On the Beach Group plc

Annual Report & Accounts

For the year ended 30 September 2022

TOTAL FINANCIAL PROTECTION

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**

Contents

Financial Highlights

GROUP REVENUE

£144.1m

FY21: £21.2m | FY20: £33.7m

GROUP TTV[1]

£856.1m

FY21: £238.3m | FY20: £500.5m

REVENUE AS AGENT

£93.6m

FY21: £14.7m | FY20: £16.8m

GROUP BOOKINGS[2]

478.6k

FY21: 137.7k | FY20: 333.4k

TRUST ACCOUNT

£69.4m

FY21: £39.0m | FY20: £25.8m

REVENUE AS PRINCIPAL

£50.5m

FY21: £6.5m | FY20: £16.9m

CASH

£64.5m

FY21: £56.0m | FY20: £36.5m

PROFIT/(LOSS) BEFORE TAX

£2.1m

FY21: (£36.7m) | FY20: (£46.3m)

ADJUSTED PROFIT/(LOSS) BEFORE TAX[3]

£14.1m

FY21: (£18.4m) | FY20: £0.6m

1 Group Total Transaction Value ("TTV") is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments.

2 Group bookings is a non-GAAP measure representing the total number of bookings made in the year.

3 A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the glossary.

Our history timeline

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

2004

Established by Simon Cooper

2007

Livingbridge acquired a majority stake

2011

79% of the Group's bookings were made online

2013

Inflexion acquired a majority stake

2014

On the Beach grew its direct contracting and invested in TV advertising

2015

Launched its first international platform in Sweden. Listed on the London stock exchange

2016

Achieves outstanding profit growth against a challenging market backdrop

2017

Acquired Sunshine.co.uk Limited. Launched in Norway

2018

Acquired Classic Collection. Soft launch in Denmark

2019

Launched Classic Package Holidays. Opened a new Digital HQ in Manchester. Launched long haul

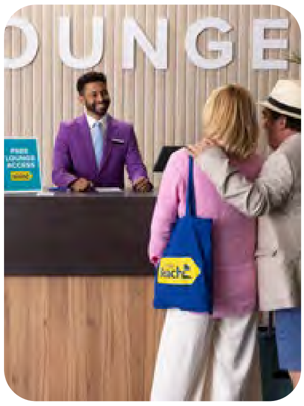
2020

Raised £67m as a result of a share placing. Redesigned customer booking path

2021

Raised £24.9m as a result of a share placing. Offered free Covid-19 tests in an industry first

2022



First mainstream holiday company to offer free lounge and fast track on bookings. Delivered good sales growth despite another challenging year for the travel sector

After two and half years of disruption to trading and operations, our FY22 results demonstrate the strength and resilience of the business model.

Richard Pennycook
Non-Executive Chairman

Report from the Chairman

I am pleased to present our Annual Report and Accounts for the financial year ending 30 September 2022 ('FY22').

Financial and strategic progress

The Covid-19 pandemic and its aftermath continued to cause disruption and challenges to the travel industry throughout the financial year, with the emergence of the Omicron variant dampening consumer confidence during the first half of the year, and with widespread cancellations and changes to flight programmes in the second half of the year causing severe operational pressure and impacting financial performance.

Despite the challenges, the Group finished the year with strong top line growth, delivered profit in line with market expectations and continued to make strategic investments in technology, people, brand and consumer proposition. In particular, the launch in December 21 of the free lounge and fast track offer differentiated On the Beach's consumer proposition and enabled the business to take a greater share of the 'premium' end of the market (which is more lucrative and less exposed to the impacts of inflation and the cost of living crisis).

After two and a half years of severe disruption to trading and operations, this is demonstrative of the strength and resilience of the business model and to the talented people and leadership within the Group. The reports of the CEO and CFO provide further detail on strategic progress and financial results, on pages 11-18 and 29-35 respectively.

Cash and liquidity

As at 30 September 2022, the Group had a combined cash balance of £134m, being £64.5m in Group cash and £69m of customer prepayments held in a ringfenced trust account. As outlined in the CFO's report on page 30, the Group also has access to a £60m revolving credit facility.

This strong financial position puts the Group in a strong position to be able to invest for growth. Given this focus, the Board has not recommended a final dividend for FY22.

Governance

The Group is committed to the highest standards of corporate governance and we are fully compliant with the UK Corporate Governance Code (the 'Code'). The Corporate Governance Report on page 87 sets out in more detail how we have complied with the Code during the year.

Board composition, succession planning and Board diversity

During the year, the Nomination Committee conducted a thorough review of succession planning, considering succession on the Board itself (both Executive and non-Executive) and also the talent pipeline from senior management to Executive Committee to Board. The Committee also reviewed the balance of skills and experience on the Board and approved a new Board diversity policy, more details of which are contained in the Nomination Committee Report on page 103.

On 7 December 2022, Simon Cooper notified the Board of his intention to step down as CEO of the business in the next twelve months, and the Board has chosen Shaun Morton, currently the Group's Chief Financial Officer, to replace Simon as Group CEO. The timing of Shaun's appointment as CEO is dependent on the recruitment of an experienced CFO to work alongside Shaun to deliver the Group's growth strategy. Upon stepping down as CEO, Simon will remain on the Board as a non-executive Founder Director. Further details on the succession planning process will be included in next year's Annual Report.

As a customer-centric business, it is essential that the 'customer voice' is represented on the Board. The Committee identified this as an opportunity to enrich the balance of skills and experience on the Board and recommended the appointment of Zoe Harris, Chief Marketing Officer. We were delighted to welcome Zoe to the Board on 14 October 2022 and look forward to her valuable contribution.

David Kelly is the longest-serving Non-Executive Director on the Board, having served nine years by September 2024 and as such, the Committee has been considering succession arrangements for David's roles on the Board. In order to facilitate a smooth handover of responsibilities, I am pleased to report that, with effect from 27 January 2023, Elaine O'Donnell will become the Senior Independent Director and Justine Greening will become the Chair of the Remuneration Committee. David will continue his role as a Non-Executive Director as well as supporting Elaine and Justine in their new roles.

The Nomination Committee has commenced a search for a new independent Non-Executive Director and updates will be provided in due course.

Report from the Chairman continued

New Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2022 AGM, receiving support of just over 97% and would ordinarily apply for a further two years. However, as highlighted in last year's Directors' Remuneration Report, the Remuneration Committee recognised that the travel sector was still in a state of transition at that time and that a further review of remuneration arrangements across the whole Company would need to be carried out to ensure these are fit for purpose in the post-Covid-19 environment. Therefore, following a comprehensive review, we are seeking shareholder approval for a new long-term incentive plan for the Executive Directors and members of the senior management team at the 2023 AGM, as well as a new Directors' Remuneration Policy to incorporate this.

David Kelly, as Chair of the Remuneration Committee, has engaged with over 65% of the shareholder base as well as with shareholder proxy advisory bodies and the proposed policy takes into account the feedback received as part of that process.

Sustainability and ESG

We have a responsibility to conduct our business in a way that most benefits our customers, our employees and the planet at large. We do not underestimate the extent of the task in hand, and importance of our business' role in building a better society and contributing more positively to the planet.

We are committed to conducting our business the right way and we want to drive meaningful change across the industry. To that extent, we have completed a materiality assessment and developed an ESG strategy aligned to our purpose, values and strategy that will help build resilience in the business, improve behaviours in our supply chain, create long-term value and ultimately drive positive change. We are in the early stages of our ESG journey and there is further work to be done but this is a strong foundation on which to build.

Our responsibility and sustainability report can be found at page 61, which includes our TCFD disclosures at page 74.

Looking ahead

While FY22 has been a challenging year, and we expect FY23 to present its own challenges with inflation and the cost-of-living crisis, the business has put in place all the right building blocks to ensure we are ready to thrive and take market share.

Richard Pennycook
Non-Executive Chairman

7 December 2022

Strategic Report

We are now **reaping the rewards** and **gaining market share** as demand for beach holidays recovers thanks to investments and the team's **strategic focus** and **hard work.**

Simon Cooper
Chief Executive Officer

Chief Executive's review

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 challenging 12 months for the travel industry, disrupted in the first half of the year by the Omicron variant, and in the second half by staff shortages across the supply chain. Despite these exceptional circumstances, FY22 Group TTV* was 15% ahead of FY19.

Since the onset of Covid-19, the Group has consistently outlined its strategic intention to capture market share as trading normalises and demand for beach holidays recovers.

I am confident that the activities we have undertaken over the last 12 months have laid strong foundations for the Group for the year ahead and 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 financial year has presented. All staff across all business departments have continued to work productively from the office or remotely.

This year we have set out a hybrid working framework. Key objectives include supporting our colleagues by promoting a healthy work life balance, enabling flexible working, staying connected both within teams and cross department, and ultimately to create an appealing environment where our staff can deliver to the best of their abilities. Hybrid working is enabling us to recruit from a wider talent pool and is an important tool to attract and retain talent in a tight labour market where colleagues are seeking a greater degree of flexibility.

We have added further strength to our senior management team in FY22, with the appointment of a Director of People in June 2022 who is helping drive and deliver these objectives.

* Total transaction value of holidays booked in the year before cancellations and amendments.

We have continued to support colleagues with a diverse range of initiatives to promote mental health and wellbeing, helping to retain a connection to our people across departments and the Company as a whole.

Our staff continue to respond with speed, professionalism and resilience to the challenges faced by the sector. We raised the entry salary across the business to £20,000 p.a. with effect 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. This also ensured that our lowest paid staff are paid in excess of the Real Living Wage, and will help to narrow our gender pay gap.

In October 22, against a backdrop of an escalating cost of living crisis, we awarded a pay rise of £1,500 to all colleagues with annual salaries at or below £30,000 p.a., three months earlier than our usual pay review. This is to support our staff through difficult winter months with higher energy and living costs. It also aligns with the suggested voluntary increase by the Living Wage Foundation of the Real Living Wage, which rose by 10% in September 2022 (also earlier than scheduled). The Group is proud that it continues to voluntarily pay its lowest-paid colleagues a salary in excess of the Real Living Wage, despite another challenging year of disrupted trading.

Market conditions

Whilst FY21 was a particularly difficult year for travel, the industry and the UK population did not foresee the level of disruption experienced throughout FY22. Three months of H1FY22 were severely affected by Covid-19 and the summer season in H2FY22 was beset by acute staff shortages across the sector.

The Omicron variant heavily impacted Group trading in November and December 2021, and into the key booking period of early January 2022. Consumer demand remained materially below H1FY19 levels until restrictions were eased in mid-January.

In H2FY22, Group TTV was 25% ahead of H2FY19, despite the indirect consequences of the war in Ukraine and ongoing disruption across the travel supply chain as the sector continued to recover from the pandemic. Over the full year, FY22 Group TTV was 15% ahead of FY19 and Group revenue was 3% ahead of FY19.

Group TTV relates to new bookings. The sales of many other operators over the same period will be flattered by a proportion of their bookings rolled over from previous periods or booked using vouchers or refund credit notes ('RCNs').

The Group has never issued vouchers or RCNs in lieu of refunds. Where customers have been refunded using vouchers or RCNs from other operators, they are then captive to that operator, narrowing our addressable audience this year. The Group believes that our enhanced proposition and reputation will allow us to target these customers in FY23 when the playing field is levelled.

The Group has materially invested in its brand, technology, and customer proposition throughout the year. This includes offering a differentiated customer experience with premium lounges and fast track security, increasing headcount in technology and customer service areas, and investing in offline marketing to drive awareness of the brand. These investments, combined with improved access to a broader hotel portfolio have resulted in FY22 growth in 5* holiday sales of 82% vs FY19, and contributing to total FY22 Average Booking Value ('ABV') growth of 31% vs FY19.

On the Beach also continues to make good progress in B2B and long haul. B2B TTV[1] was 45% ahead of FY19. Long-haul TTV[2] was 255% up vs FY19.

Partly due to continued rising costs of living, the lates market for value holidays has remained subdued in H2FY22 and as a result, sales of 3* holidays for FY22 was 18% below FY19. The Group is committed to maintaining its focus on this important segment and growing its share of value holidays.

Strategy

As I set out in more detail below, throughout the year, we have continued to focus on 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 premium, B2B and long haul.

Investment in our brand

Throughout the pandemic, we have continued to pursue our strategy of materially investing in both customer proposition and brand. By investing strategically in both areas, the Group aims to continue to capture share in its core value segment and increase penetration of the premium, long-haul, and B2B segments.

We invested circa £5m in FY22 across a range of promotions designed to evolve the customer offer from seamless booking service to differentiated holiday experience. By differentiating our holidays and offering a more memorable experience from the point of booking to arriving home from travel, we expect to increase loyalty, repeat rates and customer lifetime value. The promotions have contributed to the success we have had this year in growing Group sales relative to FY19. We expect the investment to also payback in FY23 and future periods in terms of continued growth in market share.

During the beginning of FY22, as we looked to restore consumer confidence and help get people back on holiday again, we ran our free Covid-19 test offer which meant we could reduce the holiday hassle administration as well as saving our customers money.

The Group subsequently took the early decision in FY22 to invest in airport fast track for all customers. This has provided a key point of differentiation relative to peers and airlines, particularly across a summer where airports have been severely disrupted by staff shortages and typical queue times have been significantly longer than normal.

1 B2B TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments for the CCH and CPH segments.

2 Long haul TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments for long haul holidays across the Group.

In conjunction with the fast track offer, we significantly invested in free lounge access for customers booking premium holidays in summer 2022. This is a promotion that, despite the operational complexity, we were uniquely placed to offer given our scale, depth and breadth of the Group's offering across UK departure airports.

By positioning the brand to appeal to customers seeking these perks with their holiday, together with improved access to a broader hotel portfolio, the Group has achieved significant growth in premium 5* bookings.

The success of the free Covid-19 tests, fast track and lounge promotions in differentiating the proposition and capturing share of the premium segment, is testament to the efforts of many of our colleagues across the business, particularly in marketing, technology and supply, but also in our support and back-office functions. In an era of hybrid working, successfully rolling out these promotions at pace, demonstrates the strength of cross departmental team collaboration across the Group.

Alongside enhancements to the proposition, the Group doubled investment in FY22 offline media spend (vs FY19). Branded traffic has much higher conversion than traffic from paid search and other channels.

We aim to continue to pursue our strategy of differentiating the customer experience and building the brand in future periods. Our recent progress on both fronts also provides a strong platform to capture share growth as the value segment recovers.

In early FY22 we took decisive action to increase headcount across our customer service teams, to protect the Group from an increase in volume of enquiries as international travel restrictions were eased.

However, like all operators across the sector, we were subject to an exceptionally high level of disruption in the second half of the year. Certain airlines and airports fared better than others in anticipating the release of pent-up demand, however many have been caught out, either by not staffing up sufficiently or indirectly as the entire supply chain has been impacted.

This has led to operational challenges for the industry and, we believe, has contributed to a softening of demand in the lates market.

I would like to take this opportunity to thank colleagues in customer service and across the business for working tirelessly in seeking to address backlogs and serving customers in these exceptional circumstances.

The supply imbalance is easing once again as volumes travelling decrease in the autumn and winter months. We believe that the improvements made to our processes and the enhancements in our overall package to attract and retain customer service staff, will enable us to continue to put our customers at the heart of everything we do and lay the optimal foundations to cope if any such issues recur in summer FY23.

Investment in technology

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

Across the year, the team have facilitated the successful roll out of enhancements to the proposition, including free lounge and fast track, as well as evolving our platform which will allow us to take advantage of opportunities both in our core market and identified expansion areas.

We have continued to invest in hybrid 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 continued to focus on enhancing the core capabilities of our platform (flights, beds, packaging, front end, payments and back-office).

We have re-developed the front end of the site to enhance conversion and 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 low-cost carriers, long haul and scheduled airlines, allowing new suppliers to be added to serve existing and new destinations.

As part of our overall strategy, there remains 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 by having our own relationships with our hotel partners, we can guarantee our customers both a good hotel experience and the best prices. Covid-19 presented the opportunity to secure direct relationships with quality inventory in key destinations that were previously on exclusive contracts with competitors.

Chief Executive's review continued

Throughout the financial year, we have been leveraging our existing capabilities to further optimise our hotel supply. Direct bookings with hotel partners now represent over 89% of all volumes. By disintermediating bedbanks and increasing our share of direct contracting, we can drive lower prices for our customers and higher margins for the Group, relative to peers more reliant on third-party product.

In addition to the economic benefits, direct contracting enables the Group to build and develop closer relationships with hotel and customers. This is critical in periods of disruption, where our customers want us to solve their problems quickly. It has been clear without direct contracting capability, we could not possibly have delivered the same level of service.

The Group has been one of the few operators in the market with a prompt payment model. Certain other operators across the sector have been stretched by unprecedented liquidity challenges over the last two plus years, which means in many cases they were not able to pay in accordance with their own payment terms.

Our operating model and reputation in the market has allowed us to strengthen existing hotel relationships as well as developing new ones, which has significantly contributed to further growth in premium, long haul and B2B markets.

The Group maintains access to a diversified group of low-cost carriers that fly to short haul East and West Mediterranean locations and has taken the opportunity to develop relationships with destination specific carriers that serve Turkey, which itself has experienced a significant uplift in traffic this year.

The Group has made strong progress over the last two years in developing its scheduled flight supply with airlines that serve a core group of east and west bound long-haul destinations.

There is significant runway for growth and margin enhancement in many of these long-haul destinations we now offer by replicating our success in core short-haul markets and building out our portfolio of directly contracted product.

We continue to believe that our ability to pay promptly, distribute opaquely and access B2C and B2B channels are fundamental to growing levels of direct and differentiated supply.

Expansion areas

Premium

In FY21 and FY22, alongside successful efforts to access previously exclusive hotel product, the Group took strategic actions to enhance its proposition, both of which have enabled us to penetrate the premium segment of the market.

The Group's core addressable market is short-haul value holidays sold online. In the value segment of the market, which is typically 1–4* holidays sold for less than £700pp, the Group competes against other online travel agents and to some extent, tour operators. The tour operator product, however, is more skewed towards higher price point 4 and 5* holidays with higher average booking values than the Group's.

If the market is split into 'value' short-haul beach holidays less than £700 per person and 'premium' holidays greater than £700 per person, we estimate the latter segment is a similar size in terms of passengers, but approximately two and a half times larger in terms of absolute value. Capturing 1% of the premium market will therefore contribute two and a half times as an incremental 1% share of the value market.

Given the higher average booking value of premium, the revenue margin opportunity on each individual booking is also greater. The Group now has access to a large addressable segment of the market which was previously unavailable, and each incremental booking has a higher revenue per booking opportunity than the value segment. Revenue per booking is higher in the premium segment even after being offset by investment into perks, which will continue to payback as the Group's sales mix shifts to more premium product.

For these reasons, there remains a huge opportunity to continue to penetrate the premium market as demonstrated by the recent progress this financial year.

B2B overview

In 2018, we expanded into a new B2B channel via the acquisition of Classic Collection. This increased the size of the Group's addressable market by a further circa eight million 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 Classic Collection Holidays (CCH) brand and our new Classic Package Holidays (CPH) brand. CCH sells luxury and tailor-made premium product primarily to travel agents and has a small proportion of direct sales to consumer. CPH provides an online B2B platform that enables high street travel agents to sell dynamically packaged holidays to their customers.

2022 was a record year for the Classic businesses. As travel re-emerged from almost two years of restrictions in February, Classic Collection and Classic Package were both well-positioned to deliver growth. Despite the slow restart post Omicron and the number of captive customers of competitors who had rolled cancelled holidays from Covid-19 disrupted periods, the combined Classic businesses delivered 45% growth in TTV vs 2019.

In October 2022, Andy Freeth was appointed as the new CEO of Classic Collection Holidays and Classic Package Holidays. Andy has a huge amount experience in tour operating and leading B2B businesses through fast paced growth. Andy is an experienced CEO who is excited to be coming on board and is keen to support Classic's ambitious future growth plans. I would like to also take this opportunity to thank Oliver Garner, Classic's previous CEO for his contribution to the Group. Oliver has been a fantastic member of the leadership team at OTB for eight years and an inspirational leader of Classic since its acquisition in 2018.

Classic Package Holidays (CPH)

Partly as a result of the pandemic, a number of barriers exist for new entrants and smaller independent operators looking to dynamically package holidays for their customers, including increased regulation, liability insurance and technological complexity.

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.

Whilst the year was heavily disrupted, the Group has continued to make progress in developing the offering and growing sales after its initial launch in 2019/20 was hampered by Covid-19. The business was able to carry more than 40,000 passengers in the year and is well set to increase this in 2023.

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.

The Classic brands have now launched a long-haul offering and have a dedicated Group long-haul function.

Most recently, the leadership team at Classic have undertaken an extensive rebranding exercise launching a new look and feel for both CCH and CPH.

Long haul

There are four million holidaymakers in the UK who book long-haul packages each year. Pre-pandemic, the OTB site handled millions of searches per annum for long-haul destinations.

Historically, Group long-haul sales were dominated by tour operator capacity. However, the long-haul market has always been dominated by scheduled airlines, which we had no or very limited access to. During the pandemic, we focused on developing our flight connectivity with British Airways and Virgin Atlantic westbound, and Emirates eastbound.

We have sought to combine access to relevant airfares with new expertise to contract hotels directly, and then use our brand and buying power to break into the market.

Our long-haul offering has benefitted from the improvements we have made to the customer proposition this financial year, with the introduction of free lounge for premium bookings and fast track for all bookings. Our growing B2B distribution also supports further growth in long-haul share. Certain long-haul hotels are now in the Group's top sellers list.

There is a significant opportunity post pandemic to drive a growing share of bookings to longer-haul destinations in Classic and the core OTB brand. Alongside developing our hotel contracting in our other key destinations, we continue to optimise our flight sourcing, which will help us break into new destinations. We are also enhancing the website and specialist expertise in the team, to increase conversion, margin and grow our overall long-haul proposition.

International

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

Regulatory landscape

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 and 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 whilst 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, consumer laws were broken and 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, creating customer 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. The recovery of the travel sector is dependent on the industry regaining the trust of customers that they will be treated fairly.

For most customers in the UK who are booking their annual beach package holiday, this will likely be the biggest investment they will make that 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 for consumers.

ATOL reform

The CAA is consulting on reform of the ATOL scheme including the assessment of funding arrangements and the protection of customer money. The consultation process is still ongoing and we expect to hear further feedback from the CAA in December 2022 or early 2023. Proposals include mandatory ring-fencing of customer 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's 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 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 in the market, On the Beach will be championing the need for this to be reviewed and addressed.

Current trading and outlook

The first quarter of our financial year (calendar Q4) has historically been the quietest trading period for the Group.

Over the last 6 weeks, there has been a continuation of key trends, including growth across premium, long-haul and B2B expansion areas, set against more subdued trading in sales of 3* holidays for FY23.

Notwithstanding the widely reported macroeconomic headwinds, the Group has begun FY23 with a healthier overall forward order book than the equivalent period in FY20 (before the onset of the Covid-19 pandemic).

Whilst it is unclear how the cost of living crisis will impact consumer behaviour in 2023, the Board is confident that the foundations laid over the past 12 months, including investment in brand, technology and customer proposition, position the Group favourably for another year of growth in FY23.

Simon Cooper
Chief Executive Officer

7 December 2022

Core business model

Structural market growth & market share growth

CORE 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

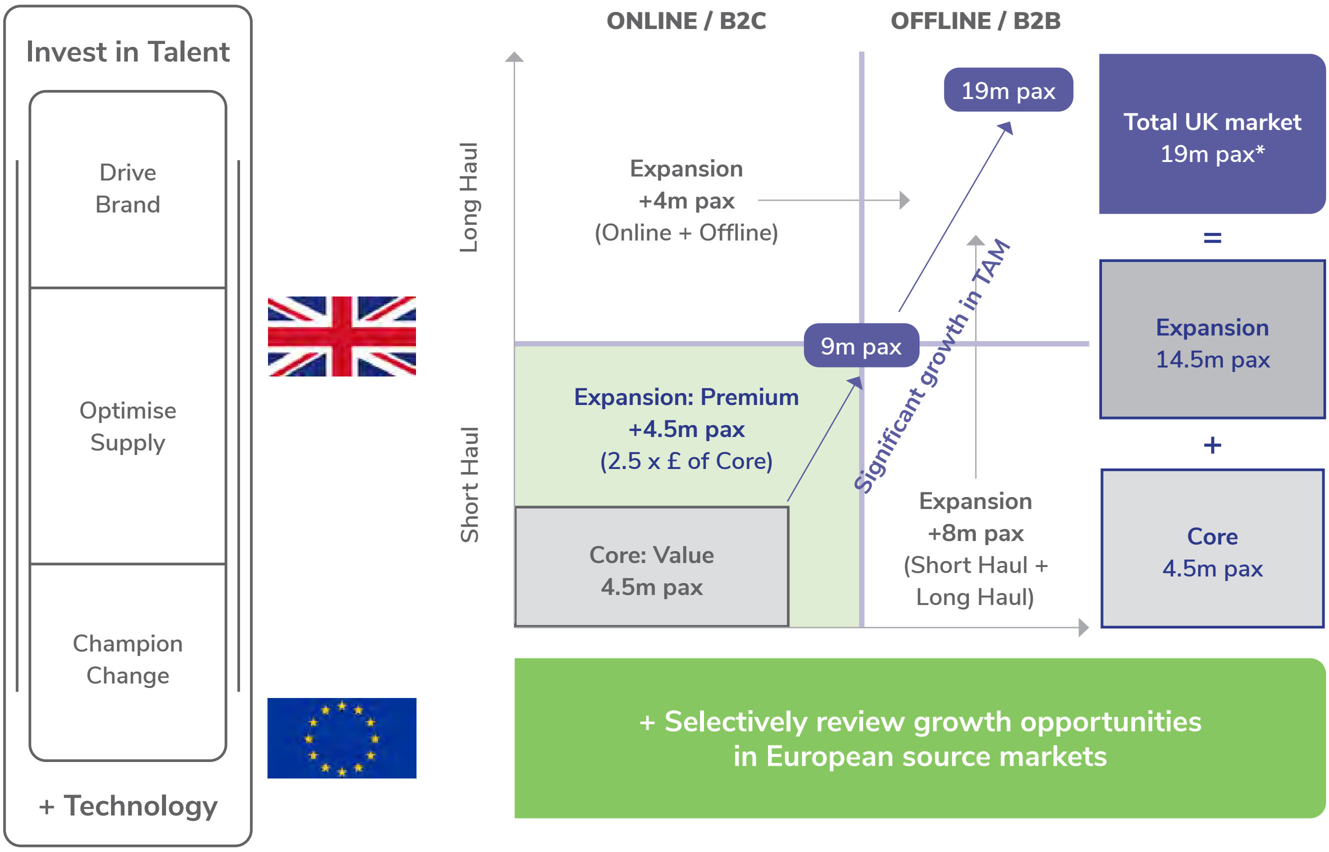
- OTB's business model is centred on driving efficient growth in market share while maintaining and improving both conversion and £ revenue per booking
- We are focused on driving the performance of all of these levers
- Profit growth is the cumulative effect of improvements in performance of all of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

Group profit growth is enhanced by penetrating a broader addressable market of beach holidaymakers - see Strategy section

= PBT

Growth Strategy

Core: Grow share of UK value
Expansion: Attract the widest possible audience of UK beach holidaymakers
Vision: Build Europe's leading beach holiday retailer



* Total UK market represents Short Haul Beach Online of 9m, Long Haul Beach of 4m (c.2m Online and c.2m Offline), and Short Haul Beach Offline of c.6m

Strategy continued

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, to capture share in the core value segment and increase penetration of the premium segment
- Deliver a superior customer experience from the moment of booking to post holiday, 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
- Enhance access to 4* and 5* product to support expansion into new addressable markets

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

- Increase penetration of the premium market
- Grow share of long haul
- Seek value enhancing opportunities in new and existing international markets

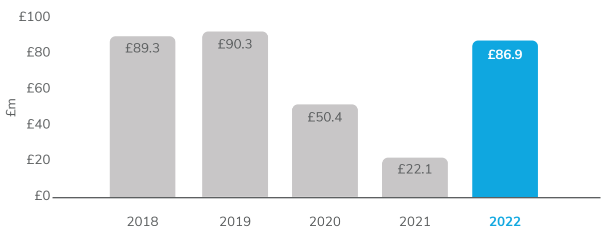
6. Champion customer-centric change

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

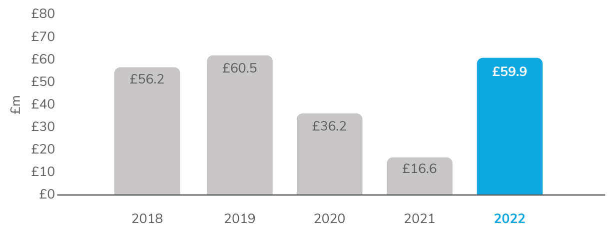
Key performance indicators

Financial KPIs

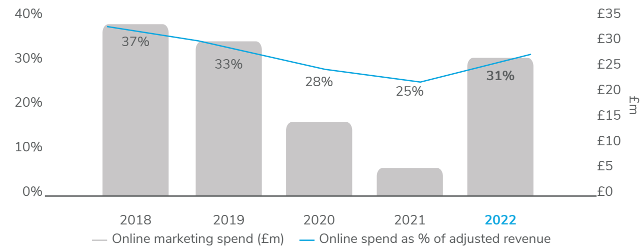
OTB adjusted revenue[1]



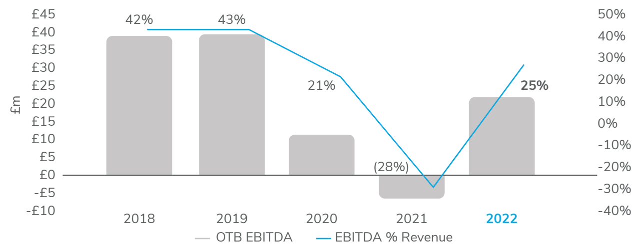
OTB adjusted revenue after online marketing costs[1]



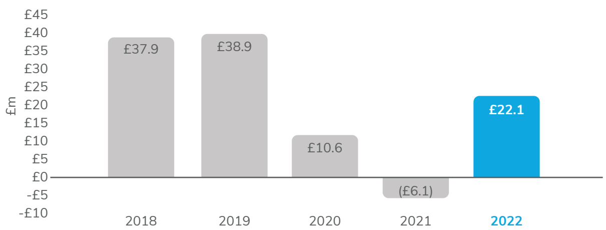
OTB Online marketing spend % adjusted revenue[1]



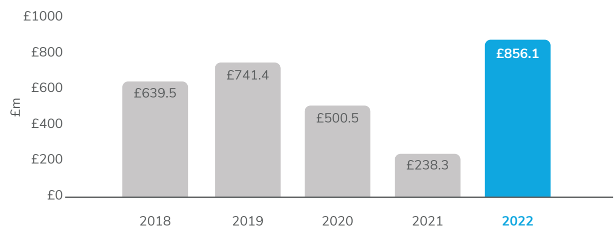
OTB adjusted EBITDA % adjusted Revenue[1]



OTB adjusted EBITDA



Group TTV[2]



1 Long haul sales is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments for long haul holidays across the Group.

2 B2B sales is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments for the CCH and CPH segments.

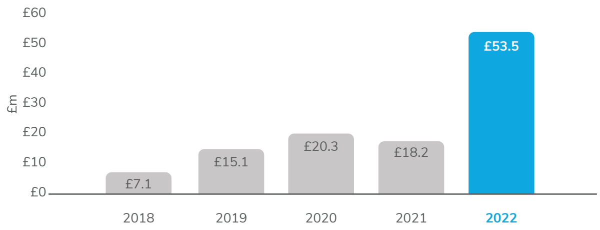
3 Group passenger numbers is a non-GAAP measure defined as the number of passengers booked in the year.

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

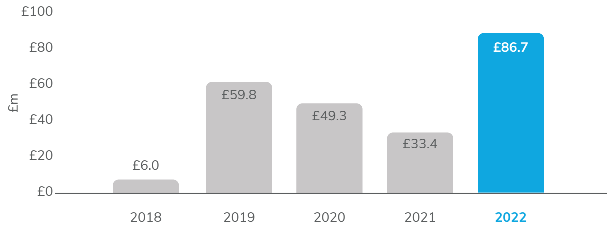
Key performance indicators continued

Financial KPIs

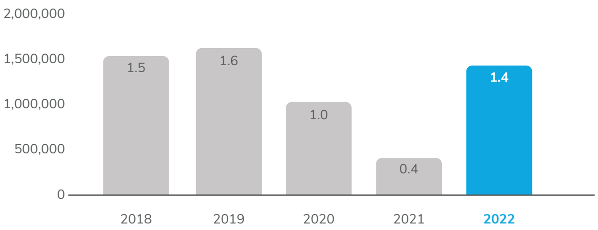
Long-haul TTV[1]



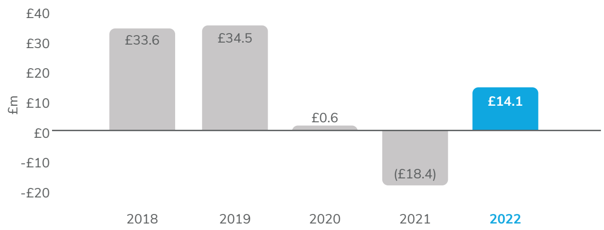
B2B TTV[2]



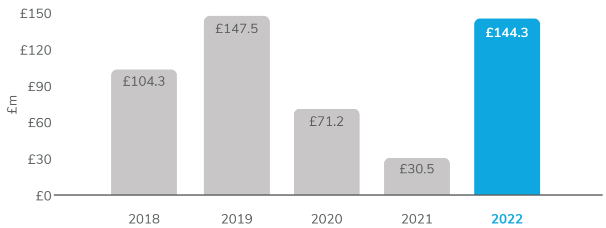
Group passenger numbers (booked)[3]



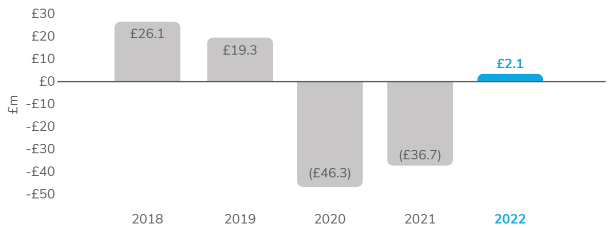
Group adjusted profit before tax[4]



Group adjusted revenue[4]



Group profit before tax



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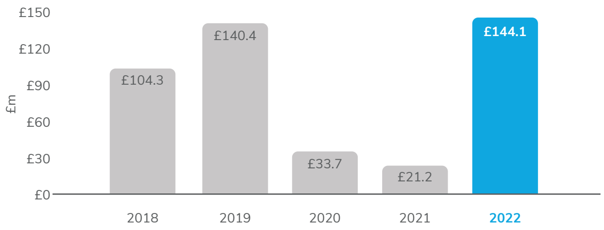
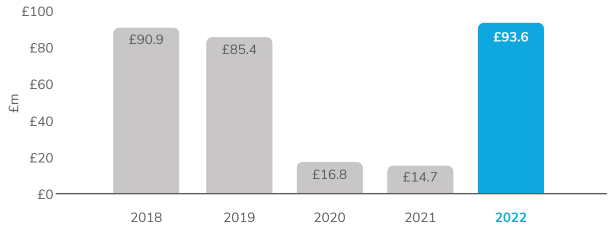
3 Group passenger numbers is a non-GAAP measure defined as the number of passengers booked in the year.

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

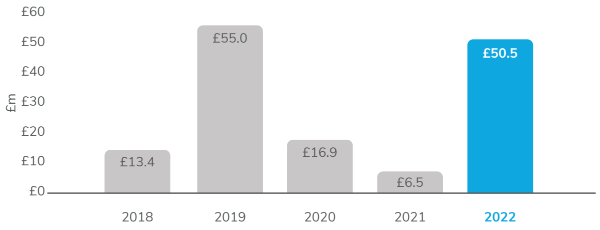
Group Revenue



Group Revenue as an Agent



Group Revenue as a Principal

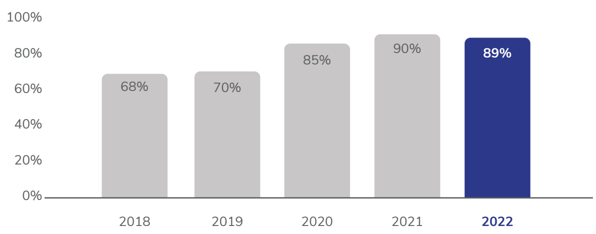


Key performance indicators continued

Non-financial KPIs

For link to strategy key, see Strategy for growth on page 20.

Directly contracted hotel supply



Description

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

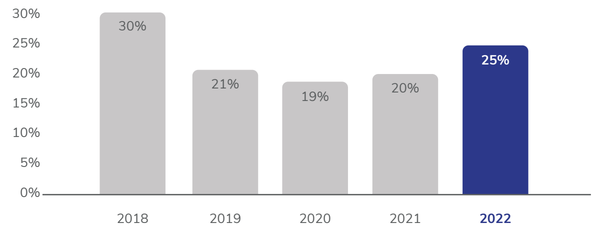
Performance

Our proportion of directly contracted product has stayed around the same level at 89% (FY21: 90%). Benefits of direct contracting include increased access to exclusive rates, ring-fenced capacity and online travel agent ('OTA') exclusivity. Direct contracting enables the Group to build and develop closer relationships with hotel and customer, supporting improved customer satisfaction scores. This is critical in periods of disruption where our customers want us to solve their problems quickly. Without direct contracting capability, we could not have delivered the same level of service as we did during FY22 when we saw high levels of disruption throughout the supply chain.

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

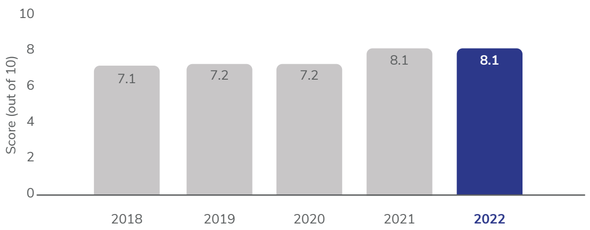
Voluntary turnover increased this year to 25% (FY21: 20%). Some parts of our business have higher turnover than others, particularly the contact centre. This is not something unique to the Company, with staff turnover in the call centre industry being higher than the national average. There is also real competition for tech talent which is another area of the business where we have seen a higher level of voluntary turnover. We work hard to foster an inclusive and open culture and our Glassdoor rating based on anonymous reviews is 4.5 out of 5. There is much we are doing to help prevent overall employee turnover, including focusing on improving engagement with employees, investing in employee development and diversity and inclusion, and providing market competitive wages and benefits.

For more information, read Responsibility and sustainability on page 62.

Link to strategy

1

Employee engagement



Description

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

Performance

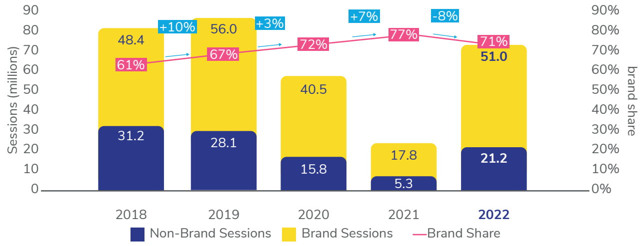
Last year we took the decision to defer the annual employee survey to December 2021, meaning we were not able to report on FY21's engagement score in last year's report. The reason for the deferral was because we had recently closed our Park Square office, so many employees were getting used to working in a new office for the first time and at the time of writing the report, we were also trialling new ways of working. We therefore felt that carrying out the survey a little later in the year would give a more realistic and meaningful insight into how employees felt the hybrid working arrangements were working. In that December 2021 survey, we saw our engagement score increase to 8.1 out of 10 (FY20: 7.2 out of 10). We were delighted with the increase, particularly during a challenging year where Covid-19 continued to cause much disruption. For FY22, we maintained that score of 8.1. Whilst we always strive to improve our position, we feel this is a very positive outcome given the continued challenges we have seen in the sector and is testament to our continued investment in our culture and people.

For more information, read Responsibility and sustainability on page 62.

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

FY22 was the first year where the volume of sessions returned to something close to pre-pandemic levels. While brand traffic as a percentage of total has dropped year-on-year, long-term investment in brand building is paying off, with a 4 percentage points increase in share of brand sessions vs pre-pandemic 2019. Indeed, at 71%, 2022 returned the largest percentage brand traffic (excluding pandemic years), despite the market heavily investing into non-brand as the travel industry recovered.

Link to strategy

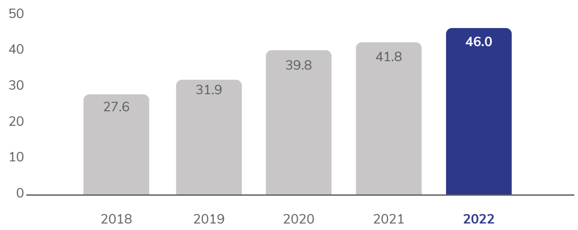
1 2 4

Key performance indicators continued

Non-financial KPIs

For link to strategy key, see Strategy for growth on page 20.

Prompted brand awareness



Description

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

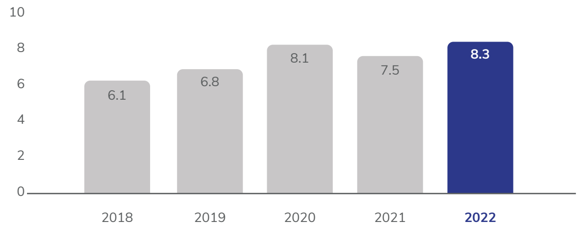
Performance

This year we saw a 10% increase against FY21. The increase is a testament to the investment we have made in above line media to drive awareness of our brand.

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.

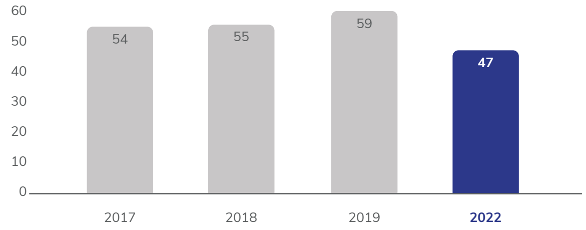
Performance

This year saw our highest score of brand consideration to date, with a 11% increase compared to FY21. This is based on the average prompted brand consideration score for the year. Our peak consideration score for the year, based on a rolling 4 week average, was 9.9. These scores are reflective of the material investment we have made in our brand and customer proposition.

Link to strategy

1 2 3 4 5 6

Net promoter score



Description

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

Performance

Following the outbreak of Covid-19, we stopped sending out questionnaires to customers given very few customers were travelling due to the closure of airspace. Accordingly, we do not have an accurate NPS for FY20 and FY21. During FY22, we recommenced sending out the questionnaires and during the year, we saw a 20% decrease in NPS compared to FY19. Several factors contributed to this, including:

- Last minute flight cancellations by airlines created unexpectedly high volumes of urgent customer contacts.
- Significant increases in the number of customers with complex amend requests such as changing the date of their holiday.
- Ongoing Covid related disruptions in resorts (testing, local restrictions, recruitment challenges) impacting the holiday experience.

We have delivered several customer focused initiatives during the year, including the introduction of perks such as free airport lounge access and free fast track security for summer bookings which delivered 20% higher NPS scores. We also created a programme to give our customers more moments of anticipation post booking and pre-holiday, including testing a white labelled app for our Tenerife customers which increased our NPS score by over 25%. We look forward to building on these customer centric experiences in the year ahead.

Link to strategy

1 2 3 4 5 6

Whilst FY22 has remained challenging and disruptive, we have finished the year in a very strong financial position with topline growth and a return to profitability.

Shaun Morton
Chief Financial Officer

Financial review

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).

Group overview

	2022		2021		2019	
	Adjusted[1]	GAAP	Adjusted [1]	GAAP	Adjusted [1]	GAAP
Group TTV[2]	**£856.1m**	**–**	£238.3m	–	£741.4m	–
Group revenue	**£144.3m**	**£144.1m**	£30.5m	£21.2m	£147.5m	£140.4m
Revenue as Agent[3]	**£93.8m**	**£93.6m**	£24.0m	£14.7m	£92.5m	£85.4m
Revenue as Principal[4]	**£50.5m**	**£50.5m**	£6.5m	£6.5m	£55.0m	£55.0m
Group gross profit	**£96.1m**	**£95.6m**	£23.3m	£14.4m	£99.1m	£92.0m
Gross profit as Agent	**£90.0m**	**£89.8m**	£22.7m	£13.8m	£92.0m	£84.9m
Gross profit as Principal	**£6.1m**	**£5.8m**	£0.6m	£0.6m	£7.1m	£7.1m
Group profit/(loss) before tax[5]	**£14.1m**	**£2.1m**	(£18.4m)	(£36.7m)	£34.5m	£19.3m
Basic earnings/(loss) per share[6]	**6.3p**	**0.9p**	(9.7p)	(19.0p)	21.3p	11.9p

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary.

2 Group Total Transaction Value ('TTV') is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and amendments.

3 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 2021 and 30 September 2022. Adjusted revenue is revenue before exceptional items of £1.0m and fair value gains on forward currency contracts of £0.8m (2021: £9.3m, 2019: £7.1m).

4 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 2021 and 30 September 2022.

5 Group adjusted profit / loss before tax is profit / loss before tax, amortisation of acquired intangibles of £5.5m (2021: £5.5m, 2019: £5.5m), share-based payments cost of £4.7m (2021: £2.7m, 2019: £0.7m) fair value gains on forward currency contracts of £0.8m and exceptional items of £2.6m (2021: £10.0m, 2019: £9.0m). A full explanation of the adjustments is included in the glossary.

6 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.

Impact of the pandemic and associated disruption

Certain costs 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.

The Board believes that adjusting for these items provide a clearer reflection of the Group's performance in the current and prior periods. The Group has organised package holidays for customers which were cancelled either as a direct result of the pandemic and more recently due to capacity constraints and operational challenges with airlines and at airports.

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 or resulting disruption.

Financial review continued

Overview of the year

- Revenue of £144.1m was £122.9m higher than FY21:
  - Demand for booking holidays in FY21 was severely impacted by a series of lockdowns and complex rules and requirements for travel.
  - Whilst the first four months of FY22 were similarly disrupted by the outbreak of the Omicron variant of Covid-19, travel restrictions were removed and travel was simplified for most of the year.
- Notwithstanding the emergence of Omicron and the disrupted airline schedules this summer, revenue was up 3% vs FY19:
  - Average booking values were 31% higher than FY19 supported by a greater mix of long haul, B2B and more premium beach holidays.
  - As a result, the TTV of holidays booked in the year increased by 15% vs FY19.
  - As well as adding more quality hotel product, during the year, the Group invested £4.8m in holiday perks including airport lounge access, security fast track and free Covid-19 tests. Revenue is presented net of these investments.
  - The TTV of holidays that departed in summer 2022 was 19% ahead of FY19.
- The Group has made adjustments for exceptional cancellations, both directly and indirectly related to the pandemic. After making an adjustment to add back the impact of cancellations of £1.0m (2021: £9.3m) and deduct fair value FX gains of £0.8m, adjusted revenue was £144.3m (FY21: £30.5m).

Cash and liquidity

- Thanks to significant shareholder support, the flexible business model and the disciplined way in which customer money is handled, the Group has continued to invest in the brand and technology throughout the pandemic and ahead of a full recovery of the travel industry.
- The Group is in a very strong financial position with combined cash balances of £133.9m:
  - Group cash, excluding amounts held in trust, of £64.5m (30 September 2021: £56m).
  - Customer prepayments held in a ring-fenced trust account of £69.4m (30 September 2021: £39m).
- In December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling all current facilities and entering into a new facility for £60m expiring in December 2025.
- Unlike many other businesses in the sector, due to the disciplined way in which cash is managed, recent increases in interest rates will not materially increase the cost of financing the Group's activities.
- Through the disrupted summer of flight cancellations, OTB has continued to provide prompt cash refunds for cancelled holidays. Certain airlines continue to frustrate the refund process and owe the Group a significant amount of money for cancelled flights. Legal proceedings to recover these sums are ongoing.

OTB performance

	2022 Adjusted £m	2022 GAAP £m	2021 Adjusted £m	2021 GAAP £m	2019 Adjusted £m	2019 GAAP £m
TTV	**762.7**	**–**	204.2	–	671.5	–
Revenue	**86.9**	**87.1**	22.1	13.0	90.3	83.3
Online marketing costs	**(27.0)**	**(27.0)**	(5.5)	(5.5)	(29.8)	(29.8)
Offline marketing costs	**(11.9)**	**(11.9)**	(6.1)	(6.1)	(5.4)	(5.4)
Revenue after marketing costs	**48.0**	**48.2**	10.5	1.4	55.1	48.1
Overheads	**(25.9)**	**(25.9)**	(16.6)	(16.6)	(16.2)	(16.2)
Depreciation and amortisation	**(6.7)**	**(6.7)**	(5.9)	(5.9)	(4.6)	(4.6)
Exceptional operating costs	**–**	**(1.3)**	–	(0.7)	–	(1.2)
Share-based payments	**–**	**(4.7)**	–	(2.8)	–	(0.7)
Amortisation of acquired intangibles	**–**	**(4.4)**	–	(4.4)	–	(4.4)
Operating (loss)/profit	**15.4**	**5.2**	(12.0)	(29.0)	34.3	21.0
EBITDA	**22.1**	**16.3**	(6.1)	(18.7)	38.9	30.0

Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary.

Revenue has increased to £87.1m (FY21: £13.0m, FY19: £83.3m). This is significantly ahead of FY21 and 5% higher than FY19. This performance is despite the early part of the financial year, which includes the traditional peak booking month of January, being impacted by the emergence of the Omicron variant of Covid-19. In addition, there has been a significant reduction in the addressable market due to vouchers issued or alternative arrangements made for cancelled holidays. Also note that, unlike tour operators, all revenue recognised represents new bookings made during the financial year and paid for in cash rather than vouchers.

Average booking values have increased by 31% vs FY19 due to an increase in the mix of bookings where customers are spending more than £700pp on their holidays. This includes an increase in bookings into more premium product in both short and long-haul destinations. This has resulted in an increase in TTV to £762.7m (FY21: £204.2m, FY19: £671.5m).

Revenue of £87.1m is stated net of a £4.8m investment in 'holiday perks' for customers travelling with On the Beach. This included providing free Covid-19 tests, access to premium airport lounges and airport security fast track. These perks, many of which are a first for the industry, enhance customer experience and enable the business to clearly communicate value and differentiation through brand media channels.

Following the success of free Covid tests in September 2021, a new brand campaign was launched to support the introduction of our holiday perks. This campaign, combined with sponsorship of Magic Breakfast with Ronan and Harriet, are the main components of the £11.9m investment in offline marketing during the year.

Online marketing spend represented 31% of adjusted revenue compared to 33% in FY19. It is our expectation that as we continue to invest in the brand, online marketing costs will become more efficient as more traffic is attracted through brand and direct channels, reducing reliance on non-brand PPC.

Financial review continued

Overheads as % of revenue

	2022 Adjusted	2022 GAAP	2021 Adjusted	2021 GAAP	2019 Adjusted	2019 GAAP
Overheads % TTV	**3.4%**	**–**	8.1%	–	2.4%	–
Overheads % revenue	**30%**	**30%**	75%	127%	18%	19%

Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary.

Overheads as a % of revenue have reduced to 30% (FY21: 75%, FY19: 18%). This increase compared to FY19 is due to a reduction in margins and an increase in fixed costs.

The reduction in margin is due to investments made in the proposition. This includes investments in price to ensure we remain competitive and investments in the proposition such as premium airport lounge access.

Fixed costs have increased due to ongoing investments in people and technology as well as continued regulatory cost pressures such as insurance.

Adjusted EBITDA has increased to £22.1m (FY21: loss £6.1m).

Classic Collection Holidays segment performance

	2022 Adjusted £m	2022 GAAP £m	2021 Adjusted £m	2021 GAAP £m	2019 Adjusted £m	2019 GAAP £m
TTV (booked)	**55.6**	**–**	23.2	–	55.0	–
Revenue (travelled)	**50.5**	**50.5**	6.5	6.5	55.0	55.0
Gross profit	**6.1**	**5.8**	0.6	0.6	7.2	7.2
Gross profit after marketing costs	**5.1**	**4.8**	0.2	0.2	6.3	6.3
Overheads	**(5.2)**	**(5.2)**	(3.3)	(3.3)	(4.1)	(4.1)
Depreciation and amortisation	**(0.3)**	**(0.3)**	(0.2)	(0.2)	(0.2)	(0.2)
Amortisation of acquired intangibles	**–**	**(1.1)**	–	(1.1)	–	(1.1)
Exceptional operating costs	**–**	**–**	–	(0.4)	–	0.7
Operating profit/(loss)	**(0.4)**	**(1.8)**	(3.3)	(4.8)	2.0	0.2
EBITDA	**(0.1)**	**(0.4)**	(3.1)	(3.5)	2.2	1.5

Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary.

As a principal (rather than an agent) Classic accounts for revenue on a 'travelled' basis and reports revenue on a gross basis. Both TTV and Revenue increased significantly this year as there was greater opportunity for people to travel.

Revenue increased to £50.5m (FY21: £6.5m, FY19: £55.0m) and operating losses reduced to £1.8m (FY21: loss (£4.8m), FY19: profit £0.2m).

Bookings from high street travel agents have recovered more slowly than online, due to a gradual return to normal high street footfall and staff shortages in higher touch retail stores. Despite these headwinds, Sales on a booked, rather than travelled basis, were £55.6m which is ahead of pre-pandemic levels. Revenue, reported in the period customers travel, recovered to £50.5m which was significantly ahead of FY21 and only 8% behind FY19.

Particularly encouraging was the performance of the new long haul proposition launched during the pandemic. Long haul product represented 23% of total sales in the year and expect this to be a high growth area for the business in FY23. Due to increased revenue, adjusted EBITDA losses reduced to £0.1m compared to £3.1m in FY21.

Classic Package Holidays segment performance

	2022 Adjusted £m	2022 GAAP £m	2021 Adjusted £m	2021 GAAP £m	2019 Adjusted £m	2019 GAAP £m
TTV	**31.1**	**–**	10.2	–	4.8	–
Revenue	**6.2**	**5.8**	1.8	1.7	0.8	0.7
Cost of sales	**(3.8)**	**(3.8)**	(1.3)	(0.9)	(0.5)	(0.5)
Gross profit	**2.4**	**2.0**	0.5	0.8	0.3	0.2
Gross profit after marketing costs	**1.4**	**1.0**	0.1	0.4	0.1	–
Overheads	**(1.5)**	**(1.5)**	(1.8)	(1.8)	(1.2)	(1.2)
Depreciation and amortisation	**(0.2)**	**(0.2)**	(0.2)	(0.2)	–	–
Operating (loss)	**(0.3)**	**(0.7)**	(1.9)	(1.6)	(1.1)	(1.2)
EBITDA	**(0.1)**	**(0.5)**	(1.7)	(1.4)	(1.1)	(1.2)

Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary.

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 £5.8m (FY21: £1.7m), and the operating loss was £0.7m (FY21: (£1.6m)). As with CCH the CPH trading result has been impacted by the high street recovering more slowly than online. However, there has been some mitigation to this as the platform is being increasingly used by online agents and home workers.

Marketing costs increased by £0.6m to £1.0m to support the relaunch of the brand and platform as the industry emerges from two years of disruption. We continue to develop both the platform and the proposition to ensure that we are serving the trade and holidaymakers with market leading product at competitive prices.

Financial review continued

Financing

During the period, the Group had in place a revolving credit facility of £75m with Lloyds Bank. The drawdown at 30 September 2022 was nil (FY21: nil). On 7 December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling all current facilities and entering into a new facility for £60m expiring in December 2025.

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

Cancelled facilities	£	Issued	Expiry	Drawn at 30 September 2022
RCF	£50m	Apr 2020	Dec 2023	**£nil**
CLBILS	£25m	May 2020	May 2023	**£nil**
Total cancelled facilities	£75m			**£nil**
New facilities				
RCF - Lloyds Bank	£30m	Dec 2022	Dec 2025	**n/a**
RCF - NatWest	£30m	Dec 2022	Dec 2025	**n/a**
Total new facilities	£60m			

Share-based payments

The Group has an LTIP scheme in place which vests subject to continued employment and performance criteria. In accordance with IFRS 2, the Group has recognised a non-cash charge of £4.7m (FY21: £2.8m).

The share-based payment charge represents a non-cash charge for the expected cost of shares vesting under the Group's Long-Term Incentive Plan. On 21 December 2021 the Remuneration Committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019. This removal of a non-market-based condition has resulted in a charge to the income statement of £1.9m that reflects the scheme progress to date. These charges are added back to provide comparability to prior periods due to fluctuations in the charges.

Taxation

The Group tax charge of £0.5m represents an effective rate of 25% (FY21: 18%) which is greater than the standard UK rate of 19% (FY21: 19%).

During the period a corporation tax rebate of £0.5m was received and no payments on account have been made.

Cash flow

	FY22 £m	FY21 £m
Profit / (loss) before tax	**2.1**	(36.7)
Depreciation and amortisation	**12.8**	11.9
Net finance costs / (income)	**0.5**	0.9
Share-based payments including tax	**4.7**	2.8
Net loss / (gain) on disposal of property, plant and equipment	**–**	0.1
Movement in working capital	**1.3**	18.0
Corporation tax	**0.5**	4.2
Cash generated from operating activities	**21.9**	1.2
Other cash flows		
Capitalised development expenditure	**(10.6)**	(4.6)
Capitalised intangible assets	**(0.5)**	–
Capital expenditure	**(1.3)**	(0.5)
Net finance (costs) / income	**(0.3)**	(0.9)
Payment of lease liabilities	**(0.7)**	(0.6)
Cash flows excl share proceeds and dividends paid	**8.5**	(5.4)
Proceeds from issue of share capital	**–**	24.9
Total net cash flows	**8.5**	19.5
Opening cash balance	**56.0**	36.5
Closing cash at bank	**64.5**	56.0
Closing trust balance	**69.4**	39.0

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 inflows excluding share proceeds and dividends were £8.5m which is £13.9m higher than last year (outflow of £5.4m). This is due to increased profitability in the period.

Not included in the Group's cash position is £69.4m (FY21: £39m) 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 2025 the Group has sufficient cash reserves to continue to invest in the brand, people and proposition.

Dividend

The Board is not recommending a final dividend in respect of FY22.

S. Mort

Shaun Morton
Chief Financial Officer

7 December 2022

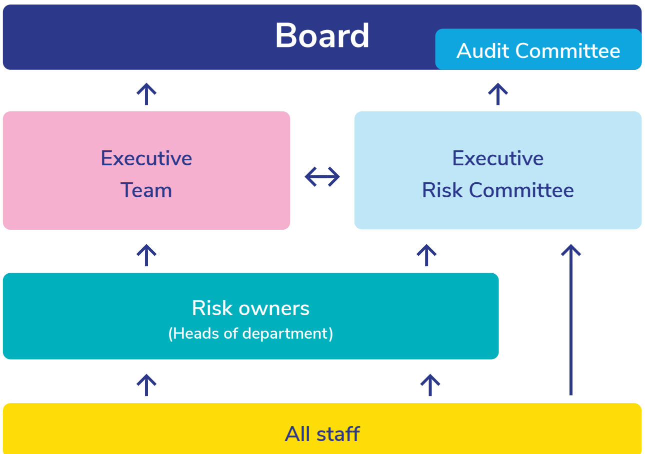
Risk management

Risk is an inherent part of our activities and it is imperative that sound risk management is embraced across the whole Group. Effective risk management allows us to identify, monitor and mitigate risks in line with our risk appetite so that the Group can deliver on its strategic objectives and ensure long-term sustainable growth.

During the year we worked with a third-party risk specialist to help us implement an improved risk management framework which we set out in more detail below. The new governance and oversight process will provide greater transparency of performance, actions and decision making across the business. A key focus in the year ahead will be training more of our people on our enhanced framework and systems and embedding them across the organisation. In this respect, we have recruited a new Internal Control and Risk Manager who is leading the implementation and sits on the newly constituted Executive Risk Committee.

Risk management governance structure

Enterprise risk management is a shared responsibility across the three lines of defence. The governance structure to report and escalate risk is shown below:



- **Board:** 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, in conjunction with the Executive Team, retains ultimate responsibility for identifying and managing risk within the business.
- **Audit Committee:** Assists the Board in fulfilling their risk oversight and management duties by providing a particular focus on escalated risk and the associated risk management processes. The Audit Committee keeps under review the adequacy and effectiveness of the internal financial controls, internal controls, and risk management system.
- **Executive Team:** Owners of the risk management process who are responsible for embedding risk management throughout our business. Each quarter, the top risks within each business area from the operational (departmental) risk registers are considered for escalation into the principal risk register.
- **Executive Risk Committee ('ERC'):** Dedicated to the oversight and governance of risk. Membership includes the Internal Control and Risk Manager and various Executive Team members. The ERC monitors the risk registers in place and in use across the Group such that all areas and activities within the Group are covered, as well as ensuring timely identification and appropriate escalation of risk. The ERC provides quarterly updates to the Audit Committee over the effectiveness of risk management.
- **Risk owners:** Are usually Heads of Departments and have responsibility for ensuring there is an established process for the identification, assessment and management of risks associated within their specific functions and department.
- **All staff:** Risk management is an integral component of the entire Group's activities; consequently, it requires input from all personnel. Risk may arise and be identified from several sources not limited to occurrences, events, incidents, or potential incidents. It is therefore the expectation that all channels with a potential for identifying risk, are considered for potential inclusion into relevant risk register(s).

Risk appetite

The Group's risk appetite, set by the Board, sets out how we balance risk and opportunity in pursuit of our strategic objectives and establishes clear parameters in which departments and the Executive Team can work and succeed. Our risk appetite statements have been developed in relation to each category of risk and are aligned to our strategic objectives. The statements are used to guide decision making as to whether a risk is within risk appetite or not and is recorded in the principal risk register for each risk.

Risk management methodology

The following risk management process is applied when identifying risks that could impact the business:

Risk Identification

The process for identifying risks is forward-looking to ensure emerging risks are identified, considering what could occur in the next 12–24 months. Risk assessments are conducted in relation to everyday operational (departmental) activities, especially when there is a change in working practice or the environment. These are regularly reviewed for frame, scope, appropriateness, and completeness.

Risk Assessment

Once the risk has been identified and described, risk assessment is conducted. This involves assigning each risk a standard rating which determines what mitigation actions (if any) need to be considered and implemented. The risk register is in place to capture risks that impact on the achievement of the operational plan, business objectives and key deliverables.

Risk Evaluation and Control

The objective of risk evaluation is to understand the operating levels of the identified risks. It provides an opportunity to separate the minor acceptable risks from the more significant risks or recurring risks. It includes the comparison from the risk analysis with the established risk criteria to determine action to mitigate the identified risks.

Once the risk has been identified, assessed, scored, and rated, the next stage is to decide and document an appropriate response to the risk. The response describes how the desired risk score is to be achieved. In general, there are four potential responses to address a risk once it has been identified and assessed – commonly known as the 4 Ts: Tolerate, Treat, Transfer or Terminate:

- **Tolerate:** The risk may be considered tolerable without the need for further mitigating action. If the decision is to tolerate the risk; in effect, the risk is deemed acceptable but monitored closely. Consideration is given to develop and agree contingency arrangements for managing the consequences if the risk is realised.
- **Treat (mitigate):** It permits the Group to continue with the activity giving rise to the risk while taking mitigating action to reduce the risk to an acceptable level i.e., as low as reasonably practicable. In general, action plans reduce the risk to the likelihood of occurrence, incorporate more methods or more sensitive methods of detection or reduce the consequence / impact where possible. It is important to ensure that mitigating actions are proportionate to the identified risk and provide reasonable assurance that the risk is reduced to an acceptable level. Action plans are documented on the risk assessment form, have a nominated owner and progress monitored by the appropriate risk forum.
- **Transfer:** Risks may be transferred for example by conventional insurance or by sub-contracting a third party to take the risk. This option is particularly suited to mitigating financial risks or risks to assets.
- **Terminate:** The only response to some risks is to terminate the activity giving rise to the risk or by doing things differently.

Monitor and Review

The final stage in the risk management process is to monitor and review the risk objectives and their respective gradings on a basis that is commensurate with ensuring prompt assessment and reassessment of timescales, thereby ensuring appropriate visibility, control, and safe management.

A risk register is a risk management tool that provides a comprehensive and dynamic understanding of a Group's risk profile. Effectively used, a risk register not only drives risk management but informs decision-making processes.

Risk management continued

Reporting

During the year, we implemented a new 'real-time' enterprise risk management system that replaces the lengthy, complex spreadsheet risk registers that were both time-consuming and cumbersome for our people. The new system has set us up well to manage risk, enabling risk owners to spend time where it really matters: investigating, managing and reporting on their risks in a co-ordinated way. The automated reports from this system form the basis of the ERC's ongoing discussions and actions on risk.

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.

As part of enhancing our risk management framework, we reviewed and revised the structure of the principal risk register. The majority of the risk categories remain the same but in some cases they have been renamed or consolidated with other risks.

Emerging risks

Emerging risks and horizon scanning are integrated as part of our risk management processes. 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. They may develop into principal risks or may not arise at all. The Executive Risk Committee and Executive Team are primarily responsible for identifying and assessing emerging risks. These are then monitored on an ongoing basis and reviewed alongside existing risks. For example during the year, climate change and other ESG issues were considered emerging risks. We know this is an area of increasing importance for all stakeholders and has been a real area of focus for us in FY22. We have developed a new ESG strategy and during the year, we carried out climate scenario analysis to help us identify and start quantifying the potential impact of climate-related risks and opportunities in our business.

The landscape in this area continues to evolve and ESG issues will continue to be kept under review as part of our risk management processes.

1. Major airline failure

Link to strategy: 1 3 4 6

Direction of travel: ↓

Risk and impact

- The collapse of a major airline could have a material adverse effect on the Group's business in terms of business disruption, availability of travel products and customer demand.
- 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.

Key controls and mitigating factors

- 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.

Change in the year

Whilst the cost of living crisis may impact some airlines, particularly given the demographic of low cost carriers, we do not believe this materially increases the chance of their failure. Overall, we believe there is a reduced risk of major airline failure compared to prior years.

Link with strategy

For each risk highlighted, we have specified the strategic pillars (as outlined in the Strategy section of this report on page 20) 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.

2. Flight supply

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and 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 online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. 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.

Key controls and mitigating factors

- 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.
- Flight supply issues apply to all OTAs and travel agents, not just On the Beach and we are engaging with the Government and regulators on the market power of airlines and the changes we believe that are required to secure a healthy and competitive market that protects the interests of consumers.

Change in the year

As detailed in last year's report, On the Beach has commenced legal action against Ryanair to prevent it from, amongst other things, blocking the Group's bookings and degrading the experience for its customers. Those proceedings are ongoing and there are no material updates to report in respect of those proceedings. Overall there is no significant change in flight supply risk from last year.

3. Recoverability of airline refunds

Link to strategy: 1 2 3 6

Direction of travel: ↓

Risk and 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 not refunding flight costs for a cancelled flight in a timely manner; or (ii) not refunding the flight costs at all because the flight still went ahead (e.g. during a national lockdown).
- 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'). Where a flight is cancelled, 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.

Key controls and mitigating factors

- We pay airlines on virtual card which means we have chargeback rights to recover the sums for cancelled flights 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.
- We are pursuing a legal claim against Ryanair for refunds due on cancelled flights. We and others in the industry are engaging with the Government and regulators about the need to find a solution to the issue of airline refunds to travel agents for the benefit of consumers.

Change in the year

We still await refunds in respect of some flights that were cancelled during the pandemic. In the second half of the year, we saw ongoing disruption across the travel supply chain, resulting in a large number of cancelled flights. Whilst there has been a delay in recovering refunds for some of those flights, overall, airlines have got quicker at making refunds and where they do not refund, we have chargeback rights as detailed above. We therefore see a downward trajectory for this risk.

4. Data and security

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and impact

- A major security breach, whether stemming from human error, deliberate action or a technology failure, could lead to unauthorised access to or misuse of our technology, customer data, employee data, commercially sensitive information and disruption to core business operations, which could result in significant financial loss, significant fines and reputational damage.

Key controls and mitigating factors

- Security policies, processes and technology are baselined against recognised standards such as NIST 800-53 and PCI-DSS.
- A 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 a 24/7 Managed Security Service provided by our Information Security partner.
- Investment in cyber security has significantly increased and we have completed a security transformation programme with a dedicated Information Security function in place.
- Cyber Security Governance Committee established with empowered representation from all departments within the Group.
- All colleagues are provided with regular security training as part of an agreed yearly security training schedule.
- Cyber insurance is in place.

Change in the year

The data security risk environment continues to evolve and we continue to update our mitigating actions as it does. Overall, risk level remains the same.

5. Innovation, transformation and scalability

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and impact

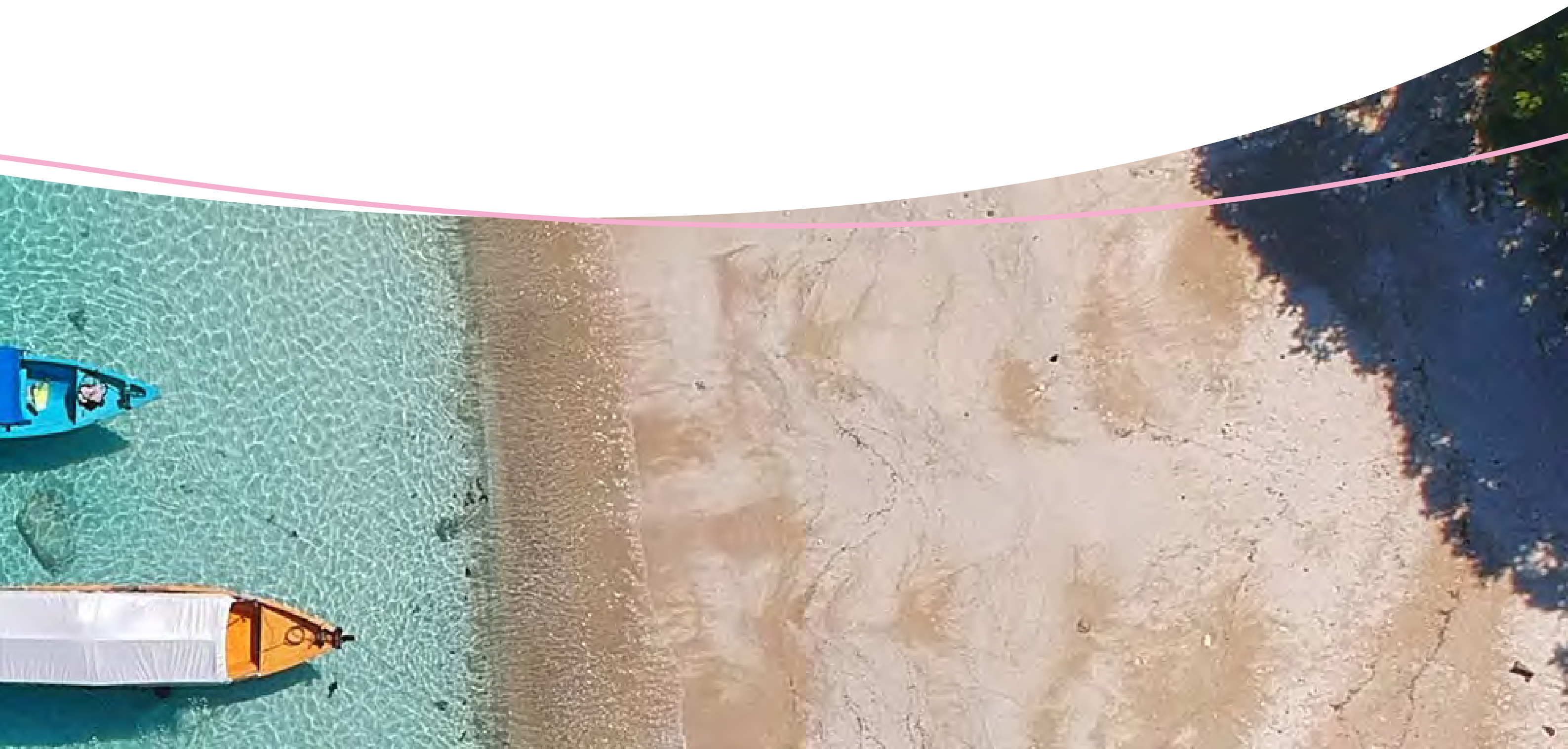
- The Group operates in a fast-moving marketplace. In order to meet our strategic objectives, our IT platforms must be agile and scalable. If we cannot keep up with growing demand and/or do not innovate or adapt our technologies or fail to adapt to changing customer attitudes/needs, then this will impact growth and the service we can offer to our customers.
- The Group invests in a number of IT systems/transformational projects as part of its strategy. Failure to execute transformational projects successfully could reduce the Group's operational efficiency, erode the Group's market leadership position and have a negative impact on financial performance.

Key controls and mitigating factors

- With the addition of a Director of Product to the Executive Team, innovation will be at the forefront of the Executive Team. It is the responsibility of the Director of Product to create a high-performing product organisation that acts as a glue between all teams and functions – championing customer centricity and utilising data to drive business outcomes. A strong understanding of technology and the art of possibility underpins all of this. The Director of Product's overarching objective is to establish the best (web and mobile) user experience, innovative technology, and highly competitive product offerings in Europe. In order to achieve this goal, we will need a strong product team and we continue to invest heavily in this area.
- The concept of scalability focuses on ensuring that projects are fit for purpose and meet the goals of end users. In order to ensure this delivery, the product team works closely with the business. The cross-functional and collaborative approach helps identify bumps on the road to delivery and, if necessary, adjust plans or rearrange resources proactively.

Change in the year

It is really important that we have the right people in place to drive innovation and transformation. During the year, we have continued to see real competition for tech talent and in this respect, we are constantly looking at how we recruit and retain talent. Overall, risk level remains the same.



6. Disruption to operations

Link to strategy: 1 2 3 5

Direction of travel: ↔

Risk and impact

- The Group faces the risk of disruption to its operations from a wide range of unpredictable domestic and international events. These can range from smaller localised disruptions impacting systems and operations at office locations, incidents at holiday destinations or major incidents affecting the whole Group such as a pandemic or natural disaster, which could impact our ability to trade and/or manage our business. Such disruptive events could materialise at any point along the supply chain and could impact the Group's finances and affect business operations and customer demand.
- As a package organiser under the Package Travel Regulations, we have number of responsibilities including finding replacements/providing refunds where flights are cancelled (through airline insolvency or otherwise) or there is a major change to a customer's holiday and providing accommodation where customers are stranded.

Key controls and mitigating factors

- We have comprehensive business continuity and disaster recovery plans in place. These plans and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.
- Insurance policies are also in place to further mitigate this risk.
- During the year we carried out climate scenario analysis to help us identify and quantity the impact of climate-related risks, including physical risks such as chronic heat, which could potentially cause disruption to operations. Whilst it is not anticipated that such risks will have a material impact in the near term, we are adopting controls to monitor these risks, such as country-level threat modelling to help identify specific areas within major holiday destinations that are particularly exposed to heat.

Change in the year

We saw much travel disruption in the second half of the year which caused operational challenges. We have been working on our plans and processes in case similar disruption arises again. Overall, we feel the pandemic has increased our resilience in the event of disruptive events and that the level of risk remains around the same.

7. People

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↑

Risk and impact

- Our employees are a key asset and it is critical that we are attracting and retaining the right talent. We need an engaged and motivated workforce, with the right people in the right places throughout all levels of the business in order to innovate, share best practice and move the Group forward. Failure to do so may negatively impact our ability to deliver on performance targets and strategic priorities. The North West, where the Group's HQ is located, is an area where there is a particularly 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.

Key controls and mitigating factors

- We provide an excellent working environment for our employees, and have a very positive, informal and open culture, which contributes to our ability to recruit and retain staff. Our Glassdoor rating based on anonymous reviews is 4.5 out of 5. Our employee engagement score is 8.1 out of 10.
- We are constantly reviewing our remuneration tools to recruit and retain employees, including base salary, bonus and share schemes and enhanced policies.
- We have succession plans in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.

Change in the year

There continues to be more job vacancies than pre-pandemic and the competition for talent continues to be a challenge. The recent cost of living crisis could expose us to the risk of heightened costs and we will keep this under review.

Risk management continued

8. Customer demand

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↑

Risk and impact

- A material deterioration in consumer confidence can lead to reduced demand for beach holidays, for example 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 and high-profile corporate failures reduce consumer confidence to make ‘big ticket’ purchases, particularly well in advance.
- 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 wildfires and extreme heat could impact the desirability of certain holiday destinations.

Key controls and mitigating factors

- 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.

As noted in the ‘disruption to operations’ risk above, during the year we carried out climate scenario analysis to help us identify and quantity the impact of climate-related risks. Whilst it is not anticipated that such risks will have a material impact in the near term, we are adopting controls to monitor these risks.

Change in the year

Customer demand remained materially low until travel restrictions started to ease in January 2022. Notwithstanding the war in Ukraine and level of the travel disruption in the second half of the year, we did see a return in consumer demand. Looking to the year ahead, whilst more normal travel conditions are expected to resume, the weak pound and the increase in the cost of living could potentially impact demand.

9. Brand and consumer proposition

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and impact

- The Group is one of the UK's largest online beach holiday retailers and relies on the strength of its brand and reputation to set it apart from competitors and attract customers to its website and to secure bookings.
- Failure to protect and maintain our reputation and brand, or events or circumstances which give rise to adverse publicity, could damage our brand/reputation, leading to a loss of goodwill and reduced customer demand to book with the Group, impacting traffic and revenue, as well as reducing our competitiveness and market position.

Key controls and mitigating factors

- We invest heavily in our brand, through a broad variety of online and offline marketing and PR campaigns, to build brand awareness and consideration. A key example is the significant investment we made during the year in our lounge and fast track promotion.
- We have internal and external PR advisers to support us to manage any PR incidents.
- We monitor satisfaction through NPS scores and customer feedback and have invested in additional headcount in this area, including the appointment of a Head of Customer Success.
- 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.

Change in the year

During the year, we saw ongoing disruption across the travel supply chain as the sector continued to recover from the pandemic. We anticipated there would be an increase in the volume of enquiries once travel restrictions started to ease and whilst we took decisive action in early FY22 to increase headcount across our customer service teams to deal with those enquiries, the disruption did still have an impact on customer satisfaction. We continue to pursue our strategy of materially investing in both customer proposition and brand and overall we feel the level of risk is unchanged.

Risk management continued

10. Non-compliance with laws and regulations

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and impact

- The Group's business is highly regulated and is subject to a complex regimes of laws, rules and regulations concerning travel and aviation, online commerce, financial services, consumer rights, data protection and ESG issues. A breach of these laws and regulations could have serious, financial, operational and reputational impacts for the Group.
- Unfavourable changes to or interpretation of existing laws could adversely affect the Group's business and financial performance.

Key controls and mitigating factors

- 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.
- Ongoing training is provided to employees (e.g. around bribery) and we have Group policies and procedures in place.
- 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.

Change in the year

There is continued regulatory focus on the travel industry and consumer facing businesses, including the reforms to consumer protection laws. ESG-related legislation and reporting requirements have also increased over the past year. The regulatory landscape will continue to evolve, as will our mitigating actions, and overall, we consider the level of risk remains unchanged.

11. Customer health and safety

Link to strategy: 1 2 3 4 5 6

Direction of travel: ↔

Risk and impact

- Safety of our customers is paramount. A health and safety incident or security incident could cause significant injury/loss of life, litigation, reputational damage, fines/regulatory sanctions and reduction in future revenues.
- As a package organiser under the Package Travel and Linked Travel Regulations 2018, 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 suppliers. In the event of a catastrophic injury/fatality, or multiple injuries, the cost could run into millions of pounds.

Key controls and mitigating factors

- 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 also 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.
- As part of our commitment to health and safety, we have invested in headcount in this area, including the appointment of a Head of Supply Risk Management.

Change in the year

Conditions in the insurance markets continue to be extremely difficult for the travel sector and we have again seen an increase in insurance costs. We continually review and develop our safety management processes and overall we consider the level of risk remains unchanged.

12. Financial risk and liquidity

Link to strategy: 1 2 3 4 5

Direction of travel: ↔

Risk and impact

- The risk that the Group has insufficient liquidity, does not have appropriate access to funds, there are negative movements in the market, or we cannot meet our obligations as they fall due.

Key controls and mitigating factors

- The Group has access to a £60m revolving credit facility.
- Bank covenant tests are regularly monitored.
- The Group took action to improve overall liquidity including two equity raises, cumulatively raising circa £90m net of fees.
- Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance.
- We prepare rolling three-year strategic plans and cash flows and a number of different scenarios have been modelled to ensure we continue to be viable – see page 50.

Change in the year

FY22 was another difficult year for the travel industry. The general macro-economic environment remains uncertain heading into FY23 with high rates of inflation. However, given the controls and mitigating actions in place, overall we feel the level of risk remains unchanged.

13. Acquisition risk

Link to strategy: 1 3 4 5

Direction of travel: ↔

Risk and impact

- Failing to achieve our strategic growth target for acquisitions due to insufficient opportunities being identified, poor due diligence or poor integration, or insufficient cash resources for acquisition, resulting in erosion of shareholder value.

Key controls and mitigating factors

- We work with external advisers and use market knowledge to find suitable targets.
- Dedicated Corporate Development Director to focus on exploring and executing acquisition opportunities.
- Carry out robust due diligence to appraise suitability.
- Clear strategy and agile business model that allows us to take advantage of new growth opportunities as they arise.
- Regular reporting of the acquisition pipeline to the Executive Team and the Board.

Change in the year

The pandemic impacted potential acquisition activity but as the sector begins to normalise, we continue to identify and assess appropriate targets. Risk level remains unchanged.

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 four years to 30 September 2026 is the most appropriate period to provide its viability statement. The Group prepares rolling four-year strategic plans and cash flows, so setting the viability statement period at four 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 this period 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 18) and its strategy (as outlined in the Strategy section of the report) are central to assessing its future prospects. As such, key factors likely to affect the future development, performance and position of the Group are:

- **Talent and technology:** 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;
- **Technology:** 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 enable us to continue to take share of market traffic; and
- **Differentiated supply:** the Group can leverage increased revenue through direct and differentiated supply.

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 36-50.

These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period. Whilst 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 - 1 major airline 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. The Group has modelled the impact of one of its larger suppliers failing to consider the impact of refunding customers and reclaiming refunds on the cash balance in addition to the impact on profitability whilst the Group finds alternative supply. 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 - 10 non-compliance with laws and regulations

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 four years, as well as the impact in customer confidence following a breach and is comfortable that such a fine would not jeopardise the viability of the Group.

- **Scenario 3:** Severe reduction in consumer demand caused by macro-economic factors or changing attitudes to flying due to environmental concerns.

Link to risk – 8 customer demand, 1 major airline failure, 2 flight supply, 3 recoverability of airline refunds

There is a risk of a prolonged impact to consumer demand as a result of the ongoing cost of living crisis in the UK and weakened pound. This could be caused by a number of factors including: affordability and changing attitudes to flying due to environmental concerns. This would inhibit the Group's ability to generate revenue and cash in this regard.

There is also a risk that environmental concerns may result in a reduction in consumer demand due as consumers may choose to travel less frequently or certain destinations may become less desirable due to extreme weather events such as heat waves and resulting wildfires.

The Group has considered the impact to cash and revenues of operating in an environment where bookings decrease by 10% over the next year followed by a 5% decrease year-on-year for the following two years. Whilst profitability would be impacted, the Group would continue to generate both profits and cash throughout this period.

- **Scenario 4:** Limitations on innovation, transformation and scalability

Link to risk – 5 innovation, transformation and scalability

There is a risk that if the Group cannot keep up with growing demand or doesn't innovate to adapt to customers, this will impact the growth of the Group. The Group is continuously investing in technology along with focusing on recruiting and retaining talent to drive innovation and transformation.

The Group has considered the impact to cash and revenues if the Group is unable to cope with peak customer demand experienced in January resulting in capped bookings in combination with restricted growth in bookings of 5% year-on-year. 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 considers 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 December 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 extended £60m Revolving Credit Facility (expiring December 2025). 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 2026.

Going concern

The Group covers its daily working capital requirements by means of cash and Revolving Credit Facility ('RCF'). On 7 December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling its current facility of £50m and CLBILS facility of £25m and entering into a new facility for £60m expiring in December 2025.

As at 30 September 2022 cash (excluding cash held in trust which is ring-fenced and not factored into the going concern assessment) was £64.5m (30 September 2021 cash of £56.0m).

Where holidays are cancelled the Group is committed to refunding customers in cash rather than vouchers. 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 2022 was £69.4m.

The Directors have assessed a going concern period through to March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. 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 have modelled a reasonably possible downside scenario to sensitise the base case. In this scenario the Directors have assessed the impact to cash and revenue in an environment where bookings are 20% lower than historic levels, although profitability would be affected, the Group would be able to continue operating.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. 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 during the going concern review period.

The Directors have considered possible levels of customer default in light of the cost of living crisis. At the date of signing default levels remain low. The Directors remain confident that the business has adequate controls and processes in place to recover outstanding balances from customers.

Given the assumptions above, the mitigating actions available and within the Group's control, the Directors remain confident that the Group continue to operate in an agile way adapting to any continued disruption. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

Section 172 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 page 60. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section.

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.

For more information, see page 61.

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.

Section 172 and stakeholder engagement continued

Customers

Why they matter to us

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

What matters to them

- Value for money
- Diverse range of travel products
- Payment options including low deposits
- Customer journey experience by making it easier for customers to find and buy their preferred holiday
- Customer service and support
- Financial protection (ATOL and ring-fenced trust account)
- Protection and reassurance of booking a package holiday
- Health and safety on holiday
- Accurate descriptions / delivery of holiday they booked

How we engage

- We 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
- Interaction via our customer call centres

Outcomes / highlights for 2022

- As part of developing our ESG strategy we carried out a materiality assessment which included engaging with customers for their views via a survey.
- Extending our payments options so that customers can now have the choice of paying monthly, in instalments or in one payment.
- We added questions to our NPS survey to better understand our customer challenges and launched a dashboard which created a single view of the customer feedback.
- We relaunched our post-booking communications as a key part of our Customer CARE strategy and responded to customer feedback by making improvements to certain elements of the 'manage my booking' space.

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 decision to invest in free lounge and fast track on Summer 22 holidays.
- Zoe Harris, Chief Marketing Officer, joined the Board on 14 October 2022, and will ensure that the 'customer voice' is prominent in Board discussions.
- The Board monitors and reviews developments concerning changes to our IT platforms which will allow us to continually improve service delivery to our customers.
- Executive bonus linked to Net Promoter Score.

Shareholders

Why they matter to 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 and succession planning
- Liquidity and dividend policy
- ESG matters

How we engage

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

Outcomes / highlights for 2022

- Both the Chairman and the Chair of the Remuneration Committee had calls/meetings or engaged in correspondence with shareholders during the course of the year.
- Consulted with over 65% of our shareholder base in relation to the new remuneration policy to be put to shareholders at the 2023 AGM. As a result of that consultation, changes were made to the proposed policy.
- Votes from shareholders representing 83% of share capital at 2022 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.

Section 172 and stakeholder engagement continued

Our people

Why they matter to 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 meeting (held both virtually and face to face), where colleagues are able to ask the Executive Team questions, hear key updates and celebrate each other's successes.
- 'Pier Group' – forum of colleagues from different departments and seniority from all around the business acting as a voice for their teams. The group meets with a member of the Executive Team every eight weeks.
- Weekly communication emails to help showcase our culture and keep colleagues up to date.
- 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 FY22

- As well as Pier Group, this year we launched 'Pier Group PLUS' which gives David Kelly, our designated Non-Executive Director for employee engagement, the chance to sit with our colleagues and hear their voice first hand.
- Introduced new pension provider and salary sacrifice scheme, removing the upper and lower limits so total salary was pensionable.
- Successfully rolled out hybrid way of working after conducting employee pulse survey on ways of working.
- Following feedback, we enhanced our family friendly policies during the year, e.g. during the year we introduced fertility treatment leave, foster carers leave, pregnancy loss leave and we enhanced maternity, paternity and shared parental leave and pay.
- Employee wellbeing has continued to be a real focus.

– We ran a programme of wellbeing events when the office reopened in March 2022 aimed at offering reassurance to colleagues as they transitioned to a new way of working.

– In response to the cost of living crisis, we communicated a payrise of £1,500, three months earlier than usual, to all colleagues with annual salaries at or below £30k and we shared updates on our Employee Assistance Programme which offers a range of support services.

– By listening to our people we have been able to make improvements in areas which have been acknowledged in our Hive engagement surveys.

How the Board engages and considers the interests of our stakeholders

- The People function regularly reports to the Board and the Board reviews and approves the People strategy.
- The Executive Directors attend the weekly Company-wide communication forums and Pier Group meetings. 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-making.
- David Kelly is the designated Non-Executive Director for employee engagement. This facilitates ongoing engagement at a Board level and ensures employee views and concerns are taken into account in the Board decision-making process. Such engagement is also relevant for the Remuneration Committee when considering remuneration arrangements for senior management and the Group generally.

Suppliers and partners

Why they matter to 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.
- Through responsible contracting, trust and ethics. We conduct regular audits (either on-site and / or via self-assessment) primarily focused on health and safety and issues such as modern slavery. We also have policies on Bribery and Corruption.
- Through industry conferences and events.

Outcomes / highlights for FY22

- Supported suppliers in the post Covid-19 re-opening phase and we continue to ensure prompt and fair payment.
- Building relationships with suppliers has meant that we have delivered circa 89% of total hotel buying through direct contracting in FY22.
- During the second half of our financial year, we saw much airline disruption. We managed that process with hotel and transfer partners, by ensuring regular communication to minimise the impact of short notice cancellations on customers and suppliers.

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.
- The Chief Supply Officer and Company Secretary are both members of the Group's Health and Safety Committee and they regularly 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.
- 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 and stakeholder engagement continued

Communities and society

Why they matter to 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 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
- Development and implementation of our ESG strategy. This process includes shaping our understanding of, and priorities for, engagement with our various stakeholders

Outcomes / highlights for 2022

- Partnered with DigitalHer to inspire and attract more girls in our community to consider a career in Tech and Product. We have hosted both virtual sessions and in-person sessions with girls attending from 3 schools over 4 sessions.
- We sponsored 14 candidates through our partnership with Techreturners and hired eight of them as part of an initiative to integrate a diverse workforce back into a tech career after career breaks. Over 50% of these candidates were women.
- On the Beach was a headline sponsor of the Manchester Tech Festival in November 2022.

How the Board engages and considers the interests of our stakeholders

- Progressed our new ESG strategy, which sets out a formal framework for operating as a responsible business which has Board oversight (see page 61). In approving that strategy, the Board took into account stakeholder feedback. In the year ahead, there will be a focus on embedding the new strategy and setting more targets so that the Board can monitor and oversee progress made. Shaun Morton is the Board member responsible for climate change and ESG.

Government and regulators

Why they matter to us

His Majesty's Government develops policy and makes laws that impact our business, our industry and our consumers.

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.

The Competition and Markets Authority ('CMA'), through its consumer protection and competition powers, is a key regulator for the Group and for the market in which it operates. We believe there are systemic issues in the travel market which require the intervention of the CMA via its market review powers and we have had constructive engagement with the CMA in relation to this.

Outcomes / highlights for 2022

- Active direct engagement with DfT and BEIS, with parliamentary committees (including the Transport, Business and Public Affairs Committees), with politicians, and with the key regulators, the CAA and the CMA, in relation to the need for holistic market reform in the travel industry for the benefit of consumers and the market as a whole. In particular, making the case for a CMA market review.

Government and regulators – continued

Why they matter to us – continued

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 and our consumer credit licence, the ICO (Information Commissioner's Office) regulates compliance with data protection laws and the Advertising Standards Authority and CMA in relation to consumer law and advertising.

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 our customers and where possible to influence them to make decisions that would benefit On the Beach's customers and our other stakeholders.

What matters to them

- The Government and our regulators expect us to meet relevant legal requirements and to treat our customers and employees and other stakeholders in a fair way.
- They value engagement with open dialogue and a collaborative approach to help them better understand the dynamics of the industry in which we operate, and the challenges faced by our business and our consumers.
- They need our input to their consultations in a timely and constructive manner.

How we engage

- Engagement with Government and regulators is led by the General Counsel, supported by external advisers. The CEO, CFO and other relevant Executives also join key meetings as appropriate.
- We engage directly with the Government in key departments including the Department for Transport (DfT) and Department for Business, Energy and Industrial Strategy (BEIS), and we engage with relevant parliamentary committees and with politicians on relevant issues. We engage directly with key regulators on a proactive basis including the CAA and CMA.
- We also engage with Government and regulators through the wider travel community at industry meetings such as the Air Travel Insolvency Protection Advisory Committee ('ATIPAC') and via travel associations.

Outcomes / highlights for 2022 – continued

- Active participation in policy development, including:
  - Engagement with DfT and CAA on proposed reforms to the ATOL regime in relation to the ring-fencing of customer monies including full response to consultation and follow up meetings;
  - Responding to BEIS consultation on Package Travel Regulations; and
  - Responding to DfT consultation on consumer rights in aviation;
- Discussions with others in the industry about the creation of an informal alliance of online travel businesses to engage positively together with Government and regulators as an industry group. Initial meetings have been positive and a subgroup collaborated to engage with DfT and provide timely and helpful feedback on the DfT's Aviation Passenger Charter, to ensure that the charter contained relevant information for customers who book through online travel businesses.

How the Board engages and considers the interests of our stakeholders

- The Board reviews and approves our engagement strategy and receives regular updates on progress from the General Counsel and external advisers. The Board sees key correspondence between the Group and the Government and regulators. The Executive Directors join key meetings as appropriate.
- The regulatory environment and likely areas of policy development form a key part of strategic planning and risk management.
- Justine Greening, having held a number of positions in the Cabinet, provides the Board with a unique perspective on the political and regulatory landscape and how it might develop.

Section 172 and stakeholder engagement continued

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.

Launch of ESG strategy

Key stakeholders affected:	s.172 factors
Shareholders, employees, customers, suppliers, communities, regulators	Long-term impact, employees, customers and suppliers, community and environment, business conduct

The Board recognised the increasing importance of ESG issues and that the Group needed to implement an ESG strategy aligned to its purpose, values and strategy which would drive meaningful change, build resilience and create long-term value. We engaged with a variety of stakeholders, including conducting client and employee surveys and listened to feedback received from investors. The insights from that engagement helped form our new strategy and has meant we are focusing our resources on making progress in the areas that our stakeholders have deemed the most important. The Board considered the stakeholder feedback when approving the new ESG strategy. Whilst further work is required to set clearer targets against which progress can be measured, the new strategy means sustainability and ESG are firmly on the Board's agenda. Further information on our approach to ESG can be found on pages 61-82.

Investment in our strategy

Key stakeholders affected:	s.172 factors
Shareholders, employees, customers, suppliers	Long-term impact, employees, customers and suppliers, acting fairly between members

The Company is committed to delivering on its strategic objectives and during the year, the Board considered a number of investments which focused on, inter alia, brand, technology and customer proposition. Decisions included the investment in fast track for all customers and free lounge access for customers booking premium holidays in summer 2022, investing in technology talent and investing in above the line media to drive awareness of the brand. Further details on the outcomes of these decisions can be found in the Chief Executive's Review. When making these decisions, the Board considered the strength of the Company's balance sheet as well as assessing the interests of the Company's various stakeholders, including reflecting on customer feedback, needs of employees and shareholders views on capital allocation and determined that the investments would drive long-term sustainable growth.

Board diversity

Key stakeholders affected:	s.172 factors
Shareholders, employees	Long-term impact, employees, business conduct, community and environment

We are committed to building a diverse and inclusive culture throughout the Group and it's important that the Board both role models and drives this culture of diversity and inclusion. A diverse Board ensures the broadest range of views, constructive debate and good decision making and benefits the Group's stakeholders through aligned interests and better business performance. Board diversity has accordingly been an area of focus and following engagement with the People team, the Board made the decision to adopt a new Board diversity policy which sets out targets of 40% female representation at Board level, at least one senior Board position held by a female Director and at least one ethnically diverse Board member. With our recent appointment of Zoe Harris to the Board in October 2022, we currently meet the first target and will meet the second target when Elaine O'Donnell is appointed Senior Independent Director on 27 January 2023. The final target will be a key area of focus for new Board appointments.

Responsibility and sustainability

We have a responsibility to conduct our business in a way that most benefits our customers, our employees and the planet at large. We do not underestimate the extent of the task in hand, and importance of our business' role in building a better society and contributing more positively to the planet.

Our ESG framework

We are committed to conducting our business the right way and we want to drive meaningful change across the industry. To that extent, we wanted to develop an ESG strategy aligned to our purpose, values and strategy that will help build resilience in the business, improve behaviours in our supply chain, create long-term value and ultimately drive positive change.

In order to make sure we were basing our framework on the right issues, during the year we completed our first materiality assessment to identify those ESG issues that matter most to our stakeholders and where we have the most potential to create value aligned with our purpose. We undertook a desk-based research exercise to create a long list of ESG issues 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. This list was then refined and we carried out further engagement, including surveys with customers and employees which helped ensure diverse insight and perspective. The insights from our investigations led to the development of our three strategic pillars: Here for People, Here for holidaymakers and Here for the planet:

Beach holidays. Fairly. For everyone. Forever.

	Here for people	Here for holidaymakers	Here for the planet
Pillar	**A diverse, inclusive and inspiring workplace that attracts talent, rewards our people and empowers our people to make a difference**	**Providing safe and accessible holidays that empower and inspire customers to travel more sustainably**	**Reducing our environmental impact and helping to protect our natural environment**
Focus areas	• **Happy and healthy workforce:** Supporting employee health and wellbeing and cultivating an engaged, skilled and rewarded workforce. • **Diversity and Inclusion:** Creating an inclusive workplace that attracts talents from diverse backgrounds. • **Giving back:** Giving back to communities and empowering our employees to support causes they care about.	• **Health and Safety** – Deliver the holiday our customers bought, safely. • **Customer satisfaction** – Make our holidays accessible and ensure customers have the very best experience. • **Sustainable travel** – Empower and inspire our customers to travel more sustainably.	• **Climate:** responding to the climate crisis and measuring and reducing our GHG emissions. • **Operations:** reducing the environmental impact of our operations and developing an environmentally-responsible culture. • **Oceans**: Protecting our beaches and oceans for future generations.
Links to SDGs	4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities	12 Responsible Consumption and Production; 16 Peace, Justice and Strong Institutions	13 Climate Action; 14 Life Below Water
Read more	Page 62	Page 68	Page 71

Responsibility and sustainability continued

Here for people

FY22 highlights

- Adopted Board diversity policy
- Successfully adopted hybrid way of working
- Awarded ‘Best Employer’ at the Travolution Awards 2021
- Enhanced our pension offering and other benefits and policies
- Awarded pay rise, three months earlier than usual, of £1,500 for all colleagues at or below £30,000 p.a. and under to assist with the cost of living crisis
- Maintained employee engagement score of 8.1 out of 10

FY23 focus

- Focus on increasing the % of senior roles occupied by women
- Introduce new Applicant Tracking System to anonymise candidates during recruitment selection process
- Collect data that allows for more accurate reporting of equality, diversity and inclusion (including social mobility data)
- Launching Menopause Support Programme
- Introduce employee volunteering policy
- Focus on initiatives to support education in our communities, providing technical and vocational skills and helping to advance social mobility

Happy and healthy workforce

New ways of working

Whilst it is widely acknowledged that we are now out of the pandemic, we know that the impact of the last couple of years on our colleagues is long lasting. We have embraced a model of hybrid working and are focused on ensuring that, when we do come together with our colleagues, this time is meaningful and collaborative; this is something that we will continue to focus on for some time ahead, to ensure that we get it right. Our aim is to ensure that everyone in our team can reach their potential and, together, provide the best level of service to our customers.

We are now settled into one site in Aeroworks and have completed a refurbishment of some of the spaces in the office by installing state of the art equipment, expanding collaboration/team zones, and creating further spaces for training activities; this environment fully supports our aim to achieve meaningful collaboration when we are together in one location.

To ensure that we really are getting it right with our approach to hybrid working, we carried out a pulse survey with our colleagues in June. This was focused on what our colleagues need to support them in their roles when they are working remotely.

We created two surveys. One survey to focus on the experience of our new starters to measure the success of our remote onboarding process. A separate survey was issued to colleagues with over six months’ service to gain insight to how they had adapted to the hybrid way of working; and into confirm that all colleagues had the tools and support they needed to perform at their best, regardless of their working location.

78% of colleagues responded. Colleagues told us that they could collaborate equally well with their team from home as they could from the office (8.2); that they felt equally well informed about business initiatives (8.3), they felt supported by their manager (8.0), their work/home life balance was healthy (8.0) and most notably that the flexibility to work from home was now critical to them (9.0).

We were able to respond directly to colleagues that required further equipment. We issued a new ‘Working from Home risk assessment’ to gain a deeper insight into any additional requirements and safeguard our colleagues’ mental and physical health, and their safety, whilst working remotely.

New colleagues to the business rated their onboarding experience on average as 8.7; they felt their manager had clearly explained the expectations of hybrid working (9.4) and they had a clear understanding of what was expected of them in their new role (9.1).

Employee wellbeing

Never has such a sharp focus on the wellbeing of our colleagues been more important, as they continue to experience significant changes in working practices and to be required to adapt so quickly. As was the case throughout the pandemic, wellbeing has been at the core of our People agenda. We recognise that all aspects of the employment relationship affect employee wellbeing and therefore our commitment in this critical area is not restricted to this section of the report, but the intention is to highlight some specific activities that we have focused on.

In October 2021 we introduced Mental Health Ambassadors and launched our Mental Health Pledge. Our Mental Health Ambassadors have played a key role in supporting all aspects of life at On the Beach for our colleagues. We are planning a range of training through MHFA England which could include awareness sessions, manager support and mental health first aid; this training will provide key support and development for our teams.

We supported the reopening of the offices in March 2022 with a programme of wellbeing events aimed at offering reassurance to colleagues as they transitioned to a new way of working. In response to the increases in the cost of living we wanted to ensure that we supported the colleagues at On the Beach who would feel the greatest impact. Along with changes to remuneration, we shared updates on our Employee Assistance Programme which offers a range of support services and we also announced that our Simply Health cashback plan would be available to all colleagues from day one of employment, as opposed to previously being available after the probationary period.

Employee engagement

We know that when colleagues are engaged they are happier, more motivated and invested in helping us achieve our goals. Pier group relaunched after a break during Covid-19. This is a forum of colleagues from different departments and seniority from all around the business, acting as a voice for their teams. The group meets with a member of the Executive Team every eight weeks to discuss a variety of topics and provide feedback. We have also launched Pier Group PLUS, which gives our designated Non-Executive Director for employee engagement, David Kelly, the chance to sit in with our colleagues and hear their voice first hand (and vice versa), ensuring the views and concerns of colleagues are represented and taken into account in the Board decision-making process. It also provides our colleagues with a unique opportunity to talk directly to a Non-Executive Director.

Our approach to communication with our employees is continuously reviewed and adapted as appropriate to ensure that it remains relevant. A key part of this is our weekly Beach Life; this is an update to all colleagues across the business. It is delivered usually by members of the extended management team and covers a wide range of topics to keep our teams up to date with anything that impacts them, including Meet the Team, Strategy updates, key changes across the business.

We also use a range of online platforms to ensure that our teams can communicate effectively with each other in our hybrid model, where they are not always working in the same location. These tools also provide a central location for information to support employees in their roles.

We also run an annual engagement survey (Hive) (facilitated by an independent third party) 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.

Our employee engagement scores this year are consistent with last year, showing extremely high levels both in participation and overall engagement. In particular, employees feel positive about the way we treat each other and our support of equality, diversity and inclusion; these have been areas of focus for us in recent months. Our employees also feel that we set ourselves high standards for the work that we deliver and have a clear understanding of what is expected of them; it's important to us that everyone has a clear understanding of the role they play in our overall success.

Whilst our scores across all categories were high, we always strive for continuous improvement and will therefore be focused on making further improvements to our overall employee experience.

How are we responding to the ongoing war for talent?

A wide range of activity is essential to ensure that we continue to address the war for talent, enabling us to remain ahead of the market in terms of our ability to attract and retain the best talent to drive our continued growth and development.

Post pandemic, we witnessed a huge increase in customer demand. We invested in our talent team and adjusted our recruitment strategy accordingly. During the last financial year, we saw our permanent headcount within On the Beach alone increase from 381 to 581. In addition, for the first time we introduced agency workers to support the customer facing functions, with many of the agency workers securing permanent roles.

We have constantly reviewed our proposition, enhancing our benefits, introducing new benefits, redesigning our careers site and recruitment materials, developing our onboarding strategy and building new partnerships, all with the aim of reflecting our culture and highlighting our commitment to diversity and inclusion.

We enhanced our family friendly policies so more colleagues could enjoy their family and career – for example, introduced fertility treatment leave, foster carers leave, pregnancy loss leave, and we enhanced maternity, paternity and shared parental leave and pay.

Responsibility and sustainability continued

We recognise that the war for talent does not end with recruitment and have therefore focused heavily on the onboarding experience of our new joiners. This included the development of a remote onboarding framework to support colleagues with their onboarding in a remote / hybrid world. It contains useful information, tips, and provides a framework for a new joiner's first six months at On the Beach, whilst ensuring consistency and providing guidance for managers. This also included introducing a buddy scheme to support new starters as they settle into life at On the Beach. Our new joiners now receive a welcome bag with branded merchandise to introduce and embed our brand personality.

Reward and recognition

Reward and recognition is an area that will continually evolve as we respond to external market changes and continue to settle into a post pandemic world, which has caused many people to reassess what really matters to them when it comes to their employment package, both financial and non-financial.

In April 2022 we introduced a new pension provider and salary sacrifice scheme, removing the upper and lower limits so that total salary became pensionable. This is an important first step towards our goal.

We also raised our minimum starting salary to £20,000 per annum (FTE) for all roles effective from 1st October 2021 which was above the Real Living Wage.

Learning and development

During a period when we were focused on supporting the transition to a new way of working, we didn't want to lose sight of the continuous development of our colleagues and knew we needed to find a suitable platform to achieve this. We launched Learnerbly in March 2022 following a successful trial of 100 users. Since launch we have seen over 600 learning requests, for books or online courses. It's a learning solution that is colleague-led and fits with our flexible/hybrid way of working. We are continuing to find ways to use this platform to deliver additional training by curating specific 'playlists'.

We have continued to run career development workshops with over 30 colleagues attending and positive feedback about the impact of these events.

Diversity and 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.

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

Our Diversity and Inclusion Pledge was launched last year. We are committed to continuous improvement in this area and have continued to make positive steps forward in all areas of the business, as has been noted throughout this report.

Our D& I focus throughout this year has been categorised under 3 key areas:

- **Training and raising awareness**

We have delivered several training and development sessions to colleagues across all areas of the business including Neurodiversity, Racism Grassroots and People Manager Diversity and Inclusion. These sessions were attended by over 90% of our People Manager population and supported some lively debate and key learning activities for our teams. We launched a Diversity and Inclusion calendar which celebrated major events throughout the year including Pride and International Women's Day.

- **Monitoring**

We are committed to ensure that the important work that we are doing in the D&I area is having an impact and therefore, this year, we have given focus to monitoring. We added an additional layer to our established employee engagement tool, Hive, which now measures the responses by demographics to make sure everyone's voice was heard and to not get lost in the majority. The results have been positive with no significant difference in employee experience.

We also now measure and monitor internal mobility, promotion, and retention; this enables us to focus our efforts where they are needed to give all employees across our business equal access to opportunities.

- **Inspiring diverse representation**

We have partnered with Digital Her in a project to inspire and attract young women into the Technology profession and have delivered seven sessions through this year. These sessions have featured role models from digital functions to inspire the younger generation to follow STEM subject routes.

In collaboration with Marketing, we have rebranded our recruitment material, such as benefit and candidate packs, to reflect our culture and showcase our commitment to D&I.

We also carried out a recruitment supplier audit and set the expectation with our recruitment suppliers to provide balanced shortlists with the express aim of increasing the female and minority representation in the recruitment of senior leadership roles. This was achieved in the recent appointments of the Director of Product, Director of Data and Director of People.

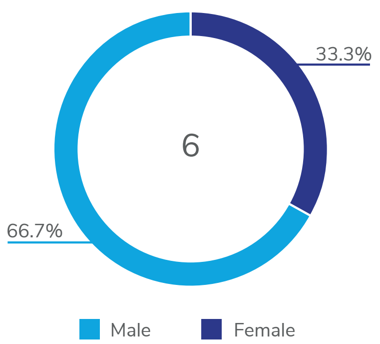
As a result of feedback from our working families network, we rolled out a new parental policy to provide additional support to colleagues in this area.

> "I've been really enjoying the D&I action group and the actions that come out of this work. It feels really positive to work for a company that listens to their employees and puts new policies in place – the new Family Friendly policies are fantastic and I'm proud to work for a company that is making such amazing changes in this area."

Feedback from the Hive engagement survey.

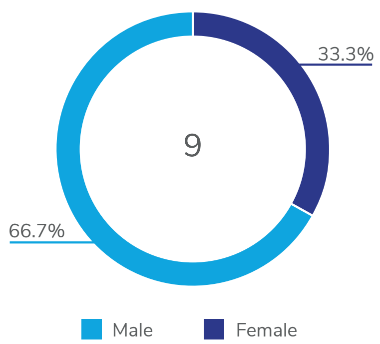
Our gender diversity

Board

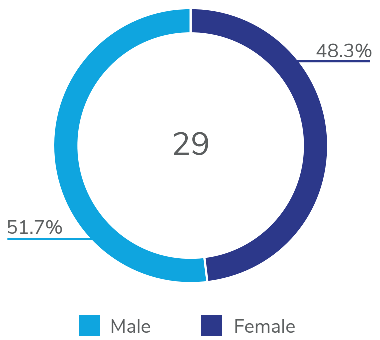


* As Zoe Harris was appointed to the Board on 14 October 2022 (and therefore after the year under review) we have not included Zoe in these figures. Following Zoe's appointment, the Board now comprises 43% females and 57% males.

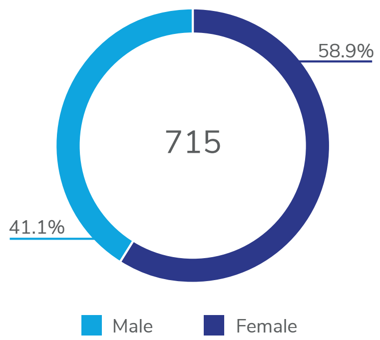
Executive Committee



Direct reports to the Executive Committee



Group



Gender pay gap data

Whilst our overall gender pay gap over the last 12 months has not reduced in comparison to the previous year, we have invested heavily in all areas of the business to ensure that we have the foundations in place to gradually decrease this gap over the coming years. We know that this will not happen overnight, and our aim is therefore to make gradual but solid positive improvements.

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.

One of our key areas of focus highlighted in the previous year was to reduce the gap in our Technology function. As we have previously stated we are operating in a sector that has historically attracted a greater proportion of men than women and we know that we have a key role to play in supporting more women into this sector. Our gender pay gap in our technology function has decreased in the last 12 months from 13.7% to 12.4%.

Employment of disabled persons

The Group's policies and procedures 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 based on 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 their employment there are policies in place to oversee the continuation of their employment and to arrange training for these employees.

Giving back

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

- **DigitalHer:** As a tech company, we want to play our part in encouraging more women into technology. This year we have partnered with DigitalHer to inspire and attract more girls in our community to consider a career in Tech and Product. We have hosted both virtual session and in-person sessions with a total of 87 girls attending over seven sessions.
- **Tech Returners:** We partnered with Tech Returners who run a programme to secure permanent roles for software engineers that have had a career break and are struggling to get back into the field. We sponsored 12 candidates through the programme to provide technical up-skilling, confidence coaching and interview preparation. We hired eight of those candidates as part of an initiative to integrate a diverse workforce back into a tech career after career breaks. 50% of the candidates were women and all of them were from minority groups.

- **Apprenticeships:** A part of our diversity of opportunities and internal mobility work, we ran Technology apprenticeships that offered colleagues outside of Technology the opportunity to step into Software Engineering roles to enable us to nurture talent from within.
- In FY23, we will continue to look at initiatives where we support education in our communities, providing technical and vocational skills and helping to advance social mobility.
- **Charity:** We always try to give back to our local communities as much as possible and this year has been no different. As well as teaming up with local charities such as Smart Works, which helps unemployed women and empowers them to feel more confident, we also have a policy in place to support colleague fundraising initiatives and events, where we match donations raised by individuals and teams. This year we matched circa £12,000 in donations. In FY23, we will explore how we can introduce a more formal programme that will allow us and our colleagues to give something back through charitable organisations that matter to us and them, whether that be through the donation of time, money and/or skills. Work is already underway in this respect, including the introduction of an employee volunteering policy.

Here for holidaymakers

FY22 highlights

- Helped customers get more out of their holidays by offering free lounge and fast track for summer 22 holidays
- Maintained Trust Pilot scores above 4 against a backdrop of travel restrictions and increased flight and airport disruption during the year
- Added a contractual obligation in our hotel contracts to work towards obtaining a recognised sustainability certification

FY23 focus

- Engagement with suppliers to encourage and incentivise hotels to obtain a sustainability accreditation
- Scoping of provision of content to increase customer awareness on how they can make more sustainable choices
- Introduce Supplier Code of Conduct
- Enhanced data/metrics on our customers for the Executive Team and the Board

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 customers, suppliers and employees. 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. The Group's Health and Safety team, through processes and procedures, deliver on our committed safety standards. Risk and safety standards are measured in a number of ways, including remote evidence-based verification, review of documentation and certification and physical audits to ensure compliance. Potential improvements identified are followed up with our suppliers to provide continuous support and proactively improve safety throughout our supply chain. The Health and Safety Committee are responsible for reviewing and assessing the risk management processes and continuous monitoring of standards. The Chief Supply Officer and General Counsel are members of the Health and Safety Committee, meeting on a quarterly basis and reporting to the board on health and safety matters. We also provide helpful content to our customers via our health and safety hub to help keep customers safe on their holidays.

We have processes in place in the event of major incidents like a major airline failure. We are however currently looking at implementing a formal incident and crisis management plan to help ensure that in the event of a disaster or crisis such as a terrorist attack, we are prepared and able to respond quickly and effectively.

Customer satisfaction

We know that for our customers, their beach holiday is their favourite week or two of the year – even more so having missed out for a year or two through Covid-19 disruptions.

With that in mind, we are even more passionate about delivering an experience that surpasses our customers' expectations and are proud that in 2022 we developed our offering to give our customers holidays that started sooner, and lasted longer.

Our summer perks helped our customers get their holidays off to a flying start, with free fast track security passes for all, and free airport lounge access for our 4 and 5 * customers.

We also adopted a new approach to communicating with our customers between booking and holidaying which gave holidaymakers more moments of anticipation, with a free Happy Holiday podcast hosted by Fearne Cotton, the chance to 'learn the lingo' with £50 of free online Spanish lessons, and brilliant holiday offers from new partnerships with WHSmith, boohoo and Revolut.

Other initiatives included introducing a new post-book app (OTB Holiday Planner) which we trialled on customers going to Tenerife. The app included flight tracking, weather, maps, points of interest and recommended activities in resort. Those customers included in the trial showed increased NPS scores compared to those not in the trial.

During the year, we increased our headcount across all customer service teams to handle additional demand and also re-launched our post-booking communications, taking on customer feedback, for example by making improvements to elements of the 'manage my booking' space on our site.

Accessible holidays

We believe that holidays should be enjoyed by all. There are a number of things we are doing to make our holidays more accessible:

- **Spreading the cost:** We offer low deposits and instalment payments to allow customers to spread the cost of their holiday, During the year, we also added a new payment option of allowing customers to pay monthly, which gives customers more flexibility to tie in payments to their pay day and again spread the cost.
- **Finding the right holiday:** We know that not everybody looks for the same thing in a holiday and we are always looking at ways in which we can make it easier for customers to find the right holiday for them. We mainly do this via helpful content on our site and blog but we are also refining the segmentation of hotels to make it easier for customers to find their perfect holiday.
- **Inclusive design:** As everyone will have an accessibility need at some point, our approach to inclusive design ensures that our product is accessible and usable by as many people as possible.
- Our booking path addresses some of the most common Web Content Accessibility Guideline ('WCAG') failures, such as:
  - Using colours that provide a higher contrast to improve legibility of text and icons.
  - Ensuring that touch target areas are an adequate size – allowing for users on touch-screen devices to tap links easily, without frustration.
  - Ensuring that all form fields have visible labels at all times, allowing forms to be completed with ease.
- We continue to learn and spread knowledge of accessibility guidance across departments through our newly formed network of Inclusivity Champions, allowing us to improve our product at every customer touch point.
- **Special assistance –** We want to make sure everyone can have an enjoyable holiday that suits their needs. We have an experienced team who can help customers with any special assistance requests and we ask customers to let us know of any special assistance requests or needs at the time of booking so that we can check, whether possible, whether those needs can be met.

We will continue to innovate to develop products and processes that make travel easier and more accessible for everyone.

Sustainable travel

One of the key ways we will help empower and inspire our customers to travel more sustainably is by showcasing our partners and suppliers' sustainability practices so that customers can make more informed choices. With this in mind, our longer-term goals are to:

- Set out sustainability information and credentials for hotels on our website;
- Show customers the carbon impacts of flights and explore ways in which that impact could potentially be mitigated or offset;
- Raising customer awareness to highlight the role they can play in creating positive change.

We acknowledge it will take some time to meet those goals. A key focus will be to work with our partners and suppliers to embed sustainability into our supply chain. During the year, we added a sustainability clause in our contracts with accommodation suppliers requiring hoteliers to work towards obtaining a credible sustainability certification recognised by the Global Sustainable Tourism Council.

We are also in the process of updating the questionnaire that all hotels are mandated to complete to include more sustainability questions so we can get a better understanding of the hotel's sustainability practices and we will roll that out in FY23. In the year ahead, we will also be looking at introducing a Supplier Code of Conduct to ensure that our suppliers, like us, are operating ethically and sustainably and complying with applicable laws.

As well as providing more information on the sustainability credentials of our partners and suppliers, it's also important for us to raise customer awareness about sustainability issues and we continue to look at ways in which we can increase that awareness, including by providing meaningful and helpful content to our customers via our site and communications as to what practically they can do to make a difference.

Here for the planet

FY22 highlights

- Baseline carbon footprint determined, including Scope 3.
- 40% reduction this year in total SECR emissions (comprising Scope 1 and Scope 2 emissions and limited Scope 3 emissions)
- Implementation of TCFD recommendations
- 0% of waste from our head office sent to landfill

FY23 focus

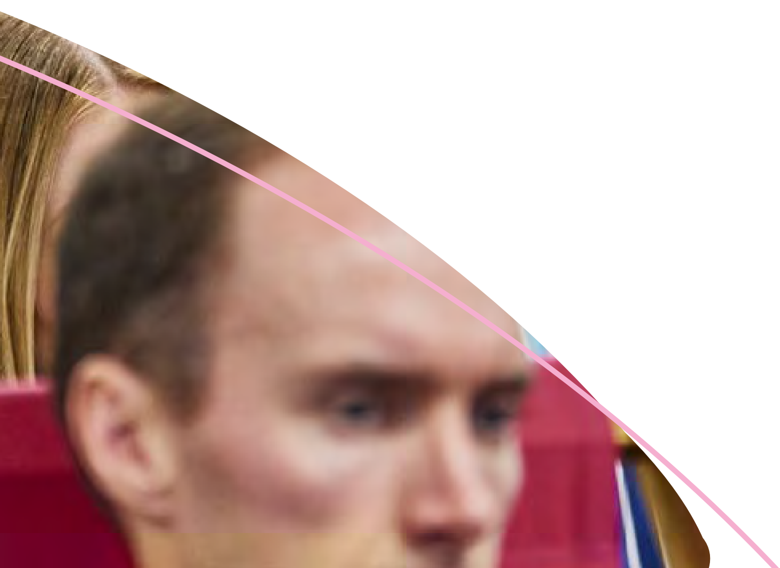
- Continue working with an external adviser on our decarbonisation strategy to set a target for our Scope 1 and 2 emissions
- Preparing our pathway to net zero

Climate

Amidst an array of sustainability challenges facing global businesses in the 21st century, climate change is arguably one of the most critical and time pressured of all. A key area of our ESG strategy is to look at how we can reduce our own greenhouse gas emissions and build our resilience to climate change. During the year, we worked with a third-party expert to calculate our Scope 3 emissions for the first time. Whilst we have not yet formalised any targets in respect of carbon emissions, now that we have established our baseline Scope 3 emissions and have a clearer understanding of our full carbon footprint, we are working with the third party to help us explore science-based targets and suitable KPIs in terms of preparing our pathway to net zero. As part of building our resilience to climate change, we carried our climate scenario analysis during the year to help us better understand our exposure to climate-related risks and in turn explore what we can do to mitigate those risks

For more information, see page 72-80

The travel industry invariably contributes to carbon emissions. In FY21 use of sold products (namely customer flights, hotels, transfers and car hire) accounted for circa 84% of all our all emissions. The whole travel industry needs to work together to make meaningful change but we are committed to working with our partners to encourage the adoption of sustainable practices. Please see page 70 for more information on how we are working with some of our partners in this respect. This also ties in with our Here for Holidaymakers pillar in terms of how can we support our customers to reduce their own carbon footprint and empower them to make more sustainable choices.



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 2022.

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 and business travel in Company-owned vehicles and grey fleet. The table below details the regulated SECR energy and GHG emission sources from the current and previous reporting periods.

Table 1 – SECR emissions profile by source

		FY22	FY21	% change
Energy (kWh)				
	Natural gas	191,776	748,663	-74.4%
	Company vehicles	1,438	22,384	-93.6%
	Electricity	690,102	894,325	-22.8%
	Business travel	95,912	34,591	177.3%
	Total energy	**979,229**	**1,699,963**	**-42.4%**
Emissions (tCO_2e)				
Scope 1	Natural gas	35.1	137.1	-74.4%
Scope 1	Refrigerant gases	–	3.6	-100.0%
Scope 1	Company vehicles	0.4	5.2	-92.3%
Scope 2	Electricity	146.5	189.9	-22.9%
Scope 3	Grey fleet	23.6	8.5	177.6%
	Total SECR emissions	**205.6**	**344.3**	**-40.3%**
Emission intensity ratio				
Relative emissions, (tCO_2e / £m Group revenue before exceptional cancellations		**1.42**	11.29	-87.4%
Relative emissions (tCO_2e / employee numbers)		**0.40**	0.70	-42.9%

It should be noted that there has been a significant reduction in emissions associated with gas consumption in this reporting period primarily due to the ending of the tenancy at the Park Square which accounted for almost three quarters of gas consumption during the last period. There has also been an issue with the gas metering at Aeroworks, which has resulted in no consumption being recorded since May 2022. In this case, consumption has been estimated using the relationship between invoiced gas consumption and heating degree days as it is known that gas was being used onsite.

The reduction in electricity emissions associated with consumption in comparison to last year's reporting period is also due to the ending of the tenancy at the Park Square site with the reduction in Company vehicles, emissions as a result of a decrease of use of Company cars for On the Beach. The increase in grey fleet emissions is accounted for by a three-fold increase in colleagues' business travel at Classic Collection Holidays for this period, namely due to the lifting of Covid-19 restrictions during the period allowing greater business travel.

Energy efficiency and further action

For more information, please refer to page 80.

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. Where consumption for the gas at Aeroworks was not available, this was modelled from the relationship between invoiced data and heating degree days.

Transport disclosures from Company-owned vehicles and personal cars used for business purposes have been calculated using a combination of business mileage expense claim records. Mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2021. 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.

Scope 3 emissions

During the year, we worked with a third-party expert to calculate our Scope 3 emissions for the first time based on FY21 data. Our GHG inventory shows that the majority of our emissions are Scope 3 emissions from the impact of our operations, both upstream and downstream, in the value chain. The majority of these emissions resulted from use of sold products, which are the emissions resulting from customer flights and hotels stays sold via On the Beach. While Scope 3 emissions dominate the 2021 inventory, the majority of these emissions were calculated using the screening methodology and financial data. In the year ahead we will consider refining the data for certain emissions to better quantify such emissions. Now that we have established our baseline Scope 3 emissions, we will continue working with a third-party expert to help us develop strategies and policies to reduce our emissions and set appropriate targets.

Responsibility and sustainability continued

Task Force on Climate-Related Financial Disclosures (TCFD)

The Board recognises the importance of understanding and managing the impact of potential climate-related risks and opportunities on the Group's business and strategy. During the year, we completed a gap analysis to understand what we needed to do to meet the TCFD obligations and conducted a series of climate screening workshops with senior management and other key stakeholders from across the business. With support of a third-party expert, we have carried out climate scenario analysis to help us identify and quantify the potential impact of climate change risks and opportunities in our business and as discussed above, for the first time, we have taken steps to quantify our Scope 3 emissions.

The following disclosures are consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations. They summarise our approach and progress under each of the four pillars of the TCFD – governance, strategy, risk management, and metrics and targets. We have considered our 'comply or explain' obligations under the UK Financial Conduct Authority Listing Rules and we are fully compliant with 8 of the 11 recommendations. There are three recommendations (two of which fall within metrics and targets) where we are partially compliant:

- **Strategy (financial planning):** Whilst conducting our climate-related risk assessment and climate scenario analysis has provided a firm foundation on which to build our climate change strategy, further work is required to quantify and fully disclose the impacts of climate-related risks and opportunities in the context of financial planning.
- **Metrics and targets:** We report annually on our greenhouse gas emissions and carbon intensity ratios and these will be key metrics, however we are still exploring what other metrics and targets we can set to manage climate-related risks and opportunities. We are currently working with a third-party expert in this respect and will provide an update in next year's report.

We recognise the TCFD framework is still new and whilst we have made significant progress this year, we acknowledge there is still progress to be made and as such we will seek to refine the quality of our reporting as our approach develops.

Governance

Describe the Board's oversight of climate-related risks and opportunities

Describe management's role in assessing and managing climate-related risks and opportunities

The Board has overall responsibility for the Group's preparedness for adapting to climate change and both the Board and Audit Committee maintain oversight of climate-related risks and opportunities. To ensure the Board can provide appropriate challenge from an informed point of view, they received a TCFD-focused training session from an external adviser during FY22. As part of implementing our new risk management framework, we have set up processes to ensure both the Board and Audit Committee will receive periodic updates on climate-related risks and opportunities, mitigation methods and progress (namely via reporting and verbal updates) and will oversee the setting of key targets and progress against those targets.

Shaun Morton is the Board member with overall responsibility for climate change and ESG. As well as sitting on the Board, attending Audit Committee meetings and being a member of the Executive Team, Shaun chairs the Executive Risk Committee ('ERC') which is a newly constituted committee dedicated to the oversight and governance of risks, including climate-related risks. The ERC reports in to both the Audit Committee and the Executive Team and the ERC will provide updates to the Audit Committee on a quarterly basis with regards to the effectiveness of risk management processes. The ERC has oversight of the material climate-related risks, as well as an overview of the level and effectiveness of key controls in place to manage the risks.

The Executive Team is responsible for the operational delivery of sustainability strategy. During the year we carried out climate risk workshops which educated management on the requirements of TCFD and the landscape of climate-related risks and opportunities, this in turn has helped the Executives start embedding climate-related risks and opportunities and other sustainability factors into their decision making.

The ESG Steering Group is primarily responsible for facilitating the delivery of ESG initiatives across the Group and members include a number of the Executive Team to ensure a top-down approach to sustainability. During the year, the ESG Steering Group reported to the Executive Team on a more informal basis but we will formalise this reporting process as we continue to embed ESG into our business and strategy.

On the Beach's climate-related governance structure

Board

The Board has overall responsibility for our strategic direction, overseeing strategic implementation (including sustainability, strategy and delivery) and for setting our risk appetite and monitoring the application of our risk framework.

Executive Team

The Executive Team is responsible for operational delivery of our sustainability strategy, including day-to-day management of operations and responsibility for monitoring detailed performance of all related aspects of our business. Ensures sustainability risks and opportunities are included in decision making.

Audit Committee

The Audit Committee monitors and reviews the effectiveness of climate-related risk management systems and relevant internal controls, as well as approving reporting statements, such as TCFD disclosures, on those internal controls and climate-related risk management.

Executive Risk Committee

The Executive Risk Committee ("ERC") is dedicated to the oversight and governance of risk. It oversees the identification and management of climate-related risks and opportunities and reviews risk management activities.

ESG Steering Group

The ESG Steering Group is responsible for driving the implementation of our overall ESG strategy and facilitating the delivery of ESG initiatives across the business.

Strategy

Describe the climate-related risks and opportunities the organisation has faced over the short, medium and long term

In the table on page 77, we explain the key climate-related risks that could have a significant effect on our operations, strategy and financial planning if they are not managed appropriately. Risks have been considered across the short term (1-5 years), medium (5-10 years) and long-term (10+ years). We considered a number of factors to select actionable time frames, including our usual business planning timescales and the time periods over which both transitional and physical risks are likely to manifest to a material level.

At this stage, we have not identified any material climate-related opportunities, however we believe that these will emerge as we develop actions to mitigate climate-related risks. For example we have a more agile business model than a number of our competitors which means that we may be able to pivot more quickly than other businesses in the event risks materialise (particularly physical risks), which in turn has the potential to increase revenues and our market share. We will also explore in more detail about how customer demand for more sustainable / low carbon holidays could potentially be maximised. We continue to keep climate-related opportunities under review.

Strategy – continued

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Conducting our climate-related risk assessment and climate scenario analysis has provided a firm foundation on which to build our climate change strategy. In the table on page 77 we primarily focus on the qualitative impact of climate-related risks on our business. Whilst some limited quantitative impacts have been given, we expect to evolve our assessment over time and intend to provide further detail in future reports, including more detail around the interdependencies of our climate-related risks and opportunities and their ability to create value over time.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	During the year, we commissioned an external agency to undertake climate scenario analysis to help us identify and quantify the potential impact of climate change risks and opportunities in our business, and to help us understand the resilience of our business under a range of different climate outcomes. The following three scenarios, based on the Network for Greening the Financial System (NGFS) framework, were used. These scenarios were selected as they aligned with current best practice on TCFD disclosure and offered differing narratives on how the transition to a zero carbon economy would play out: • 'Net Zero 2050' is an ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Net CO_2 emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low, but transition risks are high. • 'Divergent Net Zero' reaches net zero by 2050, but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels. This scenario differentiates itself from the Net Zero 2050 by assuming that climate policies are more stringent in the transportation and buildings sectors. This mimics a situation where the failure to coordinate policy stringency across sectors results in a high burden on consumers, while decarbonisation of energy supply and industry is less stringent. Emissions are in line with a climate goal giving at least a 50 % chance of limiting global warming to 1.5 °C by the end of the century, with no or low overshoot (<0.1 °C) of 1.5 °C in earlier years. This leads to considerably higher transition risks than Net Zero 2050. • 'Current Policies' assumes that only currently implemented policies are preserved, leading to high physical risks. This represents a business-as-usual scenario with minimal meaningful action taken on reducing emissions. Emissions grow until 2080 leading to about 3 °C of warming and severe physical risks. The focus of the scenario analysis was on the next 30 years, to 2050. This aligns with the Government's regulatory aspirations for net zero by 2050. The output of the climate scenario analysis has informed our understanding of how climate-related risks (both physical and transitional) could impact our business. Our risk exposure very much varies depending on which scenario is explored. Broadly, our exposure to physical risk is greater within the current policies scenario, whilst the business' exposure to transition risk is much greater under the net zero scenarios. Carbon pricing, regardless of the mechanism through which it is levied, would appear to be the most financially impactful at this stage, especially in net zero scenarios, but physical climate risks, which are difficult to quantify could potentially have a significant impact too. The scenario analysis has allowed us to be more targeted in understanding the current resilience we have against climate-related risks and focus on developing the right further mitigation strategies for the Group. We have controls in place for each material climate-related risk, for example in relation to carbon pricing, we are monitoring action taken to reduce emissions, which will reduce our exposure to this risk. In relation to physical risks, various mitigating activities are in place, such as heat risk modelling and gauging consumer perception of excessive heat. Where physicals risks, or the perception of them, impacts e.g. consumer demand, then we believe our agile business model makes us more resilient and allows us to pivot more quickly than other businesses.

Risk	Carbon pricing	Consumer sentiment	Talent retention	Extreme heat (acute impact)	Extreme heat (chronic impact)
Category	Transition	Transition	Transition	Physical	Physical
Description	Carbon taxation may be directed either at the Group's direct operations, or in the form of increased taxation across the aviation sector. This could increase our cost base.	Change in consumer sentiment may impact demand if aviation is seen as a 'problem' sector. This could impact the Group's addressable market and revenues.	Changing perception of current/ prospective employees towards businesses with exposure to carbon intensive industries may create retention or attraction risks.	Disruption from wildfires close to either major transport hubs or holiday destinations could cause potential revenue loss. Wildfires may change the relative desirability of certain destinations which potentially could impact revenues.	Prolonged periods of extreme heat may change the relative desirability of certain locations and may cause a decrease in demand if 'staycations' become more popular
Time horizon	Medium – long	Medium – long	Medium – long	Long	Long
Financial implications	High	Medium – high	Low	Medium – high	Medium – high
Likelihood	High	Medium	Low	Medium	Medium
Methodology	A range of potential costs were modelled based on assumed emissions growth and projected carbon price within the scenarios.[1]	Difficult to currently quantify as a broad range of outcomes are possible based on technological innovation and public opinion on air travel.	Cost based on assumed attrition rate increases due to broader sustainability concerns relative to baseline.	Difficult to quantify – broad range of outcomes based on impact of physical risk and customers' willingness to accept these.	Difficult to quantify – broad range of outcomes based on localised temperature rises and customers' willingness to accept these.

1 Carbon prices were derived from an average of the outputs of GCAM5.3, MESSAGEix-GLOBIOM 1.1 and REMIND-MAgPIE 2.1-4.2 models for the European Economic Area (or similar), sourced from the NGFS Scenario Explorer.

Responsibility and sustainability continued

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks.

Describe the organisation's processes for managing climate-related risks.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Climate-related risks will be managed using the same risk management approach as other risks within our risk management system (please see page 36 for information on our risk management system).

Climate change is discussed and considered during the principal risk assessment process and, after consideration, we have determined that climate change is not currently a principal risk to the business as we do not currently expect climate change to fundamentally alter the demand for our holidays or our ability to provide them. This will be kept under review as part of our risk management processes and climate change and sustainability has been identified as an emerging risk.

In terms of identifying risks, our priority climate-related risks were identified through a series of workshops with key stakeholders to understand the operational implications of each climate-related risk. The initial longlist of risks was then condensed into five initial priority risks, the materiality of which was assessed by considering the impact and likelihood of each risk.

The risk materiality assessment will be updated each year to ensure that we are considering the rapidly changing context in which the business operates, as well as availability of additional data that may support more sophisticated modelling of identified risks.

We will also scan the environment for new and relevant climate change publications and data, industry active and TCFD guidance on potential risks and opportunities.

We have created a climate-related risk register which has been added to our risk management system. Each material climate-related risk has been assigned an owner and controls and mitigation actions have been identified for each risk. The risk owner is responsible for managing the relevant risks and during the year, we began implementing our new 'real-time' enterprise risk management system that will make it easier for risk owners to manage and report on risks. The automated reports from this system will give the Executive Risk Committee an overview of the level and effectiveness of key controls in place to manage climate-related risks.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We report annually on our greenhouse gas emissions and carbon intensity ratios and these will be key metrics. We are however still exploring what other metrics we can use to meaningfully assess and track progress of climate-related risks and opportunities in line with our strategy and we will provide an update in next year's report in this respect.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The Group reports on its Scope 1 and 2 emissions and, for the first time this year, we have conducted an initial assessment of our Scope 3 emissions. Please refer to page 72 for more details on our GHG emissions. The main risk surrounding our operational emissions is potential exposure to carbon pricing. A carbon tax imposed on our direct operations is unlikely to have a material impact on the business under all scenarios. However, a carbon tax applied to our full Scope 1–3 emissions is likely to have a substantive impact. We have initial controls and mitigations in place to manage / mitigate this risk but these will be enhanced and kept under review as we address our business resilience to climate change.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We are taking action to reduce our Scope 1 and 2 emissions (see page 80) but have not as yet set a formal target in relation to emissions. Similar to metrics, we are still exploring what targets should be set to manage climate-related risks and opportunities and we will provide an update in next year's report.

Responsibility and sustainability continued

Operations

We recognise the importance of good environmental practices. As an internet-based business based in two UK office locations, our direct environmental footprint is relatively small. We are however committed to reducing our environmental impact and our contribution to climate change through continuous improvement procedures.

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 FY22, 56% of all waste was recycled (FY21: 73%) and the remaining 44% was diverted (FY21: 27%) meaning none of our waste was sent to landfill. Diverted waste is namely compostable waste such as food and coffee beans. The volume of waste collected this year increased by 43% due to colleagues returning to the office and hence why the amount of compostable waste is higher. We are putting various initiatives in place, for example in our onsite coffee shop, we have switched from recyclable coffee cups and lids to compostable items. We are considering introducing a loyalty card to incentivise employees to bring in their own mug and reduce the number of compostable cups and lids that we use. In FY23 we will continue to look at how we can reduce the amount of waste generated and again look to hitting our target of 0% of waste sent to landfill.

Energy efficiency. During FY22 there was a continued focus on conserving energy and other natural resources and improving the efficacy of those resources and we have implemented several initiatives this year to reduce our carbon footprint. These included installing LED lighting and time control functions in our underground car park and ensuring that all heating systems are switched off over the weekend, with the temperature set at 21 °C. 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. We are considering several other initiatives for future years, including looking into renewable energy electricity suppliers and are currently sourcing quotes. We are also in discussion with our landlord over the installation of wind turbines or solar panels, however, there are concerns over issues that may arise by fitting them retrospectively.

Therefore, as an alternative and due to Aeroworks having a large number of windows, we have investigated potentially replacing the internal single glazing with solar controlled glass.

Reducing business travel. Last year, we made the decision to close our Park Square office and bring all North West employees under one roof at the Group's headquarters which has in turn reduced our energy consumption. Through adopting a hybrid way of working, we have reduced energy consumption (compared to pre-pandemic levels). We also use teleconference technologies to host online meetings more and as a result, staff travel and consequent travel related emissions have reduced.

Environmentally-responsible culture. We want to foster an environmentally-responsible culture through awareness and by encouraging employee-led environmental actions and initiatives. As an initial step, during the year we have rolled out environmental awareness training for all employees. We have also located several 'Save our planet' posters in all meeting rooms reminding colleagues to turn off air conditioning systems when they are leaving the rooms. We will continue to build on this awareness strategy and will offer more opportunities for our employees to get involved. As well as organising a beach clean in FY23 (see page 81), we will explore how we can further encourage employee participation so that they can feel part of a community that's having a positive impact on the environmental as well as helping the Group reduce its environmental impact.

Fruitful office. We have partnered with Fruitful Office who provide fresh fruit to our office every week for our colleagues. For every basket of fresh fruit, Fruitful Office plant one tree to combat deforestation and offset carbon emissions. During FY22, 139 trees were planted due to this partnership.

Oceans

We love beaches and send millions of customers to them every year. Whilst the beach and ocean are often key parts of our customers' holiday, those oceans are also our planet's life support system. They generate most of the oxygen we breathe and they are home to important species and ecosystems that we rely on for food, livelihoods, climate regulation and more. However our oceans are in trouble and it is currently estimated that up to 12 million metric tons of plastic—everything from plastic bottles and bags to microbeads—end up in the oceans each year. We want to make sure we do our bit to help protect and restore our oceans for future generations.

This is a new focus area for us and we are still exploring what action we can take and what targets and metrics we can use to measure progress. In our employee survey about ESG matters, this was an area that our employees felt strongly about and we will be organising a beach clean during FY23 for our colleagues to get involved. We will continue to engage with and encourage our partners to adopt sustainable business practices, including in relation to the reduction of single use plastic. Please see page 72 for more information in this respect.

We look forward to providing an update on this focus area in next year's report.

Governance

We are committed to doing business the right way and our ESG pillars are underpinned by robust governance and effective policies. Further details of our governance framework can be read on page 80.

Anti-Corruption and bribery

We are committed to operating ethically and employees do not actively seek gifts or favours from any of our suppliers, or from other persons or organisations that we associate with. We have top-level commitment to anti-bribery and corruption, and ensure all employees behave professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and implement and enforce effective systems to counter bribery. We maintain an Anti-Bribery and Corruption policy which is supported with mandatory online training for all employees. We are set up to fully support our employees, should they need to raise concerns about unethical, criminal or dangerous activities within the Group, and as such provide a confidential whistleblowing telephone line, through an independent and impartial organisation.

Human rights and modern slavery

We are committed to supporting human rights through our compliance with national laws and through our internal policies which adhere to internationally recognised human rights principles.

We have 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. We maintain an Anti-Slavery and Human Trafficking policy and in accordance with the Modern Slavery Act , the Group has a modern slavery statement which can be found on our website www.onthebeachgroupplc.com/responsibility.

We safeguard our employees through a framework of policies and statements including anti-slavery, equality and diversity and data protection policies.

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. During FY23, we will be looking at introducing a Supplier Code of Conduct to ensure suppliers are complying with applicable laws and are committed to operating ethically and sustainably.

Data security and privacy

As an online retailer serving millions of customers, protecting their data and ensuring safe online shopping is critical. We meet our legal and regulatory duties and responsibilities for protecting the personal data we have within our care. Our policies and procedures are built on the world-recognised principles contained within the EU General Data Protection Regulation.

Whistleblowing

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 concern on an entirely confidential basis. The Audit Committee receives regular reports on the use of the service and concerns raised.

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.

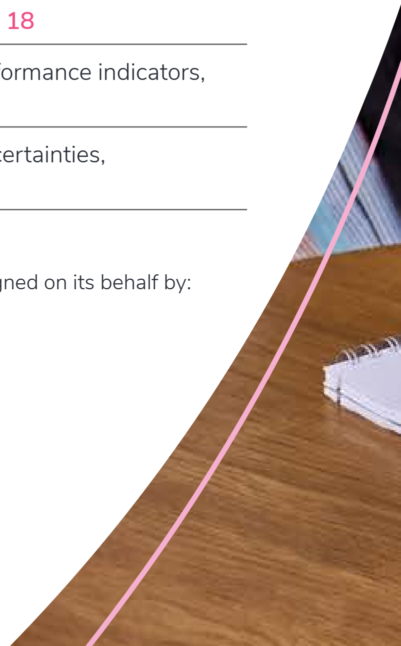
Reporting requirement	Policies and standards	Where to read more in this report to understand the impact on the business, and the outcome of applying our policies
Environmental matters	The Company does not have a specific policy on environmental issues, however, more information on our business impact on the environment can be found in the Responsibility and Sustainability Report, on page 61, which also contains the statutory carbon emission and energy data on page 72.	
Employees	• Equality and diversity policy • Board diversity policy • Whistleblowing policy • HR policies including adoption leave, parental leave, flexible working • Health and safety policy • Staff handbook	• Responsibility and Sustainability, page 61 • Stakeholder engagement and s.172 statement, page 53 • Principal risks and uncertainties, page 38-49 • Gender pay gap report www.onthebeachgroupplc.com/responsibility
Social matters	• Health and safety policy • Staff handbook	• Responsibility and Sustainability, page 61 • Stakeholder engagement and s.172 statement, page 53
Human rights	• Modern slavery statement • Anti-slavery and human trafficking policy • Data retention and destruction policy • Data handling and data quality policy • Employee data privacy policy	• Responsibility and Sustainability, page 61
Anti-corruption and anti-bribery	• Anti-bribery and anti-corruption policy • Whistleblowing policy • Staff handbook	• Responsibility and Sustainability, page 61 • Audit Committee Report, page 107
Business model		• Business model, page 18
Non-financial KPIs		• Non-financial key performance indicators, pages 24-27
Description of principal risks		• Principal risks and uncertainties, pages 38-49

Certain Group policies are not published externally.

The Company's strategic report, set out on pages 5-82, was approved by the Board on 7 December 2022 and signed on its behalf by:

Simon Cooper
Chief Executive Officer

7 December 2022



Governance

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

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 to ensure 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 considers that the Company has complied with the Code.

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 pages 100-101.

Stakeholders

FY22 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 53 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 during the year, the Board approved the Group's new ESG strategy that we hope will bring about meaningful change and create a stronger and more sustainable business. As we continue to further embed this strategy in the year ahead, the Board will have direct oversight of all ESG matters (including climate). You can read more about our ESG journey on page 61.

Risk

During the year, we developed and introduced a new risk management system that will enhance the Group's existing assurance process and gives us additional confidence to tackle risks and uncertainties that may arise as we execute our strategic objectives and deliver on our ambition.

Conclusion

I believe that the Board remains effective and continues to work very well. Whilst it has been another difficult year for the travel sector, the decisive action that we have taken means we are well placed to capitalise on opportunities as travel conditions continue to normalise.

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

7 December 2022

Directors’ biographies

Richard Pennycook, CBE

Chairman of the Board

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 1 April 2019. Richard brings extensive experience in both private and public retail and consumer businesses, including fast-growing online businesses.

Until recently, Richard was 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 stepped down from the board on 17 September 2022 at the end of his term. 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.

* Richard Pennycook stood down as a director of Howden Joinery Group plc on 17 September 2022.

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 whilst 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. More recently, Shaun has been working closely with Simon on strategic initiatives of the business such as growing market share in the premium, long haul and B2B segments. 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: Gym Group plc (Non-Executive Director) and Reach plc (Chair of the Remuneration Committee)*

Committee Memberships: Remuneration (Chair), Audit and Nomination,

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

His current appointments also align with his position at On the Beach, as they afford him extensive knowledge of both non-executive directorships and chair of committee roles. Specifically at On the Beach, David has in-depth knowledge of the business, being the Group's longest serving Non-Executive Director and the Company's Senior Independent Director, as well as our designated Non-Executive Director for employee engagement.

* David Kelly will step down as a director of Reach plc on 31 December 2022.

Directors’ biographies continued

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)*, SThree plc (Chair of the Audit and Risk Committee) and Gym Group plc (Chair of the Audit Committee)

Committee Memberships: Audit (Chair), Nomination and Remuneration

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

Elaine was previously a partner at Ernst & Young LLP where she specialised in corporate finance, mergers and acquisitions, and worked with a diverse range of businesses.

* Elaine O'Donnell will step down as a director of Games Workshop Group plc on 31 December 2022

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 and Remuneration

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.

Zoe Harris

Chief Marketing Officer

Appointed to Board: 14 October 2022

Independent: No

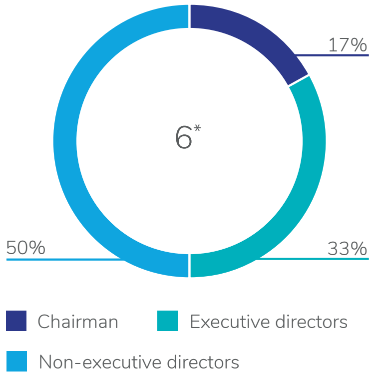
Listed Company Appointments: None

Committee Memberships: None

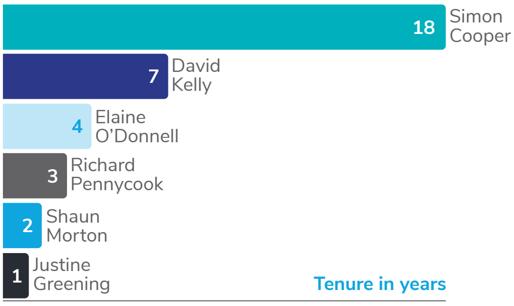
Experience and contribution: Zoe joined On the Beach as Chief Marketing Officer in January 2021 and has been instrumental in developing both the Group's marketing strategy and customer experience. Zoe led on key initiatives including the provision of free PCR Covid-19 tests for customers when travel restrictions and entry requirements required them; and the introduction of perks for customers to help holidays start sooner, including free fast-track airport security for all and free airport lounge access for 4* and 5* customers in the summer.

Zoe joined On the Beach from GoCo Group, where she had been since 2018, initially holding the role of CMO for GoCompare and then CEO for Look After My Bills (a GoCo company). She joined GoCo from Reach PLC (formerly Trinity Mirror) where she was group marketing director for nearly six years, working across both the Nationals and Regionals to refresh brand propositions and transform marketing activity to better resonate with consumers across both print and digital platforms. Prior to this, she held roles at the advertising agency WCRS (Engine), Channel 5, MTV and NBC.

Board composition



* As Zoe Harris was appointed as a director on 14 October 22 (and, therefore, after the year under review), we have not included Zoe in these figures. Following Zoe's appointment, the Board now comprises 43% executive directors, 43% non-executive directors, with the chairman making up the final 14%.



Corporate Governance statement

Compliance with the UK Corporate Governance Code

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

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

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

During FY22, we believe we have complied with all provisions of the Code.

Code Section	Contents	Pages
Board Leadership and Purpose	• Board of Directors • Governance structure • Board leadership and purpose • Designated Non-Executive Director for employee engagement	88-99
Division of Responsibilities	• Board and Committee meetings • Governance structure • Division of responsibilities • Board composition • Appointments to the Board	93-100
Composition, Succession and Evaluation	• Composition, succession and evaluation • Nomination Committee report	99-105
Audit, Risk and Internal Control	• Audit Committee report	106-113
Remuneration	• Remuneration at a glance • Annual statement of the Chair of the Remuneration Committee • Remuneration Policy • Annual Report on Remuneration	114-144

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 106-113.

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 114-144.

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 102-105.

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 the 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.

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.

Corporate Governance statement continued

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 FY22

Details of the main areas of focus for 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 undertake a Group re-organisation to simplify the Group's structure • Approved the Group's ESG strategy • Considering and approving the Company's response to the pandemic across all areas of the business
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	• Approved enhanced risk management framework • Reviewed principal risks and uncertainties and emerging risks • 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 • Received regular updates from the Group's Diversity and Inclusion Steering Group • 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 • Approved Board diversity policy

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 93 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 94. Responsibility for day-to-day operations is delegated by the Board to the Executive Directors but the Board has reserved certain specific matters to itself for decision. Please see the Company's website for the full schedule of matters reserved to the Board.

Sustainability of business model

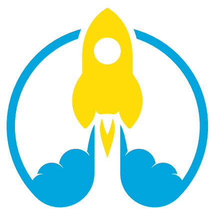
The Group's business model is set out on page 18. The Board closely monitors performance and ensures its actions promote the long term sustained success of the Company, that the Group's business model remains sound and that the Executive Team is supported in assessing opportunities and risks to the future 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 53-60.
- 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 36-49.
- In assessing the Group's prospects and viability for the purposes of the viability statement (see pages 50-52), 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**

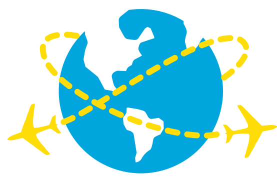
We're Bold

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.

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.

Corporate Governance statement continued

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.
- **Compliance** – The Group has robust policies in place in relation to areas such an anti-bribery and anti-corruption, anti-slavery and human trafficking and whistleblowing. These policies are regularly reviewed and actively promoted through online training and checks for successful completion of initial and updated training and guidance. These policies and processes are overseen by the Audit Committee as described on pages 106-113, and an independent whistleblowing process monitored by the Board as described on page 113.
- **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 that support the health and wellbeing of our employees, develop talent and promote diversity. See page 62-67 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.

See also page 101 in relation to progress made against the conclusions of the FY21 Board evaluation for further information of how the Board monitors culture.

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 concern on an entirely confidential basis. The Audit Committee receives regular reports on the use of the service and concerns raised.

For more information on our culture and how we invest and reward our workforce, see the 'Here for our people' section on pages 62-97.

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 53-60 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. The 'Here for our people' section on pages 62-67 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 65% of our shareholder base in relation to our revised Remuneration policy and took on their guidance and feedback – see page 115.

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 that has already been made public.

Annual General Meeting ('AGM') – The AGM provides stakeholders an opportunity to hear from the Board and raise any questions they may have.

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

The Board held 11 scheduled meetings during the year, at which it considered all matters of a routine and strategic nature, structured through clear agenda setting, written reports and presentations from both internal members of staff as well as external advisers and consultants. The table below shows meeting attendance for scheduled meetings during the year. There were a further number of ad hoc Board calls during the year, in addition to the scheduled meetings.

Director	Scheduled Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Richard Pennycook	11/11	–	7/7	3/3
Simon Cooper	10/11	–	–	–
Shaun Morton	11/11	–	–	–
David Kelly	11/11	3/3	7/7	3/3
Elaine O'Donnell	11/11	3/3	7/7	3/3
Justine Greening	11/11	3/3	6/7	3/3

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.

Corporate Governance statement continued

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 management team.

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 that 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 Non-Executive Director ('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; and
  - 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 that 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 88-90. 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 102-105

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 page 103.

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 seven members: the Non-Executive Chairman, three Executive Directors and three independent Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 88-91.

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nominations Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board. The Board has determined that all the Non-Executive Directors who served during the year were independent and that, before and upon appointment as Chairman, Richard Pennycook met the criteria of independence as outlined in the Code.

Corporate Governance statement continued

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 Zoe Harris as a Director, please see the report of the Nomination Committee on pages 102-105.

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. During the year, an internal evaluation was accordingly carried out to review the composition, experience and skills to ensure that the Board and its Committees continue to work effectively and that the Directors are demonstrating a commitment to their roles.

As part of the 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 Nomination Committee 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.

Progress against the conclusions of the FY21 Board/ Committee evaluation, together with actions from the FY22 Board/Committee evaluation are set out overleaf.

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 demonstrate commitment to the role.

Actions from FY21 Board evaluation

Area of focus	Progress
Stakeholders	The Board has kept up to date with stakeholder views. The chair of the Remuneration Committee engaged with major shareholders ahead of changes to the Remuneration Policy. The appointment of Zoe Harris to the Board has brought 'customer voice' to the forefront of the Board. The Board will continue to look at how greater insight can be provided for less prominent stakeholders and consider a more structured approach for feeding back stakeholder concerns to the Board.
Culture	One of the outcomes from the FY21 evaluation was to explore ways in which the Board's monitoring of corporate culture could be enhanced. This has been considered and during the year, the Board monitored culture in a number of ways: • Review: in materials reviewed by the Board (e.g. how we treat our customers, colleagues, shareholders, suppliers and other stakeholders). The Board seeks to understand the experience that all stakeholders have with us as a Group. • Engage: the Board is challenging and inquisitive. It meets regularly both face-to-face and via videoconferencing. It takes time in formal Board meetings, as well as outside formal Board meetings to get to know the business. • Surveys/data: On an annual basis, the Board reviews the output of surveys to monitor culture and to verify observations and conclusions from the review of materials and engagement with stakeholders.
Risk management	This has been a real area of focus for the Board and Audit Committee during the year and the Group has worked with a third-party risk specialist to help it implement an improved risk management framework, which will provide greater transparency of performance, actions and decision making across the business. An Internal Control and Risk Manager has also been appointed to help embed the new framework across the Group.
Strategy	Action has been taken to improve the balance of operational and strategic items considered by the Board. Strategic presentations have been planned ahead and scheduled at appropriate times to enhance the Board's forward-looking focus.

Actions from FY22 Board evaluation

Area of focus	Actions
Succession planning	Succession planning has been a focus during the year. The evaluation highlighted the importance of maintaining those active discussions around succession planning to ensure there is a sufficient and diverse pipeline of talent available to execute the Company's current and future strategy.
Board composition	Although the Board has made further progress this year in relation to diversity, particularly in relation to gender diversity and the adoption of a Board diversity policy, the Board recognised there was still work to be done to improve the Board's diversity more generally.
Risk management	Significant progress was made during FY22 in terms of enhancing the Group's risk management and internal controls processes. It was acknowledged however that it would take time to fully embed the new processes and that this was an area that would be kept under review.

The Nomination Committee continues to work hard to ensure we have the best structure, size and composition of the Board.

Richard Pennycook
Chairman, Nomination Committee

Report of the Nomination Committee

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2022.

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 three 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	3/3

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

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; and
- The effectiveness review of the Board, its principal Committees, the Chairman and individual Directors.

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. Richard Pennycook was initially appointed as a Director in April 2019 for a period of three years. After careful consideration, the Board agreed during the calendar year (following the Committee's recommendation) to re-appoint Richard 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 88-91.

Report of the Nomination Committee continued

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 and that there is a sufficient and diverse pipeline of talent available to execute the Company's current and future strategy. As well as the appointment of Zoe Harris to the Board (covered in further detail below), the Committee was also delighted to approve the promotion of Kasia Michaelska, Director of Product, to the Executive Team.

Succession Planning for David Kelly's roles

David Kelly is the longest serving Non-Executive Director on the Board and he will have served nine years by September 2024, when his third term ends. David brings so much to the Board and fulfills many different roles on the Board, formally and informally, so the Committee wanted to start considering succession arrangements for David's roles on the Board as early as possible.

The Committee considered David's roles as Senior Independent Director ('SID') and Chair of the Remuneration Committee, reviewed the requirements of those roles and the internal talent already available on the Board, and identified that there were natural and suitable successors for those roles.

Elaine O'Donnell was identified as the natural successor for the SID role. Elaine has served on the Board since 2018, is a chartered accountant and Chair of the Audit Committee and has experience as a Chair of a listed business, so was well suited to the role of SID, which requires the SID to operate as a sounding board for the Chairman of the Board.

Justine Greening was identified as the natural successor for the Chair of Remuneration Committee role. Justine joined the Board in March 2021 and has served on the Remuneration Committee throughout that period, working closely with David through the remuneration policy review process. Justine shares David's passion for people, and her experience in her previous business and political roles, as well as her work on levelling up places her as the ideal candidate to take over this responsibility from David.

I am pleased to say that Elaine and Justine have graciously accepted to take on these additional roles, and in order to facilitate a smooth handover of responsibilities, both appointments will take effect from 27 January 2023. David will continue in his role as a Non-Executive Director as well as supporting Elaine and Justine in their new roles. David will also continue to be the Designated NED for employee engagement, but the Committee will consider succession for that role during the course of FY23.

Appointment of Zoe Harris as a Director

The Nomination Committee regularly reviews the balance of skills and expertise of the Board. As a customer-centric business, it is essential that the Board is well-informed on customer issues and that the 'customer voice' is represented on the Board. Having identified this as an opportunity to enrich the composition of the Board, the Committee recommended the appointment of Zoe Harris, Chief Marketing Officer. We were delighted to welcome Zoe to the Board on 14 October 2022 and look forward to her valuable contribution on the Board. Zoe's appointment is subject to approval by shareholders at the forthcoming AGM. You can read more about Zoe's experience and skills on page 91.

Search for New Independent Non-Executive Director

Zoe Harris' appointment to the Board means that, excluding myself as Non-Executive Chairman, there are three Executive Directors and three independent Non-Executive Directors, which is compliant with the UK Corporate Governance Code.

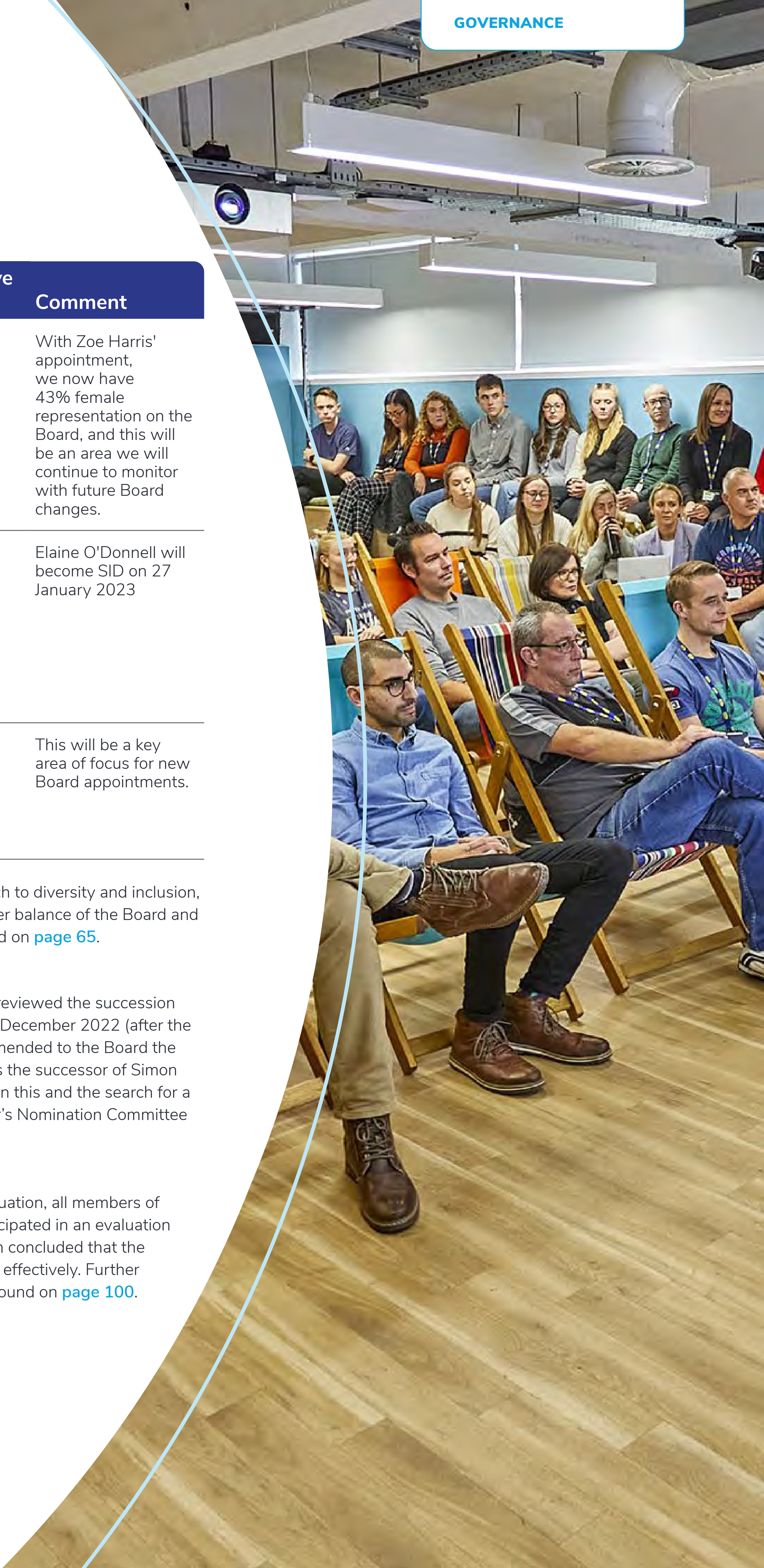
In view of the increased number of Executive Directors, and looking ahead to David stepping off the Board at the end of his term, the Committee has started the search for a new independent Non-Executive Director to complement the existing balance of skills and experience on the Board.

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.

To support its commitment to diversity, during the year, the Committee approved a new Board Diversity policy, which set out the following objectives (aligned with the FCA's new Listing Rule). We have disclosed below our progress towards these objectives.



Objective	Objective met	Comment
40% female representation at Board level	Yes	With Zoe Harris' appointment, we now have 43% female representation on the Board, and this will be an area we will continue to monitor with future Board changes.
At least one of the senior Board positions (Chair, CEO, CFO, or Senior Independent Director) being held by a female director	Not currently, but will be by 27 January 2023	Elaine O'Donnell will become SID on 27 January 2023
At least one member of the Board shall be from a non-white ethnic minority background	No	This will be a key area of focus for new Board 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 on page 65.

CEO succession plan

During the year, the Committee reviewed the succession plan in place for the CEO role. In December 2022 (after the year end) the Committee recommended to the Board the appointment of Shaun Morton as the successor of Simon Cooper as CEO. Further details on this and the search for a CFO, will be covered in next year's Nomination Committee report.

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 100.

Richard Pennycook
Chair, Nomination Committee

The Audit Committee Report provides shareholders with an insight into how topics were considered during the year and how we discharge responsibilities.

Elaine O’Donnell
Chair of the Audit Committee

Report of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 September 2022. 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.

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.

E O'Donnell

Elaine O'Donnell
Chair of the Audit Committee

Committee Governance

Responsibilities

The main roles and responsibilities 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 continued

Committee composition

The Committee currently comprises three independent Directors. 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 89-90. 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 the sector in which the Group operates.

Committee meetings

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

Member	Status	Appointment date	Attendance
Elaine O'Donnell (Chair)	Independent	July 2018	3/3
David Kelly	Independent	August 2015	3/3
Justine Greening	Independent	March 2021	3/3

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.

Key activities of the Committee during the year

- Reviewed and supported the implementation of the new risk management framework;
- As part of reviewing the effectiveness of the Group's internal controls processes, the Committee approved the appointment of an external third party to conduct an independent review of the effectiveness of key financial controls;
- Considered the response to the FRC following enquiries on the FY21 Annual Report;
- Focused on financial reporting to ensure the annual report and accounts is fair, balanced and understandable;
- Reviewed the Group's going concern and viability statements;
- Reviewed management's approach to key judgmental areas of reporting and the related comments of the external auditor;
- Reviewed results statements and financial results presentations;
- Evaluated the reporting requirements of the new TCFD framework and agreed the scope and review of the new reporting for climate-based financial disclosures;
- Received updates on the Group's security and data protection processes; and
- Assessed the effectiveness of the external audit process and the Committee's effectiveness.

How the Committee discharged its responsibilities in FY22

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 and subsequent disruption The recognition of costs and provisions relating to disruption caused by the emergence of Omicron in the first half of the year as well as the cost associated with widespread cancellations and changes to flight programmes in the second half of the year 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.	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 future cancellations is also recorded. The estimated loss of margin on bookings that depart in future financial periods is subjective and involves judgement.	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.
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 market conditions which include continued supply issues and the cost of living.	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.

Description of focus area	Audit Committee action
Recoverability of trade receivables The recoverability of customer monies in light of the cost of living crisis and increasing interest rates.	The Audit Committee has considered management's judgments and the appropriateness of the provision and considers management's approach to be reasonable.
Task Force on Climate-Related Disclosures ('TCFD') The Group is required to include TCFD reporting in its annual reporting for the first time this year.	The Audit Committee approved the appointment of an external adviser to assist the Group in its preparedness for the TCFD framework. The Audit Committee has assessed the appropriateness and completeness of the Group's disclosures against the TCFD recommendations and is satisfied with the Group's disclosures.
Group simplification The Group has undertaken a Group restructuring exercise resulting in the liquidation of certain subsidiaries and the hive-up of Sunshine.co.uk Limited's business and assets to On the Beach Limited.	The Audit Committee has reviewed management's accounting of the transactions undertaken in relation to the simplification and considers the financial disclosures in respect of the transactions to be appropriate.

Engagement with regulators

In last year's Annual Report and Accounts, it was reported that "*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.*". This was an unintentional misstatement and we would like to issue a correction to confirm that the CRR team did not make any assessment as to the quality of the Company's disclosures in its FY20 Annual Report and Accounts, nor did it issue any rating. Instead, during FY21, the FRC's Audit Quality Review ('AQR') team conducted a review of the audit of the 2020 Annual Report and Accounts with the related findings being concluded as not being significant by the Audit Committee.

In April 2022, the Group received a letter from the Financial Reporting Council ('FRC') as part of its regular review and assessment of the quality of corporate reporting in the UK. The letter included a request for further information on the Group's Annual Report and Accounts for the year ended 30 September 2021[1]. Following completion of the correspondence with the FRC, the Directors have concluded that the deferred tax asset of £3.6m reported in the balance sheet as at 30 September 2021 should have been presented as a non-current asset in line with the requirements of IAS 1.56, rather than as a current asset. Therefore, the comparatives for the balance sheet as at 30 September 2021 have been restated to correct the error identified. As a result, total current assets reduced by £3.6m to £190.7m and total non-current assets increased by £3.6m to £86.0m.

1 Scope and limitations of the FRC review: The review conducted by the FRC was performed solely on the Group's published 2021 Annual Report and Accounts and does not provide any assurance that the Annual Report and Accounts are correct in all material respects The FRC's review did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC accepts no liability for reliance on their review by the Company or any third party.

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; and
- 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 160 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 four-year assessment period. This was supported by a very thorough paper from the CFO. The Group's viability statement is on pages 50-52.

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 2022 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 FY22;
- 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 judgements;
- The communication and engagement between management, EY and the Committee; and
- The steps taken by EY to ensure their objectivity and independence.

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 FY22 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); 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, whilst 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 £377k). 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 £68k representing 18% of the total audit fee (2021: £68,000, representing 20.8% 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 FY23. 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 that 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 regarding internal control and risk management, supplemented by extended assurance reviews by external consultants. This year, we engaged third-party consultants to undertake a complete review of our overall risk management procedures and the effectiveness of key financial controls. The review of the effectiveness of our key financial controls highlighted no critical findings. The non-critical findings have been addressed in our FY23 internal control review plan.
- The appointment of the new Risk and Internal Control Manager, who is responsible for, inter alia, enhancing internal controls across the business, coordinating the risk assessment process, implementing and overseeing actions plans to mitigate risks and address findings from audits, evaluations and internal testing.

Having undertaken the review, and considering 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.

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 39-49. During the year, the Audit Committee has overseen the development and implementation of a new risk management framework (see page 36-38), which will enhance the Group's current approach to enterprise risk. As part of our new framework, we have set-up an Executive Risk Committee and recruited a dedicated Risk and Internal Control manager. A key focus for them will be enhancing and further embedding our Risk Management Framework during FY23.

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 at various levels in particular at emerging, strategic and department level and are captured in the new digitised real-time 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 and control system provides real-time reporting and focuses on highly ranked risks and the corresponding controls that mitigate the likelihood of the risk occurring. The risks and the performance of the controls are reviewed by the Executive Risk Committee on a quarterly basis and are 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's finance department in order to monitor and assess the effectiveness of the Group's system of internal controls.

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

We will continue to develop our programme of assurance around our risk management and internal controls processes in the year ahead. This will largely be facilitated internally, with third party expertise or independence when required.

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

7 December 2022

The Group has adapted to challenges following macroeconomic events but we have continued to support our workforce across the business.

David Kelly
Chair of the Remuneration Committee

Remuneration report

Annual Statement of the 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 2022.

This report includes both our proposed Directors' Remuneration Policy ('Policy') (which will be submitted for shareholder approval at the 2023 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.

Performance and reward for FY22

FY22 has been another challenging year, with the effects of the Covid-19 pandemic still felt by the travel industry, as well as disruption caused by war in Ukraine and the ongoing cost of living crisis in the UK. Performance has been heavily impacted by the economic and political climate. The Group has continued to adapt to the challenges presented by these macroeconomic events and we have been able to support our workforce and maintain remuneration arrangements broadly unchanged across the business.

The FY22 annual bonus for the Executive Directors was based on both financial and non-financial targets aligned with the Company's strategy. 50% of the bonus was based on profit before tax targets, with the remaining 50% weighted equally across the following metrics: net promoter score; employee engagement; prompted brand consideration; and passenger number growth. As a result of performance against those targets, 79.7% of the bonus will be paid and in accordance with the Policy, 50% of the bonus award will be deferred into shares for a period of two years. No discretion was exercised to adjust the outcomes.

The LTIP award granted to Simon Cooper in FY20 was based on two performance metrics: EPS (70% weighting) and absolute shareholder return (TSR) (30% weighting). Neither the EPS nor TSR targets were met and accordingly Simon's award has lapsed in full. No discretion was exercised to adjust the outcomes.

Prior to his appointment as CFO, a number of awards were made to Shaun during his tenure as Director of Finance, that operated as restricted share awards with no performance criteria. The final of these legacy awards vested in September 2022.

Remuneration policy review

Our current Policy was approved by shareholders at the 2022 AGM, receiving support of just over 97% and would ordinarily apply for a further two years. However, as highlighted in last year's Directors' Remuneration report, the Committee recognised that the travel sector was still in a state of transition at that time and that a further review of remuneration arrangements across the whole Company would need to be carried out to ensure these are fit for purpose in the post-Covid environment. Therefore, following a comprehensive review, the Committee is seeking shareholder approval for a new long-term incentive plan for the Executive Directors and members of the senior management team (the '2023 LTIP') at the 2023 AGM, as well as a new Directors' Remuneration Policy to incorporate this.

The 2023 LTIP has been designed to balance:

- The need for a meaningful incentive and retention tool in a very challenging market;
- The need to improve line of sight for management over remuneration outcomes in the context of the UK travel sector, which is continuing its recovery from significant disruption since the onset of the Covid-19 pandemic;
- The difficulty faced in setting long-term performance targets in such a volatile sector that continues to endure numerous macroeconomic shocks, including but not limited to the Covid-19 pandemic and the war in Ukraine; and
- The desire to continue to align remuneration with the Company's growth ambitions and strategy to capture market share over the long term.

We consulted with over 65% of our shareholder base on our proposed Policy and the 2023 LTIP and I would like to thank those shareholders who have participated in this process for their feedback and guidance, which we have taken on board. In particular, while the initial proposal was for the 2023 LTIP to incorporate both performance and time-based elements, this has been simplified based on feedback from shareholders to focus solely on time-based awards, with an associated reduction in quantum. We have also taken on board feedback from shareholders in setting the maximum long-term incentive opportunity level under the proposed new Policy.

Full details of the proposed Policy are set out on pages 119-132 but the only proposed change to the current Policy is the replacement of the existing long-term incentive plan with the new 2023 LTIP, which for Executive Directors will operate as follows:

- Annual grant of nil cost options, with an overall reduction in quantum from 200% of base salary to 100% of base salary from 2023.
- Awards will vest after three years, with a further two-year holding period.
- Vesting will be subject to continued employment and the satisfaction of an underpin determined by the Remuneration Committee.

The Committee believes that the 2023 LTIP will enable the Company to retain key talent by providing management with greater visibility over long-term remuneration outcomes in a very challenging market. While the Committee maintains that a combined performance and time-based approach would have provided a stronger alignment with the Company's strategy to capture market share as we emerge from the pandemic, we accept shareholders' views that a simpler structure is preferred at this time. The Committee may consider re-introducing a performance element to the LTIP in future policy cycles as the travel sector stabilises and will continue to engage with shareholders on this over time.

The Committee is confident that all other elements of the current Policy remain fit for purpose and in line with corporate governance best practice, and so no other material changes are proposed.

FY23 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 FY23 include:

Base salary: Simon Cooper and Shaun Morton will each receive a salary increase of 4% with effect from 1 January 2023. These increases align with the expected average increase that will be made to our general workforce. Zoe Harris will be awarded a 9% pay rise, effective 1 January 2023, to reflect her strong performance and development in role - see page 142 for more information on Zoe's pay rise.

Pension: No change. Both the Executive Directors' pension contributions are already aligned with the wider workforce (currently 3% of eligible earnings), and will continue to be aligned should there be any changes to the wider workforces' pension contributions during FY23.

Annual bonus: The maximum bonus opportunity remains unchanged at 100% of salary. The bonus will be based on financial and non-financial metrics. 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 FY23 of 50% of salary for Simon Cooper and 100% of salary for Shaun Morton and Zoe Harris. Each award vests after three years with a further two-year holding period, subject to continued employment over the vesting period.

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 2019 LTIP awards.
- Setting the performance targets for the Executive Directors FY22 annual bonus.
- Agreeing the population, award levels and performance targets for the FY22 LTIP awards and restricted share awards.
- Approving the Directors' Remuneration report for the FY21 Annual Report.
- Planning for Directors' Remuneration report for the FY22 Annual Report.
- 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 2022 AGM.
- Reviewing the existing Policy and developing new Policy, including the design of the new LTIP.
- Planning shareholder engagement exercise in relation to new Policy.
- 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 Policy for Executive Directors, the key factors that 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 2023 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 2022 financial year. The Annual Report on Remuneration, together with this statement, is subject to an advisory shareholder vote at the 2023 AGM.

In summary, the Committee is committed to ensuring that we are responsive to developments in best practice, as well as a transparent approach in respect of executive pay. Should you have any queries or comments on this report, or more generally in relation to the Company's remuneration, then please do not hesitate to contact me via the Company Secretary.

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

David Kelly
Chair of the Remuneration Committee

Remuneration at a glance

	FY22 implementation of Policy	FY23 implementation of Policy
Salary	Salary increase of 4.2% (in line with average increase across the wider workforce) for Simon Cooper, resulting in a salary from 1 January 2022 of £215,757. Salary increase of 10.0% for Shaun Morton to reflect his development in role and strong performance since his appointment to the Board, resulting in a salary from 1 January 2022 of £275,000.	Salary increases of 4% will be awarded to Simon Cooper and Shaun Morton from 1 January 2023 (in line with expected average increase across the wider workforce). Zoe Harris will be awarded a 9% pay rise, effective 1 January 2023, to reflect her strong performance and development in role - see page 142 for more information on Zoe's pay rise. • Simon Cooper: £224,300 • Shaun Morton: £286,000 • Zoe Harris: £330,000
Pension	Simon Cooper and Shaun Morton each received a pension contribution of 3% of eligible earnings (in line with the wider workforce).	No changes. If there are any changes to the wider workforces' pension contributions during FY23, then the Executive Directors' pensions contributions will be aligned accordingly.
Bonus	Max opportunity: 100% of salary Performance targets: • PBT – 50% weighting • Net Promoter Score – 12.5% weighting • Employee engagement – 12.5% weighting • Promoted brand consideration – 12.5% weighting • PAX growth – 12.5% weighting	Max opportunity: 100% of salary Performance targets will be based on financial and non-financial metrics which will be disclosed on a retrospective basis in next year's Annual Report and Accounts.

LTIP	• Simon Cooper: 100% of salary[1]
	• Shaun Morton: 200% of salary
	• Performance conditions:
	  • Absolute TSR – 25% weighting
	  • Relative TSR – 25% weighting
	  • Group Total Transaction Value ('TTV') – 25% weighting
	  • TTV in specific expansion areas (long haul and Classic) -25% weighting
		• Simon Cooper: 50% of salary[1]
		• Shaun Morton: 100% of salary
		• Zoe Harris: 100% of salary
		No performance conditions – awards vest subject to continued employment only.

Shareholding requirement	Executive Directors must establish a shareholding of 200% of base salary over a five-year period. At the year-end, Simon Cooper met this requirement. Shaun Morton will build a holding to the required levels. 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.	No changes.

1 The maximum LTIP opportunity for Simon Cooper is lower to reflect Simon's material shareholding. The maximum LTIP opportunity for the other Executive Directors is higher to support them in building their shareholding and aligning interests with shareholders.

FY22 Annual bonus performance

The table below sets out the performance targets, and actual performance against these, for the FY22 Annual Bonus scheme.

	Weighting	Threshold	Maximum	Actual	Outcome
Group adjusted PBT	50%	£11.9m	£14.5m	14.1m	44.2%
Employee engagement	12.5%	6.5	7.9	8.1	12.5%
Net promoter score	12.5%	49	67	47	0%
Prompted brand consideration	12.5%	8.8	10.2	9.9	10.5%
Group PAX number	12.5%	1.10m	1.40m	1.42m	12.5%
TOTAL					**79.7%**

FY20 LTIP performance

The table below sets out the performance targets, and actual performance against these, for Simon Cooper's FY20 LTIP award, which was due to vest during the year:

	Weighting	Threshold (25% vests)	Maximum (100% vests)	Actual	Outcome
EPS[1]	70%	77.7p	94.9p	(3.9p)	0%
TSR[2]	30%	8%	15%	(36.5%)	0%
TOTAL					**0%**

1 Cumulative Adjusted EPS for financial years FY20, FY21 and FY22.

2 Annualised TSR of the Company over the three-year period to 3 December 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 27 January 2023. 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:

1. **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;
2. **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;
3. **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;
4. **Performance-focused compensation** – Encourage and support a high performance culture; and
5. **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 2022

The current Directors' Remuneration Policy was approved by shareholders at the 2022 AGM and would ordinarily apply for a further two years. However, as highlighted in last year's Directors' Remuneration report, the Committee recognised that the travel sector was still in a state of transition at that time and that a further review of remuneration arrangements across the whole company would need to be carried out to ensure these are fit for purpose in a post-Covid environment. Therefore, following a comprehensive review, we will be seeking shareholder approval for a new long-term incentive for the Executive Directors and members of the senior management team at the 2023 AGM, as well as a new Policy to incorporate this. The Committee is confident that all other elements of the current Policy remain fit for purpose and in line with corporate governance best practice, and so no other material changes are proposed.

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	Pension provision for all Executive Directors is aligned with the wider workforce (currently 3% of salary).	No change	N/A
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	N/A

Remuneration policy continued

Element of remuneration	Current policy	Amendment to policy	Reason for change
Long-term incentive plan	Maximum opportunity of 200% of base salary. Three-year performance period plus a two-year post-vesting holding period. The majority of the awards will be based on financial metrics, with the balance based on strategic metrics. Exceptional maximum opportunity of 300% of base salary.	Maximum opportunity of 100% of base salary. Three-year vesting period, plus a two-year post-vesting holding period. Awards will not be subject to any formulaic performance conditions.	Introduction of the time-based element provides a stronger retention tool by providing management with greater visibility over long-term remuneration outcomes in a very challenging market and the volatile UK travel industry. Reduction in overall opportunity in line with shareholder expectations when performance conditions are removed. Facilitates much greater alignment between the Executive Directors and wider senior management team by enabling all individuals to participate in one single incentive plan.
Shareholding requirement	200% of base salary to be built up over a five-year period and then subsequently held. Executive Directors are 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).	No change	N/A

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 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 regard was given to his considerable shareholding in the Company, and the desire to focus the remuneration structure on a long-term strategy.	None

Remuneration policy continued

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
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 talent. 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
Pension 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

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
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 three 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 that 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 believes that the bonus outcome is not a fair and accurate reflection of business performance.

Remuneration policy continued

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long-Term Incentive Plan ('LTIP') Awards are designed to incentivise the Executive Directors to maximise total shareholder returns.	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. 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 three-year period from grant to vesting with clawback applying for the two-year period post vesting.	Maximum annual award of up to 100% of base salary.	Awards will not be subject to any formulaic performance conditions. Discretion may be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance. This discretion may be used to either increase or reduce the formulaic vesting outcome.
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 into force are not subject to this holding requirement.	N/A	None

Element of remuneration	Operation	Opportunity	Performance metrics used, weighting and time period applicable
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 may be paid 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 years based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Fees may be reviewed more regularly than this in exceptional circumstances, such as a significant increase in the size or complexity of the business. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements.	The base fees for Non-Executive Directors are set at a market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	None

Remuneration policy continued

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 Policy table. 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 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 200% of salary (other than in exceptional circumstances where up to 300% 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.

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 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 six months' notice. The Remuneration Committee's policy for setting notice periods is that a six-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 six months following the first year of employment.

The Non-Executive Directors of the Company (including the Chairman) do not have service agreements. 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 27 January 2023 and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

Remuneration policy continued

Payment for loss of office

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service agreements 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 Director 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 Director 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 that has provided a material enhanced value to shareholders, which will be fully explained to shareholders. In all cases any applicable performance conditions must be satisfied.

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 2023 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.

Remuneration policy continued

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. The 2023 LTIP will enable greater alignment between the incentives operated for our Executive Directors and the senior management team.

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, Pier Group sessions and regular appraisals.

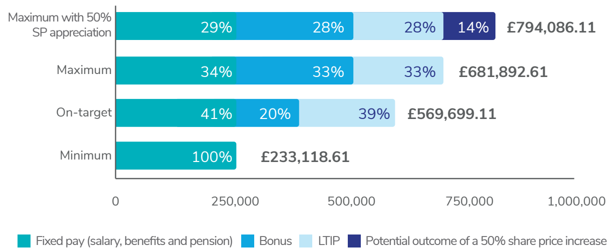
We also run Pier Group PLUS sessions, which gives David Kelly, our designated Non-Executive Director for employee engagement, a chance to sit in with our colleagues and hear their voice first hand. You can read more about how we engage with our workforce on page 63.

Illustrations of application of the Policy

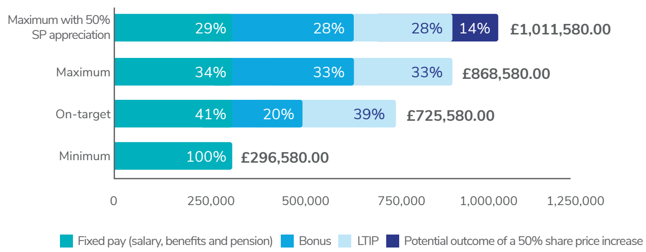
The following charts illustrate how the potential future remuneration of the Executive Directors may vary at different levels of performance and the percentage each element may form together with the possible total value. For the purpose of this chart, the following assumptions have been made:

- The base salary levels are those in effect as at the date of the 2023 AGM.
- Fixed elements comprise base salary, pension and other benefits.
- Benefits levels are assumed to be the same as in the 2022 financial year for each Executive Director.
- Bonus opportunity and LTIP award levels are the maximum levels set out in the Policy table.
- The LTIP vesting is assumed to be 100% of the maximum under each performance scenario.
- 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.

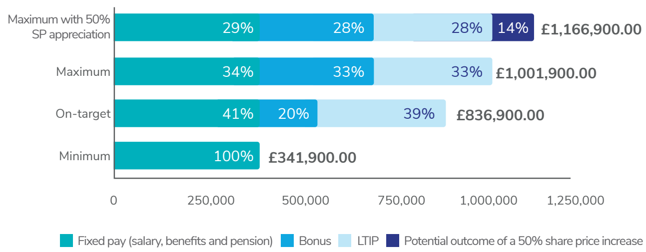
CEO



CFO



CMO



Annual report on remuneration

The Remuneration Committee's Annual Report on remuneration for the year ended 30 September 2022 is set out below. The statutory auditor is required to report on the following information up to and including the Statement of Directors Shareholdings requirement and Share Interests.

How remuneration links with strategy

It is essential that a fair, competitive and attractive Policy is in place in order to ensure the future success of the Company. Our Remuneration Policy is designed to be fair and competitive, support the strategic objectives of the Company and motivate the Executive Directors to deliver the short and long-term strategy as set out on pages 19-20. In the table below, we summarise how the Company's strategic priorities are aligned with the Remuneration Policy.

Strategic priority

1 Investing 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
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
Employee Engagement Score	Annual bonus	1 year	Employee satisfaction is impacted by the following strategic priorities: 1 2
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
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
Group, long haul and Classic 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, Classic and long-haul: 1 2 3 4 5 6

Annual report on remuneration continued

Single total figure of remuneration

Executive and Non-Executive Directors (Audited)

The tables below set out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2022 financial year. Comparative figures for the 2021 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	
		2022 (£'000)	**2021 (£'000)**	**2022 (£'000)**	**2021 (£'000)**
Fixed Pay	Base Salary	**214**	207	**269**	250
	Benefits[1]	**2**	2	**2**	1
	Pension[2]	**4**	1	**5**	1
	Total Fixed Pay	**220**	210	**276**	252
Variable Pay	Bonus[3]	**172**	–	**219**	–
	LTIP[4,5,6]	**–**	–	**64**	224
	Total Variable Pay	**172**	–	**283**	224
Total Single Figure of Remuneration		**392**	210	**559**	476

1 Taxable benefits received were family medical insurance.

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

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

4 The value of the LTIP for 2021 for Simon Cooper related to the 2019 award and the value of his LTIP for 2022 related to the 2020 award. Each award had a three-year performance period, ending 12 February 2022 and 3 December 2022 respectively. Based on performance during those periods, the Remuneration Committee determined that none of the awards would vest, meaning both awards lapsed in full.

5 The value of Shaun Morton's LTIP for 2022 relates to two awards that were granted prior to his appointment to the Board. His FY20 LTIP award had a three-year vesting period ending 30 September 2022 and his FY19 RSA had a three-year vesting period ending on 15 October 2021. Both awards were subject to continued employment (no performance conditions). In respect of the vesting of these awards, there is no value attributable to share price appreciation.

6 The value of Shaun Morton's LTIP for 2021 relates to two awards that were granted prior to his appointment to the Board. His 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. To the extent that these awards have vested, there is no value attributable to share price appreciation.

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

		Richard Pennycook		David Kelly		Elaine O'Donnell		Justine Greening[1]	
		2022 (£'000)	2021 (£'000)	2022 (£'000)	2021 (£'000)	2022 (£'000)	2021 (£'000)	2022 (£'000)	2021 (£'000)
Fixed Pay	Fees	**161**	161	**63**	63	**57**	57	**48**	28
	Benefits	**–**	–	**–**	–	**–**	–	**–**	–
	Pension	**–**	–	**–**	–	**–**	–	**–**	–
	Total Fixed Pay	**161**	161	**63**	63	**57**	57	**48**	28
Variable Pay	Bonus	**–**	–	**–**	–	**–**	–	**–**	–
	LTIP	**–**	–	**–**	–	**–**	–	**–**	–
	Total Variable Pay	**–**	–	**–**	–	**–**	–	**–**	–
Total Single Figure of Remuneration		**161**	161	**63**	63	**57**	57	**48**	28

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

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)

2022 annual bonus awards and performance targets

For the year ended 30 September 2022, the maximum bonus opportunity for Simon Cooper and Shaun Morton was equal to 100% of salary.

		Performance level			Actual bonus paid		
Performance metric	**Weighting**	**Threshold**	**Target**	**Maximum**	**Actual**	**% of maximum**	**% of salary**
Group Adjusted Profit Before Tax	50%	£11.9m	£13.2m	£14.5m	£14.1m	88%	44.2%
Employee Engagement Score	12.5%	6.5	7.2	7.9	8.1	100%	12.5%
Net Promoter Score	12.5%	49	58	67	47	0%	0%
Prompted brand consideration	12.5%	8.8	9.5	10.2	9.9	84%	10.5%
Group PAX number	12.5%	1.10m	1.25m	1.40m	1.42m	100%	12.5%
Total	**100%**						**79.7%**

No discretion was applied in determining the annual bonus outcome.

Long-term incentives awarded in FY20 with performance period ending in FY22

Simon Cooper was granted an LTIP award on 3 December 2019 that vested in December 2022. Performance under the award was 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 2022 and the three-year performance period in relation to the TSR element ended on 3 December 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 FY20, FY21 and FY22	Vesting
Below threshold	Less than 77.7p	0%
Threshold	77.7p	25%
Maximum	94.9p	100%
Between threshold and maximum	Between 77.7p and 94.9p	Pro rata between 25% and 100%
Actual EPS:	**(3.9p)**	**0%**

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 3 December 2022	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% and 100%
Actual TSR	**(36.5%)**	**0%**

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

Long-term incentives awarded in 2022 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2022 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	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	£215,757	84,343	Nil	25%	25 February 2025	Absolute TSR (25%)
							25 February 2025	Relative TSR (25%)
							30 September 2024	Group TTV (25%)
							30 September 2024	Classic TTV (12.5%)
							30 September 2024	Long Haul TTV (12.5%
Shaun Morton	LTIP – nil cost option	200% of salary	£550,000	214,961	Nil	25%	25 February 2025	Absolute TSR (25%)
							25 February 2025	Relative TSR (25%)
							30 September 2024	Group TTV (25%)
							30 September 2024	Classic TTV (12.5%)
							30 September 2024	Long Haul TTV (12.5%)

The awards were granted on 25 February 2022. The number of shares awarded is calculated using the closing share price on 24 February 2022, which was £2.56.

The awards are subject to the following performance criteria:

Measure	Description	Weighting	Threshold	Target	Maximum
Absolute TSR	Annualised absolute TSR	25%	5%	N/A	15%
Relative TSR	Ranking the company's TSR relative to the constituents of the FTSE All Share Travel & Leisure Index	25%	Median	N/A	Upper quartile
Group TTV	Total transaction value of confirmed orders across all brands in the Group	25%	£798.9m	£876.8m	£958.3m
Classic TTV	Total transaction value of confirmed orders made via Classic Collection Holidays and Classic Package Holidays businesses	12.5%	£101.4m	£117.0m	£133.7m
Long Haul TTV	Total transaction value of confirmed orders for long haul bookings across all brands in the Group	12.5%	£48.5m	£59.9m	£72.5m

25% of the Awards will vest for threshold performance, increasing on a straight line basis to 62.5% for target performance (where applicable) and to 100% for maximum performance.

Payments to past directors

There were no payments made to past directors during FY22.

Statement of directors' shareholdings and share interests (audited)

Director	Share plan awards subject to performance conditions	Share plan awards subject to continued employment	Share plan interests vested but unexercised	Shares held outright[1]
Simon Cooper	222,691[2]	–	50,298[3]	9,379,744
Shaun Morton	419,879	–	104,644[4]	3,030

Between 30 September and the date of this report (7 December 2022), Simon Cooper and Shaun Morton's shareholdings and share interests remained unchanged.

1 This information includes holdings of any connected persons.

2 This figure includes the 2020 LTIP award for which the performance period ended 30 September 2022. Although the performance period outcome was nil, the award did not formally lapse until after the period under review.

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

4 Prior to his appointment to the Board, Shaun was granted awards over a total of 104,644 shares during his tenure as Director of Finance, which have vested between September 2020 and September 2022 and 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 2022		
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:

Shares held for purpose of shareholding requirement[1]				
Director	**Shareholding requirement**	**Number of shares**	**% of salary[2]**	**Shareholding requirement met?**
Simon Cooper	200% of salary	9,406,401	4,395%	Yes
Shaun Morton[3]	200% of salary	55,461	20%	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 100.80 pence as at 30 September 2022 (the last business day of the financial year ending 30 September 2022) 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.

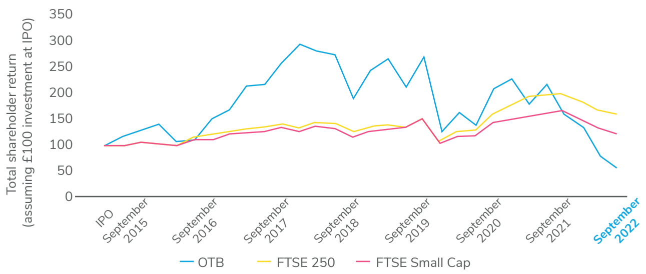
Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out below:

Director	Shares held 30 September 2022
Richard Pennycook	48,267
David Kelly	10,258
Elaine O'Donnell	11,447
Justine Greening	3,636

Between 30 September and 7 December 2022, the Non-Executive Director's interest in shares remained unchanged.

Comparison of overall performance and pay (TSR graph)

The graph right 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 2022.



Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer since the IPO in 2015:

Chief Executive Officer	2022	2021	2020	2019	2018	2017	2016	2015
Total Single Figure (£000s)	392	210	89	305	316	201	239	131
Annual bonus payment level achieved (% of maximum opportunity)	79.7%	–	–	–	–	–	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 62-67.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2021 and 2022 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

Director	Disbursements from profit in 2022 financial year (£'m)	Disbursements from profit in 2021 financial year (£'m)	% change
Profit distributed by way of dividend	–	–	N/A
Overall spend on pay including Executive Directors	34.5	23.1	49.3%

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 2022. 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
2021/22	Option A	18:1	10:1	7:1

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 2022 for individuals employed as at the financial year-end. The pay ratio has been calculated using the actual pay and benefits received in FY22. No elements of pay were omitted. Full-time equivalent figures were determined by up-rating relevant pay elements based on the average proportion of full-time hours the employee worked during the year and (for joiners during the year) the proportion of the year they were employed. Employees who left during the year were not included in the calculation.

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

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£21,630	£38,000	£57,750
Total pay and benefits	£22,300	£39,200	£59,000

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.

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 2021 to 2022 compared with the average percentage change for employees.

	Salary/fees	Benefits	Bonus
Executive Directors			
Simon Cooper	4%	–	100%
Shaun Morton	10%	–	100%
Non-Executive Directors			
Richard Pennycook	–	–	–
David Kelly	–	–	–
Elaine O'Donnell	–	–	–
Justine Greening[1]	–		
Wider workforce			
Average employee of the Company	–	–	–
Average employee – Group wide[1]	6%[2]	–	100%

1 Justine Greening was appointed to the Board on 4 March 2021, therefore, there is no FY21 comparison.

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

Annual report on remuneration continued

Shareholder voting at annual general meeting

The Committee is committed to shareholder dialogue and seeks to ensure optimal alignment for all stakeholders and that shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Remuneration Policy and the Directors' Annual Report on Remuneration were each subject to a shareholder vote at the AGM on 25 February 2022, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary resolution to approve the Directors' Remuneration Policy	134,600,923 (97.97%)	2,787,219 (2.03%)	18,810
Ordinary resolution to approve the Directors' Remuneration Report	136,851,675 (99.61%)	532,471 (0.39%)	22,806

Implementation of remuneration policy in financial year 2023

The Remuneration Committee proposes to implement the Policy for 2023 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

For this year, the Remuneration Committee has determined that a salary increase of 4% will be applied for Simon Cooper and Shaun Morton, effective 1 January 2023. This is in line with the average increase awarded to the general workforce. Zoe Harris will receive a pay rise of 9%, effective 1 January 2023, to reflect her strong performance and development in role (including taking on operational responsibility in the contact centre and expanding into a 'Chief Customer Officer role' alongside her Chief Marketing Officer role.

	Salary (£)		
Name	2023	2022	Percentage Change
Simon Cooper	£224,300	£215,757	5%
Shaun Morton	£286,000	£275,000	5%
Zoe Harris	£330,000	£302,200	9%

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 economic environment and uncertainty in the sector, the decision was made to defer the review for a further year. The Board consulted with PwC to understand market benchmarks and considered what general pay increases had been made to the wider workforce in the period (being 1.5% in January 2020, 1% in January 2021, 4.2% in January 2022 and 4% to apply from January 2023 (11% in aggregate)). The Board decided to increase the Chairman fee and Base NED fees in line with increases made to the wider workforce, with effect from 1 January 2023. There is no change to the fees for Senior Independent Director, Chair of Audit Committee or Chair of Remuneration Committee

Position	Fee	New Fee (from 1 January 2023)
Chairman Fee	£161,000	£178,800
Base Fee	£48,000	£53,300
Additional fees are paid for:		
Senior Independent Director	£6,000	£6,000
Chair of Audit Committee	£9,000	£9,000
Chair of Remuneration Committee	£9,000	£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 and the bonus will continue to be based on both financial and non-financial metrics.

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.

LTIP award

It is intended that, subject to shareholder approval of the proposed Policy and 2023 LTIP at the 2023 AGM, a grant under the LTIP will be made during FY23, with award levels of 50% of salary for Simon Cooper and 100% of salary for Shaun Morton and Zoe Harris. In line with the proposed Policy, each award will vest after three years with a further two-year holding period, subject to continued employment over the vesting period.

Composition and terms of reference of the Remuneration Committee

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

Annual report on remuneration continued

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 seven times during FY22 and member attendance is set out below:

	Member from	Meetings attended
David Kelly (Chair)	August 2015	7/7
Elaine O'Donnell	July 2018	7/7
Richard Pennycook	April 2019	7/7
Justine Greening	March 2021	6/7

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 the 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 £83,500 for their advice during the year to 30 September 2022.

On behalf of the board

David Kelly
Chair of the Remuneration Committee

7 December 2022

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 63)
Employment of disabled persons	(page 67)
Future developments of the business	(page 11-20)
Stakeholder engagement and s.172 statement	(pages 53-60)
Viability statement	(page 50-52)
Directors' interests	(page 88-91, 97, 138-139)
Directors Responsibilities Statement	(page 160)
Greenhouse gas emissions	(page 72)
Risk management	Strategic report (page 36-49) and note 22 to the consolidated financial statements
Human rights and anti-bribery and corruption	(page 81)
Diversity	(page 66-65, 104-105)
Non-financial key performance indicators	(page 24-27)

Directors' report

All sections under the heading "Governance" on page 84 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 2022.

Strategic report

All sections under the heading "Strategic Report" on page 8 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 39-49.

Management report

This Directors' report (pages 84-160) together with the Strategic report (pages 8-82) 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 92. 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 81-91. Biographical details of all the directors serving at the date of this annual report are shown on pages 81-91. Subject to law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to Committees.

Appointment and replacement of Directors

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

All Directors will retire and stand for re-election at the 2023 AGM.

Amendment of Articles of Association

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

Share capital and control

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

The issued share capital of the Company as at 30 September 2022 comprised 166,258,172 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 196 of the financial statements. Details of the movements in issued share capital during the year are provided in note 20 to the Group's financial statements contained on page 196. All the information detailed in note 20 on page 196 forms part of this Directors' report and is incorporated into it by reference.

At the Annual General Meeting of the Company held on 25 February 2022 the Directors were granted authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £1,105,258.38 (110,525,838 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 2023 AGM.

Authority to purchase own shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 16,578,876 shares (equivalent to 10% of the Company's ordinary share capital as at 4 January 2022). No shares were bought back under this authority for the year ended 30 September 2022. This authority will expire at the conclusion of the 2023 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. 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 that carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme that have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the On the Beach Share Incentive Plan and the On the Beach Long-Term Incentive Plan, where share interests of a participant in such schemes can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a poll and every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not than less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by them, unless all amounts presently payable by them in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

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

Change of control

Save in respect of a provision of the Company's share schemes, which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

The Revolving Credit Facility contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

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

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 sometimes accompanied by a CSOP market value option for tax efficiency purposes. Shareholder approval will be sought at the 2023 AGM for the establishment of a new LTIP which will be time-based awards only. If approved, nil cost share options will be granted to Executive Directors and senior management. For more information on the new LTIP see page 115 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 114-144.

Annual General Meeting

The Annual General Meeting for 2023 will be held at 11 am on 27 January 2023 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 (www.onthebeachgroupplc.com/investor-centre/rns).

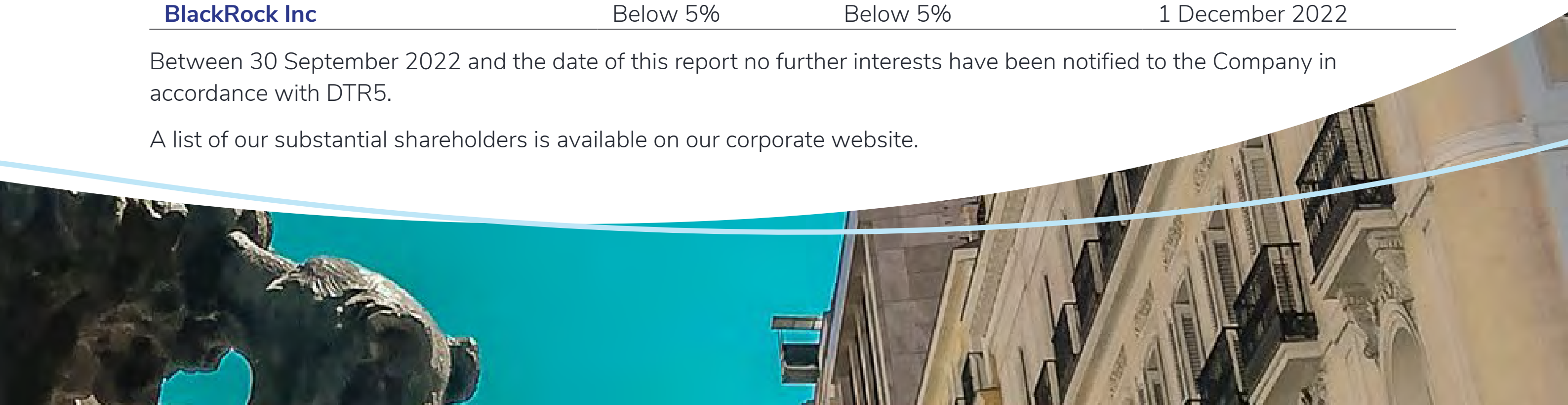
The following figures represent the number of shares and how that translates to a percentage shareholding in the Company as at the date on which the change was notified. The holdings may have changed since notification but any further notification is not required until the next applicable threshold in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

Please note there will be other shareholders with substantial shareholdings who are not listed below because their shareholdings has not increased above or decreased below a threshold during the year. For example, as at the date of this report, Simon Cooper and his PCAs continue to hold 9,379,774 shares (5.64% of the issued share capital).

Name of Shareholder	Number of shares	Nature of holding as per disclosure	Date of Notification
BlackRock Inc	9,030,811	5.44%	9 December 2021
BlackRock Inc	8,642,209	5.21%	12 January 2022
FMR LLC	8,775,768	5.29%	13 January 2022
Mawer Investment Management Ltd	19,275,349	11.62%	10 February 2022
Mawer Investment Management Ltd	17,947,882	10.82%	25 February 2022
BlackRock Inc	9,552,300	5.75%	28 February 2022
BlackRock Inc	9,545,494	5.74%	3 March 2022
BlackRock Inc	9,975,916	6.01%	8 March 2022
BlackRock Inc	9,379,048	5.65%	8 March 2022
Mawer Investment Management Ltd	16,460,473	9.92%	9 March 2022
BlackRock Inc	9,383,826	5.65%	15 March 2022
BlackRock Inc	9,383,238	5.65%	16 March 2022
BlackRock Inc	9,688,043	5.83%	21 March 2022
Baillie Gifford & Co	8,122,227	4.9%	30 March 2022
BlackRock Inc	9,093,635	5.47%	17 May 2022
BlackRock Inc	9,145,571	5.5%	19 May 2022
BlackRock Inc	9,079,303	5.47%	20 May 2022
BlackRock Inc	9,159,766	5.52%	23 May 2022
FMR LLC	12,410,930	7.47%	31 May 2022
BlackRock Inc	9,282,712	5.58%	20 June 2022
BlackRock Inc	9,280,806	5.57%	24 June 2022
BlackRock Inc	9,319,039	5.59%	6 July 2022
Liontrust Investment Partners LLP	9,763,527	5.87%	15 August 2022
Hawksford Trustees Jersey Limited (as trustees of the SC 2014 Settlement)	7,315,140	4.4%	23 August 2022
BlackRock Inc	8,897,678	5.34%	3 October 2022
BlackRock Inc	8,898,106	5.34%	4 October 2022
BlackRock Inc	8,922,976	5.36%	25 October 2022
BlackRock Inc	8,918,430	5.36%	2 November 2022
Mawer Investment Management Ltd	8,259,902	4.97%	2 November 2022
BlackRock Inc	8,909,602	5.35%	7 November 2022
Baillie Gifford & Co	8,965,816	5.39%	9 November 2022
BlackRock Inc	8,910,805	5.35%	9 November 2022
BlackRock Inc	8,878,005	5.33%	21 November 2022
BlackRock Inc	8,880,243	5.33%	22 November 2022
BlackRock Inc	Below 5%	Below 5%	1 December 2022

Between 30 September 2022 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.



Other statutory and regulatory disclosures continued

Transactions with related parties

There were no related party transactions during the year. See note 25 to the consolidated financial statements.

Events post year-end

On 7 December 2022, the Group refinanced its credit facilities with Lloyds and NatWest. This included cancelling its current facilities and entering into a new facility for £60m expiring in December 2025.

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 **196-202** in **note 22** 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.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 162-216.

Whilst the Group operates a highly cash generative business model, a majority of profits are reinvested in the business to support further growth.

No interim dividend was declared during FY22. Given the Group's focus on investing for growth, the Board is not recommending a final dividend in respect of FY22.

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 137

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

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 to the AGM.

Disclosure of information to the auditor

Each of the Directors has confirmed that:

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

ii. the Director has taken all the steps that they ought to have taken as a Director to make themselves 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 7 December 2022.

Approved by the Board and signed on its behalf:

K Vickerstaff
Company secretary
7 December 2022


Offer more
beaches
to more
people

Independent 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2022 which comprise:

Group	Parent company
Consolidated Income Statement and Statement of Comprehensive Income for the year then ended	Balance sheet as at 30 September 2022
Consolidated Balance Sheet as at 30 September 2022	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 25 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 UK adopted international accounting standards. 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 "Reduced Disclosure Framework" (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the group and parent 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.

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.

Conclusions relating to going concern

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 Group's ability to continue as a going concern. 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. supplier 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 2024. Our challenge was particularly focused around the consideration of current macro-economic factors including the rising cost of living, increased interest rates 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.
- 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, downside scenario and a reverse stress test scenario, where zero revenue is modelled. On 7 December 2022 the Group entered into a new revolving credit facility of £60 million expiring in December 2025.

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 for a period to March 2024.

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 nine components. • The components where we performed full audit procedures accounted for 100% of profit before tax adjusted for the impact of exceptional items, 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. • Accounting for exceptional items in relation to legacy Covid-19 balances and Covid-19 related cancellations in year.
Materiality	• Overall Group materiality of £969,000 which represents 1% of gross margin adjusted for gross margin adjusted for exceptional items.

Independent auditor's report to the members of On The Beach Group plc continued

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 nine reporting components of the Group, all are within the UK and represent the principal business units within the Group.

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

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's profit before tax adjusted for the impact of exceptional items, 100% (2021: 100%) of the Group's Revenue and 100% (2021: 100%) of the Group's Total assets.

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact On the Beach Group plc. The Group has determined that the most significant future impacts from climate change on its operations will be in the form of physical risks in respect of extreme heat and transition risks in respect of carbon pricing, consumer sentiment and talent retention. These are explained on pages 74 to 82 in the required Task Force for Climate related Financial Disclosures and on pages 39 to 49 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and ensuring that the effects of material climate risks disclosed on pages 74 have been appropriately reflected in the carrying value of goodwill. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 (£144.1m value of risk, PY comparative £21.2m) *Refer to the Audit Committee Report (page 106); Accounting policies (page 168); and Note 4 of the Consolidated Financial Statements (page 169)* 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 net revenue recorded with booking volumes, and monthly gross revenue and net revenue 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 procedures which covered 100% of revenue.	Our 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.

Independent auditor's report to the members of On The Beach Group plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for exceptional items in relation to legacy Covid-19 balances and Covid-19 related cancellations in year *Refer to the Audit Committee Report (page 106); Accounting policies (page 168); and Note 6 of the Consolidated Financial Statements (page 181)* The Group continues to hold legacy balances as well as record and disclose exceptional cancellations in the year ended 30 September 2022 which have arisen as a result of the Covid-19 pandemic. We consider that there is a risk in relation to the presentation and disclosure of exceptional items including the criteria applied by management in identifying items that are deemed to be exceptional and the judgement (if relevant) in relation to any re-assessment/release of legacy Covid-19 balances currently held. These include the airline receivable and associated provision, and the other legacy Covid-19 provisions.	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* Critically challenged management's criteria to identify and disclose cancellations as exceptional or underlying. Independently reperformed management's calculation of the cancellations processed in the year using a data analytics approach to vouch that those bookings classified are exceptional in accordance with managements policy. *Accounting for legacy Covid-19 balances* Challenged management's rationale in relation to any changes proposed in respect of the legacy balances which included an assessment of the appropriateness of any reversal of provisions previously held and the corresponding classification of those changes within the Income Statement. *Presentation and disclosure* Challenged management's rationale for alternative performance measures, their role in reporting a fair, balanced and understandable assessment of performance and whether appropriate reconciliations to GAAP measures are provided. Critically challenged the appropriateness of the presentation of exceptional items in the financial statements including Income Statement, notes to the accounts and alternative performance measures used in the front end in the context of the FRC guidance in this area. We performed full scope procedures which covered 100% of exceptional items.	Based on our procedures performed we are satisfied that the judgements applied by management in relation to the legacy Covid-19 balances are appropriate. 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.

In the prior year, our auditor's report included a key audit matter in relation to assessment of the carrying value of goodwill, intangible, tangible and company investments. In the current year, this is no longer a key audit matter on the basis that the level of uncertainty associated with the Covid-19 pandemic has reduced in the year following the easing of travel restrictions.

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

We determined materiality for the Group to be £961,000 (2021: £807,000), which is 1% of gross margin adjusted for exceptional items. In 2021, we set materiality at 5% of Normalised profit before tax adjusted for the impact of exceptional items. . The increase in the Group's trading activity during 2022 caused us to consider alternative measures on which to base materiality for 2022. We considered the focus of stakeholders and users of the financial statements and subsequently determined that gross margin adjusted for exceptional items is an appropriate measure for materiality given the nature of the Group's activities and an increase in trading activity in the year.

We determined materiality for the Parent Company to be £961,000 (2021: £807,000), which is 2% (2021: 2%) of Equity, 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% (2021: 75%) of our planning materiality, namely £721,000 (2021: £605,000).

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 £48,000 (2021: £40,000), 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 to 162, 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 this gives rise to 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
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of On The Beach Group plc continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed 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 by the Listing Rules.

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 52;
- 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 52;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 52;
- Directors' statement on fair, balanced and understandable set out on page 160;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 38;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 94; and;
- The section describing the work of the audit committee set out on page 107.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 160, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 (UK adopted international accounting standards, 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. We also involved internal specialists as appropriate in our procedures. 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 4 years, covering the years ending 30 September 2019 to 30 September 2022.
- 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
7 December 2022

Statement of Director's 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 financial statements in accordance with UK-adopted 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 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.

Shaun Morton
Chief Financial Officer

7 December 2022

Financial Statements


On the
Beach

Consolidated Income Statement and Statement of Comprehensive Income

Year ended 30 September 2022

	Note	2022 £'m	2021 £'m
Revenue	4,5	**144.1**	21.2
Cost of sales		**(48.5)**	(6.8)
Gross profit		**95.6**	14.4
Administrative expenses	6	**(93.0)**	(50.2)
Group operating profit/(loss)		**2.6**	(35.8)
Finance costs	8	**(0.8)**	(1.0)
Finance income	8	**0.3**	0.1
Net finance costs		**(0.5)**	(0.9)
Profit/(loss) before taxation		**2.1**	(36.7)
Taxation (charge)/credit	9	**(0.5)**	6.5
Profit/(loss) for the year		**1.6**	(30.2)
Other comprehensive income/(loss):			
Net gain/(loss) on cash flow hedges		**0.6**	(0.1)
Total comprehensive income/(loss) for the year		**2.2**	(30.3)
Attributable to:			
Equity holders of the parent		**2.2**	(30.3)
Basic and diluted earnings/(loss) per share attributable to the equity Shareholders of the Company:			
Basic earnings/(loss) per share	10	**0.9p**	(19.0p)
Diluted earnings/(loss) per share	10	**0.9p**	(19.0p)
Adjusted earnings/(loss) per share*	10	**6.3p**	(9.7p)
Adjusted profit measure*			
Adjusted PBT/(LBT) (before amortisation of acquired intangibles, exceptional items and share-based payments)*	6	**14.1**	(18.4)

* This is a non-GAAP measure, refer to notes listed above. The adjusted earnings/(loss) per share presented is both basic and diluted.

The notes on pages 168 to 205 form part of the financial statements.

Consolidated Balance Sheet

At 30 September 2022

	Note	2022 £'m	Restated note 2(d) 2021 £'m
Assets			
Non-current assets			
Intangible assets	11	**74.3**	74.1
Property, plant and equipment	12	**9.1**	8.3
Deferred tax	19	**3.4**	3.6
Other assets	14	**0.6**	–
Total non-current assets		**87.4**	86.0
Current assets			
Trade and other receivables	14	**122.4**	94.9
Derivative financial instruments	22	**3.2**	–
Corporation tax receivable		**–**	0.8
Trust account	15	**69.4**	39.0
Cash at bank		**64.5**	56.0
Total current assets		**259.5**	190.7
Total assets		**346.9**	276.7
Equity			
Share capital	20	**1.7**	1.7
Share premium	21	**89.6**	89.6
Retained earnings	21	**194.5**	187.6
Capital contribution reserve	21	**0.5**	0.5
Merger reserve	21	**(129.5)**	(129.5)
Total equity		**156.8**	149.9
Non-current liabilities			
Trade and other payables	16	**3.0**	2.5
Total non-current liabilities		**3.0**	2.5
Current liabilities			
Corporation tax payable		**0.2**	–
Trade and other payables	16	**186.6**	119.4
Provisions	16	**0.3**	4.6
Derivative financial instruments	22	**–**	0.3
Total current liabilities		**187.1**	124.3
Total liabilities		**190.1**	126.8
Total equity and liabilities		**346.9**	276.7

The financial statements from pages 164 to 205 were approved by the Board of Directors and authorised for issue.

Shaun Morton
Chief Financial Officer

7 December 2022
On the Beach Group plc. Reg no 09736592

Consolidated Statement of Cash Flows

Year ended 30 September 2022

	Note	2022 £'m	2021 £'m
Profit/(loss) before taxation		**2.1**	(36.7)
Adjustments for:			
Depreciation	6	**2.0**	1.8
Amortisation of intangible assets	6	**10.8**	10.1
Finance costs	8	**0.8**	1.0
Finance income	8	**(0.3)**	(0.1)
Share-based payments	23	**4.7**	2.8
Gain on termination of lease	12	**–**	(0.1)
Loss on disposal of property, plant and equipment	12	**–**	0.2
		20.1	(21.0)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	14	**(29.6)**	9.9
Increase in trade and other payables	16	**61.3**	21.3
(Increase) in trust account		**(30.4)**	(13.2)
		1.3	18.0
Cash flows from operating activities			
Cash used in operating activities		**21.4**	(3.0)
Tax received		**0.5**	4.2
Net cash inflow/(outflow) from operating activities		**21.9**	1.2
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(1.3)**	(0.5)
Purchase of intangible assets	11	**(0.5)**	–
Development expenditure	11	**(10.6)**	(4.6)
Interest received	8	**0.3**	0.1
Net cash outflow from investing activities		**(12.1)**	(5.0)
Cash flows from financing activities			
Proceeds from issue of share capital		**–**	26.0
Costs related to shares issued paid		**–**	(1.1)
Interest paid on borrowings	8	**(0.6)**	(0.9)
Interest paid on lease liabilities	8	**–**	(0.1)
Payment of lease liabilities	17	**(0.7)**	(0.6)
Net cash (outflow)/inflow from financing activities		**(1.3)**	23.3
Net increase in cash at bank and in hand		**8.5**	19.5
Cash at bank and in hand at beginning of year		**56.0**	36.5
Cash at bank and in hand at end of year		**64.5**	56.0

The notes on pages 168 to 205 form part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 September 2022

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
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
Share-based charge including tax	–	–	–	–	4.7	4.7
Total comprehensive income for the year	–	–	–	–	2.2	2.2
Balance at 30 September 2022	**1.7**	**89.6**	**(129.5)**	**0.5**	**194.5**	**156.8**

The notes on pages 168 to 205 form part of these financial statements.

Notes to the Consolidated Financial Statements

Year ended 30 September 2022

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 217.

2. Accounting Policies

a) Basis of Preparation

The consolidated financial statements presented in this document have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 Revolving Credit Facility ('RCF'). On 7 December 2022, the Group refinanced its credit facilities with Lloyds and NatWest Banks. This included cancelling its current facility of £50m and CLBILS facility of £25m and entering into a new facility of £60m expiring in December 2025.

As at 30 September 2022 cash (excluding cash held in trust which is ring-fenced and not factored into the going concern assessment) was £64.5m (30 September 2021 cash of £56.0m).

Where holidays are cancelled the Group is committed to refunding customers in cash rather than vouchers. 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 2022 was £69.4m.

The Directors have assessed a going concern period through to March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. 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 have modelled a reasonably possible downside scenario to sensitise the base case. In this scenario the Directors have assessed the impact to cash and revenue in an environment where bookings are 20% lower than historic levels, although profitability would be affected, the Group would be able to continue operating.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. 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 during the going concern review period.

The Directors have considered possible levels of customer default in light of the cost of living crisis. At the date of signing default levels remain low. The Directors remain confident that the business has adequate controls and processes in place to recover outstanding balances from customers.

Given the assumptions above, the mitigating actions available and within the Group's control, the Directors remain confident that the Group continue to operate in an agile way adapting to any continued travel disruption. 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 2021; the following amended standards have been implemented; however, they have not had a significant impact on the Group's consolidated financial statements:

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). These amendments had no impact on the consolidated financial statements of the Group.

Covid-19 Related Rent Concessions beyond 30 June 2021: Amends to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of Covid-19 continued, the IASB extended the period of application to 30 June 2022. The Group has not received Covid-19 related rent concessions during the period of application.

Standards issued but not yet effective

Certain new financial reporting standards, amendments and interpretations have been published that are not mandatory for the 30 September 2022 reporting period and have not been early adopted by the Group. The Group is currently assessing the impact of the following standards, amendments and interpretations:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

d) Reclassification of deferred tax assets

In April 2022, the Group received a letter from the Financial Reporting Council ('FRC') as part of its regular review and assessment of the quality of corporate reporting in the UK. The letter included a request for further information on the Group's Annual Report and Accounts for the year ended 30 September 2021. The review conducted by the FRC was performed solely on the Group's published Annual Report and Accounts and does not provide any assurance that the Annual Report and Accounts are correct in all material respects. The review did not benefit from a detailed knowledge of the business or an understanding of the underlying transactions entered into. FRC letters are written on the basis that the FRC accepts no liability for reliance on them by the Company or any third party.

Following completion of the correspondence with the FRC, the Directors have concluded that the deferred tax asset of £3.6m reported in the balance sheet as at 30 September 2021 should have been presented as a non-current asset in line with the requirements of IAS 1.56, rather than as a current asset. Therefore, the comparatives for the balance sheet as at 30 September 2021 have been restated to correct the error identified. As a result, total current assets reduced by £3.6m to £190.7m and total non-current assets increased by £3.6m to £86.0m. There was no impact on net assets, earnings or cash flows.

e) 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.

f) 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.

Notes to the Consolidated Financial Statements continued

g) 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.

h) 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, and 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 90 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. Due to the restrictions on accessing the funds in the trust account, customer monies held in the trust account are presented separately to cash at bank. Cash flows in respect of the trust account are presented as operating cash flows on the basis that they are linked to the Group's revenue-producing activities as an online travel agent.

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 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 22 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.

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 part of the Group's net revenue. 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 part of the Group's net revenue.

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.

i) 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

j) 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 customer 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 the OTB and International segments are presented on an agent basis, and therefore are stated net. Revenue earned from sales through CPH are stated net, with the commission payable to agents recognised in 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.

Notes to the Consolidated Financial Statements continued

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.

Revenue earned from sales through the CCH are presented on an principal basis, and therefore are stated gross.

k) Override income

The Group has agreements with suppliers which give rise to rebate income. This income relates to segments where revenue is accounted for on an agent basis, therefore 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.

l) 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.

m) Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

n) 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.

o) Intangible assets

i. Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred. Expenditure on development activities directly attributable to the design and testing of identifiable and unique software products are capitalised if the product or process meet the following criteria:

- The completion of the development is technically and commercially feasible to complete;
- Adequate technical resources are sufficiently available to complete development;
- It can be demonstrated that future economic benefits are probable; and
- The expenditure attributable to the development can be measured reliably.

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

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

ii. Software licenses and domain names

Acquired intangible assets are capitalised at the cost necessary to bring the asset to its working condition. The Group have applied the guidance published by the IFRS Interpretations Committee (IFRIC) in respect of Cloud-computing arrangements. The guidance requires that cloud computing arrangements are reviewed to determine if they are within the scope of IAS 38 Intangible Assets, IFRS 16 Leases, or a service contract. This is to determine if the Group has control of the software intangible asset. Control is assumed if the Group has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Group has exclusive rights to use the software whereby the supplier cannot make the software available to other customers.

Costs for software licenses and domain names are carried at cost less accumulated amortisation and are amortised over their useful lives at the point in which they come into use.

iii. 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.

iv. 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

v. 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.

p) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Notes to the Consolidated Financial Statements continued

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.

q) 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
IT equipment	3-5 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.

i. 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.

r) Employee benefits

i. Pension scheme

The Group operates a defined contribution pension scheme. A defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the years during which services are rendered by employees.

ii. Share-based payment transactions

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).

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 23.

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).

s) Financing income and expenses

Financing expenses comprises interest payable 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 and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

t) Exceptional 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.

u) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the Consolidated Financial Statements continued

v) Share capital

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

w) Share premium and other reserves

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in 'share premium'. The amount subscribed for the preference shares in excess of the nominal value of these new preference shares is recorded in 'other reserves'.

Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

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.

x) Earnings per share

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

y) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

z) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group recognises a refund liability (presented as a cancellation provision) for the commission that is considered to represent variable consideration (see note 2j).

aa) Non statutory measures

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

Adjusted PBT is calculated by adjusting for material items of income and expenditure where because of the nature and expected infrequency of events giving rise to 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.

i. 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.

ii. 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 accordance with IFRS 15, revenue for the OTB, International and CPH segments is recognised 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 is recognised 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 2022, the proportion of development costs that have been capitalised is higher than the years ending 30 September 2020 and 2021 as the development team are focusing on key developments rather than operational tasks to respond 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 of future taxable profits, together with future tax planning strategies. Using approved budgets and forecasts covering a four-year period, management concluded that there would be sufficient level of future taxable profits to support the deferred tax asset of £8.2m (2021: £9.5m) recognised (note 19).

Whilst the forecasts include inherent estimation uncertainty, the Group determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits.

The key management judgement required was determining the expected timing of recovery to profit and therefore the period over which the deferred tax asset would be realised. In determining the timing of recovery, all available evidence was considered, including approved budgets, forecasts and analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment purposes. The Group performed sensitivity analyses on these forecasts that were consistent with those detailed for impairment testing in note 19.

The Group has £0.2m of tax losses carried forward from subsidiaries that have a history of losses, these losses may not be used to offset taxable income elsewhere in the Group. On this basis, the Group has determined that it cannot recognise deferred tax assets on these tax losses carried forward.

Critical accounting estimates

Covid-19 and supplier disruption

Covid-19 has continued to impact the current financial year, with the outbreak of the Omicron variant of Covid-19 causing disruption between October 2021 and January 2022. Following the removal of travel restrictions in February 2022, travel was further affected by the disrupted airline schedules. The recognition of costs and provisions relating to the travel disruption has been an area of significant estimation. These adjustments relate primarily to lost revenue resulting from the cancellation of bookings in the financial year. The estimation includes the loss of revenues caused by the cancellation and refund of bookings, offset by the extent to which related holiday costs can be recovered.

For the year ending 30 September 2021, the Group recognised a cancellation provision to estimate the extent to which forward bookings would be cancelled in FY22. During the current year this provision has been utilised and any unused amounts reversed, see note 16 for details. The Group has not included a provision for forward bookings affected by Covid-19 as at 30 September 2022.

Notes to the Consolidated Financial Statements continued

i. Recoverability of airline debtor

In relation to flights cancelled during the financial year, the Group has considered the impact of the pandemic and supplier disruption on the recoverability of amounts paid to airlines in lieu of flights which have been cancelled which as at 30 September 2022 is a receivable balance of £2.8m - see note 14.

The Group has a legal right to a refund; the airline has an obligation to refund in the event that the flight is cancelled. Where an airline is not forthcoming with a refund owed the Group exercises its chargeback rights are as governed by the card scheme rules. Alternatively, the Group may take legal action to recover the sums owed (e.g. under the right of redress provided by Regulation 29 of the Package Travel and Linked Travel Arrangements Regulations 2018, or via an unjust enrichment claim). The Group has a right to make a chargeback when:

– the merchant (airline) was unable or unwilling to provide the purchased services; or

– 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.

If the Group were to increase its provision by 5 percentage points ('ppts'), this would have resulted in a decrease of £0.2m in the receivable balance of £2.8m.

ii. Impact of Covid-19 and supplier disruption

The estimation required for determining the impact of Covid-19 and supplier disruption includes calculating the loss of revenues caused by the cancellation and refund of bookings, offset by extent to which related holiday costs can be recovered. A summary of the adjustments between Adjusted and GAAP measures, split between the Covid-19 impact and other costs, is shown below:

	Impact of travel disruption £'m
Group revenue	
Revenue as Agent	**(1.0)**
Revenue as Principal	–
Group cost of sales	**(0.3)**
Group overheads	**(1.3)**
Group profit before tax	**(2.6)**

The total exceptional items in the year ended 30 September 2022 of £2.6m represents the £4.7m cost of Covid-19 and supplier disruption to trading in the period which has been offset by the release of £4.6m of provisions from the previous year, and legal and professional fees of £2.5m incurred in the year.

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.

For the year ended 30 September 2022

	OTB £'m	Int'l £'m	CCH £'m	CPH £'m	Total £'m
Revenue before exceptional items					
Sales as agent	**86.9**	**0.7**	**–**	**6.2**	**93.8**
Sales as principal	**–**	**–**	**50.5**	**–**	**50.5**
Total revenue before exceptional items	**86.9**	**0.7**	**50.5**	**6.2**	**144.3**
Exceptional cancellations*	**(0.6)**	**–**	**–**	**(0.4)**	**(1.0)**
Fair value FX gains	**0.8**	**–**	**–**	**–**	**0.8**
Total revenue	**87.1**	**0.7**	**50.5**	**5.8**	**144.1**

For the 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

* Exceptional cancellations in the year ended 30 September 2022 relates to the impact of Covid-19 in the year and travel disruption arising following the removal of travel restrictions. Exceptional cancellations in the year ended 30 September 2021 relate to the impact of Covid-19 (see note 3).

Details of receivables arising from contracts with customers are set out in note 14.

5. Segmental report

As explained in note 2i, 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.

	2022					2021				
	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	86.9	0.7	50.5	6.2	144.3	22.1	0.1	6.5	1.8	30.5
Exceptional cancellations*	(0.6)	–	–	(0.4)	(1.0)	(9.1)	(0.1)	–	(0.1)	(9.3)
Fair value FX gains	0.8	–	–	–	0.8	–	–	–	–	–
Total Revenue	87.1	0.7	50.5	5.8	144.1	13.0	–	6.5	1.7	21.2
Adjusted EBITDA	22.1	–	(0.1)	(0.1)	21.9	(6.1)	(0.2)	(3.1)	(1.7)	(11.1)
Share-based charge	(4.7)	–	–	–	(4.7)	(2.8)	–	–	–	(2.8)
Exceptional items	(1.9)	–	(0.3)	(0.4)	(2.6)	(9.8)	(0.1)	(0.4)	0.3	(10.0)
Fair value FX gains	0.8	–	–	–	0.8	–	–	–	–	–
EBITDA	16.3	–	(0.4)	(0.5)	15.4	(18.7)	(0.3)	(3.5)	(1.4)	(23.9)
Depreciation and amortisation	(11.1)	(0.1)	(1.4)	(0.2)	(12.8)	(10.3)	(0.1)	(1.3)	(0.2)	(11.9)
Group operating profit/(loss)	5.2	(0.1)	(1.8)	(0.7)	2.6	(29.0)	(0.4)	(4.8)	(1.6)	(35.8)
Finance costs					(0.8)					(1.0)
Finance income					0.3					0.1
Profit/(loss) before taxation					2.1					(36.7)
Non-current assets										
Goodwill	31.6	–	4.6	4.0	40.2	31.6	–	4.6	4.0	40.2
Other intangible assets	27.4	–	6.6	0.1	34.1	26.0	0.1	7.7	0.1	33.9
Property, plant and equipment	6.3	–	2.8	–	9.1	5.8	–	2.5	–	8.3

* Exceptional cancellations in the year ended 30 September 2022 relate to the impact of Covid-19 and supplier disruption. Exceptional cancellations for 30 September 2021 relate to the impact of Covid-19.

6. Operating profit

a) Operating expenses

Expenses by nature including exceptional items and impairment charges:

	2022 £'m	2021 £'m
Marketing	**38.7**	10.9
Depreciation	**2.0**	1.8
Staff costs (including share-based payments)	**28.0**	18.5
IT hosting, licences & support	**4.5**	2.5
Office expenses	**0.7**	0.8
Credit / debit card charges	**3.2**	0.5
Insurance	**1.6**	1.6
Professional services	**0.9**	0.7
Other	**1.3**	1.8
Administrative expenses before exceptional items & amortisation of intangible assets	**80.9**	39.0
Exceptional items	**1.3**	11.1
Amortisation of intangible assets	**10.8**	10.1
Exceptional items and amortisation of intangible assets	**12.1**	11.2
Administrative expenses	**93.0**	50.2

b) Exceptional items

	2022				2021		
	Adjusted £'m	Impact of travel disruption £'m	Fair value FX gains £'m	GAAP £'m	Adjusted £'m	Impact of Covid-19 £'m	GAAP £'m
Group revenue							
Revenue as Agent	**93.8**	**(1.0)**	**0.8**	**93.6**	24.0	(9.3)	14.7
Revenue as Principal	**50.5**	**–**	**–**	**50.5**	6.5	–	6.5
					–	–	–
Group cost of sales	**(48.2)**	**(0.3)**	**–**	**(48.5)**	(7.2)	0.4	(6.8)
					–	–	–
Group overheads					–	–	–
Administrative expenses	**(91.7)**	**(1.3)**	**–**	**(93.0)**	(49.1)	(1.1)	(50.2)
Net finance costs	**(0.5)**	**–**	**–**	**(0.5)**	(0.9)	–	(0.9)
Group profit/(loss) before tax	**3.9**	**(2.6)**	**0.8**	**2.1**	(26.7)	(10.0)	(36.7)

The total exceptional items in the year ended 30 September 2022 of £1.8m includes £2.6m due to the impact of travel disruption offset by £0.8m of fair value FX gains. The impact of travel disruption represents £4.7m cost of Covid-19 and supplier disruption to trading in the period which has been offset by the release of £4.6m of provisions from the previous year, and legal and professional fees of £2.5m incurred in the year.

The 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.

c) Services provided by the company auditor

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

	2022 £'m	2021 £'m
Audit of the parent company financial statements	**0.1**	0.1
Amounts receivable by the Company's auditor and its associates in respect of:		
– Audit of financial statements of subsidiaries pursuant to legislation	**0.3**	0.3
– Review of interim financial statements	**–**	–
– Other assurance services	**–**	–
	0.4	0.4

d) Adjusted profit/(loss) before tax

Management measures the overall performance of the Group by reference to adjusted profit/(loss) before tax, a non-GAAP measure as it gives a meaningful year-on-year comparison of the Group's performance:

	2022 £'m	2021 £'m
Profit/(loss) before taxation	**2.1**	(36.7)
Exceptional items (note 4b)	**1.8**	10.0
Amortisation of acquired intangibles*	**5.5**	5.5
Share-based payments charge**	**4.7**	2.8
Adjusted profit/(loss) before tax	**14.1**	(18.4)

* These charges relate to amortisation of brand, website technology and customer relationships recognised on the acquisition of subsidiaries and are added back as they are inherently linked to historical acquisitions of businesses.

** The share-based payment charge represents the expected cost of shares vesting under the Group's Long Term Incentive Plan. The share-based payment charge has increased to £4.7m (2021: £2.8m) as a result of a significant increase in the number of awards in the year and the change in the expectations for non-market based performance conditions. In addition, on 21 December 2021 the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019. This removal of a non-market based condition has resulted in a catch-up charge to the income statement of £1.9m (2021: £2.0m) that reflects the scheme progress to date. These charges are added back to provide comparability to prior periods due to fluctuations in the charges.

7. Employees and Directors

a) Payroll costs

The aggregate payroll costs of these persons were as follows:

	2022 £'m	2021 £'m
Wages and salaries	**27.2**	18.0
Defined contribution pension cost	**0.7**	0.4
Social security costs	**2.9**	1.9
Share-based payment charge	**4.7**	2.8
	35.5	23.1

Staff costs above include £7.5m (2021: £4.6m) employee costs capitalised as part of software development. During the year £nil was claimed in relation to the Coronavirus Job Retention Scheme (2021: £0.2m).

Share-based payments includes a catch-up charge of £1.9m (2021: £2.0m) following the Remuneration Committee approving the introduction of an underpin/minimum award on 21 December 2021 for the nil cost awards originally granted 9 July 2019. This removal of a non-market based condition has resulted in the catch-up charge to the income statement that reflects the scheme progress to date.

b) Employee numbers

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

By reportable segment:	2022 No.	2021 No.
UK	**463**	365
Int'l	**4**	6
CCH	**134**	115
CPH	**22**	8
	623	494

c) Directors' emoluments

The remuneration of Directors was as follows:

	2022 £'m	2021 £'m
Aggregate emoluments	**1.0**	0.5
Defined contribution pension	**–**	–
Share-based payment charges	**0.8**	0.1
Directors' emoluments	**1.8**	0.6

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

Notes to the Consolidated Financial Statements continued

The remuneration of the highest paid Director was as follows:

	2022 £'m	2021 £'m
Aggregate emoluments	**0.6**	0.3
Share-based payment charges	**0.8**	0.1
	1.4	0.4

d) Key management compensation

Key management comprised the eight members of the Executive Team.

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

	2022 £'m	2021 £'m
Wages and salaries	**5.1**	1.7
Short-term non-monetary benefits	**–**	–
Share-based payment charges	**3.4**	2.1
Key management compensation	**8.5**	3.8

e) Retirement benefits

Included in pension contributions payable by the Group of £0.7m (2021: £0.4m) is £10,700 (2021: £1,300) of contributions that the Group made to a personal pension scheme in relation to one member of the Executive Team.

8. Finance income and finance costs

a) Finance costs

	2022 £'m	2021 £'m
Rolling credit facility interest / non-utilisation fees	**0.6**	0.9
Interest on lease liabilities	**0.2**	0.1
Finance costs	**0.8**	1.0

b) Finance income

	2022 £'m	2021 £'m
Bank interest receivable	**0.3**	0.1
Finance income	**0.3**	0.1

9. Taxation

	2022 £'m	2021 £'m
Current tax on profit/(loss) for the year	0.4	(0.4)
Total current tax	0.4	(0.4)
Deferred tax on profits for the year		
Origination and reversal of temporary differences	0.3	(6.1)
Adjustments in respect of prior years	(0.2)	–
Total deferred tax	0.1	(6.1)
Total tax charge/(credit)	0.5	(6.5)

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:

	2022 £'m	2021 £'m
Profit/(loss) on ordinary activities before tax	2.1	(36.7)
Profit/(loss) on ordinary activities multiplied by the statutory rate of corporation tax in the UK of 19% (2021: 19%)	0.4	(7.0)
Effects of:		
Impact of difference in current and deferred tax rates	(0.5)	0.2
Adjustments in respect of prior years	(0.2)	–
Expenses not deductible	0.8	0.3
Total taxation charge/(credit)	0.5	(6.5)

The effective rate tax rate for the period is 25% (2021: 18%). 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 2022 have been calculated based on these rates.

10. Earnings per share

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

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of On the Beach Group plc by the weighted average number of Ordinary Shares issued during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential ordinary shares into Ordinary Shares.

Adjusted basic earnings per share figures are calculated by dividing adjusted earnings after tax for the year by the weighted average number of shares. Adjusted diluted earnings per share figures are calculated by dividing adjusted earnings after tax for the year by the weighted average number of shares plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential ordinary shares into Ordinary Shares.

	Basic weighted average number of Ordinary Shares (m)	Total earnings £'m	Pence per share
Year ended 30 September 2022			
Basic EPS	**165.9**	**1.6**	**1.0p**
Diluted EPS	**166.7**	**1.6**	**1.0p**
Adjusted basic EPS	**165.9**	**10.5**	**6.3p**
Adjusted diluted EPS	**166.7**	**10.5**	**6.3p**

	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)

*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/(loss) after tax is calculated using the tax rate of 25% on the basis that this is the Group's effective tax rate:

	2022 £'m	2021 £'m
Profit/(loss) for the year after taxation	**1.6**	(30.2)
Adjustments (net of tax at 25%)		
Exceptional items (note 4b)	**1.3**	8.1
Amortisation of acquired intangibles	**4.1**	4.5
Share-based payment charges*	**3.5**	2.2
Adjusted earnings/(loss) after tax	**10.5**	(15.4)

* 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	Agent relationships £'m	Total £'m
Cost							
At 1 October 2020	35.9	40.2	15.6	22.8	2.1	4.4	121.0
Additions	–	–	4.6	–	–	–	4.6
At 30 September 2021	35.9	40.2	20.2	22.8	2.1	4.4	125.6
Additions	–	–	11.0	–	–	–	11.0
At 30 September 2022	**35.9**	**40.2**	**31.2**	**22.8**	**2.1**	**4.4**	**136.6**
Accumulated amortisation							
At 1 October 2020	15.1	–	8.7	16.0	0.9	0.7	41.4
Charge for the year	2.4	–	4.6	2.4	0.4	0.3	10.1
At 30 September 2021	17.5	–	13.3	18.4	1.3	1.0	51.5
Charge for the year	2.4	–	5.3	2.4	0.4	0.3	10.8
At 30 September 2022	**19.9**	**–**	**18.6**	**20.8**	**1.7**	**1.3**	**62.3**
Net book amount							
At 30 September 2022	**16.0**	**40.2**	**12.6**	**2.0**	**0.4**	**3.1**	**74.3**
At 30 September 2021	18.4	40.2	6.9	4.4	0.7	3.5	74.1

Brand

The brand intangibles assets consist of three brands which were separately identified as intangibles on the acquisition of the respective businesses. The carrying amount of the brand intangible assets:

Brand	Remaining amortisation period	Acquisition	At 30 September 2022 £'m	At 30 September 2021 £'m
On the Beach	4 years	On the Beach Travel Limited	**12.1**	14.1
Sunshine.co.uk	5 years	Sunshine.co.uk Limited	**0.7**	0.8
Classic Collection	6 years	Classic Collection Limited	**3.2**	3.5
			16.0	18.4

Notes to the Consolidated Financial Statements continued

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	At 30 September 2022 £'m	At 30 September 2021 £'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 CGUs 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. The Group has not recognised an impairment to the goodwill for the year ending 30 September 2022 (2021: £nil).

'OTB' CGU

The Group performed its annual impairment test as at 30 September 2022 on the 'OTB' cash-generating unit ('CGU'). The recoverable amount of the CGU has been determined based on the value in use calculations using cash flow projections derived from financial budgets and projections covering a four-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 per cent (2021: 2 per cent), 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 13.5 per cent (2021: 11 per cent).

'Sunshine' CGU

The Group performed its annual impairment test as at 30 September 2022 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 four-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 per cent (2021: 2 per cent), 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 13.5 per cent (2021: 11 per cent)

'CCH' CGU

The Group performed its annual impairment test as at 30 September 2022 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 four-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 per cent (2021: 2 per cent). 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 13.5 per cent (2021: 11 per cent).

'CPH' CGU

The Group performed its annual impairment test as at 30 September 2022 on the 'CPH' cash-generating unit ('CGU'). The recoverable amount of the CGU has been determined based on the value in use calculations using cash flow projections derived from financial budgets and projections covering a four-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 per cent (2021: 2 per cent). 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 13.5 per cent (2021: 11 per cent).

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.

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions

The main assumptions on which the forecast cash flows used for the CGUs were based include:

- Consumer demand - management considered historic performance both pre-pandemic (year ending 30 September 2019) and during the pandemic (years ending 30 September 2020 and 2021) as well as the size of the market, current market share, competitive pressure, consumer confidence and appetite under the cost of living crisis. The Directors have used their past experience of the business and its industry, together with their expectations of the market.
- Impact of new marketing and planned improvements on booking conversion - whilst the spend on incentives and improvements is within the Group's control, the impact on increasing bookings requires assessment of consumer demand and competitive pressures using industry and market knowledge.

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- Revenue: the level of sales is based on expected customer demand, average booking values and booking conversion; however, a material deterioration in consumer demand can lead to reduced demand for holidays as well as disruption to its operations from unpredictable domestic and international events which can significantly impact the level of sales. A decrease in bookings of 20% for each CGU would not result in an impairment.
- Discount rates: Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ('WACC'). A rise in the discount rate to 14% for all CGUs would not result in an impairment.
- Growth rates used to extrapolate cash flows beyond the forecast period: the Group operates in a fast-moving marketplace so management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. A reduction in long-term growth rates by 10ppts for each CGU would not result in an impairment.

Sensitivity analysis has been completed in isolation and in combination. Management considers that no reasonably possible changes in assumptions would reduce a CGU's headroom to nil.

Impact of cost of living crisis

The Group does not consider that any CGU has been automatically impaired as a result of the rising cost of living. All CGUs remain viable trading long-term assets which the Group expects to continue to generate positive cashflows. Inherent in the impairment test and sensitivity analysis is the impact of customer demand being affected by the rising costs of living. 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 should a change be required.

Website and development costs

The Group capitalises development projects where they satisfy the requirements for capitalisation in accordance with 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 and the purchase of domain names. The amortisation period for website and development costs is three years straight line. Domain names are amortised over ten 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 2022 this was £1.3m (2021: £1.4m).

Notes to the Consolidated Financial Statements continued

12. Tangible assets

	Freehold property £'m	Right-of-use asset (note 17) £'m	Fixtures, fittings and equipment £'m	Total £'m
Cost				
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 1 October 2021	2.3	3.6	7.1	13.0
Additions	–	1.5	1.3	2.8
Disposals	–	–	(1.0)	(1.0)
At 30 September 2022	**2.3**	**5.1**	**7.4**	**14.8**
Accumulated amortisation				
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 1 October 2021	0.1	1.1	3.5	4.7
Charge for the year	0.1	0.6	1.3	2.0
Disposals	–	–	(1.0)	(1.0)
At 30 September 2022	**0.2**	**1.7**	**3.8**	**5.7**
Net book amount				
At 30 September 2022	**2.1**	**3.4**	**3.6**	**9.1**
At 30 September 2021	2.2	2.5	3.6	8.3

The depreciation expense of £2.0m for the year ended 30 September 2022 and the depreciation expense of £1.8m for the year ended 30 September 2021 have been recognised within administrative expenses.

13. 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%

* During the year, the Group has undertaken a project to simplify the group structure, on 30 September 2022 On the Beach Topco Limited and On the Beach Bidco were placed into Members Voluntary Liquidation. The Group chose to simply the group structure to reduce duplication of processes, reduce complexity of the structure without affecting the control of the Group's assets and reduce additional costs associated with the subsidiaries.

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

14. Trade and other receivables

Amounts falling due within one year:	2022 £'m	2021 £'m
Trade receivables – net	**100.8**	79.5
Other receivables and prepayments	**21.6**	15.4
Total trade and other receivables	**122.4**	94.9

For the year ended 30 September 2022 , other receivables includes £2.8m 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, £3.9m of rebates due from suppliers and £2.2m receivable in relation to value added tax. The expected credit losses in respect to these balances is not material.

Prepayments greater than one year are £0.6m (2021: Nil).

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.

15. 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.

Notes to the Consolidated Financial Statements continued

16. Trade, other payables and provisions

	2022 £'m	2021 £'m
Non-current		
Lease liabilities (note 17)	**3.0**	2.5
Current		
Trade payables	**158.3**	104.3
Accruals and other payables	**27.4**	14.8
Lease liabilities (note 17)	**0.9**	0.4
Provision	**0.3**	4.6
Total trade, other payables and provisions	**189.9**	126.6

Trade payables includes £0.4m (2021: £0.9m) 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.

Accruals and other payables includes £14.9m (2021: £14.2m) for products or services received but not yet invoiced at the year-end date.

	Covid-19 cancellations £'m	Other Covid-19 related provisions £'m	Cancellations £'m	Total £'m
At 1 October 2021	4.1	0.5	–	4.6
Arising during the year	–	–	0.3	0.3
Utilised	(2.0)	(0.1)	–	(2.1)
Unused amounts reversed	(2.1)	(0.4)	–	(2.5)
Unwinding of discount and changes in the discount rate	–	–	–	–
At 30 September 2022	**–**	**–**	**0.3**	**0.3**
Current	–	–	0.3	0.3
Non-current	–	–	–	–

Covid-19

The Covid-19 cancellations and other Covid-19 related provisions have been utilised against the costs associated with Covid-19 and supplier disruption in the year.

Cancellations

A provision has been recognised in respect of expected future cancellations for supplier and customer cancellations on the forward order book for future departures. The Group expect this provision to be utilised over the next year. The provision is based on historical trends and best estimate of future expectation, there is inherent uncertainty in terms of the level and timing of future cancellations which will depend on various factors including potential further supplier disruption.

17. Leases

The Group as a lessee

For the year ending 30 September 2022, the Group entered into leases for IT equipment, the lease terms for IT equipment are between three and five years. The Group has a lease for its head office which has a term of ten years. 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.

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).

Amounts recognised in profit or loss

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

	2022 £'m	2021 £'m
Depreciation expense of right-of-use assets	**0.6**	0.5
Interest expense on lease liabilities	**0.2**	0.1
Gain on termination of lease	**–**	(0.1)
Total amount recognised in profit or loss	**0.8**	0.5

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

	2022 £'m	2021 £'m
As at 1 October	**2.9**	4.2
Additions	**1.5**	–
Accretion of interest	**0.2**	0.1
Payments	**(0.7)**	(0.6)
Reassessment of lease term	**–**	(0.8)
As at 30 September	**3.9**	2.9
Current (note 16)	**0.9**	0.4
Non-current (note 16)	**3.0**	2.5

The Group had total cash outflows for leases of £0.7m in 2022 (£0.6m in 2021). The above table satisfies the requirements of IAS 7.44A to present a net debt reconciliation.

18. 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.

During the year the Group had a total facility of £75m comprising two elements, as follows:

- Core facility of £50m expiring December 2023; and
- CLBILS facility of £25m expiring May 2023.

The interest rate payable on the core facility is equal to SONIA plus a margin. The margin contained within the facility is dependent on net leverage ratio and the rate per annum ranges from 2.00% to 4.25% for the facility or any unpaid sum. The interest rate payable on the CLBILS facility is equal to the Bank of England base rate plus a margin. The margin contained within the facility is 2.30% per annum for the facility or any unpaid sum.

The facility included 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:

i. LTM minimum EBITDA: December 21 £20.4m loss; March 22 £1.2m loss

ii. 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 2022, the liabilities for these other credit uses was £7.4m, leaving £68m 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 2022 was £nil and there has been nothing drawn down post balance sheet date.

On 7 December 2022, the Group refinanced its credit facilities with Lloyds and NatWest. This included cancelling its current facilities and entering into a new facility for £60m expiring in December 2025.

The interest rate payable is equal to SONIA plus a margin. The margin contained within the facility is dependent on net leverage ratio and the rate per annum ranges from 2.00% to 2.75% for the facility or any unpaid sum.

The terms of the new facility include the following covenants:

i. the ratio of adjusted EBITDA to net finance charges in respect of any relevant period shall not be less than 5:1; and

ii. the ratio of total net debt to adjusted EBITDA shall not exceed 2.5:1.

19. Deferred tax

	Intangible assets £'m	Property, plant and equipment £'m	Share-based payments £'m	Losses and unused tax relief £'m	Tax assets/ (liabilities) £'m
2022					
Assets	–	–	0.7	8.2	8.9
Liabilities	(5.2)	(0.3)	–	–	(5.5)
Total	**(5.2)**	**(0.3)**	**0.7**	**8.2**	**3.4**
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

	Intangible assets £'m	Property, plant and equipment £'m	Share-based payments £'m	Losses and unused tax relief £'m	Total £'m
30 September 2020	**(6.2)**	**(0.1)**	**0.2**	**3.5**	**(2.6)**
Accelerated depreciation for tax purposes	(0.1)	(0.2)	–	–	(0.3)
Losses available for offsetting against future income	–	–	–	6.0	6.0
Share-based payments recognised in income	–	–	0.4	–	0.4
Share-based payments recognised in equity	–	–	0.1	–	0.1
30 September 2021	**(6.3)**	**(0.3)**	**0.7**	**9.5**	**3.6**
Losses utilised against taxable income	–	–	–	(1.3)	(1.3)
Accelerated depreciation for tax purposes	1.1	–	–	–	1.1
Share-based payments recognised in income	–	–	0.1	–	0.1
Share-based payments recognised in equity	–	–	(0.1)	–	(0.1)
30 September 2022	**(5.2)**	**(0.3)**	**0.7**	**8.2**	**3.4**

The deferred tax asset includes an amount of £8.2m (2021: £9.5m) which relates to carried forward tax losses. Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Deferred tax assets are reviewed at each reporting date to assess the probability that sufficient taxable profit will be available to allow all or part of deferred tax asset to be utilised. The Group determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets, and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits (see note 3 for details).

In determining the recognition of deferred tax assets arising from the carry forward of unused tax losses, the Group considered the following:

The Group considered the location of the taxable entities, the loss-making companies are all located in the United Kingdom, for a full list of subsidiaries see note 13.

The Group has considered the approved budgeted information covering a four-year period that is consistent with the forecasts used for the Group's review of impairment, going concern and viability assessments. For details of the assumptions used and sensitivity analysis performed for the forecasts, see note 11. Whilst the forecasts include inherent estimation uncertainty, the Group determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and no reasonably possible change to key assumptions would result in a material reduction in forecast headroom of tax profits. On this basis the Group concluded that there is not a significant risk of a material adjustment to the carrying amount of the deferred tax asset.

Based on the budgeted information, the Group made a significant judgement on the timing of utilising the unused tax losses, as detailed in note 3. The Group determined that the unused tax losses will be utilised across the years ending 30 September 2023 and 2024. There is no expiry in respect of the deferred tax assets.

The Group has £0.2m that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Notes to the Consolidated Financial Statements continued

20. Share capital

Allotted, called up and fully paid	2022 £'m	2021 £'m
166,258,172 ordinary shares @ £0.01 each (2021: 165,399,366 @ £0.01 each)	**1.7**	1.7

The Group issued 858,806 ordinary shares 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.

21. 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.

22. 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	2022 £'m	2021 £'m
Derivative financial assets designated as hedging instruments			
Forward exchange contracts	2	**3.2**	–
Financial assets at amortised cost			
Trust account		**69.4**	39.0
Cash at bank		**64.5**	56.0
Trade and other receivables (note 14)		**116.9**	89.5
Total financial assets		**254.0**	184.5

Financial liabilities	FV Level	2022 £'m	2021 £'m
Derivatives designated as hedging instruments			
Forward exchange contracts	2	**–**	(0.3)
Financial liabilities at amortised cost			
Trade and other payables (note 16)		**(189.6)**	(122.0)
Provisions		**(0.3)**	(4.6)
Total financial liabilities		**(189.9)**	(126.9)

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 (2021: nil). On 7 December 2022, the Group refinanced its credit facilities with Lloyds and NatWest Banks. This included cancelling its current facilities and entering into a new facility for £60m expiring in December 2025. For details of the revolving credit facility, see note 18. The following table provides the fair values of the Group's financial assets and liabilities:

	FV Level	2022 £'m	2021 £'m
Forward exchange contracts	2	**3.2**	(0.3)

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

a) Measurement of fair values

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

i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 £'m	Level 2 £'m	Level 3 £'m
Forward Contracts			
As at 30 September 2022	**–**	**3.2**	**–**
As at 30 September 2021	–	(0.3)	–

The forward contracts have been fair valued at 30 September 2022 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.

Notes to the Consolidated Financial Statements continued

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 SONIA.

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	2022 €'m	2021 €'m
Cash	**12.0**	33.2
Trade payables	**(137.0)**	(87.2)
Trade receivables	**3.0**	5.2
Forward exchange contracts	**129.5**	39.6
Balance sheet exposure	**7.5**	(9.2)

US dollar	2022 $'m	2021 $'m
Cash	**4.0**	2.7
Trade payables	**(8.1)**	(4.7)
Trade receivables	**0.3**	0.2
Forward exchange contracts	**12.7**	(2.0)
Balance sheet exposure	**8.9**	(3.8)

Swedish krona	2022 Kr 'm	2021 Kr 'm
Cash	**25.0**	17.6
Trade receivables	**1.5**	1.0
Forward exchange contracts	**–**	–
Balance sheet exposure	**26.5**	18.6

Norwegian krone	2022 Kr 'm	2021 Kr 'm
Cash	**2.4**	0.7
Trade payables	**–**	(0.1)
Forward exchange contracts	**–**	–
Balance sheet exposure	**2.4**	0.6

Danish krone	2022 Kr 'm	2021 Kr 'm
Cash	**0.1**	0.1
Trade receivables	**–**	–
Balance sheet exposure	**0.1**	0.1

Moroccan dirham	2022 MAD 'm	2021 MAD 'm
Cash	**0.2**	0.6
Forward exchange contracts	**(0.9)**	(0.5)
Balance sheet exposure	**(0.7)**	0.1

Foreign currency sensitivity

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

	2022 £'m	2021 £'m
Euro		
Weakening - 10%	**(1.7)**	(0.5)
Strengthening - 10%	**1.7**	0.5
US dollar		
Weakening -10%	**(0.2)**	–
Strengthening - 10%	**0.2**	–
Swedish krona		
Weakening -10%	**0.2**	0.1
Strengthening - 10%	**(0.2)**	(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.

Notes to the Consolidated Financial Statements continued

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:

EUR	2022 Foreign currency €'m	2022 Notional value £'m	2022 Carrying amount £'m	2021 Foreign currency €'m	2021 Notional value £'m	2021 Carrying amount £'m
30 September						
Less than 3 months	**56.2**	**48.1**	**1.3**	8.6	7.6	(0.1)
3 to 6 months	**11.6**	**10.0**	**0.3**	3.9	3.4	(0.1)
6 to 12 months	**53.1**	**46.3**	**1.2**	49.4	42.6	(0.1)
12+ months	**2.3**	**2.1**	**–**	–	–	–
Total	**123.2**	**106.5**	**2.8**	61.9	53.6	(0.3)

USD	2022 Foreign currency $'m	2022 Notional value £'m	2022 Carrying amount £'m	2021 Foreign currency $'m	2021 Notional value £'m	2021 Carrying amount £'m
30 September						
Less than 3 months	**3.9**	**3.1**	**0.4**	1.8	1.3	–
3 to 6 months	**1.8**	**1.5**	**0.1**	2.3	1.7	–
6 to 12 months	**1.8**	**1.6**	**–**	1.5	1.1	–
Total	**7.5**	**6.2**	**0.5**	5.6	4.1	–

MAD	2022 Foreign currency MAD 'm	2022 Notional value £'m	2022 Carrying amount £'m	2021 Foreign currency MAD 'm	2021 Notional value £'m	2021 Carrying amount £'m
30 September						
Less than 3 months	**0.2**	**–**	**–**	–	–	–
Total	**0.2**	**–**	**–**	–	–	–

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	Change in fair value £'m
As at 30 September 2022				
Foreign exchange forward contracts	**112.6**	**3.2**	**Derivative financial instruments**	**1.3**
As at 30 September 2021				
Foreign exchange forward contracts	57.7	(0.3)	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. Customer credit risk is managed by the Group's business units which each have policies, procedures and controls relating to customer credit risk management. Outstanding trade receivables balances are regularly reviewed to monitor any changes in credit risk with concentrations of credit risk considered to be limited given that the Group's customer base is large and unrelated.

Trade receivables and other receivables

The ageing of trade receivables (net) 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 2022	**100.1**	**0.7**	**–**	**100.8**
As at 30 September 2021	79.4	0.1	0.3	79.8

The ageing of other receivables (net) at the balance sheet date was:

	Not past due £'m	Past due 0-180 days £'m	Past due >180 days £'m	Total £'m
As at 30 September 2022	**16.1**	**–**	**–**	**16.1**
As at 30 September 2021	6.9	–	3.2	10.1

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 rising cost of living and inflation rates. Other receivables includes a receivable in respect of amounts due from airlines as a result of exceptional cancellations, a provision of £4.4m has been recognised for airline receivables past due greater than 180 days. The Group has recognised a net receivable for the expected recoverable amount in note 14.

Financial instruments and cash deposits

As part of credit risk, the Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currency financial instruments. The Group generally deposits cash and undertakes currency transactions with highly rated banks, the Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum exposure to credit risk at each reporting date is the fair value of financial assets and trade receivables.

Liquidity risk

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

The following are the contractual maturities of financial liabilities:

Financial liabilities at amortised cost 30 September 2022	Carrying amount £'m	Contractual cash flows £'m	Within 1 year £'m	1 to 5 years £'m	> 5 years £'m
Trade payables	**158.3**	**158.3**	**158.3**	**–**	**–**
Lease liabilities	**3.9**	**4.2**	**1.1**	**2.9**	**0.2**
Other payables	**27.4**	**27.4**	**27.4**	**–**	**–**
	189.6	189.9	186.8	2.9	0.2
30 September 2021					
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

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 18) and equity of the Group as disclosed in note 20.

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

23. Share-based payments

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

	LTIP No. of share options (thousands)	CSOP & RSA No. of share options (thousands)	Total No. of share options (thousands)
Outstanding at the beginning of the year	2,922	664	3,586
Granted during the year	1,188	1,205	2,393
Lapsed during the year	–	–	–
Exercised during the year	(791)	(69)	(860)
Forfeited during the year	(355)	(183)	(538)
Outstanding at the year end	2,964	1,617	4,581
Exercisable	653	112	765

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 2017-2019 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. For the 2020 schemes, 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.

During the prior year, 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-market based condition resulted in a catch-up charge to the income statement of £2.0m that reflects the scheme progress to date. The performance conditions for the shares to vest was achieved on 30 September 2020, all of the shares vested in FY21. The Group also awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on set departmental targets.

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 absolute TSR, relative TSR and Total Transaction Value ('TTV') targets at the end of a three-year period. On 21 December 2021, the Remuneration Committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019. This removal of a non-market based condition has resulted in a catch-up charge to the income statement of £1.9m that reflects the scheme progress to date, all of these shares vested in FY22.

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 (£)
5 February 2021 (TSR dependent)	300,401	3.550	Nil	59%	3.0	0.03%	0.00%	0.0	2.050
5 February 2021 (EPS dependent)	700,935	3.550	Nil	0%	3.0	0.03%	0.00%	0.0	3.540
22 December 2021 (no conditions)	435,500	4.630	Nil	0%	3.0	0.73%	0.74%	0.0	4.520
22 December 2021 (no conditions)	44,000	2.450	Nil	0%	0.0	0.73%	0.74%	0.0	2.395
22 December 2021 (EBITDA dependent)	22,000	2.450	Nil	43%	0.0	0.73%	0.74%	0.0	2.395
25 February 2022 (Relative TSR dependent)	275,591	2.750	Nil	46%	3.0	1.20%	0.00%	0.0	1.710
25 February 2022 (Absolute TSR dependent)	275,591	2.750	Nil	46%	3.0	1.20%	0.00%	0.0	1.470
25 February 2022 (TTV condition dependent)	551,183	2.750	Nil	0%	3.0	1.20%	0.00%	0.0	2.749

Notes to the Consolidated Financial Statements continued

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 (£)
27 July 2022 (Relative TSR dependent)	4,883	2.750	Nil	46%	3.0	1.20%	0.00%	0.0	0.717
27 July 2022 (Absolute TSR dependent)	4,883	2.750	Nil	46%	3.0	1.20%	0.00%	0.0	0.613
27 July 2022 (TTV condition dependent)	9,766	2.750	Nil	0%	3.0	1.20%	0.00%	0.0	1.156

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

Restricted Share Award (nil-cost option) and CSOP

The RSA scheme started on 27 October 2017, the Group awarded nil-cost options to key employees excluding Executive Directors. The awards will vest after three years, on 27 October 2020, subject to continued employment, but with no other performance conditions. The prior year 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 (£)
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
2022 RSA	793,135	2.450	Nil	N/A	2.0	1.20%	0.00%	Nil	2.450
2022 RSA	290,398	2.450	Nil	N/A	1.0	1.20%	0.00%	Nil	2.450
2022 RSA	33,164	2.750	Nil	N/A	2.0	1.20%	0.00%	Nil	2.750
2022 RSA	87,887	1.156	Nil	N/A	1.5	1.20%	0.00%	Nil	1.156

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

	2022 £'m	2021 £'m
LTIP	**3.2**	2.1
RSA	**1.5**	0.7
Total share scheme charge	**4.7**	2.8

24. Commitments and contingencies

a) Capital commitments

No new capital commitments.

b) Contingencies

In September 2010, proceedings were initiated against On the Beach Limited by Ryanair alleging infringement of, inter alia, its intellectual property rights. The case lay dormant for over three years with no material developments in that period, and as such the Group sought to strike out the claim on the basis of inordinate and inexcusable delay. Therefore, whilst the legal process is ongoing, the amount of the claim by Ryanair is unquantified as at the date of this document. The Group expects that final resolution of the dispute might take some time.

25 Related party transactions

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

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

Company Balance Sheet

Year ended 30 September 2022

	Note	2022 £'m	2021 £'m
Fixed assets			
Investments	4	**163.4**	132.6
Deferred tax		**1.0**	–
Current assets			
Debtors	5	**122.6**	169.9
Cash at bank		**0.1**	0.4
		122.7	170.3
Creditors: amounts falling due within one year	6	**(1.0)**	(17.5)
Corporation tax		**–**	(0.2)
		(1.0)	(17.7)
Net assets		**286.1**	285.3
Equity			
Share capital	7	**1.7**	1.7
Share premium		**89.6**	89.6
Merger reserve	8	**2.6**	2.6
Capital contribution reserve	8	**0.5**	0.5
Retained earnings		**191.7**	190.9
Total equity		**286.1**	285.3

The loss for the year ended 30 September 2022 dealt with in the financial statements of the parent company is £3.9m (2021: loss £3.1m)

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

Shaun Morton
Chief Financial Officer

7 December 2022

On the Beach Group plc. Reg no 09736592

Company Statement of Changes in Equity

Year ended 30 September 2022

	Share capital £'m	Share premium £'m	Merger reserve £'m	Capital contribution £'m	Retained earnings £'m	Total £'m
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
Shares issued during the year	–	–	–	–	–	–
Share-based payment charges including tax	–	–	–	–	4.7	4.7
Dividends paid during the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(3.9)	(3.9)
Balance at 30 September 2022	**1.7**	**89.6**	**2.6**	**0.5**	**191.7**	**286.1**

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 2022 and 30 September 2021.

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 2022 dealt with in the financial statements of the parent company is £3.9m (2021: loss £3.1m).

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 13 to the consolidated financial statements.

2. Director's emoluments

The Company has no employees other than the Directors. Full detail of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 114 to 144.

3. Shared-based payments

The Company recognised a total charge of £4.7m (2021: £2.8m) in the year in relation to the Long Term Incentive Plan. Details of this scheme is described in note 23 to the consolidated financial statements.

4. Investments

The £132,613,000 investment in subsidiary undertakings made in 2015 relates to the capital reorganisation of the Group in 2015. During the year, the Group has undertaken a project to simplify the group structure. On the Beach Group plc acquired On the Beach Travel Limited from its subsidiary On the Beach Bidco Limited for £30,749,667. On 30 September 2022, On the Beach Bidco Limited and On the Beach Topco Limited were placed into Members Voluntary Liquidation following the distribution of assets to On the Beach Group plc.

5. Debtors

Amounts falling due within one year:	2022 £'m	2021 £'m
Amounts owed by Group undertakings	**121.7**	169.9
Prepayments	**0.9**	–
Total debtors	**122.6**	169.9

Amounts owed by Group undertakings are presented as a current asset as the balances are repayable on demand

6. Creditors due within one year

Current	2022 £'m	2021 £'m
Amounts owed to Group undertakings	**–**	16.1
Accruals	**1.0**	1.4
Total creditors due within one year	**1.0**	17.5

7. Called-up share capital

Allotted, called up and fully paid	2022 £'m	2021 £'m
166,258,172 ordinary shares @ £0.01 each (2021: 165,399,366 @ £0.01 each)	**1.7**	1.7
	1.7	1.7

The Group issued 858,806 ordinary shares 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. Reserves

The analysis of movements in reserves is shown in the statement of changes in equity. Details of the amounts included in other reserves are set out below.

The merger reserve arose on the purchase of On the Beach TopCo Limited in the year ended 30 September 2015. The capital redemption reserve arose as a result of the redemption of preference shares in the year ended 30 September 2015.

9. 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 2022 was £nil (2021: £nil).

Glossary of Alternative Performance Measures

APM	Definition	Reconciliation to closest GAAP measure
Adjusted basic earnings/(loss) per share ('EPS')	Adjusted basic EPS is calculated on the weighted average number of ordinary shares in issue, using the adjusted profit after tax. Adjusted earnings after tax is based on profit/(loss) after tax adjusted for amortisation of acquired intangibles, share-based payments and exceptional items. Amortisation of acquired intangibles are linked to the historical acquisitions of businesses. Share-based payments represents the non-cash costs which fluctuates year on year. Exceptional items consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 offset by fair value gains from FX forward contracts. Exceptional items for 2021 consists of exceptional cancellations as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	See table below
Adjusted profit/(loss) before tax	Adjusted profit/(loss) before tax is based on profit/(loss) before tax adjusted for amortisation of acquired intangibles, share-based payments and exceptional items. Amortisation of acquired intangibles are linked to the historical acquisitions of businesses. Share-based payments represents the non-cash costs which fluctuates year on year. Exceptional items consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 offset by fair value gains from FX forward contracts. Exceptional items for 2021 consists of exceptional cancellations as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	See table below

Adjusted EPS	2022	2021
Profit/(loss) for the year	**1.6**	(30.2)
Share-based payments (net of tax)	**3.5**	2.2
Impact of exceptional items (net of tax)	**1.3**	8.1
Amortisation of acquired intangibles (net of tax)	**4.1**	4.5
Adjusted profit/(loss) after tax (£'m)	**10.5**	(15.4)
Basic weighted average number of Ordinary Shares (m)	**165.9**	159.3
Adjusted basic EPS (p)	**6.3**	(9.7)

Adjusted profit/(loss) before tax (£'m)	2022	2021
Profit/(loss) before tax	**2.1**	(36.7)
Amortisation of acquired intangibles	**5.5**	5.5
Share-based payments	**4.7**	2.8
Exceptional items	**1.8**	10.0
Adjusted profit/(loss) before tax	**14.1**	(18.5)

APM	Definition	Reconciliation to closest GAAP measure

B2B TTV

B2B Total Transaction Value ('TTV') is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments.

B2B TTV (£'m)	2022	2021
CCH revenue	50.5	6.5
CPH revenue	5.8	1.7
B2B revenue	56.3	8.2
Costs** and amendments	35.5	21.5
Booked in previous year and travelled in year*	(13.7)	(5.4)
Booked but not yet travelled*	8.6	9.1
B2B TTV	86.7	33.4

* Bookings where revenue has been recognised on a travelled basis as a principal.

** Costs relate to the gross costs for bookings made on an agent basis.

CCH adjusted EBITDA

CCH Adjusted EBITDA is based on CCH operating profit/(loss) before depreciation, amortisation and the impact of exceptional items. Amortisation of acquired intangibles are linked to the historical acquisitions of businesses. Exceptional items consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 and exceptional cancellations as a result of Covid-19 in 2021. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years.

CCH Adjusted EBITDA (£'m)	2022	2021
CCH operating loss	(1.8)	(4.8)
Exceptional items	0.3	0.4
Depreciation and amortisation	0.3	0.2
Amortisation of acquired intangibles	1.1	1.1
CCH Adjusted EBITDA	(0.1)	(3.1)

CCH adjusted gross profit

CCH Adjusted gross profit is based on CCH gross profit before the impact of exceptional items. Exceptional items consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years.

CCH adjusted gross profit (£'m)	2022	2021
CCH gross profit	5.8	0.6
Exceptional items	0.3	–
CCH adjusted gross profit	6.1	0.6
Marketing costs	(1.0)	(0.4)
CCH adjusted gross profit after marketing costs	5.1	0.2

CCH EBITDA

CCH EBITDA is based on CCH operating profit before depreciation and amortisation.

CCH EBITDA (£'m)	2022	2021
CCH operating loss	(1.8)	(4.8)
Depreciation and amortisation	1.4	1.3
CCH EBITDA	(0.4)	(3.5)

Glossary of Alternative Performance Measures continued

APM	Definition	Reconciliation to closest GAAP measure
CCH TTV	CCH TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments. * As a principal revenue is recognised on a travelled basis.	See table below
CPH adjusted EBITDA	CPH Adjusted EBITDA is based on CPH operating loss before depreciation, amortisation and the impact of exceptional items. Exceptional items consists of exceptional cancellations as result of Covid-19 and supplier disruption in 2022 and exceptional cancellations as a result of Covid-19 in 2021. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years.	See table below
CPH EBITDA	CPH EBITDA is based on CPH operating profit before depreciation and amortisation.	See table below
CPH adjusted gross profit	CPH Adjusted gross profit is based on CPH gross profit before the impact of exceptional items. Exceptional items consists of exceptional cancellations as result of Covid-19 and supplier disruption in 2022. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years	See table below
CPH TTV	CPH TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments. * Costs relate to the gross costs for bookings made on an agent basis.	See table below

CCH TTV (£'m)	2022	2021
CCH revenue	**50.5**	6.5
Amendments	**10.2**	13.0
Booked in previous year and travelled in year*	**(13.7)**	(5.4)
Bookings made but not yet travelled*	**8.6**	9.1
CCH TTV	**55.6**	23.2

CPH adjusted EBITDA (£'m)	2022	2021
CPH operating loss	**(0.7)**	(1.6)
Depreciation and amortisation	**0.2**	0.2
Exceptional items	**0.4**	(0.3)
CPH adjusted EBITDA	**(0.1)**	(1.7)

CPH EBITDA (£'m)	2022	2021
CPH operating loss	**(0.7)**	(1.6)
Depreciation and amortisation	**0.2**	0.2
CPH EBITDA	**(0.5)**	(1.4)

CPH adjusted gross profit (£'m)	2022	2021
CPH gross profit	**2.0**	0.8
Exceptional items	**0.4**	(0.3)
CPH adjusted gross profit	**2.4**	0.5
Marketing costs	**(1.0)**	(0.4)
CPH adjusted gross profit after marketing costs	**1.4**	0.1

CPH TTV (£'m)	2022	2021
CPH revenue	**5.8**	1.7
Costs* and amendments	**25.3**	8.5
CPH TTV	**31.1**	10.2

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. For 2022 this consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 offset by fair value gains from FX forward contracts. For 2021, this consists of exceptional cancellations as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	See table below

Exceptional items (£'m)	2022	2021
Impact of Covid-19 and supplier disruption	**2.6**	10.0
Fair value FX gains	**(0.8)**	–
Exceptional items	**1.8**	10.0

APM	Definition	Reconciliation to closest GAAP measure
Group TTV	Group TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments.	See table below

* Bookings where revenue has been recognised on a travelled basis as a principal.

** Costs relate to the gross costs for bookings made on an agent basis.

Group TTV (£'m)	2022	2021	2019
Group revenue	**144.1**	21.2	140.3
Costs** and amendments	**717.1**	208.4	592.3
Booked in previous year and travelled in year*	**(13.7)**	(5.4)	(5.2)
Bookings made but not yet travelled*	**8.6**	14.1	14.0
Group TTV	**856.1**	238.3	741.4

APM	Definition	Reconciliation to closest GAAP measure
Group adjusted revenue	Group adjusted revenue is revenue adjusted for the impact of lost revenue as a result of Covid-19 and supplier disruption in 2022 offset by fair value FX gains. For 2021 revenue is adjusted for the impact of lost revenue as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	See table below

Group adjusted revenue (£'m)	2022	2021	2019
Group revenue	**144.1**	21.2	140.4
Exceptional items	**0.2**	9.3	7.1
Group adjusted revenue	**144.3**	30.5	147.5

APM	Definition	Reconciliation to closest GAAP measure
Group adjusted revenue as an agent	Group adjusted revenue as an agent is revenue adjusted for the impact of lost revenue as a result of Covid-19 and supplier disruption in 2022 offset by fair value FX gains. For 2021 revenue is adjusted for the impact of lost revenue as a result of Covid-19. For 2019 revenue is adjusted for the impact of the failure of Thomas Cook Group. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	See table below

Group adjusted revenue as an agent (£'m)	2022	2021	2019
Group revenue	**144.1**	21.2	140.4
Revenue as a principal	**(50.5)**	(6.5)	(55.0)
Revenue as an agent	**93.6**	14.7	85.4
Exceptional items	**0.2**	9.3	7.1
Group adjusted revenue as an agent	**93.8**	24.0	92.5

Glossary of Alternative Performance Measures continued

APM	Definition	Reconciliation to closest GAAP measure
Group adjusted gross profit	Group adjusted gross profit is gross profit adjusted for the impact of Covid-19 and supplier disruption in 2022 offset by fair value FX gains. For 2021 gross profit is adjusted for the impact of Covid-19. For 2019 gross profit is adjusted for the impact of the failure of Thomas Cook Group. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group and allow comparability to prior years.	see table below

Group adjusted gross profit (£'m)	2022	2021	2019
Gross profit as an agent	**89.8**	13.8	84.9
Gross profit as a principal	**5.8**	0.6	7.1
Group gross profit	**95.6**	14.4	92.0
Exceptional items	**0.5**	8.8	7.1
Group adjusted gross profit	**96.1**	23.2	99.1

APM	Definition
Long haul TTV	Long haul TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments.

Long haul TTV (£'m)	2022	2021
Group revenue	**144.1**	21.2
Costs** and amendments	**717.1**	213.3
Booked in previous year and travelled in year*	**(13.7)**	(5.4)
Bookings made but not yet travelled*	**8.6**	9.1
Short haul TTV	**(802.6)**	(220.1)
Long haul TTV	**53.5**	18.2

* Bookings where revenue has been recognised on a travelled basis as a principal.

** Costs relate to the gross costs for bookings made on an agent basis.

APM	Definition
OTB adjusted EBITDA	OTB Adjusted 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 a result of Covid-19 and supplier disruption in 2022 offset by fair value FX gains. For 2021, exceptional cancellations as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years by virtue of their size and in order to reflect management's view of the performance of the Segment.

OTB adjusted operating profit (£'m)	2022	2021
OTB operating profit/ (loss)	**5.2**	(29.0)
Exceptional items	**1.1**	9.8
Share-based payments	**4.7**	2.8
Depreciation and amortisation	**6.7**	5.9
Amortisation of acquired intangibles	**4.4**	4.4
OTB adjusted EBITDA	**22.1**	(6.1)

APM	Definition	Reconciliation to closest GAAP measure
OTB adjusted revenue	OTB adjusted revenue is revenue adjusted for the impact of lost revenue as a result of Covid-19 and supplier disruption in 2022 offset by fair value FX gains. For 2021 revenue is adjusted for the impact of lost revenue as a result of Covid-19. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years by virtue of their size and in order to reflect management's view of the performance of the Segment.	See table below
OTB adjusted operating profit	OTB adjusted operating profit is based on OTB operating profit/(loss) before the impact of exceptional items, amortisation of acquired intangibles and the non-cash cost of the share-based payment schemes. Amortisation of acquired intangibles are linked to the historical acquisitions of businesses. Share-based payments represents the non-cash costs which fluctuates year on year. Exceptional items consists of exceptional cancellations as a result of Covid-19 and supplier disruption offset by fair value FX gains in 2022 and exceptional cancellations as a result of Covid-19 in 2021. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years by virtue of their size and in order to reflect management's view of the performance of the Segment.	See table below
OTB online marketing as % revenue	OTB adjusted revenue after marketing cost is revenue after 'OTB' online and offline marketing costs.	See table below

OTB adjusted revenue (£'m)	2022	2021
OTB revenue	**87.1**	13.0
Exceptional cancellations	**0.6**	9.1
Fair value FX gains	**(0.8)**	–
OTB adjusted revenue	**86.9**	22.1

OTB adjusted operating profit (£'m)	2022	2021
OTB operating profit/(loss)	**4.9**	(29.0)
Exceptional items	**1.1**	9.8
Share-based payments	**4.7**	2.8
Amortisation of acquired intangibles	**4.4**	4.4
OTB adjusted operating profit/(loss)	**15.1**	(12.0)

OTB revenue after marketing cost (£'m)	2022	2021
OTB adjusted revenue	**87.1**	22.1
OTB online marketing costs	**(27.0)**	(5.5)
OTB adjusted revenue after online marketing	**60.1**	16.6
OTB online marketing as % revenue	**31%**	25%

Glossary of Alternative Performance Measures continued

APM	Definition	Reconciliation to closest GAAP measure
OTB EBITDA	OTB EBITDA is based on OTB operating profit before depreciation and amortisation.	see table below

OTB EBITDA (£'m)	2022	2021
OTB operating profit/ (loss)	**5.2**	(29.0)
Depreciation and amortisation	**11.1**	10.3
OTB EBITDA	**16.3**	(18.7)

APM	Definition
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 items consists of exceptional cancellations as result of Covid-19 and supplier disruption offset by fair value FX gains in 2022 and exceptional cancellations as a result of Covid-19 in 2021. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment and allow comparability to prior years by virtue of their size and in order to reflect management's view of the performance of the Segment.

OTB EBITDA as a percentage of adjusted revenue	2022	2021
Revenue	**87.1**	13.0
Exceptional cancellations	**0.6**	9.1
Exceptional FX gains	**(0.8)**	–
Adjusted revenue	**86.9**	22.1
Adjusted OTB EBITDA	**22.1**	(6.1)
OTB EBITDA as a percentage of adjusted revenue	**25%**	(28%)

APM	Definition
OTB TTV	OTB TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments * Costs relate to the gross costs for bookings made on an agent basis

OTB TTV (£'m)	2022	2021
OTB revenue	**87.1**	13.0
Costs* and amendments	**675.6**	191.1
OTB TTV	**762.7**	204.2

APM	Definition
Overheads % revenue	Overheads as a percentage of revenue is based on the OTB adjusted revenue divided by the overheads for OTB. OTB overheads is the administrative expenses excluding the depreciation and amortisation.

Overheads % revenue (£'m)	2022	2021
OTB adjusted revenue	**86.9**	22.1
Overheads	**(25.9)**	(16.5)
Overheads % revenue	**30%**	75%

APM	Definition
Overheads % TTV	Overheads as a percentage of TTV is based on the OTB TTV divided by the overheads for OTB. OTB overheads is the administrative expenses excluding marketing costs, depreciation and amortisation.

Overheads % revenue (£'m)	2022	2021
OTB TTV	**762.7**	204.2
Overheads	**(25.9)**	(16.5)
Overheads % TTV	**3.4%**	8.1%

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Cautionary statement

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

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

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

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