Everything's better On the Beach

On the Beach Group plc
Annual Report & Accounts

For the year ended 30 September 2021

TOTAL FINANCIAL PROTECTION

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Our history timeline

Who we are

OUR PURPOSE

To make it easy for people to find, book and enjoy their perfect beach holidays

OUR VISION

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

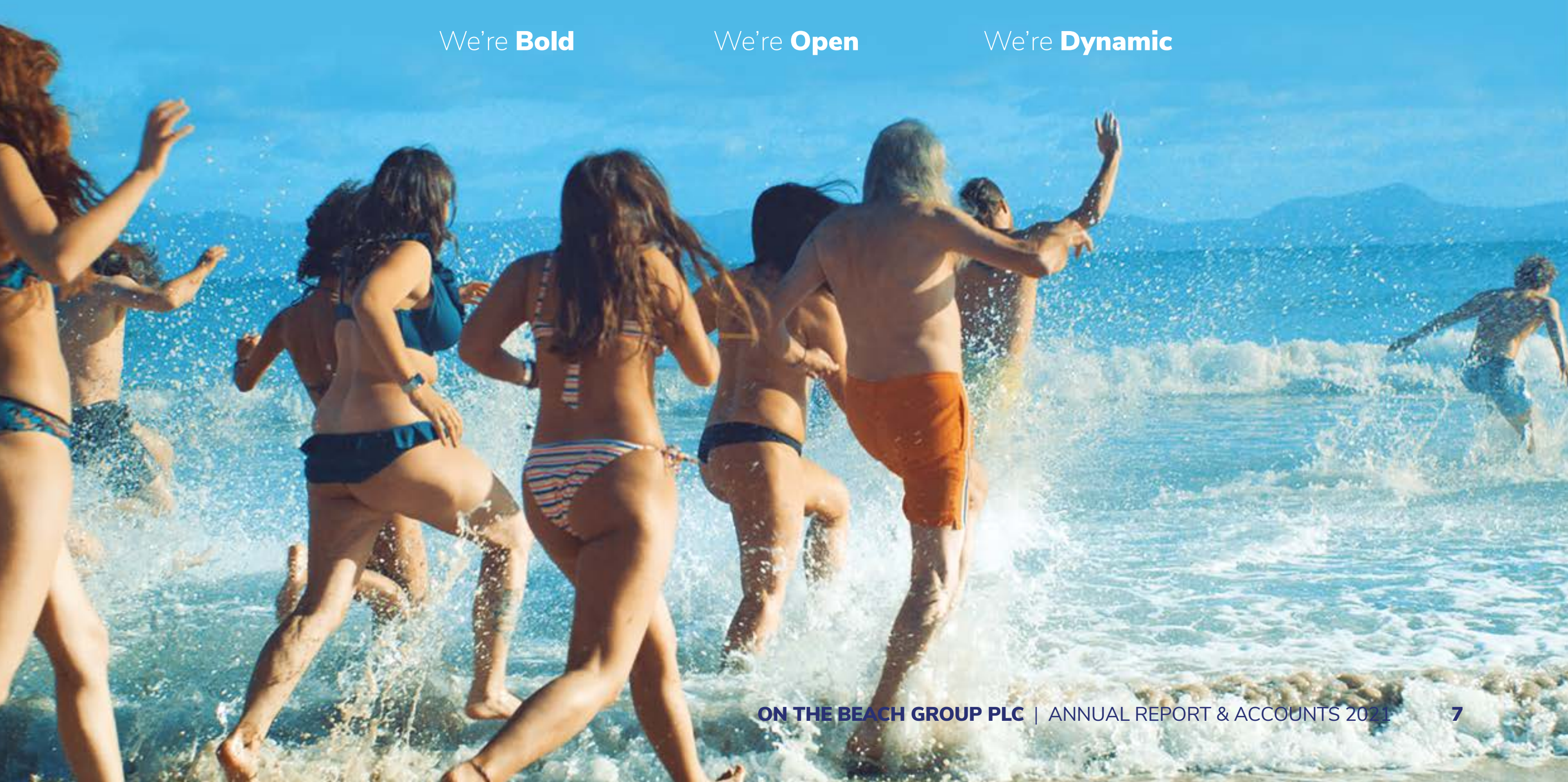
WHAT WE DO

We are the UK's third largest ATOL holder. 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 retail of beach holidays. Our model is customer-centric, asset-light, profitable and cash generative

OUR VALUES

We live by our core values

We're **Bold** We're **Open** We're **Dynamic**



Financial highlights

GROUP REVENUE

£21.2m

FY20: £33.7m | FY19: £140.4m
FY18: £104.3m | FY17: £83.6m

REVENUE AS AGENT

£14.7m

FY20: £16.8m | FY19: £85.4m
FY18: £90.9m | FY17: £83.6m

REVENUE AS PRINCIPAL

£6.5m

FY20: £16.9m | FY19: £55.0m
FY18: £13.4m | FY17: £0m

ADJUSTED GROUP REVENUE

£30.5m

FY20: £71.2m | FY19: £147.5m
FY18: £104.3m | FY17: £83.6m

ADJUSTED REVENUE AS AGENT

£24.0m

FY20: £54.3m | FY19: £92.5m
FY18: £90.9m | FY17: £83.6m

ADJUSTED REVENUE AS PRINCIPAL

£6.5m

FY20: £16.9m | FY19: £55.0m
FY18: £13.4m | FY17: £0m

CASH

£56.0m

FY20: £36.5m | FY19: £54.8m
FY18: £47.3m | FY17: £33.0m

TRUST ACCOUNT

£39.0m

FY20: £25.8m | FY19: £44.0m
FY18: £38.4m | FY17: £38.6m

(LBT)/PBT

(£36.7m)

FY20: (£46.3m) | FY19: £19.3m
FY18: £26.1m | FY17: £21.1m

ADJUSTED (LBT)/PBT

(£18.4m)

FY20: £0.6m | FY19: £34.5m
FY18: £33.6m | FY17: £28.5m

Business model

STRUCTURAL MARKET GROWTH & MARKET SHARE GROWTH

ADDRESSABLE MARKET

Short haul beach holidays dynamically packaged **x** Online penetration **x** OTB share of market traffic **=** **Unique visitors**

x

PERSONALISE CUSTOMER PROPOSITION & LEVERAGE £ REVENUE

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

=

Revenue

-

DRIVE EFFICIENT SHARE GROWTH & STRENGTHEN BRAND

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

-

Fixed and Variable Costs

SCALE DRIVES OPERATIONAL LEVERAGE

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

= **PBT**

Report from the Chairman

"It has been another challenging year and one in which strong relationships with stakeholders were fundamental to ensuring business resilience and I thank all stakeholders for their continued support. The Board remains confident in the outlook for the business and we believe that we have the right strategy in place to drive long-term sustainable growth."

Richard Pennycook
Chairman of the Board

I am pleased to present our annual report and accounts for the financial year ending 30 September 2021 ('FY21').

The COVID-19 pandemic continued to cause disruption and challenges to the travel industry throughout the financial year and so naturally had a substantial impact on the financial results of the Group, as outlined in the financial review on page 24.

In response to the continued disruption, the Chief Executive Officer, Simon Cooper, and his team, have focused on taking the right decisions for the long-term to ensure the business is well-placed to thrive as we exit the pandemic. The report of the Chief Executive Officer highlights our investment in a range of strategic areas, including technology, people, supply and brand.

Putting our customers first

At the start of the pandemic, the industry backdrop was extremely challenging. Millions of holidaymakers had seen their holidays cancelled, or severely disrupted due to travel restrictions. Whilst On the Beach had done its best to repatriate customers stranded by last minute 'red' or 'amber' country reclassifications and to refund monies paid for cancelled holidays, the strain on the system was intense and in a number of cases we let our customers down. This was particularly the case where airlines failed to refund our customers for flights which had been cancelled. Only when we had secured our liquidity, were we able to start refunding our customers for that portion of their holiday even when the airline had not in turn refunded us.

As a consequence, we – along with the rest of the industry – incurred reputational damage. As we entered the new financial year, our Board was determined to re-establish the reputation of On the Beach as a consumer champion – building on the fact that we are one of the few companies in the industry which puts customer monies in a ring-fenced trust account. In the face of great uncertainty about the prospects for travel in the year ahead, we therefore adopted a stance of caution on behalf of our customers. Our first marketing message of the year, over Christmas and the New Year (when the industry traditionally starts to promote the next summer holiday) was a cautious "Ready When You Are" campaign featuring Iggy Pop.

Our cautious message became even stronger in the summer itself, when we ran a campaign encouraging customers not to book a foreign holiday in July or August, at the precise time most in the industry were marketing holidays. The frequent and unpredictable changes in government guidance over the summer months caused further significant chaos for many who had chosen to travel. We believe we were seen as a responsible company helping customers to avoid major disruption to their annual holidays. Alongside that unusual marketing campaign we called the industry to account for its behaviour towards customers with respect to refunds. Our white paper, based on You Gov research, exposed consumer damage caused by misuse of refund credit notes and called upon the industry, regulators and government to take action to protect consumers. Both campaigns were well-received by consumers, increasing brand awareness and building brand trust.

In September 2021, with consumer confidence to book international travel gradually returning, but anger at the extraordinary costs of testing (which could exceed £1,000 for a family of 4) On the Beach again began to sell holidays and included free COVID tests with bookings.

The culmination of these activities provides a firm foundation on which to build brand awareness, consideration and trust and to increase market share in FY22.

Cash and liquidity

In May 2021, the Group extended its £25m Government-backed CLBILS facility by a year to May 2023 and reset its banking covenants for the period to September 2022. In July 2021, given the extended period of disruption to international travel, and the ongoing challenging trading environment, the Group raised £24.9m (net of fees) via a 5% share placing. The Board considered carefully before deciding to proceed with the placing and took independent advice from NM Rothschild & Co. The Board concluded it was in the best interests of the Company and its stakeholders to proceed as it would provide greater resilience, flexibility and firepower, and restoring the Group's cash position to a similar position to where it was following the placing in May 2020.

Report from the Chairman

As at 30 September 2021, the Group had £56m in cash (excluding customer monies held in trust), and the £75m facility was undrawn.

Thanks to the continued support from the Group's shareholders and bank, the Group enters the new financial year well-funded to successfully and sustainably grow market share and create long term value for shareholders, by investing in brand, technology and customer proposition.

Given the focus on investment in long-term strategy and growth, the Board has not recommended a final dividend for FY21.

Regulatory & market reform

The pandemic has shone a harsh light on the travel industry, exposing a market which does not work well for consumers, and does not provide a level playing field for fair competition. We look forward to hearing the outcome of the CAA's consultation on ATOL reform, and we hope that this will lead to the ring-fencing of customer monies in a trust account structure. However, the ATOL review is very narrow in scope, and we believe wider market reform is required to protect customer monies, with all prepaid monies put into trust accounts and repaid automatically if bookings are cancelled by the provider. We also want regulators to make clear to airlines that if customers are happy to appoint an authorised travel agent to act on their behalf, the airline should not put barriers or costs in the way of making that booking. On the Beach continues to liaise with regulators and Government on these issues, with a view to securing a fairer and more competitive market for package holidays.

Governance

The Group is committed to the highest standards of corporate governance and we are fully compliant with the UK Corporate Governance Code. The Board and its Committees have adapted their activities and processes to remote working; holding shorter but more frequent remote meetings. An internal Board evaluation exercise confirmed that this has been effective, and in FY22 we expect to move to a new cadence of meetings, with a mixture of remote and face-to-face meetings.

Board composition

We were delighted to welcome The Rt Hon Justine Greening as a Non-Executive Director of the Board on 4 March 2021. As well as serving on the Board, Justine is also a member of the Audit, Remuneration and Nomination Committees. With Justine's successful business career, her illustrious political career, and her work with the Social Mobility Pledge, Justine is already adding huge value to the Board.

New Directors' Remuneration Policy

In line with the usual three year cycle, the Directors' Remuneration Report sets out a new Directors' Remuneration Policy ('Policy') which we will be asking shareholders to approve at the AGM on 25 February 2022. The Remuneration Committee believes that the construct of the current Policy remains fit for purpose, and therefore only proposes to make minor amendments to ensure full compliance with the UK Corporate Governance Code and to allow more flexibility in selecting performance metrics which fully support the business strategy as we emerge from the COVID-19 pandemic. David Kelly, as Chair of the Remuneration Committee has engaged with over 50% of the shareholder base and the proposed policy takes into account the feedback received as part of that process.

ESG

Sustainability and climate change have become critically important to our stakeholders, who are rightly demanding that businesses operate sustainably, minimising environmental impact and contributing positively to society, while reporting openly and transparently on progress.

The Group is in the early stages of its ESG journey, but has made important progress. We are in the process of performing a materiality assessment to consider ESG risks and opportunities and to identify those ESG priorities which most align with the Group's values, strategy and culture and which are most important to the Group's stakeholders, with whom we are consulting. As part of developing our ESG strategy, we will identify the most appropriate metrics to track progress and create baselines, against which we can measure progress. On climate risk specifically, the Group has, for the first time, started the process to measure its Scope 3/indirect emissions, which will enable it to understand its full impact and to consider what can be done to reduce and/or offset its environmental footprint.

There are a number of initiatives underway which support the Group's ESG strategy, and more detail can be found on page 53.

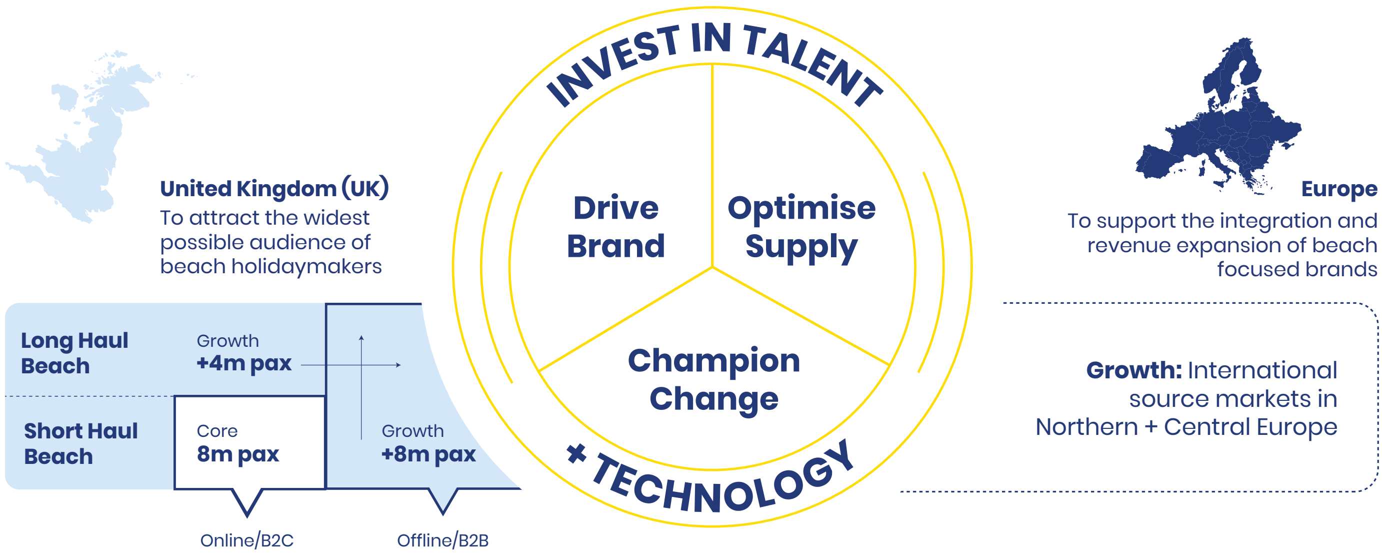
Looking ahead

FY21 has been another challenging year and I have been truly impressed by the resilience and adaptability of our people and business. This resilience will stand us in good stead as we continue to navigate the challenges that COVID-19 presents. At the time of writing this report, it is too soon to tell what impact the Omicron variant will have on the Group and the sector more widely but we have a business that can adapt swiftly and think differently and we have put in place all the right building blocks to ensure we are ready to take market share as consumer demand returns.

Richard Pennycook
Non-Executive Chairman
9 December 2021

Strategy

Post Covid, a huge opportunity exists to grow share of core and adjacent markets.



UK Core **8m pax** + UK Growth **10m pax** = UK Addressable **18m pax**

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

Strategy

Strategy for growth

On the Beach continues to target significant medium and long-term growth in its core and adjacent markets by evolving a strategy based on the following strategic pillars:

1 Invest in talent and technology

- Optimise the conditions that enable us to attract, develop and retain a diverse group of talent
- Enhance our platform capabilities to attract the widest possible audience of beach holidaymakers
- Leverage our data capabilities to improve user level personalisation

2 Become a brilliant digital brand

- Develop a truly differentiated customer proposition
- Deliver a superior customer experience from the moment of booking to increase repeat purchase and brand advocacy

3 Optimise our direct and differentiated supply

- Develop key partnerships through our ability to manage relationships, retail opaquely and pay promptly
- Build our in-house capability to increase flight connectivity
- Grow our multi-channel capability to offer partners the widest range of distribution

4 Grow our share of B2B beach

- Drive mainstream growth through Classic Package Holidays
- Evolve Classic Collection to include long haul, itineraries and boutique hotels

5 Diversify into adjacent beach holiday markets

- Grow share of long haul beach holidaymakers
- Seek value enhancing opportunities in new and existing international markets

6 Champion customer-centric change

- Help to shape industry regulation that is fit for purpose
- Ensure the market works in the best interests of the consumer

Kimberley Head of UX & Design

We have a phrase in the design team 'we're never done, we're only ready'. This for me, encapsulates the eagerness as a business to try new things, learn, adapt and continuously improve our customer experience.

Favourite Beach:
Prasonisi Beach, Rhodes

Chief Executive's review

We have taken a number of bold steps this year to drive future growth. I am enormously proud of the On the Beach team for their commitment and hard work. Their dedication combined with our future opportunities and strategic objectives gives me optimism for the future.

Simon Cooper
Chief Executive Officer

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

Our low-cost operating model, in a primarily digital sector, where consumers are seeking increased convenience, choice, and a personalised experience with financial protection, positions us to emerge from the pandemic favourably.

This has been another unique and difficult year for the global travel industry where the impact of the pandemic has been deeper and longer lasting than most would have expected. Our performance has suffered from a materially lower than normal level of bookings and the reversal of revenue generated for bookings received in the year that have subsequently been cancelled.

Against this challenging market backdrop, we have continued to strengthen our balance sheet by successfully raising a further £24.9m from shareholders who see the long-term opportunity of the business, giving us an even greater platform to emerge from the pandemic in a position of strength. Over the period, we have continued to invest in our people and technology, optimise our supply and reinvigorate our brand.

I am confident that the activities we have undertaken over the last 12 months have laid strong foundations for the Group in the year ahead as holidaying begins to return to pre-pandemic levels, and I am incredibly proud of my colleagues who have delivered so much in often challenging situations.

People

Our people have continued to rise to the widespread challenges that the crisis has presented. Staff across all business departments have worked productively and professionally home.

We have continued to support colleagues with a diverse range of initiatives to promote mental health and wellbeing, helping retain a connection to our staff in other departments and across the Group as a whole, while our offices have remained closed.

We have not relied extensively on the Government furlough scheme and instead have looked to recruit more staff across all core functions, including technology, brand, finance and customer service.

We are excited that a move to hybrid working means all of our colleagues can once again be in the same dedicated office, Aeroworks, which will help us collaborate better across departments. Hybrid working will enable us to recruit from a wider talent pool and allow our staff to continue to benefit from greater flexibility.

We have significantly improved our colleague benefits and development opportunities, and have added strength to our senior management team across Data, Product and Marketing, with the appointment of a Director of Data, a Director of Product and a Chief Marketing Officer.

Finally, as a big thanks to our staff who continue to respond with speed, professionalism and resilience to the crisis, we have raised the entry salary across the business to £20,000, thereby elevating the skill set of the new talent we attract and improving the overall quality of service to our customers.

Market conditions

Whilst FY21 was not expected to return to a normal year for travel, the industry and the UK population did not foresee an extended lockdown and travel ban for the first six months of calendar year 2021. In a normal year, holiday bookings would peak in January for travel from March through to September. However, it became increasingly clear before entering a third lockdown on 4 January 2021 that market conditions for the remainder of the first half would be more challenging than anticipated at the start of the financial year.

Although the vaccine rollout in the UK has been successful, the Government remained cautious about reopening borders for leisure travel. The traffic light system, determining the different requirements and restrictions to be imposed by destination, led to a significant amount of uncertainty for consumers over the summer season, including:

- which destinations will be in each category, and whether they are likely to change;
- the cost of testing prior to departure in the UK and in resort;
- the ability of the local infrastructure to cope with the requirements and the resulting potential delays;

- what requirements there may be if people test positive for COVID-19 whilst in resort and the cost of this; and
- local rules and restrictions in resort, such as curfews and masks.

Following the Government's announcement in May 2021 on the traffic light system for leisure travel, where most destinations were classified 'amber', On the Beach made the strategic decision to extend its off-sale period for holidays from 30 June to 31 August 2021.

In addition to the Group's focus on growing its market share in the long term, the Board's decision was based on consumer feedback from both research and search / sales data, showing a market wide lack of appetite for booking amber destinations, as well as the likely loss of customer goodwill for holidays that might be booked only to be cancelled or re-arranged.

On the Beach restarted selling holidays to travel from early September 2021, when it became clearer that overall confidence to book a holiday had increased, with On the Beach research finding 53% of Brits felt confident about booking a holiday for the remainder of calendar year 2021 (up from 34% in July 2021).

For many customers seeking to go abroad, the financial and administrative implications of PCR tests remain a key booking barrier, with one in three people citing that as their main concern, second only to concerns that the holiday would not go ahead as planned.

On the Beach therefore announced on 8 September 2021 the decision to provide customers with free Covid tests for bookings made between 8 and 30 September for holidays in 2021 to Spain, Greece, the Spanish and Greek Islands. Following the success of the promotion, free Covid tests were more recently made available for bookings made in October and November.

Our 'New Normal Booking Pledge' offers additional reassurance and transparency to help our customers with their holiday planning. Both initiatives, combined with a further softening of government restrictions stimulated bookings in the final weeks of the year. The increased awareness of brand and strengthening in trading over this period sets the business up well for 2022 as the market starts to normalise.

Strategy

A summary of our strategy for growth can be found on page 14. As I set out in more detail below, throughout the year, we have continued to focus our investment into areas of strategic value including technology, brand and supply as well as a continued focus on expanding our portfolio of beach holidays and our addressable audience, specifically through our expansion areas of B2B and long haul.

Investment in our Brand

The pandemic has caused reputational damage to all in our sector. Our decisive action has enabled us to take steps that better protected our reputation versus our rivals, but we were not immune from the issues presented by a unique set of circumstances at various points over the last 18 months. This included, but was not limited to, an unprecedented volume of customer enquiries, difficulties in collecting refunds from low cost carriers and a high degree of uncertainty regarding future travel.

Throughout the year, our marketing focus has been on reputational repair and reinvigorating the brand. Never before has our unique business model better enabled us to do the right thing by our customers, consumers and the industry as a whole. Our strategy has been to act innovatively putting consumers at the heart of our decision making, setting us apart from our rivals and enabling us to maintain our brand metrics with a fraction of the spend.

In December 2020, we launched a 'Ready when you are' TV campaign which aligned with consumer sentiment in a period of low / no travel during our usual peak booking period.

Technology developments delivered in record time enabled us to better serve customers needing to amend bookings, and our finance ops team worked tirelessly in order that we could refund customers at scale within 14 days.

We made the decision not to offer customers refund credit notes but to refund in cash, and our white paper on the topic helped hold the industry to account as we looked to highlight consumers' right to refund as the pandemic continued. For more details see page 60.

As disruption, cancellations and unexpected costs continued to blight holidays booked, we took the radical decision to stop selling holidays that we were not confident would be delivered.

Lastly, as we look to help restore consumer confidence and get people back on holiday again, we created our free Covid test offer - On the Beach's largest ever promotion at a cost of over £1million - which meant we could reduce the holiday hassle administration as well as saving our customers money.

Investment in Technology

We have continued to add to our technology talent, in particular to software engineering, design, product, infrastructure and security.

We have continued to invest in remote working and greater use of cloud, to empower colleagues to self-serve, work securely from anywhere at any time and drive speed to market.

Our technology teams have taken the opportunity to capitalise on periods of lower trading to continue to focus on enhancing the core capabilities of our platform (flights, beds, packaging, front end, payments and back-office).

We have re-architected our core booking paths, enabling quicker future development and the addition of diverse sites from all geographies.

We have built new capabilities to support long haul and scheduled airlines, allowing new suppliers to be added at pace.

Chief Executive's review

As part of our overall strategy, there has been a focus on optimising our data platform with a view to driving increasingly sophisticated user-level personalisation and maximising customer lifetime value.

Investment in Supply

We continue to believe that only by having our own relationships with our hotel partners can we guarantee our customers both a good hotel experience and the best prices. COVID-19 has presented the opportunity to secure direct relationships with quality inventory in key destinations that were previously on exclusive contracts with competitors.

Throughout the pandemic and the widespread disruption this caused, it was clear without direct contracting capability we could not possibly have delivered the same level of service, either when airspace closed or when it reopened. Our direct contact with all key partners allowed us to better manage through the chaos. We supported hoteliers during the pandemic, maintained a full-strength team and paid our partners and suppliers on time. This has not only welcomed us to new opportunities but it has also given us maximum flexibility with suppliers.

Perhaps most importantly as we turn our focus to the future, our ring-fencing of customer prepayments allows On the Beach to maintain its favourable payment terms to all partners.

Many others in the market, including tour operators and bedbank peers, have not been able to honour their commitments under the financial pressure of COVID-19. We have cancelled and amended tens of thousands of bookings, working in collaboration with our suppliers to avoid cancellation charges and to ensure smooth operational processes. This is only possible with strong directly contracted relationships. The net result is that our directly contracted share has continued to grow and we exit HY21 with a c.90% share.

We continue to believe that our ability to pay promptly, access preferential package rates with hotel suppliers and access B2C and B2B channels are fundamental to growing levels of direct and differentiated supply.

Expansion areas

Business-to-business (B2B)

In 2018, we expanded into a new B2B channel via the acquisition of Classic Collection Holidays (CCH). This increased the size of the Group's addressable market by a further c.8m holidaymakers, who book beach packages each year through an intermediary.

Since the acquisition, the Group has continued to invest behind the strategic development of both the existing CCH brand and our new Classic Package Holidays brand.

Both Classic brands have maintained high service standards throughout the pandemic, receiving recognition from the trade for excellence, which has enhanced their reputation and positions both favourably as demand continues to recover.

Classic Package Holidays (CPH)

Significant progress was made in activating travel agents to sell CPH holidays and increasing usage up to February 2020. The brand, launched in 2019, already has the capability to sell packages via its portal to over 2,500 agents.

Partly as a result of the pandemic, there are some challenges for new entrants and smaller independent operators but with Thomas Cook exiting the market in 2019 and other tour operators focusing on direct sales, there is an opportunity to drive both number and usage of high street and independent travel agents that sell CPH holidays.

Classic Collection Holidays (CCH)

Pre-pandemic, the Group invested in the product portfolio of CCH to include longer haul beach and tailor-made itineraries via travel agents for its end customers. Over the last 18 months, CCH has continued to extend and tailor the offering.

In line with our strategy, the Classic brands have now launched a long haul offering and are building a dedicated Group long haul function which will cover B2B and B2C, value vs luxury and standard vs bespoke.

The proportion of CCH booked holidays that are long haul has increased from 1.4% in September 2019 to 16.4% in September 2021.

Long Haul

There are 4 million holidaymakers in the UK who book long haul packages each year. Pre-pandemic, the On the Beach site handled 10m searches per annum for long haul destinations.

There is a significant opportunity post pandemic to drive a growing share of bookings to longer haul destinations in Classic and the core On the Beach brand, by building out our scheduled air connectivity and portfolio of directly contracted beach hotels.

We continue to develop new technological capabilities to allow airlines to be added at pace and we are developing relationships with hotels in destination, both East and Westbound. Our new group long haul function in Classic will handle more complex long haul enquiries on behalf of the Group when demand returns.

International expansion

The Board will continue to evaluate international opportunities that increase the Group's scale and deliver further value for shareholders.

Championing change in travel industry regulation

What On the Beach is calling for

We believe that holistic and comprehensive reform is required in the regulation of the travel industry, in order to create a competitive and thriving travel market which works well for consumers, creates a level playing field for those operating within it, and which reduces or eliminates exposure for taxpayers against the risk of business failure.

Why this change is necessary

The failures of Monarch and Thomas Cook in 2017 and 2019 respectively highlighted the exposure of consumers and taxpayers to the considerable cost of airline failures and highlighted the need for reform in financial protection for airlines. The Airline Insolvency Review that followed Monarch's failure identified a number of reforms required and while this was included in the 2019 Queen's Speech, progress was derailed by the pandemic and Brexit, and it is not clear when this is likely to be addressed.

During the pandemic, as travel operators scrambled to preserve cash, consumers were mistreated by having refunds refused or significantly delayed, and many were forced to accept vouchers or refund credit notes, when they were entitled to a cash refund in a timely manner, thus creating consumer detriment and reduced competition.

Although consumer sentiment has recently improved, consumer confidence for international leisure travel remains fragile and there continues to be some uncertainty regarding the shape and timing of the recovery. This recovery is dependent on the industry regaining the trust of consumers that they will be treated fairly.

For most consumers in the UK who are booking their annual beach package holiday, this will likely be the biggest investment they will make in a year, unless they are moving house or changing their car. It is therefore critical that competition in the market is healthy to ensure they get the best value, choice, flexibility and consumer protection. However, a number of market dynamics, most notably the market power of the few airlines operating popular leisure routes from the UK, and how that power manifests itself to the detriment of consumers, pose a serious threat to fair competition and choice for consumers.

ATOL reform

The CAA is consulting on reform of the ATOL scheme including the assessment of funding arrangements and the protection of consumer money. The consultation process is still ongoing and we expect to hear initial feedback from the CAA in December 2021, with a further consultation process in 2022. Proposals include mandatory ring-fencing of consumer funds, which would mean a fundamental change for the travel industry for those not already operating trust accounts. On the Beach is supportive of trust accounts, to protect the interests of customers and taxpayers, and if this is the direction the CAA decides to pursue, On the Beach is well-placed for the relevant reforms.

What next?

On the Beach will continue to engage with Government, Parliament and regulators on the changes it believes are required to secure a healthy and competitive market that protects the interests of consumers.

Regulatory focus thus far has been focused on package organisers and not on airlines. Given the failures and significant delays by airlines to refund cancelled flights, and given the misuse of market power. On the Beach will be championing the need for this to be reviewed and addressed.

Current trading and outlook

Booking volumes have been and will continue to be significantly influenced by the evolution of the COVID-19 pandemic and responses from UK and European Government policy. As I write this review, it is too early to say what impact the Omicron variant will have on restrictions and demand but we have well-rehearsed plans in place to deal with any ensuing disruption. The Group exits 2021 with strong liquidity, high brand awareness and is ready for 2022.

The Board remains confident in the resilience and flexibility of the business model and believes the business is well-positioned to grow market share over the medium term as demand for holidays recovers.

In light of the continued market uncertainties, the Group is maintaining its suspension of full year guidance until such time that the overall impact of COVID-19 on the Group becomes clearer.

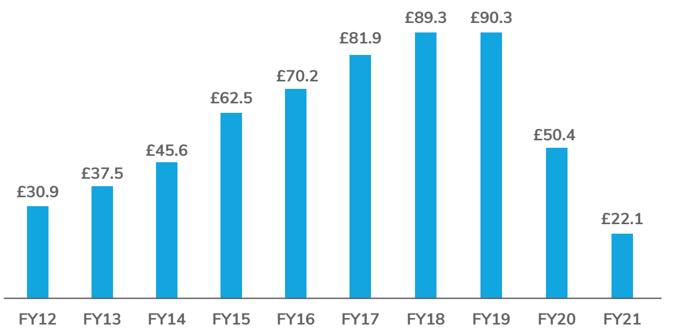
The Board will provide a further update on trading on the date of the AGM on 25 February 2022.

Simon Cooper
Chief Executive Officer
9 December 2021

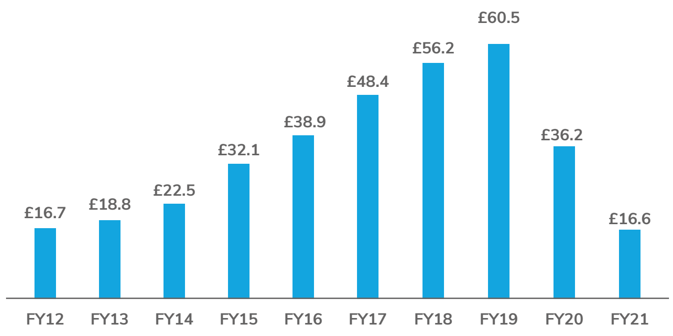
Key performance indicators

Financial KPI's

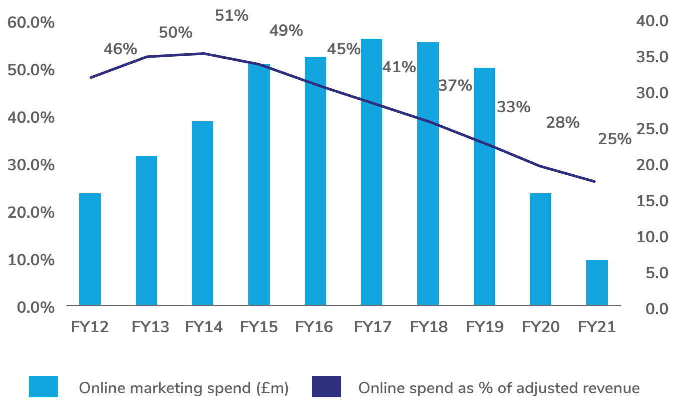
OTB revenue



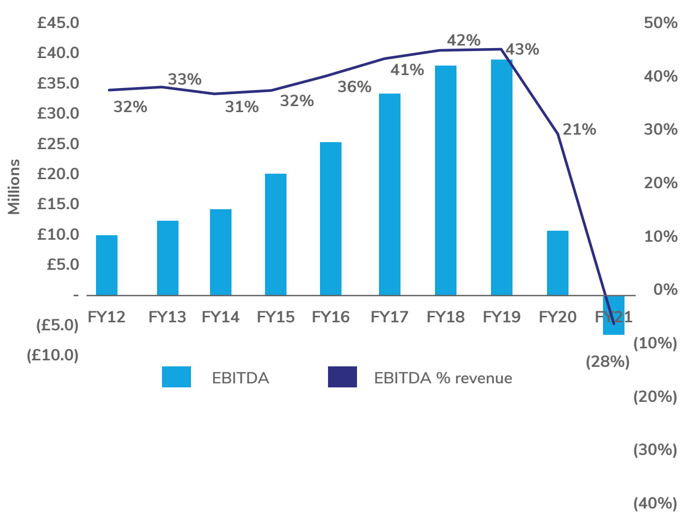
OTB revenue after online marketing costs



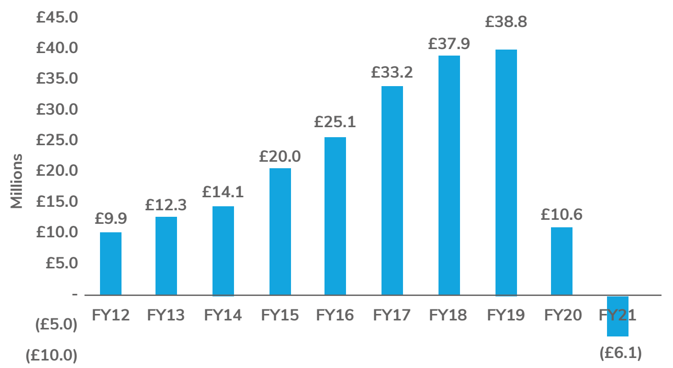
OTB online marketing spend % revenue



OTB EBITDA % revenue



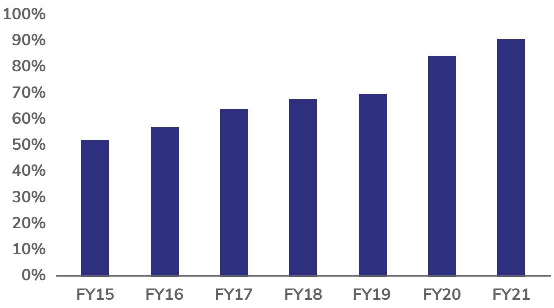
OTB EBITDA



Key performance indicators

Non-financial KPI's

Directly contracted hotel supply



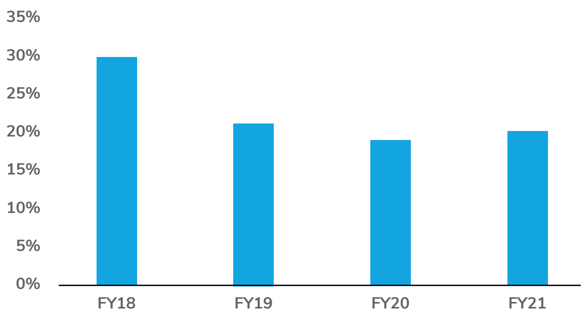
Description: Tracking % of total hotel buying via direct contracting (as opposed to through third party sourced product).

Performance: We have continued to increase our proportion of directly contracted product this year by c.5%. 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

1 2 3 4 5

Voluntary employee turnover



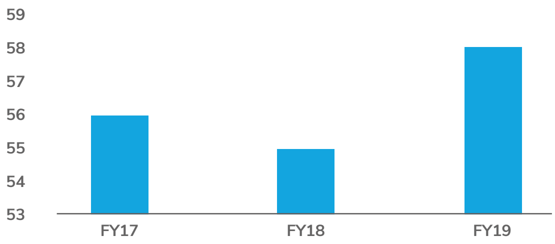
Description: Voluntary turnover tracks the number of employees who have left of their own volition and provides a measure of our ability to retain employees.

Performance: Voluntary turnover increased this year to 20% (FY20: 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. To help prevent overall employee turnover, we increased our entry level salary to £20,000 and we continue to focus on improving communication with employees, investing in employee development and diversity and inclusion, and providing market competitive wages and benefits. (see page 54 for more information).

Link to strategy

1

Net promoter score



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

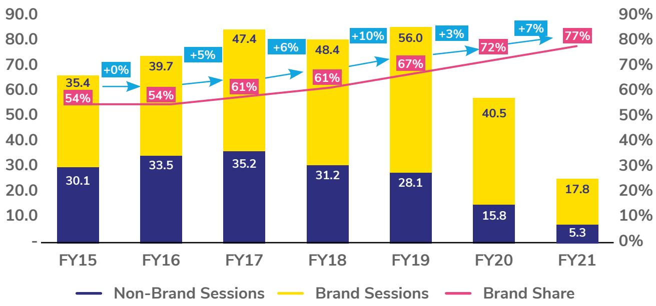
Performance: Following the outbreak of COVID-19, we stopped sending out questionnaires to customers given very few customers were travelling due to the closure of airspace. This affected FY20 and FY21 and as a result, we do not have an accurate NPS for FY20 and FY21. As restrictions relax and consumer confidence starts to return, we will recommence sending out the questionnaires in FY22 and NPS for FY22 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.

NPS will be a metric used for the Executive bonus scheme in FY22.

Link to strategy:

1 2 3 4 5 6

Brand traffic share %



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

Performance: As expected, website visits have been lower this year. Despite this, we have continued to increase our share of Brand & Free traffic, thanks to previous investment into brand activity and above the line advertising.

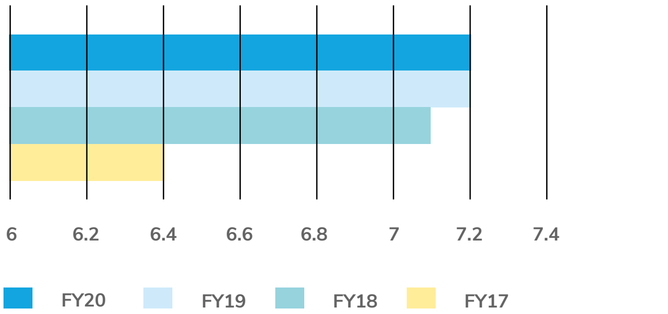
Link to strategy

1 2 4

Key performance indicators

Non-financial KPI's

Employee engagement



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

Performance: FY21 has continued to be a year of disruption and change. As of writing this report, we are in the process of adapting to hybrid ways of working.

Following our decision to close our Park Square office, there will be further adjustment for many of our colleagues as they will be working from a new office for the first time. As such, the decision has been made to carry out the annual engagement survey a little later this year in December 2021. By this point, colleagues will have had 1-2 months of getting used to the new office and trialling the new ways of working and we feel that carrying out the survey at that point will give a more realistic and meaningful insight into how employees feel about the hybrid working arrangements and engagement generally.

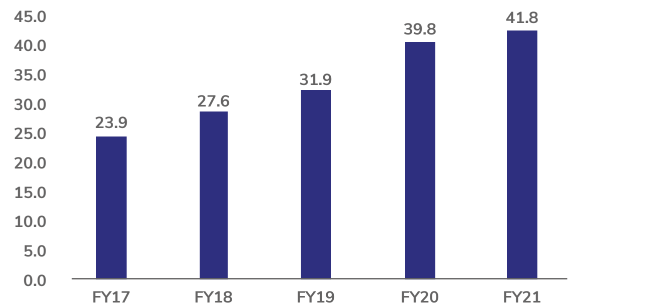
Whilst we are deferring the annual survey, we have conducted various pulse surveys throughout the year and we are committed to engaging with our workforce (for more Information see page 54). We will report on the results of the survey undertaken in December 2021 in next year's report.

Employee engagement score will be a metric used for the Executive bonus scheme in FY22.

Link to strategy

1 2 3 4 5 6

Prompted brand awareness



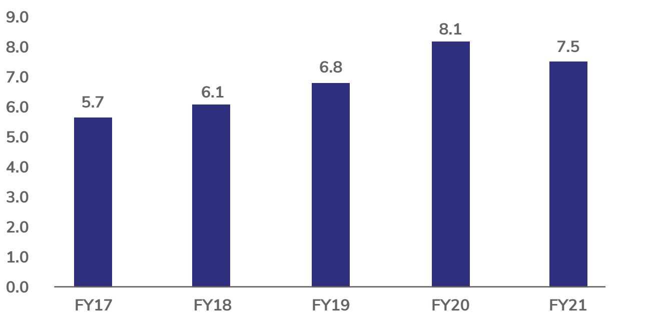
Description: Data based on a survey that asks participants to select all travel brands they have heard of from a list.

Performance: This year we saw a 5% increase against 2020. It's testament to the work carried out by the business and Marketing function that we have continued to improve our awareness score this year and have in fact increased our score by 31% since 2019.

Link to strategy

1 2 3 4 5 6

Prompted 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 we saw an 8% decrease against 2020. This is due to the fact that FY20 included 6 months of non-pandemic trading. Notwithstanding that decrease, we have managed to maintain a high consideration score since the pandemic began and have improved on our 2019 score by 10%.

Prompted brand consideration will be a metric used for the Executive bonus scheme in FY22.

Link to strategy

1 2 3 4 5 6

Steve Bratt *Head of Colleague Technology and Facilities*

"Our technology is at the foundation of everything that we do, this enables us to react quickly to challenges such as the pandemic. We continue to enable colleagues to work securely and collaboratively from any location so that they can focus to serving and supporting our customers."

Favourite Beach: Unawatuna – Sri Lanka

Financial review

Since the onset of the pandemic, we have focused on strengthening our balance sheet and thanks to the continued support from the Group's shareholders and bank, the Group enters the new financial year well-funded to successfully and sustainably grow market share.

Shaun Morton
Chief Financial Officer

Group overview

	2021		2020	
	Adjusted	GAAP	Adjusted	GAAP
Group revenue	**£30.5m**	**£21.2m**	**£71.2m**	**£33.7m**
Revenue as Agent[(1)]	£24.0m	**£14.7m**	£54.3m	**£16.8m**
Revenue as Principal[(2)]	£6.5m	**£6.5m**	£16.9m	**£16.9m**
Group gross profit	**£23.3m**	**£14.4m**	**£53.4m**	**£16.0m**
Gross profit as Agent	£22.7m	**£13.8m**	£50.8m	**£13.5m**
Gross profit as Principal	£0.6m	**£0.6m**	£2.6m	**£2.6m**
Group (loss)/profit before tax[(3)]	**(£18.4m)**	**(£36.7m)**	**£0.6m**	**(£46.3m)**
Basic (loss)/earnings per share[(4)]	**(9.7p)**	**(19.0p)**	**(0.5p)**	**(27.6p)**

(1) *As an agent, revenue is accounted on a "booked" rather than "travelled" basis (unlike tour operators and airlines) and the Group is reporting bookings taken between 1 October 2020 and 30 September 2021. Adjusted revenue is revenue before exceptional items of £9.3m (2020: £37.5m).*

(2) *As a principal, revenue is accounted on a "travelled" basis and reported on a gross basis and the Group is reporting bookings which departed between 1 October 2020 and 30 September 2021.*

(3) *Group adjusted profit / loss before tax is profit / loss before tax, amortisation of acquired intangibles of £5.5m (2020: £5.5m), share based payments cost of £2.8m (2020: credit of £0.6m) and exceptional items of £10.0m (2020: £42.0m). A full explanation of the adjustments is included in the glossary.*

(4) *Adjusted earnings per share is Group adjusted profit after tax divided by the average number of shares in issue during the period. Earnings per share is Group profit after tax divided by the average number of shares in issue during the period.*

COVID-19 pandemic impact

Certain items, including the ongoing exceptional impact of the COVID-19 pandemic, have been excluded from performance measures in this statement as the Board considers this necessary to provide a fair, balanced and understandable view of the performance of the Group. A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the glossary. Whilst the underlying result has still been significantly impacted by the COVID-19 pandemic, 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 likely to be cancelled, due to continued airspace closures and government restrictions on leisure travel.

The Group has not estimated the financial impact of, or made an adjustment for, the significant reduction in booking volumes as a result of the COVID-19 pandemic. A summary of the adjustments between Adjusted and GAAP measures, split between the COVID-19 impact and other costs, is shown below.

	2021				2020			
	Adjusted £m	COVID-19 £m	Other £m	GAAP £m	Adjusted £m	COVID-19 £m	Other £m	GAAP £m
Group revenue[1]	30.5	(9.3)	-	21.2	71.2	(37.5)	-	33.7
Revenue as Agent	24.0	(9.3)	-	14.7	54.3	(37.5)	-	16.8
Revenue as Principal	6.5	-		6.5	16.9	-	-	16.9
Cost of sales[2]	(7.2)	0.4	-	(6.8)	(17.8)	0.1	-	(17.7)
Group overheads	(41.7)	(1.1)	(8.3)	(51.1)	(52.8)	(4.3)	(5.2)	(62.3)
Share Based Payments	-	-	(2.8)	(2.8)	-	-	0.6	0.6
Acquired Intangibles Amortisation	-	-	(5.5)	(5.5)	-	-	(5.5)	(5.5)
Other exceptional operating costs[3]	-	(1.1)	-	(1.1)	-	(4.3)	(0.3)	(4.6)
Group (loss)/profit before tax	**(18.4)**	**(10.0)**	**(8.3)**	**(36.7)**	**0.6**	**(41.7)**	**(5.2)**	**(46.3)**

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

Overview of the year

- Revenue of £21.2m was down 37% vs FY20 due to:
  - Booking volumes remained low throughout the complete UK lockdown 4 Jan 2021 to 17 May 2021.
  - Dampened consumer confidence through the calendar year due to complex and inconsistent rules coupled with prohibitively expensive testing costs.
  - The decision made by the Group to suspend new bookings for holidays departing before 1 September 2021.
- The Group continues to adjust for COVID-19 related cancellations, expected cancellations and amendments. After making an adjustment to add back the impact of cancellations, adjusted revenue was £30.5m *(FY20: £71.2m)*.
- Total exceptional items in the period of £10.0m *(FY20: £42.0m)* represents the estimated impact of COVID-19. This is primarily the result of COVID-19 related cancellations, expected cancellations and associated administrative expenses.

Continued and evolving response to the pandemic

As the country started to emerge from the pandemic, the Group took a customer-led approach. This has included:

- Taking the bold decision to remove July and August departures from sale while rules and restrictions remained changeable and complex.
- Free COVID tests on selected holiday bookings made from September 2021 in an industry first initiative.
- Introducing a 'New Normal' booking pledge to give consumers the confidence to book. This included free pre-trip cancellation cover on all package holidays, waiving our amendment fees where destinations are impacted by COVID-19, and a guarantee that we will always refund in cash rather than vouchers or credit notes.
- This has enabled the Group to sustain high levels of brand awareness through times of weak consumer demand and to continue to build consumer trust both in travel and the brand.

Financial Review

Cash and liquidity

- Given the extended disruption to international travel from the UK throughout 2021 and the ongoing trading environment across the sector, in July 2021, Group raised £24.9m, net of fees (the 'Placing'), to:
  - provide the Group with greater resilience, flexibility and firepower through the current downturn by restoring the Group's cash position to a similar position to where it was following the placing in May 2020;
  - ensure that, ahead of an expected recovery of the international travel market in calendar year 2022, the Group will have sufficient funding available to increase marketing spend; and to support the necessary short-term investment in working capital to capitalise upon that demand; and
  - ensure that, even in more pessimistic scenarios where international travel continues to be significantly impacted due to the pandemic, the Group is able to protect its strong market position and position itself to gain market share when there is an eventual recovery.
- The headroom from the Placing allows the Group to simultaneously increase investment in its digital platforms; continue to drive brand through investment in online and offline marketing activity and improve conversion with attractive low deposit schemes. A disciplined approach to investment will be maintained, in line with the Group's track record.
- In addition, the Group extended the £25m CLBILS facility to May 2023 and reset covenants for the period up to September 2022.
- The Group has access to a £75m Revolving Credit Facility ('RCF') which has not been drawn since 22 May 2020.
- Cash at 30 September 2021 was £56m excluding customer monies held in a ring-fenced trust account of £39m. The Group continues to refund customers in advance of receiving refunds from airlines for cancelled flights and it does not issue refund credit notes.

Details of the current facility limits and maturity dates are as follows:

Facilities	£m	Issued	Expiry	Drawn at 30 September 2021
Original RCF	£50m	Apr 2020	Dec 2023	£nil
New CLBILS facility	£25m	May 2020	May 2023	£nil
Total facility	£75m			£nil

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).

OTB performance

	2021 Adjusted £m	2021 GAAP £m	2020 Adjusted £m	2020 GAAP £m
Revenue	22.1	**13.0**	50.4	15.9
Online Marketing costs	(5.5)	**(5.5)**	(14.2)	(14.2)
Offline Marketing costs	(6.1)	**(6.1)**	(8.7)	(8.7)
Revenue after marketing costs	10.5	**1.4**	27.5	(7.0)
Overheads	(16.6)	**(16.6)**	(16.9)	(16.9)
Depreciation and amortisation	(5.9)	**(5.9)**	(5.5)	(5.5)
Exceptional operating costs	-	**(0.7)**	-	(4.5)
Share based payments	-	**(2.8)**	-	0.6
Amortisation of acquired intangibles	-	**(4.4)**	-	(4.4)
Operating (loss)/profit	(12.0)	**(29.0)**	5.1	(37.7)
EBITDA	(6.1)	**(18.7)**	10.6	(27.8)

See glossary for reconciliation to nearest GAAP measure.

Revenue decreased by 18% to £13.0m *(FY20: £15.9m)*. The reduction in revenue is due to a lack of opportunity and demand for travel during the year.

The summer holiday booking peak, which traditionally occurs in January, did not take place this year due to tightening restrictions over the Christmas period followed by a complete and indefinite lockdown announced on 4 January 2021. In addition, the Group's decision in May 2021 to withdraw from sale holidays departing prior to 1 September 2021 impacted booking volumes, but also reduced the opportunity for significant business disruption, holiday cancellations and customer dissatisfaction through summer.

As a result, adjusted revenue, which is grossed up for revenue on bookings taken during the period but subsequently cancelled, decreased by (56%) to £22.1m *(FY20: £50.4m)*.

Offline marketing spend of £6.1m, relates to three distinct campaigns through the year:

- The 'Everything's Better on the Beach', and 'We're Ready When You Are' brand campaign, which went live on Christmas Day;
- 'Summer off Sale', where we put consumers before cash. This was possible due to the Group's unique business model, which is not reliant on generating customer cash as working capital;
- 'Free COVID tests' in an industry first to start to build back consumer confidence in an industry that had been dented by a significant period of complexity, costly testing and disruption.

As a result of these campaigns, even during a period of exceptionally low demand, brand awareness in September 2021 was ahead of September 2019.

Online marketing spend, which flexes with holiday search demand, was 42% *(FY20: 89%)* of revenue. This reduction is due to a lower proportion of bookings made being subsequently cancelled. Adjusting for these cancellations online marketing cost efficiency was similar to the previous year at 25% *(FY20: 28%)*.

	2021 Adjusted	2021 GAAP	2020 Adjusted	2020 GAAP
Overheads as a % of revenue	75%	127%	34%	106%

The severe market conditions and resulting cancellations have resulted in increased operating leverage in the year. Overheads as a percentage of adjusted revenue have increased to 75% *(FY20: 34%)*.

Fixed costs have also increased due to ongoing investments in people and technology as well as continued regulatory cost pressures such as insurance and other costs related to being a UK Plc.

As a result of the market dynamics explained above operating losses have decreased to £29.0m *(FY20: £37.7m)*.

Classic Collection Holidays segment performance

	2021 Adjusted £m	2021 GAAP £m	2020 Adjusted £m	2020 GAAP £m
Revenue	6.5	**6.5**	16.9	16.9
Gross profit	0.6	**0.6**	2.6	2.6
Gross Profit after marketing costs	0.2	**0.2**	1.6	1.6
Overheads	(3.3)	**(3.3)**	(3.5)	(3.5)
Depreciation and amortisation	(0.2)	**(0.2)**	(0.1)	(0.1)
Amortisation of acquired intangibles	-	**(1.1)**	-	(1.1)
Exceptional operating costs	-	**(0.4)**	-	(0.1)
Operating loss	(3.3)	**(4.8)**	(2.0)	(3.2)
EBITDA	(3.1)	**(3.5)**	(1.9)	(2.0)

See glossary for reconciliation to nearest GAAP measure.

Financial review

As a principal (rather than an agent) Classic accounts for revenue on a "travelled" basis and reports revenue on a gross basis. As very few customers were able to travel during the year, results have been impacted significantly.

Revenue decreased by 62% to £6.5m *(FY20: £16.9m)* and operating losses increased to £4.8m *(FY20: £3.2m)*. However the forward order book is healthy.

The management team continues to develop the overall proposition and has launched new boutique, tailor-made and long haul programmes during the year.

Throughout the pandemic, Classic has been recognised for delivering excellent customer service and has this year launched the 'acclaimed' programme which is designed to foster even stronger relationships with travel agents.

Classic Package Holidays segment performance

	2021 Adjusted £m	2021 GAAP £m	2020 Adjusted £m	2020 GAAP £m
Revenue	1.8	**1.7**	3.6	0.8
Cost of sales	(1.3)	**(0.9)**	(3.5)	(3.3)
Gross profit	0.5	**0.8**	0.1	(2.5)
Gross Profit after marketing costs	0.1	**0.4**	(0.1)	(2.8)
Overheads	(1.8)	**(1.8)**	(1.4)	(1.4)
Depreciation and amortisation	(0.2)	**(0.2)**	(0.2)	(0.2)
Operating (loss)	(1.9)	**(1.6)**	(1.7)	(4.4)
EBITDA	(1.7)	**(1.4)**	(1.5)	(4.2)

See glossary for reconciliation to nearest GAAP measure

CPH provides an online B2B platform that enables high street travel agents to sell dynamically packaged holidays to their customers. Revenue for the period was £1.7m *(FY20: £0.8m)*, and the operating loss was £1.6m *(FY20: £4.4m)*. The CPH trading result has been significantly impacted by COVID-19 due to a drop in demand and temporary closure of high street shops for much of the year.

The brand was created in 2019, and despite the pandemic, has continued to make significant strategic progress. CPH product is now available in 2,500 high street travel agents and c3,500 hotels are now available across both short and long haul destinations. At the year end, forward orders were more than double what they were as at 30 September 2019 and represented holidays with a total sales value of £9.5m.

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 charge of £2.8m *(FY20: credit £0.6m)*. The FY20 credit related to the reversal of benefits accrued for the 2018 incentive scheme which, as a result of COVID-19, did not vest in full.

On 22 December 2020 the Remuneration Committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted on 9 July 2019. This removal of a non-market based condition has resulted in a catch up charge to the FY21 income statement of £2.0m that reflects the scheme progress to date. These awards vested on 30 September 2021.

Taxation

The Group tax credit of £6.5m represents an effective rate of 18% *(FY20: 19%)* which is lower than the standard UK rate of 19% *(FY20: 19%)*.

During the period, a Corporation Tax rebate of £4.2m was received and no payments on account have been made due to the loss making position of the Group.

Cash flow

	2021 £'m	2020 £'m
Loss before tax	(36.7)	(46.3)
Depreciation and amortisation	11.9	11.4
Net finance costs / (income)	0.9	0.4
Share based payments	2.8	(0.6)
Net loss / (gain) on disposal of property, plant and equipment	0.1	-
Movement in working capital	18.0	(39.7)
Corporation tax	4.2	(0.2)
Cash generated / (used in) from operating activities	1.2	(75.0)
Other Cash Flows		
Capitalised development expenditure	(4.6)	(4.0)
Capital expenditure net of proceeds	(0.5)	(1.0)
Net finance (costs) / income	(0.9)	(0.4)
Payment of lease liabilities	(0.6)	(0.4)
Cash flows excl share proceeds and dividends paid	(5.4)	(80.8)
Proceeds from issue of share capital	24.9	65.1
Dividends paid	-	(2.6)
Total net cash flows	19.5	(18.3)
Opening cash balance	36.5	54.8
Closing cash at bank	56.0	36.5
Closing trust balance	39.0	25.8

The cash flow profile of the Group is seasonal with approximately 50% of customers travelling in the period June to August and therefore in a normal year the cash flows (excluding any cash held in the trust account) experience a trough prior to June and a peak following this.

Net cash outflows excluding share proceeds and dividends were £5.4m which is £75.4m lower than last year (outflow of £80.8m). This is due to reduced losses and a partial unwind of the working capital position at 30 September 2020 and in particular amounts due from airlines which have been substantially recovered in the period.

Not included in the Group's cash position is £39m *(FY20: £25.8m)* of customer prepayments held in a trust account to be released once the customer has travelled.

As a result of the share placings in FY20 and FY21, and the extension of banking facilities to December 2023, the Group has sufficient cash reserves to continue to invest ahead of an expected recovery of the international travel market in calendar year 2022.

Dividend

As announced on 15 June 2021, no interim dividend was declared during FY21. In view of the performance in light of the pandemic and the planned investment in technology, people, brand and customer proposition in FY22, the Board is not recommending a final dividend in respect of FY21.

Shaun Morton
Chief Financial Officer
9 December 2021

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.

The Company's approach to risk is one of continuous progress and improvement and during the year, work commenced on developing a new risk management framework that will enhance our current approach to enterprise risk management. The new framework will ensure compliance with the new Listing Rule requirement for premium listed companies to report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which will apply to the Company from FY22. The Audit Committee is overseeing the project and the new framework will be embedded into the business during FY22.

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 and/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 regular basis, usually bi-annually. 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, and 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 81 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 below. This is not exhaustive, and additional risks and uncertainties may prove to have a material effect on the Group.

In terms of movement of existing risks, flight supply is the main risk that has increased this year. As an online travel agent ('OTA'), it is critical that we can book flights for our customers. There has been an escalation since the start of the pandemic in Ryanair's aggression towards OTAs and as a result, the Group has commenced legal action against Ryanair in the UK to prevent Ryanair from blocking bookings and degrading the customer experience.

In last year's report, we detailed how COVID-19 had impacted virtually every principal risk. Whilst the vaccination programme is now well advanced and travel restrictions have started to ease, the pandemic continues to have a significant impact on many of the Group's principal risks, for example we expect consumer demand to continue to be impacted in the short term and for further package organiser liability to arise in respect of refunds for cancelled holidays as a result of the disruption. As such, we continue to report on how COVID-19 impacts the various principal risks rather than as a standalone risk. We have taken the same approach with regards to risks arising out of Brexit and climate/ESG risks.

Emerging risks

As noted above, we also look at emerging risks as part of our risk management review process. We class emerging risks as newly developing or changing risks where the extent and implications are not fully understood but they may have a material impact on the Group. Emerging risks and horizon scanning are integrated as part of our regular risk discussions and we will continue to embed this further as we roll out our new risk management framework in FY22. Emerging risks considered during FY21 included climate and other ESG considerations and we considered how those matters impacted our principal risks. We recognise the importance of providing visibility on how we are identifying and managing ESG risks, including compliance with legislative and reporting requirements and this will be an area of focus in FY22 as we implement both the new risk management programme and ESG strategy.

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. Invest in talent and technology.
2. Become a brilliant digital brand.
3. Optimise our direct and differentiated supply.
4. Grow our share of B2B beach.
5. Diversify into adjacent beach holiday markets.
6. Champion customer-centric change.

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 reduce 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').

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 has 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 new variants and / or further travel restrictions.

Emerging risks / change in the year

Whilst COVID-19 has continued to impact the travel industry, the roll-out of the vaccine programme and the easing of travel restrictions has boosted customer confidence and inclination to travel.

Ryanair has sought to degrade the customer experience for customers of OTAs, including blocking online check-in or introducing onerous additional requirements. This could reduce customer demand for the Group's holidays.

Environmental and sustainability concerns are increasingly becoming a factor in consumer choices and demand could be impacted by consumers choosing to travel less frequently. Also extreme weather events and physical impacts of climate change such as flooding and forest fires could impact the desirability of certain holiday destinations.

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) and its consumer champion focus, 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.

As part of developing our ESG strategy, we will be looking at ways in which we can support customers to make choices that are better for the environment and helping them reduce their carbon footprint as well as looking at what commitments the Group can make in terms of reducing its own carbon footprint.

On the Beach has commenced legal action against Ryanair to prevent it from blocking the Group's bookings and from degrading its customers' experience.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

↔ No change

Risk management

Flight supply
Impact
As is the case with all online travel agents, a lack of flight supply/capacity impacts the Group's ability to fulfil consumer demand for holidays. For a number of low-cost airlines, the Group does not have agreements in place and instead acts as the customer's agent. Certain airlines may not wish to accept bookings from the Group's customers and might seek to impede the Group's access to flight data and bookability. Certain airlines 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 OTAs against which Ryanair has brought litigation in Ireland in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process, although it began in 2010, is ongoing but remains at an early stage. The case lay dormant for over 3 years with no material developments in that period, and as a result the Group is seeking to strike out the claim on the basis of inordinate and inexcusable delay. 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
Ryanair's aggression towards OTAs like On the Beach has escalated since the start of the pandemic, for example Ryanair has sought to block bookings and degrade the customer experience for customers of OTAs.
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 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. On the Beach has commenced legal action against Ryanair in the UK to prevent it from, amongst other things, blocking the Group's bookings and degrading the experience for its customers.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

Up

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

Most major airlines have sought additional liquidity to strengthen their balance sheet.

Climate considerations particularly impact the aviation industry and if airlines do not take sufficient action to address those risks, this could increase the chance of their failure.

Key mitigations

The Group has detailed and well-rehearsed plans in place to deal with a major airline failure, having dealt with a number of airline failures, including Monarch and Thomas Cook 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 most 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.

Strategic pillars impacted

1 3 4 6

Direction of travel

No change

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.

COVID-19 has seen the rise of refund credit notes in lieu of cash refunds (see page 60 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.

In order to provide the most competitive range of holiday options, and in view of the dominance by certain airlines on certain flight routes, the Group must have the ability to book the widest range of airlines available. If flight supply risk increases, so would competition risk.

Emerging risks / change in the year

Our customers care about climate and ESG issues and if our competitors are perceived to be doing more to meet consumer needs in this area, we could be less attractive to consumers.

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.

By implementing and embedding our new ESG strategy we will have a more compelling sustainability proposition which will help differentiate our brand.

Flight supply issues apply to all OTAs and travel agents, not just On the Beach. The Group has engaged with Government and regulators to bring to their attention the risks to consumers in terms of consumer choice and market competition because of the unhealthy market dynamics.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

Up

Package organiser liability

Impact

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

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

For holiday bookings made prior to 1 July 2018, 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 seek 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 personal injury claims. We do however anticipate claims in respect of refunds for cancelled holidays as a result of the disruption (although less than last year) and as travel picks up, we may see an increase in COVID-19 related claims e.g. customers claiming they caught COVID-19 whilst on holiday.

Conditions in the insurance markets continue to be extremely difficult due to COVID-19 pressures, and travel is one of the most affected industries. In line with general market trends, we have seen an increase in insurance costs.

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-19 and liaised with external health and safety advisers in this respect.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

No change

Risk management

Recoverability of airline refunds

Impact

The pandemic brought about a new risk in relation to the recoverability of refunds. There were two elements in relation to this: (i) the airline either not refunding flight costs in a timely manner; or (ii) not refunding the flight costs at all because the flight still went ahead, despite restrictions on customers' ability to travel.

Where a customer's holiday is cancelled, the customer is entitled to a full cash refund within 14 days under the Package Travel Regulations ('PTRs'). Airlines have an obligation under Regulation (EC) No 261/2004 to refund the cost of cancelled flights within 7 days, but during the pandemic many airlines were taking months to refund and / or putting additional obstacles in the way of claiming these monies. As such the Group had to refund many customers in advance of getting the monies from the airlines.

Emerging risks / change in the year

Since last year, most airlines have got quicker at refunding, albeit we are still awaiting refunds for some cancelled flights.

Key mitigations

We pay airlines on virtual card which means we have chargeback rights to recover the sums if these are not paid voluntarily, and we have already reclaimed a significant amount of money back from airlines via this route. 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.

The Group has commenced legal action against Ryanair in the UK for outstanding refunds equal to £2.3m as well as seeking a declaration/order for future refunds. Litigation is inherently uncertain and there is no guarantee the Group will succeed.

Strategic pillars impacted

1 2 3 6

Direction of travel

Down

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 continues to be a regulatory focus on the travel industry and its handling of the pandemic.

Regulation on climate related reporting is developing at pace and the Group will need to ensure it takes appropriate action to ensure compliance with legal and regulatory obligations in this area.

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.

As we develop our ESG proposition, we will ensure we strengthen our sustainability governance and embed sustainability considerations into business plans, financial plans, and business cases.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

No change

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 (including the conduct of airlines), 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

Last year we reported how COVID-19 had impacted our reputation and during FY21, we have been focused on taking steps to repair that damage and reinvigorate the brand (see Key Mitigations below).

Our customers are becoming increasingly concerned about ESG matters, in particular climate risks and how a brand is contributing positively to society. If consumers feel that the Group is not taking enough action in this area, it could negatively affect the perception of our brand. Investors may divest from companies who are not taking enough action on sustainability issues.

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, to help rebuild consumer trust, we have taken a customer-led approach including always refunding in cash, never using vouchers or credit notes, offering free COVID tests as an industry first and introducing a 'new normal' booking pledge to give consumers the confidence to book.

By implementing and embedding our new ESG strategy we will have a more compelling sustainability proposition which will help differentiate our brand.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

↔ No change

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. UK 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 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.

Key mitigations

Security policies, processes and technology are well defined and robust with regular testing/audits undertaken with all findings actioned as priority. A new dedicated secure and PCI-DSS complaint card holder environment has been implemented to protect customer payments and to maintain best practices; this is backed by 24/7 Managed Security Service provided by our Information Security partner.

Investment in cyber security has significantly increased during the year and a new three year cyber security strategy is in the process of being implemented.

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

No change

Risk management

Business interruption

Impact

The risk that a pandemic, terrorism-related event or other business interruption causes significant business interruption to the Group and/or its suppliers' 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

Extreme weather events and physical impacts of climate change such as flooding and forest fires could increase the risk of a significant business interruption.

Key mitigations

The Group's business continuity & disaster recovery plan was successfully implemented to support the business in its response to COVID-19. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.

As part of our response to the TCFD recommendations, we will review the risks of future climate change on our business and identify adaptation action required.

Strategic pillars impacted

1 2 3 5

Direction of travel

No change

People risk

Impact

The Group's ability to achieve its strategic objectives is dependent on certain key personnel, plus its ability to attract and retain skilled staff. The North West, where the Group's HQ is located, is an area where there is a high degree of competition for 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

Competition for talent has increased during the year. Unemployment levels are at historic lows and there are more job vacancies than pre-pandemic. Extended periods of disruption and restrictions due to COVID-19 could result in: (1) an erosion of resilience/ morale; (ii) incentive schemes failing to pay out; and/or (iii) talent seeking to exit the travel industry.

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.

We have continually communicated with our employees throughout the pandemic and taking steps to safeguard their wellbeing and have adopted flexible working arrangements going forward to retain and attract talent. For more information see page 54.

Strategic pillars impacted

1 2 3 4 5 6

Direction of travel

Up

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 2024 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 10) and its strategy (as outlined on page 14) 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 30 to 40.

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 in FY19 whilst dealing with the Thomas Cook 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.

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 / severe reduction in consumer demand caused by macroeconomic factors or changing attitudes to flying due to environmental concerns.

Link to risk – Customer demand, 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 in this regard, as described below.

There is also a risk that as we emerge from the COVID-19 pandemic there is a prolonged impact to consumer demand. This could be caused by a number of factors including: affordability, ongoing COVID-19 related anxiety, and changing attitudes to flying due to environmental concerns.

The Group has considered the impact to cash and revenues of operating in an environment where bookings are 30% lower than historic levels for the next three years. Whilst profitability would be impacted, the Group would continue to generate both profits and cash throughout this period.

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.

In addition, the Directors have modelled a zero revenue environment throughout the viability period. The Group consider this to be an implausible scenario given the level of bookings taken in recent months, industry predictions, discussions with airlines and the success of the vaccine roll out. In this remote scenario, the cash reserves would sustain the Group's fixed operating costs to September 2023. Mitigating actions, such as significantly reducing headcount costs, would, however, be taken to enable the Group to continue for the duration of the viability period without using the £25m CLBILS loan (which expires in May 2023) or the £50m Revolving Credit Facility (which has a renewal date of December 2023). The Directors do, however, have an expectation that these facilities will be renewed.

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 2024.

Going Concern

The Group covers its daily working capital requirements by means of cash and a £50m Revolving Credit Facility ('RCF') expiring December 2023. In addition, the Group has a CLBILS facility of £25m.

As at 30 September 2021, cash (cash, excluding cash held in trust which is ringfenced and not factored into the going concern assessment) was £56.0m *(30 September 2020: cash of £36.5m)*.

Given the extended disruption to international travel from the UK throughout 2021 and the ongoing trading environment across the sector, the Group took a number of actions to improve overall liquidity, including on 7 July 2021 raising £24.9m net of fees through issuing new shares, to ensure that it is well placed to operate and to trade once travel restrictions are eased.

On 25 May 2021, the Group took further action to ensure that the facility was fit for purpose. This included exercising a one year extension of the £25m CLBILs element of the facility, now expiring in May 2023, and resetting covenants until September 2022 to ensure the facility can be accessed through this period. This incremental liquidity has provided the Group with greater resilience and flexibility through the extended downturn in the market, and will enable the Group to exit the pandemic 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-through from airlines.

Cash received from customers for bookings that have not yet travelled is held in a ring fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2021 was £39.0m. The trust account is described in note 16 of the financial statements.

The Directors have assessed a going concern period through to March 2023 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. The Directors have also considered the impact of climate risk in these scenarios concluding that it is not expected to have a significant impact over the going concern period.

Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and Uncertainties' section of this report. The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2023. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. Even in this scenario, the Group would have positive cash and no requirement to draw down on its current facilities both during the going concern review period, and in the subsequent period prior to expiry of facilities.

Given the assumptions above, the mitigating actions available and within the Group's control and that in no scenario is there any requirement to access the RCF or CLBILs facility, 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.

Andrea Head of PR & Strategic Campaigns

We've taken an industry-leading stance throughout the pandemic when it comes to championing consumers - from taking holidays off sale when travel uncertainty and disruption was rife, to campaigning against Refund Credit Notes and helping keep holidays accessible for all by being the first travel company to provide free Covid-19 tests. We're proud to be putting customers first.

Favourite Beach: Lopes Mendes, Brazil

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.

Examples of how the Directors have had regard to s.172(1) in carrying out their duties in making key decisions during the year are set out on pages 51 and 52. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 67 to 78.

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 Responsibility and sustainability section on pages 53 to 64.

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.

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.
- A choice of a 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.
- Refund policy in light of COVID-19.

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 2021

- Having measured consumer sentiment, we took the decision to stop taking new holiday bookings for Summer 2021.
- Our research informed us that a third of people cited the cost and inconvenience of PCR tests as one of the main reasons for not booking a holiday so we made the decision to offer free COVID-19 tests on certain package bookings.
- Introduced a 'new normal' booking pledge to give consumers the confidence to book www.onthebeach.co.uk/our-new-normal-booking-pledge
- We have always refunded in cash, never in vouchers or credit notes.
- We are proud to have the second highest Trust Pilot score amongst our competitors, reflecting our commitment to customer experience and satisfaction.

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 the £1.4m fund dedicated to helping rebuild consumer confidence in the travel industry, funding free COVID tests.
- The Board monitors and reviews developments concerning changes to our IT platforms which allow us to continually improve service delivery to our customers.
- Executive bonus linked to Net Promoter Score.

Section 172 statement and stakeholder engagement

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.
- Our response to COVID-19.

How we engage
- Roadshows.
- Annual Report, websites and statements.
- Ongoing dialogue and individual engagement with shareholders.
- AGM.

Outcomes / highlights for 2021
- Meetings with major shareholders in relation to the equity raise.
- Consulted with over 50% of our shareholder basis in relation to the new remuneration policy to be put to shareholders at the 2022 AGM.
- Votes from shareholders representing 86% of share capital at 2021 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 Board.

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.
- Working for a company that gives back.

How we engage

- 'Beach Life' – our weekly company-wide virtual call, where colleagues are able to ask the Executive Team questions, hear key updates and celebrate each other's successes.
- Weekly communication emails to help showcase our culture and keep colleagues updated.
- 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.
- 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.
- Colleague conversations – performance and feedback sessions.
- Colleague recognition and rewards.

Outcomes / highlights for FY21

- We enhanced the Company sick-pay policy and introduced an additional days' leave for birthdays.
- Increased minimum base salary to £20,000 p.a.
- We ran an all employee survey on future ways of working to ask colleagues how they would like to work going forward which has helped to shape our hybrid model of working.
- New reward and benefits strategy implemented during the year giving more colleagues access to discretionary share schemes.
- Employee wellbeing has continued to be a real focus and we have launched a number of competitions and initiatives to support the mental and physical health of our employees, including launching a Mental Health Ambassadors scheme (see page 56).
- Launched our software engineering apprenticeship programme created exclusively for Group employees, whatever their education background, career history or coding experience.
- By listening to our people we have been able to make improvements in areas which have been acknowledged in our Hive surveys such as investing in learning and development (see page 55)

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 the more informal Fika sessions. They report back to the Board on employee sentiment and employee issues and concerns arising out of these sessions and the various 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.

Section 172 statement and stakeholder engagement

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 (including ESG risks), 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 in light of the COVID-19 pandemic.
- A partner that can deliver tour operator scale volumes.
- Collaboration.
- Being treated fairly.
- Business continuity.

How we engage

- Through supplier relationship management - regular review meetings and ongoing feedback to maintain openness and to improve value from supplier relationships.
- COVID-19 has enabled us to increase regulator contact with key suppliers as the uptake in video conferencing has been embraced by suppliers.
- Through responsible contracting, trust and ethics. We conduct regular audits (either on-site and / or via self-assessment) primarily focused 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 FY21

- COVID-19 has continued to cause disruption and place financial pressures on many of our suppliers. We have supported our suppliers by ensuring prompt payment, before and during the COVID-19 pandemic.
- Building relationships with suppliers has meant that we have delivered almost 90% of total hotel buying through direct contracting in FY21.
- On the Beach maintained its hotel contracting resource in resort throughout the pandemic whilst many of our competitors furloughed or cut theirs. Our continued support and dialogue with hoteliers has enabled us to continue to expand our direct contracting mix and help cement our position in the market for hoteliers.
- Classic Collection Holidays and Classic Package Holidays sell offline via agents and a key driver this year has been supporting and engaging with our agents. There have been various engagement activities such as Live Kids Club from Tenerife during half term to inspire our agent partners and their families, interactive hotel visits and agent panels with the senior management team. Feedback on service to our agents during the pandemic has been excellent with over 315 positive endorsements and testimonials.

How the Board engages and considers the interests of our stakeholders

- 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 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 33).
- 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.
- We are engaging with various stakeholders as part of our new ESG strategy (see page 53) to help us prioritise those areas that more important to our stakeholders.

Outcomes / highlights for 2021

- Creating a giant 'beach' area and sandpit in Manchester city centre - complete with children's playhouse, picnic areas and giant deckchair - we provided a free, must-visit space for families to enjoy throughout the summer months.
- Held an event to celebrate Pride and inspire children with stories and play centred around the themes of diversity and inclusivity. The free event featured a range of activities along with story times exploring and celebrating acceptance, love and identity.
- The pandemic and social distancing measures have meant we have not been able to host our usual events for students to inspire the next generation of professionals to get involved in tech and digital however these session will resume as restrictions relax.
- Charity events such as the On the Beach Steps challenge where a donation was made to the winning team's charity of choice.

How the Board engages and considers the interests of our stakeholders

- ESG factors are an increasingly important area of focus. Whilst the Board supports investments, both time and money, in communities local to our operations and endorses a culture of volunteering and giving back, it acknowledges that a more structured approach to ESG is required.
- The ESG Steering Group, headed up by the CEO Simon Cooper, will be responsible for developing our new ESG strategy (see page 53), with oversight from the Board.

Section 172 statement and stakeholder engagement

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 data protection laws and there are also various consumer rights regulated by bodies such as the Competition and 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 the market, 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 (or we) have.
- Through engagement, we are able to ensure we continue to meet the high standards expected by regulators and that regulators understand the competitive landscape and the impact on On the Beach and its customers.

Outcomes / highlights for 2021

- 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, including:
  - engaging with the CAA on the proposed ATOL reform;
  - engaging with BEIS in relation to the Government's review of the Package Travel Regulations;
  - engaging with the Department of Transport on the Passenger COVID-19 Charter; and
  - engagement with the CAA and CMA on wider travel industry reform.

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.

Board decision making in practice

Below are examples of some of the significant decisions taken by the Board during the year and how the Directors took stakeholder interests into account when discharging their duties under s.172(1) Companies Act 2006.

Equity raise

Key stakeholders affected:	***s.172 factors***
Shareholders	Long-term impact, acting fairly between investors

In July 2021, the Board approved the decision to raise £24.9m via a 5% equity raise in order to provide greater resilience, flexibility and firepower through the downturn and to ensure the Group would be best placed to take advantage of opportunities arising.

The Company engaged with major shareholders who were supportive of the proposed placing. We worked with advisors to ensure the marketing process and the allocation policy adopted by the brokers were designed in such a way as to respect pre-emption as far as possible. The equity raise restored the Group's cash position to a similar position to where it was following the placing in May 2020 and has 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 result in value creation for our shareholders and will benefit our wider stakeholders.

Summer off sale campaign

Key stakeholders affected:	***s.172 factors***
Customers, suppliers, shareholders	Long-term impact, reputation, relationships with customers & suppliers, business conduct

In May 2021, the Board approved the decision to stop selling holidays for June, July and August 2021. In making this decision, the Board considered the following stakeholders:

- Customers: Customers were at the heart of this decision. The Board reflected on consumer research in respect of low appetites for travel as well as the likely loss of customer goodwill for holidays that might be booked only to be cancelled or re-arranged.
- Suppliers: The Board considered how this decision would not be met favourably by some suppliers, particularly after such low passenger volumes during the pandemic. The Group is committed to maintaining strong working relationships with suppliers and we have always ensured prompt payment both prior to and throughout the pandemic. We engaged with our suppliers about the decision to take holidays off sale and no supplier relationships were negatively affected as a result.
- Shareholders: The Board considered how stakeholders would view the decision. The Board determined that focusing on reputation and growing market share in the long term outweighed any potential upside from incremental bookings over this period. Such upside would likely have been marginal in any case and would have been offset by disruption and goodwill for holidays that would need to be cancelled or re-arranged.

The reaction from consumers and media was overwhelmingly positive and in turn had a positive impact on our brand.

Section 172 statement and stakeholder engagement

Closing the Park Square office	
Key stakeholders affected:	***s.172 factors***
Employees	Long-term impact, workforce

Earlier this year, the Board approved the decision to close our Park Square office and bring all North West employees under one roof at the Group's headquarters.

Having conducted an all-employee survey about future ways of working, it became apparent that the vast majority of our employees did not want to return to the office on a full time basis, with 89% of colleagues indicating they would prefer to work from the office between 0 and 2 days per week. The Group's headquarters had sufficient space to accommodate our colleagues on a flexible working basis and it was agreed that working under one roof again would strengthen collaboration.

Therefore the decision was taken to exercise the break on the Park Square lease, saving c.£1.35m in costs. We have been engaging with employees about the move with surveys, Q&As sessions at our weekly Beach Life calls, issuing FAQ documents and through colleague conversations.

Responsibility & sustainability

Committed to operating our business responsibly for the long-term for the benefit of all our stakeholders

Our ESG approach

Environmental, Social and Governance ('ESG') considerations have become increasingly important to our stakeholders, particularly investors, customers and employees. We are committed to conducting our business the right way and we want to drive meaningful change across the industry. To that extent, we need an ESG strategy aligned to our purpose, values and strategy that will help build resilience in the business, improve behaviours in the supply chain, create long-term value and ultimately drive positive change.

We have not been able to advance our new ESG strategy as quickly as we had hoped during FY21 due to the Board's and management's continuing focus on dealing with the disruption and challenges presented by pandemic. We have however put in place a formal plan for developing our new strategy as follows:

1. **Constitute a new ESG Steering Group** with Board level representation
2. **Conduct a materiality assessment** to identify the ESG risks and opportunities that are most important for the Group and our stakeholders and accordingly inform our ESG priorities
3. **Baseline -** Once we have determined our ESG priorities, review existing policies, metrics and company engagement to assess current baseline
4. **Set objectives and goals -** Once we have the baseline statistics for our priority areas we can start looking at how we can focus efforts moving forward by setting meaningful goals and targets.
5. **Gap analysis -** What potential issues are we likely to encounter when trying to achieve our new goals? Conduct gap analysis between current stance and objectives to identify what areas we need to focus on.
6. **Develop ESG roadmap -** Create a roadmap to aid accountability. Continue to measure performance and report progress against that roadmap to measure whether the changes we are implementing are having an effect.

Responsibility & sustainability

During the year we constituted a new ESG Steering Group headed up by the CEO, Simon Cooper. Given the importance of the area, the whole Executive Team are currently members of the Steering Group. Constituents of the Group will be reviewed once we are further along in the implementation of the strategy.

As of writing this report, we are in the process of conducting the materiality assessment. We have undertaken a desk-based research exercise to create a list of ESG factors that are relevant to the Group. In drawing up that list, we considered various sources such as media reporting, investor feedback, peer analysis, SASB's materiality map, the UN's Sustainable Development Goals and research on wider environmental and social trends. We are currently engaging with internal and external stakeholders to get their views on which of those topics matter most to them. We will then prioritise the most material issues based on strategic importance to the business, importance to stakeholders and the social, economic and environmental impact of each topic in the value chain and move to step 3 in the above plan. We look forward to sharing the roadmap in next year's report.

Our ESG focus areas during FY21

- Our People
- Our Customers and Communities
- Our Environment
- Our Responsible Business

Our People

Our colleagues are critical to our ambitions and success. Through the strategic ambitions in our People strategy, 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; and
- Deliver a high-quality and scalable people service.

Impact of COVID-19

As the impact of COVID-19 remains ongoing, we continue to support our colleagues to ensure they can be as productive and engaged at home as they would be in the office. The People Team have been involved in the coordination of the Coronavirus Job Retention Scheme's 'Flexible Furlough' to move colleagues who were previously on full-time furlough, to a flexible option until it ended in September 2021 - at this point colleagues moved back to their full/part-time roles. The Flexible Furlough scheme enabled the majority of colleagues to work 80% of their usual contracted hours, helping the business to retain talent during the quieter winter months. By the end of March 2021, just nine colleagues remained on the scheme. To further support colleagues with the financial impact of the pandemic, those who experienced symptoms of the virus continued to receive a sick-pay wage and those who tested positive for COVID-19 continued to receive full pay.

As we look to the future, we are investing in diverse talent as we continue with the recruitment efforts across all areas of the business.

Future ways of working

While our colleagues have been working successfully from home for the past 20 months, in order to further strengthen the collaborative nature of our teams, we are in the process of implementing a hybrid-model of working as part of our future ways of working project. This hybrid-model involves colleagues working from both the office and at home in-line with the business requirements. This decision was taken in-line with the decision to close the Park Square office in Cheadle and will strengthen the collaboration between teams.

In May we launched a survey where we asked colleagues for their views/feedback on the future ways of working. 88% of colleagues responded with their opinions on a variety of questions about how remote working had affected their work, home-life and wellbeing as well as the on-boarding experience for new starters.

We discovered that:

- 89% of our colleagues felt they were more productive or as productive working from home as they were working from the office; with a quarter of respondents citing they felt much more productive. This was mirrored in the responses from our people manager survey.
- When thinking about the future ways of working, 89% of colleagues indicated they would prefer to work from the office between 0 and 2 days per week, and for 45% of colleagues this flexibility was seen as critical.
- Colleagues that had been onboarded remotely all indicated they had been well supported during the onboarding and the process was well structured.
- Colleagues and managers alike were keen to re-establish face to face contact with peers to support collaboration, moral and to enjoy the On the Beach culture we have fostered over the years.

Since the survey was completed, we have been actively engaging colleagues with the future ways of working projects and what this means for them, their roles and their teams. We have been supporting colleagues with wellbeing communications and initiatives to help them cope with the change as we recognise this can be challenging for some.

We also sent a separate survey on the future ways of working to people managers which gave them the chance to share their views on the challenges and opportunities they experienced managing their teams remotely.

As we prepare for the return to the office, a project team has been working hard to update the facilities and undertake a refurbishment of the spaces in the office by installing state of the art equipment, expanding collaboration/team zones and creating further spaces for training activities.

Reward and 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.

During the year, the Group reviewed and revised its reward and benefits strategy with the aim of increasing the Group's ability to attract, engage and retain colleagues.

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 Programme offering confidential specialist advice 24 hours a day, so our employees feel well supported no matter where they are or what time it is.

During the year we also harmonised our employee terms and conditions, introduced an enhanced sick pay policy, an extra day's leave for birthdays and increased our minimum base salary to £10.26 per hour (£20,000 per annum), thereby elevating the skill set of the new talent we attract.

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. We also champion our colleagues through the Colleagues of the Month initiative which is open to everyone to submit a nomination in line with our Company values. The winners are announced at the end of each month during our regular company-wide communication forum and they receive a £50 voucher as a reward.

We also have a number of share schemes in place, including an HMRC-approved Share Incentive Plan in place to encourage wide employee share ownership and thereby align employees' interests with shareholders. The revised reward and benefits strategy also gives more colleagues access to discretionary awards under the Company's long term incentive plan.

Learning and development

The results of our previous HIVE survey highlighted that we could improve our learning and development ('L&D') offering. As such, we have focused our efforts this year on creating an L&D strategy that is flexible, inspiring, easy to access and supplements our already excellent in house training.

We have created an L&D model that combines a central, departmental and individual focus to deliver our 7 initiatives. This is just the beginning and we will continue to build and develop our offering as we go:

Responsibility & sustainability

Our D&I training has been on-going throughout the year, covering a wide range of topics from understanding what D&I actually is to allyship, from unconscious bias training to mental health awareness.

We launched career development workshops in October this year. This program helps colleagues to identify their strengths, adopt effective career management skills, learn how to create a career vision and plan for long-term success.

Departments have been allocated budgets to support the learning and training requirements within their own teams. This is supported by a structured process and policy to ensure training requests are consistently and fairly reviewed and the best learning outcomes are achieved.

We are providing all colleagues the opportunity to shape their own learning with the introduction of a new workplace learning platform Learnerbly. This provides all our colleagues the autonomy and flexibility to learn how and when they want to learn. Learnerbly provides a host of inspiring and engaging content and courses and we provide colleagues with their own personal budget to access the content they need to help them reach their goals.

Social & wellbeing

This year we have continued to invest in company-wide and departmental social events to bring colleagues together in a virtual environment and to build-on our company culture, including hosting various Fikas with the Executive team and a virtual comedy night.

In December 2020, we hosted a virtual Christmas Party which included an overview of the year and an awards ceremony to celebrate the achievements and efforts of colleagues. Prior to the social event, we sent each colleague a surprise gift and a 'Happy Holidays' postcard which was hand-signed by Simon Cooper. We awarded 10 colleagues with special awards in relation to our company values and a distinguished award in memory of a colleague. These initiatives gave us an opportunity to celebrate our achievements as a business and as individuals which helped to boost morale.

Wellbeing remains a core focus for our initiatives and this year we have strengthened the offering even further for our colleagues. As well as running weekly yoga and HiiT classes, we ran workshops on building resilience with an external training provider. During the summer we launched an On the Beach steps challenge titled 'The Balearic Islands Tour' which saw 8 teams consisting of 121 colleagues, virtually walk their way around the Spanish islands (equivalent to 1,200 miles). The challenge was well received and helped colleagues to prioritise their physical health.

As well as providing wellbeing events and initiatives for colleagues to get involved with, we wanted to offer a new, peer-to-peer opportunity to help support colleagues. Earlier this year, we launched a Mental Health Ambassadors scheme where colleagues could sign-up to become an ambassador and undertake training with an external provider. There are 14 colleagues across the Group involved with the scheme. The aim of the Mental Health Ambassadors scheme is to offer peer-to-peer wellbeing support and to champion mental health across the workforce. Colleagues who require support have the opportunity to reach out to one of the Mental Health Ambassadors and they can provide a safe and confidential space to listen to any concerns and signpost the person in need to a range of wellbeing services. This initiative is underpinned by a Mental Health Pledge which encourages colleagues to **'Be Kind to your Mind'** and is based on our company values:

- *Minimise the stigma:* We will take a bold approach to mental health as we look for ways to do things differently, to break down barriers and stigmas surrounding mental health - both now and in the future;
- *Include everyone:* We believe everyone matters and we are dedicated to ensure you feel supported by listening to you and helping to signpost you to the support resources;
- *Never judge:* We're a friendly bunch with a purposefully open and down to earth attitude - one free of any judgement. We're here to provide you with a safe space and to listen and support you - whenever you need it.
- *Drive positive change:* We will work together to inspire positive and dynamic change surrounding mental health and to create a happier workforce across the Group.

Going forward, the team of Mental Health Ambassadors will meet often and work on initiatives to encourage colleagues to think about and improve their wellbeing.

Diversity & inclusion

Diversity and Inclusion at On the Beach remains a key part of our People strategy. 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 ensure our people feel valued, more able to put forward different ways of thinking and create a sense of belonging for everyone.

This year, we continued to work with departmental representatives across the business as we further established the colleague-led Diversity and Inclusion Action Group. The D&I Action Group has generated a number of ideas to support the Diversity and Inclusion agenda, and we continue to seek feedback and input to ensure we are held accountable for our commitments as outlined in the pledge (see www.onthebeach.co.uk/our-diversity-and-inclusion-pledge). The 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:

Diversity and Inclusion pledge

- Take a colleague-led approach in Diversity and Inclusion
- Treat our colleagues equally and fairly
- Create psychological safety at the workplace
- Create with inclusion in mind for our customers
- Monitor and communicate our progress

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. As a result of this, we audited the People policies and made sure we use gender-bias free language in all our policies and guidance documents.

We capture our Diversity and Inclusion demographics on a quarterly basis. Over 2021, we have kept the data consistent and have seen a slight increase in the number of employees from an ethnic minority background at On the Beach (1%).

We introduced an Inclusivity Index for colleagues and will begin to benchmark levels of inclusion across the organisation with the next Hive engagement survey. The Inclusivity Index covers a range of categories and questions based on Manager-relations, Diversity and Inclusion Commitment, Fairness and Respect, Belonging, Harassment and Discrimination.

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

This year for the first time, we established colleague-networks for LGBTQ+ and Parents, Guardians and Carers to engage with and listen to these colleagues. We received positive feedback from the colleagues on these groups. As a result of forming the Parents, Guardians and Carers Network we have reviewed our parental leave policy to make it more inclusive and gender neutral and this will come into effect in the Q1 FY22.

As part of the company-wide communications and content plan, we covered a number of topics in FY21 including: Pride Month, Neurodiversity, International Women's Day, Mental Health, and Black History Month. Based on colleague feedback, we have decided to continue focusing on raising awareness of Unconscious Bias, Allyship, and Power and Privilege – plus other key topics in relation to anti-racism and gender balance in FY22.

We launched a Diversity and Inclusion 'Word of the Week' feature in our weekly newsletter to increase colleague awareness across certain topics. The words captured as part of this feature help to generate conversation, break down barriers and will form a glossary which will continue to help colleagues in the future while discussing various topics.

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.

Earlier this year, we adopted Hiring Hub's Portal solution to achieve visibility of gender diversity metrics throughout our third-party recruitment process in Tech and Product. We are working in partnership with Hiring Hub to roll out new features to anonymously capture and monitor the diversity of applicants across gender, age, ethnicity, nationality, sexual orientation, religion or belief, and disability, offering clients greater insights through each stage of their selection process.

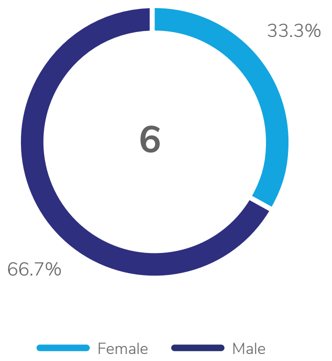
We are launching a partnership with Manchester Digital to inspire young people to take STEM-related subjects. The priority for this work will be aimed at girls and young women, but we will also ensure some sessions will be mixed to include pupils from disadvantaged backgrounds and BAME boys too.

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.

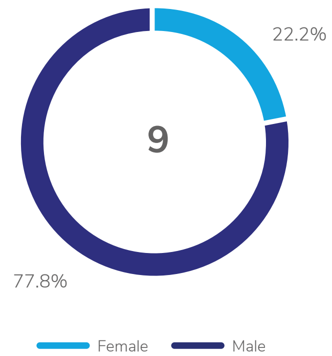
Responsibility & sustainability

Our gender diversity

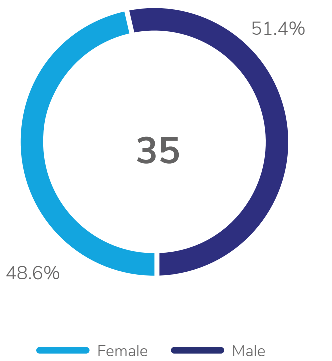
Board



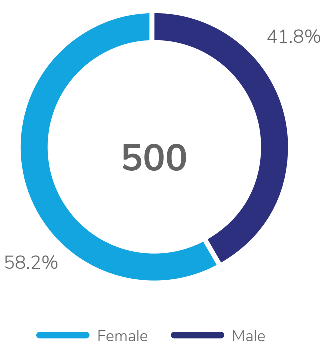
Executive Committee



Direct reports to the Executive Committee



Group



Gender pay gap

In October 2021 we published our gender pay gap report, which covers three years of data (6 April 2018 to 5 April 2021). While the data shows an increasing gender pay gap, the most recent year on year data (from 19/20 and 20/21) indicates a broadly consistent gap, which we believe is a good foundation on which to build.

The core issues that contribute to our gender pay gap are:

- *Exec & Leadership* – we have a greater number of men than women in our Executive team and in our most senior roles.
- *Tech & Product* – more men are attracted to careers in technology than women and this is reflected in the gender make-up of our Tech and Product teams which is skewed to men. This team also comprises more technical, highly paid roles.
- *Customer Support* – we have more women than men in our Customer Contact Centre, the roles themselves are, overall, at a lower rate of pay than in Technology.

Achieving gender balance and reducing our gender pay gap is key to achieving our business strategy and goals, as well as our long-term sustainability as a business. We have accordingly developed a two-point action plan about how we will close the gender pay gap which focuses on Outreach & Recruitment and Retention & Progression. You can read more about that action plan in the full report which is available at *www.onthebeachgroupplc.com/responsibility*.

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.

Hack week

Earlier in the summer, we ran a virtual Hack Week which gave colleagues the opportunity to put forward their dynamic ideas and to work together with the Technology department to make their idea a reality. This year's Hack Week was the first of its kind as it was run virtually. Colleagues were able to submit an idea based on the following themes:

- A post-Covid world
- Green and Environmental
- Wild and Wacky

In total, 37 ideas were submitted and 53 colleagues worked across 14 teams to help make the ideas a reality, 6 awards were given out and 2 ideas have been developed so far. The event gave colleagues from across the business the chance to work together and to build new applications some of which were rolled out onto the On the Beach website.

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 post-event surveys, as well as helping us measure progress against different engagement scores. These surveys also allow us 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.

We continue to keep colleagues updated on the latest business news, events and internal campaigns during Beach Life - our weekly and all-company call. During these calls, we are working to include more recognition and focus on colleagues to help drive engagement by featuring Meet the Team sections, Q&As with the Executive and Senior Management Teams and spotlights on D&I and Wellbeing, to ensure colleagues understand our strategic priorities and know how they can contribute to help achieve the wider business goals. We also send regular communication emails to colleagues which focus on internal campaigns and engagement initiatives.

We are also investing in our internal communication and engagement activities and work is underway to launch a new communications platform which will enable us to bring all central communications and engagement initiatives into one space - making it easier for colleagues to find and interact with information and it will be another way to strengthen our culture – both virtually and in-person.

In addition to the above, we support colleague engagement via our designated NED, David Kelly. This approach 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; and
- 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.

Responsibility & sustainability

Our Customers and Communities

Putting our customers first

Our focus has been firmly on our customers as we continue to respond to the challenges of the pandemic.

Championing consumers and taking holidays off sale

In May 2021, we took the consumer-centred and industry-leading decision to stop selling holidays for June, July and August 2021. The move followed the introduction of a traffic light system with a short-term and evolving set of rules and an incomplete vaccine rollout in the UK and overseas, which looked set to prolong travel ambiguity and bring holidaymakers another season of travel uncertainty and disruption.

For consumers, the ambiguity of the traffic light system presented a high likelihood of cancellation or rescheduling, additional cost and disappointment, in turn posing a potential reputational risk for On the Beach should their holiday be impacted, and damaging longer term confidence in the travel industry as a whole.

Having measured consumer sentiment and appetite for travel – and finding that less than a third (30%) of English people felt comfortable travelling abroad in view of the traffic light system – we took the decision to stop taking new holiday bookings for the summer, announcing this to our customers and also to consumers more widely through media outreach, press and TV adverts.

Reaction from consumers and the media was overwhelmingly positive, with consumers praising the approach as unexpected realistic and honest. More than 130 pieces of media coverage were received, including 5 national TV interviews across BBC, Sky and ITV; a trending story on BBC News, and pieces in key audience titles including Daily Mail, The Sun, Daily Express and The Times.

Calling for cash refunds for consumers

In June, after a year in which customer holiday refund issues had been widely reported on, we continued our consumer champion campaign by calling for an overhaul of refund practices across the travel industry, commissioning and publishing a white paper which reported on the issue of refund credit notes during the COVID-19 pandemic.

The white paper, entitled *'The Bank of the British Holidaymaker: Refund Credit Notes, Consumer Rights and an Industry in Brace Position'*, looked specifically at the impact the issue was having on holidaymakers and their confidence in the travel industry more widely, finding that an estimated 851,000 consumers were holding refund credit notes totalling £781.5M, with 43% of consumers having never been offered a cash refund when their holiday was cancelled, despite this being a legal requirement and their consumer right.

The white paper was shared with media contacts along with the CMA, CAA and a number of MPs, and included a set of recommendations for the industry to better serve consumers in regards to refunds for cancelled holidays.

The campaign secured four national TV news interviews, more than 80 pieces of national and regional radio coverage, and over 100 print and online stories across key publications including the Mail Online, The Mirror, The Independent, and Evening Standard, as well as attracting the attention and support of trusted consumer champion publication Which?.

Investing in travel confidence with free COVID-19 travel testing

After a summer hiatus, On the Beach returned to sale in September with an industry-first consumer announcement, that it would be providing free COVID-19 tests with customers' holiday bookings.

Though the traffic light system was beginning to stabilise, consumers were continuing to face significant cost implications and service issues surrounding travel testing. Having conducted consumer research, we found that a third of people (32%) cited the cost and inconvenience of PCR tests as one of the main reasons they had not booked a holiday for 2021, and that holiday booking confidence was still low. A quarter (25%) of people who were not planning holidays this year said that free COVID-19 tests would make them more likely to book for 2021.

We established a £1.4m fund dedicated to helping rebuild consumer confidence in the travel industry and as part of this, announced that we would be providing holidaymakers with free COVID-19 tests for package bookings made in September to some of our most popular destinations - Spain, Greece, Cyprus and the Spanish and Greek islands. More recently we extended the promotion to cover the 2022 summer season.

The offer was shared with customers through CRM, and communicated more widely through PR and a TV advertising campaign.

Media coverage for the offer spanned Sky News, Daily Mail, The Sun, Daily Telegraph, The Times, Daily Star and more, with broadcast coverage across GBNews, LBC Radio, and BBC Radio 4.

Communities

Bringing the beach to Manchester

We knew that many people simply wouldn't make it away for their annual beach holiday this year. With children set to miss out on the fun and opportunity for exploration, adventure and imaginative play that the beach provides, we decided to make up for the disrupted family time that many in our local community were facing by bringing the beach to Manchester for summer 2021. Creating a giant 'beach' area and sandpit in Manchester city centre - complete with children's playhouse, picnic areas and giant deckchair - we provided a free, must-visit space for families to enjoy throughout the summer months. Each week from early June until September, free beach-themed forest school sessions were held for under 5s and their carers, run by a trained forest school play facilitator and designed to give children the opportunity to play outdoors with some beach-inspired fun.

In addition, a special event was held to celebrate Pride, and inspire children with stories and play centred around the themes of diversity and inclusivity. The free event featured a range of activities including Pride rainbow shaker and decoration-making craft sessions, along with story times exploring and celebrating acceptance, love and identity.

The events have helped to build brand relations and visibility in the city and given access to creative outdoor play to hundreds of families.

Responsibility & sustainability

A Part of the Digital Community and inspiring the next generation

Prior to the pandemic, 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. We also 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 also hosted a number of events to inspire students to get involved in STEM-related subjects and technology based careers.

The pandemic and social distancing measures have meant that we have not been able to host our usual events for students and the tech community alike, however we are actively reigniting our relationships with schools, colleges, universities and businesses and these session are beginning to resume as restrictions relax. We have partnered with "Digital Her" which is focused on providing support, opportunities and guidance to encourage women into the tech and digital industry. Through that partnership we will offer visits to schools and colleges and provide work placement opportunities.

Our Environment

We take our responsibility regarding the environment seriously and are committed to reducing our impact wherever possible. As part of developing our new ESG strategy, we will identify and focus on those areas where we can really make an impact when it comes to the environment and set ourselves meaningful goals and targets. For the first time, we have started looking at our scope 3 emissions so that we can better understand our full carbon footprint and we are working with an external adviser to assist us on our carbon journey and to help us better assess and quantify climate-related risks and opportunities.

As an internet-based business based in two UK office locations, our direct environmental footprint is relatively small. However we appreciate 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.

Waste usage and recycling - As a Group we strive to minimise the level of waste we generate. We promote a paperless office environment and encourage our employees, partners and suppliers to do everything electronically, including invoicing and contracting and virtually all bookings with customers are managed online. We have put in place provisions to support mandatory recycling across our offices and we re-use office furniture and equipment or donate it to charity where possible. At our head office, during FY21, none of our waste was sent to landfill and 73% of all waste was recycled *(FY20 71%)*.

Energy efficiency - During FY21 there was a continued focus on conserving energy and other natural resources and improving the efficacy of those resources, for example we have installed LED lighting, 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. See also page 63 in relation to energy efficiency.

Task Force on Climate-Related Financial Disclosures

We recognise the importance of identifying the financial and non-financial impacts of climate change on the business. We have been making preparations for the formal Task Force on Climate-related Financial Disclosures ('TCFD') reporting requirements, which will apply to us in FY22. As we develop both our new ESG strategy and risk management frameworks, we will be looking in more detail at how we identify, assess and manage climate related risks and opportunities over the short, medium and long term and in the TCFD section of next year's annual report and accounts, we will report on the governance, strategy, risk management, metrics and targets in respect of climate-related risks.

Greenhouse Gas Emissions

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the Company to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Limited for the 12 month period ending 30 September 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, gaseous fuels such as natural gas, fugitive emissions from HFCs and business travel in company-owned vehicles and grey fleet. The table below details the global GHG emissions of the Company from the current and previous reporting periods.

		FY21	FY20	% change
Energy (kWh)				
	Electricity	894,325	1,078,713	(17.1%)
	Natural Gas	748,663	641,547	16.7%
	Company cars	22,384	-	-
	Grey fleet	34,591	-	-
	Total energy	**1,699,964**	**1,720,260**	**(1.2%)**
Emissions (tCO2e)				
Scope 1	Natural Gas	137.1	118	16.2%
Scope 1	Company Vehicles	5.2	-	-
Scope 1	HFCs	3.6	-	-
Scope 2	Electricity	189.9	251	(24.3%)
Scope 3	Grey fleet	8.5	-	-
	Total SECR emissions	**334.3**	**369**	**(9.4%)**
Emission intensity ratio				
Relative emissions, (tCO2e / £m group revenue before exceptional cancellations		11.3	7.3	54.8%
Relative emissions (tCO2e / employee numbers)		**0.7**	**0.8**	**(12.5%)**

Table 1 – SECR emissions profile by source

Energy efficiency

We are committed to reducing our environmental impact and contribution to climate change through continuous improvement procedures.

As part of this commitment, we have specified the most efficient equipment and operation for our Head Office. The office is fitted throughout with LED lighting with movement sensors, air handling and conditioning units which can be controlled individually by facilities staff and utilised standby and power down options of IT equipment to reduce energy usage in unoccupied areas.

Decreased office occupancy during COVID-19 has resulted in reduced energy consumption throughout our property portfolio. COVID-19 has also presented a chance to utilise teleconference technologies to host online meetings more, and as a result, staff travel and consequent travel related emissions have reduced.

We have also committed to examining the wider impact of our operations on our value chain through the quantification of our Scope 3 GHG emissions. Through this project, we can understand the most carbon intensive areas of our business, with a desire to reduce these impacts where possible

Responsibility & sustainability

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. Park Square's disclosure has been taken from landlord invoices as they operate from a leased site. Invoices were not available for the periods June 2021 to September 2021 for Park Square. In this instance, electricity consumption has been estimated from the average daily consumption of the invoiced periods of the reporting year. GHG emissions associated with Scope 2 purchased electricity have been reported using only the location-based methodology.

Transport disclosures from company owned vehicles and personal cars used for business purposes have been calculated using a combination of fuel transaction reports and business mileage expense claim records. Fuel volumes and mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2020. Vehicle information such as vehicle engine size and fuel type was not available for all claims. Where this information was available, the appropriate conversion factors have been utilised. Where this information was not held against an individual claim, an average fuel factor and average vehicle size has been assumed.

Fugitive emissions from HFCs have been calculated using HFC servicing reports provided by the Company. Fugitive emissions result from the release of refrigerants used in refrigeration and air conditioning units. Full-service records were available for each unit at Aeroworks and reported as being in good condition with no further work required, it was assumed there were no leaks detected as part of the service. For Park Square, where full-service records were not available, units were conversely taken from an asset register. A HFC screening methodology has been adopted in these cases. In this, an annual estimated leak rate, based on the size and type of unit, to estimate the potential fugitive emissions from these units over the reporting period

Our Responsible Business

Anti-Bribery and Corruption

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 and UK 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 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.

Focusing 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 and have created new guidelines as employees return to the office.

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 Responsibility & sustainability report, pages 62 to 64, which also contains the statutory carbon emission and energy data on page 63.	
Employees	› Equality and diversity policy › Whistleblowing policy › HR policies including adoption leave, parental leave, flexible working › Health & Safety policy › Staff handbook	› Our People, pages 54 to 59 › Stakeholder engagement and s.172 statement, pages 44 to 52 › Principal risks and uncertainties, pages 30 to 40 › Gender pay gap report www.onthebeachgroupplc.com/responsibility
Social matters	› Health & Safety policy › Staff handbook	› Responsibility & sustainability, pages 53 to 64 › Stakeholder engagement and s.172 statement, pages 44 to 52
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	› Responsibility & sustainability, pages 53 to 64
Anti-corruption and anti-bribery	› Anti-Bribery and corruption policy › Whistleblowing policy › Staff handbook	› Responsibility & sustainability, pages 53 to 64 › Audit Committee report, pages 81 to 86
Business model		› Business model, page 10
Non-financial KPIs		› Non-financial key performance indicators, pages 21 to 22
Description of principal risks		› Principal risks and uncertainties, pages 30 to 40

Certain group policies are not published externally

The Company's strategic report, set out on pages 6 to 65, was approved by the Board on 9 December 2021 and signed on its behalf by:

Simon Cooper
Chief Executive Officer
9 December 2021

Governance

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Chairman's introduction

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.

Strong governance is central to our successful management of the Group and it provides the framework for the effective delivery of our strategy, fulfilment of our purpose, the creation of value for all our stakeholders and the ongoing development of our sustainable business. As Chairman, I am responsible for building and leading an effective Board and for ensuring that we continue to operate to the highest standards of corporate governance.

Compliance with UK Corporate Governance Code

This year, we are again reporting against the UK Corporate Governance Code published in July 2018 (the 'Code'). I am satisfied with the standards of governance that the Board continues to maintain and build upon, and the Board believes that the Company has complied with the Code throughout the year save for one area of non-compliance for part of the year relating to the composition of the Audit Committee. This however was remedied upon Justine Greening's appointment as a member of the Audit Committee earlier this year.

Board changes during FY21

In March we welcomed Justine Greening as a Non-Executive Director. Justine has had both a successful business career and illustrious political career. Passionate about social mobility and levelling up Britain, Justine's expertise is proving invaluable as we continue to develop the 'Social' strand of our ESG strategy and her experience, both in and out of Westminster, will be of great benefit in driving the business forward. Justine's biography can be found on page 69 and details of her selection and appointment process can be found on page 79

Board effectiveness

The Board undertook a thorough and tailored internal review of its effectiveness during the year with the Board and its Committees continuing to function well. Details of the process undertaken and the findings of the review can be found on page 78.

Stakeholders

FY21 has been another challenging year and a key priority for the Board has been to ensure that our customers, employees and other stakeholders were well supported. Our Section 172 Statement on page 44 outlines how the Board has engaged with stakeholders throughout the year and taken their interests into account when making decisions on behalf of the Company.

ESG

ESG considerations continue to be an increasingly important area of focus for many of our stakeholders and the Board is committed to strategically integrating and advancing our sustainability efforts. During the year we have started work on re-designing an ESG strategy that will bring about meaningful change and create a stronger and more sustainable business. You can read more about our ESG journey on page 53.

Conclusion

I believe that the Board remains effective and continues to work very well. Whilst COVID-19 has of course brought about much disruption and many challenges, it also presents opportunities and as we emerge out of this pandemic, I believe that our governance arrangements provide a strong foundation from which the Group can continue to deliver sustainable growth for the benefit of all our stakeholders.

Richard Pennycook
Chairman of the Board
On the Beach Group plc
9 December 2021

Directors' biographies

Richard Pennycook, CBE
NON-EXECUTIVE CHAIRMAN

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

David Kelly
SENIOR INDEPENDENT DIRECTOR

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

Elaine O'Donnell
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
3 July 2018
Independent:
Yes
Listed Company Appointments:
Games Workshop Group plc
(Non-Executive Chair)
Studio Retail Group plc
(Chair of Audit Committee and Designated Employee Engagement NED*)
Committee Memberships:
Audit (Chair), Nomination, Remuneration

The Rt. Hon Justine Greening
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to Board:
4 March 2021
Independent:
Yes
Listed Company Appointments:
None
Committee Memberships:
Audit, Nomination, Remuneration

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.

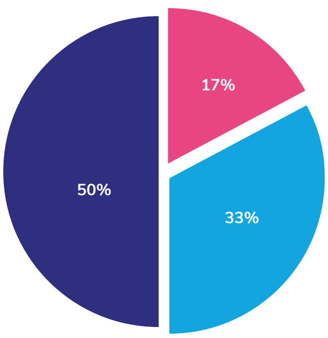
Experience and contribution
Through her other appointments Elaine brings to the Board extensive experience as a Non-Executive Director and Chair of not only Audit, Risk, Nomination and Remuneration committees but also previously as Chair of the Board of Alliance Fund Managers (AFM), a wholly owned subsidiary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

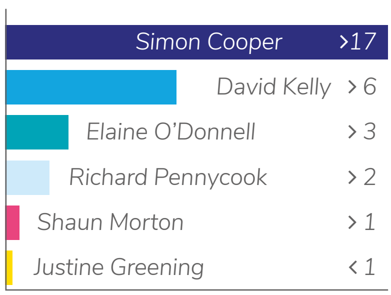
Elaine was previously a Partner at Ernst & Young LLP where she specialised in Corporate Finance, Mergers and Acquisitions, where she worked with a diverse range of businesses.

**Elaine O'Donnell stood down as a director of Studio Retail Group plc with effect from 30 September 2021.*

Experience and contribution
Justine was a Member of Parliament for Putney, Roehampton and Southfields from 2005 – 2019 and spent eight years as a Minister, including six in Cabinet. After leaving Government in 2018, Justine founded the Social Mobility Pledge campaign to drive grass roots change through business and higher education.

Prior to Justine's political career, she trained and qualified as a Chartered Accountant with PriceWaterhouse in the UK and Switzerland before taking a finance role at SmithKline Beecham followed by a strategy role at GlaxoSmithKline. Justine completed an MBA at the London Business School in 2000 and joined AA/Centrica as Head of Sales and Marketing Finance for three years before becoming a Member of Parliament in 2005. Justine's knowledge and experience is invaluable as we seek to champion change and develop our ESG strategy.





Tenure in years

GOVERNANCE

Corporate Governance Statement

Compliance with the UK Corporate Governance Code

The principles set out in the 2018 UK Corporate Governance Code ('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 FY21, we have complied with all provisions of the Code save that for the first half of the financial year we did not comply with provision 24 with regards to the Chairman of the Board being a member of the Audit Committee. However this area of non-compliance was remedied following Justine Greening's appointment to the Board and Audit Committee in March this year, at which point Richard Pennycook stood down as a member of the Audit Committee.

Code Section	Contents	Pages
Board Leadership and Purpose	› Board of Directors › Governance structure › Board Leadership and Company purpose › Non-Executive Directors	68 to 76
Division of Responsibilities	› Board and Committee meetings › Governance Structure › Division of Responsibilities › Board Composition › Appointments to the Board	71 to 77
Composition, Succession and Evaluation	› Composition, Succession and Evaluation › Nomination Committee Report	77 to 80
Audit, Risk and Internal Control	› Audit Committee Report	81 to 86
Remuneration	› Remuneration at a glance › Annual statement of the Chair of the Remuneration Committee › Remuneration Policy › Annual Report on Remuneration	87 to 112

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 81 to 86.

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 87 to 112.

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 79 to 80.

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 FY21

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. › Approved decision to close Park Square office and have all Manchester based employees work out of the Aeroworks digital headquarters
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, including decisions to take holidays off sale until 1 September and offer free Covid tests. › Approved issue of 7.87m shares in July 2021 (representing c.5% of existing issued share capital) raising £26m › Approved extension of £25m CLBILS facility to June 2023 and amendment of RCF covenants for period up to September 2022
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 and emerging risks such as climate related risks › Approved decision to implement a new risk management framework › 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 improvement's 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 › 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 › Approved the Company's insurance programme.
People, culture and Board effectiveness	› Discussed the results of employee wide engagement surveys › Received regular updates from the People Team › Approved a new reward and benefits strategy for the workforce › Received regular updates from the Group's Diversity and Inclusion Steering Group › On the recommendation of the Nomination Committee, approved the appointment of Justine Greening as a new Non-Executive Director. › Received updates from David Kelly, the designated Non-Executive Director for workforce engagement. › 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 71 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 72. 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 pages 10. 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.

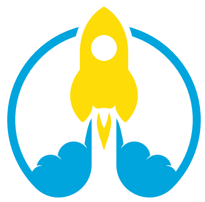
The Board does this through:

- 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 44 to 52.
- 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, identifying key and emerging risks and considering how they may affect the model - pages 30 to 40.
- In assessing the Group's prospects and viability for the purposes of the viability statement (see pages 41 to 42), 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**

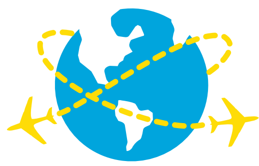
We're Bold

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'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**

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, learning quickly and finding 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 59.

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:

- *Hive surveys* - Reviewing the feedback from Hive employee surveys which capture feedback on a range of topics, as well as gauging overall engagement levels.

Corporate Governance statement

- *Compliance* - The Group has robust policies in place in relation to areas such as 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 81 to 86, and an independent whistleblowing process monitored by the Board as described on pages 86.
- *Employee policies and practices* – The Board receives regular updates on HR matters. The Group has fair and transparent employee policies and practices which ensure that employees' rights are respected in accordance with applicable laws and employment contracts, together with a number of programmes and initiatives which support the health and wellbeing of our employees, develop talent and promote diversity. See page 54 to 59 for more details.
- *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 a whistleblowing telephone service run by an independent organisation, allowing employees to raise concerns 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 59.

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 44 to 52 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 59 also 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.

Shareholder engagement

The Company is committed to engaging and maintaining an active dialogue with all of its shareholders and our main engagement methods are set out below:

- *Shareholder consultation* – During the year, we consulted with over 50% of our shareholder base in relation to our revised Remuneration policy. There was also additional engagement with investors during the year outside the usual programme in relation to important issues such as the equity raise.
- *Investor meetings and presentations* – 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.
- *Annual General Meeting* – The AGM provides stakeholders an opportunity to hear from the Board and raise any questions they may have. Whilst last year's AGM was held as a closed meeting due to social distancing measures imposed due to the COVID-19 pandemic, shareholders were invited to submit in advance any questions on either the formal business of the AGM or any questions they would have ordinarily asked as part of the post-meeting.
- *Senior Independent director* – Our Senior Independent director, David Kelly, is available to shareholders if they have concerns where contact through the normal channels (namely CEO, CFO or Chairman) has failed or for which contact is inappropriate.
- *Reports and presentations* - All shareholders can access announcements, investor presentations and the Annual Report on the Company's corporate website (www.onthebeachgroupplc.com).

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.

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.

Board and Committee Meetings

This year we increased the number of scheduled meetings, at which the Board considered all matters of a routine and strategic nature, including the Group's response to the pandemic. In addition, further Board calls were arranged during more intense periods to discuss urgent matters and approve event-driven items such as the equity raise. The table below shows meeting attendance for scheduled meetings during the year. Next year we will return to a more normal meeting cadence, with a mixture of remote and face-to-face meetings.

Director	Scheduled Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Richard Pennycook	20/20	1/1[(1)]	3/3	3/3
Simon Cooper	20/20	-	-	-
Shaun Morton	20/20	-	-	-
David Kelly	19/20	4/4	3/3	3/3
Elaine O'Donnell	20/20	4/4	3/3	3/3
Justine Greening[(2)]	11/11	3/3	1/1	0/0

(1) *Richard Pennycook stepped down as a member of the Audit Committee on 4 March 2021*

(2) *Justine Greening was appointed on 4 March 2021*

GOVERNANCE

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 Chairman and the Company Secretary work together to ensure that Board papers are clear, accurate and of sufficient quality to ensure the Board can discharge its duties. Specific business-related presentations are given by senior management as part of Board meetings where appropriate. As well as the support of the Company Secretary, Directors have access to the Company's professional advisers where considered necessary.

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; and
› 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; and
- 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; and
- 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 three 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 is 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 and 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 employee 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.

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 for listed companies are set out in their biographies on pages 68 to 69. None of the Directors hold directorships in FTSE 100 companies.

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 79 to 80.

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 79 to 80.

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 six members: the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 68 and 69.

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nomination 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 Justine Greening as a Non-Executive Director, please see the report of the Nomination Committee on pages 79 to 80.

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.

Board evaluation

The Board is committed to, and understands the value and importance of, the evaluation and appraisal of the performance of the Board, its Committees, and of the individual Directors and the Chairman. Last year we reported that we were intending to carry out an externally facilitated Board evaluation in FY21. Whilst this is not a Code requirement for the Company given we are outside the FTSE 350, we take our responsibility for continuous improvement seriously and we appreciate that engaging an independent reviewer can bring greater objectivity and fresh insights to the evaluation process.

However, in considering this year's annual Board evaluation, the Directors had regard to the fact that the pandemic had changed the cycle, frequency, format and focus of Board and Committee meetings over the past year (which were all virtual) such that a backwards-looking evaluation would not be reflective of the structure, format and business at future meetings. The Directors also considered that Justine Greening had yet to complete her first year in office. As such, it was considered appropriate to defer an externally facilitated evaluation. By deferring the process, it is anticipated that the external review will give a more robust assessment and insight into the overall effectiveness of the Board and its Committees.

An internal evaluation was accordingly carried out during the year 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.

Corporate Governance statement

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. The Board felt that while it had adapted well to the challenges of working remotely by way of virtual meetings, the benefits of face-to-face meetings and informal meetings such as Board dinners could not be understated and it was agreed that these would resume as soon as possible.

Progress against the conclusions of the FY20 Board/Committee evaluation, together with actions from the FY21 Board/Committee evaluation are set out in the table below:

Actions from FY20 Board evaluation	
Area of focus	**Progress**
Increased focus on diversity	We have made good progress this year with respect to gender diversity and meet the Hampton Alexander Review target of 33% representation of women on our Board. The Board continues to oversee the excellent work undertaken by the Diversity and Inclusion Action Group but we acknowledge there is still work to be done to improve the Board's (and the Group's) ethnic diversity.
Succession planning	There has continued to be a focus on succession planning and during the year, a new rewards strategy and a new learning development framework were implemented with a view to incentivising employees and developing skills to ensure there is an adequate talent pool of potential candidates for management roles throughout the Group. This will continue to be a focus area next year.
Increased focus on ESG	Initiated work to redesign our ESG strategy in order to bring about meaningful change and create a stronger and more sustainable business. We have not been able to progress our ESG strategy as quickly as anticipated due to Board's and management's ongoing focus on the pandemic however we now have the foundations in place and strengthening our ESG programme will be a key priority in FY22.
Director training	Board have been kept up to date with regulatory and legal changes and have received presentations from external advisors e.g. on directors duties and remuneration practices. We are working with an external provider to provide risk appetite training to the Board. We intend however to develop a more formal, annual programme of director training in FY22.

Actions from FY21 Board evaluation	
Area of focus	**Actions**
Stakeholders	Whilst the oversight of most stakeholder views was very strong, it was felt more insight could be provided in respect of some stakeholders, particularly less prominent stakeholders such as communities.
Culture	Consider ways to enhance Board's monitoring of corporate culture.
Risk management	Further consideration in relation to how the Board approaches emerging risks, risks appetite and risk management in general, particularly how this links with ESG / climate risks.
Strategy	Improve balance of operational and strategic items considered by the Board, with an enhanced forward looking focus.

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.

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 2021.

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
Justine Greening	Independent	March 2021	0/0(1)

(1) Justine Greening joined the Committee with effect from 4 March 2021.

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

Appointment of new Non-Executive Director

We reported last year that we were looking to appoint a new Non-Executive Director. As such the Nomination Committee led the search, beginning with preparation of a description of the role and capabilities required. The Company appointed an external agency, Saxton Bampfylde, to assist in the search who have no connection with the Company.

A detailed search and selection process then followed. A wide range of candidates were assessed against the agreed criteria for the role, with a thorough process resulting in a shortlist of preferred candidates, which was given final consideration by the Committee. The Committee subsequently made a recommendation to the Board, culminating with the announcement of Justine Greening's appointment as a Non-Executive Director of the Board with effect from 4 March. Justine's appointment is subject to approval by the shareholders at the forthcoming AGM. You can read more about Justine's experience and skills on page 69.

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.

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.

Report of the Nomination Committee

Having carried out the review, overall the Committee is satisfied that the Board has the necessary mix of skills and experience to fulfil its role effectively however it was acknowledged that the ethnic diversity of the Board could be improved.

As noted above, the Committee considered length of service of its Non-Executive Directors. Elaine O'Donnell was initially appointed as a director in July 2018 for a period of three years. David Kelly was appointed as a director in August 2015 and has now served two three year terms. After careful consideration, the Board agreed during the calendar year (following the Committee's recommendation) to re-appoint both Elaine and David for an additional three-year term.

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 68 to 69.

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.

This will continue to be an areas of focus in the coming year and the Committee will review the career and development plans for the Executive Team to ensure there is an 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 on pages 54 to 59.

Committee effectiveness

As part of the annual Board evaluation, all members of the Nomination Committee participated in an evaluation of the Committee. The evaluation concluded that the Committee continues to perform effectively. Further details of the evaluation can be found on page 78.

Richard Pennycook
Chair, 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 the year ended 30 September 2021. 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 Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across the Company's financial reporting and internal control procedures. As a Committee, we are responsible for monitoring and reviewing the integrity of financial information and providing 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. Ultimately, the Committee ensures that shareholder interests are protected and the Company's long-term strategy is supported, which is an ever more crucial task as we continue to navigate through and move beyond the COVID-19 pandemic.

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.

Elaine O'Donnell
Chair of the Audit Committee

Committee Governance

Responsibilities

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.

Report of the Audit Committee

Committee composition

The Committee currently comprises three independent Directors. During the year, we welcomed Justine Greening as a Committee member following her appointment to the Board on 4 March 2021. Upon Justine's appointment, Richard Pennycook stood down as a member of the Committee.

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 68 to 69. 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.

Committee meetings

The Committee met 4 times during the year and member attendance is shown below.

Member	Status	Appointment date	Attendance
Elaine O'Donnell (Chair)	Independent	July 2018[1]	4/4
David Kelly	Independent	August 2015	4/4
Richard Pennycook	Independent	April 2019	1/1[2]
Justine Greening	Independent	March 2021	3/3[3]

(1) Elaine O'Donnell was appointed a member of the Committee in July 2018 and appointed Chair in September 2019.

(2) Richard Pennycook stepped down as a Committee member on 4 March 2021.

(1) Justine Greening joined the Committee with effect from 4 March 2021.

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, and 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.

Effectiveness

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.

How the Committee discharged its responsibilities in FY21

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 › *Recognition of airline receivables:* At the year end, there is a balance due from airlines for cancelled flights. Whilst significant amounts have been received during the year, 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 limited amount of travel over the summer, management have considered if 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 assessing 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 and consider the approach and application of this policy to be appropriate.

Report of the Audit Committee

Capitalised website development costs The Group incurs significant internal costs in respect of the development of the Group's websites. The accounting for these costs, as either development costs which are capitalised as intangible assets (for enhancement of the website) or expensed as incurred (in respect of maintenance), involves judgement.	The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment of whether current projects meet the criteria required for costs to be capitalised and consider the approach and application of this policy to be appropriate.
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 principal 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 has reviewed the accounting and is satisfied with the approach of management. The Committee is satisfied with the key assumptions used in the forecast, including the use of sensitivities growth rates and discount rates.

Engagement with regulators

During the year, the Corporate Reporting Review team of the Financial Reporting Council ('FRC') informed the Chair of the Company that they had reviewed certain aspects of our FY20 Annual Report. Following its review, the FRC informed the Company that its assessment rating was "Good" and that there were no questions or queries that it wished to raise.

The letter did not require any formal response other than our acknowledgement of receipt.

The FRC cited our disclosures around the impact of COVID-19 as an example of good practice.

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 127 of this Report.

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, and the availability of finance 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 41 and 42.

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 2021 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 FY21;
- The extent of EY's resources and technical capability to deliver a robust and timely audit, including the experience, industry knowledge and expertise of the EY audit engagement team;

- The quality of EY's explanation of and response to significant risks identified;
- 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 independence; and
- FRC's Audit Quality Review report relating to EY.

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 meets with the external auditor at least once each year without management being present which provides additional opportunity for open dialogue and feedback. Matters typically discussed include the auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and how they have exercised professional scepticism.

The Committee has concluded that overall EY has carried out its audit for FY21 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.

Independence and non-audit services

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.

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 £327,000). 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 £68,000 representing 20.8% of the total audit fee (2020: £50,000, representing 20.7% 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.

The External Auditor confirms its independence at least annually.

Tenure

EY was appointed auditor to the Group in March 2019 following a competitive audit tender process that commenced towards the end of 2018. Subject to continuing satisfactory performance, we anticipate the lead audit partner will rotate after her fifth year to ensure independence.

The Committee recommended, and the Board intends to propose, the reappointment of EY as the Company's auditor for FY22. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong.

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.

There are no contractual obligations that restrict the Committee's choice of external auditor.

Internal audit

The Committee has again considered the requirement for the setting up of an internal audit function. As part of this review, the Committee considered:

- The business model under which the Company currently operates in the context of its activities and in particular the management model which it has put in place to manage its business operations. There is a significant degree of senior oversight, particularly in respect of ongoing business performance, involving both the CEO and CFO.
- The existing internal control environment. In this respect, the Committee was satisfied that procedures and routines are well established across the business and 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.
- 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 provided assurance on the Group's processes and controls in relation to information security and data protection and on the Group's claims handling process.

Report of the Audit Committee

Having undertaken the review, and in light of the nature, scale, complexity and range of operations of the Company and the rolling programme of risk management in place, the Committee determined that it was not currently necessary to establish an internal audit function.

The Committee will, as part of its remit, continue to evaluate the effectiveness and robustness of the current system of control. In conjunction with an external adviser, we are currently undertaking a complete review of our overall risk management procedures and the effectiveness of key financial controls.

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 30 to 40. As noted above, the Audit Committee is currently overseeing the development and implementation of a new risk management framework which will enhance the Group's current approach to enterprise risk and will be embedded into the business during FY22.

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 current 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 usually reviewed by senior management on a bi-annual basis 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 capital 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. 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. Whilst no significant control failings or weaknesses were identified during the period under review, the Committee felt that there would be benefit in seeking additional assurance on certain controls. Accordingly, there will be an externally facilitated review of the effectiveness of key financial controls during FY22 which we will report on in next year's report.

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.

E O'Donnell

Elaine O'Donnell
Chair, Audit Committee
9 December 2021

Remuneration report

Annual statement of the Chair of the Remuneration Committee

David Kelly
Chair of the Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 30 September 2021.

This report includes both our proposed Directors' Remuneration Policy ('Policy') (which will be submitted for shareholder approval at the 2022 AGM) and our Annual Report on Remuneration, which sets out how our current Policy was implemented during the year under review, and how, subject to its approval, our revised Policy will be applied for the year ahead.

Like many other businesses, we have been focused on responding to the unique challenges presented by COVID-19 which continues to have a profound impact on the travel industry in particular. Against this backdrop, the Committee has carefully considered the experiences of our key stakeholders over the year, alongside Group performance and the performance of the wider economy when making remuneration decisions.

Performance and reward for FY21

FY21 has been another challenging year, with the COVID-19 pandemic continuing to cause significant disruption in the travel industry as well as the wider economy and society. Whilst FY21 was not expected to be a normal year for travel, performance has been impacted by the extended lockdown and travel ban for the first six months of calendar year 2021, reduced consumer confidence in light of complex travel regulations, expensive testing costs and the Group's decision to take summer 2021 holidays off sale. The Group has however adapted promptly and successfully to the challenges presented by COVID-19 and we have been able to retain and support our workforce and maintain remuneration arrangements broadly unchanged across the business.

The health and wellbeing of our employees has continued to be a key focus during our response to the pandemic. We set out in last year's report the various measures we had taken in relation to the workforce and we have continued to build on those measures in FY21 including:

- From November 2020, we moved on to a flexible furlough scheme which enabled the majority of colleagues to work 80% of their usual contracted hours, helping us retain talent during the quieter winter months. The scheme allowed colleagues to received 80% of their pay for the days not worked and 100% of their pay for the days worked and it meant that the majority of colleagues came away with c.95% of their usual pay. In November 2020, we had 138 colleagues, mainly from the contact centre, on flexible furlough and by the end of March 2021, this number had reduced to 9.
- We have improved our employee terms and conditions, including introducing an enhanced sick pay policy.
- We made a decision to raise the entry salary across the business above the National Living Wage to £20,000 p.a. from 1 October 2021, thereby elevating the skill set of the new talent we attract and improving the overall quality of service to our customers.
- Numerous social and wellbeing initiatives and programmes have been introduced, including the launch of our Mental Health Ambassador scheme (more details can be found on page 56).
- From a remuneration perspective, we reported last year that the Board had voluntarily reduced their salary for a fixed period during the onset of the pandemic, the Executive Team did not receive a bonus in respect of FY20, the LTIPs granted to Executive Directors in FY18 lapsed in full and no pay increase was awarded to the Executive Directors for FY21.

The Committee recognises the exceptional performance and efforts of the Executive Team in guiding the business through the crisis and the actions they have taken to protect the Group for the long term. Notwithstanding the foregoing, FY21 has continued to be a difficult year, therefore with the agreement of the Executive Directors, the decision was made to cancel the annual bonus plan for Executive Directors in FY21.

The LTIP award granted to Simon Cooper in FY19 was based on two performance metrics: EPS (70% weighting) and absolute shareholder return (TSR) (30% weighting). The three year performance period in relation to the EPS element ended on 30 September 2021. The EPS target was not met therefore 70% of Simon's FY19 award will lapse. The three year performance period in relation to the TSR element will end in February 2022, at which point the Committee will determine the extent to which the TSR targets have been met. No discretion was (or will) be exercised to adjust the outcomes for Executive Directors.

Remuneration report

Shaun Morton was granted two LTIP awards in FY19 (prior to his appointment to the Board). One of the LTIPs was not subject to any performance conditions and a proportion of the other LTIP award was similarly not subject to any performance conditions. Those elements of the awards that were subject to continued employment vested in full on 30 September 2021.

Remuneration policy review

Our current Policy was approved by shareholders at the 2019 AGM, receiving support of nearly 81%. Under the normal three-year renewal cycle we will be submitting a new Policy for approval at the 2022 AGM. As such, the Committee has conducted a comprehensive review of the current Policy and is proposing a number of changes to ensure continued full compliance with the UK Corporate Governance Code and to allow more flexibility in selecting performance metrics which fully support the business strategy as we emerge from the COVID-19 pandemic.

Consumer confidence to travel has been severely damaged by the pandemic and will take time to repair. In addition, there is still disruption to international travel to be accounted for and there is the ongoing threat of new variants emerging. We are entering a period of transition into the post-COVID world and, while no significant changes are to be brought forward at this time, the proposed Policy has been designed with this transition period in mind. The Company is in a strong position to capture market share as we emerge from the pandemic, and the updated Policy will support this by providing the Committee with flexibility to adapt the implementation in response to market changes and the evolving business strategy.

We have consulted with over 50% of our shareholder base on our proposed Policy and I would like to thank all those shareholders who have participated in this process for their feedback and guidance, which we have considered and taken on board.

Full details of the proposed Policy are set out on pages 92 to 101 but the key changes are:

- *Pension:* Formalise the existing level of pension provision in line with the wider workforce (currently 3% of eligible earnings).
- *Performance measures:* Amendments in relation to annual bonus and LTIP performance metrics to allow more flexibility year-on-year to align these with the evolving business strategy post-COVID and to respond to any further government policy which significantly adversely impacts the travel sector.
- *Shareholding requirement:* Formalise the two year post-cessation shareholding requirement at the lower of the shareholding requirement (i.e. 200% of base salary) or actual shareholding.
- *LTIP:* An increase in the maximum award to 300% of base salary which can be granted under the LTIP in exceptional circumstances, such as to secure an external appointment or in specific retention scenarios. The maximum LTIP opportunity in a normal year will remain at 200% of base salary.
- *Malus and clawback:* Introduce enhanced malus and clawback provisions within the annual bonus and the LTIP awards to include corporate failure and reputational damage as additional triggers to protect against payment for failure.

The Committee believes that the proposed Policy will enable the Company to continue to incentivise and retain Executive Directors in a way that is directly aligned with the interests of shareholders, both in the short-medium term while the focus will be on recovery from the pandemic and building market share, and in the longer term when the aim is to grow profitable revenues and deliver strong returns to shareholders.

The Committee intends to carry out a further review of the Policy once the travel industry and the wider economy stabilises, which will include a review of our incentive strategy to ensure this is fit for purpose in the post-COVID world.

FY22 Remuneration approach

Following the conclusion of our Policy consultation, key decisions by the Remuneration Committee in respect of the remuneration of the Executive Directors in FY22 include:

- *CEO base salary:* Simon Cooper will receive a salary increase of 4.2% effective from 1 January 2022. This increase aligns directly with the general increase that will be made to our broader UK employee population and is against a backdrop of a nil increase last year.
- *CFO base salary:* As set out in the FY20 Directors' Remuneration report, Shaun Morton's salary on appointment to the Board was set at a lower level than his predecessor as he was new to the role, with the intention that this would be reviewed as he became more established. As a Board we believe that Shaun has clearly demonstrated his capability to perform in the CFO role since his appointment. His salary will therefore be adjusted from £250,000 to £275,000 with effect from 1 January 2022. We consider this increase justified by demonstration of his capability as a plc CFO, his development in the role and his very strong performance.
- *Pension:* No change. Both the CEO and CFO's pension contributions are already aligned with the wider workforce (currently 3% of eligible earnings).
- *Annual bonus:* The maximum bonus opportunity remains unchanged at 100% of salary. The bonus, subject to approval by shareholders at the 2022 AGM, will be based on a scorecard of financial and non-financial metrics. Details of the metrics underpinning the FY22 bonus are set out later in this report. 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. The deferral of up to 50% of any pay-out for two years remains unchanged.

- *LTIP:* It is intended that LTIP awards will be granted during FY22 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 on Absolute TSR, Relative TSR, Group TTV and EBITDA growth targets measured over a three year period. Targets will be disclosed at the time of grant in the RNS announcement. The two year holding period remains unchanged.

In addition, the changes to the share ownership guidelines and tightening of malus and clawback provisions, as described above will also come into effect for FY22.

Non-Executive Directors

We were delighted to welcome Justine Greening to the Board this year. Justine was appointed on 4 March 2021 and her fees were set in line with the Company policy for Non-Executive Director fees.

Non-Executive Director fees are typically reviewed every three years. The last review took place in September 2018, therefore a review was scheduled to be undertaken during FY21. However in light of the challenges presented by COVID-19 and the continued market uncertainties, the Board determined that the fee review would be deferred until FY22.

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 2018 LTIP awards.
- Setting the performance targets for the Executive Directors FY21 annual bonus.
- Agreeing the population, award levels and performance targets for the FY21 LTIP awards and restricted share awards.
- Approving the Directors' Remuneration Report for the FY20 Annual Report.
- Planning for Directors' Remuneration Report for the FY21 Annual Report.
- Agreeing the revised reward strategy for the broader employee population.
- Reviewing Group-wide pay and conditions and share plans.
- Reviewing the gender pay gap report.
- Reviewing base salaries of Executive Directors and Executive Team.
- Reviewing feedback from 2021 AGM.
- Reviewing existing Policy and developing new Policy. Planning shareholder engagement exercise in relation to new Policy.
- Reviewing performance of independent advisers and fees over the year.
- Monitoring the developments in the corporate governance environment and investor expectations.

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.
- The Directors' Remuneration Policy which sets out the Company's proposed remuneration policy for directors, the key factors which were taken into consideration in setting the Policy and details of the changes from the current Policy. The proposed Policy will be put to a binding shareholder vote at the 2022 AGM and will apply for three years from the date of approval.
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2021 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the 2022 AGM.

In summary, the Committee is committed to ensuring that we are responsive to developments in best practice, as well as taking 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

	FY21 implementation of Policy	FY22 implementation of Policy
Salary	No salary increases in FY21 (average increase across the wider workforce was 1%) › Simon Cooper (CEO): £207,060 (FY20 £207,060[1]) › Shaun Morton (CFO): £250,000 (FY20 £250,000[2])	Salary increase of 4.2% (in line with average increase across the wider workforce) for Simon Cooper. Salary increase of 10.0% for Shaun Morton to reflect his development in role and strong performance since his appointment to the Board. › Simon Cooper: £215,757 › Shaun Morton: £275,000
Pension	Simon Cooper and Shaun Morton each received a pension contribution of 3% of eligible earnings (in line with wider workforce)	No changes
Bonus	Nil - the bonus scheme did not operate in FY21	› Max opportunity: 100% of salary › Performance targets: › Profit before Tax (50% weighting) › Net promoter score (12.5% weighting) › Employee engagement (12.5% weighting) › Prompted brand consideration (12.5% weighting) › Passenger number growth (12.5% weighting)
LTIP	› FY19: › EPS target for the FY19 LTIP award granted to Simon Cooper was not met therefore 70% of the award will lapse. Remaining 30% is dependent on annualised TSR over the three year period to 12 February 2022 - see below. › Prior to his appointment to the Board, Shaun Morton was granted two LTIP awards in FY19 during his tenure as director of Finance. One of the LTIPs was not subject to any performance conditions and a proportion of the other LTIP award was similarly not subject to any performance conditions. Those elements of the awards that were subject to continued employment vested in full on 30 September 2021[3] › FY21: LTIP awards were granted to Simon Cooper (100% of salary) and Shaun Morton (200% of salary). Performance conditions: 70% EPS, 30% absolute TSR	› Simon Cooper: 100% of salary › Shaun Morton: 200% of salary › Performance conditions: › Absolute TSR (25% weighting) › Relative TSR (25% weighting) › EBITDA growth in specific expansion areas (25% weighting) › Group total transaction value (TTV) (25% weighting)

Shareholding requirement	Executive Directors must establish a shareholding of 200% of base salary over a 5 year period. At the year end, Simon Cooper met this requirement. Shaun Morton will build a holding to the required levels.	› ›	No change re in-employment requirement. Post-employment shareholding guideline formally introduced whereby Executive Directors will be required to hold full incumbent shareholding requirement (or actual shareholding on departure if lower) for two years post-departure.

(1) *Whilst Simon Cooper's salary was increased to £207,060 with effect from 1 January 2020, Simon voluntarily sacrificed his salary for 7 months of the year in FY20 in light of the COVID-19 pandemic meaning his actual base salary for FY20 was £85,510.*

(2) *Shaun Morton's salary for FY20 has been annualised for the purposes of displaying the year on year change (Shaun was appointed part way through FY20 therefore his actual base salary for FY20 was £52,244).*

(3) *A proportion of Shaun Morton's management LTIP (50%) was subject to continued employment, which element vested in full on 30 September 2021. The remainder of the award is dependent on the achievement of performance conditions over a performance period ending on 31 March 2021.*

FY19 LTIP Performance

The table below sets out the performance targets, and actual performance against these, for Simon Cooper's FY19 LTIP award.

	Weighting	Threshold (25% vests)	Maximum (100% vests)	Actual	Outcome
EPS(1)	70%	77.3p	94.5p	(34.7p)	0%
TSR(2)	30%	8%	15%	To be determined in February 2022	To be determined in February 2022

(1) *Cumulative EPS for financial years FY19, FY20 and FY21*

(2) *Annualised TSR of the Company over the three year period to 12 February 2022*

Remuneration Policy

Introduction

This section describes the Committee's Policy on the remuneration of Directors. The Policy will be put to shareholders for approval at the AGM on 25 February 2022. If approved, it will come into effect from the date of the AGM and is intended to apply for a period of three years.

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

The Policy is therefore designed around the following key principles:

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

Changes to the remuneration policy that was approved by shareholders at the AGM in 2019

The Remuneration Committee has carried out a comprehensive review of the policy taking into account business strategy, best practice, and the revised UK Corporate Governance Code which was published during the current policy period. The Committee believes that the construct of the current Policy remains fit for purpose, and therefore only proposes to make some minor amendments to ensure full compliance with the UK Corporate Governance Code and to allow more flexibility in selecting performance metrics which fully support the business strategy as we emerge from the COVID-19 pandemic.

The Company is in a strong position to capture market share as we emerge from the pandemic, and the updated Policy supports this by providing the Committee with flexibility to adapt the implementation in response to market changes and the evolving business strategy. We are however entering a period of transition into the post-COVID world and, while no significant changes are proposed at this time, the Policy has been designed with this transition period in mind. The Committee intends to carry out a further review of the Policy once the travel industry and the wider economy stabilises.

The proposed changes to the policy are set out in the table below:

Element of remuneration	*Current policy*	*Amendment to policy*	*Reason for change*
Base salary and benefits	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. A competitive level of benefits is provided.	No change	N/A
Pension	15% of base salary for existing Executive Directors (as at 30/09/2018). Pension contribution will be aligned with the wider workforce for any future recruited Executive Director.	Pension provision for all Executive Directors is aligned with the wider workforce (currently 3% of salary).	Formalises the existing level of pension provision in line with the wider workforce following the appointment of Shaun Morton as CFO. Alignment with the wider workforce ensures full compliance with the UK Corporate Governance Code, shareholder expectations and market best practice.

Annual bonus	Maximum opportunity of 100% of base salary, with up to 50% of any award deferred into shares for a period of two years. The majority of the annual bonus will be based on performance against stretching PBT targets, with the balance based on non-financial metrics which are aligned to the business strategy.	No change to maximum opportunity or deferral mechanism. The annual bonus will be based on a scorecard of financial and non-financial performance targets which are aligned to the business strategy. At least half of the bonus will be based on financial performance.	Ensures the Remuneration Committee can apply performance targets to the annual bonus awards which drive the short-term business strategy.
Long term incentive plan	Maximum opportunity of 200% of base salary. Three year performance period plus a two year post-vesting holding period. Performance based on EPS and TSR performance.	No change to normal maximum opportunity, performance period or post-vesting holding period. Introduction of an exceptional maximum opportunity of 300% of base salary. The majority of the awards will be based on financial metrics, with the balance based on strategic metrics.	Ensures the Remuneration Committee has flexibility to grant a larger LTIP award where this is necessary in exceptional circumstances, such as to secure an external appointment or in specific retention scenarios. Ensures the Remuneration Committee can apply performance metrics to the LTIP awards which maximise alignment with the long term business strategy, while ensuring that a majority remains focused on financial performance.
Shareholding requirement	200% of base salary to be built up over a five year period and then subsequently held.	From FY22, Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary) for two years post-cessation (or full actual holding if lower).	Ensures full compliance with the UK Corporate Governance Code, shareholder expectations, and market best practice.

The malus and clawback provisions within the incentive plans will also be extended to include corporate failure and reputational damage as additional triggers to protect against payment for failure.

Remuneration Policy

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

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base Salary **Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.**	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: › remuneration practices within the Company; › the performance of the individual Executive Director; › the individual Executive Director's experience and responsibilities; › the general performance of the Company; › salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and › the economic environment.	Base salaries will be set at an appropriate level within a comparator group of listed companies of comparable size and will normally increase in line with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. The Committee recognises that Simon Cooper's current base salary is below the market level, but when setting Simon's base salary has given regard to his considerable shareholding in the Company, and the desire to focus the remuneration structure on a long term strategy.	None
Benefits **Provides a competitive level of benefits.**	The Executive Directors receive benefits which include family private health cover. The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee expects to be able to adopt benefits such as relocation expenses, car allowance benefit, death in service life assurance, travel expenses (including tax if any), tax equalisation and support in meeting specific costs incurred by directors.	The maximum will be set at the cost of providing the benefits described.	None

Pensions **Provides market competitive retirement benefits.**	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.	Pension provision for all Executive Directors is aligned with the wider workforce (currently 3% of salary).	None
Annual Bonus Plan **The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.**	Annual bonuses are paid part in cash and part in shares. Up to 50% of any award will be deferred into shares for two years. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.	The maximum bonus opportunity is 100% of base salary.	Performance is measured over the financial year. The annual bonus will be based on a scorecard of financial and non-financial performance targets which are aligned to the business strategy. At least half of the bonus will be based on financial performance. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the bonus outcome is not a fair and accurate reflection of business performance.

Remuneration Policy

Long-Term Incentive Plan (LTIP) Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value.	Awards are granted annually to Executive Directors in the form of nil cost options. These will vest at the end of a three year period subject to: › the Executive Director's continued employment at the date of vesting; and › satisfaction of the performance conditions. 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 two year period from grant to vesting with clawback applying for the two year period post vesting.	Maximum annual award of 200% of base salary. In exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award of up to 300% of salary may be made. 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 majority of the awards will be subject to financial metrics, with the balance based on strategic metrics. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believe that the vesting outcome is not a fair and accurate reflection of business performance.
HMRC Share Incentive Plan To encourage wide employee share ownership and thereby align employees' interests with shareholders.	The Company has a share incentive plan in which the Executive Directors are eligible to participate (which is HMRC registered and is open to all eligible staff).	UK scheme in line with HMRC limits as amended from time to time.	None
Shareholding Requirement To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	200% of salary for all Executive Directors, to be reached over a five-year period from appointment to the Board. Executive Directors must retain a shareholding on cessation of employment for two years equal to the lower of 200% of salary and the actual shareholding on cessation. Shares bought by Executive Directors and shares granted prior to this policy coming Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	N/A	None

Non-Executive Director fees **Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.**	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee and additional fees for acting as chair of committees. The Chair of the Company does not receive any additional fees for membership of committees. Fees are typically reviewed every three based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Fees may be reviewed more regularly than this in exceptional circumstances, such as a significant increase in the size or complexity of the business. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.	The base fees for Non-Executive Directors are set at a market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	None

Discretion

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

Differences in policy from the wider employee population

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

Recruitment policy

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out in the remuneration policy table above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved policy. In the year of recruitment, the maximum variable pay will be 400% of salary (other than in exceptional circumstances where up to 500% of salary may be made if sign-on compensation is provided).

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

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

Remuneration Policy

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

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

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

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

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

Service agreements and letters of appointment

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

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

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

Non-Executive Director	Date of appointment	Notice period
David Kelly	28 September 2015	3 months
Elaine O'Donnell	3 July 2018	3 months
Richard Pennycook	1 April 2019	3 months
Justine Greening	4 March 2021	3 months

The terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM scheduled to be held on 25 February 2022 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

Payment for loss of office

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

When determining any loss of office payment for a departing individual, the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

Remuneration element	Treatment on exit
Salary, benefits and pension	Salary, benefits and pension will normally be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of Company pension contributions payable during the notice period. In all cases, the Company will seek to mitigate any payments due.
Annual bonus plan	If the executive is a good leaver, the bonus will be pro-rated to time and performance for year of cessation. Otherwise, no bonus is payable for the year of cessation.
LTIP	Good leaver reason – pro-rated to time and performance in respect of each subsisting LTIP award. If the executive is a good leaver, LTIP award will be pro-rated to time and performance in respect of each subsisting LTIP award. Otherwise, any unvested LTIP awards will vest. The Remuneration Committee has the discretion to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. The Remuneration Committee also has discretion to reduce the level of vesting of an award from the formulaic level of vesting if, in the opinion of the Board, the performance of the Executive Director or the Company justifies such a reduction. The post-vesting holding period will continue to apply irrespective of employment status unless the Committee, in exceptional circumstances, determines otherwise.
Post cessation shareholding requirement	Upon departure, individuals will be required to retain 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post-cessation.

Change of control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual bonus plan	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the Plan to the end of the bonus year.
LTIP	The number of shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance to the date of the change of control.	The Remuneration Committee retains absolute discretion regarding the proportion vesting taking into account time and performance. There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.

Remuneration Policy

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

In formulating the 2021 remuneration policy the Committee also consulted directly with a number of the Company's significant shareholders regarding their views on remuneration practices and policies. The views expressed during these consultations were taken into consideration as part of the review of the policy.

Consideration of conditions elsewhere in the company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group when reviewing base salaries for Executive Directors in addition to a range of applicable pay ratios.

The Committee supports the Board's initiative to ensure employee views and concerns are taken into account in its decision making and has a clear understanding of pay and benefits at all team member levels in the Group. This includes decisions relating to the remuneration arrangements for senior management and the Executive Directors.

Our employees are critical to our success and we aim to provide market competitive remuneration and benefit packages in order to continue to be seen as an employer of choice. The remuneration structure for our wider workforce is similar to that of our Executive Directors and contains both fixed and performance-based 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.

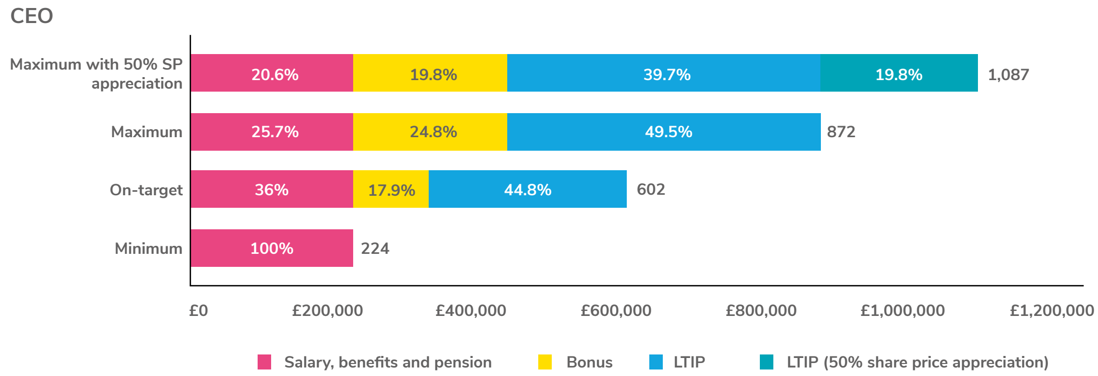
Whilst the Committee does not consult directly with colleagues when determining the Remuneration Policy for Executive Directors, awards under the LTIP scheme are operated for other colleagues to ensure alignment of objectives across the Group and pension entitlement for the current Executive Directors is in line with the rest of the workforce. We also have an open, collaborative and inclusive management structure and engage regularly with our employees on a range of issues including the Group's approach to remuneration. We do this through employee surveys, our weekly company-wide Beach Life calls and regular appraisals. Last year, we strengthened the link between employees and the Board following David Kelly's appointment as the designated Non-Executive Director for employee engagement. You can read more about how we engage with our workforce on page 59.

Illustrations of application of remuneration policy

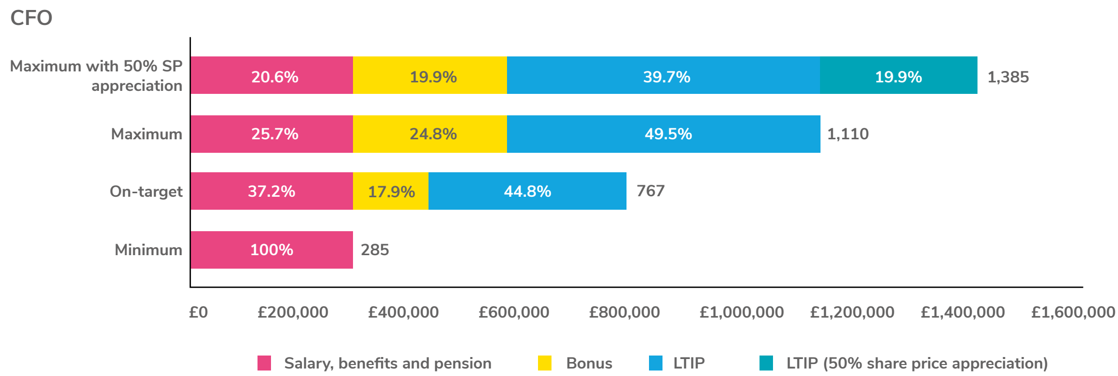
The charts below illustrate how the potential future remuneration of the Executive Directors may vary at different levels of performance and the percentage each element may form together with the possible total value. For the purpose of this chart, the following assumptions have been made:

- The base salary levels are those in effect as at the date of the 2022 AGM.
- Fixed elements comprise base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in the 2021 financial year for each Executive Director.
- Bonus opportunity and LTIP award levels are the maximum levels set out in the Policy table above.
- For target performance, assumptions of bonus payout of 50% of maximum and LTIP vesting at 62.5% of maximum.
- For maximum performance, assumptions of bonus payout of 100% of maximum and maximum vesting of the LTIP at 100% of salary.
- No share price increase has been assumed, save for in the scenario which illustrates the impact of 50% share price appreciation on the potential value of future remuneration.
- Dividend equivalents have not been added to LTIP share awards.

CEO (£'000)



CFO (£'000)



GOVERNANCE

Annual Report on Remuneration

The Remuneration Committee's Annual Report on remuneration for the year ended 30 September 2021 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 page 14. In the table below, we summarise how the Company's strategic priorities are aligned with the remuneration policy.

Strategic priority

1 Invest in talent and technology.

2 Become a brilliant digital brand.

3 Optimise our direct and differentiated supply.

4 Grow our share of B2B beach.

5 Diversify into adjacent beach holiday markets.

6 Champion customer-centric change.

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 2
Net Promoter Score (NPS)	Annual bonus	1 year	Customer satisfaction will be positively impacted by the following strategic priorities: 1 2 3 4 5 6
Prompted brand consideration	Annual bonus	1 year	Progress towards the following strategic priorities drive our brand consideration: 1 2 3 4 5 6
Passenger growth	Annual bonus	1 year	Passenger numbers growth will be driven by the following strategic priorities: 1 2 3 4 5 6
EBITDA growth	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
Group TTV	LTIP Scheme	3 years	Progress towards the following strategic priorities drive an increase in the total transaction value for bookings made by the Group: 1 2 3 4 5 6
Absolute and Relative Total Shareholder Return (TSR)	LTIP scheme	3 years	Progress towards the following strategic priorities drive earnings growth, and in turn should provide returns for shareholders in the long-term through share price growth and dividends 1 2 3 4 5 6

Single total figure of remuneration

Executive and Non-Executive Directors (Audited)

The tables below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2021 financial year. Comparative figures for the 2020 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]	
		2021 (£'000)	2020 (£'000)	2021 (£'000)	2020 (£'000)
Fixed Pay	Base Salary	207	86[2]	250	52
	Benefits[3]	2	2	1	0.5
	Pension[4]	1	1	1	0.5
	Total Fixed Pay	**210**	**89**	**252**	**53**
Variable Pay	Bonus[5]	0	0	0	0
	LTIP[6], [7], [8]	0	0	224	0
	Total Variable Pay	0	0	224	0
Total Single Figure of Remuneration		**210**	**89**	**476**	**53**

(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) *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.*

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

(4) *Pension benefits are employer contributions to the Group workplace pension scheme (3% of eligible earnings) in line with the rest of the workforce.*

(5) *Annual bonus payments for performance in the relevant financial year. For FY20 and FY21, no bonuses have been paid.*

(6) *The value of the LTIP for 2020 for Simon Cooper 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.*

(7) *The proportion of Simon Cooper's 2019 LTIP award which was subject to EPS performance (70% of the overall award) lapsed in full due to the performance condition not being achieved. The remaining 30% of this award is subject to an ongoing Absolute TSR performance condition and will not vest until February 2022, subject to performance against this.*

(8) *The value of Shaun Morton's LTIP for 2021 relates to two awards that were granted prior to his appointment to the Board. Shaun Morton's FY19 LTIP award had a three year vesting period ending 30 September 2021 and was subject to continued employment (no performance conditions). An element of Shaun Morton's FY19 Management LTIP was subject to continued employment, which vested on 30 September 2021, with the balance subject to performance conditions due to vest on the later of 31 March 2022 and the date that the Remuneration Committee determines the extent to which the performance conditions have been satisfied. To the extent that these awards have vested, there is no value attributable to share price appreciation.*

Annual Report on Remuneration

Single total figure of remuneration for Non-Executive Directors (audited)

		Richard Pennycook		*David Kelly*		*Elaine O'Donnell*		*Justine Greening*[1]	
		2021 (£'000)	2020 (£'000)	2021 (£'000)	2020 (£'000)	2021 (£'000)	2020 (£'000)	2021 (£'000)	2020 (£'000)
Fixed Pay	Fees[2]	161	145	63	57	57	51	28	-
	Benefits	-	-	-	-	-	-	-	-
	Pension	-	-	-	-	-	-	-	-
	Total Fixed Pay	**161**	**145**	**63**	**57**	**57**	**51**	**28**	**-**
Variable Pay	Bonus	-	-	-	-	-	-	-	-
	LTIP	-	-	-	-	-	-	-	-
	Total Variable Pay	-	-	-	-	-	-	-	-
Total Single Figure of Remuneration		**161**	**145**	**63**	**57**	**57**	**51**	**28**	**-**

(1) *The 2021 remuneration data reflects that Justine Greening was appointed Non-Executive Director from 4 March 2021*

(2) *The 2020 remuneration data reflects that all Non-Executive Directors serving at the time 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)

2021 annual bonus awards and performance targets

For the year ended 30 September 2021, the maximum bonus opportunity for Simon Cooper and Shaun Morton, would have been 100% of salary.

As noted in the Chairman's statement, the performance of the Group in FY21 has continued to be significantly impacted by COVID-19. Whilst the Committee recognises the strong contribution of the Executive Directors during FY21, and the actions taken to mitigate the impact of the global pandemic and protect the Group for the long term, the Committee determined (with the agreement of the CEO and CFO) that it would not be appropriate to pay a bonus to the Executive Directors for FY21. The annual bonus plan was therefore cancelled for the year.

Long term incentives awarded in FY19 with performance period ending in 2021 and 2022

Simon Cooper was granted an LTIP award on 12 February 2019 that is due to vest in February 2022. Performance under the award is based on EPS (70% weighting) and annualised TSR (30% weighting), as set out below. The three year performance period in relation to the EPS element ended on 30 September 2021 and the three year performance period in relation to the TSR element is due to end on 12 February 2022.

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

Performance tier	Cumulative EPS over the three financial years FY19, FY20 and FY21	Vesting
Below threshold	Less than 77.3p	0%
Threshold	77.3p	25%
Maximum	94.5p	100%
Between threshold and maximum	Between 77.3p and 94.5p	Straight line vesting between 25% and 100%
	Actual EPS: (34.7p)	**0%**

Based on the above performance outcome, the EPS condition was not satisfied, therefore 70% of Simon's FY19 award will lapse. No discretion will be applied to the final vesting outcome in relation to the EPS element.

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

Performance tier	Annualised TSR over the three year period to 12 February 2022	Vesting
Below threshold	Less than 8%	0%
Threshold	8%	25%
Maximum	15% or above	100%
Between threshold and maximum	Between 8% and 15%	Straight line vesting between 25% and 100%

The extent to which the Absolute TSR condition has been satisfied will be determined following expiry of the three year performance period ending 12 February 2022. No discretion will be applied to the final vesting outcome in relation to the TSR element.

Long term incentives awarded in 2021 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2021 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	£207,060	84,861	Nil	25%	30 September 2023	EPS (70%)
							5 February 2024	Absolute TSR (30%)
Shaun Morton	LTIP – nil cost option	200% of salary	£500,000	204,918	Nil	25%	30 September 2023	EPS (70%)
							5 February 2024	Absolute TSR (30%)

The awards were granted on 5 February 2021. The number of shares awarded is calculated using the closing share price on 30 September 2020, which was £2.44.

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

Performance tier	EPS for the last financial year of the EPS performance period (FY23)	% of EPS element capable of vesting
Below threshold	Less than 17.27 pence	0%
Threshold	17.27 pence	25%
Maximum	23.37 pence or above	100%
Between threshold and maximum	Between 17.27 and 23.37 pence	Pro-rata between 25% - 100%

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%	Pro-rata between 25% - 100%

Absolute TSR is averaged over a one month period prior to the beginning and end of the performance period.

Payments to past directors

There were no payments made to past directors during FY21.

Statement of directors' shareholdings and share interests (audited)

Director	Share plan awards subject to performance condition	Share plan awards subject to continued employment	Share plan interests vested but unexercised	Shares held out-right(1)
Simon Cooper	179,435	-	50,298[2]	7,849,603
Shaun Morton	249,918[3]	30,286 [4]	74,358[5]	3,030

Between 30 September and the date of this report (9 December 2021), Simon Cooper and Shaun Morton's shareholdings and share interests remained unchanged.

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

(2) *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. Simon's 2018 LTIP did not vest as the performance outcome was nil.*

(3) *In addition to the 2021 LTIP award referred to above, which was granted to Shaun when he was a director of the Company, Shaun was also granted a management LTIP award in FY19 during his tenure as Director of Finance over a total of 45,000 share plan awards which are subject to performance conditions.*

(4) *During Shaun's tenure as Director of Finance (and therefore prior to him becoming a statutory director), Shaun was granted awards over 30,286 shares which are subject to continued employment. These awards are due to vest between October 2021 and September 2022.*

(5) *During Shaun's tenure as Director of Finance, he was granted awards over a total of 74,358 shares which have vested between September 2020 and September 2021 but have not yet been exercised.*

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

	Share plan interests exercised during the year to 30 September 2021	
Director	**Number of options exercised**	**Share price on date of exercise**
Simon Cooper	-	N/A
Shaun Morton	-	N/A

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	7,906,261	14,624%	Yes
Shaun Morton[3]	200% of salary	55,461	85%	No

(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 3.83 pence as at 30 September 2021 (the last business day of the financial year ending 30 September 2021) 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.*

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

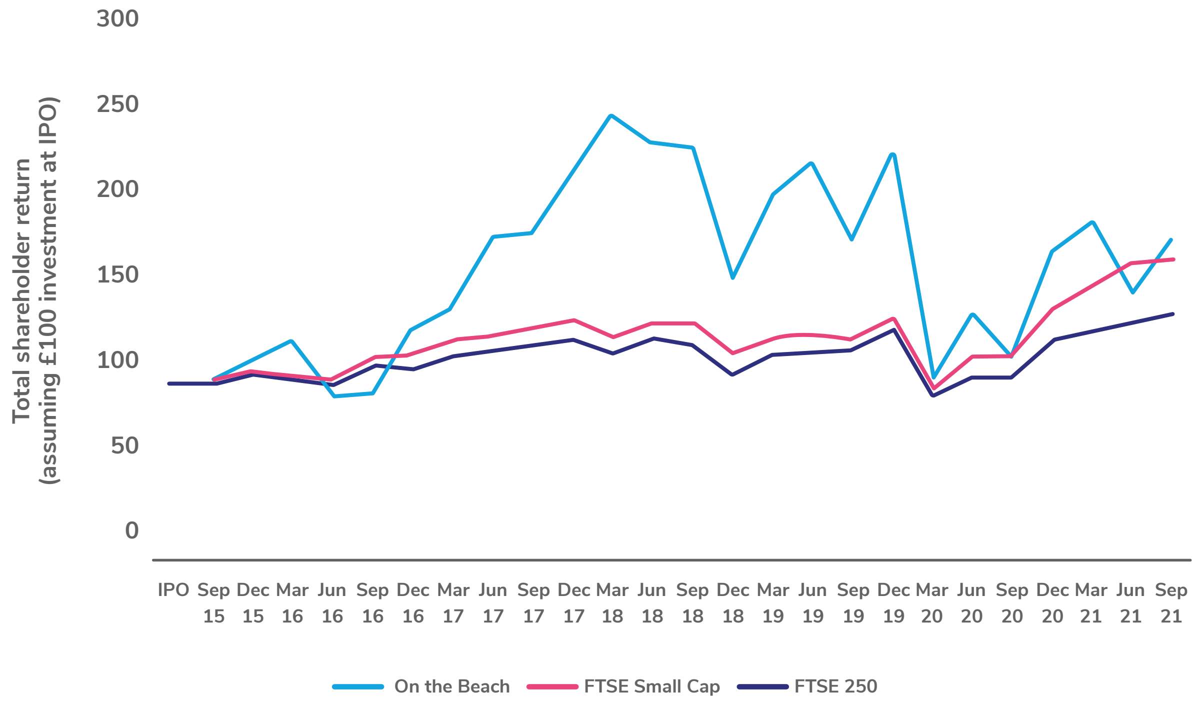
Director	Shares held 30 September 2021
Richard Pennycook	48,267
David Kelly	10,258
Elaine O'Donnell	11,447
Justine Greening	3,636

Between 30 September and 9 December 2021, the Non-Executive Directors' interest in shares remained unchanged.

Annual Report on Remuneration

Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to both the FTSE 250 and FTSE Small Cap indices. These indices were chosen as they each 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 2021.



Chief Executive Officer historical remuneration

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

Chief Executive Officer	2021	2020	2019	2018	2017	2016	2015
Total Single Figure (£000s)	210	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.

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 59.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2020 and 2021 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2021 financial year (£m)	Disbursements from profit in 2020 financial year (£m)	% change
Profit distributed by way of dividend	-	2.6	(100%)
Overall spend on pay including Executive Directors	23.1	19.0	21%

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 2021. 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
2020/21	Option A	11:1	8:1	4:1

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 2021 for individuals employed as at the financial year end. The pay ratio has been calculated using the actual pay and benefits received in FY21. 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. Each employee's total pay and benefits was calculated taking into account any reduced level of pay during the year (for example whilst furloughed under the Coronavirus Government Job Retention 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	£26,755	£47,275
Total pay and benefits	£19,760	£27,300	£48,488

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.

There is a higher pay ratio this year compared to last year (median pay ratio last year was 3:1) due to the fact that last year, Simon Cooper voluntarily sacrificed his salary for 7 months of the year in light of the COVID-19 pandemic.

Annual Report on Remuneration

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 2020 to 2021 compared with the average percentage change for employees.

	Salary/fees	Benefits	Bonus
Executive Directors			
Simon Cooper	139%	-	-
Shaun Morton[(1)]	0%	-	-
Non-Executive Directors			
Richard Pennycook	11%	-	-
David Kelly	11%	-	-
Elaine O'Donnell	11%	-	-
Justine Greening[(2)]	-	-	-
Wider workforce			
Average employee of the Company	-	-	-
Average employee – Group wide[(3)]	2%[(4)]	-	-

The increases in Executive and Non-Executive Directors' pay are due to salaries sacrificed during FY20.

(1) *Shaun Morton's salary for FY20 has been annualised for the purposes of calculating the percentage change (Shaun was appointed to the Board on 17 July 2020).*
(2) *Justine Greening was appointed to the Board on 4 March 2021, therefore there is no FY20 comparison.*
(3) *As the only employees of the Company are its Directors, we have presented data based on average remuneration for employees across the Group.*
(4) *Average employee percentage change is based on earnings of full time employees that were employed throughout the current and comparison period.*

Shareholder voting at annual general meeting

The Committee is committed to shareholder dialogue, seeks to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Annual Report on Remuneration was subject to a shareholder vote at the AGM on 5 February 2021, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the directors' remuneration report for the year ended 30 September 2020 (2021 AGM)	133,484,269 (99.85%)	198,964 (0.15%)	1,554,078

Implementation of remuneration policy in financial year 2022

The Remuneration Committee proposes to implement the Policy for 2022 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

Last year, neither Simon Cooper nor Shaun Morton received an increase in salary due to the trading performance of the Group in light of COVID-19 (notwithstanding that the average increase across the wider workforce was 1%). For this year, the Remuneration Committee has determined that a salary increase of 4.2% will be applied for Simon Cooper, effective 1 January 2022. This is in line with the average increase awarded to the general workforce. Shaun Morton will receive a salary increase of 10.0%, effective 1 January 2022, to reflect his development in role and strong performance since his appointment to the Board in 2020.

Name	Salary (£)		Percentage Change
	2022	2021	
Simon Cooper	£215,757	£207,060	4.2%
Shaun Morton	£275,000	£250,000	10%

NED fees

Non-Executive Director fees are typically reviewed every three years other than in exceptional circumstances. The last review took place in September 2018, therefore a review was scheduled to be undertaken during FY21, however in light of the challenges presented by COVID-19 and the continued market uncertainties, the Board has agreed that the fee review will be deferred for a year. As such no change to the fees will be made in FY22.

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

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 proposed Policy, 50% of the annual bonus for FY22 will be based on Profit before Tax targets, with the remaining 50% based on performance against other financial and non-financial targets aligned with the company's strategy. For FY22, the remaining 50% will be weighted equally across the following metrics:

- Net promoter score;
- Employee engagement;
- Prompted brand consideration; and
- Passenger number growth.

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% of any bonus payment will be deferred into nominal cost share options for two years. Malus and clawback provisions will apply.

Annual Report on Remuneration

LTIP award

It is intended that a grant under the LTIP will be made during FY22. The LTIP award for Simon Cooper will be 100% of salary (below the 200% of salary limit under the Policy), consistent with FY21, 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. In line with the proposed Policy, the performance conditions will be based on targets for Absolute TSR, Relative TSR, EBITDA growth and the total transaction value of bookings made by the Group (TTV). We will set the performance targets for the award at the date of grant (expected to be February 2022 subject to approval of the new Policy by shareholders at the AGM in February 2022). The targets 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 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 FY21 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
Justine Greening	March 2021	1/1[1]

[1] *Justine Greening was appointed to the Board on 4 March 2021.*

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 £41,100 for their advice during the year to 30 September 2021.

On behalf of the board

David Kelly
Chair of the Remuneration Committee
9 December 2021

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 59)
Employment of disabled persons	(page 58)
Future developments of the business	(pages 13-19)
Stakeholder engagement and s.172 statement	(pages 44-52)
Viability statement	(pages 41-42)
Directors' interests	(pages 68-69, 74, 107)
Directors' responsibilities statement	(page 127)
Greenhouse gas emissions	(pages 63-64)
Risk management	Strategic Report (pages 30-40) and note 23 to the consolidated financial statements
Human rights and anti-bribery and corruption	(page 64)
Diversity	(page 57)
Non-financial key performance indicators	(pages 21-22)

Directors' Report
All sections under the heading 'Governance' on page 66 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 2021.

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 30 to 40.

Management Report
This Directors' Report (pages 66 to 127) together with the Strategic Report (pages 6 to 65) 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 page 70. 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 68 and 69. Biographical details of all the Directors serving at the date of this annual report are shown on pages 68 and 69. 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 ('Articles'), the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Directors may from time to time appoint one or more directors. The Board may appoint any person to be a director (so long as the number of directors does not exceed the limit prescribed in the Articles). Under the Articles, any such director shall hold office only until the next AGM and shall then be eligible for election. The Articles also require that at each AGM any director who held office at the time of the two preceding AGMs and who did not retire at either of them must retire, and any director who has been in office, other than a director holding an executive position, for a continuous period of nine years or more must retire from office. 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.

Justine Greening will stand for election and all other Directors will retire and stand for re-election at the 2022 AGM.

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

Other statutory and regulatory disclosures

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 2021 comprised 165,399,366 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 160 of the financial statements. Details of the movements in issued share capital during the year are provided in note 21 to the Group's financial statements contained on page 160. All the information detailed in note 21 on page 160 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company held on 5 February 2021 the Directors were granted authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £1,049,588.24 (104,958,824 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 2022 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 7,870,000 new ordinary shares of £0.01 each to certain institutional and qualified professional investors at a placing price of 330p per ordinary share. The placing price represents a discount of approximately 5% to the closing share price of 347.5p on 6 July 2021 (being the business day by which the placing price was fixed). The aggregate nominal value of ordinary shares issued pursuant to the placing was £78,700. The aggregate gross consideration received by the Company in respect of the placing was approximately £26m.

In accordance with the Pre-Emption Group's Statement of Principles, the Directors confirm the net proceeds raised were £24.9m 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. In May 2020, the Company completed a non-pre-emptive placing of ordinary shares representing 19.9% of the Company's existing issued share capital prior to such placing. Save in respect of the FY20 placing, no other shares have been issued for cash during the three year period preceding the FY21 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 various options. Taking into account the cost, timing and complexity of the process, the Board decided it was in the best interests of the Company to proceed with the 5% equity raise on a non-pre-emptive basis in accordance with the authority granted at the 2021 AGM. The Company worked with advisors to ensure the marketing process and the allocation policy adopted by the brokers were designed in such a way as to respect pre-emption as far as possible which was a key area of focus. We also understood our shareholders' views prior to launching the equity raise and whether it was going to be something that they were going to be supportive of as we engaged with shareholders who had been wall crossed via our brokers beforehand.

Authority to purchase own shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 15,743,824 shares (equivalent to 10% of the Company's ordinary share capital as at 21 December 2020). No shares were bought back under this authority for the year ended 30 September 2021. This authority will expire at the conclusion of the 2022 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:

1. A HMRC-approved Share Incentive Plan ("SIP") to encourage wide employee share ownership and thereby align employees' interests with shareholders;
2. A Long Term Incentive Plan ("LTIP") under which nil cost share options are granted to Executive Directors and senior management linked to achievement in delivering goals which are closely aligned with the Company's strategy and the creation of value for shareholders. The Company also makes grants of nil cost share options under the LTIP plan in the form of restricted stock awards to key employees for retention purposes, and these are accompanied by a CSOP market value option for tax efficiency purposes; and
3. A Save As You Earn Plan ("SAYE") which is an all employee savings related share option plan. Although the SAYE was approved at the 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 87 to 112.

Other Statutory and Regulatory Disclosures

Annual General Meeting

The Annual General Meeting for 2022 will be held at 11am on 25 February 2022 at the Company's headquarters at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

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

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 have 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 7,849,603 shares (4.75% of the issued share capital).

Name of shareholder	*Number of shares*	*Nature of holding as per disclosure*	*Date of notification*
Mawer Investment Management	18,896,038	12.01%	27 November 2020
Mawer Investment Management	20,714,191	13.16%	22 December 2020
Hawksford Trustees Jersey Ltd (as trustees of the SC 2014 Settlement)	5,784,999	3.68%	22 December 2020
BlackRock Inc	7,905,363	5.01%	22 March 2021
AXA Investment Managers	8,122,971	5.16%	6 April 2021
BlackRock Inc	9,211,779	5.84%	14 May 2021
M&G Plc	7,768,731	4.93%	18 May 2021
BlackRock Inc	9,391,021	5.96%	25 May 2021
Mawer Investment Management	20,456,810	12.99%	8 June 2021
BlackRock Inc	9,388,173	5.95%	29 June 2021
BlackRock Inc	9,073,881	5.48%	12 July 2021
Baillie Gifford & Co	8,601,228	5.2%	27 August 2021

Between 30 September 2021 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 26 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 161 to 166 in note 23 to the consolidated financial statements, and forms part of this report by reference.

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

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 129 to 172.

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 15 June 2021, no interim dividend was declared during FY21. In view of performance in light of the pandemic and the planned investment in technology, brand and customer proposition in FY22, the Board is not recommending a final dividend in respect of FY21.

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 105
Allotments of equity securities for cash	(7)	page 114

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 & Yong LLP, is willing to continue in office and a resolution for its re-appointment as auditor of the Company will be submitted at the 2022 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 9 December 2021.

Approved by the Board and signed on its behalf:

K Vickerstaff
Company secretary
9 December 2021

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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.

We have audited the financial statements of On the Beach Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2021 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 2021
Consolidated Balance Sheet as at 30 September 2021	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 26 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment and understanding the process undertaken by management to evaluate the operational and economic impacts of COVID-19 on the Group and to reflect these in the Group's forecasts. The Group has modelled a base scenario, downside scenario and reverse stress test scenario in the cash flow forecasts and covenant calculations in order to incorporate unexpected changes (e.g. travel restrictions, airline disruption and customer behaviour) to the forecasted liquidity of the Group.
- Challenging the significant assumptions underpinning the Group's forecasts for the going concern period until March 2023. Our challenge was particularly focused around expectations of the timing of recovery to pre pandemic levels; both revenue and profit levels given the uncertainties arising from COVID-19 as well as the impact on the industry of potential travel restrictions, and the impact of climate risk on the forecast cashflows. We also verified whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including impairment.

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

- Performing a reverse stress test to establish the reduction in revenue and the related impact on the cash flows that could lead either to a loss of liquidity or a covenant breach. This included a zero-revenue scenario.
- Testing the clerical accuracy and the appropriateness of the model used to prepare the Group's going concern assessment.
- Assessing the appropriateness of the Group's disclosure concerning the going concern basis of preparation.

We note that management has performed a going concern assessment with a base case scenario and downside scenario and a reverse stress test scenario, where zero revenue is modelled. The Group has access to a revolving credit facility of £75 million which expires in May 2023. The zero revenue scenario showed continuing liquidity for Group throughout the going concern review period, without utilising the revolving credit facility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern through to March 2023.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

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% of Normalised profit before tax adjusted for the impact of exceptional items and a further judgemental reduction, 100% of Revenue and 100% of Total assets.
Key audit matters	› Revenue recognition - risk of management override through journals made to revenue outside of the standard booking process. › Impact of COVID-19 › Assessment of the carrying value of goodwill, intangible, tangible assets, and company investments
Materiality	› Overall group materiality of £807,000 which represents 5% of Normalised profit before tax adjusted for the impact of exceptional items and set on an average profit before tax adjusted for exceptional items for FY20, FY19 and FY18 and a further judgemental reduction to reflect the continuing uncertainty brought about by the pandemic.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 effectiveness of group-wide controls, changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 12 reporting components of the Group, we selected all 12 components covering all entities within the UK which represent the principal business units within the Group.

Of the 12 components selected, we performed an audit of the complete financial information of 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% *(2020: 100%)* of the Group's Loss before tax and 100% *(2020: 100%)* of the Group's Normalised profit before tax adjusted for the impact of exceptional items and a further judgemental reduction to reflect the continuing uncertainty brought about by the pandemic, 100% *(2020: 100%)* of the Group's Revenue and 100% *(2020: 100%)* of the Group's Total assets.

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

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 (£21.3m value of risk, PY comparative£33.7m) *Refer to the Audit Committee Report (page 81); Accounting policies (page133); and Note 3 of the Consolidated Financial Statements (page 141)* 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:* Assessed the design and implementation of the key controls over revenue recognition for all trading entities within the Group. Tested all material manual journal entries impacting on net revenue which fall outside of the standard booking process journals for evidence of management override. Performed monthly analytical review for each trading entity comparing actual gross margin recorded with booking volumes, and monthly revenue and gross margin with prior year, 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 expectations above our testing threshold have been 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.

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
Impact of COVID-19 (£10.0m value of risk, PY comparative £41.7m) *Refer to the Audit Committee Report (page 81); Accounting policies (page 133); and Note 3 of the Consolidated Financial Statements (page 141)* 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. . 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 2021; 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:* Assessed the design and implementation of the key controls over the appropriateness of the exceptional items. *Cancellations recorded in year* Independently reperformed management's calculation of the cancellations processed in the year using a data analytics approach to assess 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, actual cancellation rates during the financial year and the accuracy of management's prior year estimate. Independently recalculated the cancellation provision by using a data analytics approach to apply management's cancellation assumptions to the open bookings at 30 September 2021. 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 the history of receipts from airlines and chargeback claims received during the year, testing a sample of bookings to post year-end settlements as well as evaluating the completeness and appropriateness of management's 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 revenue.	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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of the carrying value of goodwill, intangible, tangible assets and company investments. *There is a goodwill balance on consolidation of £40.2m (2020:£40.2m), intangible assets balance of £33.9m (2020: £39.5m), tangible assets balance of £8.3m (2020: £9.8m) and company investments of £132.6m (2020: £132.6m).* *Refer to the Audit Committee Report (page 81); Accounting policies (page 133); and Note 11 of the Consolidated Financial Statements (page 151)* An annual impairment assessments is performed 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:* Obtained management's paper and calculations and understood the methodology and the material assumptions applied by management in performing its impairment test for each of the CGUs in the Group. Compared the cancellation assumptions applied in the projected financial information used to those used in the calculation of the exceptional cancellation provision described with the "Impact of COVID-19" risk. Critically assessed the projected financial information including the perpetuity rate used, to external data sources including projected travel industry recovery. Used our EY Valuation team specialists to independently calculate a discount rate range which we then compared to the rate used. 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 increasing discount rates, reducing terminal growth rates and delaying return to recovery. Checked impairment disclosures for compliance with the requirements of IAS 36. We performed full scope audit procedures which covered 100% of revenue.	Based on our procedures performed we concluded that no impairment is required. The disclosures included in the financial statements are in conformity with the requirements of IAS 36.

GOVERNANCE

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 £807,000 *(2020: £897,000)*.

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 the users of the accounts are focused on the speed at which underlying operations and revenue are returning to normal. Setting materiality when the business has been impacted by COVID-19 requires greater auditor judgement is appropriate given the nature of the Group's activities, but 2021 results have been distorted as a result of the pandemic and its impact on the Group and the sector within which it operates. For the current year, we have sought to derive a normalised basis for setting that profit measure and our start point was to set at 5% of the average profit before tax adjusted for exceptional items for FY20, FY19 and FY18. We applied a further judgemental reduction to reflect the continuing uncertainty brought about by the pandemic.

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

This is a change from prior year where materiality was based on 5% of Normalised profit before tax adjusted for the impact of exceptional items based on an average profit before tax adjusted for exceptional items for FY20, FY19 and FY18.

We determined materiality for the Parent Company to be £807,000 *(2020: £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.

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 75% *(2020: 75%)* of our planning materiality, namely £605,000 *(2020: £673,000)*. 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 component locations 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 £121,000 to £515,000 *(2020: £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 £40,000 *(2020: £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 -118*, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

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 those reports have been prepared in accordance with applicable legal requirements;

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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
- a Corporate Governance Statement has not been prepared by the company

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 41;
- Directors' statement on fair, balanced and understandable set out on page 127;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 130;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and;
- The section describing the work of the audit committee set out on page 83.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 127, 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are 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). In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being General Data Protection Regulations, Consumer Rights and specific regulations set out by the Civil Aviation Authority.
- 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, 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 to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

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

Other matters we are required to address

- Following the recommendation from the audit committee 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 3 years, covering the years ending 30 September 2019 to 30 September 2021.
- 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
9 December 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

In preparing these financial statements the Directors are required to:

> select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and in respect of the parent company financial statements, Section 10 of FRS 102 and then apply them consistently;
> make judgements and accounting estimates that are reasonable and prudent;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
> in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements;
> in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
> prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and Group and hence for taking reasonable steps for the prevention and detection of 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 comply 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.

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

> that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
> that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
> that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Chief Financial Officer
9 December 2021

Financial Statements

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Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2021

	Note	2021 £'m	2020 £'m
Revenue	4,5	21.2	33.7
Cost of sales		(6.8)	(17.7)
Gross profit		**14.4**	**16.0**
Administrative expenses	6	(50.2)	(61.9)
Group operating loss		**(35.8)**	**(45.9)**
Finance costs	8	(1.0)	(0.8)
Finance income	8	0.1	0.4
Net finance costs		**(0.9)**	**(0.4)**
Loss before taxation		**(36.7)**	**(46.3)**
Taxation	9	6.5	7.5
Loss for the year		**(30.2)**	**(38.8)**
Other comprehensive income:			
Net (loss)/gain on cashflow hedges		(0.1)	0.1
Total comprehensive loss for the year		**(30.3)**	**(38.7)**
Attributable to:			
Equity holders of the parent		(30.3)	(38.7)
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:			
Basic loss per share	10	**(19.0p)**	**(27.6p)**
Diluted loss per share	10	**(19.0p)**	**(27.6p)**
Adjusted loss per share *	10	**(9.7p)**	**(0.5p)**
Adjusted profit measure*			
Adjusted (LBT)/PBT (before amortisation of acquired intangibles, exceptional items and share based payments) *	6	**(18.4)**	**0.6**

** This is a non GAAP measure, refer to notes. The adjusted loss per share presented is both basic and diluted.*

The notes on pages 133 to 168 form part of the financial statements.

Consolidated Balance Sheet

Year ended 30 September 2021

Assets	Note	2021 £'m	2020 £'m
Non-current assets			
Intangible assets	11	74.1	79.6
Property, plant and equipment	12	8.3	9.9
Investment property	13	-	0.6
Total non-current assets		**82.4**	**90.1**
Current assets			
Trade and other receivables	15	94.9	104.7
Deferred tax	20	3.6	-
Derivative financial instruments	23	-	0.5
Corporation tax receivable		0.8	4.5
Trust account	16	39.0	25.8
Cash at bank		56.0	36.5
Total current assets		**194.3**	**172.0**
Total assets		**276.7**	**262.1**
Equity			
Share capital	21	1.7	1.6
Share premium	22	89.6	64.8
Retained earnings	22	187.6	215.0
Capital contribution reserve	22	0.5	0.5
Merger reserve	22	(129.5)	(129.5)
Total equity		**149.9**	**152.4**
Non-current liabilities			
Deferred tax	20	-	2.6
Trade and other payables	17	2.5	3.8
Total non-current liabilities		**2.5**	**6.4**
Current liabilities			
Trade and other payables	17	119.4	92.4
Provisions	17	4.6	10.9
Derivative financial instruments	23	0.3	-
Total current liabilities		**124.3**	**103.3**
Total liabilities		**126.9**	**109.7**
Total equity and liabilities		**276.7**	**262.1**

The financial statements from pages 133 to 168 were approved by the Board of Directors and authorised for issue.

S. Mt

Shaun Morton
Chief Financial Officer
9 December 2021
On the Beach Group plc. Reg no 09736592

Consolidated Statement of Cash Flows

Year ended 30 September 2021

	Note	2021 £'m	2020 £'m
Loss before taxation		(36.7)	(46.3)
Adjustments for:			
Depreciation	6	1.8	1.9
Amortisation of intangible assets	6	10.1	9.5
Finance costs	8	1.0	0.8
Finance income	8	(0.1)	(0.4)
Share based payments	24	2.8	(0.6)
Gain on termination of lease	12	(0.1)	-
Loss on disposal of property, plant and equipment	12	0.2	-
		(21.0)	(35.1)
Changes in working capital:			
Decrease/(increase) in trade and other receivables	15	9.9	(7.4)
Increase/(decrease) in trade and other payables	17	21.3	(50.6)
(Increase)/decrease in trust account		(13.2)	18.3
		18.0	(39.7)
Cash flows from operating activities			
Cash used in operating activities		(3.0)	(74.8)
Tax received/(paid)		4.2	(0.2)
Net cash inflow/(outflow) from operating activities		**1.2**	**(75.0)**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(0.5)	(1.2)
Proceeds from disposal of assets held for sale		-	0.2
Purchase of intangible assets	11	(4.6)	(4.0)
Interest received	8	0.1	0.4
Net cash outflow from investing activities		**(5.0)**	**(4.6)**
Cash flows from financing activities			
Proceeds from issue of share capital		26.0	65.1
Costs related to shares issued paid		(1.1)	-
Equity dividends paid		-	(2.6)
Interest paid on borrowings	8	(0.9)	(0.6)
Interest paid on lease liabilities	8	(0.1)	(0.2)
Payment of lease liabilities	18	(0.6)	(0.4)
Net cash inflow from financing activities		**23.3**	**61.3**
Net increase/(decrease) in cash at bank and in hand		19.5	(18.3)
Cash at bank and in hand at beginning of year		36.5	54.8
Cash at bank and in hand at end of year		**56.0**	**36.5**

The notes on pages 133 to 168 form part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 September 2021

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
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**
Share based charge including tax	-	-	-	-	2.9	2.9
Shares issued during the year	0.1	25.9	-	-	-	26.0
Costs related to shares issued	-	(1.1)	-	-	-	(1.1)
Total comprehensive loss for the year	-	-	-	-	(30.3)	(30.3)
Balance at 30 September 2021	**1.7**	**89.6**	**(129.5)**	**0.5**	**187.6**	**149.9**

The notes on pages 133 to 168 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 177.

2. Accounting Policies

a) Basis of Preparation

The consolidated financial statements presented in this document have been prepared in accordance with:

- International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

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

b) Going concern

The Group covers its daily working capital requirements by means of cash and a £50m Revolving Credit Facility ("RCF") expiring December 2023. In addition, the Group has a CLBILS facility of £25m. As at 30 September 2021 cash (cash, excluding cash held in trust which is ringfenced and not factored into the going concern assessment) was £56.0m (30 September 2020; cash of £36.5m). Given the extended disruption to international travel from the UK throughout 2021 and the ongoing trading environment across the sector, the Group took a number of actions to improve overall liquidity, including on 7 July 2021 raising £24.9m net of fees through issuing new shares, to ensure that it is well placed to operate and to trade once travel restrictions are eased.

On 25 May 2021, the Group took further action to ensure that the facility was fit for purpose. This included exercising a one year extension of the £25m CLBILs element of the facility, now expiring in May 2023, and resetting covenants until September 2022 to ensure the facility can be accessed through this period. This incremental liquidity has provided the Group with greater resilience and flexibility through the extended downturn in the market, and will enable the Group to exit the pandemic 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-through from airlines. Cash received from customers for bookings that have not yet travelled is held in a ring fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2021 was £39.0m. The trust account is described in note 16.

The Directors have assessed a going concern period through to March 2023 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. The Directors have also considered the impact of climate risk in these scenarios concluding that it is not expected to have a significant impact over the going concern period. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and Uncertainties' section of this report. The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2023. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. Even in this scenario, the Group would have positive cash and no requirement to draw down on its current facilities both during the going concern review period, and in the subsequent period prior to expiry of facilities.

Given the assumptions above, the mitigating actions available and within the Group's control and that in no scenario is there any requirement to access the RCF or CLBILs facility, 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.

c) New standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020; the following amended standards have been implemented however they have not had 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.

Notes to the Consolidated Financial Statements

d) *Basis of Consolidation*

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

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 impairment 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. The Group considers financial asset in default when contractual payments are 120 days past due.

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 therefore does not 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 23 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.

Notes to the Consolidated Financial Statements

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 Financial 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. *"CCH"* - 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. Service fees/commissions are earned from the consumer through purchases of travel products such as flight tickets or hotel accommodation from third party suppliers. Revenue in the form of commission or service fees 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.

Given the level of cancellations the Group has experienced, the commission is considered to represent variable consideration and the transaction price of commission income determined using the expected value method, such that revenue is recognised only to the extent that it is highly probable that there will not be a significant reversal of revenue recognised in future periods. The sum of the range of probabilities of cancellations in different scenarios based on historical trends and best estimate of future expectations is used to calculate the extent to which the variable consideration is reduced and a corresponding refund liability (presented as a cancellation provision) recognised in provisions.

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 net 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 current 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	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; and
- The expenditure attributable to the development can be measured reliably.

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

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

Notes to the Consolidated Financial Statements

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 where 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 24.

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 lease liabilities 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 Items

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.

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.

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 responsibility for providing the services remains with the principal suppliers.

The Group has concluded that under IFRS 15 for revenue in the CCH 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 CCH segment will continue to be treated as a principal on the basis that CCH have the primary responsibility for fulfilling the package holiday for the customer.

Capitalised Website Development Costs

Determining the amounts to be capitalised involves judgement and is dependent upon the nature of the related development; namely whether it is capital (as relating to the enhancement of the website) or expenditure (as relating to the ongoing maintenance of the website) in nature. In order to capitalise a project, the key judgement management have made is in determining the project's ability to produce future economic benefits. In the year ending 30 September 2021, the proportion of development costs that have been capitalised is lower than pre-pandemic reporting periods due to the development team undertaking more operational tasks that have been specific to the Group's response to COVID-19.

Deferred Tax Asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. 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.

Notes to the Consolidated Financial Statements

Critical Accounting Estimates

COVID-19

The recognition of costs and provisions relating to disruption caused by the COVID-19 pandemic is an area of significant estimation. These adjustments relate primarily to lost revenue resulting from the cancellation of bookings in the financial year and beyond. The estimation 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. Key areas of estimation include:

COVID Cancellation Provision

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 up to 20% of forward bookings as at the balance sheet date will be cancelled within FY22, giving rise to an estimated liability of £4.1m, shown in note 17. In estimating this cancellation rate management have considered:
(i) season; as historically summer cancellations are lower than the preceding winter;
(ii) flight supplier load factors; and
(iii) experience of summer FY21 during the pandemic but taking into consideration the current levels of vaccination rate.
The level of forward bookings beyond summer 2022 is not significant and any changes to this assumption would not have a material impact. If the Group was to increase the percentage of cancellations by 5ppts then the provision required would increase by 23%.

Prepayments with Suppliers

In the normal course of business the Group will advance payments to certain hotel suppliers for holidays booked. A risk assessment is made based on a review of each significant suppliers financial stability with varying % provisions applied to different risk levels. If the Group was to increase its % provision applied by 5ppts across all specific risk categories not already fully provided, this would have resulted in a decrease of £0.1m in the prepayments of £5.3m shown in Note 15.

Recoverability of Airline Debtor

In relation to flights cancelled during the financial year, the Group has considered the impact of the pandemic on the recoverability of amounts paid to airlines in lieu of flights which have been cancelled which as at 30 September 2021 is a receivable balance of £3.3m - see note 15.

The Group has a legal right to a refund; the airline has an obligation to refund in the event that the flight is cancelled. European Regulations provide 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.

Where a flight has been cancelled, the Group has recognised a net receivable for the expected recoverable amount in accordance with the considerations above. Management have calculated the provision for airline refunds owed based on factors such as age, flight supplier and payment method.

Impact 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:

	Adjusted £'m	2021 COVID-19 £'m	GAAP £'m
Group revenue			
Revenue as agent	24.0	(9.3)	14.7
Revenue as principal	6.5	-	6.5
Group cost of sales	(7.2)	0.4	(6.8)
Group overheads	(50.0)	(1.1)	(51.1)
Group profit before tax	(26.7)	(10.0)	(36.7)

The total exceptional items in the year ended 30 September 2021 of £10.0m 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 £8.9m. Exceptional operating costs of £1.1m includes legal and professional fees and supplier provisions.

The total exceptional items in the year ended 30 September 2020 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. £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 2021

	OTB £'m	Int'l £'m	CCH £'m	CPH £'m	Total £'m
Revenue before exceptional cancellations					
Sales as agent	22.1	0.1	-	1.8	24.0
Sales as principal	-	-	6.5	-	6.5
Total Revenue before exceptional cancellations	22.1	0.1	6.5	1.8	30.5
Exceptional cancellations*	(9.1)	(0.1)	-	(0.1)	(9.3)
Total Revenue	**13.0**	**-**	**6.5**	**1.7**	**21.2**

Year ended 30 September 2020

	OTB £'m	Int'l £'m	CCH £'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**

** Exceptional cancellations in the year ended 30 September 2021 and 30 September 2020 relate to the impact of COVID-19 (see note 3).*

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", "CCH" 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. CCH recognises revenue as a principal on a gross basis.

	2021					2020				
	OTB £'m	Int'l £'m	CCH £'m	CPH £'m	Total £'m	OTB £'m	Int'l £'m	CCH £'m	CPH £'m	Total £'m
Income										
Revenue before exceptional cancellations	22.1	0.1	6.5	1.8	30.5	50.4	0.3	16.9	3.6	71.2
Exceptional cancellations*	(9.1)	(0.1)	-	(0.1)	(9.3)	(34.5)	(0.2)	-	(2.8)	(37.5)
Total Revenue	**13.0**	**-**	**6.5**	**1.7**	**21.2**	**15.9**	**0.1**	**16.9**	**0.8**	**33.7**
Adjusted EBITDA	(6.1)	(0.2)	(3.1)	(1.7)	(11.1)	10.6	(0.3)	(1.9)	(1.5)	6.9
Share based (charge)/credit	(2.8)	-	-	-	(2.8)	0.6	-	-	-	0.6
Impact of COVID-19	(9.8)	(0.1)	(0.4)	0.3	(10.0)	(38.7)	(0.2)	(0.1)	(2.7)	(41.7)
Other exceptional items	-	-	-	-	-	(0.3)	-	-	-	(0.3)
EBITDA	**(18.7)**	**(0.3)**	**(3.5)**	**(1.4)**	**(23.9)**	**(27.8)**	**(0.5)**	**(2.0)**	**(4.2)**	**(34.5)**
Depreciation and amortisation	(10.3)	(0.1)	(1.3)	(0.2)	(11.9)	(9.9)	(0.1)	(1.2)	(0.2)	(11.4)
Group operating loss	**(29.0)**	**(0.4)**	**(4.8)**	**(1.6)**	**(35.8)**	**(37.7)**	**(0.6)**	**(3.2)**	**(4.4)**	**(45.9)**
Finance costs					(1.0)					(0.8)
Finance income					0.1					0.4
Loss before taxation					**(36.7)**					**(46.3)**
Non-current assets										
Goodwill	31.6	-	4.6	4.0	**40.2**	31.6	-	4.6	4.0	**40.2**
Other intangible assets	26.0	0.1	7.7	0.1	**33.9**	30.1	0.1	8.9	0.3	**39.4**
Property, plant and equipment	5.8	-	2.5	-	**8.3**	8.1	-	1.8	-	**9.9**
Investment property	-	-	-	-	**-**	-	-	0.6	-	**0.6**

* *Exceptional cancellations in the year ended 30 September 2021 and 30 September 2020 relate to the impact of COVID-19.*

6. *Operating Profit*

a) *Operating Expenses*

Expenses by nature including exceptional items and impairment charges:

	2021 £'m	2020 £'m
Marketing	10.9	22.8
Depreciation	1.8	1.9
Staff costs (including share based payments)	18.5	14.6
IT hosting, licences & support	2.5	2.4
Office expenses	0.8	0.8
Credit/debit card charges	0.5	1.7
Insurance	1.6	1.6
Other	2.4	2.0
Administrative expenses before exceptional items & amortisation of intangible assets	**39.0**	**47.8**
Impact of COVID-19	1.1	4.3
Other exceptional items	-	0.3
Amortisation of intangible assets	10.1	9.5
Exceptional items and amortisation of intangible assets	**11.2**	**14.1**
Administrative expenses	**50.2**	**61.9**

b) *Exceptional Items*

	Adjusted £'m	2021 Impact of COVID-19 £'m	GAAP £'m	Adjusted £'m	2020 Impact of COVID-19 £'m	Other exceptional Items £'m	GAAP £'m
Group revenue							
Revenue as agent	24.0	(9.3)	14.7	54.3	(37.5)	-	16.8
Revenue as principal	6.5	-	6.5	16.9	-	-	16.9
Group cost of sales	(7.2)	0.4	(6.8)	(17.8)	0.1	-	(17.7)
Group overheads							
Administrative expenses	(49.1)	(1.1)	(50.2)	(57.3)	(4.3)	(0.3)	(61.9)
Net finance costs	(0.9)	-	(0.9)	(0.4)	-	-	(0.4)
Group profit before tax	(26.7)	(10.0)	(36.7)	(4.2)	(41.7)	(0.3)	(46.3)

The total exceptional items in the year ended 30 September 2021 of £10.0m 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 £8.9m. Exceptional operating costs of £1.1m includes legal and professional fees and supplier provisions.

The exceptional items in the year ended 30 September 2020 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. Other exceptional items of £0.3m relate to legal and professional fees.

Notes to the Consolidated Financial Statements

c) *Services provided by the company auditor*

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

	2021 £'m	2020 £'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	0.3	0.2
› Review of interim financial statements	-	-
› Other assurance services	-	-
	0.4	**0.3**

d) *Adjusted (LBT)/PBT*

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

	2021 £'m	2020 £'m
Profit before taxation	**(36.7)**	**(46.3)**
Impact of COVID-19	10.0	41.7
Other exceptional items	-	0.3
Total exceptional items	**10.0**	**42.0**
Amortisation of acquired intangibles*	5.5	5.5
Share based payments charge**	2.8	(0.6)
Adjusted (LBT)/PBT	**(18.4)**	**0.6**

* *These charges relate to amortisation of brand, website technology and customer relationships recognised on the acquisition of subsidiaries and are added back as they fall outside of the normal activities of the Group.*

** *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, refer to note 24.*

On 22 December 2020 the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019 to key management. This removal of a non-marked based condition has resulted in a catch up charge to the income statement of £2.0m that reflects the scheme progress to date.

7. Employees and Directors

a) Payroll Costs

The aggregate payroll costs of these persons were as follows:

	2021 £'m	2020 £'m
Wages and salaries	18.0	17.9
Defined contribution pension cost	0.4	0.3
Social security costs	1.9	1.8
Share-based payment (credit)/charges	2.8	(0.6)
	23.1	**19.4**

Staff costs above include £4.6m *(2020: £4.0m)* employee costs capitalised as part of software development. During the year £0.2m was claimed in relation to the Coronavirus Job Retention Scheme *(2020: £0.7m)*. This has been netted off against other exceptional items in relation to COVID 19.

b) Employee Numbers

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

	2021 No.	2020 No.
By reportable segment:		
UK	365	419
Int'l	6	10
CCH	115	116
CPH	8	5
	494	**550**

c) Directors' Emoluments

The remuneration of Directors was as follows:

	2021 £'m	2020 £'m
Aggregate emoluments	0.5	0.9
Defined contribution pension	-	-
Share-based payment charges	0.1	0.1
	0.6	**1.0**

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

The remuneration of the highest paid director was as follows:

	2021 £'m	2020 £'m
Aggregate emoluments	0.3	0.3
Share-based payment charges	0.1	0.1
	0.4	**0.4**

Notes to the Consolidated Financial Statements

d) Key Management Compensation

Key management comprised the seven members of the executive team.

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

	2021 £'m	2020 £'m
Wages and salaries	1.7	1.6
Short-term non-monetary benefits	-	-
Share-based payment charges	2.1	0.1
	3.8	**1.7**

e) Retirement Benefits

Included in pension contributions payable by the Group of £0.4m *(2020: £0.3m)* is £1,300 *(2020: £42,000)* of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

8. Finance Income and Finance Costs

a) Finance Costs

	2021 £'m	2020 £'m
Rolling credit facility interest / non-utilisation fees	0.9	0.6
Interest on lease liabilities	0.1	0.2
Finance costs	**1.0**	**0.8**

b) Finance Income

	2021 £'m	2020 £'m
Bank interest receivable	0.1	0.4
Finance income	**0.1**	**0.4**

9. *Taxation*

	2021 £'m	2020 £'m
Current tax on loss for the year	(0.4)	(4.0)
Adjustments in respect of prior years	(0.1)	-
Total current tax	**(0.5)**	**(4.0)**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(6.1)	(3.5)
Adjustments in respect of prior years	0.1	-
Total deferred tax	**(6.0)**	**(3.5)**
Total tax credit	**(6.5)**	**(7.5)**

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.

	2021 £'m	2020 £'m
Profit on ordinary activities before tax	(36.7)	(46.3)
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% *(2020: 19%)*	(7.0)	(8.8)
Effects of: Impact of difference in current and deferred tax rates	0.2	1.3
Adjustments in respect of prior years	-	-
Expenses not deductible	0.3	-
Total taxation credit	**(6.5)**	**(7.5)**

The tax charge for the year is based on the effective rate of UK corporation tax for the period of 18% (2020: 19%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax assets and liabilities at 30 September 2021 have been calculated based on these rates.

Notes to the Consolidated Financial Statements

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 2021			
Basic EPS	159.3	(30.2)	(19.0p)
Diluted EPS*	159.3	(30.2)	(19.0p)
Adjusted EPS	159.3	(15.4)	(9.7p)
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.*

Adjusted earnings after tax is calculated as follows:

	2021 £'m	2020 £'m
Profit for the year after taxation	(30.2)	(38.8)
Adjustments (Net of Tax at 19%):		
Impact of exceptional COVID-19 cancellations	8.1	33.8
Other exceptional items	-	0.3
Amortisation of acquired intangibles	4.5	4.5
Share based payment charges*	2.2	(0.5)
Adjusted earnings after tax	**(15.4)**	**(0.7)**

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

11. Intangible Assets

	Brand £'m	Goodwill £'m	Website & development Costs £'m	Website technology £'m	Customer relationships £'m	Total £'m
Cost						
At 1 October 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
Additions	-	-	4.6	-	-	4.6
At 30 September 2021	**35.9**	**40.2**	**20.2**	**22.8**	**6.5**	**125.6**
Accumulated amortisation						
At 1 October 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
Charge for the year	2.4	-	4.6	2.4	0.7	10.1
At 30 September 2021	**17.5**	**-**	**13.3**	**18.4**	**2.3**	**51.5**
Net book amount						
At 30 September 2021	18.4	40.2	6.9	4.4	4.2	74.1
At 30 September 2020	**20.8**	**40.2**	**6.9**	**6.8**	**4.9**	**79.6**

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 2021 £'m	As at 30 September 2020 £'m
OTB	OTB	On the Beach Travel Limited	21.5	21.5
OTB	Sunshine	Sunshine.co.uk Limited	10.1	10.1
CCH	CCH	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 "CCH" and "CPH" cash generating units.

"OTB" CGU
The Group performed its annual impairment test as at 30 September 2021 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 *(2020: 2 percent)*; the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent *(2020: 2 percent)*, this being the Directors' 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 10 percent *(2020: 11 percent)*.

The main assumptions on which the forecast cash flows were based include the level of sales and administrative expenses within the business and have been set by the Directors based on their past experience of the business and its industry, together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures, including the level of supplier overrides.

"Sunshine" CGU
The Group performed its annual impairment test as at 30 September 2021 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 *(2020: 2 percent)*; the forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent *(2020: 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 10 percent *(2020: 11 percent)*.

The main assumptions on which the forecast cash flows were based include the level of sales and administrative expenses within the business and have been set by the Directors based on their past experience of the business and its industry, together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures, including the level of supplier overrides.

"CCH" CGU
The Group performed its annual impairment test as at 30 September 2021 on the "CCH" 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 *(2020: 2 percent)*, the forecasts are then extrapolated in perpetuity based on at a 2 percent growth rate *(2020: 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 10 percent *(2020: 11 percent)*.

The main assumptions on which the forecast cash flows were based include the level of sales and administrative expenses within the business and have been set by the Directors based on their past experience of the business and its industry, together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures, including the level of supplier overrides.

"CPH" CGU
The Group performed its annual impairment test as at 30 September 2021 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 5 percent *(2020: 2 percent)*, the forecasts are then extrapolated in perpetuity based on a 2 percent growth rate *(2020: 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 10 percent *(2020: 11 percent)*.

The main assumptions on which the forecast cash flows were based include the level of sales and administrative expenses within the business and have been set by the Directors based on their past experience of the business and its industry, together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures, including the level of supplier overrides.

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.

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 cashflows. Inherent in the impairment test is a period of disruption followed by a gradual recovery. Sensitivities have been applied to both the extent / period of disruption and the Group is satisfied that sufficient headroom exists to support the asset value.

Climate-related risks
The Group is in the process of conducting a materiality assessment of climate-related risks and will adjust the key assumptions used in value-in-use calculations and sensitivity to changes in assumptions.

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.

Additions in the year relate to the development of software. The amortisation period for website development costs is 3 years straight line. Domain names are amortised over 10 years. Amortisation has been recognised within operating expenses. Research and development costs that are not eligible for capitalisation have been recognised in administrative expenses in the period incurred, in 2021 this was £1.4m *(2020: £1.3m)*. £0.3m of the expensed costs in the current year were due to projects no longer viable due to the impact of COVID-19 *(2020: £0.7m)*.

Sensitivity to Changes in Assumptions
Sensitivity analysis has been completed on key assumptions in isolation and in combination, and the headroom taken is significant. The key assumptions are discount factor, long term growth rates and short term trading volumes/cashflows. Sensitivities have been applied on all of these assumptions. Management considers that no reasonably possible changes in assumptions would reduce a CGU's headroom to nil.

Notes to the Consolidated Financial Statements

12. Property, plant and equipment

Cost	Freehold property £'m	Right-of-use asset (note 19) £'m	Fixtures, fittings and equipment £'m	Total £'m
At 1 October 2019	1.7	5.3	5.9	12.9
Additions	-	-	1.2	1.2
At 1 October 2020	**1.7**	**5.3**	**7.1**	**14.1**
Additions	-	-	0.5	0.5
Transfer from investment property	0.6	-	-	0.6
Disposals	-	(1.7)	(0.5)	(2.2)
At 30 September 2021	**2.3**	**3.6**	**7.1**	**13.0**
Accumulated deprecation				
At 1 October 2019	-	1.1	1.2	2.3
Charge for the year	-	0.5	1.4	1.9
At 1 October 2020	**-**	**1.6**	**2.6**	**4.2**
Charge for the year	0.1	0.5	1.2	1.8
Disposals	-	(1.0)	(0.3)	(1.3)
At 30 September 2021	**0.1**	**1.1**	**3.5**	**4.7**
Net book amount				
At 30 September 2021	**2.2**	**2.5**	**3.6**	**8.3**
At 30 September 2020	1.7	3.7	4.5	9.9

The depreciation expense of £1.8m for the year ended 30 September 2021 and the depreciation expense of £1.9m for the year ended 30 September 2020 have been recognised within administrative expenses.

On 29 April 2021, the Group exercised the termination clause on one of the leased properties, the Group performed a reassessment of the lease liability and derecognised the right-of-use asset on this date. The reassessment of the lease resulted in a gain of £0.1m, recognised in administrative expenses.

In the year ended 30 September 2021, the Group has transferred the investment property to owner-occupied property as the amount of the building rented out has significantly reduced.

13. Investment Property

	Total £'m
At 1 October 2019	0.6
Revaluation	-
At 1 October 2020	0.6
Transfer to property, plant and equipment	(0.6)
At 30 September 2021	-

Investment property relates to a freehold property acquired as part of the acquisition of Classic Collection Holidays. During the year ended 30 September 2021 the proportion of the building rented out has significantly reduced, in applying materiality considerations the whole property has been accounted for as an owner-occupied property in property, plant and equipment (note 12).

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:	2021 £'m	2020 £'m
Trade receivables – net	79.5	58.9
Other receivables and prepayments	15.4	45.8
	94.9	**104.7**

For the year ended 30 September 2021, other receivables includes £3.3m receivable in respect of amounts due from airlines as a result of exceptional COVID-19 cancellations. Other receivables and prepayments includes £5.3m of advanced payments to suppliers.

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. Substantially all of the amount has been fully recovered in the current year with the balance having been provided for. Other receivables and prepayments includes £2.2m of advanced payments to suppliers.

16. Trust Account

Trust accounts are restricted cash held separately and only accessible once the Trust rules are met as approved by our Trustees and the Civil Aviation Authority, this is at the point the customer has travelled or the booking is cancelled and refunded.

17. Trade, Other Payables and Provisions

	2021 £'m	2020 £'m
Non-current		
Lease liabilities *(note 18)*	2.5	3.8
Current		
Trade payables	104.3	80.2
Accruals and other payables	14.8	11.8
Lease liabilities *(note 18)*	0.4	0.4
Provision	4.6	10.9
	126.6	**107.1**

Trade payables includes £0.9m *(2020: £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.

	COVID-19 cancellations £'m	Related provisions £'m	Total £'m
At 1 October 2020	**(10.0)**	**(0.8)**	**(10.8)**
Arising during the year	(1.8)	(0.3)	(2.1)
Utilised	7.6	0.5	8.1
Unused amounts reversed	0.1	0.1	0.2
Unwinding of discount and changes in the discount rate	-	-	-
At 30 September	**(4.1)**	**(0.5)**	**(4.6)**
Current	(4.1)	(0.5)	(4.6)
Non-current	-	-	-

COVID-19 cancellations
A provision is recognised in respect of expected future cancellations in relation to bookings taken before 30 September 2021. We expect this provision to be utilised over the next year. Assumptions used to calculate the provision for cancellations were the extent to which holidays will be impacted by the pandemic and he level of revenue that will be reversed as a result of the cancellations, see note 3.

Other COVID-19 related provisions
A provision has been recognised for specific suppliers, we expect this provision to be utilised over the next year. Assumptions used to calculate the other COVID-19 related provisions were the extent to which holidays will be impacted by the pandemic, see note 3.

18. Leases

The Group as a lessee
For the year ending 30 September 2020, the Group had lease contracts for two properties, both with a lease term of 10 years. On 29 April 2021, the Group exercised the termination clause on the lease of one of the properties, on this date the Group performed a reassessment of the lease liability resulting in a £0.1m gain on termination.

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:

	2021 £'m	2020 £'m
Depreciation expense of right-of-use assets	0.5	0.5
Interest expense on lease liabilities	0.1	0.2
Gain on termination of lease	(0.1)	-
Total amount recognised in profit or loss	**0.5**	**0.7**

Notes to the Consolidated Financial Statements

Set out below are the carrying amounts of lease liabilities (included trade and other payables) and the movements during the period:

	2021 £'m	2020 £'m
As at 1 October	4.2	4.5
Accretion of interest	0.1	0.2
Payments	(0.6)	(0.4)
Reassessment of lease term	(0.8)	-
As at 30 September	**2.9**	**4.2**
Current (note 17)	0.4	0.4
Non-current (note 17)	2.5	3.8

The Group had total cash outflows for leases of £0.6m in 2021 *(£0.4m in 2020)*. The above table satisfies the requirements of IAS 7.44A to present a net debt reconciliation.

19. Borrowings

Bank Facility

The Group has a revolving credit facility with Lloyds Bank plc. The purpose of the facility is to meet the day to day working capital requirements of the Group.

The total facility is £75m and has two elements as follows:

- Core facility of £50m expiring December 2023; and
- CLBILS facility of £25m expiring May 2023 (extended to May 2023 on 25 May 2021).

The interest rate payable on the core facility 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 interest rate payable on the CLBILS facility 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.

On 25 May 2021 covenant tests were amended up to and including 30 September 2022 to account for the impact of COVID-19 on the Group's results, tests return to normal from 1 October 2022.

The terms of the facility following 1 October 2022 include the following 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 shall not exceed 2:1

The terms of the facility prior to 1 October 2022 include the following key financial covenants:

(iii) LTM minimum EBITDA: June 21 £11.6m loss: September 21 £18.4m loss; December 21 £20.4m loss; March 22 £1.2m loss
(iv) EBITDA/Net debt ratio; June 22 2.5:1 ; September 22 2.25:1

The RCF is available for other credit uses including currency hedging liabilities and corporate credit cards. At 30 September 2021, the liabilities for these other credit uses was £2.1m, leaving £73m of the Lloyds facility available for use. Card facilities with other providers remain available for use.

The amount drawn down in cash at 30 September 2021 was £nil and there has been nothing drawn down post balance sheet date.

20. Deferred tax

	Intangible assets £'m	Property, plant and equipment £'m	Share-based payments £'m	Losses and unused tax relief £'m	Tax assets/ (liabilities) £'m
2021					
Assets	-	-	0.7	9.5	10.2
Liabilities	(6.3)	(0.3)	-	-	(6.6)
Total	**(6.3)**	**(0.3)**	**0.7**	**9.5**	**3.6**
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)**

	Intangible asset £'m	Property, plant and equipment £'m	Share based payments £'m	Losses and unused tax relief £'m	Total £'m
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)
Recognised in income	(0.1)	(0.2)	(0.4)	6.0	6.1
Recognised in equity	-	-	0.1	-	0.1
30 September 2021	**(6.3)**	**(0.3)**	**0.7**	**9.5**	**3.6**

The deferred tax asset includes an amount of £9.5m (2020: £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.

Notes to the Consolidated Financial Statements

21. Share Capital

	2021 £'m	2020 £'m
Allotted, called up and fully paid		
165,399,366 ordinary shares @ £0.01 each *(2020: 157,362,037 @ £0.01 each)*	1.7	1.6

During the year, the Group issued 7,870,000 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 167,329 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.

22. Reserves

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

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

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

During the year 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 2021, the Group issued 7,870,000 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 £24.9m, net of fees. The excess above the nominal value of the shares was credited to the share premium net of fees.

23. *Financial Instruments*

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

At the balance sheet date the Group held the following:

Financial assets	FV Level	2021 £'m	2020 £'m
Derivative financial assets designated as hedging instruments			
Forward exchange contracts	2	-	0.5
Financial assets at amortised cost			
Trust account		39.0	25.8
Cash at bank		56.0	36.5
Trade and other receivables *(note 15)*		89.5	102.5
Total financial assets		**184.5**	**165.3**
Financial liabilities			
Derivatives designated as hedging instruments			
Forward exchange contracts	2	(0.3)	-
Financial liabilities at amortised cost			
Trade and other payables *(note 17)*		(122.0)	(96.2)
Total financial liabilities		**(122.3)**	**(96.2)**

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 *(2020: nil)*.

For details of the revolving credit facility, see note 19.

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

	FV level	2021 £'m	2020 £'m
Forward exchange contracts	2	(0.3)	0.5

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.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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 2021	-	(0.3)	-
As at 30 September 2020	-	0.5	-

The forward contracts have been fair valued at 30 September 2021 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, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, 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	2021 €'m	2020 €'m
Cash	33.2	6.5
Trade payables	(87.2)	(47.9)
Trade receivables	5.2	10.2
Forward exchange contracts	39.6	11.8
Balance sheet exposure	**(9.2)**	**(19.4)**

US Dollar	2021 $ 'm	2020 $ 'm
Cash	2.7	0.6
Trade payables	(4.7)	(2.7)
Trade receivables	0.2	-
Forward exchange contracts	(2.0)	0.6
Balance sheet exposure	**(3.8)**	**(1.5)**

Swedish Krona	2021 Kr 'm	2020 Kr 'm
Cash	17.6	0.3
Trade receivables	1.0	-
Forward exchange contracts	-	-
Balance sheet exposure	18.6	0.3

Norwegian Krona	2021 Kr 'm	2020 Kr 'm
Cash	0.7	0.1
Trade receivables	(0.1)	-
Forward exchange contracts	-	-
Balance sheet exposure	**0.6**	**0.1**

Danish Krona	2021 Kr 'm	2020 Kr 'm
Cash	0.1	-
Trade receivables	-	-
Balance sheet exposure	**0.1**	**-**

Moroccan Dirham	2021 MAD 'm	2020 MAD 'm
Cash	0.6	-
Trade receivables	(0.5)	-
Balance sheet exposure	**0.1**	**-**

Notes to the Consolidated Financial Statements

Foreign Currency Sensitivity

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

Euro	2021 £'m	2020 £'m
Weakening - 10%	(0.5)	(1.7)
Strengthening - 10%	0.5	1.7
US Dollar		
Weakening - 10%	-	(0.1)
Strengthening - 10%	-	0.1
Swedish Krona		
Weakening -10%	0.1	-
Strengthening - 10%	(0.2)	-

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. Hedge ineffectiveness can arise from differences in timing of cash flows of the hedged item and hedging instrument, the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

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:

	2021			2020		
	Foreign currency	Notional value	Carrying amount	Foreign currency	Notional value	Carrying amount
EUR	€'m	£'m	£'m	€'m	£'m	£'m
30 September						
Less than 3 months	8.6	7.6	(0.1)	7.9	9.3	0.5
3 to 6 months	3.9	3.4	(0.1)	-	1.6	-
6 to 12 months	49.4	42.6	(0.1)	-	-	-
Total	**61.9**	**53.6**	**(0.3)**	**7.9**	**10.9**	**0.5**

	2021			2020		
	Foreign currency	Notional value	Fair value	Foreign currency	Notional value	Fair value
USD	$'m	£'m	£'m	$'m	£'m	£'m
30 September						
Less than 3 months	1.8	1.3	-	0.6	0.6	-
3 to 6 months	2.3	1.7	-	-	-	-
6 to 12 months	1.5	1.1	-	-	-	-
Total	**5.6**	**4.1**	**-**	**0.6**	**0.6**	**-**

The impact of the hedging instruments on the statement of financial position is, as follows:

	Notional amount £'m	Carrying amount £'m	Line in the statement of financial position £'m	Change in fair value £'m
As at 30 September 2021				
Foreign exchange forward contracts	57.7	(0.3)	Derivative financial instruments	(0.2)
As at 30 September 2020				
Foreign exchange forward contracts	11.5	0.5	Derivative financial instruments	0.2

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 2021	79.4	0.1	0.3	79.8
As at 30 September 2020	58.5	0.2	0.2	58.9

The ageing of other 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 2021	6.9	-	3.2	10.1
As at 30 September 2020	41.6	-	2.1	43.7

In line with IFRS 9, the Group applies the simplified approach for the impairment of trade and other receivables and therefore does not track changes in credit risk, instead a loss allowance is recognised based on lifetime expected credit losses at each reporting date. The Group uses a provision matrix to measure expected credit losses based on historical cancellation and recovery rates and considers forward-looking factors including the impact of COVID-19.

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.

Notes to the Consolidated Financial Statements

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-21	£'m	£'m	£'m	£'m	£'m
Trade payables	104.3	104.3	104.3	-	-
Lease liabilities	2.9	3.4	0.5	2.1	0.8
Other payables	14.8	14.8	14.8	-	-
	122.0	122.5	119.6	2.1	0.8
Sep-20					
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

Capital Management

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

The capital structure of the Group consists of the net cash (borrowings disclosed in note 19) and equity of the Group as disclosed in note 22. The Group is not subject to any externally imposed capital requirements.

24. 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	2,066	572	2,638
Granted during the year	1,428	335	1,763
Lapsed during the year	-	-	-
Vested during the year	(488)	(104)	(592)
Forfeited during the year	(82)	(139)	(221)
Outstanding at the year end	2,924	664	3,588
Exercisable	601	59	660

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 and 2021 LTIP schemes the EPS target is measured across a three year performance period, to the end of year ending September 2022 / 2023 respectively.

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 over a three-year performance period. On 29 June 2020, an additional 30,000 shares were granted. For these options awarded, the vesting is dependent on achieving a best quarter EBITDA between 1 January 2021 and 31 March 2022.

On 22 December 2020 the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019 to key management. This removal of a non-marked based condition has resulted in a catch up charge to the income statement of £2.0m that reflects the scheme progress to date. The performance condition in respect of the underpin/minimum awards was achieved on 30 September 2021 and all of those shares vested in FY21.

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.

The fair value of equity settled share-based payments has been estimated as at date of grant using the Black-Scholes model.

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)	127,113	4.500	Nil	30%	3.0	0.54%	0.62%	0.0	1.880
26 May 2017 (EPS dependent)	296,596	4.500	Nil	-	3.0	0.54%	0.62%	0.0	4.420
31 February 2019 (TSR dependent)	132,923	4.440	Nil	43%	3.0	0.73%	0.74%	0.0	4.341
31 February 2019 (EPS dependent)	310,153	4.440	Nil	-	3.0	0.73%	0.74%	0.0	1.810
9 July 2019 (EBITDA dependant)	365,000	4.630	Nil	-	3.0	0.73%	0.74%	0.0	4.520
22 December 2021 (no conditions)	435,000	4.630	Nil	-	3.0	0.73%	0.74%	0.0	4.520
29 June 2020 (EBITDA dependent)	30,000	3.020	Nil	-	3.0	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
5 February 2021 (TSR dependent)	300,401	3.550	Nil	-	3.0	0.03%	0.00%	0.0	2.05
5 February 2021 (EPS dependent)	700,935	3.550	Nil	-	3.0	0.03%	0.00%	0.0	3.54

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

Notes to the Consolidated Financial Statements

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. The prior year awards will vest on 15 October 2021/12 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, employee personal performance and company performance.

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	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 (£)
2018 RSA	185,888	4.273	Nil	N/A	3.0	0.55%	0.73%	Nil	4.200
2018 CSOP	138,924	4.273	Nil	N/A	3.0	0.55%	0.73%	Nil	Nil
2019 RSA	108,110	4.265	Nil	N/A	3.0	0.54%	0.74%	Nil	4.071
2019 CSOP	99,239	4.265	Nil	N/A	3.0	0.54%	0.74%	Nil	Nil
2020 RSA	99,076	4.340	Nil	N/A	3.0	0.47%	0.76%	Nil	4.242
2020 CSOP	80,745	4.340	Nil	N/A	3.0	0.47%	0.76%	Nil	Nil
2021 RSA	20,000	3.680	Nil	N/A	1.0	0.03%	0.00%	Nil	3.680
2021 RSA	314,695	3.680	Nil	N/A	3.0	0.03%	0.00%	Nil	3.680

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

	2021 £'m	2020 £'m
LTIP	2.1	(0.8)
RSA	0.7	0.2
Total share scheme charge	**2.8**	**(0.6)**

25. Commitments and Contingencies

a) Capital Commitments

The Group has a lease contract that has not yet commenced as at 30 September 2021. The future lease payments for these non-cancellable lease contracts are £0.5m within one year and £1.0m within five years.

b) Contingencies

In September 2010, proceedings were initiated against On the Beach Limited in Ireland by Ryanair alleging infringement of, inter alia, its intellectual property rights. The legal process is ongoing but remains at an early stage. The case lay dormant for over 3 years with no material developments in that period, and as a result the Group is seeking to strike out the claim on the basis of inordinate and inexcusable delay. 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.

26. 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 2021

	Note	2021 £'m	2020 £'m
Fixed assets			
Investments	4	132.6	132.6
Current assets			
Debtors	5	170.0	145.5
Cash at bank		0.4	-
		170.4	145.5
Creditors: amounts falling due within one year	6	(17.5)	(17.5)
Corporation tax		(0.2)	-
		(17.7)	(17.5)
Net assets		285.3	260.6
Equity			
Share capital		1.7	1.6
Share premium		89.6	64.8
Merger reserve		2.6	2.6
Capital contribution reserve		0.5	0.5
Retained earnings		190.9	191.1
Total equity		285.3	260.6

The loss for the year ended 30 September 2021 dealt with in the financial statements of the parent company is £3.1m *(2020: loss £1.0m).*

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

S. Mort

Shaun Morton
Chief Financial Officer
9 December 2021
On the Beach Group plc. Reg no 09736592

Company statement of changes in equity

Year ended 30 September 2021

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution £'m	Retained earnings £'m	Total £'m
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 credit including tax	-	-	-	-	(0.6)	(0.6)
Dividends paid during the year	-	-	-	-	(2.6)	(2.6)
Total comprehensive 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**
Shares issued during the year	0.1	25.9	-	-	-	26.0
Costs related to shares issued	-	(1.1)	-	-	-	(1.1)
Share based payment charges including tax	-	-	-	-	2.9	2.9
Total comprehensive loss for the year	-	-	-	-	(3.1)	(3.1)
Balance at 30 September 2021	**1.7**	**89.6**	**2.6**	**0.5**	**190.9**	**285.3**

Notes to the Company Financial Statements

1. Accounting Policies

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

Basis of Preparation

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

The financial information presented is at and for the years ended 30 September 2021 and 30 September 2020.

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 2021 dealt with in the financial statements of the parent company is £3.1m *(2020: loss £1.0m)*.

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 57 to 113.

3. Share-Based Payments

The Company recognised total charge of £2.8m *(2020: credit £0.6m)* in the year in relation to the Long Term Incentive Plan. Details of this scheme is described in note 24 to the consolidated financial statements.

4. Investments

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

Notes to the Company Financial Statements

5. Debtors

Amounts falling due within one year:	2021 £'m	2020 £'m
Amounts owed by group undertakings	170.0	145.5
	170.0	**145.5**

6. Creditors Due Within One Year

Current	2021 £'m	2020 £'m
Amounts owed to group undertakings	16.1	16.1
Other taxes and social security	-	0.2
Accruals	1.4	1.2
	17.5	**17.5**

7. Called-Up Share Capital

Allotted, called up and fully paid	2021 £'m	2020 £'m
165,399,366 ordinary shares @ £0.01 each *(2020: 157,362,037 @ £0.01 each)*	1.7	1.6
	1.7	**1.6**

During the year, the Group issued 7,870,000 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 167,329 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 2021 was £nil *(2020: £nil)*.

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure
Adjusted CCH EBITDA	Adjusted CCH EBITDA is based on CCH operating profit before depreciation, amortisation and the impact of exceptional items. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items 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 CCH EBITDA (£'m)	2021	2020
CCH operating loss	**(4.8)**	**(3.2)**
Impact of exceptional cancellations	0.4	0.1
Other exceptional items	-	-
Depreciation and amortisation	0.2	0.1
Amortisation of acquired intangibles	1.1	1.1
Adjusted CCH EBITDA	**(3.1)**	**(1.9)**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted CPH EBITDA	Adjusted CPH EBITDA is based on CPH operating profit before depreciation, amortisation and the impact of exceptional items. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items 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 CPH EBITDA (£'m)	2021	2020
CPH operating loss	**(1.6)**	**(4.4)**
Depreciation and amortisation	0.2	0.2
Exceptional items	(0.3)	2.7
Adjusted CPH EBITDA	**(1.7)**	**(1.5)**

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	2021	2020
Adjusted profit after tax (£'m)	**(15.4)**	**(0.7)**
Basic weighted average number of Ordinary Shares (m)	159.3	140.2
Adjusted EPS (p)	**(9.7)**	**(0.5)**

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 items. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items 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)	2021	2020
International operating loss	**(0.4)**	**(0.6)**
Depreciation and amortisation	0.1	0.1
Exceptional items	0.1	0.2
International EBITDA	**(0.2)**	**(0.3)**

APM	Definition	Reconciliation to closest GAAP measure
Adjusted OTB EBIT	Adjusted OTB EBIT is based on OTB operating loss before the impact of exceptional items, amortisation of acquired intangibles and the non-cash cost of the share based payment schemes. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items 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)	2021	2020
OTB operating loss	**(29.0)**	**(37.7)**
Exceptional items	9.8	39.0
Share based payments	2.8	(0.6)
Amortisation of acquired intangibles	4.4	4.4
Adjusted OTB EBIT	**(12.0)**	**5.1**

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure
Adjusted OTB EBITDA	Adjusted OTB EBITDA is based on OTB operating loss before depreciation, amortisation, impact of exceptional items and the non-cash cost of the share based payment schemes. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items 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)	2021	2020
OTB operating loss	**(29.0)**	**(37.7)**
Exceptional items	9.8	39.0
Share Based Payments	2.8	(0.6)
Depreciation and amortisation	5.9	5.5
Amortisation of acquired intangibles	4.4	4.4
Adjusted OTB EBITDA	**(6.1)**	**10.6**

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 items, 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 2021 and 2020. 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)	2021	2020
Profit for the year	**(30.2)**	**(38.8)**
Share based payments (net of tax)	2.2	(0.5)
Impact of exceptional cancellations (net of tax)	8.1	33.8
Other exceptional items (net of tax)	-	0.3
Amortisation of acquired intangibles (net of tax)	4.5	4.5
Adjusted Profit after Tax	**(15.4)**	**(0.7)**

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 items, 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 2021 and 2020. 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)	2021	2020
Profit before tax	**(36.7)**	**(46.3)**
Amortisation of acquired intangibles	5.5	5.5
Share Based Payments	2.8	(0.6)
Impact of exceptional cancellations	10.0	41.7
Other exceptional items	-	0.3
Adjusted profit before tax	**(18.4)**	**0.6**

APM	Definition	Reconciliation to closest GAAP measure
CCH EBITDA	CCH EBITDA is based on CCH operating profit before depreciation and amortisation.	See table below

CCH EBITDA (£'m)	2021	2020
CCH operating loss	(4.8)	(3.2)
Depreciation and amortisation	1.3	1.3
CCH EBITDA	**(3.5)**	**(2.0)**

APM	Definition	Reconciliation to closest GAAP measure		
CPH EBITDA	CPH EBITDA is based on CPH operating profit before depreciation and amortisation.	***CPH EBITDA (£'m)***	**2021**	**2020**
		CPH operating loss	**(1.6)**	**(4.4)**
		Depreciation and amortisation	0.2	0.2
		CPH EBITDA	**(1.4)**	**(4.2)**

APM	Definition	Reconciliation to closest GAAP measure		
Exceptional items	Exceptional items are certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. These costs / income are excluded from various performance measures by virtue of their size and in order to better reflect management's view of the performance of the Group.	***Exceptional items (£'m)***	**2021**	**2020**
		Impact of COVID-19	10.0	41.7
		Other exceptional items	-	0.3
		Exceptional items	**10.0**	**42.0**

APM	Definition	Reconciliation to closest GAAP measure		
International EBITDA	International EBITDA is based on International operating loss before depreciation and amortisation.	***International EBITDA (£'m)***	**2021**	**2020**
		International operating loss	**(0.4)**	**(0.6)**
		Depreciation and amortisation	0.1	0.1
		International EBITDA	**(0.3)**	**(0.5)**

APM	Definition	Reconciliation to closest GAAP measure		
International revenue after marketing costs	International revenue after marketing costs is based on International revenue after all marketing costs	***International revenue after marketing costs (£'m)***	**2021**	**2020**
		Revenue	-	0.1
		Marketing costs	(0.1)	(0.2)
		International revenue after marketing costs	**(0.1)**	**(0.1)**

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)***	**2021**	**2020**
		Loss before taxation	**(36.7)**	**(46.3)**
		Depreciation	1.8	1.9
		Amortisation	10.1	9.5
		Net finance costs	0.9	0.4
		Share based payments	2.8	(0.6)
		Net loss on disposal of PPE	0.1	-
		EBITDA	**(21.0)**	**(35.1)**
		Movement in working capital	31.2	(58.0)
		Movement in trust account	(13.2)	18.3
		Cash generated from operating activities	**(3.0)**	**(74.8)**

Glossary of Alternative Performance Measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure		
Operating (loss)/profit before amortisation and exceptional items	Operating (loss)/profit before amortisation and exceptional items is based on Group loss before taxation, adjusting for amortisation of acquired intangibles and the impact of exceptional items. Exceptional items consists of exceptional cancellations as result of COVID-19 in 2021 and 2020, and other exceptional items that derive from events or transactions that fall outside of the normal activities of the Group.	***Operating (loss)/profit before amortisation and exceptional items (£'m)***	**2021**	**2020**
		Loss before taxation	**(36.7)**	**(46.3)**
		Exceptional items	10.0	42.0
		Amortisation of intangibles	10.1	9.5
		Operating (loss)/profit before amortisation and exceptional items	**(16.5)**	**5.2**
OTB adjusted revenue after marketing cost	OTB adjusted revenue after marketing cost is revenue after "OTB" online and offline marketing costs.	***OTB revenue after marketing cost (£'m)***	**2021**	**2020**
		OTB adjusted revenue	**22.1**	**50.4**
		OTB online marketing costs	(5.5)	(14.2)
		OTB offline marketing costs	(6.1)	(8.7)
		Total OTB marketing	(11.6)	(22.9)
		OTB adjusted revenue after marketing costs	**10.5**	**27.5**
OTB EBITDA	OTB EBITDA is based on OTB operating profit before depreciation and amortisation.	***OTB EBITDA (£'m)***	**2021**	**2020**
		OTB operating loss	**(29.0)**	**(37.7)**
		Depreciation and amortisation	10.3	9.9
		OTB EBITDA	**(18.7)**	**(27.8)**
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 2021 and 2020.	***OTB EBITDA as a percentage of adjusted revenue***	**2021**	**2020**
		Revenue	13.0	15.9
		Exceptional cancellations	9.1	34.5
		Adjusted revenue	**22.1**	**50.4**
		Adjusted OTB EBITDA	**(6.1)**	**10.6**
		OTB EBITDA as a percentage of adjusted revenue	**(28%)**	**21%**

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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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John Engineering Manager

We're building the next generation of our technology platform, and how we deliver our new customer facing websites is guided by insights from our customers. We combine the needs of our customers and the latest tech to build websites which we're all really passionate about. Ideas can come from any member of the team which gives us a sense of ownership and pride over what we do, it's what makes coming to work every day worth it.

Favourite Beach: Playa Blanca - Cahuita National Park, Costa Rica