Everything's better

On the Beach

On the Beach Group plc
Annual Report & Accounts

For the year ended 30 September 2020

TOTAL FINANCIAL PROTECTION

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At a Glance

On the Beach made excellent progress prior to the outbreak of COVID-19 and is well placed to capitalise on the inevitable structural changes as the market normalises post pandemic. We look to the future with confidence.

Group overview

	2020		2019		Change	
	Adjusted [1]	GAAP	Adjusted [1]	GAAP	Adjusted [1]	GAAP
Group revenue	**£71.2m**	**£33.7m**	**£147.5m**	**£140.4m**	**(52%)**	**(76%)**
Revenue as Agent	£54.3m	**£16.8m**	£92.5m	**£85.4m**	(41%)	**(80%)**
Revenue as Principal	£16.9m	**£16.9m**	£55.0m	**£55.0m**	(69%)	**(69%)**
Group gross profit	**£53.4m**	**£16.0m**	**£99.1m**	**£92.0m**	**(46%)**	**(83%)**
Gross profit as Agent	£50.8m	**£13.5m**	£92.0m	**£84.9m**	(45%)	**(84%)**
Gross profit as Principal	£2.6m	**£2.6m**	£7.1m	**£7.1m**	(63%)	**(63%)**
Group profit/(loss) before tax	**£0.6m**	**(£46.3m)**	**£34.5m**	**£19.3m**	**(98%)**	-
Basic (loss)/earnings per share	**(0.5p)**	**(27.6p)**	**21.3p**	**11.9p**	-	-
Total dividend payable	-	-	**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 166*

COVID-19 pandemic impact

Certain costs, including the exceptional impact of COVID-19, have been excluded from performance measures in this statement as the Board consider this necessary to provide a fair, balanced and understandable view of the performance of the Group.

Whilst the underlying result has still been significantly impacted by COVID-19, the Board believe that adjusting for the items shown in the table below provides a clearer reflection of the Group's performance in the period. The Group organised package holidays for customers which have since been cancelled, or are to be cancelled, due to airspace closures, cancelled flights and government advice and/or regulations on travel. See below for details of the adjustments.

The Group has not estimated the financial impact of, or made an adjustment for, the significant reduction in booking volumes this year as a result of COVID-19.

A summary of the adjustments between Adjusted and GAAP measures, split between the COVID-19 impact and other costs, is shown below:

	2020				
	Adjusted	COVID-19 adjustment	Other adjustments	Total adjustments	GAAP
Group revenue [1]	£71.2m	(£37.5m)	-	(£37.5m)	**£33.7m**
Group Cost of Sales [2]	(£17.8m)	£0.1m	-	£0.1m	**(£17.7m)**
Group Gross Profit	£53.4m	(£37.4m)	-	(£37.4m)	**£16.0m**
Group overheads	(£52.8m)	(£4.3m)	(£5.2m)	(£9.5m)	**(£62.3m)**
Share Based Payments [3]	-	-	£0.6m	£0.6m	**£0.6m**
Acquired Intangibles Amortisation	-	-	(£5.5m)	(£5.5m)	**(£5.5m)**
Other exceptional operating costs [4]	-	(£4.3m)	(£0.3m)	(£4.6m)	**(£4.6m)**
Group profit/(loss) before tax	**£0.6m**	**(£41.7m)**	**(£5.2m)**	**(£46.9m)**	**(£46.3m)**

(1) *The impact of lost revenue due to cancelled bookings resulting from the COVID-19 pandemic*

(2) *Commission no longer payable to travel agents for holidays cancelled as a result of the COVID-19 pandemic, less additional direct costs incurred as a result of cancelled bookings*

(3) *Costs relating to the expected cost of shares granted to employees as part of LTIP or other share schemes*

(4) *Supplier prepayment provision £2.2m, exceptional development spend £0.7m, legal fees & claims £0.9m, facility arrangement fees £0.5m, redundancy costs £0.7m offset by contributions from the Government furlough scheme £0.7m*

Thomas Cook Group plc Impact to 2019

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				
	Adjusted	TCG impact adjustment	Other adjustments	Total adjustments	GAAP
Group revenue [1]	£147.5m	(£7.1m)	-	(£7.1m)	**£140.4m**
Group Cost of Sales	(£48.4m)	-	-	-	**(£48.4m)**
Group Gross Profit	£99.1m	(£7.1m)	-	(£7.1m)	**£92.0m**
Group overheads	(£64.6m)	(£0.6m)	(£7.5m)	(£8.1m)	**(£72.7m)**
Share Based Payments [2]	-	-	(£0.7m)	(£0.7m)	**(£0.7m)**
Acquired Intangibles Amortisation	-	-	(£5.5m)	(£5.5m)	**(£5.5m)**
Other exceptional operating costs [2]	-	(£0.6m)	(£1.3m)	(£1.9m)	**(£1.9m)**
Group profit before tax	**£34.5m**	**(£7.7m)**	**(£7.5m)**	**(£15.2m)**	**£19.3m**

(1) *The impact of lost revenue due to cancelled bookings resulting the failure of TCG*

(2) *Costs relating to the expected cost of shares granted to employees as part of LTIP or other share schemes*

(2) *Incremental operating costs relating to the management of the failure of TCG*

A full explanation of all adjusted performance measures is included in the glossary.

Overview of the year

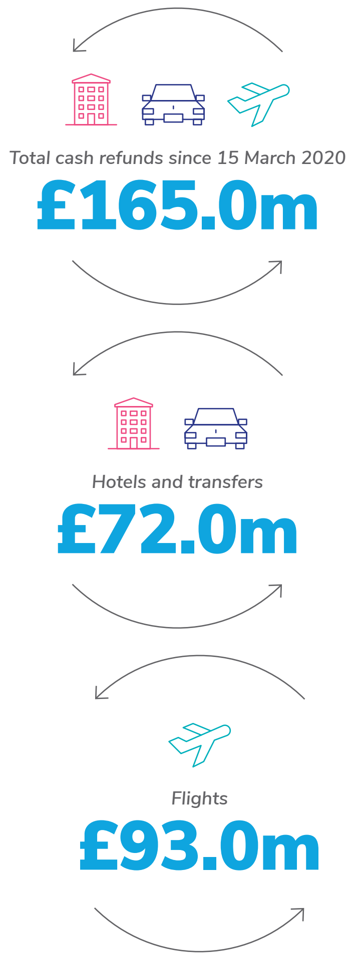
- Due to COVID-19 and subsequent restrictions on travel, the focus of the Group has been to strengthen its financial position, ensure the safety and wellbeing of colleagues and deliver the best possible customer service in a complex and ever-changing environment.
- We moved quickly to ensure that we had the liquidity needed for whatever disruption lay ahead, raising a net £65m from an equity placing and securing total banking facilities of £75m.
- Following the reopening of airspace at the end of the first UK lockdown in early July, the Group was pleased that its customers were once again able to enjoy international beach holidays, albeit this freedom was short-lived and the subsequent impact on consumer confidence has led to significant reductions in seat capacity over the winter. This position was further exacerbated by a four week ban on international leisure travel which began on 5 November.
- As a result, revenue of £33.7m is down (76%) on prior year. Adding back the impact of cancellations in the year adjusted revenue is £71.2m, which is down (52%) vs prior year.
- Of the total exceptional adjustment in the period of £42.0m, £41.7m represents the cost of COVID-19, primarily due to cancellations or expected cancellations and associated administrative expenses.
- The loss before tax of £46.3m is due to both a significant reduction in new bookings and the cancellations referred to above.
- Despite the disruption, the Group's liquidity position remains strong. Total cash at 30 September 2020 was £36.5m (excluding customer monies held in trust of £25.8m) and has strengthened further to £51m at 30 November 2020.
- The Group's £75m RCF facility has been undrawn since the equity placing in May.
- The Directors believe that the Group's asset light business model, strong liquidity position and trust account protection for customers positions us well to see through the COVID-19 disruption and prosper when normal market conditions return.
- The Group continues to work hard to refund all customers in cash and in full where their holidays are cancelled. On the Beach promptly refunds the hotel and transfer elements of cancelled holidays from its fully ring-fenced customer trust account. There have and continue to be substantial delays in receiving refunds from airlines for monies paid in advance. The Group continues to pursue these rightful refund claims on behalf of its customers and refunds flight monies as soon as they are received from the airlines. In many cases, we have refunded customers in advance of receiving the flight monies from airlines.

Customer refund status at 30 November 2020

- Total cash refunds since 15 March 2020 of £165m divided between:
  - Hotels and transfers £72m.
  - Flights £93m.
- Monies received from airlines for cancelled flights £89m.
- We are awaiting refunds for cancelled flights of £4m, where we have refunded flight costs in advance of receipt from airlines, in order to protect the brand and generate customer goodwill.

Liquidity

- On 22 May 2020 the Group received £65.1m net of fees for a share placing of 19.9% of the Group's share capital.
- On this date, following receipt of share proceeds, Group cash was £50.5m.
- On 30 November the Group had net cash and equivalents of £51m, excluding customer prepayments (of £21.1m) which are held in a ring-fenced trust account.
- The Group has access to a £75m credit facility which is undrawn.
- The Group's monthly cash burn is c.£2m in the event that no revenue is received.



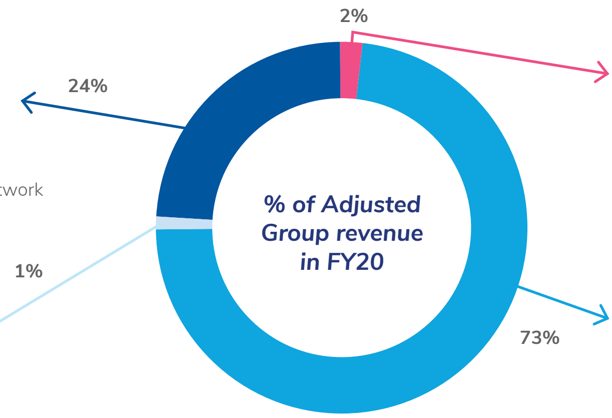
At a Glance

Who we are and what we do

From humble beginnings in 2004 as a start-up business, to our 2015 listing on the London Stock Exchange; we have come a long way. We make it easy for people to find, book and enjoy their perfect beach holiday and with significant opportunities for growth, we're on a long-term mission to become Europe's leading online retailer of beach holidays.

By using our innovative technology, low-cost base and strong customer-value proposition to provide a structural challenge to legacy tour operators, we continue our journey to disrupt the online retail of beach holidays. Our model is customer-centric, asset-light, profitable and cash generative.

We operate under five brands:



CLASSIC COLLECTION HOLIDAYS

Sells luxury beach holidays through network of third party offline travel agencies

eBeach

Online retailer of travel products to Scandinavian consumers

CLASSIC PACKAGE HOLIDAYS

Online portal offering third party offline travel agencies access to wide range of holiday products.

On the Beach / sunshine.co.uk

Online retailers of travel products to UK consumers

Market

UK's third largest ATOL holder

Over 20% of online sales in short haul beach holiday market

Only listed UK travel business that operates a fully ring-fenced customer trust account

FY20 highlights

29% sales growth for Summer 2020 departures in first four months of FY20

Largest increase in advertising awareness of any brand in the UK in December 2019

Extended Classic Package Holiday offering to c.2,500 agents across the UK

85% of total hotel buying through direct contracting

Redesigned customer booking path

Raised £65m (net of fees) as a result of the share placing in May 2020

Our values and culture

We live by our core values:

We're **Bold**

We're **Open**

We're **Dynamic**

For more information, see: https://www.youtube.com/watch?v=6dZxWaUt6i8&t=1s and pages 56 and 69.

Handling the COVID-19 pandemic

Our people have responded incredibly well to the unprecedented challenges of COVID-19. We took swift and affirmative action to ensure our employees' safety, look after our customers, protect our stakeholders, keep our operations running and conserve cash. We summarise below how the pandemic has affected us and the action we have taken.

Governance and co-ordination

The response to COVID-19 has required strong leadership and decision-making in a rapidly evolving set of circumstances. This has been achieved from the very earliest days of the crisis including:

- A much increased frequency of Board meetings.
- An intense response led by the Chief Executive and the Executive Team.
- Daily cross-departmental operational calls attended by all relevant Executive Team members.
- Daily or weekly Executive Team meetings as required.
- Weekly Senior Management Team meetings.
- Effective engagement and co-ordination with Government and regulators.
- Regular clear and transparent communications to our customers and colleagues, as set out in more detail below.

Customers

The pandemic has presented huge challenges for travel businesses in terms of customer service. Since the start of the pandemic, our contact centre has been inundated with an overwhelming volume of messages, and we have had to quickly adapt to these ever-changing workloads.

To improve efficiency and minimise duplication of work, we acted quickly and pro-actively sent out communications to customers in order to try and reduce the number of inbound communications. We funnelled all customer communications through one means of contact, ensuring we could respond to queries more quickly while also prioritising the most time-sensitive requests.

Government advice changed frequently, so we ensured we kept affected customers updated via emails containing comprehensive information on their options, rights and next steps, as well as creating a dedicated COVID-19 FAQs page with up-to-date information. Since March, we have sent nearly two million service emails to our customers.

Since the very start of the pandemic, we have been committed to refunding customer money for cancelled holidays in cash, rather than a voucher or refund credit note. In most cases, we refunded hotel and transfer money within 14 days of cancellation, and refunded the flight cost as soon as we received this from the airline. In some cases, where there had been long delays in receiving the flight portion of the refund, we refunded customers before we received this cost back from the airline.

During the year we received 628,228 customer messages, representing a 259% YOY increase and the number of date change requests over the year increased by 308%. Since March we have also received over 300,000 messages on social media and have handled over 50,000 calls through our contact centre.

Our People

In line with Government guidance, our colleagues have been working remotely since March. When it became clear in February that a lockdown was a possibility, we updated our business continuity plan and our teams worked day and night to implement the plans, upgrading VPN access, rolling out video-conferencing solutions and getting computer equipment set up in our colleagues' homes. Everyone settled in quickly to working effectively from home and we are now using technology more than ever to stay well connected. The swift and successful implementation of changing how we worked highlighted how dynamic, resilient and committed our employees are. The changes also highlighted the importance of extending flexibility to employees around their work commitments during this unprecedented period, in relation to childcare and/or health related considerations.

Since the beginning of the pandemic, we have utilised the Coronavirus Job Retention Scheme ("CJRS"). In the first 3 months of the scheme, those colleagues earning less than £25,000 per annum, we topped up their pay to ensure they received full pay whilst on furlough. For furloughed colleagues whose salary, at 80%, exceeded the £2,500 cap prescribed by the CJRS, we topped up their pay so they received 80% pay. The scheme has allowed us to protect jobs for the longer term and has enabled us to retain our capacity to scale up in line with customer demand. We put in place various support and communication mechanisms to maintain good working relationships with colleagues, including:

- Weekly company-wide calls so that employees could raise issues and concerns (anonymously if preferred) and the Executive Team could cascade information on the Group's response to the pandemic;
- Access to mental health support outside of the Group, for example through our Employee Assistance Programme;
- Support and guidance produced as to how employees could work safely from home;
- Pulse surveys on how our employees were feeling and what support they needed;
- Numerous social and wellbeing initiatives to keep up morale, including a Wellbeing slack channel, regular Friday social events including quizzes and talent shows as well as various competitions;
- We kept in regular contact with our furloughed colleagues, keeping them up to date with our future plans for returning to work and ensuring they had the opportunity to ask questions and raise concerns. There has been continued support in place through their manager, the People Team and the Employee Assistance Programme.

Handling the COVID-19 pandemic

Ensuring financial viability

The Group operates in one of the sectors most impacted by the pandemic. A number of actions have therefore been taken to ensure that the Group's financial position is resilient to even the most severe scenarios modelled.

These actions included:

- The available credit facility was extended to £75m on 22 May 2020.
- Net cash of £65m was raised through an equity placing on 22 May 2020.
- No interim dividend was paid in the year, and no final dividend is being proposed.
- The CEO waived his salary for the remainder of the financial year from March 2020 and voluntary pay cuts were taken by the rest of the Board and senior leadership team.
- No cash bonuses have been awarded across the Group for FY20.
- Government schemes were utilised, including CJRS.
- Offline marketing spend was paused.
- Online marketing costs naturally fell as a result of significant reduction in demand and reduction in competition leading to reduced costs per click and a reduction in overall traffic to the site.

These actions, including other cost cutting measures, reduced the monthly cash costs for the Group to c.£2m whilst operating in a zero revenue environment. During this time, the Group continued to invest in core strategic areas to ensure that it is well positioned when demand for booking holidays returns.

Industry impact

The COVID-19 crisis has shone a harsh light on the travel sector. Whilst it has undoubtedly been an incredibly difficult time for the industry, we feel that the stance taken by some airlines and package holiday organisers has led to many consumers being let down.

Since early April 2020, the Group has been in regular dialogue with Government and regulators such as the CAA and CMA in relation to the conduct of airlines and travel operators during the pandemic. One such issue we have raised has been the difficultly and delay in obtaining cash refunds from airlines for flights cancelled or affected by COVID-19. Such actions have put the Group in an impossible position as it has meant that we cannot refund customers the flight portion of their holiday within the 14 day timescale set out in the Package Travel Regulations. Not only does this expose the Group to claims and chargebacks from customers but fundamentally it means that customers are missing out on refunds they are legally entitled to (airlines are obliged under Regulation (EC) No 261/2004 to provide a cash refund within 7 days of the flight cancellation). As a result, the Group has, in many cases, paid flight refunds to customers prior to receipt of the monies from the airlines.

Moreover, the practices adopted by some airlines and package organisers in relation to vouchers/refund credit notes in lieu of a cash refund raises a number of other concerns from both a consumer and competition point of view. We strongly believe that where vouchers/refund credit notes are offered, this should be alongside the option of a cash refund. If additional liquidity is necessary, this should be sought from shareholders and lenders – not from consumers. Consumers who take vouchers have no choice as to who they book their next holiday with – they either lose their money, or they have to book their next flight or holiday with the same airline or holiday company, irrespective of how they have been treated. This can lead to a lack of competition and an uneven playing field, especially for those businesses such as the Group who refund in cash rather than using vouchers/refund credit notes. It also leaves these captive customers potentially exposed to the risk of exploitation through higher prices being charged when they come to rebook.

We strongly believe that regulatory reform is required in relation to financial protection afforded to consumers. Throughout the pandemic, the Group has, in most cases, been refunding the non-flight elements of customers' bookings in line with the timescales prescribed by the Package Travel Regulations. We have been able to do this because we operate a trust account, which is controlled by an independent third party trustee. The trust holds customer monies until the customer has returned from holiday (with the exception of flight costs which are paid immediately to the flight operator). Trust accounts are not common in the industry and the model currently adopted by many travel operators has significant shortfalls in its financial resilience. Airlines do not currently provide any financial security against their failure and the majority of travel businesses use customer funds as a key source of working capital – meaning they are reliant on monies from new bookings to fulfil their obligations for existing bookings. We believe action needs to be taken to protect consumers in the future by ensuring the sector's finances can be more robust and in this respect we have been advocating the advantage of trust accounts to Government and regulators.

Other issues are invariably emerging as this pandemic continues and we shall continue to actively engage with the Government and regulators accordingly.

Report from the Chairman of the Board

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

"The Group has demonstrated resilience through what has been a very difficult year and I am extremely proud of the commitment our colleagues have shown during these exceptional times. Despite the significant challenges that COVID-19 continues to present, we see excellent opportunities for the Group and look to the future with confidence."

I am pleased to present the annual report and accounts of the Group for the year ended 30 September 2020 ("FY20").

COVID-19 has presented the travel industry with unexpected and extraordinary challenges, and has therefore had a substantial impact on the Group's financial results, as explained in further detail later in this report. Due to the carefully considered decisions that have been made during the year and thanks to the incisive leadership of Simon Cooper and his team, the Group finished the year in as strong a position as it could have given the circumstances, and is well-placed to grow in the long term, even if disruption continues for a sustained period of time.

Strategic marketing investment early in FY20

The failure of the Thomas Cook Group ("TCG") in September 2019 created an opportunity for the Group to take market share at an increased rate, in support of our long-term goals. During the first four months of FY20, the Group priced competitively and significantly increased brand marketing activity, resulting in our highest ever year-on-year growth in brand awareness. As a consequence we saw sales growth of 28 per cent (excluding Classic Collection Holidays) for summer 2020 departures.

This sales momentum was of course reversed due to COVID-19, but brand awareness has remained significantly higher than prior to the campaign and the Group intends to capitalise on the benefits of this brand building when demand for beach holidays returns.

Navigation of COVID crisis

When it became clear in late February 2020 that COVID-19 was spreading through Europe, the Group took swift and decisive mitigating actions to minimise its cash burn, reducing marketing costs and overheads and in early April 2020, it extended its then £50m revolving credit facility with Lloyds Bank plc ("Lloyds") to all months of the year.

As the pandemic developed through April and May, it became apparent that the Group's theoretical stress tests of airspace closures until the end of September 2020 had become increasingly plausible, implying greater pressure on all travel companies and signalling a more profound reset of the competitive landscape.

Having evaluated the threats and opportunities posed by the intensification of the pandemic, the Board decided in May 2020 it was in the Group's best interests to seek supplementary financing to provide greater resilience and flexibility through the downturn to ensure it was best placed to take advantage of organic and acquisitive growth opportunities.

The Board appointed NM Rothschild & Co to provide independent advice on debt and equity funding options, and after careful consideration, decided to proceed with an equity fundraise of up to 19.9% of the Group's share capital, whilst at the same time, seeking a £25m increase in its revolving credit facility with Lloyds via the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The Group was delighted with the support it received from its shareholders and from Lloyds, with both equity and debt workstreams being completed on 22 May 2020. With the £67m raised via the share placing, and the £75m facility, the Group put itself in the strongest possible position.

Report from the Chairman of the Board

Customer service

During FY20, our customer service has been focused on two of the biggest operational challenges that the Group has ever faced.

For the first quarter of FY20, our teams were focused on supporting c.100,000 customers affected by the TCG failure. The Group has a detailed crisis management plan in place to deal with supplier failures. The execution of this plan by a cross-departmental crisis management team meant that an incredibly complex and difficult situation was managed smoothly, with positive impacts for the Group's stakeholders, particularly customers, who received either a replacement flight or a cash refund. The vast majority of cash refunds were processed within 14 days of cancellation.

Since March 2020, the focus of the majority of our colleagues has been on managing the operational fallout of COVID-19 cancellations and disruption. Against the backdrop of these unprecedented challenges, alongside tens of thousands of customers facing great uncertainty and wishing to re-arrange or cancel their holidays, it has been impossible to provide the level of service we ordinarily strive to provide. Having said that, our incredible colleagues have worked with dedication, passion and resilience to serve our customers and I express my sincere thanks to them for all of their work.

I would also like to thank our many loyal customers who have been understanding of the unprecedented situation we have all faced.

Board Changes

As previously announced, Paul Meehan stepped down from the Board on 17 July 2020, having been CFO since 2017. Our thanks go to Paul for the very significant contribution that he made to the Board and to the wider Group and for supporting a seamless transition to Shaun Morton, who was previously the Group's Director of Finance and who was appointed CFO on Paul's departure. Since he has stepped into the CFO position, Shaun has demonstrated exceptional leadership through the most challenging of times and is a great asset to the Board and the Group.

David Kelly, who is Senior Independent Director and Chair of the Remuneration Committee, has also taken on the role of Designated Non-Executive Director for Employee Engagement. This is an important role which ensures the voice of our colleagues is represented consistently and effectively in the boardroom. David's experience, enthusiasm and energy for all things "People" will be invaluable in this regard.

Governance

The Board's activities and processes have changed and adapted as a result of the events of this year, and these changes have been working well. As a Board we are committed to the highest standards of corporate governance, as outlined in detail in our Governance Report on pages 63 to 121.

During the year, we have been further embedding the requirements of the UK Corporate Governance Code 2018 ('Code'), particularly the renewed focus on identifying and engaging with all our stakeholders. Our s.172 statement on pages 46 to 53 sets out our consideration of our key stakeholders in our decision making and we have also discussed separately within our People section on page 54 our approach to employee engagement in response to the Code.

Regulatory change needed in the industry

Consumer trust in the travel industry is currently at a record low and rebuilding that trust is essential.

At the start of the COVID-19 crisis the priority for the industry was survival and then, at least for responsible businesses, the priority became making sure that those consumers who wanted refunds got them. But we now need to go further. There are systemic problems that need to be addressed. Problems that contributed to past market failures – not just in the past few months, but over the past few years – which we believe will cause future failures if not addressed. The industry needs to reform to protect consumers, to protect and promote competition in the interests of consumers, and to protect businesses and jobs.

One such area where we believe reform is required is in relation to the protection of customer monies. For many consumers, their annual holiday represents their largest annual purchase. If consumers cannot trust that their money is safe, they will be reluctant to book holidays, and the industry will suffer. Differences in the way in which customer monies are held means that those airlines and package holiday organisers who use customer monies as working capital are more likely to treat customers badly when there is a market shock (to which the travel sector is prone). It also puts those responsible companies like ours, who hold customer monies on trust, at a competitive disadvantage. Reform is needed to ensure that customer monies are always safe, and to ensure that there is a level playing field. In this respect we continue to advocate the benefit of ring fencing customer monies to Government and regulators.

Richard Pennycook
Chairman of the Board
On the Beach Group plc
10 December 2020

Adam CRM Manager

"We aim to provide a fantastic personalised journey from research to post-purchase, understanding the users desires at every point of the process, and delivering the content to inform, inspire and engage."

Favourite Beach:
Santa Monica Beach, California

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**

Chief Executive's review

Simon Cooper
Chief Executive Officer

> **"The flexibility and asset light nature of our business model together with our recently strengthened balance sheet and trust account protection for customers positions us well to see through the COVID-19 disruption and prosper when normal market conditions return."**

The Group continues to be a dynamic, entrepreneurial and ambitious business delivering value for money beach holidays that are personalised to our customers' individual needs. The Group maintains a daily focus to improve the quality of its customer proposition and the value that it provides to its growing customer base.

This has been a challenging year for us, as it has for the rest of the travel industry and it is likely that we will see several years of change in the industry over the next six to twelve months which will include a level of consolidation and changes to how the sector is regulated.

The Group is already well positioned to benefit from the changes we are likely to see post-pandemic. Our business model is established as a low cost operating model, for an increasingly digitised industry where consumers are seeking increased convenience, choice, and a personalised experience with financial protection.

Up until February 2020, we continued to invest in both online and offline marketing activity and these investments led to record levels of brand awareness and branded traffic. Our expansion into longer haul destinations and our B2B presence via Classic Collection and Classic Package Holidays were both running well ahead of plan prior to the COVID-19 shutdown and we look forward to continuing this progress as the market normalises.

COVID-19 impact and response

The health and wellbeing of our team members and our customers is and always will be the Group's top priority. Throughout the past 9 months, I am delighted that my colleagues have responded with speed and professionalism to the many challenges that COVID-19 has presented.

COVID-19 has significantly impacted the entire global travel industry. Our trading performance has been impacted by both a material reduction in underlying bookings from February 2020 and the reversal of revenue generated for bookings received in the year that have either been cancelled or are likely to be cancelled.

The Group took early action in the period to manage risk and conserve cash:

- In an environment of limited demand, the Group's variable marketing costs reduced to almost nil.
- Further actions to limit other non-essential costs in a zero revenue environment resulting in monthly cash costs of c.£2m across the Group.
- We utilised CJRS to reduce staff costs where it was appropriate to do so.
- The Group has maintained all costs associated with the delivery of its future strategy, the call centre has operated a full service and suppliers (including hotels) have all been paid within agreed terms.
- The Board, the Executive Team and senior management all agreed to reductions in their salaries and fees during the year. This is alongside no bonuses being awarded across the Group in the current financial year.
- On 8 April 2020 the Group reached agreement with its bank, Lloyds to: extend the £50m RCF to all months of each year; extend the term to December 2023; and reset covenant tests for all periods up to and including June 2021.
- On 21 May 2020 the Group agreed an increase to these facilities, in the form of an incremental £25m RCF under the CLBILS with Lloyds, expiring in May 2022. The recently renegotiated £50m RCF remains in place, expiring in December 2023. As a result, the Group now has available to it maximum working capital facilities of £75m.
- In addition, on 22 May 2020 the Group issued the equivalent of 19.9% of issued share capital with no discount, raising £65m cash, net of fees.

Chief Executive's review

We believe that the above measures allow the Group to simultaneously increase investment in its digital platforms; continue to drive brand through investment in online and offline marketing activity; improve conversion with attractive low deposit schemes; and react to commercial opportunities in the UK and internationally as demand begins to normalise.

Refunds for COVID-19 impacted bookings

When a customer books a holiday, all funds paid to the Group, excluding any flight costs which are paid immediately to the flight operator, are held in a ring-fenced trust account until the customer returns from their holiday, at which point the funds are released to the Group to pay the hotel and transfer providers. As such the majority of affected customers have received refunds for hotels and transfers within 14 days of cancellation, as stipulated by the Package Travel Regulations.

Refunds due to customers for the flight element of their holiday have been paid as soon as the refund was received from the airline. To comply with EU261 an airline must offer a cash refund for cancelled flights and this must be reimbursed within 7 days. During this period, there has been widespread non-compliance with this regulation by airlines which has impacted the Group's ability to provide timely refunds for customers' flights. Notwithstanding our repeated requests to the Government and regulators to enforce this legislation, in many cases this non-compliance continues.

During this period it has been necessary, in some instances, to refund customers for cancelled flights in advance of receiving refunds from airlines. This action has been taken where the Directors believe the brand and / or customers have been significantly impacted by delays to flight refunds caused by airlines. As at 30 September there was £25m of refunds paid to customers in advance of receiving refunds from airlines which by 30 November had reduced to £4m.

As at 30 September On the Beach had processed £151m in refunds to customers for cancelled holidays which represented the vast majority of all refunds due for cancelled holidays travelling in the financial year. The Group remains committed to ensuring that customers receive any refunds due for cancelled flights, in cash, and unlike many peers in the industry has not issued any vouchers or refund credit notes in lieu of cash refunds.

Industry developments

The Group is the only listed UK travel business that operates a fully ring-fenced customer trust account in which customer funds, excluding those paid to airlines, are held until the customer returns from their holiday. Therefore, the Group does not rely on cash received for forward bookings to trade. Monies that have been received for holidays that are cancelled by a closure of airspace can be repaid to customers in cash with limited impact on the Group's working capital.

Companies operating in the travel industry have historically traded using advance holiday receipts as working capital. We expect that there will likely be regulatory changes to the system of financial protection and protection of customer prepayments in the travel industry to protect both customers and the taxpayer.

In the event that regulators require travel operators to implement ring-fencing of customer prepayments (or impose financial penalties for not operating with this type of structure) the Group is well placed given it already operates a trust account structure.

Current Trading & Outlook

- Booking volumes in October and November 2020 were significantly below normal levels as consumer appetite for booking holidays remained subdued.
- Legislation passed by the Government on 4 November made leisure travel from England illegal during the period from 5 November to 1 December 2020 (inclusive).
- A number of factors continue to supress demand such as regularly changing FCO advice, onerous destination entry requirements and quarantine restrictions.
- Reduced consumer confidence over the summer and in recent months has resulted in the reduction and consolidation of airline flying schedules this winter.
- In a normal year, holiday bookings would peak in January for travel from March – September. Booking volumes and the timing of the peak in FY21 will be significantly influenced by the evolution of the COVID-19 pandemic and UK and European Government policy in response to it. Whilst the wider environment therefore remains uncertain, the Board remains confident in the resilience and flexibility of the Group's business model and believes there is an unprecedented opportunity to significantly increase market share over the medium to long term as demand returns.
- The Board will continue to evaluate internal and external opportunities that will both increase scale and deliver value for shareholders.

In light of the continued market uncertainties, the Group is maintaining its suspension of full year guidance for FY21 until such time that there is more certainty over the timing of, and extent to which travel can return to normal.

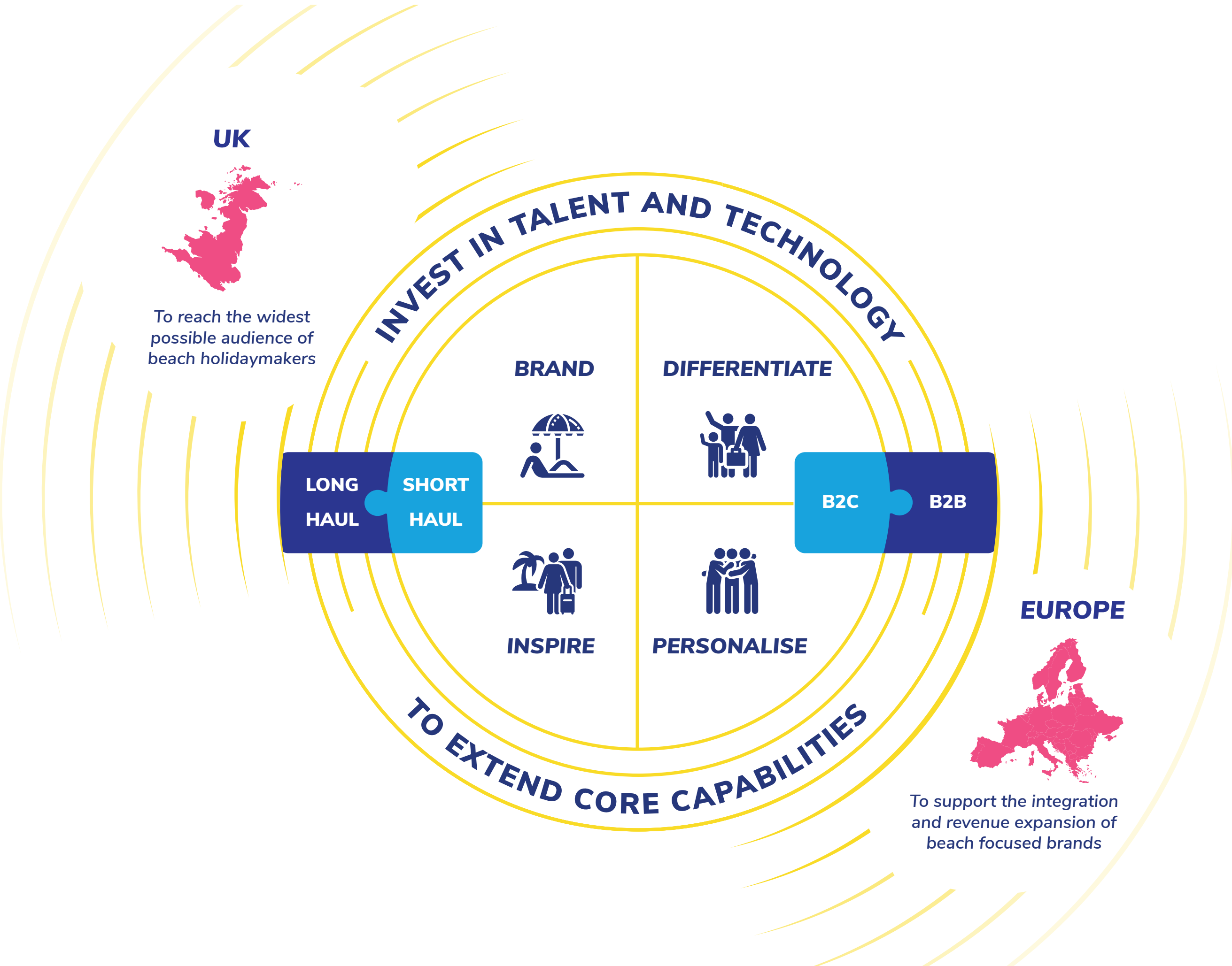
On the Beach continues to successfully build a leading position as more consumers discover the ease of use and vast choice of beach holidays across our platforms. The flexibility and asset light nature of our business model, together with our recently strengthened balance sheet and the actions we have taken since March, means we are well placed to capitalise on the inevitable structural changes in the market post COVID-19. As a result, the Board continues to look to the future with confidence.

The Board will provide a further update on trading on the date of our AGM on 5 February 2021.

Simon Cooper
Chief Executive Officer
10 December 2020

Strategy

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



Strategy

Strategy and growth

On the Beach continues to deliver significant growth in its core and adjacent markets 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 to ensure that we drive optimum performance from a growing talent base
- Evolving platform capabilities to simplify the integration of further brands

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 consideration

3 Personalising our customer experiences

- Driving an increasingly simplified, tailored customer experience
- Showing the most relevant product to all site visitors at the earliest possible opportunity
- Optimising our multifunctional app to increase customer engagement

4 Leveraging increased revenue through direct and differentiated supply

- Enhancing our programme of direct and differentiated supply
- Building our in-house capability to increase visibility of differentiated product
- Leveraging our multi-brand capability to offer our partners the widest range of distribution options

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

Our strategy in action

Case study - Redesigning the experience of booking a holiday

Strategic pillars in action:

3

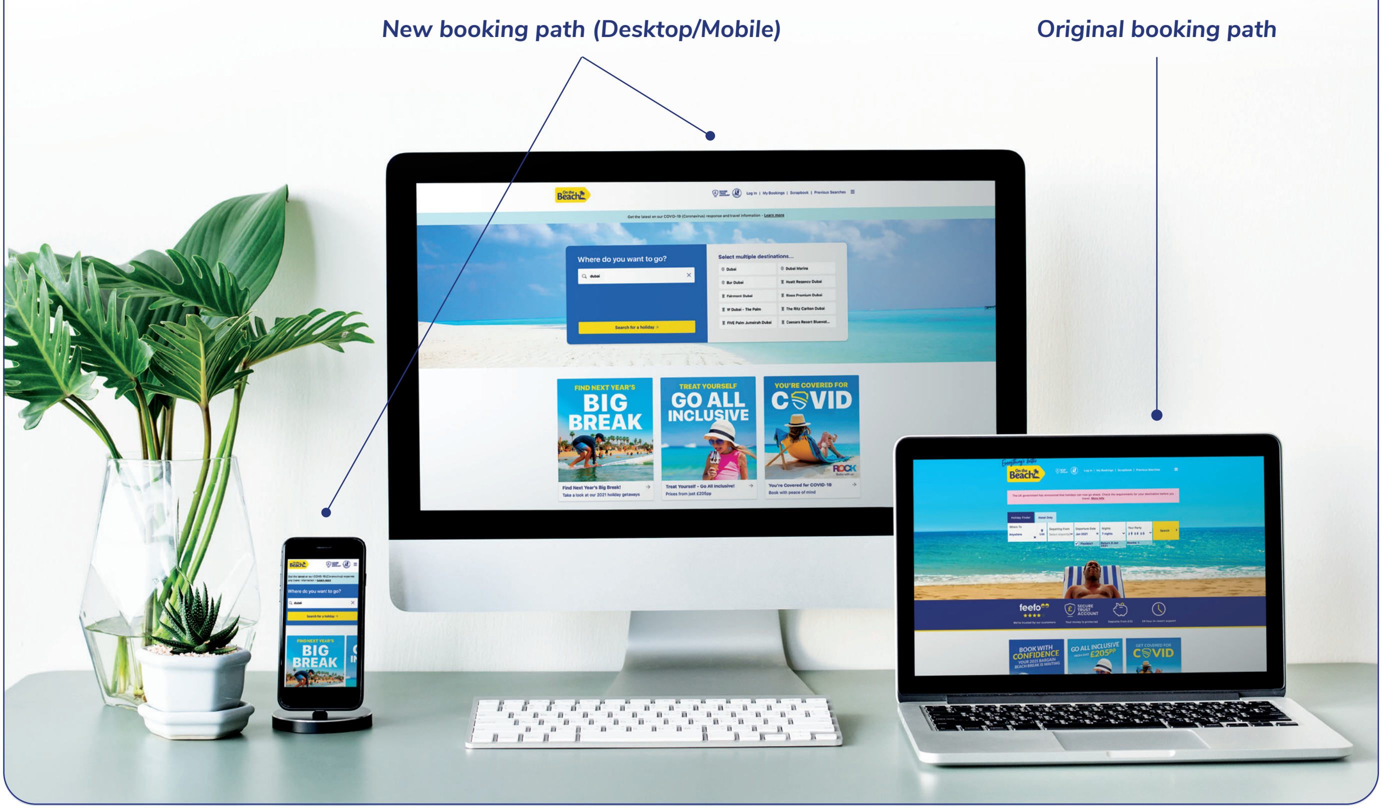
Over the course of spring and summer 2020, we ran four "Design Sprints" (a user centred design technique developed by Jake Knaap while at Google Ventures). It is a highly collaborative process, involving teams from across the business; from Design, Research, Product and Technology, to Marketing. With the teams' objective being, within a week, to identify and understand a real business problem, design a solution and test quickly with real users.

Our approach was to work through the customer experience of booking a holiday and focus on a different stage of the booking path for each sprint. The area of focus for the four sprints included:

- Research & Screen, with the target of meeting customer holiday enquiry and search needs that are more specific to the individual.
- Search results can be overwhelming, with multiple options and detailed content. Our goal was to design a solution that allows all customer mindsets to navigate this and confidently make their selection.
- Account creation is a priority in both establishing an improved post-book experience as well as an important step in personalising the search and booking experience.
- Customise and refine holiday details so that it fits their specific needs.

The outputs from these Design Sprints have created a programme of work that are priority deliverables for the Product and Technology functions as we move into 2021.

Stakeholder engagement: The process of redesigning our entire booking path relies on a good understanding of our current and potential customers' needs. We therefore extensively tested the new designs and have taken users' feedback onboard before progressing.



STRATEGIC REPORT

Strategy

Case study - Designing and launching our new marketing campaign

Strategic pillars in action:

2

This year's campaign had one very clear and important objective: make On the Beach famous offline. In the 15 years since its creation, On the Beach has become one of the leading players in the holiday market, predominantly through its in-house technological capabilities and its investment into paid online search. Despite this, awareness for the brand lagged behind in comparison to the Company's size and market share (20% share of the online sales in the short haul beach market). With this campaign, we hoped to grow our awareness considerably by moving the brand into new visual and strategic territory. Building on our warmth and wit from previous campaigns, we had the largest creative budget we have had to date to produce something that would elevate On the Beach to become a household name.

Implementation & creativity

In the planning stages of the campaign, it became clear that to meet our objectives we needed a creative platform, not a one-off campaign. We work in an incredibly homogenous category when it comes to offline advertising, so we knew that to get cut through, we needed to produce an advert that really stood out from the crowd. Despite having large online budgets, our offline budget currently cannot compete with those of the larger tour operators, so, if we can't outshout the competition in terms of media spend, we have to outshout them in terms of creative. To do that, we produced something truly different and unique.

Results

The results have been incredible:

- According to YouGov, On the Beach saw the largest increase in advertising awareness of any brand in the UK in December 2019.
- We were named 'Ad of the week' by Campaign upon launching, and our radio ad was the winner of February's Aerial Award. We also won Multimedia Broadcasting Ad of the Year at this year's Prolific North Awards.
- We've seen an unprecedented uplift across all brand metrics recorded in our quarterly tracker, with on the beach seeing the largest percentage point shift for prompted awareness, prompted ad awareness, prompted consideration and spontaneous awareness within our competitor set:
  - Prompted brand awareness: 65% (+15 ppts)
  - Prompted consideration: 29% (+10 ppts)
  - Prompted advertising awareness: 25% (+13 ppts)
  - Spontaneous brand awareness: 11% (+7 ppts)
  - Spontaneous advertising awareness: 8% (+5 ppts)
  - Spontaneous beach holiday awareness: 30% (+12 ppts)

Through our 'Everything's Better On the Beach' campaign, we created something unexpected and completely different to what the category is known for. We've had a great response from consumers as well as those within the industry. Our ads were bold, funny and standout, with the results speaking for themselves.

Investment in technology

Strategic pillars in action

1 2 3 4 5 6

If a global pandemic has proven one thing that is critical to the success of any business, it is the ability to rapidly react and adjust in order to not only survive but also thrive. Crisis creates opportunity. Fortunately for the Group, the continuing investment in our people to help evolve our culture has allowed us to accelerate our product experience and platform innovation during these uncertain times.

New priorities accelerate multi-brand evolution

COVID-19 has presented a unique opportunity to accelerate key architectural work that in the future will improve our ability to onboard new brands, as well as better supporting the ones we already have. As new strategic initiatives are focussed on increasing flexibility, this architectural realignment will allow us to on-board new supply, to internationalise and to scale even more quickly than before. Delivery of these priorities demands we take bigger, bolder steps than would normally be possible when competing with shorter term opportunities. As we come to the end of half a year of strategically focussed work, we have grasped this opportunity to strengthen our core platform and put in place the foundations to support rapid onboarding of new brands in the future.

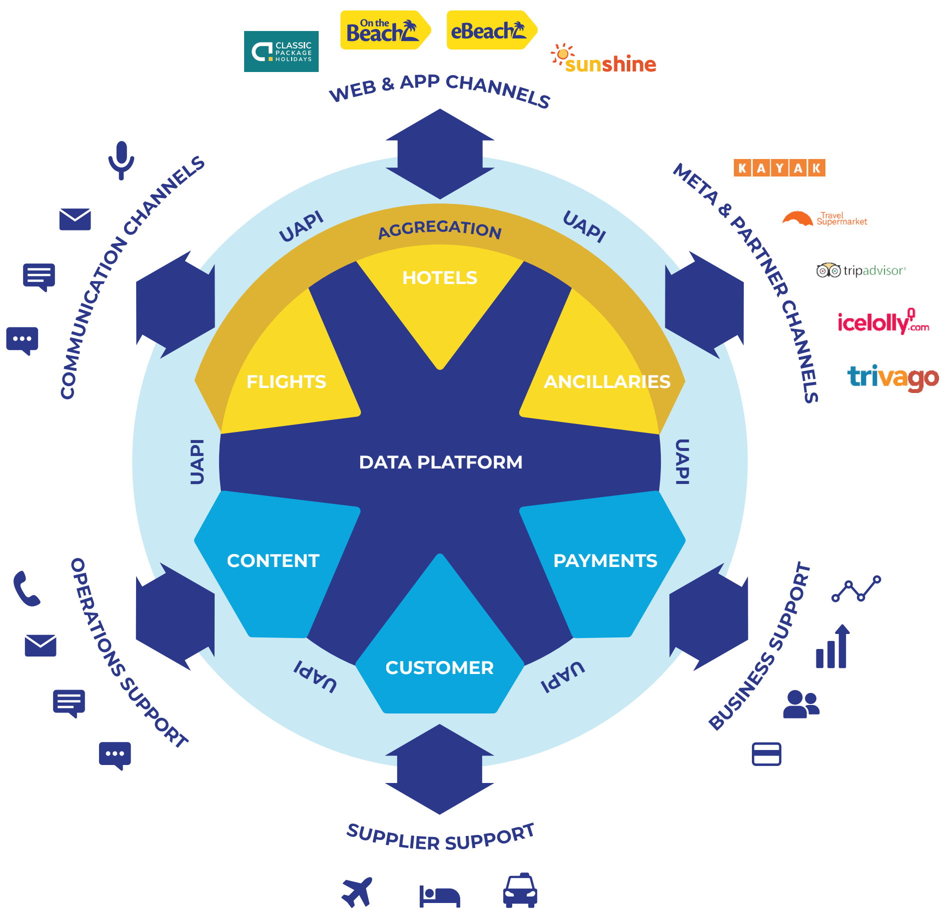
People and Culture

We are working towards being the leading tech and product function in the North West – we want to be THE team in which people aspire to work so that we can attract and retain the best talent.

In the tech and product team, we believe in people over process, context over control and promoting autonomy, mastery and purpose to free our people to do their best work. We want our colleagues to be extraordinary talent, highly effective collaborators and creatives - we simply want the best.

We are working towards becoming recognised as having a leading culture, brand and technical identity with high engagement and employee satisfaction.

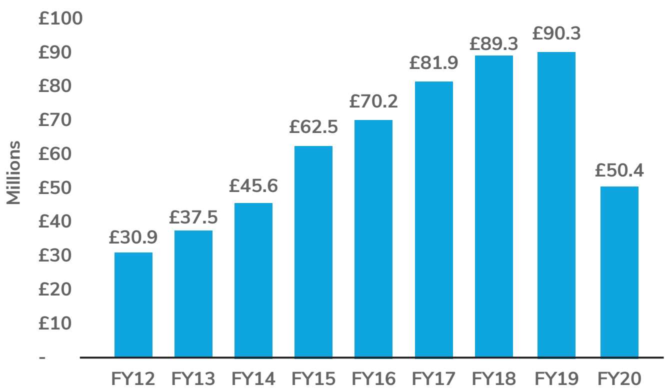
Please see the People section on pages 54 to 56 for more information in relation to our colleagues and culture.



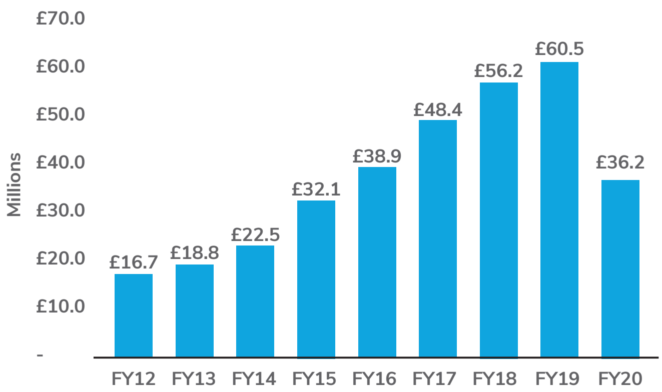
Key Performance Indicators

Financial KPI's

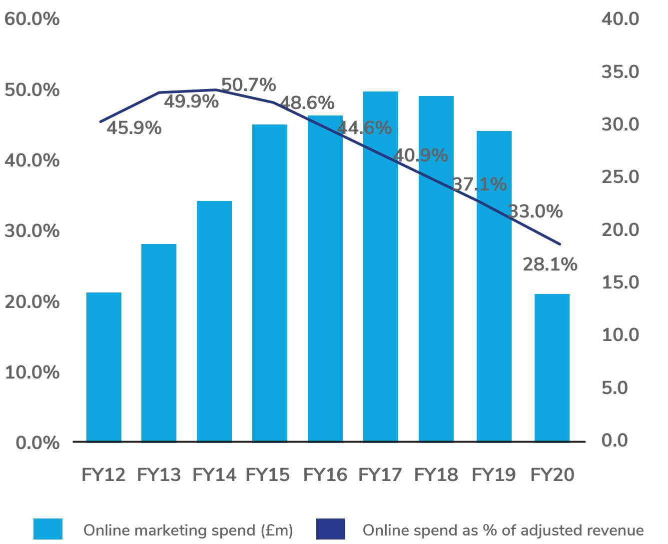
OTB revenue



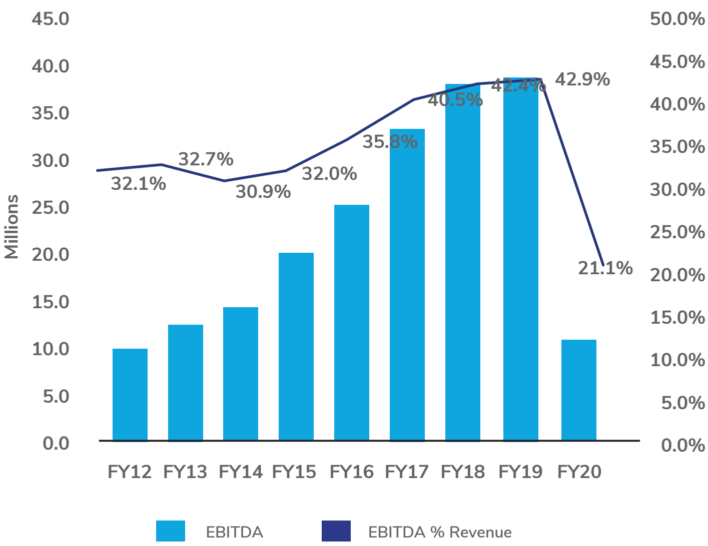
OTB revenue after online marketing costs



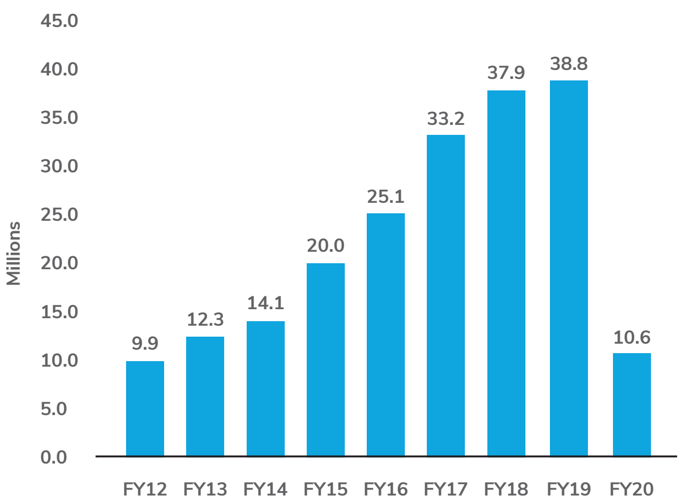
OTB online marketing spend % revenue



OTB EBITDA % revenue



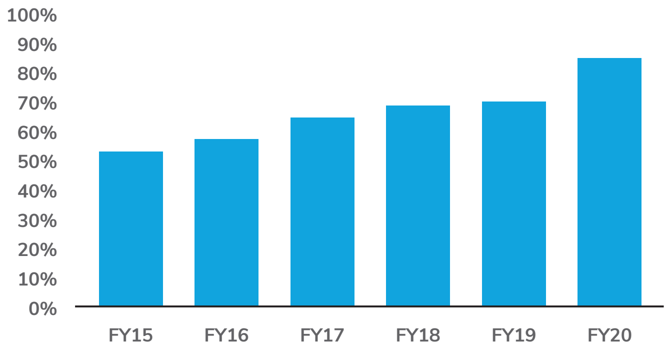
OTB EBITDA



Key Performance Indicators

Non-Financial KPI's

Directly contracted hotel supply



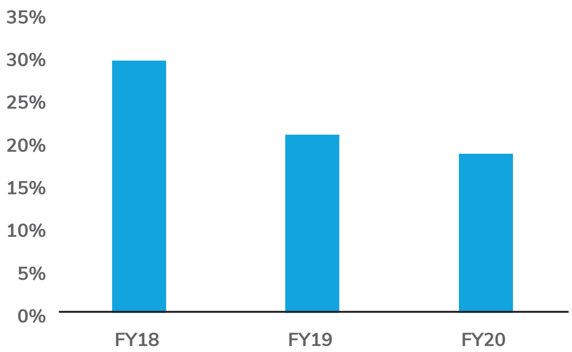
Description: Tracking % of total hotel buying via direct contracting (as opposed to through third party sourced product).

Performance: We have continued to increase our proportion of directly contracted product this year. Benefits of direct contracting include increased access to exclusive rates, ring-fenced capacity and OTA exclusivity. It also supports improved customer satisfaction scores as complaint ratios on directly contracted product are significantly lower than third party sourced products.

Link to strategy

4

Voluntary employee turnover



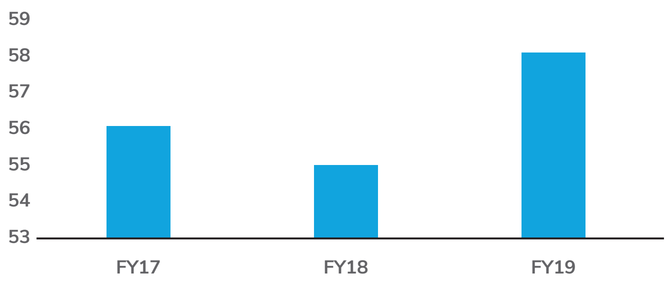
Description: Voluntary turnover tracks the number of employees who have left of their own volition and provides a measure of our ability to retain employees.

Performance: We were pleased to see voluntary turnover reduce by a further 2% this year to 19%. Some parts of our business have higher turnover than others, particularly the contact centre. This is not something unique to the Company, with staff turnover in the call centre industry being higher than the national average. We are, however, committed to investing in our employees as growing and retaining our talent base is critical to achieving our strategic objectives (see page 54 to 56 for more information)

Link to strategy

1

Net Promoter score



Description: Index that measures willingness of customers to recommend the Company's services to others. It gauges a customer's overall satisfaction and provides us with insight into our customers' views.

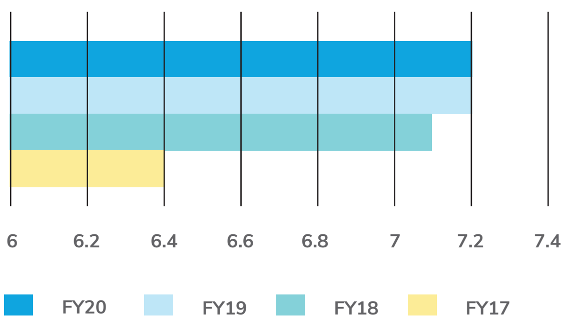
Performance: Following the outbreak of COVID-19 , we stopped sending out questionnaires to customers given very few customers were travelling due the closure of airspace. As a result, we do not have an accurate NPS for FY20 and accordingly is not included in the table above. We have recommenced sending out the questionnaires and NPS for FY21 which will be included in next year's report. We are committed to improving customer satisfaction and continue to find new ways to give our customers the very best On the Beach experience.

Link to strategy:

1 3

NPS is a metric used for the Executive bonus scheme (although no bonus operated in FY20).

Employee engagement



Description: Overall employee engagement score from the employee 'Hive' surveys (administered by a third party).

Performance: 84% of our colleagues responded with an overall average score of 7.2 out of 10, in line with our 2019 result. Whilst we always strive to improve our position, we feel that this is a positive outcome given the challenges presented by COVID-19 and reflective of our continued investment in our culture and people (for more Information see page 54 to 56).

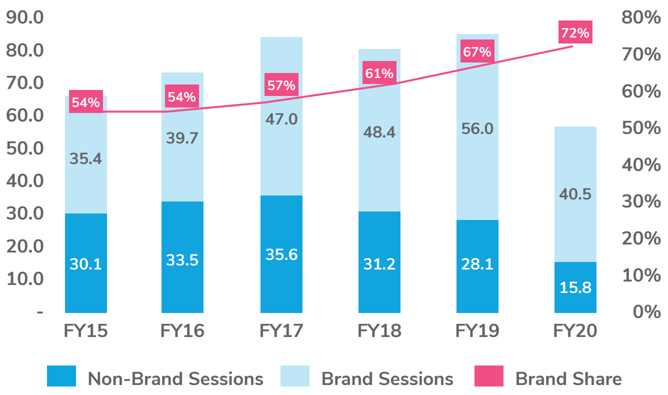
Link to strategy

1

Key Performance Indicators

Non-Financial KPI's

Brand & Free and Non-Brand Sessions (m)



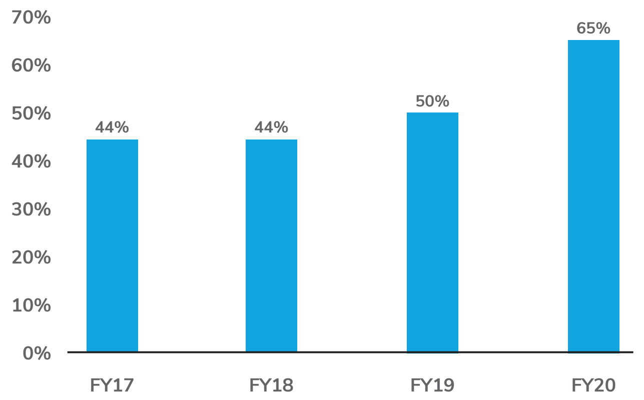
Description: Data shows the percentage share of sessions that have come from Brand and Non-Brand channels.

Performance: We have continued to increase our share of Brand & Free traffic over the last year, making Marketing spend much more efficient and showing the rewards of investment into brand activity and above the line advertising.

Link to strategy

2

Promoted brand awareness



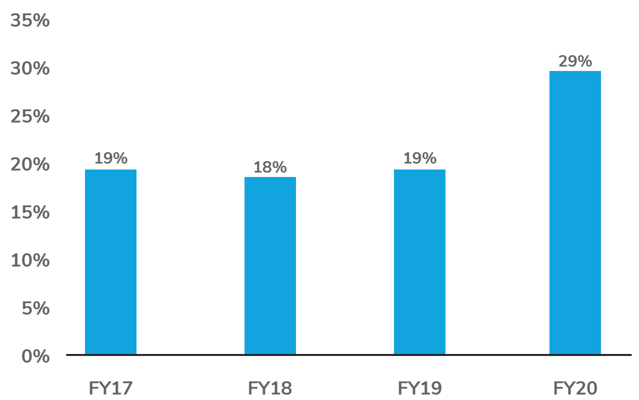
Description: Data based on a survey that asks participants to select all travel brands they have heard of from a list.

Performance: This year saw our largest growth in brand awareness to date, with a 30% (15ppts) increase compared to the same time in FY19.

Link to strategy

2

Promoted brand consideration



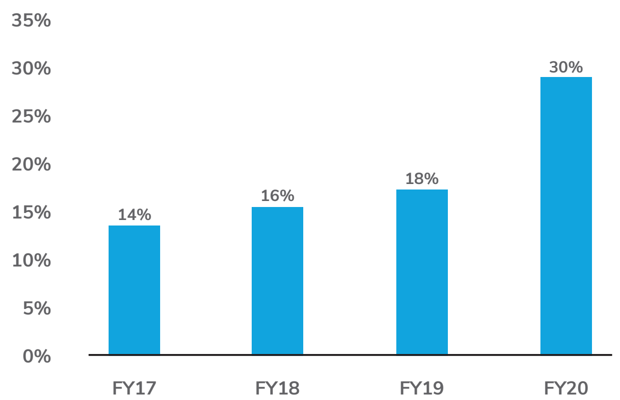
Description: Data based on a survey that asks participants to select all travel brands they would consider for their next holiday from a list.

Performance: This year saw our largest growth in brand consideration to date, with a 53% (10ppts) increase compared to the same time in FY19.

Link to strategy

2

Spontaneous beach awareness



Description: Data based on a survey that asks participants to name travel brands that come to mind when thinking about a beach holiday.

Performance: This year saw our largest growth in beach holiday awareness to date, with a 67% (12ppts) increase compared to the same time in FY19.

Link to strategy

2

Kirsteen
General Counsel and Company Secretary

On the Beach is one of the few travel businesses that protects customer money in a ringfenced trust account. The whole system of financial protection for airlines and travel companies needs to be reformed to ensure consistent consumer protection and a level playing field for businesses.

Favourite Beach:
Corralejo, Fuerteventura

Financial review

Shaun Morton
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), CCH (Classic Collection Holidays) and CPH (Classic Package Holidays).

As a principal, CCH accounts for revenue on a "travelled" basis and therefore reports 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 and accounts for revenue on a "booked" basis.

OTB performance

	2020 Adjusted £m	2020 GAAP £m	2019 Adjusted £m	2019 GAAP £m
Revenue	**50.4**	**15.9**	90.3	**83.3**
Online marketing costs	**(14.2)**	**(14.2)**	(29.8)	**(29.8)**
Offline marketing costs	**(8.7)**	**(8.7)**	(5.4)	**(5.4)**
Revenue after marketing costs	**27.5**	**(7.0)**	55.1	**48.1**
Variable costs	**(5.8)**	**(5.8)**	(7.2)	**(7.2)**
Fixed costs	**(11.1)**	**(11.1)**	(9.0)	**(9.0)**
Depreciation and amortisation	**(5.5)**	**(5.5)**	(4.6)	**(4.6)**
Exceptional operating costs	-	**(4.5)**	-	**(1.2)**
Share based payments	-	**0.6**	-	**(0.7)**
Amortisation of acquired intangibles	-	**(4.4)**	-	**(4.4)**
Operating profit/(loss)	**5.1**	**(37.7)**	34.3	**21.0**
EBITDA	**10.6**	**(27.8)**	38.9	**30.0**
EBITDA %	**21%**	-	43%	**36%**

"**During a challenging year, we have focussed on strengthening our balance sheet and remain confident in the long-term prospects of the Group.**"

Performance Summary

As is widely reported, the travel industry has been severely impacted by the COVID-19 pandemic. As a result, adjusted revenue of £50.4m is down (44%) YOY, £16.0m of which was earned in H2 and is predominantly for departures in winter 20/21 and summer 2021.

In response to the restrictions imposed on travel due to COVID-19, the Group took swift and decisive action to reduce costs. This included the suspension of all offline marketing campaigns which were launched in H1 following the collapse of TCG.

Online marketing costs for the year were £14.2m, down (52%) YOY and only £2.5m in H2. Online marketing costs naturally fluctuate with demand and have therefore reduced to low levels in H2 as the cost per visitor and the number of visitors to the website have reduced to background levels.

Exceptional operating costs of £4.5m relate to legal and professional fees, operating costs in response to COVID-19, and supplier provisions.

EBITDA

Overhead as % of revenue

	2020 Adjusted %	2020 GAAP %	2019 Adjusted %	2019 GAAP %
Variable costs % revenue	12%	**36%**	8%	**9%**
Fixed costs % revenue	22%	**70%**	10%	**11%**
Overheads % revenue	**34%**	**106%**	**18%**	**20%**

Overheads as a percentage of revenue have increased to 106% *(FY19: 20%)*. This increase is the result of a reduction in revenue earned due to European travel restrictions and a significant reduction in consumer demand. The Group is well-positioned to return to a pre-COVID operating leverage position once market conditions return to normal.

Included within fixed costs are costs related to covering public liability insurance excesses on incidents in resort for holidays booked since the Package Travel Regulations were implemented in July 2018.

Adjusted EBITDA of £10.6m *(FY19: £38.8m)* decreased by 73% and adjusted EBITDA as a percentage of revenue decreased to 21% *(FY19: 43%)*. The closest GAAP equivalent measure to Adjusted EBITDA is operating loss which was £37.7m *(FY19: profit £21.0m)*. This decrease is attributable to the reduction in demand due to COVID-19 and the resulting impact on operating leverage.

International segment performance

	2020 Adjusted £m	2020 GAAP £m	2019 Adjusted £m	2019 GAAP £m
Revenue	0.3	**0.1**	1.4	1.4
Revenue after marketing costs	0.1	**(0.1)**	-	-
Variable costs	(0.2)	**(0.2)**	(0.2)	(0.2)
Fixed costs	(0.2)	**(0.2)**	(0.4)	(0.4)
Depreciation and amortisation	(0.1)	**(0.1)**	(0.1)	(0.1)
Operating profit/ (loss)	(0.4)	**(0.6)**	(0.7)	(0.7)
EBITDA	(0.3)	**(0.5)**	(0.6)	(0.6)

Performance summary

In the first four months to January 2020, bookings were down 4% YOY. This reduction follows the collapse of TCG, resulting uncertainty around the Ving airline and a general softening of demand for overseas travel in Sweden in particular.

The International segment operated until this point at a breakeven level at revenue after marketing. Thereafter, the onset of the COVID-19 pandemic resulted in a significant reduction in demand.

Scandinavia has experienced a similar slowdown in consumer demand as the UK. As a result adjusted revenue was down (79%) to £0.3m *(FY19: £1.4m)*. Including the impact of cancellations, revenue was £0.1m and down (64%) YOY *(FY19: £1.4m)*.

Adjusted EBITDA was a loss of (£0.3m) *(FY19: (£0.6m)* due to a reduction in marketing spend. The closest GAAP equivalent measure to International EBITDA is operating loss which decreased to (£0.6m) *(FY19: (£0.7m))*.

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

	2020 Adjusted £m	2020 GAAP £m	2019 Adjusted £m	2019 GAAP £m
Revenue	16.9	**16.9**	55.0	**55.0**
Gross profit	2.6	**2.6**	7.2	**7.2**
Gross profit after marketing costs	1.6	**1.6**	6.3	**6.3**
Variable costs	(1.3)	**(1.3)**	(1.2)	**(1.2)**
Fixed costs	(2.2)	**(2.2)**	(2.9)	**(2.9)**
Depreciation and amortisation	(0.1)	**(0.1)**	(0.2)	**(0.2)**
Amortisation of acquired intangibles	-	**(1.1)**	-	**(1.1)**
Exceptional operating costs	-	**(0.1)**	-	**(0.7)**
Operating profit/ (loss)	(2.0)	**(3.2)**	2.0	**0.2**
EBITDA	(1.9)	**(2.0)**	2.2	**1.5**

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 69% to £16.9m and the business made an operating loss of £3.2m *(FY19: profit £0.2m)*. As Classic accounts for revenue on a travelled basis, H2 revenue was £1.4m as very few customers chose to travel over this period.

Financial review

Revenue is stated net of £10.7m of COVID-19 related cancellations. However, whilst a number of customer holidays were cancelled, for a full refund, c.40% of bookings have been amended to a future travel date. Revenue associated with these bookings is £8m, which should be earned in FY21.

Throughout the pandemic, the team at Classic have been focused on continuing to deliver the high levels of customer service that our partners have become accustomed to and have received an industry award this year for service levels provided over the summer.

The management team continues to develop the luxury, tailor-made and long haul propositions, brochures for which have been produced for distribution this winter.

CPH performance

	2020 Adjusted £m	2020 GAAP £m	2019 Adjusted £m	2019 GAAP £m
Revenue	3.6	**0.8**	0.8	**0.7**
Gross profit/(loss)	0.1	**(2.5)**	0.3	**0.2**
Gross profit after marketing costs	(0.1)	**(2.8)**	0.1	**-**
Variable costs	(0.3)	**(0.3)**	(0.2)	**(0.2)**
Fixed costs	(1.1)	**(1.1)**	(1.0)	**(1.0)**
Depreciation and amortisation	(0.2)	**(0.2)**	-	**-**
Operating profit/ (loss)	(1.7)	**(4.4)**	(1.1)	**(1.2)**
EBITDA	(1.5)	**(4.2)**	(1.1)	**(1.2)**

CPH provides an online B2B platform that enables high street travel agents to sell dynamically packaged holidays to their customers. The platform was successfully launched in Q3 of FY19.

Adjusted revenue for the period was £3.6m, and adjusted EBITDA was (£1.5m). After accounting for COVID-19 related cancellations revenue was £0.8m and operating losses were (£4.4m).

The gross loss of (£2.5m) is stated after all costs incurred on cancelled bookings.

The CPH trading result has been significantly impacted by COVID-19, both due to a drop in demand, and the cancellation of a significant proportion of bookings made for travel this year.

Prior to the onset of the pandemic significant progress had been made with the strategy to increase distribution of CPH product which is now available in c.2,400 high street travel agents. Agent activity had also significantly increased prior to the onset of the COVID-19 pandemic, and over 1,400 agents have now booked a CPH holiday.

Financing and liquidity

The Group has in place a RCF of up to £75m with Lloyds. The drawdown at 30 September 2020 was £nil *(FY19: £nil)* and the peak drawdown for the year was £30.0m.

As mentioned earlier, the Group has renewed and extended its Banking facilities. Details of the current facility limits and maturity dates are as follows:

Facilities	*£m*	*Issued*	*Expiry*	*Drawn at 30 September 2020*
Original RCF	£50m	Apr 2020	Dec 2023	£nil
New CLBILS facility	£25m	May 2020	May 2022	£nil
Total facility	**£75m**			**£nil**

Share based payments

The Group has an LTIP scheme in place which vests based on performance criteria. In accordance with IFRS 2, the group has recognised a non-cash credit of £0.6m *(FY19: charge £0.7m)*. The credit this year relates to the reversal of benefits accrued for the 2018 incentive scheme.

Taxation

The Group tax credit of £7.5m represents an effective rate of 19% *(FY19: 19%)* which was consistent with the average standard UK rate of 19% *(FY19: 19%)*.

Cash flow

	2020 £m	2019 £m
Profit/(loss) before tax	**(46.3)**	**19.3**
Depreciation and amortisation	11.4	10.3
Net finance (income)/ costs	0.4	-
Share based payments	(0.6)	0.7
Movement in working capital	(58.0)	2.4
Movement in trust account	18.3	(5.6)
Corporation Tax	(0.2)	(3.8)
Cash generated from operating activities	**(75.0)**	**23.3**
Other Cash Flows		
Capitalised development expenditure	(4.0)	(5.1)
Capital expenditure net of proceeds	(1.0)	(3.0)
Net finance income/(costs)	(0.4)	-
Payment of lease liabilities	(0.4)	(0.4)
Dividends paid	(2.6)	(4.6)
Deferred consideration	-	(2.7)
Net cash flows	**(8.4)**	**(15.8)**
Opening cash balance	**54.8**	**47.3**
Net (debt)/cash	**(28.6)**	**54.8**
Proceeds from share issue	**65.1**	**-**
Closing cash at bank	**36.5**	**54.8**
Closing trust balance	**25.8**	**44.0**

Total cash at 30 September 2020 was £36.5m *(FY19: £54.8m)*.

The main movements relate to:

- Group loss before tax £46.3m
- Movements in working capital:
  - The unwind of a normal working capital position resulting from very low levels of trading and travel for summer 2020. This impacts Classic working capital in particular which operates on a negative working capital cycle
  - The Group refunded a number of customers in advance of receiving refunds from airlines. At the year end this gap was £25m, and as at 30 November 2020 has narrowed to £4m
  - Other working capital timing, including the timing of receipts of monies held in trust which can only be withdrawn once customers have been refunded
  - Other cash flows as shown in the adjacent table of £8.4m relating to interest, capital expenditure and dividends.
  - Net proceeds of £65.1m from shares issued 22 May 2020.

Dividend

As announced on 8 April 2020, no interim dividend was declared during FY20. In view of the exceptional circumstances and the likelihood that disruption will continue into 2021, the Board is not recommending a final dividend in respect of FY20.

Shaun Morton
Chief Financial Officer
10 December 2020

Risk management

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.

Our risk management process

The Board has overall responsibility for risk oversight and maintaining a robust risk management and internal control system. The Board determines the extent of risk the Company is willing to take in order to achieve its strategic objectives and which risks pose the greatest threats and opportunities, having regard to the internal and external environments in which we operate. The Board is supported by the Audit Committee, which has responsibility for reviewing the effectiveness of risk management and the internal control processes.

The Group continuously identifies and reviews business risks. This includes the monitoring of key risks, identification of emerging risks, determination of treatment in taking into account risk appetite, and evaluation and reporting on how those risks may affect the achievement of business objectives.

Risk identification and assessment

On a day-to-day basis, each business area is responsible for identifying, analysing, evaluating, managing and monitoring the risks and emerging risks in their respective areas. Risks are identified at an early stage and mitigated or escalated as appropriate. The Executive Team meet on a weekly basis and should there be any significant new risks or change in status to existing significant risks, then this is discussed and action taken as appropriate. As well as this on-going monitoring and managing of risk, the Executive Team formally review risk on a bi-annual basis. This review includes a detailed assessment of new and existing identified risks, emerging risks, the likelihood of each risk occurring and the potential impact, together with controls and mitigating procedures in place. This information is combined to form the Group risk register. The risk register and report is then reviewed with the Audit Committee and presented to the Board on an annual basis. The Board assess the output of this work, confirming whether all principal risks have been captured and addressed as well as considering any areas and behaviours which could bring about new risks, and different combinations of risk with other potentially larger impacts.

Through these processes, we identify our main business, strategic, financial, operational and compliance risks and create action plans and controls to mitigate them to the extent appropriate to our risk appetite.

The Audit Committee monitors the effectiveness of the risk management system through regular updates from the Executive Team and reviews the timeliness and effectiveness of corrective action taken by management. The Audit Committee also considers the findings and recommendations of the external auditor throughout the year in relation to the implementation and effectiveness of risk management processes and internal controls (please see the Audit Committee Report on page 78 for more details).

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal risks and uncertainties facing the Company, including any emerging risks, and 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. Certain changes have been made to the principal risks and uncertainties reported in the previous year as a result of this assessment, namely due to the effects of COVID-19, which has had a wide ranging impact on virtually every principal risk, as well as introducing new risks for example around recovering airline refunds. Rather than include a separate standalone risk for COVID-19, the Company has reported on the impact of the pandemic on each of its principal risks, as set out in the table below. The Company has taken the same approach with regards to risks arising out of Brexit.

Link with Strategy

For each risk highlighted, we have specified the strategic pillars (as outlined in Strategy section of this 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 customer experiences.
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.

COVID-19 has caused consumer behaviour to shift with many people choosing not to book a holiday or delaying booking. It has had a huge impact on the economy and led to reduced job security. Health concerns and anxiety in relation to the virus could lead to a continued reduction in consumer demand for holidays which could be exacerbated if there are further waves and/or further travel restrictions.

Emerging Risks/Change in the Year

The COVID-19 pandemic, as well as continuing Brexit uncertainty/political turmoil in the UK has heightened this risk significantly.

Key Mitigations

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

The Group anticipates that COVID-19 will present opportunities for the Group to increase its market share and help strengthen consumer confidence in the Group.

Strategic pillars impacted	Direction of travel
1 2 4 6	↑

Risk management

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 several 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. The case has been dormant for over two years with no material developments in that period (though see emerging risks section in relation to correspondence exchanged with Ryanair this year). 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

During the year, the Group has been in discussions with Ryanair in relation to refunds in respect of flights cancelled during the pandemic. We set out below the risks relating to recovering airline refunds, but as a result of those discussions and chargebacks claims made by the Group, Ryanair intimated that the litigation referred above could be restarted. As of writing, no further legal action has been taken but the threat of such legal action recommencing increases the flight supply risk.

Certain airlines continue to try and prevent the Group from booking seats on their flights.

There is uncertainty in relation to aviation rights in the event of a no-deal Brexit. New aviation rights need to be agreed with the remaining EU member states and standalone agreements need to be reached with non-EU members (to the extent not already agreed). Without such a deal, planes cannot fly. While it is considered highly unlikely that no aviation deal will be done, there is a theoretical risk that if agreements are not reached, planes cannot fly, so the Group would be unable to offer flights to its customers which would significantly impact the business and the whole travel industry.

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 TCG 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.

We have expert external legal advisers for any potential disputes with airlines which seek to prevent the Group booking seats for its customers.

Strategic pillars impacted

1 4 6

Direction of travel

↑

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
TCG's collapse crystallised this key risk for the Group, however COVID-19 has increased the risk of further supplier failures. The risk is exacerbated if there are further waves and/or further travel restrictions.
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 TCG failures. 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. In these challenging market conditions, we have made preparations in the event bedbanks and other partners fail. We are closely monitoring the financial health of suppliers and taking steps to mitigate risk, such as only agreeing prepayment deals with well established hotels. The challenging market conditions will inevitably mean some travel organisers and suppliers will collapse but such failures could create opportunities for the Group to gain market share. Following the renegotiation of our banking facilities and the equity raise during the year, the Group is in a strong position to take advantage of opportunities post-COVID-19.

Strategic pillars impacted

1 2 4 6

Direction of travel

↑

Risk management

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

COVID-19 will increase the chance of competitors potentially failing.

COVID-19 has seen the rise of refund credit notes in lieu of cash refunds (see page 12 for more information on this issue). This could increase the competition risk for the Group as it creates captive consumers for those organisers issuing the credit notes, thereby potentially reducing the demand for the Group's offering.

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 On the Beach /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, On the Beach 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

In the current climate, less people are going on holiday which reduces claims, however we anticipate an increase in COVID-19 related claims e.g. customers claiming they caught COVID-19 whilst on holiday.

Conditions in the insurance markets are difficult due to COVID pressures, and travel is one of the most affected industries. In line with general market trends, we have seen an increase in insurance costs. We have appointed new insurance advisers and insurance brokers to help us ensure we have the appropriate insurance in place on the best possible terms.

Key Mitigations

For bookings made prior to 1 July 2018, On the Beach 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. We have taken additional health and safety steps in light of COVID and liaised with external health and safety advisers in this respect.

Strategic pillars impacted

1 2 4 6

Direction of travel

Risk management

Recoverability of airline refunds

Impact

The COVID-19 crisis has brought with it new risks as a package organiser in relation to refund obligations where the airline is:

(i) not refunding flight costs in a timely fashion; or
(ii) not refunding flight costs at all because the flight is still going ahead.

In relation to not refunding flight costs in a timely manner, where a customer's holiday is cancelled, the Group has an obligation under the Package Travel Regulations (PTRs) to refund that customer in cash in 14 days. Airlines have an obligation under Regulation (EC) No 261/2004 to refund the flight cost in 7 days, but many airlines have been taking months to refund and/or putting additional obstacles in the way of claiming these monies. The Group has had to refund many customers in advance of getting the monies from the airlines.

In relation to airlines not refunding flight costs when the flight is going ahead, this causes issues when the FCO is advising against all but essential travel to the relevant destination or the government imposes a travel ban. If the customer cancels their holiday due to FCO travel advice, the Group's policy is to offer the customer a choice to keep or cancel their holiday or change the dates where available. If the customer cancels, the Group will refund all elements of the holiday save the flight cost, whereby we will only refund such flight costs if the flight is cancelled and/or refunded by the airline. Whilst the Group is confident of the legal position that FCO advice does not automatically trigger cancellation under Reg 12(7) of PTRs and we can robustly defend this approach, we anticipate we will receive claims from customers who have not received a full refund.

Emerging Risks/Change in the Year

New risk this year in light of the pandemic.

Key Mitigations

In relation to airline refunds, in most cases, the Group waits until it receives the refund from the airline before the customer is refunded but if that refund is not forthcoming then the Group will often taken the decision to refund the customer before it receives the monies from the airlines. Where the Group has a relationship with the airline, we are engaging to agree a payment schedule. We pay airlines on virtual card which means we have chargeback rights to recover the sums if these are not paid voluntarily, and we are confident of recovery due to legal advice received and past experience. We have also taken an assignment of rights from customers so that we can pursue sums from airlines where we have refunded the customer in advance of receiving the cash ourselves.

In relation to potential claims from customers who have cancelled their holiday due to FCO advice, we have a strong legal position to resist the obligation to refund the flight element where the flight goes ahead and the package can be performed.

Strategic pillars impacted

1 4 6

Direction of travel

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

There is regulatory focus on the travel industry, its handling of the pandemic, and in particular refund policies. Customers who are frustrated with delayed refunds are likely to make complaints to regulators, who may seek to take action. On the Beach has been criticised for its decision not to refund flight costs where FCO advises against all but essential travel and the airline doesn't refund the flight.

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.

Unlike many of its competitors, the Group has refunded in cash, not in vouchers or refund credit notes, which is an area of focus for regulators. On the Beach 's decision on refund of flight costs where FCO advises against all but essential travel was based on robust legal advice and we have a strong legal position if challenged.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

↑

Risk management

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

Following the launch of our new marketing campaign in December 2019, our prompted brand awareness reached 65% which is our highest level to date. However, COVID-19 has inevitably had an impact on our reputation. The uncertainty re the ability to travel and operational issues connected with the restart of travel (including flight cancellations and hotel closures and changes) meant that we were inundated with an overwhelming volume of messages and we were unable to respond to complaints and issues as swiftly as we would normally. This, coupled with our stance on flight refunds when the flight goes ahead notwithstanding FCO advice, has had some impact on our reputation.

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.

In relation to COVID-19, we took the decision to refund those customers whose flight had been cancelled and were waiting for a refund of their flight costs to help preserve our reputation. We have been working closely with the press and have built up good relations with a number of publications. We continue to invest significant resource in social media and overtime in the contact centre to manage customer communications.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

Exchange Rate Fluctuation

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 destabilised currency markets.

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

No change

STRATEGIC REPORT

IT Systems and Data Security

Impact

The Group is exposed to security threats and the associated risk of breach whereby a third party could illegally gain access to our customers' or employees' personal data, resulting in damage to brand, material fines and litigation. This would impact traffic, revenue and profit as legislation (e.g. GDPR) significantly increased the fines that could be levied in the event of a data breach and the Group could receive civil claims.

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.

Emerging Risks/Change in the Year

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

The significant increase in employees working at home as a result of the pandemic is having to be sustained over a far longer period than first envisaged, this could increase the Group's IT and information security risks.

Key Mitigations

Security policies, processes and technology are well defined and robust with regular testing/audits undertaken with all findings actioned as priority. The Group is PCI DSS compliant using an external Qualified Security Assessor (QSA) to inform and maintain best practice.

Investment has increased in the area of security with the recruitment of a new Information Security Officer supported by external security consultancy expertise.

The scalability and performance of our platform is a priority for our 'Tech & Product' teams and we continue to invest heavily in talent and technology in this area.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

↑

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

COVID-19 resulted in a significant business interruption which massively impacted our ability to trade whilst moving the business to work remotely for a sustained period of time resulting in substantial changes to the way we operate.

Key Mitigations

The Group's business continuity & disaster recovery plan was successfully implemented to support the business in its response to COVID. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.

Strategic pillars impacted

2 3 5

Direction of travel

↓

Risk management

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

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.

The effect of lockdown, furloughing and general uncertainty in the travel industry as a result of COVID-19 could potentially impact the Group's ability to retain some key employees.

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.

We have continually communicated with our employees throughout the pandemic and taking steps to safeguard their wellbeing.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

No change

Viability statement

The objective of the viability statement is for the Directors to report on their assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the Group's available financing facilities, business model, strategy, regulatory environment, principal risks and uncertainties, recent financial performance, outlook, and current financial position.

Assessment of Prospects

The Board has determined that a period of three years to 30 September 2023 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 16)* and its strategy (as outlined in the Strategy section of the 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 32 to 42.

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 was thoroughly tested last 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

Scenario 3: Extended closure of airspace/restrictions on travel due to COVID-19

Link to risk – Customer confidence, supplier failure, flight supply, recoverability of airline refunds

There is a risk that there will be a prolonged period of restriction on overseas travel due to COVID-19. This would inhibit the Group's ability to generate revenue and cash. The Group has considered the impact to cash of operating in a zero revenue environment but carrying the current level of operating costs for a 12 month period and is satisfied that cash reserves would sustain the Group.

In addition, a stress test has been performed, to assume a zero revenue environment throughout the viability period. The Group considers this to be an implausible scenario given the level of bookings taken since April 2020, industry predictions, discussions with airlines and the recent news about the vaccine. In this remote scenario, the cash reserves would sustain the Group's current operating costs to September 2022. Mitigating actions, such as significantly reducing marketing and headcount costs, would, however, be taken to enable the Group to continue for a substantially longer period of time without using the £25m CLBILS loan (which expires in June 2022) or the £50m Revolving Credit Facility (which has a renewal date of December 2023).

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 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 2023.

Going Concern

As at 30 September 2020 Cash, excluding cash held in trust, was £36.5m (30 September 2019 cash of £54.8m).

As travel restrictions were imposed a number of actions were taken immediately to reduce cash costs and protect the financial position of the Group:

- Marketing costs were reduced to almost £nil and limited other non-essential costs.
- The low deposit offer was reduced on 25 February for new bookings travelling within 90 days to ensure flight costs were covered in full.
- The CEO sacrificed his salary and the remainder of the Board voluntarily agreed to a 20% reduction in salary and fees and the executive and senior management team took a voluntary paycut.
- No bonuses have been awarded across the Group in the current financial year.
- The Group participated in the Coronavirus Job Retention Scheme and obtained a refund of Corporation Tax paid
- The Group did not declare an interim dividend and is not proposing a final dividend for the year to 30 September 2020.

The Group has also taken a number of actions to improve overall liquidity to ensure that it is well placed to operate through the pandemic and to trade once travel restrictions are eased. These actions included reaching an agreement with Lloyds Bank to increase maximum available debt facilities:

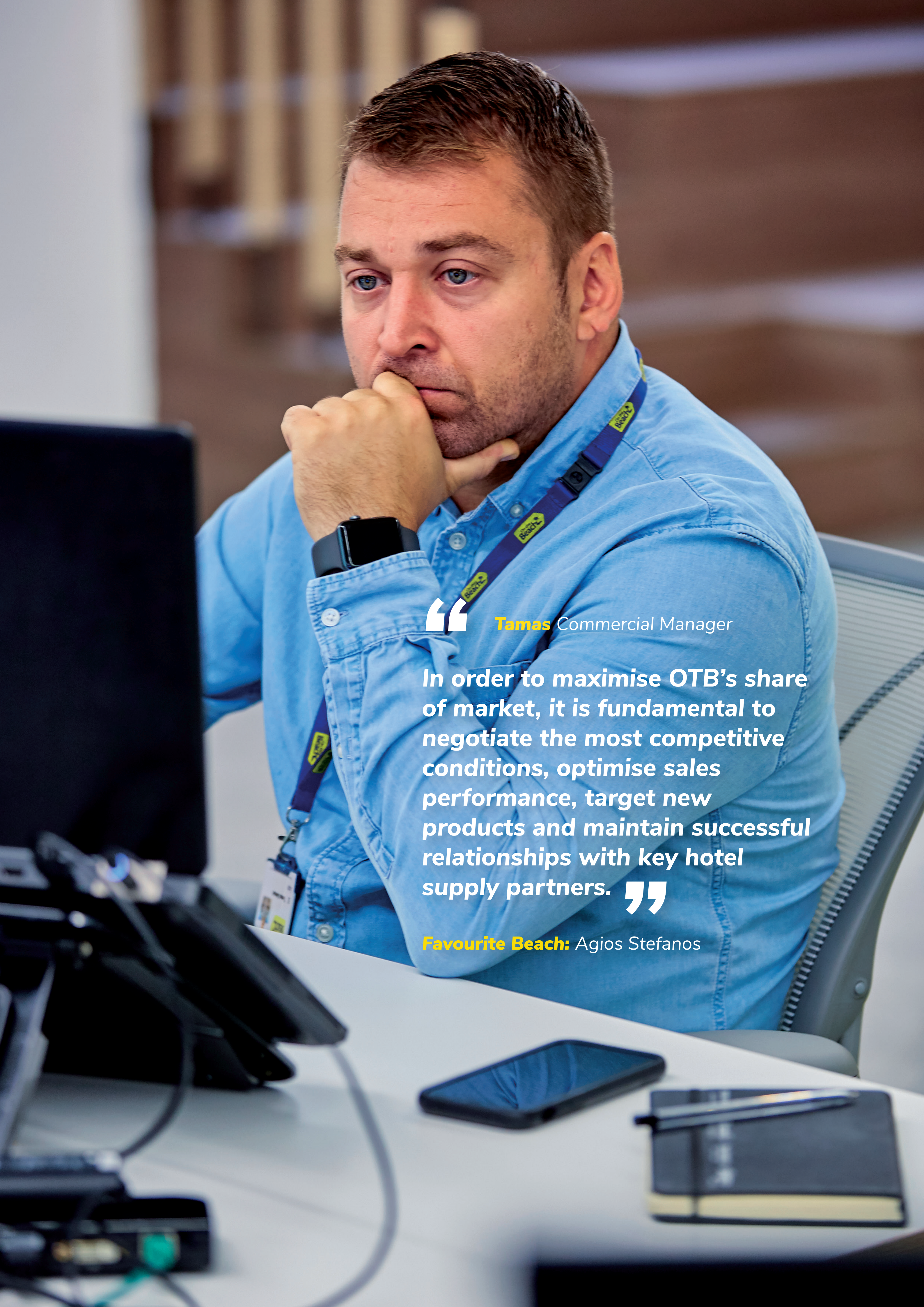
- extended the £50m RCF drawdown limit to all months of each year
- extended the term to December 2023
- reset covenant tests for all periods up to and including June 2021
- accessed an incremental £25m RCF under CLBILS, expiring in May 2022

In addition, on 22 May the Group issued new shares generating £65m incremental liquidity (net of fees). The net proceeds from the share placing, together with the revised banking facilities, provides the Group with greater resilience through the current downturn and will enable the Group to exit this extended disruptive period in a strong position.

Where holidays are cancelled as a result of the COVID-19 pandemic, the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-though from airlines. Therefore, there is no net cash outflow for refunds processed.

The Directors have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour/demand. As part of this exercise, the Directors modelled what they consider to be a severe downside scenario of no travel or bookings until January 2022. Even in this scenario, the Group would have no requirement to draw down on its current facilities.

Given the assumptions above, the Directors remain confident in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.



Tamas Commercial Manager

"In order to maximise OTB's share of market, it is fundamental to negotiate the most competitive conditions, optimise sales performance, target new products and maintain successful relationships with key hotel supply partners."

Favourite Beach: Agios Stefanos

Section 172 statement and stakeholder engagement

Section 172(1) statement

The Directors believe they have acted at all times to promote the success of the Company for the benefit of its members as a whole. In doing so, the Board has considered the interests of a range of stakeholders impacted by the business, as well as having regard for the matters set out in s.172(1) of the Companies Act 2006, namely:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

More information about our key stakeholders, how we engage with them and how Directors have regard for stakeholder matters when making decisions is set out in the tables below.

Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 63 to 121.

Other broader factors considered by the Board, including the impact of the Company's operations on the community and environment, desirability to carry out business responsibly and ethically and acting in the interests of employees are covered in the Corporate Social Responsibility section on pages 57 to 60 and Our People section on pages 54 to 56.

Stakeholders

We seek to achieve our strategic objectives by taking into account the needs of our stakeholders and the impact our business may have on them. The Board is aware that its decisions may impact on one or more groups of stakeholders and that their needs may differ in some circumstances. Effective engagement ensures that stakeholder interests are considered in Board discussions and decisions.

SHAREHOLDERS

Why they to matter us?

Our shareholders are investors in and owners of our business, providing the capital we need to invest in and grow the business

What matters to them

- Long-term growth delivered through successful implementation of strategy
- Operational and financial performance
- Risk management
- Talent & succession planning
- Liquidity and dividend policy
- ESG matters

How we engage

- Roadshows
- Annual Report, websites and statements
- Ongoing dialogue and individual engagement with shareholders

Outcomes/highlights for 2020

- Meetings with major shareholders in relation to the equity raise.
- Both the Chairman and the Chair of the Remuneration Committee had calls/meetings with shareholders during the course of the year.
- The Remuneration Committee has listened to and taken on board feedback in relation to remuneration arrangements.
- Votes from shareholders representing 83% of share capital at 2020 AGM.

How the Board engages and considers the interests of our stakeholders

- Directors meet and speak with investors on a regular basis, principally through investor roadshows and the AGM.
- Regular updates by the Chief Executive
- Meetings and calls with large investors in relation to specific issues arising.
- Engagement on remuneration matters via the Remuneration Committee Chair
- The non-executive Directors are available to meet with shareholders at the AGM and will engage with investors on topic-specific matters, as required.
- Investor feedback is collated after each roadshow and shared with the Board.

CUSTOMERS

Why they to matter us?

Customers are at the heart of our business and we are always striving to exceed their expectations. It's vital that we engage with our customers in order to know what they are feeling so that we can improve their experience and satisfaction. Customer satisfaction is critical to the long term satisfaction of the Group in driving bookings growth.

What matters to them

- Value for money
- Diverse range of travel products
- Payment options including low deposits
- Customer journey experience by making it easier for customers to find and buy their preferred holiday
- Customer service and support
- Financial protection and the protection and reassurance of booking a package holiday

How we engage

- We regularly conduct surveys, focus groups, usability and in depth interviews with current and potential customers
- Investment in our social media presence to provide both proactive and reactive communications to customers
- Feedback from third party travel agents
- Provision of clear and transparent information on our website (e.g. FAQ and travel information pages) and in our direct written and spoken communications with customers
- Our dedicated customer service team and 24/7 in-resort line

Outcomes/highlights for 2020

- COVID-19 has been very difficult for our customers. The uncertainty over travel restrictions, quarantine requirements and anxiety in relation to the virus meant that many thousands of our customers wanted to re-arrange or cancel their holidays. Where airlines were delaying in providing refunds (see page 12), customers were understandably frustrated. This all resulted in our contact centre being inundated with an overwhelming volume of messages and calls and whilst we worked quickly to adapt to these ever-changing workloads, ultimately it has been impossible to provide the level of service we ordinarily strive to provide. You can read more about what measures we put in place to deal with customer communications on page 11. We also took steps to engage with customers and address their concerns and issues, such as refunding some customers for their flights before receiving the monies from the airlines.
- Re-designed our customer booking path. For more information see page 21.
- We are proud to have the second highest Trust Pilot score amongst our competitors, reflecting our commitment to customer experience and satisfaction.
- One of our strategic objectives is to expand our long haul offering, therefore understanding customer needs and expectations and specific long haul behavioural patterns (and how they differ versus short haul) is essential. During the year we rolled out an extensive exploratory research program, using a hybrid approach (desk research, qualitative and quantitative research, discussing and/or surveying approx. 1000 people in the process).
- During the year On the Beach and Sunshine.co.uk resigned from ABTA, which is a trade association representing a wide range of travel agents, operators and OTAs. Given that broad membership, ABTA's views will not always be representative of all members and following ongoing discussions with ABTA about refunds due to customers when FCO advises against all but essential travel but the flight goes ahead (see page 36), we did not feel that ABTA represented our interests as an OTA and accordingly took the difficult decision to resign. In doing so, we considered the needs of our customers. All flight-inclusive packages continue to be financially protected under the ATOL scheme and non-flight packages also continue to be financially protected, now by way of an insurance policy which offers the same level of cover as the previous ABTA bond. We have ensured that we have put in place appropriate complaints and dispute mechanisms and have clearly communicated these arrangements with customers.

How the Board engages and considers the interests of our stakeholders

- Reviews strategy and monitors performance during the year with the aim of meeting customers' needs more effectively.
- The Board receives regular updates on matters relating to customers, including the results of customer surveys, and information and trends relating to customer satisfaction and feedback. This feeds into strategic decisions, such as investment approved to re-design the booking path.
- The Board monitors and reviews developments concerning changes to our IT platforms which will allow us to continually improve service delivery to our customers.
- Executive bonus linked to Net Promoter Score.

Section 172 statement and stakeholder engagement

OUR PEOPLE

Why they to matter us?

Our people are integral to achieving our strategic objectives. We know that when colleagues are engaged they are happier, more motivated and invested in helping us achieve our goals and in turn grow the business. We continue to value and regularly seek feedback from colleagues, helping us to understand how we can increase engagement across all areas of the business.

What matters to them

- Successful and rewarding careers
- Development and progression
- Remuneration and benefits programme
- Recognition
- Ways of working and culture
- Diversity and inclusion
- Knowing concerns are being listened to.

How we engage

- Weekly company-wide communication forum 'Beach Life'
- Weekly communication emails
- Hive survey – our annual engagement survey. We also conduct pulse surveys and polls to check how colleagues are feeling as well as helping us measure progress against our engagement scores.
- Pier Groups are forums which bring colleagues from across various different departments, providing a mechanism to give feedback and raise concerns on an on-going basis.
- Employees are encouraged to take part in various steering groups such as the Diversity and Inclusion Action Group where employees can actively participate to make a difference.

Outcomes/highlights for 2020

- Ensuring a safe working environment for all Group employees in response to the COVID-19 pandemic.
- Maintenance of our Hive Survey engagement score at 7.2, which is the same score as last year notwithstanding the challenges posed by the pandemic.
- Following the COVID-19 outbreak, we increased the frequency of our company wide communication forums to take place on a weekly basis, giving management the opportunity to listen and respond to employees' concerns and allowing management to cascade information and strategic priorities during a difficult time.
- Introduced new recognition schemes such as Colleague of the Week which has also help embed our values as the award is awarded for personifying our values "bold", "open" or "dynamic".
- We have invested heavily in social and wellbeing activities to maintain morale during the pandemic.
- By listening to our people we have been able to make improvements in areas which have been acknowledged in our Hive surveys.

How the Board engages and considers the interests of our stakeholders

- The People function regularly reports to the Board and the Board reviews and approves the People strategy.
- The Executive Directors attend the weekly company-wide communication forums and report back to the Board on employee sentiment and employee issues and concerns arising out these sessions and the Hive surveys which feed into strategy and decision-marking.
- David Kelly is the designated non-executive director for employee engagement. This facilitates on-going engagement at a Board level and ensures employee views and concerns are taken into account in the Board-decision making process. Such engagement is also relevant for the Remuneration Committee when considering remuneration arrangements for senior management and the Group generally.

SUPPLIERS AND PARTNERS

Why they to matter us?

Building strong working relationships with our suppliers and partners is vital to the operational success of our business. Effective engagement is critical for ensuring that we can offer a diverse and quality range of travel products and for obtaining value for money. We rely on our suppliers to help meet our customers' needs and to ensure the reliability of our services. Regular engagement with suppliers also helps mitigate risk, ensuring we are partnering with ethical suppliers who take appropriate health and safety measures and provide high standards of customer care.

What matters to them

- Fair payment terms, particularly as they navigate COVID-19
- A partner that can deliver tour operator scale volumes
- Collaboration
- Being treated fairly

How we engage

- Through supplier relationship management - regular review meetings and ongoing feedback to maintain openness and to improve value from supplier relationships.
- Through responsible contracting, trust and ethics. We conduct regular audits (either on-site and/or via self-assessment) primarily focussed on health & safety and issues such as modern slavery. We also have policies on Bribery and Corruption.
- Through industry conferences and events.

Outcomes/highlights for 2020

- COVID-19 has created uncertainty and placed financial pressures on many of our suppliers. We supported our suppliers by ensuring prompt payment, before and during the COVID-19 pandemic.
- Building relationships with suppliers has meant that we have delivered more than 85% of total hotel buying through direct contracting in FY20.
- Following the TCG collapse, through our supplier network, we were able to negotiate better rates and access to hotels which were previously almost exclusively served by TCG.
- We have increased the number of on-site hotel health and safety audits carried out.
- Through Classic Collection Holiday's relationships with third party offline agents, we have successfully extended the Classic Package Holidays offering to c.2500 travel agents across the UK.

How the Board engages and considers the interests of our stakeholders

- The Chief Supply Officer regularly reports to the Board and the Board discusses supplier issues and takes them into consideration when making decisions and setting strategy, including long-haul expansion and opportunities post COVID-19.
- The Chief Supply Officer and Company Secretary are both members of the Group's Health & Safety Committee and they regular report to the Board on health and safety issues. The Board oversees implementation of the Group's Safety Management System.
- As part of its risk management procedures, the Board assesses all business continuity risk including the loss of key suppliers (see page 35).
- The Board is committed to high standards of ethical business conduct and takes a zero-tolerance approach to bribery and corruption. It also reviews the Company's Modern Slavery Act Statement annually.

Section 172 statement and stakeholder engagement

COMMUNITIES AND SOCIETY

Why they to matter us?

We want to look after the communities we operate in – it's where our employees and their families live. We have a responsibility to ensure that we are contributing to society and we're committed to doing the business the right way.

What matters to them

- Ethical businesses managed responsibly
- Building partnerships that support and create positive impact and outcomes for society
- Environmental impact
- Source of future employment and opportunities

How we engage

- Creating partnerships with local charities
- Regular dialogue, events and direct engagement activities
- Community investment and employee nominated charities
- In building our sustainability strategy, colleagues on the ESG Committee have helped to prioritise proposed key goals for the Group under the United Nations Sustainable Development Goals.

Outcomes/highlights for 2020

- Fundraisers for Stockport Food Bank and the Booth Centre at Christmas.
- £10,000 donation to Manchester Central Food bank to help people who had fallen on hard times as a result of the pandemic.
- Hosted a number of events for students to inspire the next generation of professionals to get involved in tech and digital
- Sponsored the Body Language podcast series, which focused on matters such as body confidence and self-esteem, especially among women and young adults.

How the Board engages and considers the interests of our stakeholders

- The newly formed ESG Committee is headed up by CFO who will report back to the Board on ESG related matters and strategy.
- The Board supports investments, both time and money, in communities local to our operations and endorses a culture of volunteering and giving back.

For more information see the Corporate and Social Responsibility section on pages 57 to 60.

REGULATORS

Why they to matter us?

The Civil Aviation Authority (CAA) oversees the Air Travel Organisers' Licensing (ATOL) scheme which protects customers in the event of a travel company failure. We comply with the ATOL regulations and engage with the CAA to maintain a constructive and trusted relationship.

There are other aspects of our business that have oversight by regulators, for example the Financial Conduct Authority in relation to travel insurance offered on our site, the ICO (Information Commissioner's Office) regulates compliance with privacy laws and there are also various consumer rights regulated by bodies such as Competition Markets Authority and the Advertising Standards Authority.

Engaging with regulators and the Government also enables us to ensure that policy makers and regulators understand our business and we seek to ensure that they see the impact of their decisions on our business and where possible to influence them to make decisions that would benefit On the Beach's customers and our other stakeholders.

What matters to them

- Our regulators expect us to meet relevant legal requirements and to treat our customers and employees and other stakeholders in a fair way.
- Responding in a timely and constructive manner.
- Open dialogue and collaborative approach.

How we engage

- We engage with some regulators, such as the CAA on a more regular basis. We engage through reporting, audits and direct consultation. Engagement has increased in frequency during the COVID-19 pandemic.
- We also engage with the CAA and the wider travel community at industry meetings such as the Air Travel Insolvency Protection Advisory Committee (ATIPAC).
- We have an open dialogue and engage with other regulators such as the ICO, CMA and FCA to ensure that we can address their priorities and any concerns they have.
- Through engagement, we are able to ensure we continue to meet the high standards expected by regulators.

Outcomes/highlights for 2020

- Active participation in policy development, particularly in relation to the COVID-19 pandemic where we have been in discussion with regulatory bodies and the Government in relation to a number of issues arising out of the pandemic. For more information, see page 12.
- Implemented changes on our website in light of new guidance issued by the CMA on hotel booking platforms.

How the Board engages and considers the interests of our stakeholders

- The Company Secretary is a member of ATIPAC which is a forum in which travel trade and consumer representatives combine to give informed practical advice to regulatory authorities. The Company Secretary regularly attends ATIPAC meetings which enables the business to listen to the views of regulators and also engage with the wider travel community and report back to the Board.
- The Company Secretary reports to the Board on regulatory and compliance issues that may impact the Group. The Board discusses the relevant issues and takes them into consideration when making decisions and setting strategy.

Section 172 statement and stakeholder engagement

Board decision making in practice - case study

One of the principle set of decisions made by the Board this year was the Group's response to the COVID-19 crisis. We detail below how the Board considered stakeholder interests when discharging their duties under s.172 of the Companies Act. Further information on how the Group has navigated the pandemic is set out on pages 11 to 12.

COVID-19 response	
Section 172 factors considered: Long-term impact, employees, reputation, business relationships, acting fairly between investors	
Customers: The Board considered the impact on customers, particularly in relation to cancellations and refunds and how to maintain high standards of service given the disruption, the huge volumes of customer messages and calls, the delay in airlines providing refunds and the ever changing travel restrictions and quarantine requirements. The Board also considered how customer priorities might change in the near term and future.	*Outcome:* Customers are central to our decision making. The Board was satisfied with the detailed operational plans put in place and approved measures to try and maintain customer goodwill such as refunding some customers for their flights before receiving the monies from the airlines.
Employees: The Board considered the health, safety and wellbeing of all employees, the infrastructure required to enable employees to work from home and related information security risks. The People function regularly reported to the Board on employee wellbeing and People strategy, whereby a number of scenarios were modelled depending on how the crisis developed.	*Outcome:* The Board was satisfied that there were sufficient measures in place to protect the health, safety and wellbeing of our employees and continues to monitor this situation. Actions were taken to try and reduce the impact on employees, e.g. the Board and Executive Team agreed to salary/fees reduction.
Shareholders: Board considered the liquidity and financial position of the Group	*Outcome:* The Board approved a range of actions taken to reduce cash outflows as detailed on page 12, including the decision not to declare an interim dividend. Such measures balanced the need for short-term cash preservation against the longer term expectations of shareholders. The Board determined that supplementary financing would provide greater resilience, flexibility and firepower through the downturn and ensure the Group would be best placed to take advantage of organic and acquisitive growth opportunities arising. The Board accordingly sought independent external advice on various debt and equity funding options, which led to the Board approving the extension of the Group's facilities in the form of an incremental £25m RCF under CBILS and to issue up to 19.9% of the existing issued share capital on a non-pre-emptive basis via a cash-box placing. The Board was mindful that this would mean that smaller shareholders would unfortunately not be able to participate, but after much consideration felt that the cash-box placing was the best structure to proceed with on the basis that it would minimise costs, was quicker than other structures and would thereby also reduce management distraction during an important and unprecedented time for the sector and the Company. The Company engaged with major shareholders who were supportive of the proposed placing. The equity raise and facility amendments have secured the liquidity required for the Company to execute its long-term strategic plans, including investment in talent, technology and marketing and reacting to acquisition opportunities which will ultimately resulting in value creation for our shareholders and will benefit our wider stakeholders.

Suppliers: The Board considered the financial health and viability of suppliers, continuity plans in the event of key supplier failure, assessing opportunities in the event of supplier and competitor failures and overseeing relationships with certain key suppliers (via reports from the Executive Team), in particular airlines and their delay/failure in providing refunds in relation to cancelled bookings	*Outcome:* The Board is committed to ensuring that strong working relationships with suppliers are maintained and the Board supported the continued prompt payment of suppliers to help minimise the impact of the pandemic on their financial health. It is inevitable that some travel businesses will fail as a result of COVID-19 and the Board is mindful that maintaining good relationships with suppliers will potentially allow us to capitalise more quickly/easily on opportunities in the event of such failures. In this respect the Board, is kept informed of industry activity and this feeds into their discussions and decisions in relation to strategy.
Regulators & society: The Board considered how some other travel businesses were not operating legally/responsibly in the wake of the pandemic, for example by not paying out refunds or only issuing refund credit notes or misleading customers to accept such credit notes. This behaviour creates an uneven playing field, is unfair on consumers and accordingly at odds with the interests of regulatory bodies. It also undermines consumer trust in the travel industry as a whole which could affect the Group.	*Outcome:* The Board approved a strategy to actively engage with regulators and Government in relation to regulating action and reform required. By continuing this engagement, we are building stronger relationships with regulatory bodies and policy makers and trying to ensure that our customers and other consumers are treated fairly. Please see page 12 for more information.

Our people

Our colleagues are critical to our success. We recognise the importance of continuing to invest in attracting, developing and retaining the very best talent and creating a culture where everyone can do their best work.

The On the Beach strategic ambitions are enabled by our People strategy, which is to:

- Optimise our organisational design
- Invest in diverse talent
- Build an inclusive, high-performance culture
- Deliver a high-quality and scalable people service

Impact of COVID-19

Since March 2020 the priority for the business has been to deal with the operational challenges presented by COVID-19, supporting our customers and protecting the long-term future of the business. This has meant that some of our planned strategic projects for the People function have been scaled back during this period, instead focusing on a period of consolidation and embedding initiatives that have already been rolled out.

It's been a challenging year for our colleagues as we continue to deal with the ongoing impact of COVID-19, and the effect that this has had on people both at home and at work. Our focus during this period has been to ensure that people can be as productive and engaged at home as they would be in the office. This has meant ensuring people have a safe home working environment, they have the technology and tools to do their job and that we have the communication mechanisms in place to support good working relationships. Virtual technologies are now fully embedded in our ways of working and enable colleagues to maintain open communication with their manager, other colleagues and the wider business. We have also invested heavily during this period in social and wellbeing activities and continue to seek out ways in which to maintain morale.

The People team have been heavily involved in the rollout of the Coronavirus Job Retention Scheme and supporting the business in ensuring we have the optimal organisation design to seize potential opportunities and set us up for long-term success.

Approach to investing and rewarding our workforce

Reward & Recognition

Reward and recognition form an integral part of the employment relationship. We're committed to ensuring we value the contribution of all our colleagues in achieving our business goals.

We continue to ensure that our approach to reward is fair and competitive, aligning both with industry benchmarks and local markets. Our banding structure supports our ability to benchmark salaries internally and understand relatives when making decisions about reward.

As part of our total reward package we offer a number of non-financial benefits, 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.

Our Colleague Recognition Scheme enables managers to recognise and celebrate the achievements of our colleagues where behaviours and ways of working further embed our company values. Our weekly company-wide communications showcase our colleagues of the week and e-vouchers are issued to recognise individual contributions that go above and beyond. Our annual Colleague Recognition Awards, which occur in December, will this year be aligned to our refreshed company values.

We also have a number of share schemes in place, including a HMRC-approved Share Incentive Plan in place to encourage wide employee share ownership and thereby align employees' interests with shareholders.

Learning and development

Managers have a significant impact on building and sustaining employee engagement, playing a key role in demonstrating our values and developing our company culture. To help realise our strategic ambitions we've been building on the capability of our people manager community through our 'Manager Essentials' training. As part of this programme we've explored a number of topics designed to build their confidence in managing people. This development is not only an investment in our managers, but in their teams by ensuring they have the right support in place to be successful in their role.

Social & Wellbeing

At On the Beach, we recognise the value of building positive relationships with colleagues and having strong social connections in the workplace. This year we have continued to invest in company-wide and departmental social events to bring colleagues together, whether that in person or more recently in a virtual environment, to maintain a sense of cohesion around our company culture. These events are not only an opportunity to socialise but also afford us the opportunity to celebrate our achievements as a business and as individuals.

In addition to social events we've focused our efforts on supporting well-being and colleague mental health during extended periods of isolation from colleagues, family and friends during COVID-19. We've utilised our communication channels to set up well-being groups to source and share ideas from across the business. With over a third of colleagues being active participants in this group we've been able to arrange virtual exercise classes, run regular wellbeing competitions and initiatives around mental health. In addition we've extended our Employee Assistance Programme, which previously applied to those with 12 months service, to cover all colleagues from their first day of employment. We have also rolled out resilience training to colleagues, which is designed to help people adapt and cope with stress, difficult situations, and the inevitable obstacles that day to day life brings, a particularly valuable skill as an extended period of social restriction continues.

Job description refresh & goal setting

To deliver our strategy a clear link must be established between company, departmental and individual goals, ensuring we're all aligned and working in the same direction. This year, managers and the People team have invested heavily in refreshing job descriptions for every role, as well as embedding the new goal setting framework. This ensures everyone is clear on how they, both as individuals and a collective, contribute to the overall success of the business and there is a clear path set out for achieving this.

Job Evaluation & Banding Structure

This year, we completed a job evaluation exercise and implemented a new banding structure for roles across the On the Beach Group. This has helped to define the expectations of individual roles, as well as show how departments and job families come together to deliver our company goals. It has laid the foundation for both career development and our rewards and benefits strategy, enabling a structured and consistent approach to decision making.

Diversity & Inclusion

Being diverse at On the Beach means having a team that reflects the world we live in and the customers we serve. We know that when teams are diverse, they bring a range of voices, perspectives and experiences, and in turn perform better, are more creative and as a business we make better decisions. By recognising and encouraging diversity we can make people feel valued, more able to put forward different ways of thinking and create a sense of belonging for everyone. Our Equality and Diversity policy details our approach to promoting equality, diversity and inclusion in our workplace. The effectiveness is governed via our assurance processes with oversight by the Executive Team.

This year we bought together departmental representatives across the business to establish a colleague-led Diversity & Inclusion Action Group. Through this we are able to generate ideas to support the Diversity & Inclusion agenda, seek regular feedback and input from colleagues, and ensure that we are held to account on our commitments. This group is sponsored and chaired by a member of the Executive Team and is supported by the People team. Through this group we have committed to:

Ensuring there is a clear governance framework for Diversity & Inclusion – this includes setting out responsibilities across the management function for delivery, establishing our Group wide diversity data and targets, whilst auditing our current policies and documentation against the backdrop of Diversity & Inclusion.

Raising the profile and awareness of Diversity & Inclusion amongst colleagues – this involves creating more prominence around Diversity & Inclusion, with regular features as part of our company-wide communication. We are creating a Diversity & Inclusion resource hub for all colleagues with shared material that promotes understanding and engagement, alongside continuing a program to develop education and awareness of Diversity and Inclusion amongst our colleagues.

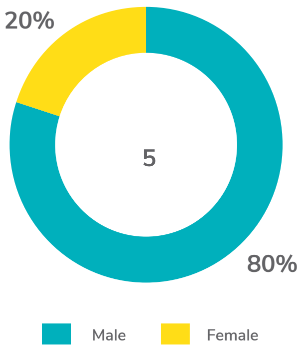
Leveraging recruitment activity to improve the diversity of our workforce – this involves reviewing our recruitment material to ensure that it is inclusive and encouraging a diverse range of potential applicants as well as working more closely with recruitment partners who can provide access to diverse pools of candidates.

We have already embarked on training this year, rolling out Diversity and Equality training for all and Unconscious Bias for our manager community. This year, for the first time, our engagement survey will provide data on how diverse and inclusive colleagues think we are, providing a benchmark to track our achievements going forward. We recognise that there is still work to do, but we're committed to making a positive difference and putting a sustained and collective effort behind our Diversity and Inclusion goals.

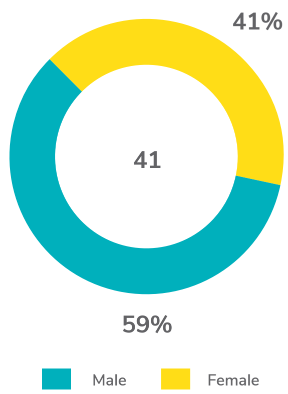
Our people

Our diversity

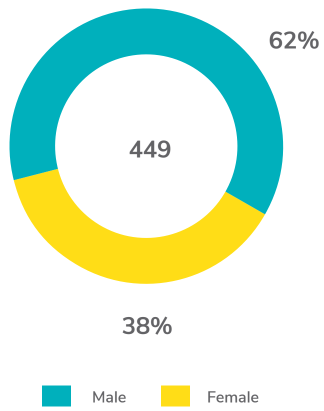
Board



Senior management [1]



Other employees



Note

1. *Defined as Executive Team members who are not on the Board and direct reports into all Executive Team members. All figures above are correct as at 30 September 2020.*

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.

Values and culture

Company strategy was at the heart of our values refresh in 2019, which took into account the results of the Group-wide culture survey that we carried out that year. This was key to ensuring that our culture and strategic aims align, setting us up for long-term sustainable success. Since the new values were launched, we've been embedding this work through our goal setting and feedback process, as well as our Colleague Recognition Scheme.

You can find out more about how values by watching our video at https://www.youtube.com/watch?v=6dZxWaUt6i8&t=1s.

Some upcoming work looking at a company-wide policy re-fresh provides the opportunity to ensure that our values are reflected throughout our working practices. Through our annual engagement survey, we're able to measure and track the degree to which colleagues feel our day-to-day behaviours are aligned with our company values, a critical measure in understanding the success of our company culture.

Colleague Engagement

We know that when colleagues are engaged they are happier, more motivated and invested in helping us achieve our goals. We continue to value and regularly seek feedback from colleagues, helping us to understand how we can increase engagement across all areas of the business. We run an annual engagement survey (HIVE) which provides both a company view as well as a departmental breakdown. These are interspersed with pulse surveys and polls as a quick 'temperature check' on how colleagues are feeling, as well as helping us measure progress against different engagement scores. Our 'Pier Group' forum brings colleagues together from across various departments, providing a mechanism to give feedback and raise concerns on an on-going basis.

We regularly communicate with our colleagues through a range of channels (such as our weekly company-wide communication forum 'Beach Life' and weekly communication emails) so we can ensure that across the Group employees understand our strategic priorities, know how they can contribute and are supported to deliver our goals.

Through our most recent employee HIVE engagement survey, we sought feedback on the following:

- Communication & Collaboration
- Leadership & Management
- Personal Development & Performance
- COVID-19 & Remote working
- Company Practices & Remuneration
- Working Relationships & Reputation
- Diversity & Inclusion

84% of our colleagues responded with an overall average score of 7.2 out of 10, in line with our 2019 result. Whilst we always strive to improve our position, we believe this is a positive outcome given the challenges presented by COVID-19.

In addition to the above, we support colleague engagement via our designated NED, David Kelly, an approach that enables us to:

- ensure there are agreed methods in place for on-going engagement to understand the views and concerns of colleagues
- ensure that the views and concerns of colleagues are represented and taken into account in the Board decision-making process
- ensure that the Board takes appropriate steps to evaluate the impact of business proposals and developments on colleagues, and considers what steps should be taken to mitigate any adverse impact.

Corporate and social responsibility

A responsible and sustainable business

Our ESG Strategy

Environmental, Social and Governance (ESG) has become increasingly important to our stakeholders, particularly investors, customers and employees. We are committed to conducting our business in a manner that supports universal human rights and is environmentally and socially responsible.

During the year, we have reviewed and developed our ESG strategy, with the aim of aligning with the UN Global Compact's universally-accepted business principles and we prioritise what we do to contribute to the UN Sustainable Development Goals. See below for more information.

Our ESG Committee, which was formed this year, works with the business to shape ESG strategy and goals. The Committee is chaired by our CFO, who provides updates to the Executive Team and Board.

We are still developing our ESG programme. Whilst we made progress during the year, including developing a more cohesive ESG strategy and carrying out various ESG initiatives, we had to pare back some of our ESG projects and priorities given the unprecedented challenges the business was facing in light of COVID-19. One of our priorities for FY21 is to undertake a thorough review of the issues that affect our business the most to see where we can make the most impact and in turn further refine our strategy and priorities accordingly. Part of this review will involve engaging stakeholders to gain their feedback. We will also look to set some meaningful goals against which we can measure our ESG progress and consider how best to report this progress to our stakeholders.

Our ESG focus areas

Environment

Focus:

- Managing our environmental impact
- Investing in technology to help further our sustainability agenda
- Efficient use of resources

Social

Focus:

- Supporting local initiatives across community groups and charities
- Aiming for high standards of health, safety & employee wellbeing
- Skilled, diverse and productive workforce

Governance

Focus:

- Strong and transparent governance - ensuring we do business the right way
- Sustainable supply chain
- Engaging with customers and stakeholders to ensure we continually improve our services

Sustainable Development Goals

The global Sustainable Development Goals (SDGs) were adopted by UN member states in September 2015, covering 17 key areas aimed at creating a world that is comprehensively sustainable, socially fair, environmentally secure, economically prosperous, inclusive and predictable by 2030. Although we can have a positive impact in some way on all the SDGs, the key SDGs directly supported by our business and focused on in our ESG strategy are:

Corporate and social responsibility

Environment

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

As an internet-based business based in three UK office locations, with just under 500 employees, our direct environmental footprint is relatively small. However we appreciate that we very much have a role to play in protecting our environment and have continued to make a concerted effort to reduce our carbon footprint through various initiatives across our business, including:

- Reducing our reliance on printing by promoting a paperless office environment. We encourage our employees, partners and suppliers to do everything electronically, including invoicing and contracting and virtually all bookings with customers are managed online.
- Putting provisions in place to support mandatory recycling across our offices;
- Focussing on conserving energy and other natural resources and improving the efficacy of those resources e.g. we have put in place stop taps for water consumption and all of our offices have controlled lighting, air conditioning and power down options for televisions and PCs.
- Re-using office furniture and equipment or donating to charity where possible.
- Reducing the need for travel and encouraging the use of more sustainable public transport with colleagues for example with the Cycle2Work Scheme, interest-free loans on tram and train season tickets, making these more affordable for our teams.

Prior to COVID-19, we had already invested in online meeting technology which helped reduce the impact of working across three office locations. During the initial outbreak of the pandemic, we made further investment to significantly improve that technology to enable employees to continue communicating with each other and keep operations going during lock-down. This has triggered discussions as to how we operate in the future given the positive effect remote working can have for some of our employees and the potential it has to help minimise the impact of our operations on the environment. We will explore this as part of our review in FY21 as well as giving further consideration to additional environmental goals that could benefit society and the communities in which we operate.

Greenhouse Gas Emissions

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

The Group's footprint has reduced relative to last year as we have surrendered floor space in the Cheadle office, and due to COVID-19 the majority of employees have been working from since March.

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	FY20 Quantity[1]	FY19 Quantity	YOY change
Scope 1 (Direct)				
Gas consumption	Tonnes CO_2e	**56.36**	128.06	(56%)
Scope 2 (Indirect)				
Electricity consumption	Tonnes CO_2e	**462.69**	585.88	(21%)
Total emissions	Tonnes CO_2e	**519.05**	713.94	(27%)
Relative emissions, by Group revenue	Tonnes CO_2e/£m Group revenue	**17.96**	4.8	274%
Relative emissions by Group revenue before exceptional cancellations	Tonnes CO2e	**7.60**	4.84	57%
Relative intensity by Employee numbers	Tonnes CO2e	**0.9**	1.4	(31%)

	Unit	FY20 Quantity	FY19 Quantity	YOY change
Gas	kWh	**1,123,845**	1,658,451	(32%)
Electricity	kWh	**109,117**	696,548	(84%)
Total emissions	kWh	**1,232,962**	2,354,998	(48%)
Proportion consumed in UK		**100%**	100%	-

Note

1. *All figures for both FY20 and FY19 include the combined totals for our Digital HQ, Operational HQ and Worthing office.*

Social

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 focussed activities that we were involved in this year:

Charity

The business has a policy in place to support colleague fundraising initiatives and events, and will match all donations raised by individuals and teams.

We always try to give back to our local communities as much as possible and this year has been no different. With fundraisers for both Stockport Food Bank and The Booth Centre, On the Beach employees produced piles of donations for both charities around Christmas time.

At the start of the pandemic, we also donated £10,000 to Manchester Central Food Bank to help people who had fallen on hard times as a result of the COVID-19 outbreak, with 50% of this coming from CEO, Simon Cooper.

Random acts of kindness day

In February, we celebrated Random Acts of Kindness Day by giving away three On the Beach holiday vouchers worth £500 to the public. To win a voucher, members of the public had to find the inflatables we hid in popular locations around Manchester city centre, by following our social media feeds for clues on where they could be found.

We set up live video feeds to capture the moment each inflatable was found and the three live videos were seen by almost 30,000 people as viewers tuned in to see who would win the prize.

Body Positivity Podcast

Holidays are precious and should provide an opportunity to relax and recharge, with a sense of freedom and without fear of judgment.

That's why, following on from our previous campaigns around body positivity, we were delighted to sponsor the Body Language podcast series, which focused on matters such as body confidence and self-esteem, especially among women and young adults.

We were proud to be adding our voice to the honest and open discussion around some of the body-related expectations and pressures that any of us can experience in daily life.

A Part of the Digital Community and inspiring the next generation

Up until the first lock-down commenced in March, we regularly hosted events at our Aeroworks office, which raised our profile in the region's digital community as well as supporting our recruitment aims. This year we have hosted a variety of talks for people in the tech industry, including UX Crunch, NSManchester, NWRUG, WebManchester, MancML, Dot Net North and Data Science Festival.

We hosted a series of UX experience days in partnership with Manchester Digital. The aim was to inspire the next generation of professionals to get involved in tech and digital. Students who attended got to experience a tech work environment for themselves and got to meet people in the industry, with the chance to ask any questions they might have about a possible future career.

We also hosted Lancaster University software engineering students in our Aeroworks office, with one of our Senior Developers delivering a lecture at the university. The aim was to give insight to students about professional life and what to expect as well as increasing awareness of opportunities in the North West. These sessions also covered diversity, mental health and imposter syndrome.

Outside of tech, we have also hosted several fun events to engage with influencers interested in the industry and have created a community of brand advocates to further our reach on social media.

Inclusive design

As everyone will have an accessibility need at some point, our approach to Inclusive Design ensures that our product is accessible and usable by as many people as possible.

Accessibility needs might be:

- **Permanent:** A disability such as the loss of a limb, sight, hearing or speech.
- **Temporary:** An injury or illness, affecting the way someone interacts with a device. E.g. wearing a cast on your arm due to an accident.
- **Situational:** When someone's environment affects the way they use their device. E.g. bright sunlight on your mobile phone, making it difficult to see the screen. Or carrying a child, meaning you can only use the device with one hand.

Corporate and Social Responsibility

In the redesign of the new booking path (see page 21 for more details), we have addressed some of the most common Web Content Accessibility Guideline (WCAG) failures, such as:

- Using colours that provide a higher contrast to improve legibility of text and icons.
- Ensuring that touch target areas are an adequate size - allowing for users on touch-screen devices to tap links easily, without frustration.
- Ensuring that all form fields have visible labels at all times, allowing forms to be completed with ease.

We continue to learn and spread knowledge of accessibility guidance across departments through our newly formed network of Inclusivity Champions, allowing us to improve our product at every customer touch point.

Our People

Our people are integral to achieving our strategic objectives. We are passionate about creating a workplace and culture which attracts, retains and develops the best talent. We want our colleagues to feel safe; supported and respected; treated fairly and taken care of; listened to; and motivated to achieve their full potential.

A focus for us this year has been mental health, and in particular the health of our colleagues. As well as introducing free lunchtime Yoga sessions, we hosted regular Swedish Fikas, in honour of our international brand, to encourage colleagues to take a mid-morning break and socialise with a coffee and pastry.

In January, instead of Blue Monday we hosted 'Brew Monday' on what is claimed to be the most depressing day of the year. Designed so that colleagues could take the time to chat over a cup of detox tea and enjoy some healthier cakes and vegan snacks, we also handed out leaflets with tips and tricks on how to boost mental wellbeing as well as useful sources to help anyone who may be in need. We also encouraged colleagues to donate to the Samaritans, who help to save lives and offer support for those experiencing loneliness.

For more information, including our approach to diversity and inclusion, see Our People section on pages 54 to 56.

Governance

Anti-Corruption and Bribery

We are 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 maintain an Anti-Bribery and Corruption policy which is supported with mandatory online training for all employees. 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.*

Supply chains

We expect all suppliers to implement a zero-tolerance approach to slavery, forced labour and human trafficking, and to comply with all local and national laws and regulations. All hotels are required to complete self-assessment audits which cover various topics including compliance with law and regulations.

Data security

We meet our legal and regulatory duties and responsibilities for protecting the personal data we have within our care. Our policies and procedures are built on the world-recognised principles contained within the EU General Data Protection Regulation.

Health and safety

We are committed to maintaining and developing a culture of safety and risk awareness throughout our organisation to the benefit of our employees, clients, suppliers and customers. We have a comprehensive health and safety management system in place, which is has been reviewed and approved by the Board, who has ultimate responsibility for health and safety. We work with suppliers to ensure that customers' health and safety is monitored throughout the supply chain. The Chief Supply Officer and General Counsel are members of the Health & Safety Committee which meets on a quarterly basis and report to the Board on Health and Safety matters. Focussing more on employee health and safety, we have a health and safety policy which is supported by mandatory health and safety online training for employees. We also provide specialist information and briefings internally as appropriate, for example we created working from home guidelines to help employees continue to work safely from home during the pandemic.

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Non-Financial Information Statement

The table below sets out where the information required to be disclosed under sections 414CA and 414CB Companies Act 2006 can be found in this Annual Report.

Reporting requirement	Policies and standards	Where to read more in this report to understand the impact on the business, and the outcome of applying our policies
Environmental matters	The Company does not have a specific policy on environmental issues, however, more information on our business impact on the environment can be found in the Corporate Responsibility Report, pages 57 and 60, which also contains the statutory carbon emission and energy data on page 58.	
Employees	› Equality and diversity policy › Whistleblowing policy › HR policies including adoption leave, parental leave › Health & Safety policy › Staff handbook	› Our People, pages 54 to 56 › Stakeholder engagement and s.172 statement, pages 46 to 53 › COVID-19 response, page 11 › Principal risks and uncertainties, pages 32 to 42
Social matters	› Health & Safety policy › Staff handbook	› Corporate and social responsibility, pages 57 to 60 › Stakeholder engagement and s.172 statement, pages 46 to 53
Human rights	› Modern Slavery Statement › Anti-Slavery and Human Trafficking Policy › Data retention and destruction policy › Data handling and data quality policy › Employee data privacy policy	› Corporate and social responsibility, pages 57 to 60
Anti-corruption and anti-bribery	› Anti-bribery and anti-corruption policy › Whistleblowing policy › Staff handbook	› Corporate and social responsibility, pages 57 to 60 › Audit Committee report, pages 78 to 83
Business model **Non-financial KPIs** **Description of principal risks**		› Business model, page 16 › Non-financial key performance indicators, pages 25 to 26 › Principal risks and uncertainties, pages 32 to 42

Note

Certain group policies are not published externally

Governance

Chairman's introduction

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

I am pleased to present our corporate governance report, which outlines our corporate governance structures and procedures, as well as summarising the work of the Board and its Committees to illustrate how we have discharged our responsibilities during the year.

It is the Board's role to provide effective leadership in promoting the long-term success of the Company and to deliver sustainable value for shareholders. The Board is responsible for ensuring that the Company conducts its business ethically and in a manner which contributes positively to wider society, having regard to the interests of its different stakeholders.

As Chairman, I am responsible for building and leading an effective Board. During the year, we have been implementing the new requirements of the 2018 Corporate Governance Code including those relating to communication between the Board and the Company's stakeholders. It has of course been an incredibly difficult year, dominated by the response required to the COVID-19 pandemic. The Board took swift action to protect the health and wellbeing of our colleagues and customers, to manage risk and to conserve cash, and in doing so maintaining the strength of the Company for the long-term.

Compliance with UK Corporate Governance Code

This is the Company's first year reporting under the principles of the new UK Corporate Governance Code 2018. The Board recognises and applauds the increasing emphasis on corporate purpose, culture, risk and stakeholder relations. The Code focuses on demonstrating how the governance of a company contributes to its long term sustainable success. We continue to develop our governance and strategy in ways that support our vision of being Europe's leading online beach holiday retailer.

The requirements of the Code and our compliance with it are described throughout this report. There is only one area of non-compliance, relating to the composition of the Audit Committee, which requires the appointment of an additional Non-Executive Director. Due to the challenges of COVID-19 we put the search on hold, but it has now recommenced.

Board changes during FY20

Board succession planning has been an important area of focus during FY20 with Paul Meehan stepping down as CFO and Shaun Morton, who was previously the Group's Director of Finance, taking his place as CFO.

We intend to appoint an additional Non-Executive Director to the Board and you can read more about this, and the change in CFO, in the Nomination Committee report on pages 76 to 77.

Board effectiveness

The Board undertook a thorough and tailored internal review of its effectiveness during the year. The process undertaken and the findings of the review can be found on page 74. We had intended to carry out an external Board evaluation this year, but this exercise was put on hold in light of challenges the Board faced as a result of COVID-19. It is our intention however to carry out the external evaluation next year and this will be reported on in next year's annual report.

Culture

The Board has an important role in defining the culture of the Group. Understanding the current culture provides a deeper insight into the organisation. During my time at On the Beach, my initial very positive impressions of its culture and values have been further confirmed. By spending time with the business and its people I have seen that the culture and the Company's values of being open, bold and dynamic are clearly embedded and genuinely lived. A priority for my Chairmanship is to see that the Board continues to help sustain and evolve this positive culture by having the right capability at Board level and the right engagement with stakeholders outside the boardroom.

Conclusion

I believe that the Board remains effective and continues to work very well. With the expectation that the year ahead will continue to very challenging, the Board will continue to work with the Executive to deliver on our strategic priorities while ensuring that we continue to safeguard our business and the wellbeing of our employees, customers, partners and communities.

Richard Pennycook
Chairman of the Board
On the Beach Group plc
10 December 2020

Board of Directors*

Richard Pennycook
NON-EXECUTIVE CHAIRMAN AND CHAIR OF NOMINATION COMMITTEE

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

Experience and contribution
Richard Pennycook joined On the Beach as Chairman of the Board and 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.

Simon Cooper
CHIEF EXECUTIVE OFFICER

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

Experience and contribution
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 and the founder of the business, Simon brings key expertise in strategy development and execution to the Company.

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

Shaun Morton
CHIEF FINANCIAL OFFICER

Appointed to Board:
17 July 2020
Independent:
No
Listed Company Appointments:
None
Committee Memberships:
Disclosure

Experience and contribution
Shaun is the Chief Financial Officer. He joined On the Beach as Director of Finance in February 2018 and was instrumental with dealing with the Group's response to the failure of TCG, the acquisition of Classic Collection and the delivery of the Group's share placing and CLBILS facility. Shaun is experienced in financial planning and strategy, including adept management of financial risks and business development, and he has a deep understanding of the Group's business, relationships and the sectors in which it operates.

Prior to joining On the Beach, Shaun held senior finance roles at Deloitte, Asda and ghd hair where he was Director of Finance for the Group. Shaun is a qualified Chartered Accountant and trained with Deloitte LLP.

Elaine O'Donnell
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
3 July 2018
Independent:
Yes
Listed Company Appointments:
Games Workshop Group plc *(currently non-executive director and Chair of Audit Committee but due to be appointed non-executive chair with effect from 1 January 2021)*
Studio Retail Group plc *(Chair of Audit Committee and Designated Employee Engagement NED)*
Committee Memberships:
Audit (Chair), Nomination, Remuneration

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

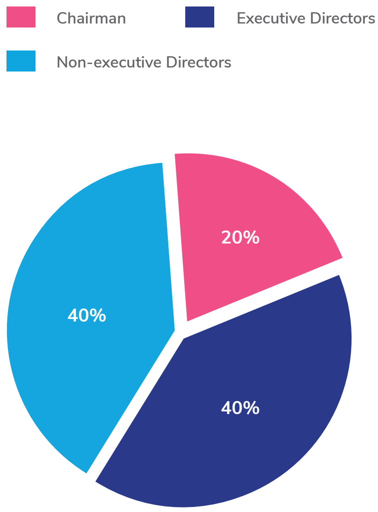
Elaine was previously a Partner at Ernst & Young LLP where she specialised in Corporate Finance, Mergers and Acquisitions, where she worked with a diverse range of businesses.

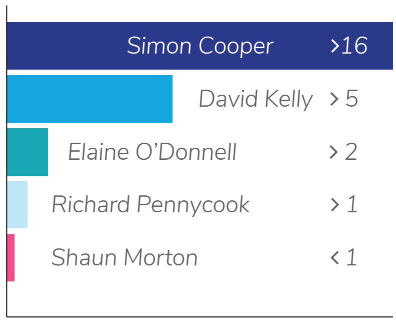
David Kelly
SENIOR INDEPENDENT DIRECTOR

Appointed to Board:
28 August 2015
Independent:
Yes
Listed Company Appointments:
The Gym Group plc *(Designated Employee Engagement NED)*
Reach PLC *(Chair of the Remuneration Committee)*
Committee Memberships:
Remuneration (Chair), Audit Nomination,

Experience and contribution
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

* Paul Meehan was a Director during the year but ceased to be a Director on 17 July 2020.

Corporate Governance Statement

Compliance with the UK Corporate Governance Code

The principles set out in the 2018 UK Corporate Governance Code (the Code) emphasise the value of good corporate governance to the long-term sustainable success of listed companies. These principles, and the supporting provisions cover five broad themes and the Board is responsible for ensuring that the Company has appropriate frameworks in place to comply with the requirements of the Code.

The Corporate Governance section of the Annual Report explains how we have applied the main principles of the Code and complied with its relevant provisions.

A copy of the Code is publically available on the website of the Financial Reporting Council (FRC), www.frc.org.uk.

During FY20, we have complied with all provisions of the Code with the exception of provision 24 with regards to the Chairman of the Board being a member of the Audit Committee. The Audit Committee is currently comprised of the three independent directors and the intention was for Richard Pennycook to step down when the new non-executive director was appointed. However the recruitment process for that new non-executive director was temporarily paused in light of the on-going challenges the Board faced as a result of COVID-19. Richard Pennycook's extensive financial experience has proved valuable to the Audit Committee and hence why it was felt it was in the best interests of the Company for Richard to stay on the Committee until the new non-executive director was appointed. The recruitment process for the new non-executive director has recommenced and is well underway (as explained in more detail in the Nomination Committee Report on pages 76 to 77) and Richard will step down from the Audit Committee once the new non-executive director has been appointed.

Code Section	Contents	Pages
Board Leadership and Purpose	› Board of Directors › Governance structure › Board Leadership and Purpose › Non-Executive Directors	64-72
Division of Responsibilities	› Board and Committee meetings › Governance Structure › Division of Responsibilities › Board Composition › Appointments to the Board	71-73
Composition, Succession and Evaluation	› Composition, Succession and Evaluation › Board Evaluation › Nomination Committee Report	73-77
Audit, Risk and Internal Control	› Audit Committee Report	78-83
Remuneration	› Remuneration at a glance › Annual statement of the Chair of the Remuneration Committee › Summary of Remuneration Policy › Annual Report on Remuneration	84-106

Governance structure

The Board has agreed an effective governance framework whose structure is set out below:

Board

Chaired by Richard Pennycook

The Board is responsible for promoting the long-term sustainable success of the Company through setting a clear purpose and strategy, which creates long-term value for shareholders, whilst having regard to the interests of wider stakeholders. The Board 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 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.

Audit Committee

Chaired by Elaine O'Donnell

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.

The Audit Committee Report can be read on pages 78 to 83.

Remuneration Committee

Chaired by David Kelly

Responsible for all elements of the remuneration of the Executive Directors and the Chair and other members of senior management.

The Remuneration Committee Report can be read on pages 84 to 106.

Nomination Committee

Chaired by Richard Pennycook

Reviews structure, size and composition of the Board and makes appropriate recommendations to the Board.

The Nomination Committee Report can be read on pages 76 to 77.

CEO and Executive Team

The Board delegates the day-to-day responsibility for running the Group to the CEO, who is responsible for all commercial, operational, risk and financial elements. He is also responsible for management and development of the strategic direction for consideration and approval by the Board. The Executive Team assists the CEO to implement the strategy as approved by the Board. The Board has close contact with the Executive Team, who are regularly invited to attend meetings of the Board to provide functional presentations in relation to strategic matters of interest to the Board.

Corporate Governance Statement

The Board has also established a Disclosure Committee who is 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.

Terms of reference

Each Committee has terms of reference which are available in the Governance section on the Company's website (www.onthebeachgroup.co.uk).

Board activity in FY20

Details of the main areas of focus of the Board and its Committees during the year are summarised below:

Topic	Key activity
Strategic matters	› Regularly reviewed performance against the Group's strategy › Received presentations from management in relation to business strategy and performance › In-depth reviews of M&A pipeline and specific M&A opportunities.
Significant projects: COVID-19	› Regular meetings to assess the impact of the COVID-19 pandemic on consumer behaviour and the Company's people, performance and future plans. › Considering and approving the Company's response to the pandemic across all areas of the business. › Approved issue of 26.1m shares in May 2020 (representing 19.9% of existing issued share capital) raising £67.3m › Approved re-negotiation of existing £50m RCF facility and additional £25m RCF under the Coronavirus Large Business Interruption Loan Scheme. › For more information on our response to COVID-19 see pages 11 to 12.
Business performance	› Received regular updates from Chief Executive Officer and Chief Financial Officer. › Reviewed the Group's debt, capital and funding arrangements. › Approved the annual budget and business plan. › Approved the full year results, half year results and the annual report. › Monitored the Group's financial performance and financial results. › Received updates on technology related developments.
Risk management and internal controls	› Reviewed principal risks and uncertainties › Reviewed and confirmed the Group's viability statement and going concern status › Reviewed effectiveness of the Group's systems of internal controls and risk management › Reviewed output of cyber security risk assessment and monitored progress made with regards to improvements made to the Company's IT systems and infrastructure.
Governance and Legal	› Received and reviewed regular reports in relation to material legal matters. › Received and reviewed updates on regulatory and governance developments (including 2018 Code). › Reviewed and updated the terms of reference of the Board Committees. › Approved the Board's skills matrix. › Discussed specific issues raised by shareholders and other stakeholders.
People, culture and Board effectiveness	› Discussed the results of employee wide 'Hive pulse' surveys. › Received regular updates from Director of People. › Received regular updates from the Group's Diversity and Inclusion Steering Group. › Oversaw the search process and approved the appointment of Shaun Morton as CFO following recommendation from the Nomination Committee. › Considered succession planning for the Board and Executive team. › Undertook an evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors.

Board Leadership and Company Purpose

Role of the Board

The Board has overall responsibility for establishing the Company's purpose, values and strategy to deliver the long-term sustainable success of the Company, generate value for shareholders and to contribute to our wider society. The Board recognises that it is accountable to stakeholders for ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours.

Our governance structure is set out on page 67 and provides clear lines of accountability and responsibility. The Board delegates some of its responsibilities to its committees to assist it in carrying out its function of ensuring effective independent oversight. Details of the significant topics discussed and considered by the Board and its committees during this year are summarised on page 68. Responsibility for day-to-day operations is delegated by the Board to the Executive Directors but the Board has reserved certain specific matters to itself for decision. Please see the Company's website for the full schedule of matters reserved to the Board.

Sustainability of business model

The Group's business model is set out on page 16. The Board closely monitors performance and ensures its actions promote the long term sustained success of the Company, that the Group's business model remains sound and that the Executive Team is supported in assessing opportunities and risks to the future success of the business. The Board does this through:

- Reports from and discussions with the Executive Team and other members of senior management on issues affecting the business and industry trends and developments.
- Engagement with key stakeholders – see pages 46 to 53.
- Evaluating strategic opportunities to consider how these will support the business model.
- Maintaining a sound system of risk oversight and internal controls, including reviewing principal risks and uncertainties and identifying key and emerging risks and considering how they may affect the model - pages 32 to 42.
- In assessing the Group's prospects and viability for the purposes of the viability statement (see pages 43 to 44), the Board considers key factors likely to affect the future development, performance and position of the Group.

Our purpose, values, and culture

Purpose – why we do what we do. Our purpose is to make it easy for people to find, book and enjoy their perfect beach holiday. Our purpose drives every business decision we make and ensures everyone who works with us is focused on doing those things that make it happen.

Values – underpin who we are and what we do. We're 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 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 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 ahead, learn quickly and find creative ways of doing things. Fast, flexible and full of energy; that's us.

These values are embedded in our business and guide how we work. Nurturing a culture which supports us in achieving our vision is essential - our company values provide the framework around which that culture is built and thrives. For more information see Our People section on pages 54 to 56.

Corporate Governance Statement

Culture - how we work together. Culture determines the way that things are done in a business; the unwritten rules that influence individual and group behaviour and attitudes. Ensuring the link between purpose, strategy, values and culture is critical to achieving the Company's vision and to creating long-term sustainability in our working approach.

Culture is established by leadership and by example, but this also needs to be underpinned by clear policies and codes of conduct which ensure that the Company's obligations to its shareholders and other stakeholders are clearly understood and met.

The Board uses a number of indicators to inform its regular assessment of whether the culture continues to be appropriate and its alignment with the Group's purpose, values and strategy, including:

- *Culture survey* - Reviewing the feedback from the externally facilitated Group-wide culture survey that was carried out for the first time last year. The overall results from this survey were very positive with lower cultural stress levels than average. The results informed a refresh of the Company's values and we have built on these with competency frameworks and a new approach to managing performance to drive the values and behaviours that support our strategic aims and what we want to see more of.
- *Hive surveys* - Reviewing the feedback from annual Hive employee survey which captures feedback on a range of topics, as well as gauging overall engagement levels.
- *Employee retention* – The Board receives regular updates on HR matters. Our employees are one of our greatest assets and retaining their services is a key element of our strategy. Voluntary employee turnover is 2% lower than for FY19 and is aligned to a strong level of engagement with the Company's strategy.
- *Compliance* - The Group has robust policies in place in relation to areas such an anti-bribery and anti-corruption, anti-slavery and human trafficking and whistleblowing. These policies are regularly reviewed and actively promoted through online training and checks for successful completion of initial and updated training and guidance. These policies and processes are overseen by the Audit Committee as described on pages 78 to 83, and an independent whistleblowing process monitored by the Board as described on page 83.
- *Risk* – The Board also assesses management's attitude to risk. This is predominantly done through direct engagement with management at Board meetings.

Our whistleblowing policy encourages employees to raise any concerns about illegal or improper behaviour without fear of victimisation, discrimination or disadvantage. We have whistleblowing telephone service run by an independent organisation, allowing employees to raise concern on an entirely confidential basis. The Audit Committee receives regular reports on the use of the service and concerns raised.

For more information on our culture and how we invest and reward our workforce, see the 'Our People' section on pages 54 to 56.

Stakeholder engagement

The Board seeks to understand the views of our stakeholders and engage with them in a variety of ways to ensure that stakeholder interests can be considered during our discussions and decision making. The section 172 report and stakeholder engagement section of the Strategic report on pages 46 to 53 set out how the Board engages with and encourages participation from stakeholders and the effect the engagement has had on decisions taken by the Board during the year.

Our People section on pages 54 to 56 sets out how we actively engage with our workforce. You can also find out more about our culture and our commitment to our employees in this section. In line with the Code, David Kelly has been appointed as the Non-Executive Director responsible for workforce engagement activities. Further information on David's appointment is included in Our People section.

Shareholder engagement

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.

During the year, the Chairman wrote to our major shareholders at the time of publishing our 2019 Annual Report in January 2020 to offer a meeting/call with himself, David Kelly or Elaine O'Donnell to discuss any matters concerning matters to be conducted at the AGM. A number of shareholders took up this offer and we had direct engagement with shareholders representing approximately 56% of our issued share capital.

There was also additional engagement with investors during the year outside the usual programme in relation to important issues such as the equity raise, where we had direct engagement with shareholders representing approximately 56% of our issued capital. We also engaged with shareholders representing approximately 55% of our issued share capital in respect of the the announcement released on 8 April 2020 regarding the Company's COVID-19 and banking facilities update.

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 Chairman, 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.

Board and Committee Meetings

The Board held nine scheduled meetings during the year, at which it considered all matters of a routine and strategic nature, structured through clear agenda setting, written reports and presentations from both internal members of staff as well as external advisers and consultants. In addition, weekly/fortnightly Board calls were arranged during more intense periods such as the lead up to the equity raise, and the board met separately, as required, to discuss urgent matters and approve event-driven items such as the Group's strategy and response to the COVID-19 pandemic and the appointment of Shaun Morton as CFO. The table below shows meeting attendance for scheduled meetings during the year. There were a further 24 Board calls during the year, in addition to the scheduled meetings.

Director	Scheduled Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Richard Pennycook	9/9	3/3	3/3	3/3
Simon Cooper	9/9	-	-	-
Shaun Morton[1]	1/1	-	-	-
David Kelly	9/9	3/3	3/3	3/3
Elaine O'Donnell	9/9	3/3	3/3	3/3
Paul Meehan[2]	8/8	-	-	-

1 Shaun Morton was appointed on 17 July 2020
2 Paul Meehan stepped down from the Board on 17 July 2020

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.

Division of responsibilities

Clear division of roles and responsibilities

The roles of Chairman and Chief Executive Officer are exercised by different individuals. The division of responsibilities between the Chairman and the Chief Executive Officer have been defined, formalised in writing, and approved by the Board.

Chairman

Richard Pennycook, as Chairman is responsible for:

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

Chief Executive Officer

Simon Cooper, as CEO, 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.

Corporate Governance Statement

Chief Financial Officer

Shaun Morton, as CFO, is responsible for:

- Supporting the CEO in developing the Group's strategy and its implementation;
- Managing all aspects of the Group's financial affairs;
- Establishing financial processes and maintaining adequate internal controls over financial reporting;
- Representing the Group to external stakeholders.

Senior Independent Director

David Kelly as Senior Independent Director is responsible for:

- acting as a sounding board for the Non-Executive Chairman 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.

Non-Executive Directors

In addition to the Chairman, the Company has two independent Non-Executive Directors, who are appointed to bring independence, impartiality, wide experience, special knowledge and personal qualities to the Board. The 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 Chairman and Non-Executive Directors meet formally without the Executive Directors present in order to provide evaluation on the Executive Directors. Similarly, the Non-Executive Directors meet to evaluate and appraise the Chairman's performance. These regular appraisals are important to evaluate the knowledge and skills of members of the Board.

Where Directors have a concern which cannot be resolved about the Company or a proposed action, their concern would be minuted by the Company Secretary following the relevant Board or Committee meeting. No such concerns arose during the financial year.

Designated Non-Executive Director for Employee Engagement

David Kelly, as the designated NED will be expected to:

- ensure there are agreed methods in place for on-going engagement to understand the views and concerns of employees;
- ensure that the views and concerns of employees are represented and taken into account in the Board decision-making process;
- ensure that the Board takes appropriate steps to evaluate the impact of business proposals; developments on employees, and considers what steps should be taken to mitigate any adverse impact;
- ensure a feedback mechanism is in place to share with employees how the Board plans to respond to their views or concerns; and
- track and report achievements of the role in supporting employees engagement.

The designated NED is not expected to take on responsibilities otherwise carried out by executive directors or the People function.

The designated NED's duties in relation to colleague engagement include:

- Quarterly review of colleague engagement survey with People function to:
  - discuss key areas of concern
  - identify actions and areas of focus
  - review previously agreed actions and impact
- Quarterly review of key metrics and insights, including but not limited to; voluntary turnover, sickness absence, leaver surveys; and
- Lead quarterly Board agenda item on colleague engagement

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 Executive 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.

Time commitments of Non-Executive Directors

All Directors are expected to dedicate sufficient time to discharge their responsibilities. 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. The Board will take into consideration the time commitment required by the Non-Executive Director in their role as a Board Director, Committee Chair or Committee member in giving any such permission.

During the year, Elaine O'Donnell approached the Board in relation to her proposed appointment of Chair of the Board of Games Workshop Group plc. The Board considered that Elaine had already been a non-executive director of Games Workshop since 2013, that this would be her only Chair of the Board role and having discussed the role with Elaine, the Board was confident that Elaine could continue to devote sufficient time to the Company's affairs. Accordingly consent was given in relation to Elaine's new role.

The Board and Nomination Committee do not consider that any of the Non-Executive Directors have too many other commitments which would render them unable to devote sufficient time to the Company's activities. The other directorships of the Non-Executive Directors, are set out in their biographies on pages 64 to 65. None of the Directors hold directorships in FTSE 100 companies.

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.

Composition, Succession and Evaluation

The Nomination Committee supports the Board by leading the process for the appointment of Board members and senior management, ensuring that such appointments are in line with the Company's succession plans. Further information on the work of the Nomination Committee can be found on pages 76 to 77.

Board Composition

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 76 to 77.

As required by the Code, at least 50% of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board is currently comprised of five members: the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 64 to 65.

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nominations Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board. The Board has determined that all the Non-Executive Directors who served during the year were independent and that, before and upon appointment as Chairman, 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 Chairman 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 Shaun Morton as CFO, please see the report of the Nomination Committee on pages 76 to 77.

Development of Directors

The Company has an induction programme for all new Directors joining the Board. 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 Chairman continually reviews the training needs of Directors according to their individual needs. This review is ongoing and forms part of the annual appraisal process.

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

Corporate Governance Statement

Board and Committee Evaluation

The Board is committed to, and understands the value and importance of, the evaluation and appraisal of the performance of the Board, its Committees, and of the individual Directors and the Chairman. The Board has carried out an 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 highlighted in the Chairman's introduction, we had intended to carry out an external Board evaluation this year, but this exercise was put on hold in light of challenges the Board faced as a result of COVID-19. We will however carry out an external evaluation during FY21 and this will be reported on in next year's report.

As part of the internal 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 Chairman which was discussed at a Board meeting.

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

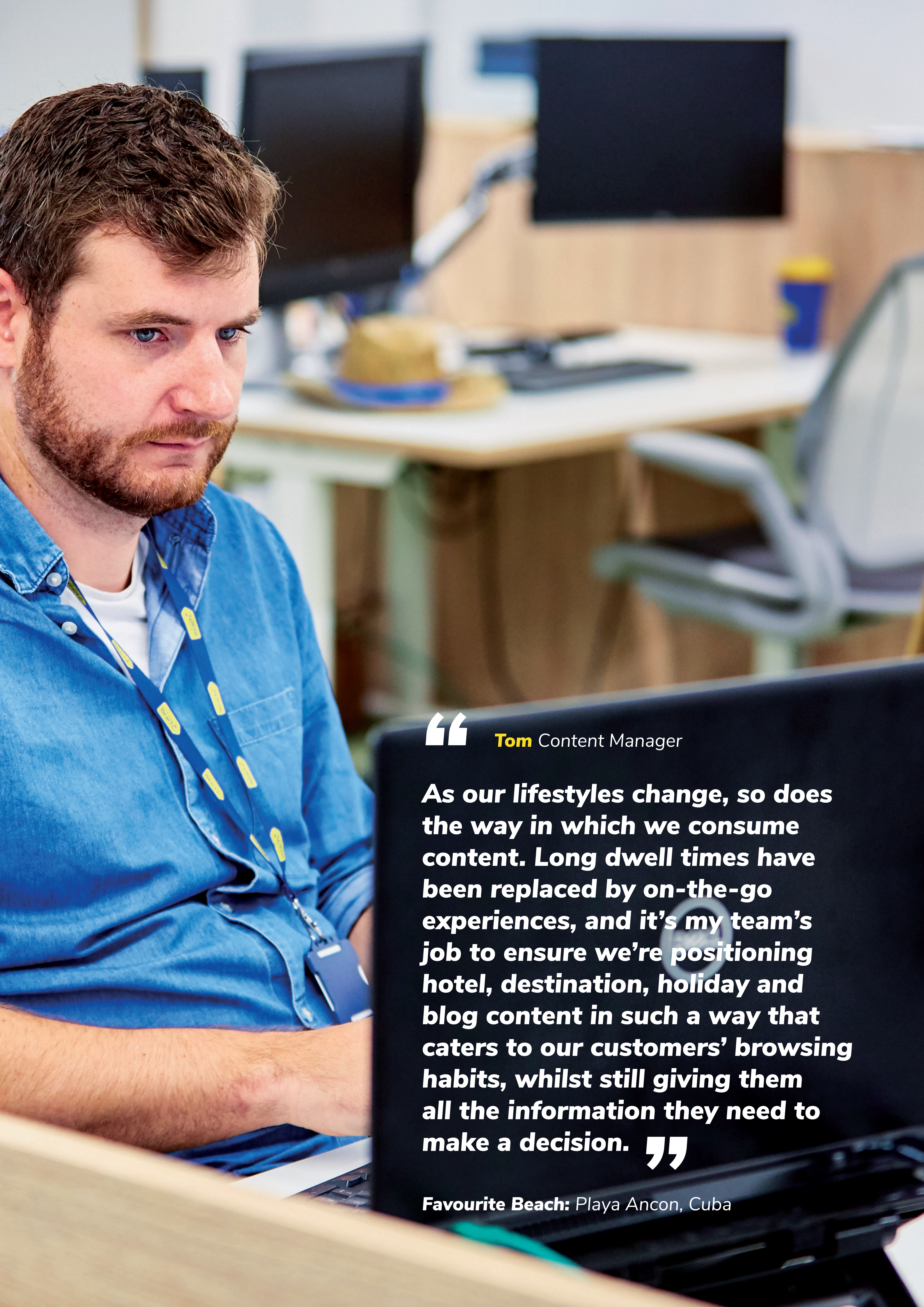
Finding	Action for FY21

Increased focus on diversity	› Board diversity is recognised as an area for improvement and has influenced the brief for the new non-executive Director search
	› Continued roll-out of Unconscious Bias training for manager community
	› Working with the Diversity & Inclusion Action Group to oversee progress against the commitments re:
	  › Ensuring there is a clear governance framework for Diversity & Inclusion;
	  › Raising the profile and awareness of Diversity & Inclusion amongst colleagues;
	  › Leveraging recruitment activity to improve the diversity of our workforce.
	
	(see page 55 for more information).

Continued focus on succession planning	Nomination Committee meeting diarised to review career and development plans for the Executive Team to ensure that there is adequate talent pool of potential Executive directors and review talent development throughout the Group
Increased focus on ESG	ESG Committee will conduct a thorough review of the issues that affect the Group's business the most to see where we can make the most impact and in turn refine our strategy and priorities accordingly for FY21. The CFO, who heads up the ESG Committee, will present to the Board accordingly.
Director training	The evaluation identified that further training would be beneficial in certain areas including in respect of risks the Group faces, for example risk appetite training.

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

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.



Tom Content Manager

As our lifestyles change, so does the way in which we consume content. Long dwell times have been replaced by on-the-go experiences, and it's my team's job to ensure we're positioning hotel, destination, holiday and blog content in such a way that caters to our customers' browsing habits, whilst still giving them all the information they need to make a decision.

Favourite Beach: Playa Ancon, Cuba

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 2020.

Role of the Committee

The principal role of the Committee is to keep under review the structure, size and composition of the Board, make appropriate recommendations to the Board with respect to any necessary changes and succession planning for the Board and senior leadership positions, including in relation to ensuring and encouraging diversity in leadership positions. The Committee's full roles and responsibilities are set out in written terms of reference, which are available on the Company's website at www.onthebeachgroupplc.com/investor-centre/corporate-governance.

Membership and meetings

The Committee meets at least twice annually and at such other times as are necessary to discharge its duties. Only members of the Committee have the right to attend meetings. The Chief Executive Officer, Chief Financial Officer, as well as external advisers and others attend for all or part of Committee meetings by invitation when appropriate. The Company Secretary acts as secretary to the Committee.

The Committee met 3 times during the year and member attendance is shown below.

Member	Status	Appointment date	Attendance
Richard Pennycook (Chair)	Independent	April 2019	3/3
David Kelly	Independent	August 2015	3/3
Elaine O'Donnell	Independent	July 2018	3/3

The Committee's composition meets the requirements of the Code.

Appointment of new Chief Financial Officer

A large part of the Committee's work centres on the oversight of succession planning: ensuring plans are in place for the orderly and progressive refreshing of the Board and to identify and develop individuals with potential for Board and Executive Team positions. This planning came to the fore when Paul Meehan decided to step down as Chief Financial Officer. Shaun Morton had previously been identified by the Committee as a natural successor to Paul. The Committee considered the role, the capabilities required and the current Board composition and determined that Shaun was an outstanding candidate. Shaun was previously the Group's Finance Director and was heavily involved in dealing with the failure of TCG, the acquisition of Classic Collection and the delivery of the Company's recent share placing and CLBILS facility. Shaun has been instrumental in shaping the Group's response strategy to COVID-19. Accordingly the Committee recommended Shaun's appointment to the Board, which became effective on 17 July 2020. Shaun's appointment is subject to approval by shareholders at the forthcoming AGM. You can read more about Shaun's experience and skills on page 64.

Paul Meehan worked closely with Shaun to ensure an orderly handover. Shaun also completed a tailored induction. As Shaun was already very familiar with the workings of the Group, his induction focussed more on the governance, regulatory and legal aspects of his new role, as well as briefings with the Chairman and Non-Executive Directors and meetings with key shareholders and advisers.

New Non-Executive Director

We reported last year that we were looking to appoint a new Non-Executive Director. We had initiated that search process but following the outbreak of COVID-19, and the unprecedented challenges it presented, the Committee took the decision to pause the search. That search has now recommenced. The results of our annual review of Board composition (see below) and the annual Board evaluation (see page 74) has helped to shape the role specification for the new Non-Executive role.

Board composition and skills

As part of its review of Board composition, the Committee reviewed the skills, diversity and capabilities of current Board members. This involved self-assessment by each director of their skills, areas of functional expertise and sectoral experience. The exercise gave the Committee an overview of overall skills and experience, identified where there are opportunities to further grow the Board's collective knowledge and informed us of those skills we may wish to prioritise when preparing future role briefs. Indeed the output of this year's review has meant that we have revised the candidate brief for the new Non-Executive Director role, including focussing on candidates that can bring, inter alia, governmental/public affairs experience.

As part of the review of Board composition, the Committee also considered:

- the independence of Non-Executive Directors, considering the judgement, thinking and constructive challenge that they demonstrate in the Board;
- the balance on the Board between Executive and Non-Executive Directors;
- diversity of the Board, including age, gender and ethnicity;
- the business strategy and how the Board skills and capability mix aligns with the current composition;
- length and tenure;
- the effectiveness review of the Board, its principal Committees, the Chairman and individual Directors.

Having carried out the review, the Committee is satisfied that the Board has the necessary mix of skills and experience to fulfil its role effectively. However notwithstanding the foregoing, we are mindful that the diversity of the Board could be improved and that the Chairman of the Board should not be a member of the Audit Committee under the Code. We therefore believe that appointing an additional Non-Executive Director will ensure that the Board continues to have the skills and experience required to support the development and delivery of the Company's strategy.

All Directors are subject to annual re-election. Further details about the particular skills, knowledge and experience each Director brings to the Board can be found in the Directors' biographies on pages 64 to 65.

Succession planning and talent pipeline

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 and taking account of the continuing need to consider gender and ethnic diversity. 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.

In the coming year, the Committee will have renewed focus on reviewing the career and development plans for the Executive Team to ensure that there is adequate talent pool of potential Executive directors and review talent development throughout the Group to ensure there is a sufficient and diverse pipeline of talent available to execute the Company's current and future strategy.

Diversity

Diversity (in all respects including in terms of socio-economic background, race, ethnicity, gender, sexual orientation, age, physical abilities, religious and political beliefs) is critical to the future success of the business and the Committee fully appreciates the benefit of a diverse Board in ensuring the broadest range of views, constructive debate and challenge and in good decision making. As part of its review of Board composition, the Nomination Committee has again considered the diversity of the Board, 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 Company and Committee agrees with the aims and objectives of the Hampton-Alexander Review on FTSE women leaders and the Parker Review on ethnic diversity of UK boards and of the Women on Boards Davies Review 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. As such, while we do not set any particular targets, we continue to take diversity in its wider context into account and recommend only the most appropriate candidates for appointment to the Board. We appreciate, however, we have progress to make in terms of improving the diversity of the Board and the Executive Team and we will look to address this during future appointments.

More information on our approach to diversity and inclusion, including details about the gender balance of the Board and senior management can be found in the 'Our People' section of this Report on pages 54 to 56.

Committee effectiveness

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. This concluded that the Committee performs effectively, with a strong pipeline of candidates resulting in an excellent recent appointment to the Board. Further details of the evaluation can be found on page 74.

Richard Pennycook
Chairman, Nomination Committee

Report of the Audit Committee

Elaine O'Donnell
Chair of the Audit Committee

I am pleased to present the Audit Committee Report for 2020. 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.

The role of the Audit Committee is to monitor and review the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management systems are appropriate and regularly reviewed. We also oversee the work of the external auditor, approve their remuneration, review and evaluate their performance and recommend their appointment.

During the year, the Audit Committee dedicated substantial time to reviewing the Group's financial statements at both half and full year. We also continued to focus on particular topics such as the Group's risk management programme, IT infrastructure and cybersecurity. The dramatic impact of COVID-19 has highlighted the importance of risk management, strong internal controls and business continuity planning and we have spent a significant amount of time assessing the impact of COVID-19 on the business, including in relation to the measurement of assets and liabilities at the year-end and our Going Concern and Viability Statements. Monitoring the impact of COVID-19 will continue to be a key area of focus for the Committee as the situation continues to evolve.

With the assistance of management and our external auditor, 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.

Role

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 recommended 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 and objectivity of the external auditor and ensure appropriate policies and procedures are in place to protect such independence. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.
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 Company's procedures for raising concerns.

Committee composition

The Committee currently comprises three members as detailed below. The Committee members bring a wide range of financial and commercial expertise necessary to fulfil the Committee's duties. Summary biographies of each member of the Committee are included on pages 64 to 65. All members of the Committee are considered to be independent. The Board is satisfied that the Committee's Chair, Elaine O'Donnell, has extensive recent and relevant financial experience and that the Committee as a whole has competence relevant to sector in which the Group operates.

Whilst the Board believes the Committee to have the appropriate composition, skills and experience to discharge its responsibilities, it is mindful that the Chairman should not be a member of the Audit Committee under the Code. Richard Pennycook's extensive financial experience has proved valuable to the Audit Committee, particularly during this difficult year and hence why it was felt it was in the best interests of the Company for Richard to stay on the Committee until a new non-executive director was appointed. The search for an additional Non-Executive Director is underway (as explained in more detail in the Nomination Committee Report on page 76) 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

The Committee met 3 times during the year and member attendance is shown below.

Member	Status	Appointment date	Attendance
Elaine O'Donnell (Chair)	Independent	July 2018*	3/3
Richard Pennycook	Independent	April 2019	3/3
David Kelly	Independent	August 2015	3/3

* *Elaine was appointed a member of the Committee in July 2018 and appointed Chair in September 2019.*

The agenda for each meeting reflects the annual reporting cycle of the Group and particular matters for the Committee's consideration. Only members of the Committee are entitled to attend meetings; however standing invitations are extended to the Chief Financial Officer, Chief Executive, the Company Secretary and external 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 external auditor without the Executive Directors being present.

The Company Secretary is secretary to the Committee.

Report of the Audit Committee

How the Committee Discharged its Responsibilities in FY20

Financial Reporting

Significant matters relating to the Financial Statements considered by the Committee

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 external 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
Adjustments and estimates relating to the COVID-19 pandemic	
The recognition of costs and provisions relating to disruption caused by the COVID-19 pandemic is an area of significant judgement. These adjustments relate primarily to lost revenue resulting from the cancellation of bookings in the financial year and beyond. The judgement includes the loss of revenues caused by the cancellation and refund of bookings, off-set by extent to which related holiday costs can be recovered. Areas of judgement and estimation include: › *Cancellation provision:* This is dependent on the extent to which holidays booked in the financial year which are travelling in future periods will be cancelled due to COVID-19, and dependent on the ability of the Group to mitigate costs relating to these cancellations. › *Airline debtor recoverability:* At the year end, there is a balance due from airlines for cancelled flights. Whilst significant amounts have been received post year end, a balance remains which has been assessed for recoverability risk, and whether any provision is required. › *Supplier prepayment recovery:* In the normal course of business the Group will advance payments to certain hotel suppliers for holidays booked. Due to the level of cancellations over the summer, management has considered whether these prepayments are recoverable.	The Committee have reviewed the key judgements and estimates involved in arriving at the overall adjustment and are satisfied with the approach of management. This review included reviewing the judgements and estimates for each material component. This review was supported by accounting papers provided by management. The Audit Committee is satisfied that, based on all information available at the time of signing the accounts, the judgements that have been made are reasonable. The Audit Committee has also considered the presentation of the adjustments in the Financial Statements and given their material nature is satisfied that separate disclosure of this adjustment supports a fair, balanced and understandable presentation of the accounts.
Revenue recognition	
Dependent on the contract with the customer and the nature of services provided the Group will either recognise revenue on a booked basis where it acts as an agent or a travelled basis where it acts as principal. Where the Group operates as an agent a provision for expected cancellations is also recorded.	The Audit Committee has considered management's judgements on the appropriateness of the revenue recognition policy.

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. This year, the proportion of development costs that have been capitalised is lower than what would be expected in a normal year. This is due to the extent to which the development team have supported more operational tasks that have been specific to the Group's response to COVID-19. Development costs, where a future economic benefit can be demonstrated, have been capitalised in line with the Group's accounting policy.	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 16 'Leases' is 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 16, which was applied in the Group's interim financial statements. These papers included the proposed disclosures in relation to this standard for the Annual Report. Following discussions with management and the Statutory Auditor, the Committee approved the disclosures of IFRS 16.
Valuation of Goodwill, Intangibles and Investments The estimated recoverable value of the Group's intangible assets is subjective due to inherent uncertainty involved in forecasting and discounting future cash flows. The principle uncertainty is the extent to which these intangible assets will continue to generate cash flows for the Group and whether this is sufficient to support the asset value. This year, management has considered whether the value of these assets has been impaired by the current disrupted market.	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, risks and strategy.

In arriving at its assessment the Committee has:

- taken into consideration that the Annual Report has been reviewed at several levels within the Group ensuring overall balance and consistency;
- received an early draft 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;
- considered the External 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 121 of this Report.

Report of the Audit Committee

Going concern and Viability statement

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they are managed, the availability of finance, including the new CLBILS funding secured in May 2020, and the Company's choice of a three-year assessment period. This was supported by a very thorough paper from the CFO. The Group's viability statement is on pages 43 and 44.

External Audit

External Auditor effectiveness and appointment

The Committee oversees the Group's relationship with the external auditor and reviews and makes recommendations regarding their reappointment. Throughout the year, the Committee has considered the on-going effectiveness of EY, looking at the quality of their reports to the Committee, the performance of the EY team both in and outside Committee meetings and how EY have interacted and challenged management. As well as this on-going review the Committee considered the effectiveness of EY as part of the 2020 year-end process. The Committee took a number of factors into account when considering the effectiveness of the external audit including:

- The quality of the audit planning covering the approach, scope and levels of fees for the audit;
- Delivery and execution of the agreed external audit process for FY20;
- The experience, industry knowledge and expertise of the EY audit engagement team;
- EY's explanation of significant risks to audit quality by reference to the Company's specific circumstances and changes to the risks, including COVID-19 implications;
- The competence with which EY handled and communicated the key accounting and audit judgments;
- The communication and engagement between management, EY and the Committee;
- The steps taken by EY to ensure their objectivity and indepedence.

The Committee also sought the views of key members of the finance team, senior management and Directors on the audit process and the quality and experience of the audit partners engaged in the audit.

The Committee has concluded that overall, EY has carried out its audit for 2020 effectively and efficiently and that EY continues to provide constructive and independent challenge to management and consistently demonstrates a realistic and commercial view of the business. Accordingly the Committee recommended to the Board, which in turn is recommending to shareholders at the forthcoming AGM, that EY should continue as external auditor of the Group.

EY was appointed auditor to the Group in March 2019 following a competitive audit tender process that commenced towards the end of 2018. The lead audit partner will rotate every five years to ensure independence. While the Company is not a FTSE 350 listed company, we continue to comply with the UK Competition and Markets Authority's Statutory Audit Services Order which states, among other matters, that FTSE 350 listed companies should put their external audit contract out to public tender at least every ten years. The Group intends to remain in full compliance with the requirement to carry out a formal tender at least once every ten years.

Independence and objectivity

The Committee takes steps to ensure that the external auditor remains objective and independent 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 (see below); and
- oversight of policy on employing former auditors.

Non-audit services

A formal policy is in place in relation to the provision of non-audit services by the external auditor to ensure that there is adequate protection of their independence and objectivity. The policy ensures that the Group benefits from the cumulative knowledge and experience of its auditor while ensuring at the same time that the auditor maintains the same degree of objectivity and independence.

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 £242,000). 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 external Auditors. The fees paid to EY in respect of non-audit services during the year related to the review of interim Financial Statements and the ATOL return and totalled £50,000, representing 20.7% of the total audit fee (2019: £55,000, representing 29.7% of the total audit fee). These non-audit services are considered to be closely related to the work performed by EY as auditor of the Group and therefore the auditor is the appropriate firm to carry out the services.

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 was satisfied that management had given sufficient assurances that other monitoring processes (including internal reviews of the Group's operations undertaken periodically by senior finance staff) were being applied and would be developed using the existing expertise of the finance department to help ensure that the Group's system of internal control was functioning as intended. The Committee has also gained assurance from reports from the external auditors with regard to internal control and risk management, supplemented by extended assurance reviews by external consultants in key risk areas. For example this year, third party consultants were appointed to conduct a review of the Group's processes and controls in relation to information security and data protection.

The Committee will, as part of its remit, continue to evaluate the effectiveness and robustness of the current system of control. As the business continues to grow in size and breadth, the Committee will consider in FY21 whether an independent Internal Audit Department would be more appropriate and to set down the guidelines for the operation of such a department, or alternatively, whether the Group should operate a rolling programme of internal audit with the support of an external adviser.

Risk management and Internal Control

The Board is responsible for establishing, maintaining and monitoring the Group's system of risk management and internal control and reviewing its effectiveness. The Committee monitors the performance of management in this area. We have an ongoing process for identifying, evaluating and managing the principal risks faced by the Group. The Group's risks are monitored by the Audit Committee on behalf of the Board which sets aside time for an in-depth discussion of notable or changing risks to the business. A description of the process for managing risk together with a description of the principal risks and strategies to manage those risks is provided on pages 32 to 42.

Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. Such systems are designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board seeks to manage this risk by having established a well-defined organisational structure, clear operating procedures, embedded lines of responsibility, delegated authority to executive management and a comprehensive financial reporting process.

Key features of the Group's system of internal control and risk management are:

- Risks are highlighted through a number of different reviews and culminate in the 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 a desired level. The risk register is updated twice a year by the Executive Team and approved by the Board annually.
- Monthly consolidated Group management accounts. These 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.
- Annual budget and quarterly reforecast against which management monitor the key business and financial activities towards achieving the financial objectives each month.
- Detailed appraisal and authorisation procedures for capita and operational expenditure.
- Embedded policies and procedures to ensure the integrity and accuracy of accounting records and to safeguard the Group's assets.
- Defined management structure and delegation of authority to Committees of the Board and associated business units.
- Anti-bribery, security and compliance training for all employees.
- Monitoring of any whistleblowing or fraud reports.
- Recruitment standards and training to ensure the integrity and competence of staff.

In addition, the Audit Committee receives detailed reports from the external auditor in relation to the financial statements and the Group's system of internal controls. The Chair of the Audit Committee also has regular interaction with the external auditor and senior members of the Group finance department in order to monitor and assess the effectiveness of the Group's system of internal controls.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's system of internal controls in operation across the Group. This review covered the material controls, including financial, operational and compliance, as well as risk management arrangements. No significant control failings or weaknesses were identified during the period under review.

Whistleblowing

The Group has a formal whistleblowing policy in place which provides details of how employees can raise concerns in relation to the Group's activities or the actions of any employee of the Group on a confidential basis. This policy is reviewed annually by the Audit Committee. The Group provides a whistleblowing telephone service run by an independent organisation, allowing employees who do not wish to use normal internal line management channels, 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 with no significant concerns.

Elaine O'Donnell
Chair, Audit Committee
10 December 2020

Remuneration Report

Annual Statement of the Chairman of the Remuneration Committee

David Kelly
Chair, Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 30 September 2020.

Review of FY20

During the first half of the financial year, we made very good progress on the implementation of our strategy. The failure of TCG created a unique opportunity for the Group and during the first four months of the financial year, the Group priced competitively and increased market share, with sales growth of nearly 30 per cent (excluding Classic Collection Holidays) for summer 2020 departures. This performance was supported by a significant increase in offline marketing spend in the early months of FY20 which resulted in the Group's highest ever year-on-year growth in brand awareness. Our new Classic Package Holidays brand was also performing well in its first year post launch and we were continuing to expand our long haul offering.

Despite this excellent progress, the outbreak of COVID-19 led to a rapid slowdown in demand for foreign travel followed by a complete closure of airspace across Europe by mid-March. Bookings fell sharply and a significant proportion of holidays booked in H1 and due to travel in H2 were cancelled.

However the early action we took to manage risk and conserve cash in the wake of the outbreak has stood us in good stead. You can read more about these actions on pages 11 to 12.

In terms of action we took in relation to our workforce during the pandemic:

- Weekly company-wide calls held so that employees could raise issues and concerns (anonymously if preferred) and the Executive Team could cascade information on the Group's response to the pandemic;
- Mental health support available outside of the Group, for example through our Employee Assistance Programme;
- Support and guidance produced as to how employees could work safely from home;
- Pulse surveys on how our employees were feeling and what support they needed;
- Numerous social and wellbeing initiatives to keep up morale;
- We kept in regular contact with our furloughed colleagues, keeping them up to date with our future plans for returning to work and ensuring they had the opportunity to ask questions and raise concerns;
- In the first 3 months of the scheme, for those employees earning less than £25,000 per annum who were placed on furlough, we topped up their pay to ensure that such employees received full pay whilst on furlough;
- Furloughed employees whose salary, at 80%, exceeded the £2,500 cap prescribed by the scheme, were topped up to receive 80% pay.

From a remuneration point of view, the CEO volunteered to forgo his salary for 7 months of the year and the remainder of the Board voluntarily agreed to a 20% reduction in salary and fees for 6 months of the year. The Executive and Senior Management Teams also voluntarily reduced their salary by up to 20% for a period of 3 months. There were no other salary reductions throughout the Group other than the reductions agreed with the Board and senior management. You can find out more information on how we have responded to the COVID-19 pandemic, including more information on the above actions on pages 11 to 12.

The Committee recognises the Executive Team's strong contribution during the year, the actions taken to mitigate the impact of the global pandemic and to protect the Group for the long term. However, as announced in April 2020, no bonus will be paid to employees, including the Executive Directors, in respect of FY20. In addition, the performance targets for the LTIP awards granted in FY18 were not met, and therefore these awards will lapse in full. No discretion was exercised to adjust the outcomes.

During FY21 we will continue to face the challenge of managing the ongoing disruption to the business caused by COVID-19 while building on the momentum of the strategy to date.

Board changes

As announced in June 2020, Paul Meehan stepped down as CFO, and from the Board, on 17 July 2020. The remuneration terms agreed by the Committee in respect of Paul's departure are in line with our Directors' Remuneration Policy and include no special arrangements. Reflecting Paul's performance during his tenure, the Committee determined that Paul should be treated as a good leaver for the purposes of his outstanding LTIPs, which all remain subject to their original performance conditions and vesting terms. Full details are set out on page 99.

We were delighted to welcome Shaun Morton to the Board as our new CFO on 17 July 2020. As part of his appointment, the Committee took the opportunity to set Shaun's pension contribution at 3% of eligible earnings, in line with the rest of the workforce. Shaun's salary is set at a lower level than his predecessor, reflecting that Shaun is new to the role. As Shaun becomes established in the role, his salary will be reviewed, in line with the Directors' Remuneration Policy. No buyout awards were made. There are a number of legacy share awards made to Shaun prior to his appointment as CFO which either operate as "restricted share awards" with no performance criteria, or where the performance criteria are specific strategic targets rather than the EPS/TSR metrics in the LTIP awards for Executive Directors. These remain in place on the terms set prior to Shaun's appointment as CFO, consistent with the Directors' Remuneration Policy.

FY21 Remuneration approach

Key decisions by the Remuneration Committee in respect of the remuneration of the Executive Directors in FY21 include:

- Neither Simon nor Shaun will receive a salary increase during FY21 (the average increase across the wider workforce will be 1%)
- The maximum bonus opportunity remains unchanged at 100% of salary and the bonus will continue to be based on Group PBT (70% weighting), and non-financial targets relating to net promoter score and employee engagement (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 FY21 of 100% of salary for Simon Cooper (reflecting his material shareholding) and 200% of salary for Shaun Morton (to support him in building his shareholding and aligning interests with shareholders). The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three year period. Targets will be disclosed at the time of grant in the RNS announcements.

Corporate Governance developments

The Committee actively monitors developments in corporate governance and the guidelines produced by shareholders and their representative bodies. Whilst we had already made a number of early changes to align with the 2018 Code and the new regulatory requirements, we have taken further steps for 2019/20, including the alignment of Shaun's pension contribution with the wider workforce noted above, and the disclosure of our CEO pay ratio.

During the year, we operated within the Directors' Remuneration Policy ("Policy") that was approved by the shareholders at the 2019 AGM, a summary of which can be found in the next section. That Policy is due for review and approval by shareholders at the 2022 AGM. We did consider the possibility of bringing forward the triennial review of the Policy for a vote at the forthcoming 2021 AGM in order to update the Policy in response to the revised UK Corporate Governance Code but given that:

- we are satisfied that the Policy continues to support the Company's strategy for the forthcoming year: to retain and motive our management team, to drive strong returns for our shareholders and to promote the long-term success of the Company;
- the pension provision for Executive Directors is now aligned with the wider workforce;
- we have introduced a policy that post-cessation of employment, Directors should continue to be bound by any holding period for any share awards they have received, as if they were still in employment.

we have chosen to operate the existing Policy through FY21.

We will therefore review the Policy in full over the course of FY21 and will engage with our shareholders in relation to any revised proposed remuneration framework so that it can effectively support our senior leaders and align our growth strategy as it continues to evolve. We will also ensure that there is engagement with the wider workforce to explain how executive remuneration aligns with the wider company policy.

The Committee has considered and believes that the current Policy and practices are consistent with the six factors set out in Provision 40 of the Code (see page 88 for more information in this respect) and the Committee will review and ensure that our new policy continues to adhere to these principles.

Key activities of the Remuneration Committee

Key activities of the Remuneration Committee during the year included:

- Agreeing the performance against the targets and vesting of the 2017 LTIP awards.
- Setting the performance targets for the Executive Directors FY20 annual bonus.
- Agreeing the population, award levels and performance targets for the FY20 LTIP awards and restricted share awards.
- Determining leaver terms regarding Paul Meehan, CFO and approving remuneration package for new CEO, Shaun Morton.
- Approving the Directors' Remuneration Report for the FY19 Annual Report.
- Reviewing Group-wide pay and conditions and share plans.
- Reviewing base salaries of Executive Directors and Executive Team.
- Reviewing feedback from 2020 AGM.
- Review performance of independent advisers and fees over the year.
- Monitoring the developments in the corporate governance environment and investor expectations.

Remuneration Report

Annual Statement of the Chairman of the Remuneration Committee

Shareholder engagement

The Company is committed to maintaining good communications with shareholders to ensure an open and transparent dialogue around executive remuneration arrangements. The AGM offers an opportunity for the Committee to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have.

The Remuneration Committee considers shareholder feedback received on the Directors' Remuneration Report each year and guidance from shareholder representative bodies more generally. Ahead of the publication of last year's Annual Report, Richard Pennycook as Chairman of the Board and David Kelly as chair of the Remuneration Committee led an engagement process with major shareholders to discuss, inter alia, the remuneration arrangements for the year ended 30 September 2019, for which the majority of shareholders expressed their support for the arrangements.

Shareholders' views are key inputs when shaping remuneration policy and as mentioned above, we will be consulting with major shareholders during FY21 in relation to the proposed new Policy.

Remuneration Report

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (as amended in 2018 and 2019), the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into four parts:

- This Annual Statement.
- Remuneration at a glance.
- 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 2020 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the 2021 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

Remuneration at a glance

	FY20 Implementation of Policy	FY21 Implementation of Policy
Salary	› Salary increase of 1.5% for Simon Cooper and former CEO Paul Meehan (effective 1 January 2020). Increase was in-line with the average increase provided across the wider workforce: › Simon Cooper (CEO): £207,060 *(FY19: 204,000)* › Paul Meehan (Former CFO): £314,650 *(FY19: 310,000)* › Shaun Morton (CFO): £250,000	› No salary increase in FY21 (average increase across the wider workforce will be 1%)
Pension	› *Simon Cooper (CEO):* 3% of eligible earnings (in line with wider workforce) › *Paul Meehan (Former CFO):* 15% of salary › *Shaun Morton (CFO):* 3% of eligible earnings (in line with wider workforce)	› No changes (all Executive Directors in line with wider workforce)
Bonus	› The bonus scheme did not operate in FY20	› Max opportunity: 100% of salary › Performance targets: › PBT: 70% weighting › Net Promoter Score and Employee Engagement Score: 30% weighting
LTIP	› Performance conditions for FY18 LTIP award (performance period ending 30 September 2020) were not met. › LTIP awards were granted to Simon Cooper (100% of salary) and Paul Meehan (200% of salary).	› Simon Cooper: 100% of salary › Shaun Morton: 200% of salary

Shareholding requirement	Executive Directors must establish a shareholding of 200% of salary over a 5 year period. In addition to the in-employment requirement, Directors continue to be bound by any holding period for any share awards they hold after leaving employment with the Group.

COVID-related actions

	Action taken
Salary reductions	› CEO volunteered to forgo 100% of his salary for 7 months (March to September). › Other Board members voluntarily agreed to a 20% reduction in salary and fees for 6 months (April to September). › Executive and Senior Management team also agreed to a voluntary reduction in salary of up to 20% for 3 months.
Government support	› The Group used the Coronavirus Job Retention Scheme to protect jobs for the longer term and enable the Group to retain its capacity to scale up in line with customer demand. › In the first 3 months of the scheme, furloughed employees whose normal salary was less than £25,000 were topped up to full pay. Furloughed employees whose salary, at 80%, exceeded the £2,500 cap prescribed by the CJRS were topped up to receive 80% pay. › The remainder of the workforce remained employed on full pay.
Variable pay	› No annual bonus plan was operated across the Group.

LTIP Performance

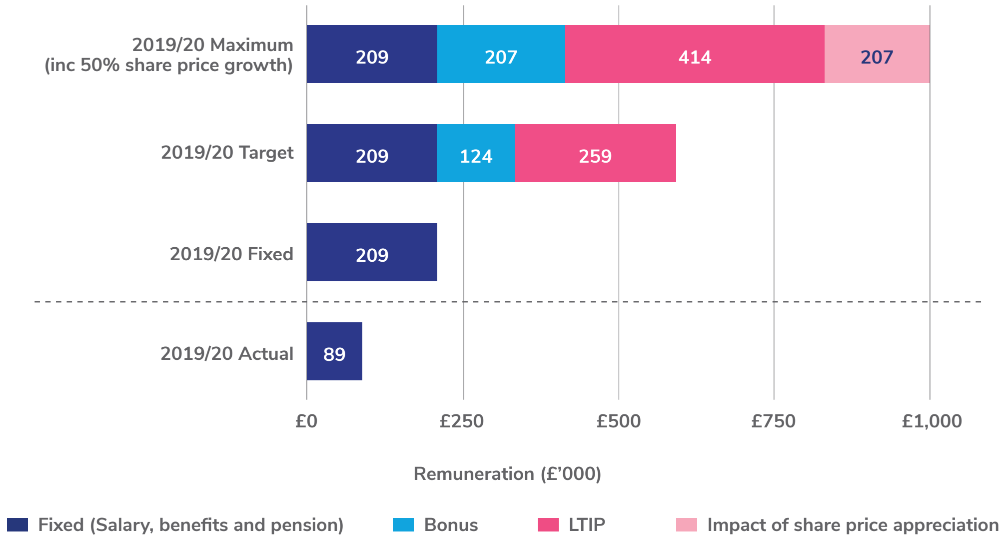
	Threshold (25% vests)	Maximum (100% vests)	Actual	Outcome
EPS[1]	29.25p	29.25p	0.4p	0%
TSR[2]	8%	15%	-13.4%	0%

1 *EPS for year ending 30 September 2020.*

2 *Annualised TSR of the Company over the three year period to 30 September 2020.*

Remuneration Report

CEO remuneration outcome



UK Corporate Governance Code

Clarity

Our current Policy is structured in a way that clearly supports the financial objectives and the strategic priorities of the Group. The remuneration arrangements and Policy are clearly disclosed each year in the Annual Report. The Policy is well understood internally by Executives and the Committee regularly engages with shareholders to explain our approach to executive pay.

Predictability

The Committee sets specific targets for different levels of performance which are communicated to Executives and disclosed to shareholders. A potential range of performance scenarios and remuneration outcomes are set out in the chart above.

Simplicity

The Policy consists of three main elements: salary, annual bonus and a single LTIP, so the incentive arrangements are considered easy to communicate. The annual bonus award is based on a combination of clearly defined financial and non-financial targets. The vesting of LTIP awards is based on EPS growth and relative TSR performance. No complex structures are used to facilitate the operation of the incentive plans and payments are made either in cash or shares.

Proportionality

Variable performance related elements represent a significant proportion of total remuneration opportunity for Executive Directors and the Committee considers appropriate financial and non-financial performance measures each year to ensure that there is a clear link to strategy. The Committee may exercise discretion to ensure that payouts are appropriate and are aligned with underlying performance.

Risk

There is an appropriate mix of fixed and variable pay and financial and non-financial objectives. There are measures in place to ensure alignment with long-term shareholder interests such as post-vesting retention periods and shareholding requirements. Comprehensive clawback and malus provisions are in place across all incentive plans and the Committee's ability to use its discretion to override formulaic outcomes are considered important controls to prevent inappropriate reward outcomes.

Alignment with culture

Remuneration arrangements for the Executive Directors are flowed down through the organisation to ensure that there are common goals. In determining Executive remuneration policies and practices, the Committee considers the overall remuneration framework for our wider workforce and ensures that such policies and practices are consistent with the Company's purpose, values and strategy.

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 2021 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 website (www.onthebeachgroupplc.com).

The following table summarises 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

Summary of Remuneration Policy

Pensions

Short and long term strategic objectives	Operation
To provide a competitive level or retirement benefits.	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	**Performance metrics used, weighting and time period applicable**
15% of base salary for existing Executive Directors (although both Executive Directors currently receive contributions equivalent to 3% of eligible earnings, which is in line with the rest of the workforce). The Committee intends to align pension contribution with the wider workforce for any Executive Director recruited in the future.	None

Annual Bonus Plan

Short and long term strategic objectives	Operation
The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	Annual bonuses are part paid in cash and part in shares. Up to 50% of any award will be deferred into shares for two years. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.
Opportunity	**Performance metrics used, weighting and time period applicable**
The maximum bonus opportunity is 100% of base salary.	Performance is measured over the financial year. The majority of the annual bonus will be based on performance against stretching PBT targets, with the balance based on non-financial metrics which are aligned to the business strategy. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the bonus outcome is not a fair and accurate reflection of business performance.

Long-Term Incentive Plan (LTIP)

Short and long term strategic objectives	Operation
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.	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	**Performance metrics used, weighting and time period applicable**
Maximum award of 200% of base salary. 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight line vesting between these points.	The performance conditions for awards are currently split between 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 Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the vesting outcome is not a fair and accurate reflection of business performance.

HMRC Share Incentive Plan

Short and long term strategic objectives	Operation
To encourage wide employee share ownership and thereby align employees' interests with shareholders.	The Company has a share incentive plan in which the Executive Directors are eligible to participate (which is HMRC registered and is open to all eligible staff).
Opportunity	**Performance metrics used, weighting and time period applicable**
UK scheme in line with HMRC limits as amended from time to time.	None.

Summary of Remuneration Policy

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 Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee and additional fees for acting as chair of committees. The Chair of the Board does not receive any additional fees for membership of committees. Fees are typically reviewed every three years based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Fees may be reviewed more regularly than this in exceptional circumstances, such as a significant increase in the size or complexity of the business. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.
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 Chairman 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 2020 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 on pages 19 to 23. 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

Annual Report on Remuneration

Single total figure of remuneration

Executive and Non-Executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2020 financial year. Comparative figures for the 2019 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), as amended in 2018 and 2019.

Single total figure of remuneration for Executive Directors (audited)

		Simon Cooper		Shaun Morton[1]		Paul Meehan[2]	
		2020 (£'000)	2019 (£'000)	2020 (£'000)	2019 (£'000)	2020 (£'000)	2019 (£'000)
Fixed Pay	Base Salary [3]	86	204	52	-	234	310
	Benefits [4]	2	1	0.5	-	2	2
	Pension [5]	1	1	0.5	-	39	45
	Total Fixed Pay	**89**	**206**	**53**	**-**	**275**	**357**
Variable Pay	Bonus [6]	0	0	0	-	0	93
	LTIP [7], [8]	0	99	0	-	0	185
	Total Variable Pay	0	99	0	-	0	278
Total Single Figure of Remuneration		**89**	**305**	**53**	**-**	**275**	**635**

Notes:

(1) *Shaun Morton joined the Board on 17 July 2020. The 2020 remuneration data reflects pay for the period in which he was a Director of the Company.*

(2) *Paul Meehan stood down as a Director on 17 July 2020 and the 2020 remuneration data reflects pay for the period in which he was a Director of the Company.*

(3) *Simon Cooper's salary was increased to £207,060 with effect from 1 January 2020 however Simon voluntarily sacrificed his salary for 7 months of the year from March 2020 to September 2020 in light of the COVID-19 pandemic. Consistent with rest of the Board, Paul Meehan voluntarily agreed to a 20% pay cut from April and this was applicable for 3 months until he announced his resignation in June.*

(4) *Taxable benefits received were family medical insurance.*

(5) *Pension benefits in respect of Simon Cooper and Shaun Morton are employer contributions to the Group workplace pension scheme (3% of eligible earnings) in line with the rest of workforce. Paul Meehan was previously made a payment in lieu of pension contributions equivalent to 15% of his base salary.*

(6) *Annual bonus payments for performance in the relevant financial year. For FY20, no bonuses have been paid.*

(7) *The value of the LTIP for 2020 for Simon Cooper and Paul Meehan relates to the 2018 award, which had a three year performance period ending 30 September 2020. Based on performance over this period, the Remuneration Committee determined that none of the award would vest.*

(8) *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.*

Single total figure of remuneration for non-executive directors (audited)

		Richard Pennycook [1]		David Kelly [2]		Elaine O'Donnell	
		2020 (£'000)	2019 (£'000)	2020 (£'000)	2019 (£'000)	2020 (£'000)	2019 (£'000)
Fixed Pay	Fees[3]	145	67	57	95	51	57
	Benefits	0	0	0	0	0	0
	Pension	0	0	0	0	0	0
	Total Fixed Pay	**145**	**67**	**57**	**95**	**51**	**57**
Variable Pay	Bonus	0	0	0	0	0	0
	LTIP	0	0	0	0	0	0
	Total Variable Pay	0	0	0	0	0	0
Total Single Figure of Remuneration		**145**	**67**	**57**	**95**	**51**	**57**

Notes:

[1] *The 2019 remuneration data reflects that Richard Pennycook was appointed Non-Executive Chairman of the Board and Chair of the Nomination Committee from 1 April 2019.*

[2] *The 2019 remuneration data reflects that David Kelly acted as interim Chairman of the Board and interim Chair of the Nomination Committee from 1 December 2018 until 31 March 2019, 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 Chairman of the Board on 1 April 2019.*

[3] *All Non-Executive Directors voluntarily agreed to a 20% reduction in their fees for 6 months of the year from April 2020 to September 2020 in light of COVID-19 .*

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)

2020 annual bonus awards and performance targets

For the year ended 30 September 2020, the maximum bonus opportunity for Simon Cooper and the former CFO, Paul Meehan, would have been 100% of salary.

As noted in the Chairman's statement, the performance of the Group in H2 has been significantly impacted by COVID-19 and the Group took swift and affirmative action in response. The Committee recognises the strong contribution of the Executive Directors and the wider Executive team during FY20, and the actions taken to mitigate the impact of the global pandemic and protect the Group for the long term. Notwithstanding this, as announced in April 2020, the Committee determined (with the agreement of the CEO) that it would not be appropriate to pay a bonus to employees, including the Executive Directors for FY20. The annual bonus plan was therefore cancelled for the year.

Paul Meehan stepped down as CFO on 17 July. As noted above, Paul did not receive any bonus in respect of FY20. Please see page 99 for further details of Paul's leaving arrangements.

Shaun Morton joined the Board on 17 July 2020. At such point, it had already been agreed that no bonuses would be awarded throughout the Group, therefore he was not eligible for a bonus in respect of the period from 17 July 2020 to 30 September 2020.

Long term incentives awarded in FY18 with performance period ending in 2020

Simon Cooper and Paul Meehan were both granted awards on 20 December 2017 with a three year performance period commencing on 1 October 2017 and ending on 30 September 2020. The awards were due to vest in December 2020. 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 2020	Vesting
Less than 29.25p	0%
29.25p	25%
35.75p or above	100%
Between 29.25p and 35.75p	Straight line vesting between 25% and 100%
Actual EPS: 0.4p	**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 2020	Vesting
Less than 8%	0%
8%	25%
15% or above	100%
Between 8% and 15%	Straight line vesting between 25% and 100%
Actual TSR: -13.4%	**0%**

Based on the above performance outcomes, none of the awards vested. No discretion was applied to the final vesting outcome shown above.

Long term incentives awarded in 2020 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2020 financial year. Vesting will be determined according to the achievement of performance conditions as outlined below.

Director	LTIP	Value of award	Face value of award (£'000)	Number of shares awarded	Exercise Price (£)	Percentage of award vesting at threshold performance	Performance period end date	Performance conditions
Simon Cooper	LTIP – nil cost option	100% of salary	£204	53,487	Nil	25%	30 December 2022	EPS (70%) Absolute TSR (30%)
Paul Meehan	LTIP – nil cost option	200% of salary	£620	162,559	Nil	25%	30 December 2022	EPS (70%) Absolute TSR (30%)

The awards were granted on 3 December 2019. The number of shares awarded is calculated using the closing share price on 30 September 2019, which was £3.814.

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

Performance tier	Cumulative EPS over the three financial years FY20, FY21 and FY22[1]	% of EPS element capable of vesting
Below threshold	Less than 77.7 pence	0%
Threshold	77.7 pence	25%
Maximum	94.9 pence or above	100%
Between threshold and maximum	Between 77.7 and 94.9 pence	25% - 100% pro-rata on a straight line basis

(1) *Cumulative EPS means the sum of the actual EPS for FY20, FY21 and FY22.*

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	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.

Shaun Morton was granted an award under the LTIP scheme during the year under the review, albeit this award was granted whilst Shaun was acting as Director of Finance and prior to him becoming an Executive Director on 17 July 2020:

Director	LTIP	Value of award	Face value of award (£'000)	Number of shares awarded	Exercise Price (£)	Performance conditions
Shaun Morton	LTIP – nil cost option	50% of salary	£67.5	17,698	Nil	None - subject to continued employment

The award was granted on 3 December 2019. The number of shares awarded is calculated using the closing share price on 30 September 2019, which was £3.814.

Payments for loss of office (audited)

Paul Meehan ceased to be a Director with effect from 17 July 2020 but was placed on garden leave until 29 December 2020 (**Termination Date**).

- Paul was entitled, under his service agreement, to receive his salary and contractual benefits up to the Termination Date. The Committee agreed to make a lump sum payment to Paul in respect of his basic salary accruing from 17 July 2020 to the Termination Date, equal to £142,802.69, together with a sum in lieu of pension contributions equal to £23,598.75. Paul was also paid a sum in lieu of 5.5 days' accrued but untaken holiday equal to £6,656.06. Paul will continue to receive other contractual benefits (such as family medical insurance) until the Termination Date (equal to £1,309.55).
- The Committee determined that Paul was a good leaver in relation to outstanding LTIP awards. In accordance with the rules of the LTIP, the outstanding awards will vest on their normal vesting dates, after a pro rata reduction to reflect the period of time served during the applicable vesting period. The awards will only vest to the extent the relevant performance conditions (measured over the full performance period) are achieved. All outstanding awards will remain subject to malus and clawback.
- As set out in more detail above, in relation to the LTIP award granted to Paul in FY18, which had a three-year performance period ending 30 September 2020, based on performance over this period, the Remuneration Committee determined that none of the award would vest.
- Paul received no other payments by way of compensation for loss of office.
- The Company has a policy that post-cessation of employment, Directors should continue to be bound by any holding period for any share awards they have received, as if they were still in employment. Paul will abide by this policy.

There were no other payments to past Directors or payments for loss of office to Directors during FY20.

Statement of directors' shareholdings and share interests (audited)

Director	*Share plan awards subject to performance condition*[1]	*Share plan awards subject to continued employment*	*Share plan interests vested but unexercised*	*Shares held outright*[2]
Simon Cooper	145,015	-	50,298[3]	11,719,300
Shaun Morton	45,000[4]	88,881[5]	15,763[6]	0
Paul Meehan[7]	382,011[8]	-	42,705[9]	26,105

Between 30 September and the date of this report (10 December 2020), Simon Cooper and Shaun Morton's shareholdings and share interests remained unchanged.

Notes:

(1) *Including the 2018 LTIP award for which the performance period ended on 30 September 2020. Although the performance outcome was nil, the award did not formally lapse until 8 December 2020.*

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

(3) *Simon Cooper's 2016 LTIP award vested on 27 November 2018 and his 2017 award vested on 26 November 2019. Performance in relation to both awards was based on EPS (70% weighting and annualised TSR (30% weighting) over the three-year period to 30 September 2018 and 30 September 2019 respectively. 30% of the 2016 award vested, equivalent to 27,522 nil-cost options and 22.9% of the 2017 award vested, equivalent to 22,776 nil-cost options.*

(4) *Shaun has not been granted any awards to date in his capacity as an Executive Director (however it is intended that he will be granted awards during FY21 in line with the Remuneration Policy – see page 91). Shaun was granted LTIP awards during his tenure as Director of Finance. In this respect, Shaun has been granted a total of 45,000 share plan awards which are subject to performance conditions.*

(5) *As per above, Shaun has not been granted any share plan awards in his capacity as an Executive Director. However during Shaun's tenure as Director of Finance, he was granted awards over 88,881 shares which are subject to continued employment. These awards are due to vest between September 2021 and September 2022.*

(6) *As per above, Shaun has not been granted any share plan awards in his capacity as an Executive Director. However during Shaun's tenure as Director of Finance, he was granted awards over 15,763 shares which vested on 30 September 2020 but have not yet been exercised.*

(7) *Figures for Paul Meehan are as at 17 July 2020, the date he stepped down as CFO and from the Board*

(8) *These awards will be pro-rated to reflect the period of time served during the applicable vesting period. For Paul's 2018 award (for which the performance period ended on 30 September 2020) the maximum number of shares under award was 94,578, however none of the award vested. Paul's 2019 award is over a maximum number of 124,874 shares and Paul's 2020 award is over a maximum number of 162,559. Performance in relation to both awards is based on EPS (70% weighting and annualised TSR (30% weighting) over the three-year period to 30 September 2021 and 30 September 2022 respectively.*

(9) *Paul Meehan's 2017 LTIP award vested on 26 November 2019. Performance was based on EPS (70% weighting and annualised TSR (30% weighting) over the three-year period to 30 September 2019. 22.9% of the 2017 award vested, equivalent to 42,705 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 2020*	
	Number of options exercised	*Share price on date of exercise*
Simon Cooper	-	N/A
Shaun Morton	-	N/A
Paul Meehan	-	N/A

GOVERNANCE

Annual Report on Remuneration

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	11,745,957	13,841%	Yes
Shaun Morton[3]	200% of salary	55,461	54%	No
Paul Meehan[4]	200% of salary	48,738	38%	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 244 pence as at 30 September 2020 (the last business day of the financial year ending 30 September 2020) has been taken for the purpose of calculating the current shareholding as a percentage of salary.*

(3) *Shaun Morton joined the Company as CFO on 17 July 2020 and has five years from this date to build up his shareholding requirement.*

(4) *Data for Paul Meehan is correct as at 17 July 2020 which is the date he stepped down as a CFO and a director. The Company has introduced a policy that that post-cessation of employment, Directors should continue to be bound by any holding period for any share awards they have received, as if they were still in employment and Paul will abide by this policy*

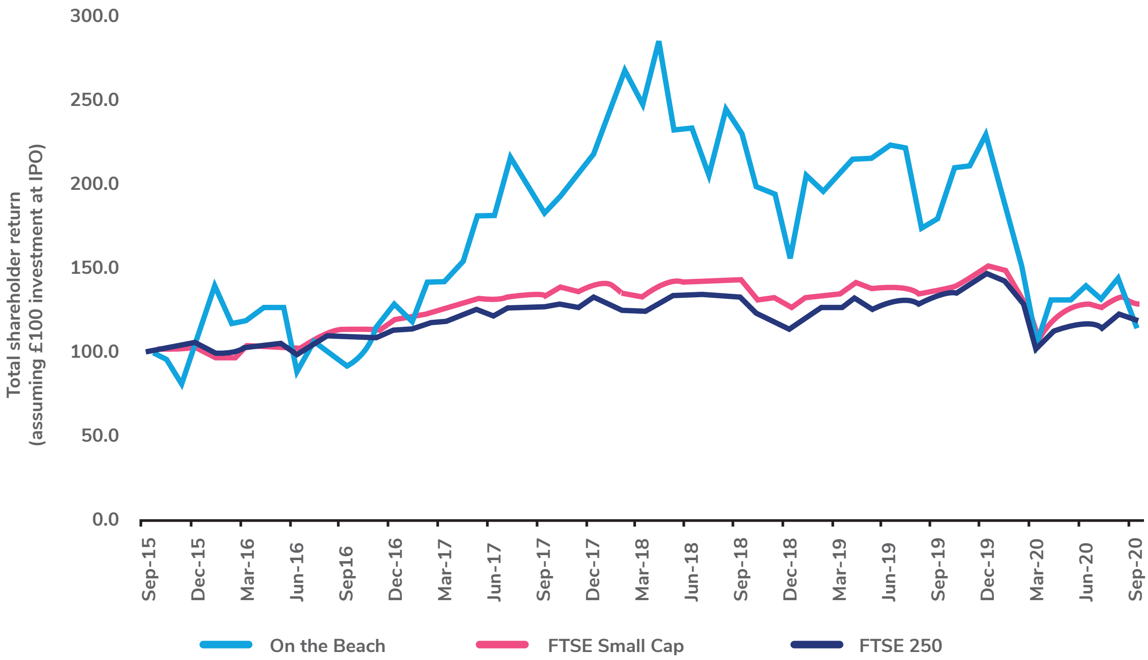
Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	Shares held 30 September 2020
Richard Pennycook	45,970
David Kelly	7,228
Elaine O'Donnell	8,417

Between 30 September and 10 December 2020, the Non-Executive Director’s interest in shares remained unchanged.

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. These indices were chosen as they reflect an index to which the Group has been a constituent since the IPO in 2015. 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. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 September 2015 and therefore only has a listed share price for the period from 28 September 2015 to 30 September 2020.



Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer since Admission:

Chief Executive Officer	2020	2019	2018	2017	2016	2015
Total Single Figure (£000s)	89	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 to the London Stock Exchange, with the first grant made in May 2016.

Change in Directors' remuneration compared with employees

The following table sets out the percentage change in the salary/fees, benefits and bonus for each Director from 2019 to 2020 compared with the average percentage change for employees'.

	Salary/fees	Benefits	Bonus
Executive Directors			
Simon Cooper	(58%)	-	-
Paul Meehan	(25%)	-	(100%)
Shaun Morton[1]	N/A	N/A	N/A
Non-Executive Directors			
Richard Pennycook	(10%)[2]	-	-
David Kelly	(40%)[3]	-	-
Elaine O'Donnell	(10%)	-	-
Wider workforce			
Average employee of the Company	N/A	N/A	N/A
Average employee – Group wide[4]	3.6%[5]	-	(100%)

Notes:

(1) *Shaun Morton was appointed to the Board on 17 July 2020, therefore there is no FY19 comparison.*

(2) *Richard Pennycook's fees for FY19 have been annualised for the purposes of calculating the percentage change (Richard was appointed part way through FY19).*

(3) *David Kelly received additional fees of £32,667 in FY19 in relation to the period where he acted as interim Chair of the Board and interim Chair of the Nomination Committee, which is the reason for the different percentage change in comparison to the other Non-Executive Directors.*

(4) *As the only employees of the Company are its Directors, we have presented data based on average remuneration for employees across the Group.*

(5) *Average employee percentage change is based on earnings of full time employees that were employed throughout the current and comparison period.*

The employee engagement committee and other engagement initiatives continue to meet and have a tangible input into all matters affecting the company, including remuneration and benefits. Further details on these initiatives can be found on pages 54 to 56.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2019 and 2020 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2020 financial year	Disbursements from profit in 2019 financial year	% change
	(£m)	(£m)	
Profit distributed by way of dividend	2.6	4.3	(40%)
Overall spend on pay including Executive Directors	19.0	19.9	(5%)

CEO pay ratio reporting

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, we have set out below the ratio of CEO pay (based on single total figure of remuneration) to that of UK employees for 2020. The calculation has been performed in line with 'Option A' and is based on the total single figure of remuneration methodology.

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	Option A	5:1	3:1	2:1

We used 'Option A' as we believe this is the most statistically robust method and is in line with the general preference of institutional shareholders. All figures are calculated using pay and benefits data for the financial year to 30 September 2020 for individuals employed as at the financial year end. The pay ratio has been calculated using the actual pay and benefits received in FY20. No elements of pay were omitted. Full-time equivalent figures were determined by up-rating relevant pay elements based on the average proportion of full-time hours the employee worked during the year and (for joiners during the year) the proportion of the year they were employed. Employees who left during the year were not included in the calculation. The CEO's single figure remuneration reflects his voluntary waiver from March to September 2020 and each employee's total pay and benefits was calculated taking into account any reduced level of pay during the year (for example during a period of voluntary salary reduction, or whilst furloughed under the Coronavirus Government Job Retention Scheme, although furloughed employees earning less than £25,000 received full pay during the first three months of the scheme.

The table below sets out the salary, and total pay and benefits, for each of the 3 quartile employees (P25, P50 and P75)

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£19,000	£25,712	£36,069
Total pay and benefits	£19,568	£26,382	£37,114

The Committee believes that the median ratio is consistent with the pay, reward and progression policies for the Group's employees. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. In reviewing the ratios the Committee also noted that the CEO's remuneration package is weighted more heavily towards variable pay (including the bonus and LTIP) than the wider workforce due to the nature of the role, and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

Given the material reduction in CEO pay this financial year, the pay ratio is expected to increase next year. If Simon Cooper had not taken any voluntary reductions to salary this financial year, the median pay ratio would have been 8.1.

Shareholder voting at general meeting

The Committee is committed to shareholder dialogue, seeks to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Remuneration Policy was subject to a shareholder vote at the AGM on 7 February 2019 and the Directors' Annual Report on Remuneration was subject to a shareholder vote at the AGM on 6 February 2020, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' Remuneration Policy (2019 AGM)	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 2019 (2020 AGM)	89,498,760 (83.80%)	17,298,452 (16.20%)	1,978,770

Annual Report on Remuneration

Ahead of the publication of last year's Annual Report, Richard Pennycook as Chairman and David Kelly as chair of the Remuneration Committee led an engagement process to discuss, inter alia, the remuneration arrangements for the year ended 30 September 2019. Whilst the Company's major shareholders were supportive of such arrangements and indeed there was no significant minority vote against the resolution to approve the Directors' Remuneration Report at the 2020 AGM, the Committee is however mindful of comments received from investors in relation to the payment of Paul Meehan's bonus, namely the fact that all of Paul's bonus was paid in cash. The Committee made the decision to not defer any of Paul's bonus award into shares in view of the low-level pay-out of the bonus (30% of maximum opportunity) and the fact that no bonus has been paid out since FY16. The Committee however has reflected on this feedback and had any bonuses been payable this year, then a proportion of such bonus would have been deferred into shares.

Implementation of remuneration policy in financial year FY21

The Remuneration Committee proposes to implement the policy for 2021 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 no salary increases will be applied for Simon Cooper and Shaun Morton for FY21 due to current trading performance in light of COVID-19.

Name	Salary (£)		Percentage Change
	2021	2020	
Simon Cooper	£207,060	£207,060	-
Shaun Morton	£250,000	£250,000	-

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 change to the fees will be made in FY21.

Position	*Fee*
Chairman 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 Chairman as the Chair of the Nomination Committee

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 senior management team and is kept informed of remuneration developments across the Group including the salary increases and employee benefits of the wider employee population.

The Committee does not consult directly with colleagues when determining the Remuneration Policy for Executive Directors. However, awards under the LTIP scheme are operated for other colleagues to ensure alignment of objectives across the Group and pension entitlement for the current Executive Directors is in line with the rest of the workforce.

We are currently conducting a comprehensive review of our reward strategy and total remuneration structure across the Group to ensure it is aligned with culture, values, strategy, and has consistency across banding structure. This work, which is being overseen by the Committee started towards the end of FY20 and will continue over FY21.

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 FY21 will be based on PBT performance, with the remaining 30% based on performance against non-financial targets aligned with the company's strategy. For FY21, the non-financial metrics will again be based on Net Promoter Score and Employee Engagement Score

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed performance targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets will be published following the end of the performance period in line with established practice so shareholders can fully assess the basis for any pay-outs under the annual bonus.

To ensure that the bonus opportunity results in shareholder alignment and provides greater retention value, up to 50 per cent of any bonus payment will be deferred into nominal cost share options for two years. Malus and clawback provisions will apply.

LTIP award

It is intended that a grant under the LTIP will be made during FY21. The LTIP award for Simon Cooper will be 100% of salary (below the 200% of salary limit under the Policy), consistent with FY20, to reflect his material shareholding. The LTIP award for Shaun Morton will be 200% of salary, consistent with the previous CFO, to help build his shareholding and align with shareholder interests. The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three year period. We are currently finalising the performance targets for the award, which will be disclosed in the RNS announcement accompanying the grant, as well as in next year's Directors' Remuneration Report.

The Committee believes that these two measures are transparent, easy to understand, easy to track and communicate, cost effective to measure and fundamentally aligned to the Group's strategic goals.

Composition and terms of reference of the Remuneration Committee

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

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 3 times during FY20 and member attendance is set out below:

	Member from	*Meetings attended*
David Kelly (Chair)	August 2015	3/3
Elaine O'Donnell	July 2018	3/3
Richard Pennycook	April 2019	3/3

GOVERNANCE

Annual Report on Remuneration

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 and that all individuals who provided remuneration advice to the Committee have no connections with the Company or its Directors that may impair their independence. 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 £47,950 for their advice during the year to 30 September 2020.

On behalf of the Board

David Kelly
Chair of the Remuneration Committee
10 December 2020

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
Employee engagement	page 56
Employment of disabled persons	page 56
Future developments of the business	pages 19-23, 43
Engagement with suppliers, customers and others	pages 46-53
Stakeholder engagement and s.172 statement	pages 46-53
Viability statement	pages 43-44
Directors' interests	pages 64-65, 73
Directors Responsibilities Statement	page 121
Greenhouse gas emissions	pages 58-59
Risk management	Strategic Report (pages 32 to 42) and note 24 to the consolidated financial statements
Human rights and anti-bribery and corruption	page 60
Diversity	page 55
Non-financial key performance indicators	pages 25-26

Directors' Report

All sections under the heading "Governance" on page 62 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 2020.

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 32 to 42.

Management Report

This Directors' Report (pages 62 to 121) together with the Strategic Report (pages 6 to 61) form the Management Report for the purposes of DTR 4.1.8R.

UK Corporate Governance Code

The Company's statement with regards to its adoption of the UK Corporate Governance Code can be found in the Corporate Governance Statement on pages 66 to 74. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference.

Directors

The names of the directors who held office during the year are set out on pages 64 and 65. Biographical details of all the directors serving at the date of this annual report are shown on pages 64 and 65. Subject to law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to Committees.

Appointment and replacement of Directors

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

Shaun Morton will stand for election and all other Directors will retire and stand for re-election at the 2021 AGM.

Other Statutory and Regulatory Disclosures

Amendment of Articles of Association

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

Share capital and control

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

The issued share capital of the Company as at 30 September 2020 comprised 157,362,037 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 153 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 153. All the information detailed in note 22 on page 153 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company held on 6 February 2020 the Directors were granted authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £874,758.17 (87,475,817 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 2021 AGM.

Allotment of equity securities for cash

During the year under review, the Company completed a non-pre-emptive placing, pursuant to which it issued an aggregate of 26,143,500 new ordinary shares of £0.01 each to certain institutional and qualified professional investors at a placing price of 257.5p per ordinary share. The aggregate nominal value of ordinary shares issued pursuant to the placing was £261,435. The aggregate gross consideration received by the Company in respect of the placing was £67.3m. The closing price of an ordinary share on 21 May 2020 (being the business day by which the placing price was fixed) was 257.5p.

In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm the net proceeds raised were c.£65m and the proceeds will provide the Group with greater resilience, flexibility and firepower through the current downturn to enable the Group to exit this extended disruptive period in a strong position and to ensure the Group continues to progress towards its long-term vision to become Europe's leading online retailer of beach holidays. No shares were issued for cash in the three year period preceding the placing (other than in respect of shares issued pursuant to the Company's employee share schemes). Prior to preparing for the equity raise, the Board carefully considered all options, including whether to do a full rights issue so as to respect pre-emption. Unfortunately, given the long timelines involved and the expense and complexity of the process, the Board decided it was in the best interests of the Company to proceed with the 19.9% cash box placing equity raise.

The Board was very conscious of the need to respect pre-emption as far as possible, and this was a key area of focus with advisers and we ensured that the marketing process and also the allocation policy adopted by the brokers were designed in such a way as to respect pre-emption. Prior to launching the equity raise, we engaged with shareholders who had been wall crossed via our brokers and through that process, we understood our shareholders' views on the equity raise and understood whether it was going to be something that our shareholders were going to be supportive of. The placing was over-subscribed, with no discount applied in respect of the placing price.

Authority to purchase own shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 13,121,373 shares (equivalent to 10% of the Company's ordinary share capital as at 20 December 2019). No shares were bought back under this authority for the year ended 30 September 2020. This authority will expire at the conclusion of the 2021 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 him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

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

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.

Employee share schemes

The Company has three employee share schemes in place:

- A HMRC-approved Share Incentive Plan ("SIP") to encourage wide employee share ownership and thereby align employees' interests with shareholders;
- 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 for retention purposes, and these are accompanied by a CSOP market value option for tax efficiency purposes; and
- 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 pages 84 to 106.

Other Statutory and Regulatory Disclosures

Annual General Meeting

The Annual General Meeting will be held at 11 am on 5 February 2021 at the Company's headquarters at Aeroworks, 5 Adair Street, Manchester, M1 2NQ. In light of the ongoing COVID-19 pandemic and in anticipation of social distancing measures remaining in force, the AGM is currently intended to be held as a closed meeting. Directors who are also shareholders will attend the AGM in person to ensure that a valid meeting is held, but regrettably other shareholders will not be permitted to attend in person. However, should guidance issued by the UK Government change in advance of the meeting, then the Board will look to hold an open meeting if this can be done safely and we will update shareholders accordingly if that is the case. In the event that the AGM does run as a closed meeting, shareholders will be invited to submit in advance any questions on either the formal business of the meeting or matters they would have asked at the Company's usual post-meeting Q&A. Shareholders will also be encouraged to appoint the Chairman of the meeting as their proxy and give their instructions on how they wish the Chairman to vote on the proposed resolutions.

Notifiable Changes to Substantial Shareholdings

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 11,719,300 shares (7.45% of the issued share capital).

Name of Shareholder	Number of shares	Nature of holding as per disclosure	Date of Notification
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
Mawer Investment Management	13,139,043	10.01%	24 February 2020
The Independent Investment trust plc	-	Below 3%	24 March 2020
Armor Advisors	3,755,565	2.9%	1 April 2020
Mawer Investment Manager Ltd.	18,318,261	11.64%	25 May 2020
Hawksford Trustees Jersey Ltd (as trustees of the SC 2014 Settlement)	9,684,999	6.15%	28 May 2020
Mawer Investment Management	18,896,038	12.01%	27 November 2020

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

Between 30 September 2020 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. See note 27 to the consolidated financial statements.

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.

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 154 to 159 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 123 to 165.

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.

Notwithstanding the foregoing as announced on 8 April 2020, no interim dividend was declared during FY20. In view of the exceptional circumstances and the likelihood that disruption will continue into 2021, the Board is not recommending a final dividend in respect of FY20.

Information to be disclosed under Listing Rule 9.8.4R

Disclosures required by the FCA's Listing Rule 9.8.4R can be found on the following pages:

Information required	*Subsection of LR9.8.4R*	*Page reference*
Details of long-term incentive schemes	(4)	page 97
Waiver of emoluments by a director	(5)	page 95
Allotments of equity securities for cash	(7)	page 108

Save as set out above, there is no other information to disclose in relation to the provisions of Listing Rule 9.8.4R.

Other Statutory and Regulatory Disclosures

Auditor

The auditor, Ernst & Young LLP, is willing to continue in office and a resolution for its re-appointment as auditor of the Company will be submitted to the AGM.

Disclosure of information to the Auditor

Each of the Directors has confirmed that:

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

(ii) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approval of the Annual Report

The Strategic Report and Corporate Governance Report were approved by the Board on 10 December 2020.

Approved by the board and signed on its behalf:

K Vickerstaff
Company Secretary
10 December 2020

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 2020 and of the group's loss 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 2020
Consolidated balance sheet as at 30 September 2020	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 32 to 42 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 32 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 44 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 page 43 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.

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

Overview of our audit approach

Key audit matters	› Revenue recognition › Impact of COVID-19 › Goodwill, intangible and tangible assets carrying value
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 Loss before tax and 100% Normalised profit before tax adjusted for the impact of exceptional items, 100% of Revenue and 100% of Total assets.
Materiality	› Overall group materiality of £897,000 which represents 5% of Normalised profit before tax adjusted for the impact of 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 (£33.7m of risk, PY comparative £140.4m) *Refer to the Audit Committee Report (page 78); Accounting policies (page 132); and Note 3 of the Consolidated Financial Statements (page 137)* Given the high volume, low value nature of the revenue transactions in the business, we have determined the revenue recognition risk to be related to management override through 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 manual journal entries impacting on revenue which fall outside of the standard booking process journals for evidence of management override. Performed monthly analytical review on revenue and gross margin for each trading entity comparing actual results with prior year and investigating and corroborating 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 above our testing threshold have been fully investigated and substantively tested. We performed full scope audit procedures which covered 100% of revenue.	Our journal entry and data analytics testing procedures did not identify any instances of management override in the recognition of revenue or evidence of material misstatements across the Group in the financial year. Based on the audit procedures performed we did not identify evidence of material misstatements in the revenue recognised in the current year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of COVID-19 (41.7m of risk) *Refer to the Audit Committee Report (page 78); Accounting policies (page 137); and Note 3 of the Consolidated Financial Statements (page 138)* We have identified a significant risk during our year-end audit in relation to the accounting implications following the COVID-19 pandemic and the impact on the year end results. The COVID-19 pandemic has significantly affected the trading conditions of the Group and multiple account balances. We consider the risk to be focused around the following areas: › Completeness and accuracy of both the cancellations recorded in the year and the cancellation provision recognised in relation to estimated levels of future cancellations expected for bookings made prior to 30 September 2020 materialise; › Appropriateness of the recognition of the receivable relating to airline refunds/chargeback claims; › Recoverability of supplier receivables including airline receivable and hotelier prepayments; › Presentation and disclosure of these COVID-19 related balances as exceptional items and the use of alternative performance measures	*We have performed the following procedures:* Identified and assessed the key controls over the appropriateness of the exceptional item. *Cancellations recorded in year* Independently reperformed management's calculation of the cancellations processed in the year using a data analytics approach to challenge the completeness and accuracy of the associated lost margin. *Cancellation provision* Critically challenged the appropriateness of the cancellation rates adopted by management with reference to external data sources including projected travel industry recovery and actual cancellation rates since March 2020 Independently recalculated the cancellation provision by using a data analytics approach to apply management's cancellation assumptions to the open bookings at 30 September 2020 Selected a sample of bookings and agreed sales value, flight cost, hotel cost and transfer cost to third party evidence to support the integrity of the datasets used in our analytics techniques *Recognition of airline receivable* Assessed whether reimbursement for cancelled flights is virtually certain based on the contractual terms with both the airlines and chargeback companies, and therefore whether the airline receivable should be recognised. *Recoverability of supplier receivables* Assessed the reasonableness of the recoverability of the airline receivable balance due back under EU 261 Regulations by testing a sample of bookings to post year-end settlements as well as evaluating the completeness and appropriateness of managements corresponding provision where recovery is considered at risk. Corroborated the appropriateness of the carrying value of hotelier prepayments with reference to independent confirmations from hoteliers of outstanding balances and utilisation periods considering the financial viability of the hotels, and compared the prepayment against future bookings. *Presentation and disclosure* Assessed the rationale for alternative performance measures used, their role in reporting a fair, balanced and understandable assessment of performance and whether appropriate reconciliations to GAAP measures were provided. We performed full scope audit procedures which covered 100% of the related balances.	Based on our procedures performed we are satisfied with, the completeness and accuracy of the cancellations recorded in the year and the cancellation provision recognised at yearend, the recognition of the receivable relating to airline refunds / chargeback claims and the recoverability of supplier receivables, including airline and hotelier receivables We are satisfied that the COVID-19 related items are disclosed appropriately in the financial statements and that the use of APMs throughout the Annual Report and Accounts is 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
Carrying value of goodwill, intangible and tangible assets *There is a goodwill balance on consolidation of £40.2m (2019: £40.2m), intangible assets balance of £39.5m (2019: £88.2m) and tangible assets balance of £9.8m (2019: £10.5m).* Annual impairment assessments are required in respect of the carrying value of these assets and due to the inherent uncertainty involved in forecasting and discounting future cash flows, heightened by the uncertainties of the COVID-19 pandemic, there is a risk that the goodwill, intangible and tangible assets may be impaired.	*We have performed the following procedures:* Identified and assessed the key controls over the appropriateness of the exceptional item. Compared the cancellation assumptions applied in the projected financial information used to those used in the calculation of the exceptional cancellation provision. Critically assessed the projected financial information used to external data sources including projected travel industry recovery. Used our EY Valuation team specialists to assess the discount rate by reference to industry benchmarks. Obtained financial information from the subsequent period to consider the actual results in comparison to the forecast and assessed historic accuracy of management's budgeting process. Performed independent sensitivities on the forecast cash flows including reduction in growth rates and delaying return to recovery and concluded no impairment. Checked impairment disclosures for completeness and accuracy. We performed full scope audit procedures which covered 100% of the related balances.	Based on our procedures performed we are satisfied that the excess of discounted cash flows in comparison to CGU carrying values confirming no impairment is required.

In the prior year, our auditor's report included a key audit matter in relation exceptional items arising as a result of the failure of Thomas Cook. In the current year, this is no longer a Key Audit Matter on the basis the event was one-off and the impact was non-recurring.

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 Loss before tax and 100% of the Group's profit before tax adjusted for 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.

Impact of COVID-19

As a result of the COVID-19 outbreak and resulting lockdown restrictions we have modified our audit strategy to allow for the year end audit to be performed remotely. This approach was supported through remote user access to the Group's financial systems and the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence.

We have also revisited our procedures in respect of the Directors' going concern assessment, taking into account the nature of the Group, its business model and related risks. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including the consistency of the cash flow forecasts, the key assumptions within the scenarios modelled and the available sources of liquidity with the findings from other areas of the audit. We assessed the impact of additional stress testing on the going concern assessment. We have also reviewed the disclosures contained within the Annual Report and consolidated financial statements in relation to this issue and consider them to describe adequately the impact of COVID-19 on the Group as at 30 September 2020.

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.

Using professional judgement we determined materiality to be £897,000 *(2019: £1,360,000)*.
In determining our benchmark for materiality we considered a number of different metrics used by investors and other users of the financial statements. We consider that analysts are focused on the speed at which underlying operations and revenue are returning to normal. Setting materiality when the business has been impacted by COVID19 requires greater auditor judgement. We continue to believe that a materiality based on profit before tax adjusted for exceptional items is appropriate given the nature of the group, but 2020 results have been distorted as a result of the pandemic. For the current year, we have sought to derive a normalised basis for setting that profit measure and we have set at 5% of the average profit before tax adjusted for exceptional items for FY20, FY19 and FY18.

This approach is a change from the prior year (which was based on 5% of profit before tax adjusted for exceptional items).

We determined materiality for the Group to be £897,000, which is 5% of normalised profit before tax adjusted for exceptional costs (£17,392,000).

We determined materiality for the Parent Company to be £897,000, which is 2% of Equity, (on the basis of being a non-trading holding company), capped at the materiality of the Group.

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 set at £673,000 *(2019: £680,000)* which represents 75% *(2019: 50% due to first year audit)* of group materiality. For areas relating to COVID-19 that we have assessed as being of greater importance to the users of the financial statements we have worked to lower levels of performance materiality, these include the areas listed within the "Impact of COVID-19" key audit matter described above.
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 £135,000 to £572,000.

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 £45,000, 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 1-121, 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 121 – 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** pages 78 to 83 – 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 66 – 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 121*, 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.

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

- 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 2 years, covering the year ending 30 September 2019 and the year ending 30 September 2020.
- 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
10 December 2020

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, Shaun Morton, 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.

Shaun Morton
Chief Financial Officer
10 December 2020

Financial Statements

Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2020

	Note	2020 £'m	Restated (note 2) 2019 £'m
Revenue	4,5	33.7	140.4
Cost of sales		(17.7)	(48.4)
Gross profit		**16.0**	**92.0**
Administrative expenses	6	(61.9)	(72.7)
Group operating (loss)/profit		**(45.9)**	**19.3**
Finance costs	8	(0.8)	(0.5)
Finance income	8	0.4	0.5
Net finance (costs)/income		**(0.4)**	**-**
(Loss)/profit before taxation		**(46.3)**	**19.3**
Taxation	9	7.5	(3.7)
(Loss)/profit for the year		**(38.8)**	**15.6**
Other comprehensive income:			
Net gain/(loss) on cashflow hedges		0.1	(0.1)
Total comprehensive (loss)/income for the year		**(38.7)**	**15.5**
Attributable to:			
Equity holders of the parent		(38.7)	15.5
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:			
Basic (loss)/earnings per share	10	**(27.6p)**	**11.9p**
Diluted (loss)/earnings per share	10	**(27.6p)**	**11.9p**
Adjusted (loss)/earnings per share*	10	**(0.5p)**	**21.3p**
Adjusted profit measure*			
Adjusted PBT (before amortisation of acquired intangibles, exceptional & non underlying costs and share based payments) *	6	**0.6**	**34.5**

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

The notes on pages 127 to 161 form part of the financial statements.

Consolidated Balance Sheet

Year ended 30 September 2020

Assets	Note	2020 £'m	Restated (note 2) 2019 £'m	Restated (note 2) 2018 £'m
Non-current assets				
Intangible assets	11	79.6	85.1	88.2
Property, plant and equipment	12	9.9	10.6	9.2
Investment property	13	0.6	0.6	0.8
Total non-current assets		**90.1**	**96.3**	**98.2**
Current assets				
Trade and other receivables	15	104.7	94.6	71.4
Assets held for sale	16	-	0.2	0.5
Derivative financial instruments	24	0.5	-	0.1
Corporation tax receivable		4.5	-	0.7
Trust account	17	25.8	44.0	38.4
Cash at bank		36.5	54.8	47.3
Total current assets		172.0	193.6	158.4
Total assets		**262.1**	**289.9**	**256.6**
Equity				
Share capital	22	1.6	1.3	1.3
Share premium	23	64.8	-	-
Retained earnings	23	215.0	256.9	245.2
Capital contribution reserve	23	0.5	0.5	0.5
Merger reserve	23	(129.5)	(129.5)	(129.5)
Total equity		**152.4**	**129.2**	**117.5**
Non-current liabilities				
Deferred tax	21	2.6	6.1	7.2
Trade and other payables	18	3.8	4.2	4.5
Total non-current liabilities		**6.4**	**10.3**	**11.7**
Current liabilities				
Corporation tax payable		-	0.2	-
Trade and other payables	18	92.4	136.9	127.4
Provisions	18	10.9	12.3	-
Derivative financial instruments	24	-	1.0	-
Total current liabilities		**103.3**	**150.4**	**127.4**
Total liabilities		**109.7**	**160.7**	**139.1**
Total equity and liabilities		**262.1**	**289.9**	**256.6**

The financial statements from pages 123 to 165 were approved by the Board of Directors and authorised for issue.

Shaun Morton
Chief Financial Officer
Thursday, 10 December 2020
On the Beach Group plc. Reg no 09736592

Consolidated Statement of Cash Flows

Year ended 30 September 2020

	Note	2020 £'m	Restated (note 2) 2019 £'m
(Loss)/profit before taxation		(46.3)	19.3
Adjustments for:			
Depreciation		1.9	1.6
Amortisation of intangible assets		9.5	8.7
Finance costs		0.8	0.5
Finance income		(0.4)	(0.5)
Share based payments		(0.6)	0.7
		(35.1)	**30.3**
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(7.4)	(22.2)
(Decrease)/increase in trade and other payables		(50.6)	24.6
Decrease/(increase) in trust account		18.3	(5.6)
		(39.7)	(3.2)
Cash flows from operating activities			
Cash used in operating activities		(74.8)	27.1
Tax paid		(0.2)	(3.8)
Net cash outflow from operating activities		**(75.0)**	**23.3**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1.2)	(3.3)
Proceeds from disposal of assets held for sale		0.2	0.3
Purchase of intangible assets	11	(4.0)	(5.1)
Interest received		0.4	0.5
Contingent consideration		-	(2.7)
Net cash outflow from investing activities		**(4.6)**	**(10.3)**
Cash flows from financing activities			
Proceeds from issue of share capital		65.1	-
Equity dividends paid		(2.6)	(4.6)
Interest paid on borrowings	8	(0.6)	(0.3)
Interest paid on lease liabilities	8	(0.2)	(0.2)
Payment of lease liabilities		(0.4)	(0.4)
Net cash inflow from financing activities		**61.3**	**(5.5)**
Net increase in cash at bank and in hand		(18.3)	7.5
Cash at bank and in hand at beginning of year		54.8	47.3
Cash at bank and in hand at end of year		**36.5**	**54.8**

The notes on pages 127 to 161 form part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 September 2020

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
Balance at 30 September 2018 restated (note 2)	1.3	-	(129.5)	0.5	245.2	117.5
Share based payments including tax	-	-	-	-	0.8	0.8
Dividends paid during the year	-	-	-	-	(4.6)	(4.6)
Total comprehensive income for the year restated (note 2)	-	-	-	-	15.5	15.5
Balance at 30 September 2019	**1.3**	**-**	**(129.5)**	**0.5**	**256.9**	**129.2**
Share based credit including tax	-	-	-	-	(0.6)	(0.6)
Shares issued during the year	0.3	67.0	-	-	-	67.3
Costs related to shares issued	-	(2.2)	-	-	-	(2.2)
Dividends paid during the year	-	-	-	-	(2.6)	(2.6)
Total comprehensive loss for the year	-	-	-	-	(38.7)	(38.7)
Balance at 30 September 2020	**1.6**	**64.8**	**(129.5)**	**0.5**	**215.0**	**152.4**

The notes on pages 127 to 161 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 170

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

On the Beach Group covers its daily working capital requirements by means of cash and a Revolving Credit Facility ("RCF").

As at 30 September 2020 cash, excluding cash held in trust, was £36.5m (30 September 2019 cash of £54.8m).

As travel restrictions were imposed a number of actions were taken immediately to reduce cash costs and protect the financial position of the Group:

- Marketing costs were reduced to almost £nil and limited other non-essential costs
- The low deposit offer was reduced on 25 February for new bookings travelling within 90 days to ensure flight costs were covered in full
- The CEO sacrificed his salary and the remainder of the Board voluntarily agreed to a 20% reduction in salary and fees
- No bonuses have been awarded across the Group in the current financial year
- The Group participated in the Coronavirus Job Retention Scheme and obtained a refund of Corporation Tax paid
- The Group did not declare an interim dividend and is not proposing a final dividend for the year to 30 September 2020

The Group has also taken a number of actions to improve overall liquidity to ensure that it is well placed to operate through the pandemic and to trade once travel restrictions are eased. These actions included reaching an agreement with Lloyds Bank to increase maximum available debt facilities:

- extended the £50m RCF drawdown limit to all months of each year
- extended the term to December 2023
- reset covenant tests for all periods up to and including June 2021
- accessed an incremental £25m RCF under CLBILS, expiring in May 2022

In addition, on 22 May the Group issued new shares generating £65.1m incremental liquidity (net of fees). The net proceeds from the share placing, together with the revised banking facilities, provides the Group with greater resilience through the current downturn and will enable the Group to exit this extended disruptive period in a strong position.

Where the Group has been unable to deliver the package holiday the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-though from airlines. Therefore, there is no net cash outflow for refunds processed.

The Directors have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. As part of this exercise, the Directors modelled what they consider to be a severe downside scenario of no travel or bookings until January 2022. Even in this scenario, the Group would have no requirement to draw down on its current facilities.

Given the assumptions above, the Directors remain confident in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

Notes to 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 16 Leases*

IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Group adopted IFRS 16 using the full retrospective method of adoption, with the initial application of 1 October 2019.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 October 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting IFRS 16 is, as follows:

Impact on the statement of financial position (increase/(decrease)):

	At 30 September 2020 £'m	At 30 September 2019 £'m	At 30 September 2018 £'m
Assets			
Property, plant and equipment	3.7	4.2	4.7
Prepayments	0.3	0.1	(0.1)
Total assets	**4.0**	**4.3**	**4.6**
Equity			
Retained earnings	(0.2)	(0.2)	(0.1)
Total equity	**(0.2)**	**(0.2)**	**(0.1)**
Liabilities			
Lease Liabilities	4.2	4.5	4.7
Total liabilities	**4.2**	**4.5**	**4.7**

As at 30 September 2020, as a result of transition total assets increased to £262.0m from £258.0m, total liabilities increased to £109.6m from £105.4m, and total equity decreased to £152.4m from £152.6m.

As at 30 September 2019, as a result of transition total assets increased to £289.9m from £285.6m, total liabilities increased to £160.7m from £156.2m, and total equity decreased to £129.2m from £129.4m.

As at 30 September 2018, as a result of transition total assets increased to £256.6m from £252.0m, total liabilities increased to £139.1m from £134.4m, and total equity decreased to £117.5m from £117.6m.

Impact on the statement of profit or loss (increase/(decrease)) for the year ended 30 September 2020:

	2020 £'m	2019 £'m
Depreciation expense	(0.5)	(0.5)
Rent expense	0.6	0.6
Finance costs	(0.2)	(0.2)
Profit for the period	**(0.1)**	**(0.1)**

Impact on consolidated statement of cash flows (increase/(decrease)):

	2020 £'m	2019 £'m
Profit before taxation	(0.1)	(0.1)
Depreciation	0.5	0.5
Finance costs	0.2	0.2
Net cash flows from operating activities	**0.6**	**0.6**
Interest paid on lease liabilities	(0.2)	(0.2)
Payment of lease liabilities	(0.4)	(0.4)
Net cash flows from financing activities	**(0.6)**	**(0.6)**

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

As at 30 September 2018, 30 September 2019 and 30 September 2020:

- Right-of-use assets were recognised and presented as 'Property, plant and equipment' in the statement of financial position.
- Additional lease liabilities were recognised and included under 'Trade and other payables'.
- 'Prepayments' related to previous operating leases were derecognised.
- 'Retained earnings' decreased due to the net impact of these adjustments.

For the year ended 30 September 2020:

- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment'). This resulted in increases in 'Administrative expenses' of £0.5m *(2019: £0.5m)*.
- Rent expense included in 'Administrative expenses', relating to previous operating leases, decreased by £0.6m *(2019: £0.6m)*.
- 'Finance costs' increased by £0.2m *(2019: 0.2m)* relating to the interest expense on additional lease liabilities recognised.
- Cash outflows from operating activities increased by £0.6m *(2019: £0.6m)* and cash outflows from financing activities decreased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

Standards not yet effective
A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements as they do not have a material effect on the Group's financial statements.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3); and
- Definition of material - amendments to IAS 1 and IAS 8

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 at bank for the purpose only of the cash flow statement.

Trust account

All ATOL protected 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 and independent trustees (Travel Trust Services Limited), which determines the inflows and outflows from the account.

All ATOL protected 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.

Revolving credit facility

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. After initial recognition, interest- bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of finance costs. Amounts accumulated in equity are recognised in profit or loss when the income or expense on the hedged item is recognised in 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 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 describes 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 consumer through 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 suppliers is satisfied, usually on delivery of the booking confirmation.

Cancellations are estimated at the reporting date based on the historical profile of cancellations. Revenue is stated net of cancellations and expected cancellations.

Revenue earned from sales through CPH are stated net, with the commission payable to agents recognised in the cost of sales.

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 the 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.

j) 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 reduction in cost of sales (corresponding 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.

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

l) Business Combinations
All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date 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.

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

Fixtures, fittings and equipment Buildings	3-10 years
Buildings freehold	50 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

n) 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.

o) 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.

p) 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 Collection Holidays Limited 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 and agent relationships

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

q) 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.

Goodwill is required to be tested for impairment annually, or more frequently where there is an indication that the goodwill may be impaired. 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. 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").

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.

r) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right- of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	10 years

The right-of-use assets are also subject to impairment. The Group's right-of-use assets are included as a separate category in property, plant and equipment.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in trade and other payables.

s) 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

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 25.

That cost is recognised in employee benefits expense *(note 7a)*, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.
No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 10).

t) 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.

Notes to the Consolidated Financial Statements

u) 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.

v) 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.

w) 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.

x) 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.
The merger reserve represents the amount subscribed for the ordinary shares in excess of the nominal value of the shares issued in exchange for the acquisition of subsidiaries.

y) 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.

z) 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.

aa) 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.

ab) Non Statutory Measures

One of the Groups KPI's 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 adjusting for 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.

ac) COVID-19 impact

Determining the amounts to be provided for the bookings affected by the pandemic involves judgement and is dependent upon a number of assumptions by management including the number of bookings that will be cancelled due to travel restrictions. The Group expects travel to be disrupted and cancellations to continue above normal levels throughout 2021. Sensitivity analysis was performed based on various scenarios, management believe that the amounts recognised are the best estimate of the costs the Group will incur.

ad) Thomas Cook Group plc impact

On 23 September 2019, TCG announced that it had ceased trading and 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.

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 to 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. For the OTB, International and CPH segments, there is not a significant integration service and responsbility for providing the services remains with the principal suppliers.

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. 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.

Agent vs Principal

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

In line with 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
COVID-19

On 11 March 2020 the World Health Organised declared COVID-19 a global pandemic. On 17 March 2020, the Foreign and Commonwealth Office advised against all non-essential travel overseas, initially for a period of 30 days. This initial lockdown remained in place for several months and airlines ceased the majority of flying schedules until 1 July 2020. Following the reopening of airspace, whilst some flying resumed, a significant number of holidays have been cancelled due to reductions in flying schedules and changeable government restrictions. Post year-end, disruption to leisure travel has continued, including more recently a four week ban on international leisure travel which started on 5 November 2020.

In relation to flights cancelled during the financial year, the Group has considered the impact of the pandemic on the recoverability of supplier prepayments including amounts paid to airlines in lieu of flights which have been cancelled. The Group has a legal right to a refund under EU261/2004; the airline has an obligation to refund in the event that the flight is cancelled. EU 261 provides strict guidelines for the compensation of travellers whose flights are delayed, cancelled, or overbooked while travelling in or to EU countries. The rules apply to any flights that originate in an EU country. Where an airline is not forthcoming with a refund owed the Group exercises its chargeback rights are as governed by the card scheme rules. The Group has a right to make a chargeback when (i) the merchant (airline) was unable or unwilling to provide the purchased services; or (ii) the cardholder is entitled to a refund under the merchant's cancellation policy. A chargeback asset was recognised in the prior year relating to TCG and recovered in full, further supporting the Group's recognition of the airline receivables amount.

Where a flight has been cancelled, the Group has recognised a net receivable for the expected recoverable amount in accordance with the considerations above.

In relation to bookings which are due to travel after the year-end, the primary judgements are as follows:

- The extent to which holidays will be impacted by the pandemic, either directly due travel restrictions or indirectly due to reductions in flying schedules. Management have estimated that the level of disruption will gradually reduce through FY21 and will return to normal levels for the next winter season. The level of forward bookings beyond summer 2021 is not significant and any changes to this assumption would not have a material impact.
- The level of revenue that will be reversed as a result of the cancellations and the extent to which the Group can mitigate costs related to the cancellation, such as flight, hotel and other supplier costs. The Group has assumed the majority of the these costs can be recovered where holidays are cancelled by the Group.

Determining the amounts to be provided for the bookings affected by the pandemic involves judgement and is dependent upon a number of assumptions by management including the number of bookings that will be cancelled due to travel restrictions. The Group expects travel to be disrupted and cancellations to continue above normal levels throughout 2021. Sensitivity analysis was performed based on various scenarios, including the duration and severity of travel disruption resulting from the pandemic and the extent to which supplier costs can be recovered or avoided for cancelled holidays. Specifically regarding the proportion of holidays that will be cancelled, Management have considered a range of scenarios and believe that the amounts recognised are Management's best estimate of the costs the Group will incur.

A summary of the adjustments between Adjusted and GAAP measures, split between the COVID-19 impact and other costs, is shown below:

	2020 COVID-19 £'m
Group revenue	
Revenue as agent	(37.5)
Revenue as principal	-
Group cost of sales	0.1
Other exceptional operating costs	(4.3)
Group profit before tax	(41.7)

The total exceptional costs in the period of £41.7m represents the estimated cost of COVID-19 to trading in the period. This is primarily the cost of COVID-19 related cancellations or expected cancellations of £37.4m. The adjustment also includes a provisions against amounts due from suppliers of £2.2m, exceptional development spend of £0.7m and legal and professional fees of £1.4m. During the year, £0.7m of redundancy costs were offset by £0.7m of contributions in relation to the Coronavirus Job Retention Scheme.

Impairment of intangible assets and goodwill
Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections based on the latest budget, the long-term growth rate to be applied to these cash flow projections and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

The Group has concluded that the carrying value of the intangibles and goodwill is appropriate (after considering certain sensitivities which are set out in note 11).

4. Revenue

In line with 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 2020

	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m
Revenue before exceptional cancellations					
Sales as agent	50.4	0.3	-	3.6	54.3
Sales as principal	-	-	16.9	-	16.9
Total Revenue before exceptional cancellations	50.4	0.3	16.9	3.6	71.2
Exceptional cancellations*	(34.5)	(0.2)	-	(2.8)	(37.5)
Total Revenue	**15.9**	**0.1**	**16.9**	**0.8**	**33.7**

Year ended 30 September 2019

	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m
Revenue before exceptional cancellations					
Sales as agent	90.3	1.4	-	0.8	92.5
Sales as principal	-	-	55.0	-	55.0
Total Revenue before exceptional cancellations	90.3	1.4	55.0	0.8	147.5
Exceptional cancellations**	(7.0)	-	-	(0.1)	(7.1)
Total Revenue	**83.3**	**1.4**	**55.0**	**0.7**	**140.4**

** Exceptional cancellations in the year ended 30 September 2020 relate to the impact of COVID-19 (See note 3)*
***Exceptional cancellations in the year ended 30 September 2019 relate to the impact of TCG.*

Details of receivables arising from contracts with customers are set out in note 15.

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.

	2020					Restated (note 2) 2019				
	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m	OTB £'m	Int'l £'m	Classic £'m	CPH £'m	Total £'m
Income										
Revenue before exceptional cancellations	50.4	0.3	16.9	3.6	71.2	90.3	1.4	55.0	0.8	147.5
Exceptional cancellations*	(34.5)	(0.2)	-	(2.8)	(37.5)	(7.0)	-	-	(0.1)	(7.1)
Total Revenue	**15.9**	**0.1**	**16.9**	**0.8**	**33.7**	**83.3**	**1.4**	**55.0**	**0.7**	**140.4**
Adjusted EBITDA	10.6	(0.3)	(1.9)	(1.5)	6.9	38.9	(0.6)	2.2	(1.1)	39.4
Share based credit/(charge)	0.6	-	-	-	0.6	(0.7)	-	-	-	(0.7)
Impact of COVID-19	(38.7)	(0.2)	(0.1)	(2.7)	(41.7)	-	-	-	-	-
Impact of TCG	-	-	-	-	-	(7.2)	-	(0.4)	(0.1)	(7.7)
Other exceptional costs	(0.3)	-	-	-	(0.3)	(1.0)	-	(0.3)	-	(1.3)
EBITDA	**(27.8)**	**(0.5)**	**(2.0)**	**(4.2)**	**(34.5)**	**30.0**	**(0.6)**	**1.5**	**(1.2)**	**29.7**
Depreciation and amortisation	(9.9)	(0.1)	(1.2)	(0.2)	(11.4)	(9.0)	(0.1)	(1.3)	-	(10.4)
Group operating loss	**(37.7)**	**(0.6)**	**(3.2)**	**(4.4)**	**(45.9)**	**21.0**	**(0.7)**	**0.2**	**(1.2)**	**19.3**
Finance costs					(0.8)					(0.5)
Finance income					0.4					0.5
Loss before taxation					**(46.3)**					**19.3**
Non-current assets										
Goodwill	31.6	-	4.6	4.0	**40.2**	31.6	-	4.6	4.0	**40.2**
Other intangible assets	30.1	0.1	8.9	0.3	**39.4**	34.5	0.1	10.0	0.3	**44.9**
Property, plant and equipment	8.1	-	1.8	-	**9.9**	8.9	-	1.7	-	**10.6**
Investment property	-	-	0.6	-	**0.6**	-	-	0.6	-	**0.6**

* *Exceptional cancellations in the year ended 30 September 2020 relate to the impact of COVID-19. Exceptional cancellations in the year ended 30 September 2019 relate to the impact of TCG.*

6. Operating expenses

a) Operating expenses

Expenses by nature including exceptional items and impairment charges:

	2020 £'m	2019 £'m
Marketing	22.8	36.3
Depreciation	1.9	1.6
Staff costs (including share based payments)	14.6	14.7
IT hosting, licences & support	2.4	2.1
Office expenses	0.8	0.8
Credit/debit card charges	1.7	2.8
Insurance	1.6	0.6
Other	2.0	3.2
Administrative expenses before exceptional cost & amortisation of intangible assets	**47.8**	**62.1**
Impact of COVID-19	4.3	-
Impact of Thomas Cook	-	0.6
Other exceptional costs	0.3	1.3
Amortisation of intangible assets	9.5	8.7
Exceptional costs and amortisation of intangible assets	**14.1**	**10.6**
Administrative expenses	**61.9**	**72.7**

b) Other operating exceptional items

The exceptional costs for the year ended 30 September 2020 of £0.3m relate to legal and professional fees.

The exceptional costs for the year ended 30 September 2019 of £1.3m relate to £0.3m non-underlying property costs, £0.8m relating to organisational restructuring costs and £0.2m relating to other exceptional costs.

c) Services provided by the company auditor

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

	2020 £'m	2019 £'m
Audit of the parent company financial statements	0.1	0.1
Amounts receivable by the Company's auditor and its associated in respect of:		
› Audit of financial statements of subsidiaries pursuant to legislation	0.2	0.1
› Review of interim financial statements	-	-
› Other assurance services	-	-
	0.3	**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 Group's performance:

	2020 £'m	Restated (note 2) 2019 £'m
Profit before taxation	**(46.3)**	**19.3**
Impact of exceptional COVID-19 cancellations	41.7	-
Impact of exceptional Thomas Cook cancellations	-	7.7
Other exceptional costs	0.3	1.3
Total exceptional costs	**42.0**	**9.0**
Amortisation of acquired intangibles	5.5	5.5
Share based payments charge*	(0.6)	0.7
Adjusted PBT	**0.6**	**34.5**

* *The share based payment charge represents the expected cost of shares vesting under the Group's Long Term Incentive Plan. These charges are added back to the adjusted profit measure as they do not necessarily relate to the performance of the Group in the current financial year.*

7. Employees and Directors

a) *Payroll Costs*
The aggregate payroll costs of these persons were as follows:

	2020 £'m	2019 £'m
Wages and salaries	17.9	17.2
Defined contribution pension cost	0.3	0.3
Social security costs	1.8	1.7
Share-based payment (credit)/charges	(0.6)	0.7
	19.4	**19.9**

Staff costs above include £4.0m (*2019: £5.1m*) employee costs capitalised as part of software development. During the year £0.7m was claimed in relation to the Coronavirus Job Retention Scheme. As a non-recurring item, this has been netted off against other exceptional costs in relation to COVID-19 cancellations described in note 3.

b) *Employee Numbers*
Average monthly number of people (including Executive Directors) employed:

	2020 No.	2019 No.
By reportable segment:		
OTB	419	404
Int'l	10	13
Classic	116	99
CPH	5	5
	550	**521**

c) *Directors' Emoluments*

The remuneration of Directors was as follows:

	2020 £'m	2019 £'m
Aggregate emoluments	0.9	1.0
Defined contribution pension	-	-
Share-based payment charges	0.1	(0.1)
	1.0	**0.9**

Remuneration was paid by On the Beach Limited, a subsidiary companies of the Group.

The remuneration of the highest paid director was as follows:

	2020 £'m	2019 £'m
Aggregate emoluments	0.3	0.4
Share-based payment charges	0.1	-
	0.4	**0.4**

d) *Key Management Compensation*

Key management comprised the seven members of the executive team.

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

	2020 £'m	2019 £'m
Wages and salaries	1.6	1.9
Short-term non-monetary benefits	-	-
Share-based payment charges	0.1	0.1
	1.7	**2.0**

e) *Retirement Benefits*

Included in pension contributions payable by the Group of £0.3m *(2019: £0.2m)* is £42,000 *(2019: £26,000)* of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

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8. *Finance Income and Finance Costs*

a) *Finance Costs*

	2020 £'m	2019 £'m
Rolling credit facility interest	0.6	0.3
Interest on lease liabilities	0.2	0.2
Finance costs	**0.8**	**0.5**

b) *Finance Income*

	2020 £'m	2019 £'m
Bank interest receivable	0.4	0.5
Finance income	**0.4**	**0.5**

9. *Taxation*

	2020 £'m	2019 £'m
Current tax on profit for the year	(4.0)	4.8
Adjustments in respect of prior years	-	(0.1)
Total current tax	**(4.0)**	**4.7**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(3.5)	(1.0)
Total deferred tax	**(3.5)**	**(1.0)**
Total tax charge	**(7.5)**	**3.7**

The differences between the total taxation shown above and the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operating are as follows.

	2020 £'m	2019 £'m
Profit on ordinary activities before tax	(46.3)	19.3
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% *(2019: 19%)*	(8.8)	3.7
Effects of: Adjustments in respect of prior years	-	(0.1)
Impact of difference in current and deferred tax rates	1.3	0.1
Total taxation charge	**(7.5)**	**3.7**

The tax charge for the year is based on the effective rate of UK corporation tax for the period of 19% (2019:19%).

The deferred tax liability at 30 September 2020 has been calculated at the UK corporation tax rate of 19%.

10. *Earnings Per Share*

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

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of On the Beach Group plc by the weighted average number of Ordinary Shares issued during the period plus the weighted 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 weighted average number of Ordinary Shares (m)	Total earnings £'m	Pence per share
Year ended 30 September 2020			
Basic EPS	140.2	(38.8)	(27.6p)
Diluted EPS*	140.2	(38.8)	(27.6p)
Adjusted EPS	140.2	(0.7)	(0.5p)

* There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

Year ended 30 September 2019			
Basic EPS	131.1	15.6	11.9p
Diluted EPS	131.4	15.6	11.9p
Adjusted EPS	131.1	27.9	21.3p

Adjusted earnings after tax is calculated as follows:

	2020 £'m	Restated (note 2) 2019 £'m
Profit for the year after taxation	(38.8)	15.6
Adjustments (Net of Tax at 19%):		
Impact of exceptional COVID-19 cancellations	33.8	-
Impact of exceptional Thomas Cook cancellations	-	6.2
Other exceptional costs	0.3	1.0
Amortisation of acquired intangibles	4.5	4.5
Share based payment charges*	(0.5)	0.6
Adjusted earnings after tax	**(0.7)**	**27.9**

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

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11. Intangible Assets

	Brand £'m	Goodwill £'m	Website & development Costs £'m	Website technology £'m	Customer relationships £'m	Total £'m
Cost						
At 1 October 2018	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
Additions	-	-	4.0	-	-	4.0
At 30 September 2020	**35.9**	**40.2**	**15.6**	**22.8**	**6.5**	**121.0**
Accumulated amortisation						
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
Charge for the year	2.4	-	4.0	2.4	0.7	9.5
At 30 September 2020	**15.1**	**-**	**8.7**	**16.0**	**1.6**	**41.4**
Net book amount						
At 30 September 2020	20.8	40.2	6.9	6.8	4.9	79.6
At 30 September 2019	**23.2**	**40.2**	**6.9**	**9.2**	**5.6**	**85.1**

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:

Reportable segment	CGU	Acquisitions	As at 30 September 2020 £'m	As at 30 September 2019 £'m
OTB	OTB	On the Beach Travel Limited	21.5	21.5
OTB	Sunshine	Sunshine.co.uk Limited	10.1	10.1
CCH	Classic	Classic Collection Limited	4.6	4.6
CPH	CPH	Classic Collection Limited	4.0	4.0
			40.2	**40.2**

Impairment of Goodwill

On the Beach and Sunshine are considered to be one reportable segment, as they are internally reported and managed as one entity, but for impairment review purposes they are treated as separate CGU's as they have independent cash inflows. Goodwill acquired through Sunshine.co.uk has been allocated to the "Sunshine" cash generating unit. Goodwill acquired through the Classic collection acquisition has been allocated to the "Classic" and "CPH" cash generating units.

"OTB" CGU

The Group performed its annual impairment test as at 30 September 2020 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 three-year period. The initial two years are based on the latest budget, year three is extrapolated at a growth rate of 2 percent (*2019: 5 percent*) and the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent (*2019: 2 percent*), this being the Directors' estimated view best estimate of the future prospects of the business. This is deemed appropriate because the CGU is considered to be a long-term business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. The discount rate applied is 11 percent (*2019: 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.

"Sunshine" CGU

The Group performed its annual impairment test as at 30 September 2020 on the "Sunshine" 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 three-year period. The initial two years are based on the latest budget, year three is extrapolated at a growth rate of 2 percent (*2019: 5 percent*) and the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent (*2019: 2 percent*), this being the Directors' estimated view best estimate of the future prospects of the business. This is deemed appropriate because the CGU is considered to be a long-term business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. The discount rate applied is 11 percent (*2019: 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.

"Classic" CGU

The Group performed its annual impairment test as at 30 September 2020 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 three year period. The initial two years are based on the latest budget, year three is extrapolated at a 2 percent growth rate *(2019: flat growth rate)*, the forecasts are then extrapolated in perpetuity based on at a 2 percent growth rate *(2019: flat growth rate*). This is deemed appropriate based on the Directors' best estimate 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 11 percent *(2019: 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 2020 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 three-year period. The initial two years are based on the latest budget, year three is extrapolated at a growth rate of 2 percent *(2019: 2 percent)*.

The forecasts are then extrapolated in perpetuity based on a 2 percent growth rate *(2019: 2 percent)*. This is deemed appropriate based on the Directors' best estimate 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 11 percent *(2019: 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.

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Impact of COVID-19 on impairment considerations

The Group does not consider that any CGU has been automatically impaired as a result of the pandemic. All CGUs remain viable trading long term assets which the Group expects to continue to generate positive cash flows. Inherent in the impairment test is a period of disruption followed by a gradual recovery. Sensitivities have been applied to both the extent of and period of disruption and the Group is satisfied that sufficient headroom still exists to support the asset value.

Development Costs

The Group capitalises development projects where they satisfy the requirements for capitalisation in accordance with the IAS 38 and expense projects that relate to ongoing maintenance and support. 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.

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred, in 2020 this was £1.3m *(2019: £0.3m)*, and they are recognised in administrative expenses. £0.7m of the expensed costs in the current year were due to projects no longer viable due to the impact of COVID-19.

Sensitivity to Changes in Assumptions

Sensitivity analysis has been completed on key assumptions in isolation, and the headroom taken is significant. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount. The key assumptions are discount factor, long term growth rates and short term trading volumes/cash flows. Sensitivities have been applied on all of these assumptions.

12. Tangible Assets

	Freehold property	Right-of-use asset (note 19)	Fixtures, fittings and equipment	Assets under construction	Total
Cost	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
At 1 October 2018 restated (note 2)	2.0	5.3	1.5	1.1	9.9
Additions	-	-	1.2	2.1	3.3
Revaluation	(0.3)	-	-	-	(0.3)
Transfer assets under construction	-	-	3.2	(3.2)	-
At 1 October 2019	**1.7**	**5.3**	**5.9**	**-**	**12.9**
Additions	-	-	1.2	-	1.2
At 30 September 2020	**1.7**	**5.3**	**7.1**	**-**	**14.1**
Accumulated deprecation					
At 1 October 2018 restated (note 2)	-	0.6	0.1	-	0.7
Charge for the year	-	0.5	1.1	-	1.6
Disposals	-	-	-	-	-
At 1 October 2019	**-**	**1.1**	**1.2**	**-**	**2.3**
Charge for the year	-	0.5	1.4	-	1.9
At 30 September 2020	**-**	**1.6**	**2.6**	**-**	**4.2**
Net book amount					
At 30 September 2020	**1.7**	**3.7**	**4.5**	**-**	**9.9**
At 30 September 2019	1.7	4.2	4.7	-	10.6

The depreciation expense of £1.9m for the year ended 30 September 2020 and the depreciation expense of £1.6m for the year ended 30 September 2019 have been recognised within administrative expenses.

13. Investment Property

	Total £'m
At 1 October 2018	0.8
Revaluation	(0.2)
At 1 October 2019	0.6
Revaluation	-
At 30 September 2020	0.6

Investment property relates to a freehold property acquired as part of the acquisition of Classic Collection Holidays. A portion of the building earns rental income and has been classified as an investment property. Rental income of £0.1m *(2019: £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 2 fair value based on the inputs to the valuation technique used.

14. Investments

The parent company, On the Beach Group plc, is incorporated in the UK and directly holds a number of subsidiaries. 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	In-house Bedbank	100%
On The Beach Bid Co Limited	Holding Company	100%
On the Beach Travel Limited	Holding Company	100%
On the Beach Trustees Limited	Employee Trust	100%
On the Beach Holidays Limited	Dormant	100%
Sunshine.co.uk Limited	Internet Travel Agent	100%
Sunshine Abroad Limited	Dormant	100%
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.

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15. Trade and Other Receivables

Amounts falling due within one year:	2020 £'m	Restated (note 2) 2019 £'m
Trade receivables – net	58.9	64.7
Other receivables	43.6	28.5
Prepayments	2.2	1.4
	104.7	**94.6**

For the year ended 30 September 2020, other receivables includes £34.3m receivable in respect of amounts due from airlines as a result of exceptional COVID-19 cancellations. By 30 September £89.5m had fallen due from airlines in respect of flights cancelled in the year. In determining the recoverability of these amounts the Group has considered, the amount of cash received by 30 November, chargeback and other legal rights. By 30 November, of the balance that was due at the year end, £6.5m remains outstanding which the Group is confident it will recover.

For the year ended 30 September 2019, other receivables includes £18.5m receivable in respect of chargeback claims following the failure of the Thomas Cook Group on 23 September 2019. The amount has been fully recovered in the current year.

16. Assets Held for Sale

	2020 £'m	2019 £'m
Properties held for sale	-	0.2
	-	**0.2**

The Group acquired two properties through the purchase of Sunshine.co.uk, both properties have been sold.

17. Trust account

Trust accounts are restricted cash held separately and only accessible at the point the customer has travelled or booking is cancelled and refunded.

18. Trade, Other Payables and Provisions

	2020 £'m	Restated (note 2) 2019 £'m
Non-current		
Lease liabilities *(note 19)*	3.8	4.2
Current		
Trade payables	80.2	121.6
Accruals and other payables	11.8	15.0
Lease liabilities *(note 19)*	0.4	0.3
	96.2	**141.1**
Provision	10.9	12.3
	107.1	**153.4**

For the year ended 30 September 2020, the £10.9m provision is in respect of expected future cancellations in relation to bookings taken before 30 September 2020. We expect to this provision to be utilised over the next year. Trade payables includes £9.0m in respect of refunds owed to customers, with the related receivable from the airlines recognised in trade receivables. Where the refunds are not received from the airline the Group has a legally enforceable right to offset the recognised amounts. The Group has opted to show the figures gross due to no option to settle on a net basis or realise the asset and settle the liability simultaneously. For details of assumptions, see note 3.

In the prior year, the £12.3m provision is in respect of the TCG 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.

19. Leases

The Group has lease contracts for two properties, both with a lease term of 10 years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment *(see note 12)*.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group.

Amounts recognised in profit or loss

The following lease-related expenses were recognised under IFRS 16 in the profit or loss:

	2020 £'m	Restated (note 2) 2019 £'m
Depreciation expense of right-of-use assets	0.5	0.5
Interest expense on lease liabilities	0.2	0.2
Total amount recognised in profit or loss	**0.7**	**0.7**

Set out below are the carrying amounts of lease liabilities (included trade and other payables) and the movements during the period:

	2020 £'m	2019 £'m
As at 1 October	4.5	4.7
Accretion of interest	0.2	0.2
Payments	(0.4)	(0.4)
As at 30 September	**4.2**	**4.5**
Current (note 18)	0.4	0.3
Non-current (note 18)	3.8	4.2

The Group had total cash outflows for leases of £0.4m in 2020 (*£0.4m in 2019*). The above table satisfies the requirements of IAS 7.44A to present a net debt reconciliation.

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20. Borrowings

Bank Facility

On 8 April 2020, the Group extended its revolving credit facility with Lloyds Bank plc to 31 December 2023.

The borrowing limits under the facility increased to £50.0m. No early repayment fees are payable.

The interest rate 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 is 3.75% for the facility or any unpaid sum.

The terms of the facility include the following financial covenants:

(i) that the ratio of adjusted EBITDA to net finance charges in respect of any relevant period shall not be less than 5:1;
(ii) that the ratio of total net debt to adjusted EBITDA in respect of the relevant period ending 30 June 2020 shall not exceed 2.25:1 and any relevant period ending on or after 30 September 2021 shall not exceed 2:1;
(iii) that the total net debt on the last day of the relevant period ending 30 September 2020 shall not exceed £10.0m; and
(iv) that the EBITDA in the relevant period ending 30 September 2020 shall not be less than a loss of £(11.6M).

There have been no covenant breaches in the year and there are none expected in the next 12 months.

In addition, on 21 May 2020, the Group secured a revolving credit facility with Lloyds Bank plc pursuant to the Coronavirus Large Business Interruption Loan Scheme (CLBILS) to 21 May 2022.

The borrowing limits under the CLBILS facility is £25.0m and include the same financial covenants as the extended revolving credit facility. The interest rate payable is equal to the Base Rate plus a margin. The margin contained within the facility is 2.30% per annum for the facility or any unpaid sum.

Covenant tests have been amended up to and including 30 June 2021 to account for the impact of COVID-19 on the Group's results, tests return to normal from 30 September 2021.

The RCF is available for other credit uses including currency hedging liabilities and corporate credit cards.

At 30 September 2020, the liabilities for these other credit uses was £nil, the amount drawn down at year-end was £nil and there has been nothing drawn down post year-end.

21. Deferred tax

	Intangible assets	Property, plant and equipment	Share-based payments	Losses and unused tax relief	Tax assets/ (liabilities)
	£'m	£'m	£'m	£'m	£'m
2020					
Assets	-	-	0.2	3.5	3.7
Liabilities	(6.2)	(0.1)	-	-	(6.3)
Total	**(6.2)**	**(0.1)**	**0.2**	**3.5**	**(2.6)**
2019					
Assets	-	-	0.5	-	0.5
Liabilities	(6.5)	(0.1)	-	-	(6.6)
Total	**(6.5)**	**(0.1)**	**0.5**	**-**	**(6.1)**

	Intangible asset £'m	Property, plant and equipment £'m	Share based payments £'m	Losses and unused tax relief £'m	Total £'m
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)
Recognised in income	0.3	-	(0.2)	3.5	3.6
Recognised in equity	-	-	(0.1)	-	(0.1)
30 September 2020	**(6.2)**	**(0.1)**	**0.2**	**3.5**	**(2.6)**

The deferred tax asset includes an amount of £3.5m which relates to carried forward tax losses. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved projections and plans for the Group. The losses can be carried forward indefinitely and have no expiry date.

22. Share Capital

	2020 £'m	2019 £'m
Allotted, called up and fully paid		
157,362,037 ordinary shares @ £0.01 each (*2019: 131,154,058 @ £0.01 each*)	1.6	1.3

During the year, the Group issued 26,143,500 shares via a share placing with a nominal value of £0.01 each, no discount was offered on the value of the shares. The Group issued an additional 64,479 with a nominal value of £0.01. 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.

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.

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

During the year ended 30 September 2020, the Group issued 26,143,500 shares via a share placing with a nominal value of £0.01 each, no discount was offered on the value of the shares. The consideration value of the shares issued was £65m, net of fees. The excess above the nominal value of the shares was credited to the share premium.

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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:

Financial assets	FV Level	2020 £'m	2019 £'m
Derivative financial assets designated as hedging instruments			
Forward exchange contracts	2	0.5	-
Financial assets at amortised cost			
Trust account		25.8	44.0
Cash at bank		36.5	54.8
Trade and other receivables *(note 15)*		102.5	93.2
Total financial assets		**165.3**	**192.0**

Financial liabilities	FV Level	2020 £'m	2019 £'m
Derivatives designated as hedging instruments			
Forward exchange contracts	2	-	(1.0)
Financial liabilities at amortised cost			
Trade and other payables *(note 18)*		(96.2)	(141.1)
Total financial liabilities		**(96.2)**	**(142.1)**

Derivative Financial Instruments
The Group enters into derivative financial instruments with various financial institutions 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.

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 is £75m per month, subject to covenant compliance, at year end the facility was nil (*2019: nil*).

For details of the revolving credit facility, see note 20.

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

	FV level	2020 £'m	Restated (note 2) 2019 £'m
Forward exchange contracts	2	0.5	(1.0)

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 2020	-	0.5	-
As at 30 September 2019	-	(1.0)	-

The forward contracts have been fair valued at 30 September 2020 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

b) Financial Risk Management

The Group's principal financial liabilities, other than derivatives, comprise revolving credit facility, as well as 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, and cash at bank 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 expected usage.

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

Euro	2020 €'m	2019 €'m
Cash	6.5	9.6
Trade payables	(47.9)	(78.8)
Trade receivables	10.2	2.3
Forward exchange contracts	11.8	67.7
Balance sheet exposure	**(19.4)**	**0.8**

US Dollar	2020 $ 'm	2019 $ 'm
Cash	0.6	0.7
Trade payables	(2.7)	(2.4)
Forward exchange contracts	0.6	2.0
Balance sheet exposure	**(1.5)**	**0.3**

Swedish Krona	2020 Kr 'm	2019 Kr 'm
Cash	0.3	1.0
Trade receivables	-	0.3
Forward exchange contracts	-	-
Balance sheet exposure	0.3	1.3

Norwegian Krona	2020 Kr 'm	2019 Kr 'm
Cash	0.1	0.3
Trade receivables	-	0.1
Forward exchange contracts	-	-
Balance sheet exposure	**0.1**	**0.4**

Moroccan Dirham	2020 MAD 'm	2019 MAD 'm
Trade payables	-	(0.3)
Forward exchange contracts	-	0.2
Balance sheet exposure	**-**	**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 per cent change taking place at the beginning of the financial period and held constant throughout the reporting period:

	2020 £'m	2019 £'m
Euro		
Weakening - 10%	(1.7)	(1.1)
Strengthening - 10%	1.7	1.1
US Dollar		
Weakening - 10%	(0.1)	(0.1)
Strengthening - 10%	0.1	0.1

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:

	2020			2019		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
EUR						
30 September						
Less than 3 months	7.9	9.3	(0.5)	48.9	43.7	0.3
3 to 6 months	-	1.6	-	12.5	11.2	0.1
6 to 12 months	-	-	-	28.3	25.8	0.6
Total	**7.9**	**10.9**	**(0.5)**	**89.7**	**80.7**	**1.0**

	2020			2019		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
USD						
30 September						
Less than 3 months	0.6	0.6	-	1.7	1.4	-
3 to 6 months	-	-	-	0.9	0.7	-
6 to 12 months	-	-	-	0.5	0.4	-
Total	**0.6**	**0.6**	**-**	**3.1**	**2.5**	**-**

	2020			2019		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
MAD						
30 September						
Less than 3 months	-	-	-	1.8	0.1	-
3 to 6 months	-	-	-	0.2	-	-
Total	**-**	**-**	**-**	**2.0**	**0.1**	**-**

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 £'m	Past due 0-30 days £'m	Past due >30 days £'m	Total £'m
As at 30 September 2020	58.5	0.2	0.2	58.9
As at 30 September 2019	63.8	0.5	0.4	64.7

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, instead a loss allowance is recognised based on lifetime expected credit lossess at each reporting date. The Group uses a provision matrix to measure expected credit losses based on historical cancellation rates and considers forward-looking factors including the impact of COVID-19. There has been £0.5m of impairment charged to trade receivables in the current year (2019: £0.4m).

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	Contractual cash flows	Within 1 year	1 to 5 years	> 5 years
Sep-20	£'m	£'m	£'m	£'m	£'m
Trade payables	80.2	80.2	80.2	-	-
Lease liabilities	4.2	4.9	0.6	3.0	1.3
Other payables	11.8	11.8	11.8	-	-
	96.2	96.9	92.6	3.0	1.3
Sep-19					
Trade payables	121.6	121.6	121.6	-	-
Lease liabilities	4.5	5.3	0.5	2.8	2.0
Other payables	15.0	15.0	15.0	-	-
	141.1	141.9	137.1	2.8	2.0

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 23. 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	CSOP & RSA	Total
	No. of share options (thousands)	No. of share options (thousands)	No. of share options (thousands)
Outstanding at the beginning of the year	1,746	458	2,204
Granted during the year	703	180	883
Lapsed during the year	(292)	-	(292)
Vested during the year	(63)	-	(63)
Forfeited during the year	(28)	(66)	(94)
Outstanding at the year end	**2,066**	**572**	**2,638**

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. For the 2016-2019 schemes the EPS target is measured at the end of the three-year performance period commencing on the first day of the financial period in which they are awarded in. For the 2020 LTIP scheme the EPS target is measured across a three-year performance period, to the end of year ending September 2022.

During the prior year, the Group awarded nil-cost options to certain key management within the business. The vesting of these awards will be dependent on EBITDA. On 29 June 2020, an additional 30,000 shares were granted. For these options awarded, the vesting will be dependent on achieving a best quarter EBITDA between 1 January 2021 and 31 March 2022.

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During the current year, the Group awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on set departmental targets.

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 2017 (TSR dependent)	180,728	4.120	Nil	30%	3.0	0.07%	0.75%	0.0	2.890
26 May 2017 (EPS dependent)	421,698	4.120	Nil	-	3.0	0.07%	0.75%	0.0	4.030
31 May 2017 (TSR dependent)	61,400	3.910	Nil	30%	3.0	0.07%	0.79%	0.0	2.590
31 May 2017 (EPS dependent)	143,268	3.910	Nil	-	3.0	0.07%	0.79%	0.0	3.820
20 December 2017 (TSR dependent)	127,113	4.500	Nil	30%	3.0	0.54%	0.62%	0.0	1.880
20 December 2017 (EPS dependent)	296,596	4.500	Nil	-	3.0	0.54%	0.62%	0.0	4.420
12 February 2019 (TSR dependent)	132,923	4.440	Nil	43%	3.0	0.73%	0.74%	0.0	4.341
12 February 2019 (EPS dependent)	310,153	4.440	Nil	-	3.0	0.73%	0.74%	0.0	1.810
9 July 2019 (EBITDA dependant)	805,000	4.630	Nil	-	3.0	0.73%	0.74%	0.0	4.520
29 June 2020 (EBITDA dependant)	30,000	3.020	Nil	-	1.3	0.47%	0.76%	0.0	2.992
3 December 2019 (TSR dependent)	176,331	4.340	Nil	38%	3.0	0.47%	0.76%	0.0	1.900
3 December 2019 (EPS dependent)	411,438	4.340	Nil	-	3.0	0.47%	0.76%	0.0	4.240
3 December 2019 (EBITDA dependent)	35,000	4.340	Nil	38%	3.0	0.47%	0.76%	0.0	4.240
18 February 2020 (TSR dependent)	3,374	4.212	Nil	38%	3.0	0.47%	0.76%	0.0	1.900
18 February 2020 (EPS dependent)	7,872	4.212	Nil	-	3.0	0.47%	0.76%	0.0	4.115
18 February 2020 (performance target dependent)	15,000	4.212	Nil	38%	3.0	0.47%	0.76%	0.0	4.115
10 March 2020 (TSR dependent)	7,079	2.698	Nil	38%	3.0	0.47%	0.76%	0.0	1.900
10 March 2020 (EPS dependent)	16,518	2.698	Nil	-	3.0	0.47%	0.76%	0.0	2.632

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 after three years, on 27 October 2020, subject to continued employment, but with no other performance conditions. During FY19, awards were made which will vest on 15 October 2021 or 12 February 2022 as applicable under the same terms. A further award was made during the year. The awards will vest on 3 December 2022 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	Nil	N/A	3.0	0.55%	0.73%	Nil	Nil
RSA	2019	108,110	4.265	Nil	N/A	3.0	0.54%	0.74%	Nil	4.071
CSOP	2019	99,239	4.265	Nil	N/A	3.0	0.54%	0.74%	Nil	Nil
RSA	2020	99,076	4.340	Nil	N/A	3.0	0.47%	0.76%	Nil	4.242
CSOP	2020	80,745	4.340	Nil	N/A	3.0	0.47%	0.76%	Nil	Nil

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

	2020 £'m	2019 £'m
LTIP	(0.8)	0.1
RSA	0.2	0.6
Total share scheme charge	**(0.6)**	**0.7**

26. Commitments and Contingencies

a) Capital Commitments

No capital commitments during the year.

b) 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 7(d).

Company Balance Sheet

Year ended 30 September 2020

	Note	2020 £'m	2019 £'m
Fixed assets			
Investments	4	132.6	132.6
Current assets			
Debtors	5	145.5	68.0
Cash at bank		-	0.2
		145.5	68.2
Creditors: amounts falling due within one year	6	(17.5)	(1.0)
Corporation tax		-	(0.1)
		(17.5)	(1.1)
Net assets		260.6	199.7
Equity			
Share capital		1.6	1.3
Share premium		64.8	-
Merger reserve		2.6	2.6
Capital contribution reserve		0.5	0.5
Retained earnings		191.1	195.3
Total equity		260.6	199.7

The loss for the year ended 30 September 2020 dealt with in the financial statements of the parent company is £1.0m *(2019: loss £0.4m)*.

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

Shaun Morton
Chief Financial Officer
Thursday, 10 December 2020
On the Beach Group plc. Reg no 09736592

Company statement of changes in equity

Year ended 30 September 2020

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution £'m	Retained earnings £'m	Total £'m
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
Shares issued during the year	0.3	67.0	-	-	-	67.3
Costs related to shares issued	-	(2.2)	-	-	-	(2.2)
Share based payment charges including tax	-	-	-	-	(0.6)	(0.6)
Dividends paid during the year	-	-	-	-	(2.6)	(2.6)
Total comprehensive profit/(loss) for the year	-	-	-	-	(1.0)	(1.0)
Balance at 30 September 2020	1.6	64.8	2.6	0.5	191.1	260.6

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 is 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 2020 and 30 September 2019.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of On the Beach Group plc. The loss for the year ended 30 September 2020 dealt with in the financial statements of the parent company is £1.0m *(2019: loss £0.4m)*.

Under the provisions of FRS 102.1.12B, the company is exempt from preparing a company statement of cash flows.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis.
The directors have used the going concern principal on the basis that the current financial projections and facilities of the consolidated Group will continue in operating for the foreseeable future.

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.

Net assets of the parent company exceed that of the consolidated Group primarily due to a capital reorganisation in 2015. The value of investments held combined with the amount owed by subsidiary undertakings is supported by net assets of the subsidiaries plus forecasted future discounted cash flows.

Details of the subsidiaries are listed in note 14 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 84 to 106.

3. Share-Based Payments

The Company recognised total credit of £0.6m (*2019: expenses £0.7m*) 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 £132,613,000 investment in subsidiary undertakings made in 2015 relates to the capital re-organisation of the Group in 2015. There has been no movement in the current year.

5. Debtors

Amounts falling due within one year:	2020 £'m	2019 £'m
Amounts owed by group undertakings	145.5	68.0
	145.5	**68.0**

6. Creditors Due Within One Year

Current	2020 £'m	2019 £'m
Amounts owed to group undertakings	16.1	-
Bank overdraft	-	-
Other taxes and social security	0.2	0.2
Accruals	1.2	0.8
	17.5	**1.0**

7. Called-Up Share Capital

Allotted, called up and fully paid	2020 £'m	2019 £'m
157,362,037 ordinary shares @ £0.01 each (2019: 131,154,058 @ £0.01 each)	1.6	1.3
	1.6	**1.3**

During the year, the Group issued 26,143,500 shares via a share placing with a nominal value of £0.01 each, no discount was offered on the value of the shares. The Group issued an additional 64,479 with a nominal value of £0.01. 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 2020 was £nil *(2019: £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 exceptional costs, amortisation of acquired intangibles and the non-cash cost of the share based payment schemes. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional costs 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.	See table below

Adjusted OTB operating profit (£m)	2020	2019
OTB Operating Profit	**(37.7)**	**21.0**
Exceptional costs	39.0	8.2
Share Based Payments	(0.6)	0.7
Amortisation of acquired intangibles	4.4	4.4
Adjusted OTB EBIT	**5.1**	**34.3**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted OTB EBITDA	Adjusted OTB EBITDA is based on OTB operating profit before depreciation, amortisation, impact of exceptional costs and the non-cash cost of the share based payment schemes. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional costs 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.	See table below

Adjusted OTB EBITDA (£m)	2020	2019
OTB Operating Profit	**(37.7)**	**21.0**
Exceptional costs	39.0	8.2
Share Based Payments	(0.6)	0.7
Depreciation and amortisation	5.5	4.6
Amortisation of acquired intangibles	4.4	4.4
Adjusted OTB EBITDA	**10.6**	**38.9**

APM	Definition	Reconciliation to closest GAAP measure
International EBITDA	International EBITDA is based on International operating loss before depreciation and amortisation.	See table below

International EBITDA (£m)	2020	2019
International Operating Loss	**(0.6)**	**(0.7)**
Depreciation and amortisation	0.1	0.1
International EBITDA	**(0.5)**	**(0.6)**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted International EBITDA	Adjusted International EBITDA is based on International operating loss before depreciation, amortisation and the impact of exceptional costs. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional costs 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.	See table below

International EBITDA (£m)	2020	2019
International Operating Loss	**(0.6)**	**(0.7)**
Depreciation and amortisation	0.1	0.1
Exceptional costs	0.2	-
International EBITDA	**(0.3)**	**(0.6)**

APM	Definition	Reconciliation to closest GAAP measure
Classic EBITDA	Classic EBITDA is based on Classic operating profit before depreciation and amortisation.	See table below

Classic EBITDA (£m)	2020	2019
Classic Operating Loss	**(3.2)**	**0.2**
Depreciation and amortisation	1.2	1.3
Classic EBITDA	**(2.0)**	**1.5**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted Profit before Tax	Adjusted Profit before Tax is based on Profit before Tax adjusted for the impact of exceptional costs, amortisation of acquired intangibles and the non-cash cost of the share based payment schemes. Exceptional cancellations consist of cancellations as result of COVID-19 in 2020 and TCG failure in 2019. 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)	2020	2019
Profit before Tax	**(46.3)**	**19.3**
Amortisation of acquired intangibles	5.5	5.5
Share Based Payments	(0.6)	0.7
Impact of exceptional cancellations	41.7	7.7
Other exceptional costs	0.3	1.3
Adjusted Profit before Tax	**0.6**	**34.5**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted Profit after Tax	Adjusted Profit after Tax is based on Profit after Tax adjusted for the impact of exceptional costs, amortisation of acquired intangibles and the non-cash cost of the share based payment schemes. Exceptional cancellations consist of cancellations as result of COVID-19 in 2020 and TCG failure in 2019. These costs/income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group.	see table below

Adjusted Profit after Tax (£m)	2020	2019
Profit for the year	**(38.8)**	**15.6**
Share based payments (net of tax)	(0.5)	0.6
Impact of exceptional cancellations (net of tax)	33.8	6.2
Other exceptional costs (net of tax)	0.3	1.1
Amortisation of acquired intangibles (net of tax)	4.5	4.5
Adjusted Profit after Tax	**(0.7)**	**27.9**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted EPS	Adjusted EPS is calculated on the weighted average number of ordinary share in issue, using the adjusted profit after tax.	see table below

Adjusted EPS (£m)	2020	2019
Adjusted Profit after Tax	**(0.7)**	**27.9**
Basic weighted average number of Ordinary Shares (m)	140.2	131.1
Adjusted EPS (p)	**(0.5)**	**21.3**

APM	Definition	Reconciliation to closest GAAP measure
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.	see table below

Exceptional costs (£m)	2020	2019
Impact of COVID-19	41.7	-
Impact of TCG	-	7.7
Other exceptional costs	0.3	1.3
Exceptional costs	**42.0**	**9.0**

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure		
Operating cash conversion	Operating cash conversion is EBITDA divided by cash generated from operating activities. 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)***	**2020**	**2019**
		Profit before taxation	**(46.3)**	**19.3**
		Depreciation	1.9	1.6
		Amortisation	9.5	8.7
		Net finance (income)/costs	0.4	0.0
		Share based payments	(0.6)	0.7
		EBITDA	**(35.1)**	**30.4**
		Movement in working capital	(58.0)	2.3
		Movement in Trust account	18.3	(5.6)
		Cash generated from operating activities	**(74.8)**	**27.1**
OTB adjusted revenue after marketing cost	OTB adjusted revenue after marketing cost is revenue after "OTB" online and offline marketing costs.	***OTB adjusted revenue after marketing cost (£m)***	**2020**	**2019**
		OTB adjusted revenue	50.4	90.3
		OTB online marketing costs	(14.2)	(29.8)
		OTB offline marketing costs	(8.7)	(5.4)
		Total OTB marketing	(22.9)	(35.2)
		OTB adjusted revenue after marketing costs	**27.5**	**55.1**
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 exceptional costs. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional 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)***	**2020**	**2019**
		Operating profit	**(46.3)**	**19.3**
		Exceptional costs	42.0	9.0
		Amortisation of intangibles	9.5	8.7
		Operating profit before amortisation and exceptional costs (£m)	**5.2**	**37.0**
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 before the impact of exceptional cancellations. Exceptional cancellations relate to COVID-19 in 2020 and TCG failure in 2019.	***OTB EBITDA as a percentage of adjusted revenue***	**2020**	**2019**
		Revenue	15.9	83.3
		Exceptional cancellations	34.5	7.0
		Adjusted revenue	50.4	90.3
		Adjusted OTB EBITDA	10.6	38.9
		OTB EBITDA as a percentage of revenue	**21%**	**43%**

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	see table below
Classic adjusted EBITDA	Adjusted Classic EBITDA is based on Classic operating profit before depreciation, amortisation and the impact of exceptional costs. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional costs 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.	see table below
OTB EBITDA	OTB EBITDA is based on OTB operating profit before depreciation and amortisation.	see table below
CPH EBITDA	CPH EBITDA is based on OTB operating profit before depreciation and amortisation.	see table below
Adjusted CPH EBITDA	Adjusted CPH EBITDA is based on CPH operating profit before depreciation, amortisation and the impact of exceptional costs. Exceptional costs consists of exceptional cancellations as result of COVID-19 in 2020 and TCG failure in 2019, and other exceptional costs 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.	see table below

International revenue after marketing costs (£m)	2020	2019
Revenue	0.1	1.4
Marketing costs	(0.2)	(1.4)
International revenue after marketing costs	**(0.1)**	**-**

Classic adjusted EBITDA (£m)	2020	2019
Classic Operating Loss	(3.2)	0.2
Impact of exceptional cancellations	0.1	0.4
Other exceptional costs	-	0.3
Depreciation and amortisation	0.1	0.2
Amortisation of acquired intangibles	1.1	1.1
Adjusted Classic EBITDA	**(1.9)**	**2.2**

OTB EBITDA (£m)	2020	2019
OTB Operating Loss	**(37.7)**	**21.0**
Depreciation and amortisation	9.9	9.0
OTB EBITDA	**(27.8)**	**30.0**

OTB EBITDA (£m)	2020	2019
CPH Operating Loss	(4.4)	(1.2)
Depreciation and amortisation	0.2	-
CPH EBITDA	**(4.2)**	**(1.2)**

OTB EBITDA (£m)	2020	2019
CPH Operating loss	(4.4)	(1.2)
Depreciation and amortisation	0.2	-
Exceptional costs	2.7	0.1
Adjusted CPH EBITDA	**(1.5)**	**(1.1)**

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

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

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

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For your notes

For your notes

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

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