.7	21.5
Adjustments (Net of Tax at 19%):		
Impact of TCG	6.2	-
Exceptional acquisition costs	-	0.5
Exceptional property costs	0.2	0.4
Organisational restructure	0.6	-
Other exceptional costs	0.2	0.3
Amortisation of acquired intangibles	4.5	3.8
Share based payment charges*	0.6	1.2
Adjusted earnings after tax	**28.0**	**27.7**

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

Notes to the Consolidated Financial Statements

12. Intangible Assets

	Brand £'m	Goodwill £'m	Website & development costs £'m	Website technology £'m	Customer relationships £'m	Total £'m
Cost						
At 1 October 2017	31.5	31.6	6.5	22.5	-	92.1
Assets acquired on acquisition	4.4	8.1	-	0.3	6.5	19.3
Additions	-	-	3.8	-	-	3.8
Disposals	-	-	(3.8)	-	-	(3.8)
At 1 October 2018 restated (note 2)	35.9	39.7	6.5	22.8	6.5	111.4
Additions	-	-	5.1	-	-	5.1
Revaluation	-	0.5	-	-	-	0.5
At 30 September 2019	**35.9**	**40.2**	**11.6**	**22.8**	**6.5**	**117.0**
Accumulated amortisation						
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 1 October 2018	10.3	-	1.5	11.2	0.2	23.2
Charge for the year	2.4	-	3.2	2.4	0.7	8.7
At 30 September 2019	**12.7**	**-**	**4.7**	**13.6**	**0.9**	**31.9**
Net book amount						
At 30 September 2019	23.2	40.2	6.9	9.2	5.6	85.1
At 30 September 2018	25.6	39.7	5.0	11.6	6.3	88.2

Assets Acquired on Acquisition

These assets were recognised upon acquisition of Classic. The amounts recognised are at fair value at acquisition date.

Goodwill

Goodwill acquired in a business combination is allocated on acquisition to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

CGU	Acquisitions	As at 30 September 2019 £'m	Restated (note 2) As at 30 September 2018 £'m
OTB	On the Beach Travel Limited	21.5	21.5
OTB	Sunshine.co.uk Limited	10.1	10.1
Classic	Classic Collection Limited	4.6	4.1
CPH	Classic Collection Limited	4.0	4.0
		40.2	**39.7**

Impairment of Goodwill
Goodwill acquired through Sunshine.co.uk has been allocated to the OTB cash-generating units it operates from the same internal infrastructure as the OTB segment. OTB and Sunshine are internally reported and managed as one entity. Goodwill acquired through the Classic acquisition has been allocated to the Classic and CPH cash-generating unit.

OTB CGU
The Group performed its annual impairment test as at 30 September 2019 on the "OTB" 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 four-year period. The initial three years are based on the three-year business plan, year four is extrapolated at a growth rate of 5 percent *(2018: 5 percent)*; the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent *(2018: 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 9.5 percent *(2018: 13.5 percent)*.

Classic CGU
The Group performed its annual impairment test as at 30 September 2019 on the "Classic" 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 four-year period. The calculations are based on the three-year business plan, year four is extrapolated at a flat growth rate *(2018: 2 percent)*, the forecasts are then extrapolated in perpetuity based on a flat growth rate. This is deemed appropriate based on the Directors' best estimates of the future prospects of the 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 the CGU. The discount rate applied is 9.5 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.

CPH CGU
The Group performed its annual impairment test as at 30 September 2019 on the "CPH" 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 four-year period. The calculations are based on the three-year business plan, year four is extrapolated at a growth rate of 2 percent, the forecasts are then extrapolated in perpetuity based on a 2 percent growth rate. This is deemed appropriate based on the Directors' best estimates of the future prospects of the 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 the CGU. The discount rate applied is 9.5 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 the key assumptions, the discount rate and growth rate, 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.

Notes to the Consolidated Financial Statements

13. Tangible Assets

	Freehold property £'m	Buildings leasehold £'m	Fixtures, fittings and equipment £'m	Assets under construction £'m	Total £'m
Cost					
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 1 October 2018	**2.0**	**-**	**1.5**	**1.1**	**4.6**
Additions	-	-	1.2	2.1	3.3
Revaluation	(0.3)	-	-	-	(0.3)
Transfer assets under construction	-	-	3.2	(3.2)	-
At 30 September 2019	**1.7**	**-**	**5.9**	**-**	**7.6**
Accumulated depreciation					
At 1 October 2017	-	-	1.0	-	1.0
Charge for the year	-	-	0.5	-	0.5
Disposals	-	-	(1.4)	-	(1.4)
At 1 October 2018	**-**	**-**	**0.1**	**-**	**0.1**
Charge for the year	-	-	1.1	-	1.1
Disposals	-	-	-	-	-
At 30 September 2019	**-**	**-**	**1.2**	**-**	**1.2**
Net book amount					
At 30 September 2019	**1.7**	**-**	**4.7**	**-**	**6.4**
At 30 September 2018	2.0	-	1.4	1.1	4.5

Assets Under Construction
Assets under construction are accounted for at cost, the assets are not depreciated until they are brought into use.

Assets Acquired on Acquisition
£2.0m of these assets were recognised upon acquisition of Classic on 16 August 2018. The amounts recognised are at fair value at acquisition date which equates to the net book value of these assets.

The depreciation expense of £1.1m for the year ended 30 September 2019 and the depreciation expense of £0.5m for the year ended 30 September 2018 have been recognised within administrative expenses.

14. Investment Property

	Total £'m
At 1 October 2017	-
On Acquisition	0.8
At 1 October 2018	0.8
Revaluation	(0.2)
At 30 September 2019	0.6

Assets Acquired on Acquisition
Investment property relates to a freehold property acquired as part of the acquisition of Classic. A portion of the building earns rental income and has been classified as an investment property. Rental income of £0.1m *(2018: £0.1m)* 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.

15. 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 Aeroworks, 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.

16. Trade and Other Receivables

Amounts falling due within one year:	2019 £'m	Restated (note 2) 2018 £'m
Trade receivables – net	64.7	58.8
Other receivables	28.5	8.4
Prepayments	1.3	4.3
	94.5	**71.5**

Other receivables includes £18.5m receivable in respect of chargeback claims following the failure of the Thomas Cook Group on 23 September 2019. Information about the credit exposures are disclosed in note 24

17. Assets Held for Sale

	2019 £'m	2018 £'m
Properties held for sale	0.2	0.5
	0.2	**0.5**

During the year, the Group sold one of the two properties acquired through the purchase of Sunshine.co.uk. The Group sold the second property held for sale after the year end.

18. Trust Account

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

19. Trade, Other Payables and Provisions

Current	2019 £'m	Restated (note 2) 2018 £'m
Trade payables	121.6	108.9
Accruals	15.0	15.6
Contingent consideration	-	2.7
	136.6	**127.2**
Provision	12.3	-
	148.9	**127.2**

The £12.3m provision is in respect of the Thomas Cook Group failure. The amount recognised is an estimate of the cost the Group will incur to fulfil its obligations to customers under the ATOL regulations to arrange refunds or alternative flights, see note 3 for details on estimates.

The Group expects to recover £18.5m through chargeback claims (see note 16) relating to bookings cancelled pre year end as well as those to be cancelled post year end.

20. Borrowings

Bank Facility

During the year the Group extended its revolving credit facility with Lloyds Bank plc to 31 December 2022.
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 £50.0m in another month. No early prepayment fees are payable. The interest payable is equal to LIBOR plus a margin.

The margin contained within the Facility is dependent on net leverage ratio and the rate per annum ranges from 1.40% to 2.20% for the facility or any unpaid sum.

The terms of the facility include the following financial covenants:

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

The Group operated within these covenants during the period.

21. Deferred Tax

	Intangible assets £'m	Property, plant and equipment £'m	Share-based payments £'m	Tax assets/ (liabilities) £'m
2019				
Assets	-	-	0.5	0.5
Liabilities	(6.5)	(0.1)	-	(6.6)
Total	**(6.5)**	**(0.1)**	**0.5**	**(6.1)**
2018				
Assets	-	0.1	0.3	0.4
Liabilities	(7.6)	-	-	(7.6)
Total	**(7.6)**	**0.1**	**0.3**	**(7.2)**

	Intangible asset revaluation £'m	Property, plant and equipment £'m	Share-based payments £'m	Total £'m
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)
Recognised in income	1.1	(0.2)	0.1	1.0
Recognised in equity	-	-	0.1	0.1
30 September 2019	**(6.5)**	**(0.1)**	**0.5**	**(6.1)**

22. *Share Capital*

	2019 £'m	2018 £'m
Allotted, called up and fully paid		
131,154,058 ordinary shares @ £0.01 each (2018:131,042,510 @ £0.01 each)	1.3	1.3

During the year, the Group issued 111,548 shares. 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.

23. *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 ended 30 September 2018, the Group issued 607,747 shares with a nominal value of £0.01 each to form part of the acquisition of Classic. The consideration value of the shares issued was £2.6m. The excess above the nominal value of the shares was 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.

24. *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:

			Restated (note 2)
Financial assets	**FV level**	**2019 £'m**	**2018 £'m**
Derivative financial assets designated as hedging instruments			
Forward exchange contracts	2	-	0.1
Financial assets at amortised cost			
Trust account		44.0	38.4
Cash at bank		54.8	47.3
Trade and other receivables *(note 16)*		93.2	67.2
Total financial assets		**192.0**	**153.0**

Financial liabilities			
Derivatives designated as hedging instruments			
Forward exchange contracts	2	(1.0)	-
Financial liabilities at fair value through profit or loss			
Contingent consideration *(note 6)*	3	-	(2.7)
Financial liabilities at amortised cost			
Trade and other payables *(note 19)*		(136.6)	(124.5)
Total financial liabilities		**(137.6)**	**(127.2)**

Derivative Financial Instruments

The Group enters into derivative financial instruments which are valued using present value calculations. The valuation methods incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies.

Contingent Consideration

In the prior year, the Group acquired the entire share capital of Classic in exchange for cash, shares and contingent consideration, the contingent consideration was paid in full in August 2019.

Revolving Credit Facility

In order to fund seasonal working capital requirements the Group has a revolving credit facility with Lloyds Bank plc. The borrowing limits under the facility will vary monthly, ranging from £2.0m to £50.0m depending on month. At year end, the facility was nil *(2018: Nil).*

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

	FV level	2019 £'m	Restated *(note 2)* 2018 £'m
Forward exchange contracts	2	(1.0)	0.1
Contingent consideration	2	-	(2.7)

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

a) Measurement of Fair Values

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 contracts	Level 1 £'m	Level 2 £'m	Level 3 £'m
As at 30 September 2019	-	(1.0)	-
As at 30 September 2018	-	0.1	-

Contingent consideration			
As at 30 September 2019	-	-	-
As at 30 September 2018	-	-	(2.7)

The forward contracts have been fair valued at 30 September 2019 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

Notes to the Consolidated Financial Statements

b) Financial Risk Management

The Group's principal financial liabilities, other than derivatives, comprise revolving credit facility, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, cash at bank and trust account that derive directly from its operations.

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

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

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

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is only through the revolving credit facility which is subject to fluctuations in LIBOR.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The majority of the Group's purchases are sourced from outside the United Kingdom and as such the Group is exposed to the fluctuation in exchange rates (currencies are principally Sterling, US Dollar, Euro and Swedish Krona). The Group places forward cover on the net foreign currency exposure of its purchases. The Group foreign currency requirement is reviewed twice weekly and forward cover is purchased to cover future payments to suppliers on confirmed bookings.

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

Euro	2019 €'000	2018 €'000
Cash	9.6	8.0
Trade payables	(78.8)	(70.1)
Trade receivables	2.3	-
Forward exchange contracts (gross value)	67.7	56.6
Balance sheet exposure	0.8	(5.5)

US Dollar	2019 $'000	2018 $'000
Cash	0.7	0.3
Trade payables	(2.4)	(1.4)
Forward exchange contracts (gross value)	2.0	1.3
Balance sheet exposure	0.3	0.2

Swedish Krona	2019 Kr'000	2018 Kr'000
Cash	1.0	0.1
Trade payables	-	-
Trade receivables	0.3	0.2
Forward exchange contracts (gross value)	-	(0.1)
Balance sheet exposure	1.3	0.2

Norwegian Krona	2019 Kr'000	2018 Kr'000
Cash	0.3	0.2
Trade receivables	0.1	-
Forward exchange contracts (gross value)	-	(0.1)
Balance sheet exposure	0.4	0.1

Moroccan Dirham	2019 MAD'000	2018 MAD'000
Cash	-	0.2
Trade payables	(0.3)	-
Forward exchange contracts (gross value)	0.2	(0.1)
Balance sheet exposure	(0.1)	0.1

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 percent change taking place at the beginning of the financial period and held constant throughout the reporting period:

Euro	**2019 £'m**	**2018 £'m**
Weakening - 10%	(1.1)	(0.9)
Strengthening - 10%	1.1	0.9
US Dollar		
Weakening - 10%	(0.1)	-
Strengthening - 10%	0.1	-
SEK		
Weakening - 10%	-	-
Strengthening - 10%	-	-
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:

	2019			**2018**		
	Foreign currency	***Notional value***	***Fair value***	***Foreign currency***	***Notional value***	***Fair value***
EUR						
30 September						
Less than 3 months	48.9	43.7	0.3	39.4	35.0	(0.1)
3 to 6 months	12.5	11.2	0.1	7.8	7.0	-
6 to 12 months	28.3	25.8	0.6	16.0	14.4	-
Greater than 12 months	-	-	-	0.3	0.2	-
Total	**89.7**	**80.7**	**1.0**	**63.5**	**56.6**	**(0.1)**

	2019			2018		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
USD						
30 September						
Less than 3 months	1.7	1.4	-	1.0	0.7	-
3 to 6 months	0.9	0.7	-	0.4	0.3	-
6 to 12 months	0.5	0.4	-	0.3	0.2	-
Total	**3.1**	**2.5**	**-**	**1.7**	**1.2**	**-**

	2019			2018		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
SEK						
30 September						
Less than 3 months	-	-	-	0.6	0.1	-
3 to 6 months	-	-	-	0.2	-	-
Total	**-**	**-**	**-**	**0.8**	**0.1**	**-**

	2019			2018		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
NOK						
30 September						
Less than 3 months	-	-	-	0.9	0.1	-
3 to 6 months	-	-	-	0.5	-	-
Total	**-**	**-**	**-**	**1.4**	**0.1**	**-**

	2019			2018		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
MAD						
30 September						
Less than 3 months	1.8	0.1	-	0.1	0.1	-
3 to 6 months	0.2	-	-	-	-	-
Total	**2.0**	**0.1**	**-**	**0.1**	**0.1**	**-**

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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.

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

	Not past due £	Past due 0-30 days £	Past due >30 days £	Total £
As at 30 September 2019	63.8	0.5	0.4	64.7
As at 30 September 2018	58.4	0.3	0.1	58.8

In line with IFRS 9, the Group applies the simplified approach for the impairment of trade receivables and therefore does not track changes in credit risk. The Group uses a provision matrix to measure expected credit losses based on historical cancellation rates and considers forward-looking factors. There has been £0.4m impairment charged to trade receivables in the current year *(2018: £0.3m)*.

Financial Instruments and Cash Deposits
As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency financial instruments. The Group generally deposits cash and undertakes currency transactions with highly rated banks, the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.
No collateral or credit enhancements are held in respect of any financial derivatives. The maximum exposure to credit risk at each reporting date is the fair value of financial assets and trade receivables.

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 £'m*	*Contractual cash flows £'m*	*Within 1 year £'m*
Sep-19			
Trade payables	121.6	121.6	121.6
Other payables	15.0	15.0	15.0
	136.6	136.6	136.6
Sep-18			
Trade payables	108.9	108.9	108.9
Other payables	15.6	15.6	15.6
Contingent consideration	2.7	2.7	2.7
	127.2	127.2	127.2

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 20) and equity of the Group as disclosed in note 22. The Group is not subject to any externally-imposed capital requirements.

25. Share-Based Payments
The following table illustrates the number of, and movements in, share options granted by the group

	LTIP No. of share options (000's)	*CSOP & RSA* No. of share options (000's)	*Total* No. of share options (000's)
Outstanding at the beginning of the year	1,481	292	1,773
Granted during the year	1,248	195	1,443
Lapsed during the year	(766)	-	(766)
Vested during the year	(116)	-	(116)
Forfeited during the year	(102)	(28)	(130)
Outstanding at the year end	**1,745**	**459**	**2,204**

Notes to the Consolidated Financial Statements

LTIP

The LTIP scheme started on 26 May 2016 and the Group has awarded nil-cost options under the scheme each year since then. The vesting of 30% of the award will be dependent on a relative Total Shareholder Return ("TSR") performance condition measure over the performance period and the vesting of 70% of the award will be dependent on the satisfaction of an Earnings per Share ("EPS") target measured at the end of the performance period. For each award, there is a three-year performance period commencing on the first day of the financial period in which they are awarded in.

During the year, the Group awarded nil-cost options to certain key management within the business. The vesting of these awards will be dependent on EBITDA over a three-year performance period.

Award Date	No. of options awarded	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)	189,985	2.595	Nil	30%	3.0	0.44%	2.00%	-	0.806
26 May 2016 (EPS dependent)	443,297	2.595	Nil	-	3.0	0.44%	2.00%	-	2.470
26 May 2017 (TSR dependent)	180,728	4.120	Nil	30%	3.0	0.07%	0.75%	-	2.890
26 May 2017 (EPS dependent)	421,698	4.120	Nil	-	3.0	0.07%	0.75%	-	4.050
31 May 2017 (TSR dependent)	61,400	3.910	Nil	30%	3.0	0.07%	0.79%	-	2.590
31 May 2017 (EPS dependent)	143,268	3.910	Nil	-	3.0	0.07%	0.79%	-	3.840
20 December 2017 (TSR dependent)	127,113	4.500	Nil	30%	3.0	0.54%	0.62%	-	1.880
20 December 2017 (EPS dependent)	296,596	4.500	Nil	-	3.0	0.54%	0.62%	-	4.420
12 February 2019 (TSR dependent)	132,923	4.440	Nil	42%	3.0	0.73%	0.73%	-	4.341
12 February 2019 (EPS dependent)	310,153	4.440	Nil	-	3.0	0.73%	0.73%	-	1.810
9 July 2019 (EBITDA dependent)	805,000	4.630	Nil	-	3.0	0.73%	0.73%	-	4.520

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

Restricted Share Award (nil-cost option) and CSOP

The RSA scheme started on 27 October 2017, the Group awarded 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. A further award was made during the year. The awards will vest on 15 October 2021 subject to continued employment but 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. In order to optimise 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.

Type	Award year	No. of shares	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	2018	185,888	4.273	Nil	N/A	3.0	0.55%	0.73%	Nil	4.200
CSOP	2018	138,924	4.273	4.273	N/A	3.0	0.55%	0.73%	Nil	Nil
RSA	2019	86,873	4.265	Nil	N/A	3.0	0.50%	0.70%	Nil	4.170
CSOP	2019	108,110	4.265	4.265	N/A	3.0	0.50%	0.70%	Nil	Nil

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

	2019 £'m	2018 £'m
LTIP	0.1	1.2
RSA	0.6	0.2
Total share scheme charge	**0.7**	**1.4**

26. Commitments and Contingencies

a) Capital Commitments

No capital commitments during the year.

b) Operating Lease Commitments

	2019 Land & buildings £'m	2018 Land & buildings £'m
One year	0.7	0.5
Two to five years	3.6	2.4
Over five years	2.3	2.9
	6.6	**5.8**

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.

27. Related Party Transactions

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

Transactions with key management personnel have been disclosed in note 8(d).

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

Company Balance Sheet

Year ended 30 September 2019

	Note	2019 £'m	2018 £'m
Fixed assets			
Investments	4	132.6	132.6
Current assets			
Debtors	5	68.0	73.9
Cash at bank		0.2	-
		68.2	73.9
Creditors: amounts falling due within one year	6	(1.0)	(2.5)
Corporation tax		(0.1)	-
		(1.1)	(2.5)
Net assets		199.7	204.0
Equity			
Share capital	7	1.3	1.3
Share premium		2.6	2.6
Capital contribution reserve		0.5	0.5
Retained earnings		195.3	199.6
Total equity		199.7	204.0

The loss for the year ended 30 September 2019 dealt with in the financial statements of the parent company is £0.4m *(2018: £0.4m)*.

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

Paul Meehan
Chief Financial Officer
27 November 2019
On the Beach Group plc. Reg no 09736592

Company Statement of Changes in Equity

Year ended 30 September 2019

	Share capital £'m	Merger reserve £'m	Capital contribution £'m	Retained earnings £'m	Total £'m
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/(loss) for the year	-	-	-	0.4	0.4
Balance at 30 September 2018	1.3	2.6	0.5	199.6	204.0
Shares issued during the year	-	-	-	-	-
Share-based payment charges	-	-	-	0.7	0.7
Dividends paid during the year	-	-	-	(4.6)	(4.6)
Total comprehensive profit/(loss) for the year	-	-	-	(0.4)	(0.4)
Balance at 30 September 2019	1.3	2.6	0.5	195.3	199.7

The notes on pages 140 and 141 form part of these financial statements.

Notes to the Company Financial Statements

1. Accounting Policies

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

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 2019 and 30 September 2018.

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 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.

Under the provisions of FRS 102.1.12B, the company is exempt from preparing a company statement of cash flows.

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

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.

Accounting Estimates and Judgements

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. Details of the subsidiaries are listed in note 15 to the consolidated financial statements.

2. Directors' Emoluments

The Company has no employees other than the Directors. Full detail of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 66 to 83.

3. Share-Based Payments

The Company recognised total expenses of £0.7m *(2018: £1.4m)* in the year in relation to the Long Term Incentive Plan. Details of this scheme are described in note 25 to the consolidated financial statements.

4. Investments

The balance relates to investment in subsidiary undertakings, there has been no movement in the current year (refer to note 15).

5. Debtors

Amounts falling due within one year:	2019 £'m	2018 £'m
Amounts owed by group undertakings	68.0	73.9
	68.0	**73.9**

6. Creditors Due Within One Year

Current	2019 £'m	2018 £'m
Amounts owed to group undertakings	-	-
Bank overdraft	-	2.1
Other taxes and social security	0.2	0.1
Accruals	0.8	0.3
	1.0	**2.5**

7. Called-Up Share Capital

Allotted, called up and fully paid	2019 £'m	2018 £'m
131,154,058 ordinary shares @ £0.01 each *(2018:131,042,510 @ £0.01 each)*	1.3	1.3
	1.3	**1.3**

During the year, the Group issued 111,548 shares. 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.

8. Contingent Liabilities and Guarantees

The Company is a guarantor to a borrowing facility relating to a rolling credit facility provided to the Group. The amount borrowed under this agreement at 30 September 2019 was £nil *(2018: £nil)*.

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure		
Adjusted OTB EBIT	Adjusted OTB EBIT is based on OTB 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.	***Adjusted OTB operating profit (£m)***	**2019**	**2018**
		OTB Operating Profit	**20.9**	**27.7**
		Exceptional costs	8.2	1.5
		Share Based Payments	0.7	1.4
		Amortisation of acquired intangibles	4.4	4.3
		Adjusted OTB EBIT	**34.2**	**34.9**
Adjusted OTB EBITDA	Adjusted OTB EBITDA is based on OTB 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.	***Adjusted OTB EBITDA (£m)***	**2019**	**2018**
		OTB Operating Profit	**20.9**	**27.7**
		Exceptional costs	8.2	1.5
		Share Based Payments	0.7	1.4
		Depreciation and amortisation	4.0	3.0
		Amortisation of acquired intangibles	4.4	4.3
		Adjusted OTB EBITDA	**38.2**	**37.9**
International EBITDA	International EBITDA is based on International operating profit before depreciation and amortisation.	***International EBITDA (£m)***	**2019**	**2018**
		International Operating Profit	**(0.7)**	**(2.4)**
		Depreciation and amortisation	0.1	0.2
		International EBITDA	**(0.6)**	**(2.2)**
Classic EBITDA	Classic EBITDA is based on Classic operating profit before depreciation and amortisation.	***Classic EBITDA (£m)***	**2019**	**2018**
		Classic Operating Profit	**0.2**	**0.9**
		Depreciation and amortisation	1.3	0.2
		Classic EBITDA	**1.5**	**1.1**
Adjusted Classic EBITDA	Adjusted Classic EBITDA is based on Classic 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. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment.	***Adjusted Classic EBITDA***	**2019**	**2018**
		Classic Operating Profit	**0.2**	**0.9**
		Exceptional costs	0.7	-
		Depreciation and amortisation	0.2	-
		Amortisation of acquired intangibles	1.1	0.2
		Adjusted Classic EBITDA	**2.2**	**1.1**

APM	Definition	Reconciliation to closest GAAP measure
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 Profit before Tax (£m)	2019	2018
Profit before Tax	**19.4**	**26.1**
Amortisation of acquired intangibles	5.5	4.6
Share Based Payments	0.7	1.4
Exceptional costs	9.0	1.5
Adjusted Profit before Tax	**34.6**	**33.6**

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.

Adjusted Profit after Tax	2019	2018
Profit for the year	**15.7**	**21.5**
Share based payments (net of tax)	0.6	1.2
Exceptional costs (net of tax)	7.2	1.2
Amortisation of acquired intangibles (net of tax)	4.5	3.8
Adjusted Profit after Tax	**28.0**	**27.7**

Adjusted EPS

Adjusted EPS is calculated on the weighted average number of Ordinary share in issue, using the adjusted profit after tax.

Adjusted EPS	2019	2018
Adjusted Profit after Tax	**28.0**	**27.7**
Basic weighted average number of Ordinary Shares (m)	131.1	130.5
Adjusted EPS (p)	**21.4**	**21.2**

Exceptional costs

Exceptional 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.

Exceptional costs (£m)	2019	2018
Thomas Cook failure	7.7	-
Exceptional acquisition costs	-	0.6
Exceptional property costs	0.3	0.5
Organisational restructure	0.8	-
Other exceptional costs	0.2	0.4
Exceptional costs	**9.0**	**1.5**

OTB EBITDA as a percentage of adjusted revenue

OTB EBITDA as a percentage of adjusted revenue is based on the adjusted OTB EBITDA divided by the revenue generated in the OTB business.

OTB EBITDA as a percentage of revenue	2019	2018
Adjusted Revenue	90.3	89.3
Adjusted OTB EBITDA	38.2	37.9
OTB EBITDA as a percentage of revenue	**42%**	**42%**

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure		
Operating cash conversion	Operating cash converstion is operating cash flows divided by operating profit. 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.	**Operating cash conversion (£m)**	**2019**	**2018**
		Profit before taxation	**19.4**	**26.1**
		Net finance income	(0.2)	0.1
		Share-based payments	0.7	1.4
		Depreciation	1.1	0.5
		Amortisation	8.7	7.2
		EBITDA excluding share-based payment charges	**29.7**	**35.3**
		Movement in working capital	2.4	(1.7)
		Movement in trust account	(5.6)	(0.2)
		Cash generated from operating activities	**26.5**	**33.4**
		Operating cash conversion %	**89%**	**95%**

APM	Definition	Reconciliation to closest GAAP measure		
OTB adjusted revenue after marketing cost	OTB adjusted revenue after marketing cost is adjusted revenue after "OTB" online and offline marketing costs.	**OTB adjusted revenue after marketing cost (£m)**	**2019**	**2018**
		OTB adjusted revenue	90.3	89.3
		OTB online marketing costs	(29.8)	(33.2)
		OTB offline marketing costs	(5.4)	(4.1)
		Total OTB marketing	(35.2)	(37.3)
		OTB adjusted revenue after marketing costs	**55.1**	**52.0**

APM	Definition	Reconciliation to closest GAAP measure		
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.	**Operating profit before amortisation and exceptional costs (£m)**	**2019**	**2018**
		Operating profit	**19.2**	**26.2**
		Exceptional costs	9.0	1.5
		Amortisation of intangibles	8.7	7.2
		Operating profit before amortisation and exceptional costs (£m)	**36.9**	**34.9**

APM	Definition	Reconciliation to closest GAAP measure		
International revenue after marketing costs	International revenue after marketing costs is based on International revenue after all marketing costs	**International revenue after marketing costs**	**2019**	**2018**
		Revenue	1.4	1.6
		Marketing costs	(1.4)	(3.0)
		International revenue after marketing costs	**-**	**(1.4)**

APM	Definition	Reconciliation to closest GAAP measure		
OTB EBITDA	OTB EBITDA is based on OTB operating profit before depreciation and amortisation.	**OTB EBITDA (£m)**	**2019**	**2018**
		OTB Operating Profit	20.9	27.7
		Depreciation and amortisation	8.4	7.3
		OTB EBITDA	**29.3**	**35.0**

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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.

Company Secretary

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

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