On the Beach Group plc

# Annual Report & Accounts

FOR THE YEAR ENDED 30 SEPTEMBER 2023

TOTAL FINANCIAL PROTECTION

## Our Purpose

To challenge the status quo in the holiday sector to better meet the needs of tomorrow's holidaymaker

## Our Vision

We make Jollies even Jollier:

- We will build rich, visually led and socially integrated experiences that really bring our holidays to life and build excitement from the outset
- We will use technology to evolve search, making it easier and more enjoyable for consumers to find what, not just where, they are looking for
- We will deliver holidays that start sooner with our anticipation building exclusive Perks
- We will give customers hiccup free holidays, using industry leading self-service, automation and AI-enabled contact centres, all delivered via our mobile app

## What we do

We use technology to disrupt the holiday sector, creating a unique customer-value proposition for millions of holidaymakers. Our model is asset-light, consumer-centric, profitable and cash generative.

## Our Values

We're **Bold**

We're **Open**

We're **Dynamic**

# Contents



# Financial Highlights

**GROUP REVENUE[1]**

£170.2m

FY22: £143.4m | FY21: £20.9m

**GROUP TTV[1 2]**

£1,070.4m

FY22: £849.4m | FY21: £237.5m

**REVENUE AS AGENT[1]**

£112.1m

FY22: £92.9m | FY21: £14.4m

**GROUP BOOKINGS[1]**

532.1k

FY22: 475.0k | FY21: 137.3k

**TRUST ACCOUNT**

£108.6m

FY22: £69.4m | FY21: £39.0m

**REVENUE AS PRINCIPAL**

£58.1m

FY22: £50.5m | FY21: £6.5m

**CASH**

£75.8m

FY22: £64.5m | FY21: £56.0m

**PROFIT/(LOSS) BEFORE TAX[1]**

£12.9m

FY22: £2.2m | FY21: (£36.4m)

**ADJUSTED PROFIT/(LOSS) BEFORE TAX[1 3]**

£23.6m

FY22: £14.2m | FY21: (£18.0m)

1 The prior periods are restated for the effects of the discontinued operations.

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 adjustments. The prior periods are restated for the effects of the discontinued operations.

3 A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the glossary. The prior periods are restated for the effects of the discontinued operations.

# Our history timeline

On the Beach Group plc is one of the UK's largest online beach holiday retailers, with significant opportunities for growth.

Our innovative technology, low-cost base and strong customer-value proposition provides a structural challenge to legacy tour operators and online travel agents, as we continue disrupting the online retail of beach holidays.

Our model is customer-centric, asset light, profitable and cash generative.

on the Beach

**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**
Listed on the London stock exchange

**2016**
Achieves outstanding profit growth against a challenging market backdrop

**2017**
Acquired Sunshine.co.uk Limited

## 2018
Acquired Classic Collection

## 2019
Launched long haul holidays. Launched Classic Package Holidays. Opened a new Digital HQ in Manchester

## 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


## 2023
Record year for the Group, exceeding the £1bn TTV milestone for the first time and Group revenue of £170.2m. More than doubled 5*/premium TTV vs FY19. Launched our White Paper, “Safeguarding consumer choice in the Travel Sector”

# Report from the Chairman

I am pleased to present our Annual Report and Accounts of On the Beach Group plc for the financial year ending 30 September 2023 ('FY23').

## CEO succession and Board changes

On the Beach was founded in 2004 by Simon Cooper and it is his vision, entrepreneurship, determination and leadership that has made the company the success it is today. On 30 June 2023, we completed our CEO succession plan: Simon stepped down as CEO, remaining on the Board in the role of Founder Non-Executive Director, and Shaun Morton stepped into the CEO role. I would like to take this opportunity to thank Simon, and also to congratulate Shaun Morton in his new role as CEO.

The Board welcomed two new Directors during the year. Jon Wormald joined the Board and Executive Team as Chief Financial Officer on 30 June 2023, from THG PLC where he was CFO of THG Nutrition. Jon has extensive experience in both online and consumer-facing businesses, and his operational, financial and commercial capabilities are very valuable to the Group.

Veronica Sharma joined the Board as a Non-Executive Director on 1 September 2023. In her previous Executive roles (including most recently, Group Chief People Officer at Cazoo), she gained extensive experience in strategic people, culture and organisational change in high growth organisations and in particular in digital and technology businesses including Photobox, MoonPig, and eBay. Veronica has recently taken on the role of the Designated Non-Executive Director for Employee Engagement for the Group.

Read more about Jon and Veronica's profiles on page 90. The Nomination Committee Report at page 104 provides detail on the succession planning and recruitment processes for these changes.

## Financial and strategic progress

In FY23, the Group demonstrated strong financial and strategic performance, setting new records and exceeding market expectations. Group Total Transaction Value ('TTV') reached approximately £1.1 billion, marking a remarkable 26% year-on-year growth, and Group adjusted PBT reached £23.6m, up 66% from prior year.

Performance in the year was underpinned by leveraging the benefits of continued investments in the proprietary technology platform, brand and proposition. The Group continues to penetrate its addressable market and strategic expansion areas, delivering a 74% increase in B2C TTV for long-haul bookings and a 32% increase in premium 5* TTV.

The reports of the CEO, CMO and CFO provide further detail on strategic progress and financial results, on pages 8, 22 and 24 respectively.

## Cash and liquidity

As at 30 September 2023, the Group had a combined cash balance of £184.4m, being £75.8m in Group cash and £108.6m of customer prepayments held in a ringfenced trust account. As outlined in the CFO's report on page 24, the Group also has access to a £60m revolving credit facility.

The Board has approved a new capital allocation policy which will apply from FY24 onwards, which prioritises investment to deliver organic profitable growth, as well as introducing a sustainable and progressive dividend policy. The policy also provides for investment into additional growth opportunities such as M&A, and finally, where appropriate, provides for the return of surplus cash to our shareholders.

The Board has decided that the application of the capital allocation policy for FY24 will be to focus our capital investments in organic profitable growth, and for FY24, the Board has adopted a dividend policy at 25% of retained earnings. The Board will keep capital allocation under review through the year, particularly once the CAA releases details on the next stage of ATOL reform.

As the dividend policy will only apply from FY24, the Board has not recommended a final dividend for FY23.

## Governance

The Group is committed to the highest standards of corporate governance. The Corporate Governance Report on page 94 sets out in more detail how we have complied with the UK Corporate Governance Code (the ‘Code’) during the year (and explains one provision where we did not comply during the two-month period between Simon’s appointment as Founder NED and to Veronica’s appointment as an independent NED).

## Shareholder engagement following 2023 AGM Vote on Directors’ Remuneration Policy

At our AGM in January 2023, we sought shareholder approval for a new Directors’ Remuneration Policy (resolution 2). The voting result for this resolution was 79.34% in favour. This was disappointing and unexpected given strong shareholder engagement and support prior to publication of the proposed policy and also prior to the AGM. Following the AGM, Justine Greening, as the new Chair of Remuneration Committee, undertook a thorough engagement exercise with shareholders and proxy representatives including ISS, Investment Association, Glass Lewis and PIRC to listen to shareholder views on remuneration. The Directors’ Remuneration Report, at page 116, summarises the engagement, the issues raised, the actions taken and rationale.

## Sustainability and ESG

Our ESG framework outlines our sustainability priorities under three pillars: “Here for People”, “Here for Holidaymakers”, and “Here for the Planet”. We have chosen to focus our attention on our people and our customers, as these are the areas where we can have the most influence and impact, and which are most closely aligned to strategy.

Our responsibility and sustainability report can be found at page 58, which includes our TCFD disclosures at page 73.

## People

Our dedicated people are the driving force behind our success, and their energy and commitment continue to impress me. The recent Engagement Index score of 7.6, based on feedback from our HIVE employee engagement survey, reflects their satisfaction at On the Beach. This not only ensures our team's growth but also contributes to long-term value creation for our stakeholders. Our strong culture remains aligned with our core values, purpose, and strategic vision. We are committed to promoting social mobility and fostering a diverse, equitable, and inclusive workplace as this will help us access the right talent in the future and deliver on our strategy. Thank you to our people for their dedication and being a vital part of who we are and for contributing to our continued success.

## Safeguarding Customer Choice in the Travel Sector

In a landscape where choice, value, and consumer protection are paramount, On the Beach is dedicated to safeguarding customer interests in the travel sector. Low-cost airlines, unhappy about the rise of online travel agents, have resorted to aggressive and anti-competitive practices that harm consumers.

We continue to pursue a legal claim against Ryanair for breaches of competition law. However, we recognise that the underlying problems in the travel sector require a broader solution. In our recently published white paper, 'Safeguarding Customer Choice in the Travel Sector,' we call for a comprehensive CMA market review to examine sector issues and mandate solutions that will preserve competition and elevate industry standards.

We're pleased to share our recent success in the claim against Ryanair for £2 million of flight refunds dating back to 2021. It is disheartening that this common-sense outcome took a protracted and expensive legal process. This emphasises the urgent need for regulatory intervention. We are unwavering in our commitment to engage with the government, regulators, and the wider travel industry to secure a fair deal for consumers.

## Looking ahead

The new leadership team, led by Shaun Morton, has made great progress this year with the investments made into technology, people, brand and proposition, laying a strong foundation on which to build success in key strategic areas during FY24 and to unlock long term value for all the Company’s stakeholders. I am excited to see what lies ahead.

**Richard Pennycook**
Non-Executive Chairman

4 December 2023

# Strategic Report

# Chief Executive's review

On the Beach Group plc is one of the UK's largest online beach holidays retailers, with significant opportunities for growth. We operate in a sector where consumers are seeking convenience, choice, value, and a personalised experience with financial protection. Our proprietary technology, coupled with a low-cost, asset light and cash generative operating model provides a structural challenge to tour operators.

This has been a record year for On the Beach, achieving Group TTV for the year of £1.1bn, exceeding the £1bn milestone for the first time. I am incredibly proud of our team and our performance in FY23 is testament to their efforts.

In line with our strategy to capture share as demand for beach holidays recovers, the Group successfully increased booking volumes and Average Booking Values ("ABV") in its core addressable market, whilst delivering a 74% increase in B2C TTV for long-haul bookings and a 32% increase in premium 5* TTV.

Performance has been underpinned by leveraging the benefits of continued investments in our proprietary technology platform, brand and customer proposition. Alongside access to greater seat and bed capacity, I am confident that the activities we have undertaken over the last 12 months have laid further strong foundations for the Group for the year ahead.

Following our strong second half and full year performance, we exited FY23 with the momentum of a record forward order book and demonstrable progress in strategic expansion areas, which we are excited to build upon in FY24.

## People

Our people continue to be the driving force behind the business and deserve credit for our record performance this year. We've successfully embedded hybrid and flexible working as 'the way we work', and it's enabling us to recruit from a wider talent pool. This is important in helping us to attract and retain talent in a tight labour market, where people are seeking a greater degree of flexibility.

Our business continues to support employees in all aspects of their lives, promoting a healthy work-life balance, enabling flexible working, creating a collaborative working environment and a high-performance culture, where they're fully supported and encouraged to realise their full potential.

We continually review policies and benefits to ensure that they're competitive and relevant for our people, and in FY24 we'll be introducing a number of new and updated policies that are focused on Wellbeing and Family Friendly, including; the option to buy additional days leave, increased employer pension contributions and enhanced family friendly leave. These policies, individually and in aggregate, will help ensure we remain competitive in the marketplace for both hiring and retaining key talent, and will offer the support our valued employees need.

We were delighted to achieve an Engagement Index score of 7.6 in our Annual Engagement Survey. This shows that our people are enjoying life at On the Beach, but we won't rest on our laurels. We'll use the data and insight from this survey to develop action plans that make sure we keep a sharp focus on supporting and driving high performance and ensure On the Beach is always a place where people are supported and encouraged to reach their potential.

## Trading

The Group significantly increased investment in the first half of the year across brand, technology and its customer proposition, to support strong sales growth for summer 2023 departures, to continue to build momentum for the second half of the year and to grow our market share. Investment in these areas was weighted to H1 to enable us to capitalise on peak bookings and build momentum into H2.

Trading momentum continued into the second half, which resulted in record TTV, +26% year on year, driven by growth in volumes and ABV. Despite remaining early into FY24, bookings for Summer 24 are also significantly ahead of where they were at the equivalent time in the prior year.

## Addressable market

Over the last few years, we have outlined our strategy to continue to grow the Group's share of short haul beach holidays sold online (Value), whilst penetrating new markets, including premium and long-haul beach holidays sold online, and beach holidays sold through our B2B channel.

### Value

We have experienced a significant year on year improvement in volumes and ABV in our core addressable market, with B2C TTV growth on 3* holidays of 32% Year on Year ('YOY').

Having been subject to a protracted cost of living crisis, the UK consumer is now experiencing deflation in energy bills and lower inflation in food costs. Since May, real wage growth has turned positive and discretionary income data indicates four consecutive months of growth YOY.

However, against this backdrop, we are aware that the cost-of-living crisis is certainly not over. Many consumers are experiencing financial difficulties, for example those with exposure to higher mortgage rates or rising rental costs. Despite this backdrop, research shows that summer family beach holidays are increasingly viewed as sacrosanct. Our YOY volume data for Summer 23, Winter 23/24 and early stage data for Summer 24 indicates a positive trajectory, with 3* volumes for S24 ahead of Summer 23. We expect volumes in the 3* value market to exceed pre-pandemic levels in FY24.

### Premium

The premium market continues to perform strongly with B2C TTV growth in 5* holidays of +32% YOY. The premium market has shown greater resilience to cost-of-living pressures, recovering earlier. Attracting these customers that typically book earlier is giving greater visibility of the season ahead and delivering higher revenue per booking. FY23 Group premium TTV is now 126% greater than its level in FY19.

The strategic actions the Group has taken to enhance its proposition and access more premium hotels, positions it well to continue to outperform in this market. The Group estimates premium to be of a similar size to the value market in terms of passengers, but approximately two and a half times larger in absolute value, and the revenue margin opportunity on each individual booking is also significantly greater.

**£1.1bn**
Group TTV

"I am pleased with the Group's **incredibly strong performance** this year, where we have delivered **record TTV and exceeded the £1bn revenue milestone** for the first time – a huge achievement which is testament to the hard work across all our teams in the business."

# Chief Executive's review continued

On the Beach continues to invest in the proposition, which supports higher searches for 5* hotels. The Group is focused on growing TTV in this market in FY24 and we believe there is a significant incremental revenue opportunity to be gained in the medium term by attracting premium customers to the brand.

### Long-Haul

The Group is successfully scaling its long-haul offering and OTB is now a brand firmly associated with long-haul as well as short haul beach holidays. Scheduled air connectivity has been enhanced again this year with the addition of new key carriers, improving the breadth and depth of customer choice for both Westbound and Eastbound long haul flying, and increasing the number of destinations we can offer to our customers.

B2C long-haul TTV was up 74% in FY23 versus the prior year and we experienced 12 months of consistent growth in Sales on prior periods. Group long-haul TTV mix was up to 8% of TTV in FY23, which represents significant growth compared to 2% Group TTV in FY19. The largest destinations (Dubai, Mexico and Dominican Republic) are performing well, whilst destinations newer to the Group (US, Phuket, Mauritius, Maldives) continue to gather momentum.

There remains a significant organic growth opportunity in long haul. OTB has a low single digit share of a large B2C long haul market. The majority of OTB's continued growth is from its existing LH destinations, and there is significant headroom for further penetration in these destinations. In addition, there is opportunity for further growth from new destinations, both from existing and recently added long-haul carriers.

### B2B

The Group appointed a new CEO, Andy Freeth, at Classic in November 2022 to drive continued growth across Classic Collection Holidays and Classic Package Holidays. Both B2B businesses are recognised brands operating in a market with opportunities to grow. The Group has partnerships with the majority of the UK's travel agent and homeworking groups and is a trusted operator in the B2B space, having won a number of recent industry awards, voted for by travel agents.

This has been a challenging year for high street retail, which has experienced a sluggish recovery from the pandemic. The competitive landscape for our B2B businesses has also become more crowded, as tour operators and low-cost airlines compete for share of high street agent and homeworker business. As a result of this market backdrop, B2B growth has been slower than expected. In both businesses, however we have been able to define and drive certain destinations and product lines where growth has been strong.

The Group took action towards the end of FY23 to integrate B2B back-office functions into the Group, thereby reducing overheads to improve overall profitability. Notwithstanding recent market headwinds, the B2B channel and share opportunity remains significant, with online penetration lagging other consumer verticals. The strategy for Classic continues to be to build on its foundations, deepening partnerships with independent high street agents. Agents are increasingly risk averse post-Covid, with a trend away from tour operating and back to retailing.

We expect a return to B2B profitability in FY24, underpinned by the synergies already realised across the Group, a focus on product and destinations where we can win with a digital first approach.

### Strategy

As I set out in more detail below, in FY23, we introduced four strategic pillars which straddle functional teams across the Group to accelerate progress in penetrating all relevant market segments.

## Investment in our brand

In line with previous years and with strategy, we invested significantly in OTB's brand and proposition in FY23 to continue to gain share in all segments.

FY23 performance was supported by our largest ever offline marketing campaign, 'The most wonderful time of the year'. This marketing effort also delivered the Group's highest ever top 3 brand consideration score, despite a more aggressive competitive environment.

The group is the first mainstream holiday company to offer free lounge and fast track on bookings. Following a successful launch last year, in which we delivered encouraging TTV growth, we have increased our investment into lounge and fast track, alongside continued innovation in developing a wider suite of further perks.

Being known for perks significantly benefits OTB. It offers a key point of differentiation from other holiday companies, makes our offline marketing campaigns more effective, strengthens the brand, attracts new customers, and improves our customer's overall holiday experience, which increases the likelihood of repeat purchase.

Finally, from a customer perspective we have continued to ensure the contact centre has been well resourced and supported. We are investing in automation and live chat which will improve customer experience and reduce costs to serve in future periods. FY23 was a record year and a higher proportion of customers are seeking reassurance between booking and travelling on holiday as we emerge from the pandemic. There were also periods of disruption to navigate, including Rhodes wildfires, NATS air traffic control issues and the Morocco earthquake.

Our teams worked hard to assist customers experiencing issues during each of these incidents, and to ensure we provided the best experience possible. I'd like to thank the service teams for their tireless efforts in helping our customers.

## Investment in technology

In April 2023, our Chief Product Officer, Kasia Michalska was appointed Chief Product & Technology Officer for Group, with the Engineering and Product teams directly reporting into her. The appointment was a significant opportunity to bring product, technology and data teams in closer alignment.

The technology teams have made strong progress over the last two years in developing our scheduled flight supply with airlines that serve a core group of east and west bound long haul destinations. There is significant runway for growth in many of the existing long haul destinations and we continue to add more destinations as new airlines are onboarded. We believe the long haul market offers a significant opportunity for the group where our technology creates a competitive advantage to disrupt a largely offline market.

The teams have also worked collaboratively with our airport partners through the complex task of delivering the broadest perks platform in the industry. This is a key point of differentiation given other peers either do not have the scale and volumes to appeal to the airports, or have too much volume (tour operators / airlines with a number of outbound flights) at busy times of the day.

As in previous years, we have significantly invested in our proprietary technology to support continued growth and a much larger volume of holiday bookings. This includes re-architecture of our core platform which allows us to significantly improve site speed and reliability. The upgraded hotel platform processes billions of searches with a high booking success rate. The upgraded data acquisition platform improves availability and accuracy.

Migration to the cloud this year has facilitated greater speed of development and increased security. Utilising cloud native technology has allowed teams to improve performance and reduce the complexity of running our services. The new, fast and reliable packaging service has reduced package search time and improved the customer experience.

The re architecture of our platform and migration to the cloud not only improves performance of our systems and their reliability but also gives us access to a richer pool of tech talent.

Finally, we've also been investing in improving our customer experience via the new site and our customer app. The introduction and development of our new customer facing app has enabled faster iterations and ongoing experimentation, which have gradually increased our conversion rate. These investments have enabled the Group to drive continued growth in both the core business and expansion markets. Crucially, the investments support a much larger, scalable business, and we expect further operating leverage in future periods.

## Investment in supply

Alongside investments in brand, proposition, and technology, the Group has invested in supply to support growth. This includes improved flight connectivity and deeper relationships with our supply partners, with direct bookings in FY23 at 91%.

The Group offers seats from a diversified group of low-cost carriers that fly to short haul East and West Mediterranean locations and has developed relationships with destination specific carriers that serve Turkey, which experienced a significant uplift in demand in FY23.

We believe that by having our own relationships with our hotel partners, we can guarantee our customers the best prices and an enhanced hotel experience. 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.

We also maintain significant relationships and volumes with our key bedbank partners, which allows access to competitive prices in the tail of product outside of our top selling hotels.

In FY23 we have gathered more data on our hotel supplier's sustainability position. The Global Sustainable Tourism Council ('GSTC') has harmonised various sustainability certifications into one set of criteria, setting the industry standard.

We partnered with Bioscore, a GSTC member and identified 1,870 hotels (37% of our top selling 5,000 hotels) that operate sustainable practices that meet GSTC standards and could therefore validly be labelled as "Sustainable". Of our Top 500 hotels 44% meet GSTC standards. Where we are finding gaps, we are engaging with hotels to encourage them to qualify for accreditation via Bioscore.

# Chief Executive's review continued

## Strategic pillars

Our new four strategic pillars which straddle functional teams across the Group to accelerate progress in penetrating all relevant market segments are:

1. **Storytellers**: We will build rich, visually led and socially integrated experiences that really bring our holidays to life and build excitement from the outset
2. **Matchmakers**: We will use technology to evolve search, making it easier and more enjoyable for consumers to find what, not just where, they are looking for
3. **Fixers**: We will give our customers hiccup free holidays, using industry leading self-service, automation and AI-enabled contact centres, all delivered via our mobile app
4. **Perkers**: We will deliver holidays that start sooner with our anticipation building exclusive perks.

The pillars speak to a continuation of our broader Group strategy to penetrate our addressable market, but also help summarise the strategic direction of how we intend to grow in each market, for each of our teams and wider stakeholders.

Our investment into talent, technology, brand, proposition, customer experience and supply enables this strategy, which has contributed to our record performance in FY23 and sets us up for success in FY24.

Looking ahead, given continued momentum in our expansion areas as well as the recent positive signs of recovery in our core value customer base, we will be building upon our strategic pillars in the coming months and are excited by what we can achieve across the Group in FY24.

## Regulatory reform and litigation

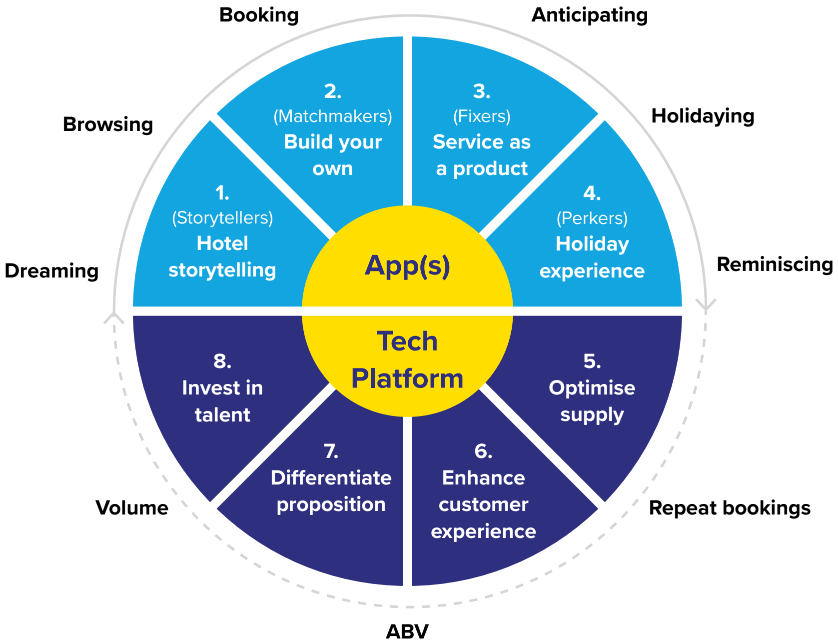
We believe that holistic and comprehensive regulatory reform of the travel industry is critical and urgent in order to create a competitive and thriving travel market, which works well for consumers and creates a level playing field for those operating within it.

For most customers in the UK who are booking their annual beach package holiday, this will likely be the biggest investment they will make throughout the year, unless they are moving house or changing their car. A recent study found that households spend a quarter of their disposable income on holidays. It is therefore critical that competition in the market is healthy to ensure value, choice, flexibility and consumer protection.

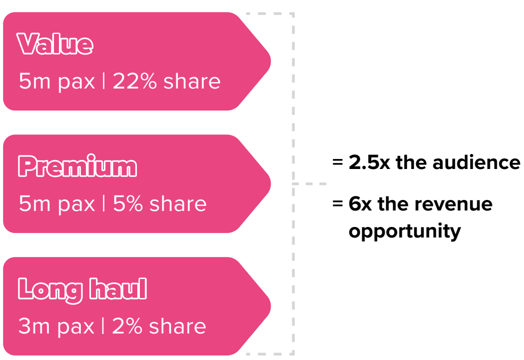
However, the market power of the few airlines operating popular leisure routes from the UK, and how that power manifests itself to the detriment of consumers, poses a serious threat to fair competition and choice for consumers. Low cost airlines ('LCA') are using anti-competitive behaviours to stop consumers booking through online travel agents, harming consumers in the process.

## OTB growth strategy

### Strategy to penetrate OTB's addressable market:




### OTB's addressable market:




**Customer Proposition**
1 Storytellers
2 Matchmakers
3 Fixers
4 Perkers

**Strategic Enablers**
5 Optimise Supply
6 Enhance customer experience
7 Differentiate proposition
8 Invest in talent

These increasingly sophisticated anti-competitive behaviours include blocking OTA bookings, reducing or removing seats to certain destinations, making them completely unbookable by OTAs or consumers unless booked directly with the airline; harming the consumer experience with onerous verifications only applied to bookings made with an OTA; and false and misleading smear campaigns that cast doubt in the minds of consumers about the validity and benefits of booking package holidays with OTAs.

OTB published a White Paper on these where consumers surveyed for the paper agreed. Nearly half believe that LCAs treat their customers badly because they know that they can get away with it and 84% say that they are worried that a lack of regulation means airlines will be able to charge more and provide worse service in the future.

We continue to challenge Ryanair on its anti-competitive behaviour and withholding of refunds through ongoing litigation. We recently successfully sued Ryanair for £2m of outstanding flight refunds. This common-sense outcome should not have taken a protracted and expensive legal process to resolve.

Both OTAs and LCAs have called for regulatory intervention and the CMA has the power to exercise a review of the market to preserve competition and protect customers. We continue to encourage the Government and Regulators and other online travel business to ensure the CMA steps in to take action to protect holidays for everyone.

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, but will be delayed, We expect to hear further feedback from the CAA in FY24.

## Current trading and outlook

Our FY23 growth has continued into the new financial year with YTD TTV as at 2 Dec +26%

Our forward book is at record levels and Group winter ‘23 YTD TTV is +34%.

We approach our key booking period in Q2 with significant momentum.

Our platform and proposition are stronger than ever and we are taking share in adjacent markets.

Current trends and strategy give us confidence that summer ‘24 will be significantly ahead of summer ’23.

Reinstatement of dividend from FY24 reflecting the Group’s continuing cash generative position and in line with its capital allocation framework

**Shaun Morton**
Chief Executive Officer

4 December 2023

# Business model

**1. Market growth and OTB market share opportunity**

**Market growth:**

Ex-UK total Package market +9% CAGR (£'m)

FY23E–FY27E

**OTB addressable market opportunity:**

Value: 5m pax OTB: 22% share + Premium: 5m pax OTB: 5% share + Long Haul: 3m pax OTB: 2% share

**2. Grow bookings and increase LTV**

1. Storytelling (Increase Sessions) × 2. Matchmaking (Increase Conversion) + 3. Fixing (NPS) + 4. Perking (NPS)

**3. Grow revenue**

Value market growth. Premium and Long-Haul expansion

Higher ABV

Invest in perks and proposition

**4. Increase EBITDA and Free Cash Flow**

Lower CPAs

Efficient use of perks

Lower costs to serve

Well invested cost base

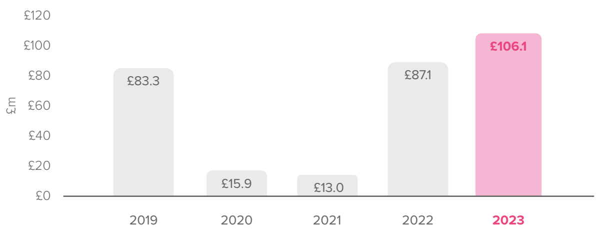
Operational leverage


**NPS:** Net promoter score **LTV:** Customer lifetime value **ABV:** Average booking value **FCF:** Free cash flow **CPAs:** Costs per acquisition

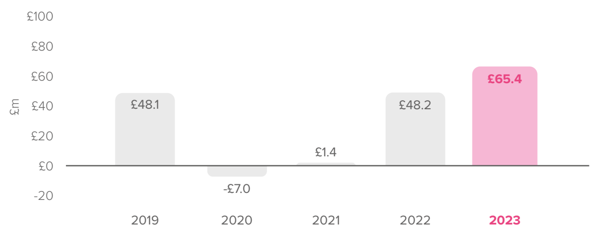
# Key performance indicators

## Financial KPIs

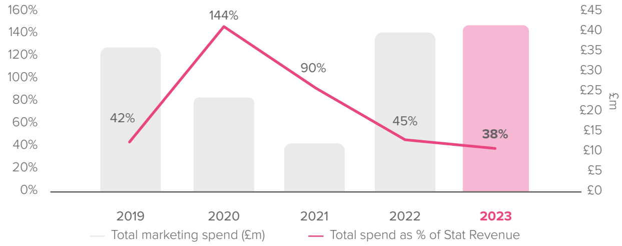
### OTB statutory revenue[1]



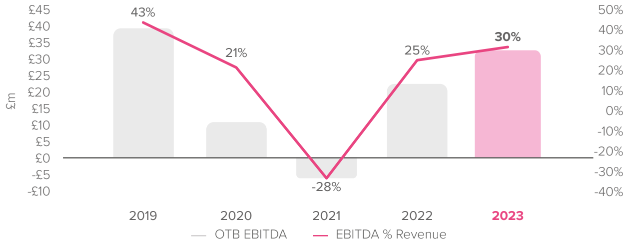

### OTB statutory revenue after marketing costs[1]



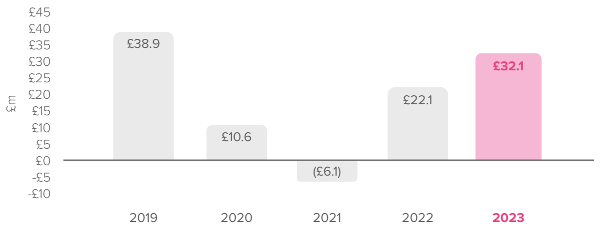

### OTB marketing spend % statutory revenue[1]




### OTB adjusted EBITDA as a % of adjusted revenue[1,2]




### OTB adjusted EBITDA[1,2]



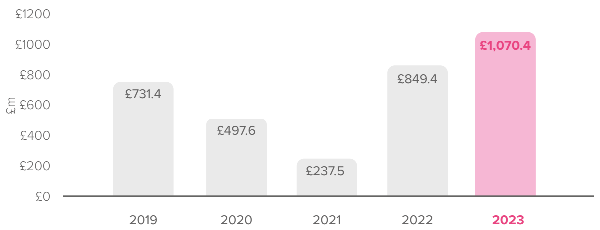

1 The prior year comparatives have been adjusted to exclude the performance of the discontinued International segment

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

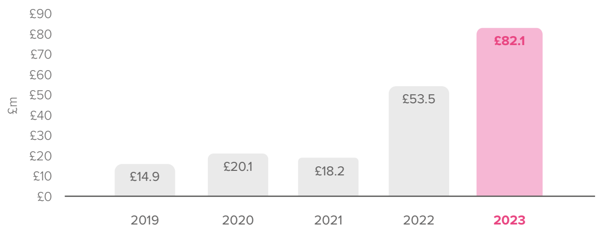
# Key performance indicators continued

## Financial KPIs

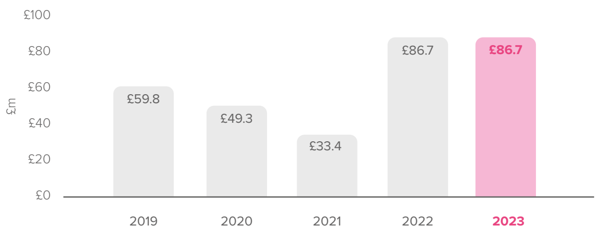
### Group TTV[1,6]



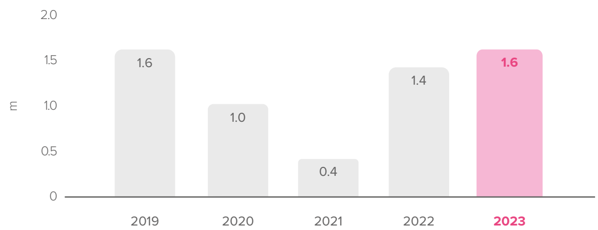

### Group Long-Haul TTV[2,6]



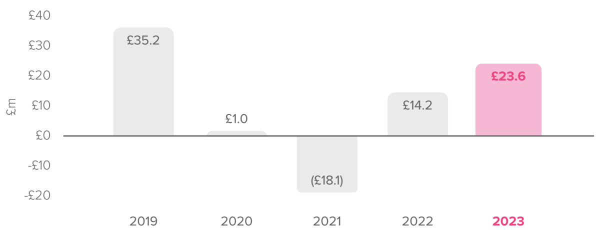

### B2B TTV[3,6]



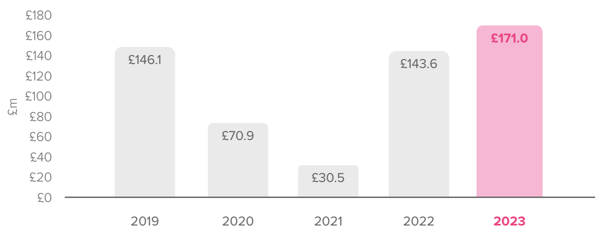

### Group passenger numbers (booked)[4,6]




### Group adjusted profit before tax[5,6]




### Group adjusted revenue[5,6]




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 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

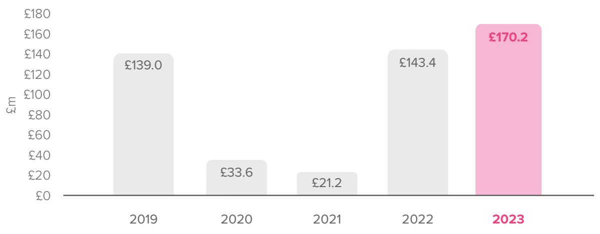
3 B2B TTV is a non-GAAP measure representing the cumulative total transaction value of sales booked each month before cancellations and adjustments for the CCH and CPH segments

4 Group passenger numbers is defined as the number of passengers booked in the year

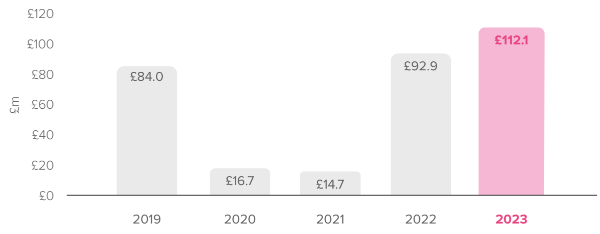
5 A full explanation of all adjusted performance measures is included in the glossary

6 The prior year comparatives have been adjusted to exclude the performance of the discontinued International segment

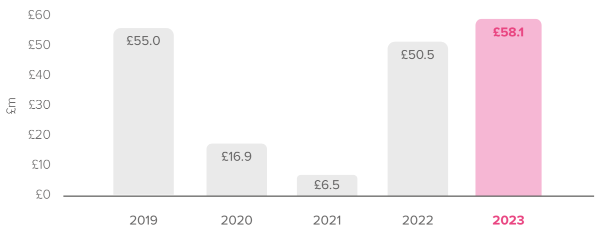
## Group Revenue[1]



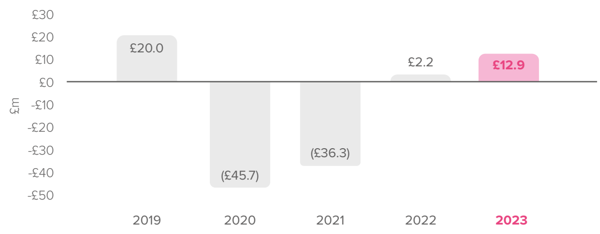

## Group Revenue as an Agent[1,2]




## Group Revenue as a Principal[1,3]




## Group profit before tax[1]




1 The prior year comparatives have been adjusted to exclude the performance of the discontinued International segment

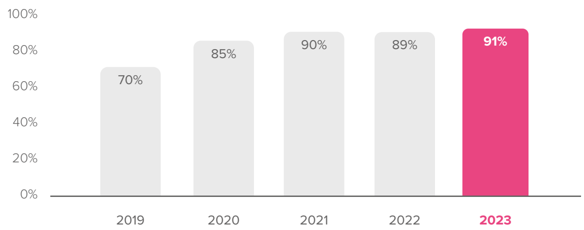
2 The Group acts as an Agent across the OTB and CPH segments. As an agent, revenue is accounted on a 'booked' rather than 'travelled' basis

3 CCH segment, as a principal, revenue is accounted on a 'travelled' basis and reported on a gross basis

# Key performance indicators continued

## Non-financial KPIs

### Directly contracted hotel supply




**Description**

Tracking % total of hotel supply via direct contracts (as opposed to supply sourced through third-party).

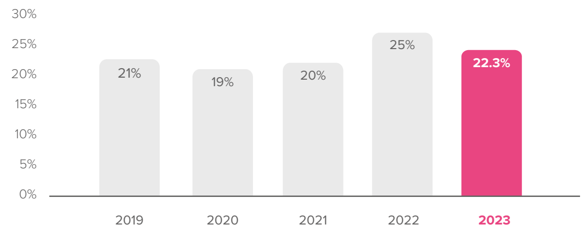
**Performance**

The proportion of directly contracted hotel product has remained at similar levels to prior years (FY21 90%, FY22 89%). Direct contracting enables the group to build close relationships with key hotel partners enabling access to preferential rates, exclusive terms and ring-fenced capacity which in turn deliver tour operator scale booking levels. Close working relationships with hoteliers underpins our ability to identify and resolve problems and quickly deal with operational issues. In FY23 we were able to leverage supplier relationships to minimise disruption to customers in Rhodes during the wildfires.

**Link to Strategy**

1 2 3 4 5 6 7

### 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 decreased this year to 22.3% (FY22: 25%). However, some parts of our business have higher turnover than others, particularly the contact centre. This isn't something unique to On the Beach Group, employee turnover in the call centre industry is typically higher than the national average. There continues to also be real competition for tech talent which is another area of the business where we've seen a higher level of voluntary turnover. This year we've also made changes to our Organisation Design which can be unsettling for employees. Key to our long-term success is having the right people with the right skills in the right roles, across all areas of the Group, in FY24, our focus will be supporting employees within this new structure and ensuring they can reach their potential and contribute to the high performance of the Group. Alongside this, we'll continue to foster an inclusive and open culture, continue to develop meaningful benefits for all, provide market competitive wages and continue making On the Beach a brilliant place to work. For more detail, refer to the "Here for People" section on page 59.

**Link to Strategy**

3 8

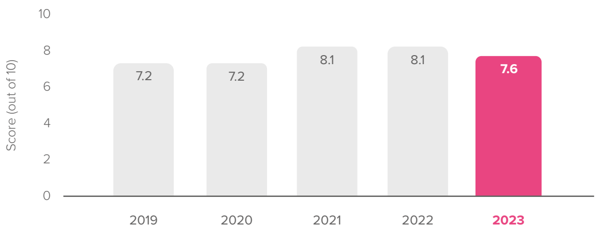
**Customer Proposition**

1 Storytellers
2 Matchmakers
3 Fixers
4 Perkers

**Strategic Enablers**

5 Optimise Supply
6 Enhance customer experience
7 Differentiate proposition
8 Invest in talent

## Employee engagement




### Description

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

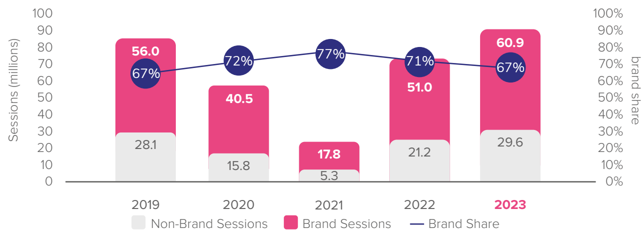
### Performance

In October 2023 we carried out our annual Hive engagement survey and achieved an engagement score of 7.6 out of 10 (8.1: 2022). Although we always strive to improve our position, we feel that this is a very positive outcome considering the amount of change that has happened throughout the Group this year, including making changes to our Organisation Design to set us up to successfully drive high performance and delivery of our FY24 strategy. This is a testament to the continued focus and investment in culture and our people.

### Link to Strategy

3 6 8

## Brand traffic share %




### Description

Data shows the percentage share of sessions that have come from brand and non-brand channels.

### Performance

FY23 saw a record level of sessions (90.5m) to onthebeach.co.uk. That brand traffic as a % of total is in line with pre-Covid levels while overall OTB saw +7% growth in sessions demonstrates a successful return on the continued investment in building brand awareness and consideration. This is all in the context of a more competitive market, with more package holidays brands in market competing for share of customers' attention.

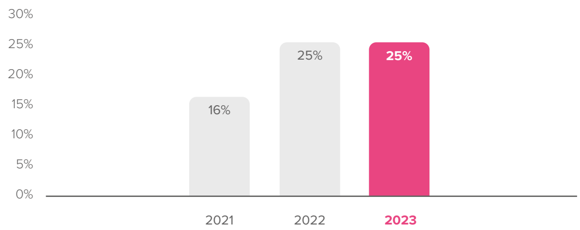
### Link to Strategy

1 2 3 4 6 7

# Key performance indicators continued

## Non-financial KPIs

### Spontaneous brand awareness




**Description**

Chart shows the % of people who name On the Beach, without a list or prompt, when asked to think of a beach holiday company.

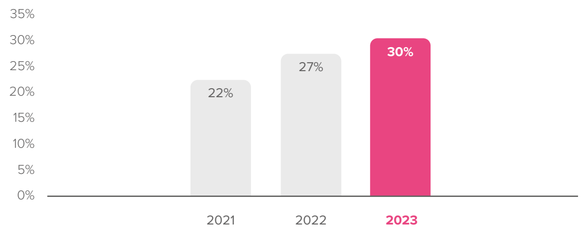
**Performance**

The increase seen in FY22 and FY23 shows the success and effectiveness of the investment in brand building activity. Maintaining levels from FY22 to FY23 is a positive given a more competitive market, with more competition for share of voice against the backdrop of record levels of inflation in advertising costs.

**Link to Strategy**

1 2 3 4 6 7

### Brand Consideration - Top 3 Choice




**Description**

Chart shows the % of people who consider On the Beach as one of their top three choices when booking a package holiday. This is directly linked to purchase intent.

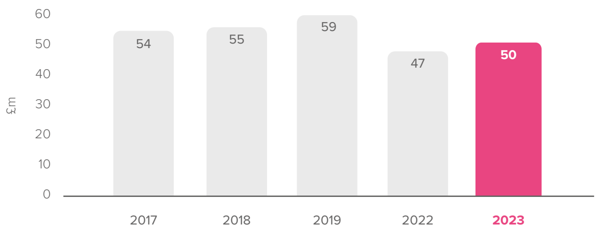
**Performance**

YoY growth shows the positive impact of the investment in brand and Perks, giving more people a motivating reason to choose On the Beach over the category competitors.

**Link to Strategy**

1 2 3 4 6 7

## 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

This year we further optimised our post-book customer experience, streamlining our comms, soft launching excursions and rolling out our app to more users. Now in our second year of perks, free lounge and fast track continues to grow customer satisfaction, increasing our % of promoters. For existing customers, we launched our VIB ("Very Important Beachers") programme, delivering early and extended access to perks, alongside exclusive pre-holiday content.

We improved our issues management processes, with faster resolution time for customers facing crisis, which put us in good stead for the various events across the year (Turkey earthquake, Morocco earthquake, Rhodes wildfires, ATC issues). We also reduced the volume of customers needing to contact us through various self-serve initiatives, including change payment dates, adding in flight extras, and launching new in-resort support within the app. This complimented with the launch of live chat has helped us improve customer service experience, reducing handling time for those customers who still need to contact us. We put a particular focus on Ryanair customers, supporting them through the third-party verification process.

### Link to Strategy

1 2 3 4 6 7

# Chief Marketing Officer Report

On the Beach has a proud history in disrupting the market, giving consumers easier access to the best value, ATOL protected holidays since its launch in 2004. I'm delighted to report that this year, we have continued to challenge the status quo in our sector, by both better understanding - and meeting - the needs of even more UK beach holidaymakers than ever before.

Despite the economic downturn, we have seen the majority of consumers protect - not sacrifice - their holiday, a trend that our research shows will continue into 2024, with people undertaking a reallocation of wallet, prioritising experiences and holidays in particular.

Our specialism in beach means that we totally 'get' what a beach holiday means to our customers: quite simply, it's their best and most important week of their year. With that in mind, we have worked hard to identify how we can deliver for our customers both rationally and emotionally, and our business is united in our shared vision to make our customers' 'jollies even jollier'.

Our 'Perkers' strategy is increasing our top 3 consideration, bookings and repeat purchase from a broader customer base, with strong growth across all measures exhibited in both the value and premium 5* and long-haul expansion areas. At a time when most consumers are more cost conscious than the recent past, the tangible differentiation and unique value equation delivered by our perk proposition (free fast-track for all customers booking summer holidays in peak, and free airport lounge for 4 & 5* customers), is resulting in simultaneously growing our topline revenue in the short-term and improving our brand health for short and long-term booking gains.

We have seen some changes in consumer behaviour continue post Covid, with more customers getting in touch with us between booking and going on their holiday.

As a result, we have accelerated our work as 'Fixers', developing our tech and automation to give customers instant peace of mind about their holiday when they need it. Development of our app is making it easier for customers to manage their holiday admin, and just as important, start to get really excited about the unique holiday experience ahead of them ('just 4 more sleeps!'), and we are encouraged by early wins in creating 'stickier' customers engaging with us more often.

2023 saw the soft launch of our VIB ("Very Important Beachers") activity, to keep engaged with customers post holiday. After a successful pilot, we will be building out the programme into 2024, with exclusive content, offers and holidays to actively increase the loyalty of our customer base and in turn, their Lifetime Value.

Staying true to our roots, we take seriously our purpose to challenge the status quo in the market to ensure the holiday sector meets the changing needs of today's consumer. In support of our high-court competition case against Ryanair we undertook significant proprietary research with holidaymakers generally and our customers specifically to understand how the considerable market power of low-cost carriers was affecting them. The findings show consumer support for our position that regulation is no longer fit for purpose and that an urgent review by the CMA is essential. We have published a white paper to lobby Regulators and Government to take action to protect the consumers in our sector which we care so very passionately about.

We are really pleased with our NPS scores, particularly given the changing make-up of our customer base, and thrilled that 79% of our customers score us 8, 9 or 10 out of 10 on a scale on their likelihood to recommend us to their family and friends. We look forward to doing even better for our customers in the year ahead.

**Zoe Harris**
Chief Marketing Officer

4 December 2023

# Chief Financial Officer Report

The Group's financial performance for the year ended 30 September 2023 ("FY23") is reported in accordance with UK-adopted international accounting standards and applicable law.

The Group organised its operations during the year into four principal financial reporting segments, being OTB (onthebeach.co.uk and sunshine.co.uk), International (ebeach.se, ebeach.no and ebeach.dk), CCH (Classic Collection Holidays) and CPH (Classic Package Holidays). As of 30 September 2023 the International segment was discontinued as explained later in this report. Prior periods have been restated accordingly.

The Group acts as agent across the OTB, International and CPH segments as it is not the primary party responsible for providing the components that make up the customers' booking. As a result, revenue is accounted for on a booked rather than travelled basis.

For the CCH segment, revenue is accounted for on a travelled basis, as principal, and is therefore reported on a gross basis.

## Group overview

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Adjusted[1] | GAAP | Adjusted[1] | GAAP[7] |
| Group TTV[2] | **1,070.4** | **–** | 849.4 | – |
| Group revenue | | **170.2** | | 143.4 |
| Revenue as Agent[3] | | **112.1** | | 92.9 |
| Revenue as Principal[4] | | **58.1** | | 50.5 |
| Group gross profit | | **114.0** | | 94.9 |
| Gross profit as Agent | | **106.4** | | 89.1 |
| Gross profit as Principal | | **7.6** | | 5.8 |
| Group profit before tax[5] | **23.6** | **12.9** | 14.2 | 2.2 |
| Basic earnings per share[6] | **11.6p** | **6.4p** | 6.4p | 1.0p |

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary. The prior period is restated for the effects of the discontinued operations.

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 2022 and 30 September 2023. Adjusted revenue is revenue before exceptional items of £nil (2022: £1.0m) and fair value losses on forward currency contracts of £0.8m (2022: gains of £0.8m).

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 2022 and 30 September 2023.

5 Group adjusted profit before tax excludes amortisation of acquired intangibles of £5.2m (2022: £5.5m), share-based payments cost of £1.2m (2022: £4.7m) fair value losses on forward currency contracts of £0.8m (2022: gains of £0.8m) and exceptional items of £3.5m (2022: £2.6m). A full explanation of the adjustments is included in the glossary.

6 Adjusted earnings per share is Group adjusted profit after tax for continuing operations divided by the average number of shares in issue during the period. Earnings per share is Group profit after tax for continuing operations divided by the average number of shares in issue during the period.

7 The prior period is restated for the effects of the discontinued operations.

## Overview of the year

- Revenue of £170.2m was £26.8m (18.7%) higher than FY22:
  - The Group delivered record TTV and Revenue in the year, as the market returned to a more normal pattern after a number of years of disruption.
  - There was strong demand for holidays across its core addressable market and strategic expansion areas, with growth across both passenger numbers and ABVs.
  - Summer 23 performance was especially pleasing, with passenger numbers for those holidays departing between May and October up 13% on the prior year.
  - The Group continues to focus on improving the operational efficiency of its cost base, with marketing costs reducing as a % of revenue vs the prior year, and admin expenses as a % of revenue in line with the prior year.
- Exceptional cancellations in the prior year relating to the impact of COVID-19 and supplier disruption have not repeated in the current year, FY23: £nil, (FY22: £1.3m). Costs incurred in respect of wildfires and other similar events in the year have been included in the underlying result.
- Adjusted profit before tax was £23.6m (FY22: £14.2m) reflecting strong revenue growth in the OTB segment along with a reduction in marketing spend as a % of revenue. Statutory profit before tax of £12.9m (FY22: £2.2m).

## Cash and liquidity

- The Group remains in a very strong financial position with combined cash balances of £184.4m (2022: £133.9m):
  - Group cash, excluding amounts held in trust, of £75.8m (30 September 2022: £64.5m).
  - Customer prepayments held in a ring-fenced trust account of £108.6m (30 September 2022: £69.4m).
- Net finance income in the year has increased to £2.6m (2022: finance cost of £0.5m) due to a £3.8m increase in bank interest receivable.
- The Group recently won a legal claim which it brought in October 2021 against Ryanair in respect of refunds owed by Ryanair to the Group for flights that had been cancelled or had been subject to a major change where customers had chosen a refund (the "Refunds Claim"), and the court awarded £2m to the Group, plus interest and costs. The Group intends to pursue Ryanair for further sums due in similar circumstances which accrued after issue of the Refunds Claim. Given the date of summary judgment was after the balance sheet date the proceeds of this action, along with costs recovered, will be included within exceptional items in FY24.
- The Group is currently awaiting the announcement of ATOL reforms. We understand that there has been further delay to the announcement of proposed reforms which is now not expected until 2024, however the Group remains well placed regardless of the outcome.

# Chief Financial Officer Report continued

## OTB performance

| | 2023 Adjusted[1] £m | 2023 GAAP £m | 2022 Adjusted[1] £m | 2022 GAAP[1] £m |
|---|---|---|---|---|
| TTV | **983.8** | **–** | 762.7 | – |
| Revenue | | **106.1** | | 87.1 |
| Gross profit | | **104.2** | | 87.1 |
| Online marketing costs | | **(26.0)** | | (27.0) |
| Offline marketing costs | | **(14.6)** | | (11.9) |
| Gross profit after marketing costs | | **63.6** | | 48.2 |
| Overheads | | **(32.3)** | | (25.9) |
| Depreciation and amortisation | | **(9.9)** | | (6.7) |
| Exceptional operating costs | | **(3.3)** | | (1.3) |
| Share-based payments | | **(1.1)** | | (4.7) |
| Amortisation of acquired intangibles | | **(4.2)** | | (4.4) |
| Operating profit | **22.2** | **12.8** | 15.4 | 5.2 |
| EBITDA | **32.1** | **26.9** | 22.1 | 16.3 |

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary. The prior period is restated for the effects of the discontinued operations.

Revenue has increased to £106.1m (FY22: £87.1m). This is as a result of a full year without any material impact from COVID-19, along with continued success in our core market and our strategic focus areas. We have seen significant growth across both premium and long-haul markets, and the increased ABV in these areas has contributed to an increased margin per booking of £209 (2022: £192).

Average booking values have increased by 14% vs FY22 reflecting the continued growth in both long-haul and premium holidays. This has resulted in an increase in TTV to £984m (FY22: £763m).

Revenue of £106.1m is stated net of a £5.1m investment in holiday perks for customers travelling with On The Beach. This has been expanded in the year as part of our strategic pillar "Perkers" which has helped to drive revenue growth and repeat booking rates. This has been achieved through the expansion of our free airport lounge and fast track offers across a wider range of departure dates.

FY23 was supported by our largest ever offline marketing campaign. This saw a transfer of spend from our online marketing activities into offline investment, with total marketing costs as a % of revenue having fallen versus the prior year. Total marketing costs are now below our historic run rate of 40% of revenue.

| | 2023 Adjusted[1] £m | 2023 GAAP £m | 2022 Adjusted[1] £m | 2022 GAAP[1] £m |
|---|---|---|---|---|
| Overheads % TTV | **3.3%** | **–** | 3.4% | – |
| Overheads % revenue | | **30%** | | 30% |
| Total marketing % revenue | | **38%** | | 45% |

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary. The prior period is restated for the effects of the discontinued operations.

Overheads as a % of revenue are consistent at 30% (FY22: 30%) with inflationary pressures in respect of wages and salaries being offset by savings made elsewhere.

Adjusted EBITDA has increased to £32.1m (FY22 restated: 22.1m). A full explanation of adjusted measures are included in the glossary.

## Classic Collection Holidays segment performance

| | 2023 Adjusted[1] £m | 2023 GAAP £m | 2022 Adjusted[1] £m | 2022 GAAP £m |
|---|---|---|---|---|
| TTV | **58.7** | **–** | 55.6 | – |
| Revenue | | **58.1** | | 50.5 |
| Gross profit | | **7.6** | | 5.8 |
| Gross profit after marketing costs | | **5.8** | | 4.8 |
| Overheads | | **(6.8)** | | (5.2) |
| Depreciation and amortisation | | **(0.3)** | | (0.3) |
| Exceptional operating costs | | **(0.2)** | | – |
| Share-based payments | | **(0.1)** | | – |
| Amortisation of acquired intangibles | | **(1.0)** | | (1.1) |
| Operating loss | **(1.3)** | **(2.6)** | (0.4) | (1.8) |
| EBITDA | **(1.0)** | **(1.3)** | (0.1) | (0.4) |

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary. The prior period is restated for the effects of the discontinued operations.

As a principal (rather than an agent) Classic Collection accounts for revenue on a 'travelled' basis and reports revenue on a gross basis. Both TTV and Revenue increased this year as consumer confidence in travel increased.

Revenue increased to £58.1m (FY22: £50.5m) and operating losses were £2.6m (FY22 £1.8m). Overheads increased by £1.6m in part due to investment in headcount across sales and marketing teams to deliver on the strategic growth plan.

Sales on a booked, rather than travelled, basis were £58.7m (FY22: £55.6m). Long haul continued to perform well representing 22% of total sales in the year and is expected to be a high growth area for the business in FY24.

## Classic Package Holidays segment performance

| | 2023 Adjusted[1] £m | 2023 GAAP £m | 2022 Adjusted[1] £m | 2022 GAAP £m |
|---|---|---|---|---|
| TTV | **28.0** | **–** | 31.1 | – |
| Revenue | | **6.0** | | 5.8 |
| Gross profit | | **2.1** | | 2.0 |
| Gross profit after marketing costs | | **1.5** | | 1.0 |
| Overheads | | **(1.4)** | | (1.5) |
| Depreciation and amortisation | | **–** | | (0.2) |
| Operating profit / (loss) | **0.1** | **0.1** | (0.3) | (0.7) |
| EBITDA | **0.1** | **0.1** | (0.1) | (0.5) |

1 Adjusted measures are non-GAAP measures, a full explanation of the adjustments is included in the glossary. The prior period is restated for the effects of the discontinued operations.

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 £6.0m (FY22: £5.8m), and the operating profit was £0.1m (FY22: operating loss of (£0.7m)). The platform being increasingly used by online agents and home workers allowed for marketing cost control and a reduction in spend from £1.0m to £0.6m. The focus continues to be on developing the proposition to ensure that we are serving the trade and holidaymakers with market leading product at competitive prices.

# Chief Financial Officer Report continued

## Exceptional Items

Exceptional items in the year amounted to £3.5m, being £2.0m of legal and professional fees and £1.5m of restructuring costs. In the prior year exceptional operating costs totalled £1.3m, with £2.5m of legal and professional fess being partially offset by the release of £1.2m of provisions. A further £1.3m of exceptional cancellation costs were incurred in the prior year.

Legal and professional fees principally related to ongoing litigation with Ryanair. Costs awarded following the successful judgement in November 2023 relating to refunds have not yet been finally determined and therefore no recovery has been included.

Restructuring costs relate to the consolidation of certain group functions between CCH and OTB in order to harmonise processes and deliver operational synergies.

## Financing

In December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest and entered into a new facility for £60m expiring in December 2025.

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

| Existing facilities | £ | Issued | Expiry | Drawn at 30 September 2023 |
|---|---|---|---|---|
| RCF - Lloyds Bank | £30m | Dec 2022 | Dec 2025 | Nil |
| RCF - NatWest | £30m | Dec 2022 | Dec 2025 | Nil |
| **Total facilities** | **£60m** | | | |

## Share-based payments

The Group has a number of LTIP schemes in place which vest subject to continued employment and performance criteria. In accordance with IFRS 2, the Group has recognised a non-cash charge of £1.2m (FY22: £4.7m).

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. The change in the year is a result of a reduction in the number of awards in the year as well as the change in expectations for non-market based performance conditions. Given the volatility and size of these charges they are added back to provide comparability to prior periods.

## Taxation

The Group tax charge of £2.3m represents an effective rate of 19% (FY22: 25%) which is lower than the standard UK rate of 25% (FY22: higher than the standard rate of 19%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

## Cash flow

| | FY23 £m | FY22 £m |
|---|---|---|
| Profit before tax from continuing operations | **12.9** | 2.2 |
| Loss before tax from discontinued operations | **(0.5)** | (0.1) |
| Depreciation and amortisation | **15.3** | 12.8 |
| Net finance (income) / costs | **(2.6)** | 0.5 |
| Share based payments | **1.2** | 4.7 |
| Movement in working capital | **(4.1)** | 1.3 |
| Corporation tax | **(0.2)** | 0.5 |
| **Cash generated from operating activities** | **22.0** | 21.9 |
| Other cash flows | | |
| Capitalised development expenditure | **(12.0)** | (10.6) |
| Capitalised intangible assets | **–** | (0.5) |
| Capital expenditure net of proceeds | **–** | (1.3) |
| Net finance income / (costs) | **2.8** | (0.3) |
| Payment of lease liabilities | **(1.5)** | (0.7) |
| **Total net cash flows** | **11.3** | 8.5 |
| Opening cash balance | **64.5** | 56.0 |
| **Closing cash at bank** | **75.8** | 64.5 |
| **Closing trust balance** | **108.6** | 69.4 |

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. As a result the available credit facilities are only utilized for a short period, in FY23 being between January and June.

Net cash inflows were £11.3m (2022: £8.5m). This is due to increased profitability in the period, partially offset by working capital investment to support the continuing growth of the business.

Not included in the Group's cash position is £108.6m (FY22: £69.4m) of customer prepayments held in a trust account to be released once the customer has travelled. The Civil Aviation Authority ("CAA") is currently consulting on reform of the ATOL scheme including the assessment of funding arrangements. The consultation process is still ongoing and we expect to hear more in 2024.

The Group remains in a strong financial position with sufficient cash reserves to continue to invest in its continuing success.

## Discontinued Operations

During the year, following a strategic review, the Board took the decision to close the International business which comprised the standalone e-beach sites in Norway and Sweden. Since launch in 2015, the intended growth of this segment has been restricted by a number of factors including COVID-19, the failure of a number of local airlines such as Norwegian, Primera and Ving and the infrequent scheduling of other low-cost carriers. The Board remain confident that the core proposition is scaleable across additional geographic markets.

During the year the International segment contributed revenue of £0.9m and an operating loss of £0.5m.

## Capital Allocation

The Board has considered and approved a revised capital allocation policy for the Group. The primary objective is to invest in organic growth whilst maintaining capital discipline. The Board has signalled its intention to re-introduce a dividend for FY24 given the return to normal market conditions and a sustainable cash generative business model.

## Dividend

The Board is not recommending a final dividend in respect of FY23.

**Jon Wormald**
Chief Financial Officer

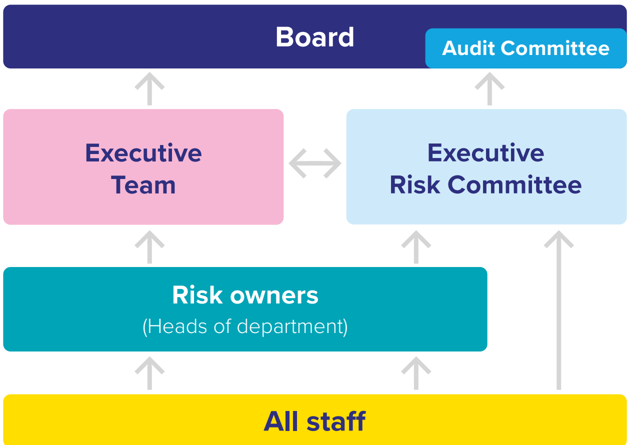
4 December 2023

# 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.

## Risk management governance structure

Risk management at On the Beach is a shared responsibility across the business. 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.

### Reporting

This year we continued the implementation of our new enterprise risk management system. The new system is in place to manage risk, allowing risk owners to devote their time to investigating, managing, and reporting on their risks in a coordinated manner. The automated reports generated from this system inform the ERC's ongoing risk discussions and actions.

## 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.

# Risk management continued

## 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 ERC 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.

### Link to strategy

For each risk highlighted, we have specified the strategic pillars and enablers (as outlined in the Strategy section of this report on page 12) that these risks impact.

**These are:**

**Customer Proposition**

1 Storytellers
2 Matchmakers
3 Fixers
4 Perkers

**Strategic Enablers**

5 Optimise Supply
6 Enhance customer experience
7 Differentiate proposition
8 Invest in talent

## 1. Major airline failure

**Link to strategy** 3 4 5 6 7

**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.

# Risk management continued

## 2. Flight supply

**Link to strategy** 2 3 4 5 6 7

**Direction of travel** ↔

### Risk and impact

- 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 via technological or other means.
- Certain airlines seek to charge customers more for choosing to book through a travel agent. 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. 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 proprietary technology is industry leading and enables it to ensure that its operations are robust.
- Where allocations of flight seats are taken, this will be on routes where there is strong demand, and the Group will seek to build flexibility into the contract to enable cancellation when demand is lower than expected.
- We have expert external legal advisers for any potential disputes with airlines which seek to prevent the Group booking seats for its customers. On the Beach has commenced legal action against Ryanair to prevent it from, amongst other things, blocking the Group's bookings and degrading the experience for its customers. Those proceedings are ongoing.
- 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

Overall there is no significant change in flight supply risk from last year.

## 3. Recoverability of airline refunds

**Link to strategy** 3 6

**Direction of travel** ↓

### Risk and impact

- Where a customer's holiday is cancelled, the group provides a full cash refund within 14 days as required under the Package Travel Regulations ('PTRs'). Where a flight is cancelled, airlines have an obligation to refund the cost of cancelled flights. Some airlines take months to refund, put obstacles in the way of claiming these monies, or refuse outright to do so.

### Key controls and mitigating factors

- We pay airlines on virtual cards which means we have chargeback rights to recover the sums for cancelled flights if these are not paid voluntarily.
- The Group recently won a legal claim against Ryanair for refunds due on cancelled flights. The court confirmed the right of refund under Regulation 29 of the Package Travel Regulations and under the law of unjust enrichment, which provides a clear precedent for future claims. The recovery of refunds from airlines is a specific topic on which the Government is seeking input as part of its consultations on the Package Travel Regulations and the Group is advocating for a clearer recovery mechanism to avoid litigation in the future.

### Change in the year

Overall, due to the victory in the refunds case, regulatory attention in this area and generally less disruption, there is a reduction in risk from last year.

## 4. Data and security

**Link to strategy** 3 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 compliant card holder environment is maintained to protect customer payments. This is backed by a 24/7 Managed Security Service provided by our Information Security partner.
- Investment in cyber security has significantly increased with a dedicated Information Security function in place overseeing regular security training for all employees.
- Cyber Security Governance Committee established with empowered representation from all departments within the Group.
- Cyber insurance is in place.

### Change in the year

The data security risk environment continues to evolve including in respect of artificial intelligence and we have continued to strengthen our controls in response.

## 5. Innovation, transformation and scalability

**Link to strategy** 1 2 3 4 5 6 7 8

**Direction of travel** ↓

### Risk and impact

- The Group operates in a fast-moving environment. In order to meet our strategic objectives, our technology 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 technology 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

- Innovation is led by our Chief Product & Technology Officer ('CPTO') and is a priority for the whole Executive Team. The CPTO continues to cultivate a high-performing product organisation – championing customer centricity and utilising data to drive business outcomes. The overarching objective is to establish the best (web and mobile) user experience, foster innovation, and continuously enhance product offering. In order to achieve this goal, we will need a strong product team and we continue to invest heavily in this area.
- We have established an architecture review board ('ARB') during the year. The ARB ensures product initiatives align with our strategy and objectives and makes investment decisions with scalability and innovation in mind.
- We have migrated to AWS in the year which provides a greater degree of resilience and ability to scale our operations.

### Change in the year

The investments and changes we have made during the year as outlined above have contributed to a reduction in risk.

# Risk management continued

## 6. Disruption to operations

**Link to strategy** 3 4 5 6

**Direction of travel** ↔

### Risk and impact

#### Customer operations

- As a travel business, the Group is exposed to the risk of disruption to its operations caused by a wide range of unpredictable domestic and international events.
- As a package organiser under the Package Travel Regulations, we have number of legal obligations where there is a major change or disruption to a customer's holiday.

#### Business operations

- Like all businesses, the Group is exposed to a range of business continuity risks that may disrupt its operations. These risks can emerge for a number of reasons and can disrupt business operations. These can range from local incidents to global events.

### Key controls and mitigating factors

- In the travel industry, there are frequent disruptions to customer operations. We therefore have comprehensive customer incident management processes in place to identify and respond to such incidents. These plans are regularly tested and updated following customer disruption, which this year included the Rhodes wildfires and Air Traffic Control disruption.
- Our business continuity and disaster recovery plans are regularly reviewed and updated to ensure their continued effectiveness. The inclusion of cyber insurance provides an additional layer of protection, enabling us to combat the effects of a cyber-attack and further mitigate this risk. Through these measures, we are dedicated to safeguarding the stability and resilience of our business operations.

### Change in the year

Overall, the risk level remains unchanged.

## 7. People

**Link to strategy** 3 6 8

**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 3.7 out of 5. Our employee engagement score is 7.6 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.

### Change in the year

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. Overall, risk level remains the same.

# Risk management continued

## 8. Customer demand

**Link to strategy** 1 2 3 4 5 6 7 8

**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 era marked by climate-related risks, our Group's flexibility in not carrying physical assets such as planes and hotels provides us with a unique opportunity to be dynamic and responsive. We prioritise the safety, satisfaction, and evolving preferences of our customers by swiftly adapting our holiday locations to mitigate climate risks and meet market demands. By embracing this approach, we ensure that our holiday offerings remain relevant, resilient, and appealing in an ever-changing world.

### Change in the year

Uncertainty in the economy continues, particularly in light of the cost-of-living crisis, impacting how consumers spend their disposable cash. Research however shows that holidays are protected by most families, with sacrifices being made elsewhere to afford their annual break. That said, the value end of the market (3*) continues to have lesser demand than the 4 & 5* consumer.

## 9. Brand and consumer proposition

**Link to strategy** 1 2 3 4 5 6 7 8

**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 in our brand, through a broad variety of online and offline marketing and PR campaigns, to build brand awareness and consideration. We continue to develop and improve our customer experience, improving our App and self-serve capabilities, as well as expanding our perks proposition so more customers can enjoy a smooth start to their holiday with free fast-track or lounge at their departure.
- 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.
- 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.

### Change in the year

We continue to invest in our customer proposition and brand and overall 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 7 8

**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 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 7 8

**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 regularly-reviewed health and safety management system in place, led by an experienced H&S professional, and works with its suppliers to ensure that customers' health and safety is monitored throughout the supply chain.

### Change in the year

We continually review and develop our safety management processes. Overall we consider the level of risk remains unchanged.

## 12. Financial risk and liquidity

**Link to strategy** 1 2 3 4 5 6 7 8

**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, adverse FX and Interest Rates 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 business model is cash-generative even in a recessionary environment and the business has a number of mitigating actions that can be taken if required.
- Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance.
- We prepare rolling five-year strategic plans and cash flows and a number of different scenarios have been modelled to ensure we continue to be viable – see page 42-45.

### Change in the year

The general macro-economic environment remains uncertain heading into FY24 despite inflation rates beginning to reduce. Given the controls and mitigating actions in place, the level of risk remains unchanged.

## 13. Acquisition and Organic Growth risk

**Link to strategy** 1 4 6 7

**Direction of travel** ↓

### Risk and impact

- Failing to achieve our strategic organic growth target due to market competition, insufficient working capital, or poor execution could prevent the Group from achieving its strategic goals.
- 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 could result in an erosion of shareholder value.

### Key controls and mitigating factors

- We have a dedicated Chief Strategy Officer and we work with external advisers and use market knowledge to find suitable targets.
- Carry out robust due diligence to appraise suitability across both organic and acquisition opportunities.
- Clear strategy and agile business model that allows us to take advantage of new growth opportunities as they arise.
- Regular budgeting and forecasting ensures working capital is sufficient for business requirements and rapid reaction to adverse business performance.

### Change in the year

M&A opportunities within the market have been limited due to macro-economic conditions. Our focus therefore has been on organic growth opportunities and we expect this to continue into FY24. The Risk level therefore 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 five years to 30 September 2028 is the most appropriate period to provide its viability statement. The Group prepares rolling five-year strategic plans and cash flows, so setting the viability statement period at five 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 14) 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 33-41.

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 five 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.

# Viability statement continued

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

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

There is a risk there is 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 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 20% year-on-year. 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 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.

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 five-year period ending 30 September 2028.

## 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 increased its facility from £50m to £60m, expiring in December 2025. At the same time the Group cancelled its CLBILS facility of £25m, which was due to expire in May 2023. The RCF has financial covenants in place which are tested quarterly.

As at 30 September 2023 cash (excluding cash held in trust which is ringfenced and not factored into the going concern assessment) was £75.8m (30 September 2022 cash of £64.5m).

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 except where a flight is purchased. Cash held in trust at 30 September 2023 was £108.6m.

The Directors have assessed a going concern period through to 31 March 2025 and have modelled a number of scenarios considering factors such as airline resilience, cost of living, inflation 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 70% lower than forecasted for 3 months followed by gradual recovery, although profitability would be affected, the Group would be able to continue operating. The impact of climate change has not yet been reflected in these estimates and assumptions due to the level of uncertainty about the impact of climate change on these estimates and assumptions.

Given the assumptions above and the mitigating actions available, 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.

# 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 56-57. 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 58.

## 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

| Why they matter to us | What matters to them | How we engage |
|---|---|---|
| **Customers**<br>We know how important holidays are to our customers, and how important it is that ‘it goes right’. We are united in our mission to give our customers ‘jollier jollies’, making sure we are meeting their needs and living up to their expectations.<br> | • Swift resolution to any holiday hiccups (e.g. overbooked hotel)<br>• ATOL protection and ring-fenced trust account<br>• Value for money<br>• Choice and flexibility<br>• Perks to make them feel special<br>• Payment options including low deposits<br>• An easy to use website<br>• Being given opportunities to get excited about their holiday<br>• Self-serve capabilities, and customer service support when they need it<br>• Peace of mind of booking a package holiday<br>• Health and safety on holiday<br>• Accurate descriptions of the holiday they have booked | • Surveys, focus groups, resort visits, user testing<br>• Social media<br>• Feedback from third-party travel agents<br>• Post holiday surveys<br>• Data analysis from customer help tools such as our chatbot and FAQ satisfaction scores<br>• Our dedicated customer service team and 24/7 in-resort line<br>• Interaction via our customer call centres |
| **Shareholders**<br>Our shareholders are investors in and owners of our business, providing the capital we need to invest in and grow the business. | • Long-term growth delivered through successful implementation of strategy<br>• Operational and financial performance<br>• Risk management<br>• Talent and succession planning<br>• Capital allocation<br>• Executive and workforce remuneration<br>• ESG matters | • Roadshows<br>• Annual Report, websites and statements<br>• Ongoing dialogue and individual engagement with shareholders<br>• AGM |

| Outcomes / highlights for 2023 | How the Board engages and considers the interests of our stakeholders |
|---|---|
| • Piloting videos on site to show what hotels are like, rather than relying on photos and copy alone<br>• Launched live chat functionality in our customer service team as requested by customers<br>• Created a Customer Solutions team to improve satisfaction scores of our chatbot<br>• Improved our IVR capability to reduce call times for customers<br>• Invested in our app to make it easier for customers to handle their holiday admin | • Developed an evolved strategy with the aim of meeting customers' needs more effectively.<br>• Received monthly customer experience report at each board meeting<br>• Executive bonus linked to Net Promoter Score |
| • 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.<br>• Following the 20.66% vote against the Remuneration Policy at the 2023 AGM, we wrote to over 80% of the shareholder base and held meetings with a number of shareholders and the four main proxy organisations to gather feedback and determine actions required. Further information can be found on page 120 of the Directors' Remuneration Report.<br>• Votes from shareholders representing 74% of share capital at 2023 AGM | • Directors meet and speak with investors on a regular basis, principally through investor roadshows and the AGM.<br>• Regular updates by the Chief Executive.<br>• Meetings and calls with large investors in relation to specific issues arising.<br>• Engagement on remuneration matters via the Remuneration Committee Chair.<br>• The Non-Executive Directors are available to meet with shareholders at the AGM and will engage with investors on topic-specific matters, as required.<br>• Investor feedback is collated after each roadshow and shared with Board |

# Section 172 and stakeholder engagement continued

| Why they matter to us | What matters to them | How we engage |
|---|---|---|
| **Our people**<br>Our people are integral to achieving our strategic objectives. We know that when employees are engaged they are happier, more motivated and invested in helping us achieve our goals and in turn grow the business.<br><br>We continue to value and regularly seek feedback from employees, helping us to understand how we can increase engagement across all areas of the business. | • Successful and rewarding careers<br>• Development and progression<br>• Remuneration and benefits programme<br>• Recognition<br>• Ways of working and culture<br>• Diversity and inclusion<br>• Knowing concerns are being listened to<br>• Working for a company that gives back | • 'Beach Life' – our Company-wide meeting, where employees are able to ask the Executive Team questions, hear key updates and celebrate each other's successes.<br>• 'Pier Group' – forum of employees 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.<br>• Regular email updates to help keep employees connected with what's happening around the business.<br>• Hive survey – our annual engagement survey. We also conduct pulse surveys to check how employees are feeling as well as helping us measure progress against our engagement scores.<br>• Employees are encouraged to take part in various forums that focus on Wellbeing and Equality, Diversity and Inclusion.<br>• Colleague conversations – performance and feedback sessions.<br>• Colleague recognition and rewards |

## Outcomes / highlights for 2023

- We continue to find ways for Board and our designated Non-Executive Director for employee engagement to meet with employees and hear their voice first hand.
- We continually review our benefits offering to ensure that it is competitive and relevant; we've worked hard to develop our next phase of enhancements, focused on Wellbeing and Family Friendly, due to land in FY24. They include holiday purchase, increased pension contributions and improved family leave policies.
- Successfully embedded hybrid and flexible working, it's now just how we work.
- Employee wellbeing has continued to be a real focus, supported by our mental Health First Aiders.
  - In response to the cost of living crisis, we communicated a payrise of £1,500, three months earlier than usual, to all employees with annual salaries at or below £30k and we shared updates on our Employee Assistance Programme which offers a range of support services.
  - We've continued to use feedback from the Hive engagement survey to make improvements that make a difference to the lives of our employees both inside and outside work.

## 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 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.
- Veronica Sharma is the new 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

# Section 172 and stakeholder engagement continued

| Why they matter to us | What matters to them | How we engage |
|---|---|---|
| **Suppliers and partners**<br>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. | • Fair payment terms<br>• A partner that can deliver tour operator scale volumes<br>• Collaboration<br>• Being treated fairly<br>• Business continuity | • Through supplier relationship management – regular face to face review meetings and ongoing feedback to maintain openness and to improve value from supplier relationships.<br>• 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.<br>• Through industry conferences and events |
| **Communities and society**<br>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. | • Ethical businesses managed responsibly<br>• Building partnerships that support and create positive impact and outcomes for society<br>• Environmental impact<br>• Source of future employment and opportunities | • Creating partnerships with local charities<br>• Creating opportunities for employees to support local communities<br>• 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 2023 | How the Board engages and considers the interests of our stakeholders |
|---|---|
| • Supported suppliers in the post Covid-19 re-opening phase and we continue to ensure prompt and fair payment.<br>• Building relationships with suppliers has meant that we have delivered circa 90% of total hotel buying through direct contracting in FY23<br>• During the season, we saw disruption through wildfires, floods and air traffic control failures. We managed that process with hotel partners, by ensuring regular communication to minimise the impact of disruption on customers and suppliers | • 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.<br>• 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.<br>• As part of its risk management procedures, the Board assesses all business continuity risk including the loss of key suppliers.<br>• 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. |
| • Employees took part in Beach Cleans, collecting and analysing rubbish and entering their findings into the Marine Conservation Society Beachwatch database, supporting their campaign for positive change to protect our beaches and oceans. As well as helping to reduce and recycle waste from our beaches and oceans it was also a fantastic opportunity for team building and cross team engagement<br>• We've invested time in evaluating how we can best support our communities as we plan for the future. This will ensure we have solid foundations in place to fully embed community engagement and support activity throughout our business, and we're excited to put our plans into action | • Progressed our new ESG strategy, which sets out a formal framework for operating as a responsible business which has Board oversight (see page 58). 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 |

| Why they matter to us | What matters to them | How we engage |
|---|---|---|
| **Government and regulators**<br>His Majesty's Government develops policy and makes laws that impact our business, our industry and our consumers.<br>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.<br>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.<br>There are other aspects of our business that have oversight by regulators, for example the Financial Conduct Authority in relation to travel insurance offered on our site, the ICO (Information Commissioner's Office) regulates compliance with data protection laws and the Advertising Standards Authority and CMA in relation to consumer law and advertising.<br>Engaging with regulators and the Government also enables us to ensure that policy makers and regulators understand our business and the market in which we operate 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. | • 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.<br>• 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.<br>• They need our input to their consultations in a timely and constructive manner and they need our co-operation in pursuing their own policies and strategies. | • 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.<br>• We engage directly with the Government in key departments including the Department for Transport (DfT) and Department for Business and Trade (DBT), 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.<br>• The General Counsel is a member of the Air Travel Insolvency Protection Advisory Committee ('ATIPAC'), which is regularly attended by representatives of the CAA, DFT and DBT.<br>• The Group also engages with Government and Regulators through industry groups. During the year, On the Beach became a founding member of Online Travel UK (OTUK), which is an association of the largest online travel businesses operating in the UK. The purpose of the OTUK is to work together to positively engage with Government and regulators to promote the benefits of online travel businesses and to collectively engage on relevant issues (including responses to consultations).<br>• Active participation in policy development, including:<br>– 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;<br>– Responding to BEIS consultation on Package Travel Regulations; and<br>– Responding to DfT consultation on consumer rights in aviation. |

## Outcomes / highlights for 2023

- **Preparation and publication of a white paper entitled "Safeguarding Customer Choice in the Travel Sector: preserving fair competition, an urgent call for action", which published OTB-commissioned consumer research and highlighted anti-competitive practices by low cost carriers in the UK which have a significant detriment for consumers. The paper recommended: (i) an urgent CMA market review; (ii) fair, reasonable and non-discriminatory access to flight seats for agents acting for customers; (iii) a code of conduct between airlines and travel agents; and (iv) for consumers to write to their MP.**


- Active direct engagement with DfT and DBT, 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, engaging in relation to our white paper and making the case for a CMA market review.
- 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 DBT consultation on Package Travel Regulations, in particular, the need for reform to ensure airlines were obliged to swiftly refund package organisers; and
  - Engagement with CAA about its new Consumer Strategy.
- Through OTUK, writing to the ICO, CMA and CAA to highlight the onerous, invasive, unnecessary and unlawful "verification procedures" which Ryanair was forcing customers to undertake where they had booked through a third party. OTUK called for an end to this conduct.

## 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.

# 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 White Paper "Safeguarding Customer Choice"

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

The Board has seen and discussed a number of examples of anti-competitive behaviour by airlines, including (i) blocking bookings, (ii) adding extra charges to flight seats to make indirect bookings more expensive, (iii) smear campaigns and false and misleading comments about online travel agents generally and about On the Beach specifically; and (iv) discriminatory treatment of its customers including being subject to onerous, invasive and unnecessary verification procedures. The company engaged with consumers in the form of research, to understand what impact they were feeling from the conduct of the airlines, and this confirmed that consumers too were concerned about airlines not being held to account. As well as understanding consumer views, the Board also considered the views of employees, whose jobs were frequently made more difficult by the behaviour of the airlines. The Board considered the views of regulators and Government and the importance of speaking up about the need for regulatory intervention, but also the potential negative impact that releasing the paper could have on relationships with airline suppliers. Finally, the Board considered the interests of its shareholders, and in particular the need to deliver long term value. Having taken into account all of these factors, and reflected on the Group's values of being "Bold", "Open" and "Dynamic", the Board concluded it was in the best interests of Company to launch the white paper and engage with the relevant stakeholders following its release.

### Investment in Customer & Proposition

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

Given the maturity of the online holiday sector today, the Board recognises the need for the business to evolve from a booking website to a differentiated holiday company, that looks after the customer from point of booking to point of return, and uses both performance and brand marketing to acquire and retain customers. Three key areas are reviewed regularly to monitor investment vs. impact on LTV:

- Customer satisfaction: NPS, social forums, press coverage, post holiday surveys, on-site conversion, feedback
- Differentiated consumer proposition: perks, online experience, pre-holiday app experience
- Brand health: awareness and top 3 consideration for beach holiday makers

## Organisational Effectiveness

**Key stakeholders affected:**

Employees, customers.

**s.172 factors**

Long-term impact, employees, customers and suppliers, community and environment, business conduct.

The Company recognises the importance of Organisational Effectiveness to support the delivery of our strategic objectives. Key to our long-term success is having the right people with the right skills in the right roles, across all areas of the Group.

We engaged with relevant stakeholders to design an organisation that is efficient, agile and scalable. Whilst we appreciate that this is an ongoing process, we know that we now have a core structure in place that we can build on, and that will enable the delivery of our strategy. We have introduced a weekly headcount review process to ensure we not only keep a firm eye on costs but to ensure that we are recruiting the right roles to deliver our strategy.

Our focus now will be on managing talent into and within this structure, ensuring that our employees can reach their potential and contribute to the high performance of the Group.

# Responsibility and sustainability

## Our ESG framework

We are committed to conducting our business the right way and we want to drive meaningful change across the industry in areas that are strategically important. To that extent, we 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.

In order to make sure we were basing our framework on the right issues, last 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

A diverse, inclusive and inspiring workplace that attracts talent, rewards our people and empowers our people in our communities to make a difference

**Focus areas**

- **Health and Wellbeing**: Supporting employee health and wellbeing and cultivating an engaged, skilled and rewarded workforce.
- **Diversity, Inclusion and Belonging**: 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.

**Links to SDGs**

4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES

Read more on page 59.

HERE FOR HOLIDAYMAKERS

Providing safe and accessible holidays that empower and inspire customers to travel more sustainably

**Focus areas**

- **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.

**Links to SDGs**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Read more on page 66.

HERE FOR THE PLANET

Reducing our environmental impact and helping to protect our natural environment

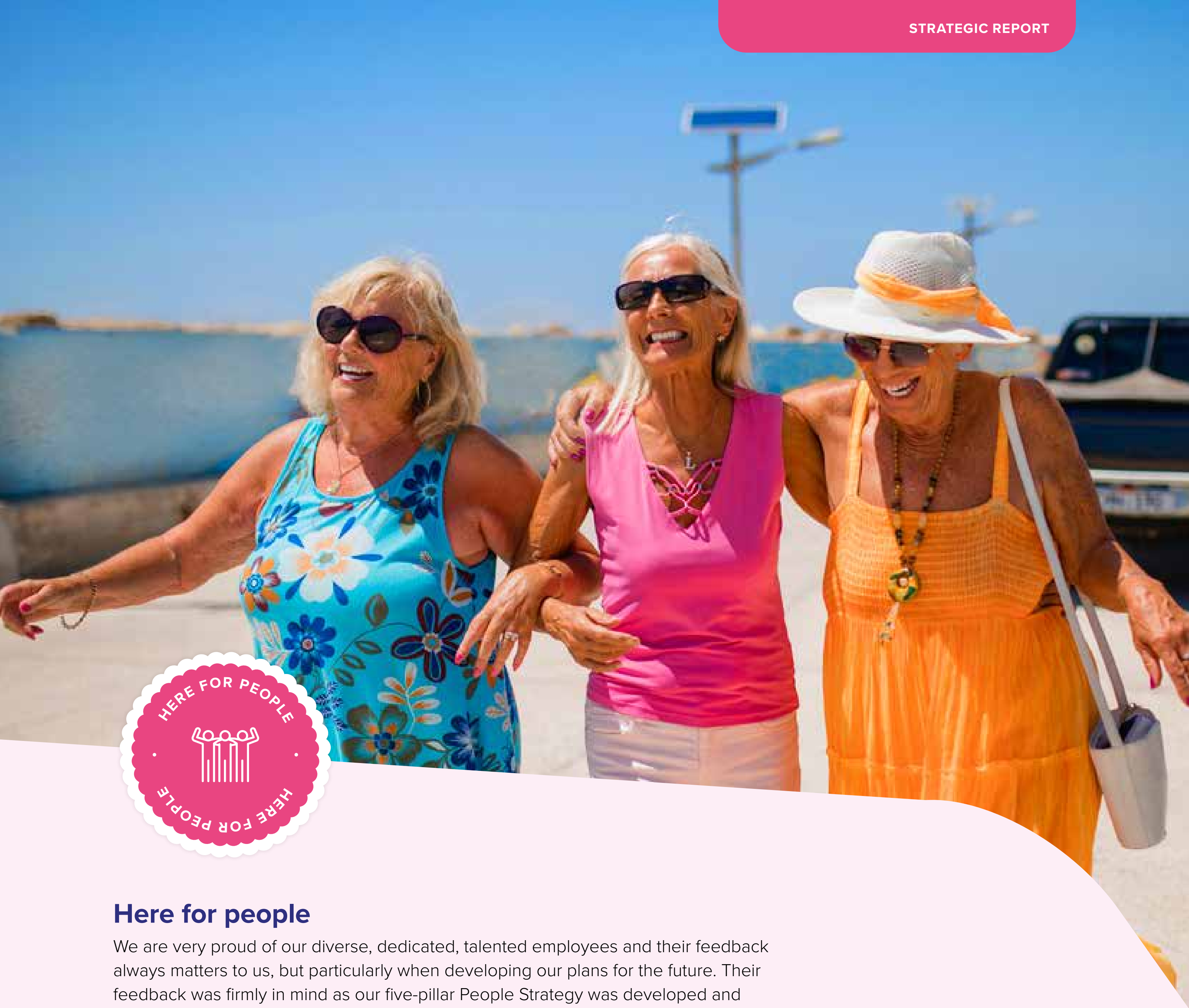
**Focus areas**

- **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**

13 CLIMATE ACTION; 14 LIFE BELOW WATER

Read more on page 70.



## Here for people

We are very proud of our diverse, dedicated, talented employees and their feedback always matters to us, but particularly when developing our plans for the future. Their feedback was firmly in mind as our five-pillar People Strategy was developed and launched; designed to bring into sharp focus those areas where we can really make a difference to their experience, both inside and outside of work, and provide a solid foundation on which to build their careers at On the Beach. To support this further, a People Partner model was introduced, bringing in expertise to drive the delivery of this strategy right across the Group.

- Collaboration
- Talent
- High Performance
- Reward and Recognition
- Operational Excellence

Employee Feedback

# Responsibility and sustainability continued

### FY23 highlights

- Increased the % of senior roles occupied by women.
- Further enhanced our employee wellbeing and family friendly benefits.
- Introduced Up, our new leadership programme designed to support and develop our people leaders.
- Collected social mobility data from employees to further inform our E,D&I plans for the future.
- Successfully trialled an employee volunteering framework.
- Maintained a high employee engagement score of 7.6 out of 10.

### FY24 focus

- Continue to increase the capability and development of our people leaders, through our Up leadership programme.
- Establish additional employee voice forums with a focus on Wellbeing, Equality, Diversity and Inclusion, and Community & Charity.
- Further develop and establish initiatives to support education in our communities, providing technical and vocational skills and helping to advance social mobility.
- Implement new Applicant Tracking System to anonymise candidates during recruitment selection process.

## Collaboration

Last year, our focus was on creating and embracing new ways of working, and our hybrid, flexible working model is now 'just how we work', and it's available to everyone. We're protective of our long established culture at On the Beach and we continue to look at how we can support employees to be their most effective and to reach their potential.

A big focus for us this year has been, at least in part, on creating meaningful opportunities for employees to come together in one location, offering them a chance to connect, collaborate, and spend time together. Opportunities like this are a key part of our culture, which is why we've introduced a regular calendar of in-person events at both our Aeroworks and Worthing sites.

Throughout FY23, we've hosted a number of very successful and fun events for employees right across the business.

We've also been trialling our new Group Volunteering Policy and successfully ran our first volunteering event, a Beach Clean at Formby Beach.

The event, supported by 11 of our employees, hosted by the Marine Conservation Society, was a great success. Our team of volunteers collected and analysed over 400 pieces of rubbish over a small area of beach and spent time learning about the impact rubbish has on our oceans. Their findings were entered into the Marine Conservation Society Beachwatch database, supporting their campaign for positive change to protect our beaches and oceans – a priority for us too. Our teams down in Worthing also carried out a local Beach Clean. Both events, as well as helping to reduce and recycle waste from our beaches and oceans, also provided a fantastic opportunity for cross-team engagement and team building.

We continue to hold regular 'all hands' meetings across the Group – Beach Life in On the Beach and Little High Street in Classic Collection Holidays. This is where our employees hear about key business updates that helps them to stay connected to our business priorities and can ask questions, on any topic, to the Executive Team.

We're seeing more and more examples of collaboration within and across our teams, with employees taking the lead and organising different events; a great indicator to us that this is becoming an established way of working.

Pier Group, our well-established employee voice forum, provides a route for employee representatives from different departments and seniority across the business, to raise questions and share feedback with our CEO, Shaun Morton.

With Shaun taking over the role of Pier Group Chair from Simon Cooper, we've also taken the opportunity to bring in employee representatives from Classic Collection Holidays and redefine the purpose of the forum, ensuring everyone has clarity around what we are trying to achieve together and of the role they can each play.

We continue to run our anonymous annual employee engagement survey supported by Hive, which is key to helping us understand what's going well and what we could do differently to continue making On the Beach Group a great place to work. These are interspersed with pulse and post-event surveys and help us measure progress against different engagement scores.

In FY23 we scored an engagement index of 7.6 out of 10. We were delighted to hear that employees are having such a positive experience working at On the Beach Group, but we haven't rested on our laurels. We've used the valuable insights from employees to challenge our thinking and continue making changes to enhance their day-to-day experiences.

We recognise the importance of having the right mix of communication and engagement channels for our employees and this is something that we're continually reviewing and developing based on employee feedback and best practice insights. The encouragement of consistent, two-way open dialogue, and channels that enable us to replicate those 'water cooler' moments when working remotely, will be a focus area in FY24.

## Talent

We hired a Head of Talent in January 2023 who has been driving two distinct areas of our talent strategy:

### Talent Acquisition

Attracting and securing diverse talent into On the Beach will always be key to our success. During the year we have reviewed and improved upon our end-to-end approach to talent acquisition, and we are already seeing the benefits across many areas of the talent acquisition process.

We now welcome new employees into the business with our 'Welcome Party' a fully branded, fun and informative event that is an important part of the new 'Take off Onboarding programme' that we're developing. It's a chance for us to share all the key information that our new employees need to get their first few weeks off to a great start and it also gives them an instant network of other new starters across the Group.

In FY24, we'll launch 'Reach for the Beach', a talent incentive scheme designed to encourage existing employees to help us attract new talent by promoting our brilliant business. They'll get rewarded for identifying and sourcing quality individuals for vacancies. We want to reward our employees for their ongoing commitment to helping us attract great people to On the Beach, whether it is promoting great internal or external activities, promoting opportunities, or helping us look for top talent.

# Responsibility and sustainability continued


We recognise the value in attracting and retaining a diverse workforce, and with an increasing focus on social mobility and levelling up, we're starting to look at what social diversity looks like at On the Beach Group. Using our employee engagement surveys, we'll start to collect this data, that will help us understand what changes we could and should be making around attraction and recruitment and help to shape and challenge our long-term future thinking.

## Talent Development

Providing individuals with the opportunities to develop, grow and progress is an important focus area for us and, alongside other things, key to enabling us to retain talent. Over the course of FY23 we have promoted 29 people and supported 39 changes of department or job role; all of these 'movers and shakers' are notable examples of how we are now able to support career progression within our teams.

In March 2022 we launched Leanerbly, our workplace learning platform, following a successful trial. This platform continues to deliver a solution that is led by our employees and supports our ways of working and we're seeing more and more employees taking advantage of this learning support. In FY23, we've had 873 requests through Learnerbly with the most requested resources focussing on the top three topics of Leadership and Management, Communication, and Wellbeing.

Apprenticeships is an important development area for us. We are currently supporting four Apprentices within our Tech teams and it's something that we're keen to expand further. Even though the numbers are currently small, the level at which our apprentices are working is proof that the programme can support development at all levels throughout the business.

To support employees with their continuous learning and development, we encourage participation in external networking events, this year employees have attended events such as Reframe Women in Tech, CDO Exchange and UCX (a workplace tech event).

We also have employees developing their knowledge through Continuing Professional Development routes provided to them with professional memberships such as ACA, CIMA. ACCA, Statisticians and CIPD.

During September, we ran Hack Week; this is a week-long event where our Technology and Product teams have the freedom to step away from their regular work and explore new, exciting, and innovative ideas from right across the business. Teams develop a working solution which is then demonstrated at the end of the week, culminating in a judging panel with the Executive Team.

## High Performance

We believe passionately about ensuring that everyone can succeed and achieve their potential in their roles. Our new 'Up' leadership programme has been designed to support our people leaders and provide them with the skills and toolkits they need to help themselves and their own teams excel.

'Up' is available to anyone across the Group in a management or leadership role. This is part of developing solid leadership foundations and in the future, we'll expand the programme to include aspiring leaders.

The programme is built around three leadership layers – Me, My Team, and My Business – ensuring that our people leaders have the right tools, support, and opportunities to help them develop and grow their people management skills and experience.

### Me

**Focus: You!**

- Take time to reflect and increase self awareness.
- Understand how to maximise personal growth and be the best version of you.
- Explore the qualities and make up great leadership.

“Knowing yourself is the beginning of wisdom.”

Aristotle

### My Team

**Focus: Attracting, developing, retaining**

- Driving performance and developing potential.
- Encouraging a culture of coaching and collaboration.
- Showing you care by creating an inclusive supportive environment.

“Alone we can do so little; together we can do so much.”

Helen Keller

### My Business

**Focus: Building our business**

- Building valuable business skills for workplace success.
- Equipping you to meet business challenges head on.
- Delve into the key principles of management to cultivate a positive performance focussed on culture.

“The best way to predict the future is to create it.”

Peter F. Drucker

## Reward and Recognition

It is important to us that each one of our employees feels that there is at least one thing about working for On the Beach that they love; one thing that they will tell their friends and family about. This has driven our approach to reward and recognition this year.

We've reviewed our benefits and have made most of them available from day one of employment, rather than at the end of a probationary period. We think it is important that when someone makes the decision to bring their career to On the Beach, they get the full benefit from the moment they walk through the door (be that physically or virtually!). For example, we have made our SimplyHealth (Employee Assistance Programme), Death in Service and holiday discount benefits all accessible from the first day of employment.

We don't intend to stop there. We continually review our benefits offering to ensure that it is competitive and relevant; our next phase of enhancements is focused on Wellbeing and Family Friendly. Due to land in January 2024, they include holiday purchase, increased pension contributions and improved family leave policies.

We are always working hard to align our benefits across the Group, so that no matter where you work in On the Beach, you have the same access to our great benefits.

Our reward structure is designed to ensure we can ATTRACT, RETAIN and INCENTIVISE our talent to enable us to deliver on our business strategy. Further information on reward and workforce remuneration is contained in the Directors' Remuneration Report on pages 116-139.

We want to recognise great contributions across teams whenever we see it, so we introduced 'Above and Beyond Awards' this year. These quarterly awards acknowledge the groundbreaking work of cross-functional teams in all areas of the business. We launched these in May 2023, and we have received 80 nominations and awarded 8 winners over the course of the year. These peer-nominated awards help to really shine a light on the amazing drive, commitment and talents of our employees and we recognise and celebrate these achievements at our monthly all-hands meetings.

In December each year, we host an end-of-year awards ceremony as part of our Christmas celebrations. It's the chance to recognise great performance throughout the year and present employees with awards in relation to our company values and one distinguished award in memory of a employee.

## Equality, Diversity, and Inclusion

At On the Beach, we want everyone to be able to reach their potential and contribute to our success. Having a

diverse workforce and enabling people to be their true selves is a vital part of this, and is why we consider Equality, Diversity and Inclusion in everything we do.

Over the last twelve months, we've invested time reviewing our policies, looked at how we support our employees, what we could be doing differently to improve their experience of working at On the Beach, and we've applied a D,E&I lens to this too.

We are very proud of the fact that our employees feel supported and comfortable to bring their true selves to work at On the Beach, and this is confirmed in our Hive engagement survey results:

| Statement | 2023 Score |
|---|---|
| I believe On the Beach treats everyone with dignity and respect | 8.1 |
| I believe On the Beach supports and advocates equity, diversity and inclusion | 8.4 |

With an increasing focus on social mobility, we recognise the importance and value of creating opportunities for individuals from lower socio-economic backgrounds. In our most recent Employee Engagement Survey, we invited employees to share some small pieces of information about their social background, using questions recommended by the Social Mobility Commission. This data will help us to understand what socio-economic diversity looks like at On the Beach and will help us to understand what changes we could and should be making, in areas like talent attraction, to help shape our long-term future thinking.

## Wellbeing

### Employee wellbeing remains a firm focus for us, and this section talks about how we support and raise awareness.

We've invested in Mental Health First Aider training and now have trained Mental Health Ambassadors across both our Aeroworks and Worthing sites who play a key role in providing support on all aspects of life for our employees.

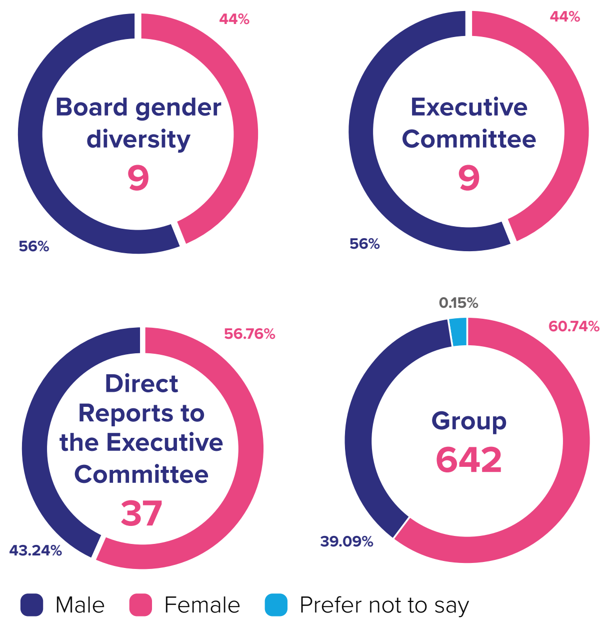
For employees who want to speak to someone outside of the work environment, they have 24/7 access to our Employee Assistance Programme (EAP) via Simplyhealth (Employee Assistance Programme). It's so important to us that employee have access to this support that we give everyone access to this from day one of their employment with us. Through Simplyhealth employees can access free face-to-face counselling and advice from a team of qualified advisors 24/7. They are there to give support with mental wellbeing, medical advice, legal concerns, emotional support, addictions, and finances. They also have access to a GP 24 hours a day and can claim cashback to help out with everyday health treatments.

Throughout the year, working with Henpicked, we supported managers and all employees with education and understanding of menopause. It's important that our employees feel supported whether they or someone they work with or are close to are experiencing menopause. Managers and employees attended sessions that provided knowledge and understanding around menopause and signposted helpful help and support.

We held activities during Mental Health Awareness Week in support of the theme of anxiety. We know that talking to others and spending time outdoors can really help feelings of anxiety and we organised some events to support this. Employees came together for our On the Beach breakfast and had time to chat and connect with others – using conversation starter cards to help encourage and kickstart fun and meaningful conversation. We also launched our Walk and Talk challenge and encouraged people to take their meetings outdoors or to take a break and spend time in the fresh air. Colleagues who took part shared pictures of themselves doing this and we entered them into a prizedraw to win a prize of their choice to support their wellbeing.

We'll continue to grow and develop our Wellbeing support for employees, through the introduction of new policies, such as our soon-to-be-launched family-friendly policies and our new employee wellbeing forums.

### Our gender diversity




Group data as at 30 September 2023

## Gender pay gap data

We have published our 2023 Gender Pay Gap Report (covering the period between April 2022 to April 2023). The full report is available at https://www.onthebeachgroupplc.com/people/responsibility. Our mean hourly pay gap is 35.3% (2022: 34.4%). Our gender pay gap over the last 12 months has not reduced in comparison to the previous year, largely as a result of investment in growing our contact centre team, which is predominantly female. Nevertheless, 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. We are developing our people strategy to address how we will close the gender pay gap focusing on outreach, recruitment, retention and progress.

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.

# Responsibility and sustainability continued

### FY23 highlights

- Helped customers get more out of their holidays by offering free lounge and fast track for summer 23 holidays
- Undertook consumer research on airline conduct and published White Paper "Safeguarding Consumer Choice" to fight for consumer choice, value & flexibility
- Engagement with suppliers on sustainability accreditation in line with Global Sustainable Tourism Council ("GSTC") requirements
- Monthly customer reports for Board to ensure visibility of key customer metrics.
- Developed advanced multi-functional crisis management plans to support customers affected by major incidents.
- Appointed a Customer Service Operations Director to oversee key initiatives in the Contact Centre, including acceleration of Chatbot usage, Incident management, Customer Satisfaction, overhaul of amends process to better deliver for our customers

### FY24 focus

- Continuation of automation to enable customers to manage their booking more easily
- Development of App so that our customers can access their holiday booking and tap into our anticipation features in a one stop shop
- Development of Storytelling and Matchmaking features to make finding your dream holiday easier and more enjoyable
- Expansion of our perks programme so even more customers can get their holiday started sooner
- Continued Engagement with suppliers to encourage and incentivise hotels to obtain a sustainability accreditation
- Inclusion of sustainable choices within our Storytelling and Matchmaking pillars
- Reviewing and updating our Customer Terms & Conditions to make them shorter, easy to understand and "on brand"

## 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 overseas health and safety management system in place, which has been reviewed and approved by the Board, which 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. During the year, we implemented a formal incident and crisis management plan to help ensure that in the event of a disaster or crisis, we are prepared and able to respond quickly and effectively. This included taking learnings from previous incidents.

## Employment of disabled persons

The Group has carefully adhered to policies in relation to the employment of disabled persons. 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 works on a one-to-one basis with employees who need support with any health conditions, physical or mental, at any point in their career journey with On the Beach, to understand how all of their individual needs can be met. For example, we'll conduct risk assessments and detail all adjustments that need to be made to accommodate the additional needs of individual employees, e.g. disabled parking space, step-free access, and specific workstation needs.

## Giving back

Providing support and opportunities for the people and communities that we serve continues to be important to us. Over the past year, we've spent time looking at how we can best do this, laying solid foundations from which we can fully embed community engagement activity throughout our business and we're excited to put our plans into action.

This will be further supported by our new employee-led Community and Charity forum, which will give the employee voice and help to shape our future plans.

We continue to support employees fundraising efforts with charity boost donations and it's great to see employees taking advantage of this extra support to help charities close to their heart.

This year, we also saw employees getting involved in Beach Cleans, with the Marine Conservation Society, helping in the short-term to clean up our local beaches and in the longer term, supporting their campaign for positive change to protect our beaches and oceans. Not only did this help reduce waste and litter, it also provided a great opportunity for cross team engagement, something we want to encourage more of.

## Customer satisfaction

We know that for our customers, their beach holiday is their favourite week or two of the year, and we need to do everything we can to make sure it measures up to the months of anticipation and dreaming!

FY23 saw a continuation of our 'Perks' programme, offering early booking customers Free fast-track airport security, and 4&5* customers free airport lounge access, to get their holidays off to a flying start. Our Holiday Planner app was rolled out to worldwide destinations following a pilot in Tenerife in 2022, so even more of our customers could get excited about their jollies with resort info and inspiration, holiday countdowns, weather updates and live flight updates for ultimate peace of mind. Both of these initiatives led to higher NPS scores from customers in groups that had or used these features.

We continue to optimise our customer service experience, with ever increasing self-serve and automation, making it quicker, easier and cheaper for customers to make amends to their bookings and / or get answers to their queries. Our pledge to give our customers 'jollier jollies' is a call to arms that drives and unites us across all areas of the business.

# Responsibility and sustainability continued

## 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, We also allow 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.
- **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.

## Customer Terms & Conditions

We want our customers' experience of choosing and booking their holiday to be easy and enjoyable. Before committing to the holiday, we ask our customers to accept our booking conditions and that of our suppliers.

We want our T&Cs to be easy to understand, as short as possible, and in the same "tone of voice" that we speak to our customers normally. We are in the process of giving our T&Cs a beachy makeover to achieve this objective and we will roll these out to our customers during FY24.

# Responsibility and sustainability continued

### FY23 highlights

- **Employee engagement & Beach Cleans:** Engaging with employees on climate issues and undertaking beach cleans, including with the Marine Conservation Society
- **Climate governance & risk management:** Continuing implementation of TCFD recommendations, including a change to the governance structure to embed climate risks and opportunities in the relevant strategic areas and moving climate risk from an emerging risk to a strategic risk
- **Customers - reducing impact from climate risk:** Enhancing crisis management plans with specific protocols/plans to manage and mitigate wildfire and other climate risk informed by real life learnings following the Rhodes wildfires
- **Metrics & Targets:** Assessment of options for next steps on climate metrics and targets, including shareholder engagement, making a commitment to specific target setting and data gathering actions for FY24 and selection and instruction of Envantage Limited ("Envantage") as external expert climate advisers.
- **Operations:** 0% of waste from our head office sent to landfill and switched to a British Gas "Zero Carbon electricity" energy plan.

### FY24 focus

- **Scope 1&2 Targets:** Supported by Envantage, we will set a group-wide target(s) for Scope 1 and 2/direct emissions aligned with the framework published by the Science Based Target Initiative (SBTi). Although formal SBTi validation will not be pursued during FY24, we will instruct an independent third party to verify this work.
- **Scope 3:** Supported by Envantage, we will repeat the baseline carbon footprint calculation (including Scope 3) based on FY23 data, including seeking more accurate data sources to provide a better baseline on which to identify actions and on which to base any targets. Upon completion of this work, we will consider the risks, costs, benefits and feasibility of setting a Scope 3 target aligned with and validated by SBTi.

## 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. We've 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 (GSTC). During the year, we have gathered more data on our hotel supplier's sustainability position. We partnered with Bioscore, a GSTC partner and have identified 1,870 hotels (37% of our top selling 5,000 hotels) that operate sustainable practices that meet GSTC standards and could therefore validly be labelled as "Sustainable". Of our Top 500 hotels 44% meet GSTC standards. Where we are finding gaps, we are engaging with hotels to encourage them to qualify for accreditation via Bioscore.

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

## Climate

Climate change is a global crisis of unprecedented magnitude. With rising temperatures, extreme weather events and the need to reduce carbon emissions, the aviation and travel industry faces a formidable challenge.

For OTB, climate change poses risks that must be managed and, in time, opportunities that can be harnessed. As a responsible business, we must play our part, to protect our customers, support our suppliers and ensure we are reflecting the changes in consumer appetite to make choices based on the impact their decisions will have on the climate.

Looking at where we are today, our own direct emissions (largely the gas and electricity consumed at two head office locations) are very small in the context of its overall emissions (0.5% of its total emissions) especially taking into account our intensity ratios ($tCO_2e$/£M Group revenue is 1.42 and $tCO_2e$/employee numbers is 0.4).

Our indirect emissions make up 99.5% of our overall emissions, with the travel services our customers use making up 84% of that total.

Flights represent 52.7%, a number we are unable to directly influence given the obstructive relationships we have with some of the airlines we book with on behalf of our customers. We are pleased to note however, the positive steps low-cost airlines are taking to continue to reduce their environmental impact, with more climate efficient aircraft being brought into their fleets for example.

Hotels represent 29.4% of total emissions, and we are making good progress on sustainability engagement with hotel suppliers, encouraging them to gain GSTC accreditation, which we will have added to our hotel descriptions by the end of the year. We are mindful that there is a variation in the ease that different hotel partners can reduce their emissions, (for example it is easier for a large chain of hotels as opposed to a small, family-owned hotel) and take this into account in our influencing.

Understanding changing consumer attitudes is at the heart of our business, and sustainability is very much part of that ongoing work. In our latest quantitative research in August, (n=734), we saw that whilst making a sustainable choice has increased in importance year on year, it scores in the bottom three of factors influencing choice, whilst factors around quality and price have increased in importance. Our target customer is either not yet ready to pay more for a more sustainable choice, and / or not able to justify spending more given the current economic climate - many are having to make some sacrifices to afford their holiday. Sustainability will be one of the many factors we will experiment with in our storytelling and matchmaking strategic pillars over the next 12 months, to see how and if we can engage consumer in the topic.

Having done a risk assessment of climate related risks, we are satisfied that the risks are well-managed. Therefore, the steps we take in this area must be proportionate and we have to focus on the things that we can control and influence.

# Responsibility and sustainability continued

Our focus has been and will be on the following:

- **Operations:** seeking to become more sustainable in our own operations (see "Operations" section below)
- **Emissions:** Setting a target to reduce our direct emissions & understanding better our total emissions to identify pockets where we can have influence (see "Target Setting on Emissions" on page 73)
- **Suppliers:** Engaging with suppliers on sustainability and encouraging them to gain GSTC accreditation
- **Customers:** Staying close to customer demand on sustainability: just because it's not a priority for our customers now doesn't mean that won't change, so we'll keep this under review.
- **People:** Supporting our people with climate-based projects that matter to them, with a focus on oceans.

## Operations

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.

### 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 Oct 22 – Sep 23, 51% of all waste was recycled (FY22: 56%) and the remaining 49% was diverted (FY22: 44%) meaning none of our waste was sent to landfill. Diverted waste is namely compostable waste such as food and coffee beans. Our volume of waste has remained steady with a slight increase of 0.4 tonnes since last year. 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. In FY24 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 FY23 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. In March 2023, at the conclusion of an electricity procurement process which considered renewable energy electricity suppliers, we switched to British Gas' "Zero Carbon Electricity" energy plan.

### Reducing business travel

Through adopting a hybrid way of working, we have reduced energy consumption (compared to pre-pandemic levels). We also use Microsoft Teams 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. We have rolled out environmental awareness training for all employees. We have also located several 'Save our planet' posters in all meeting rooms reminding employees 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 60), 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.

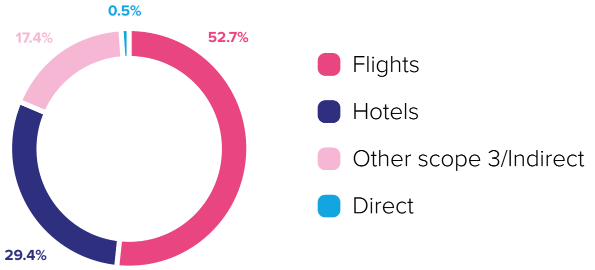
### Fruitful office

We continue to partner with Fruitful Office who provide fresh fruit to our office every week for our employees. Not only does this tie into employee wellbeing but for every basket of fresh fruit, Fruitful Office plant one tree to combat deforestation and offset carbon emissions, as well as provide income generation for Malawian families. During FY23, 255 trees were planted due to this partnership.

## Target Setting on Emissions

During FY22, as a first step towards the development of a carbon reduction strategy, we worked with Envantage to calculate our total emissions (including Scope 3) for the first time, based on FY21 data (the "Total Emissions Inventory"). From this exercise, we learned that our direct emissions (being our Scope 1 and 2 emissions which is mainly gas and electricity from our two head office buildings) made up only 0.5% of our total emissions, with 99.5% made up of our indirect (Scope 3) emissions. The travel services our customers use made up 84% of our total emissions, with flights representing 52.7% of total emissions and hotels representing 29.4% of total emissions.

### 2022 Total Emissions Analysis




During FY23, we sought advice on setting a target on Scope 1 and 2 emissions and were advised that most businesses are setting a science-based target which is accredited by the SBTI. However, in order to set a SBTI on Scope 1 & 2, we would also need to set a longer term target on Scope 3 emissions. The challenge we face in making a commitment on Scope 3 emissions is that we have a lack of control and influence over a large proportion of our Scope 3 emissions, as noted above.

We need to do further work to fully understand the risks, benefits and costs of committing to a science-based target. In addition, the costs (including consultancy and fees) of setting science-based target accredited by the SBTI were prohibitively expensive and disproportionate in the context of our business.

One of the first steps we need to undertake on this journey is to gain a more granular understanding of our total emissions. The Total Emissions Inventory we undertook during FY22 was based on FY21 data (a year which was still heavily-affected by COVID-related issues) and the majority of emissions including those from flights and hotels were calculated using screening methodology and financial data rather than activity data. During FY24, assisted by Envantage, we will conduct a further inventory of our total emissions, based on FY23 data, and based on better quality data, in order to provide a more meaningful baseline on which to base our carbon reduction strategy.

Also in FY24, supported by Envantage, we will set a group-wide target(s) for Scope 1 and 2/direct emissions aligned with the framework published by the Science Based Target Initiative (SBTi). Although formal SBTi validation will not be pursued during FY24, we will instruct an independent third party to verify this work.

## Greenhouse gas emissions

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires us to disclose annual global energy consumption and Greenhouse Gas (GHG) emissions from full Scope 1 and Scope 2 sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the 12-month period ending 30th September 2023.

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

| | | FY23 | FY22 | % change |
|---|---|---|---|---|
| **Energy (kWh)** | | | | |
| | Natural gas | 132,924 | 191,776 | -30.7% |
| | Electricity | 666,493 | 690,102 | -3.4% |
| | Business travel | 98,936 | 97,350 | 1.6% |
| | **Total energy** | **898,353** | **979,228** | **-8.3%** |
| **Emissions ($tCO_2e$)** | | | | |
| Scope 1 | Natural gas | 24.3 | 35.1 | -30.8% |
| Scope 1 | Refrigerant Gases | – | – | 0.0% |
| Scope 2 | Electricity | 138.0 | 146.5 | -5.8% |
| Scope 3 | Grey Fleet* | 24.0 | 24.0 | 0.0% |
| | **Total SECR emissions** | **186.3** | **205.6** | **-9.4%** |
| **Emission intensity ratio** | | | | |
| **Emissions intensity ($tCO_2e$ / £m group revenue before exceptional cancellations)** | | **1.10** | **1.42** | **-22.5%** |
| **Emissions intensity ($tCO_2e$/ Full Time Employees)** | | **0.37** | **0.40** | **-7.5%** |

* This represents an element of, not total, Scope 3 emissions.

We are committed to reducing our environmental impact and contribution to climate change through continuous improvement procedures. As a large enterprise that meets the qualifications criteria for ESOS, we are currently in the process of conducting an energy audit aimed at identifying cost-effective measures to enhance energy efficiency and mitigate carbon emissions. We switched electricity suppliers in March 2023 to British Gas Zero Carbon Energy to provide low carbon electricity. We have been considering other carbon reducing initiatives that can be implemented over the coming years.

## Methodology

Activity data has been converted into equivalent energy and GHG emissions using emissions factors published by the UK Government in 2023. Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices and half hourly electricity data. 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 business mileage expense claim records. Mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2023. Vehicle information such as vehicle engine size and fuel type were 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 On the Beach Group PLC. 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 Saxon House and were reported as being in good condition with no further work required.

## 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.

In our employee survey about ESG matters, this was an area that our employees felt strongly about and page 60 outlines the beach cleans our teams got involved in this year. 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.

# Responsibility and sustainability continued

## Climate-Related Financial Disclosures

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.

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 9 of the 11 recommendations. There are two recommendations within metrics and targets where we are partially compliant.

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.

See **Target Setting on Emissions** section on **page 73** for action in FY24.

In addition, the following disclosures are intended to satisfy the requirements of the Companies Act (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021.

## 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. The Executive Team, led by Shaun Morton, CEO, is responsible for driving the implementation of our overall ESG strategy and facilitating the delivery of ESG initiatives across the business.

### 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.

## Governance

| | |
|---|---|
| **Describe the Board's oversight of 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. The Board and Audit Committee receive periodic updates on climate-related risks and opportunities, mitigation methods and progress (namely via reporting and verbal updates) and oversee the setting of key targets and progress against those targets.<br><br>Shaun Morton, CEO is the Board member with overall responsibility for climate change and ESG. Shaun attends Board and Audit Committee meetings. Jon Wormald, CFO, attends Board and Audit Committee meetings and chairs the Executive Risk Committee ('ERC') which is a committee dedicated to the oversight and governance of risks, including climate-related risks. The ERC reports to the Audit Committee twice annually with regards to the effectiveness of risk management processes, including on climate-related risks. 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. |
| **Describe management's role in assessing and managing climate-related risks and opportunities** | Led by Shaun Morton as CEO, who has ultimate responsibility for climate-related issues, the Executive Team is responsible for the operational delivery of sustainability strategy which includes the responsibility to identify and manage climate-related risks and to identify and pursue climate-related opportunities. The Executive Team is responsible for facilitating the delivery of ESG initiatives across the Group to ensure a top-down approach to sustainability.  The Executive Team receives reports twice annually from the ERC on climate-related risks.<br><br>Shaun Morton, CEO, is the leader of the Executive Team, a member of the Board and an attendee of the Audit Committee. Jon Wormald, CFO, is a member of the Board and the Executive Team, an attendee at Audit Committee and the chair of the ERC. Kirsteen Vickerstaff, General Counsel & Company Secretary, is a member of the Executive Team and ERC and an attendee at Board and Audit Committee meetings. The common membership/attendance of these Executive Team members at Board, Audit Committee, Executive Team and ERC meetings, ensures alignment on and top level commitment to climate-related risks and opportunities. |

# Responsibility and sustainability continued

## Strategy

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

In the table on page 81, 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. As outlined below, the key climate-related risk that the Group has experienced this year is extreme heat (acute impact) due to wildfires in its holiday destinations. There are no signs that the other risks will crystallise in the short term, but we continue to monitor this.

During the year, the Group updated its strategy, with the four main pillars (as represented on the diagram on page 12) of the customer proposition being “Storytellers”, “Matchmakers”, “Perkers” and “Fixers”. As part of this strategic planning process, a number of climate-related opportunities were identified against each strategic pillar. The “Storytellers” and “Matchmakers” pillars are designed to create compelling and personalised content for customers and match them up to their perfect holiday using all of our proprietary technology. As consumer demand for sustainable holidays increases, there is significant scope for climate-related opportunities if we can capture and display sustainability information for customers and match customers looking for sustainable holidays to the suppliers that best meet their needs. The “Fixers” pillar is about the holiday experience and being able to resolve issues quickly if they arise. The work we continue to do to refine our crisis/incident response protocols will ensure that if a climate-related disruption impacts a customer’s holiday (as it did with the wildfires this summer), we can deal with that efficiently as part of our “service-as-a-product” offering. Our “perkers” pillar ensures that our customers receive a great holiday experience, and, in due course, personalised perks which suit them. There is scope for climate/sustainability related perks to be incorporated within the proposition in due course depending on what customers value the most.

As noted on page 71, our consumer research from August 2023 showed that while sustainability has increased in importance year-on-year, it remained in the bottom three factors influencing consumer choice while factors including quality and price have increased in importance. We therefore believe this is not an opportunity in the short term but that it could be in the medium and long-term.

We have a more agile business model than a number of our competitors which means that we are 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 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 81 we primarily focus on the qualitative impact of climate-related risks on our business. Whilst some limited quantitative impacts have been given for the medium and long term, 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.

### Customer Sentiment – Risk & Opportunity

Above, we disclose the opportunity to incorporate climate/sustainability into our new strategic framework (storytellers/matchmakers/perkers/fixers). This has the opportunity to strengthen our customer proposition to attract new customers who are looking for sustainable travel and also to retain customers who may be concerned about environmental impact. As well as providing an opportunity, failure to harness the opportunity presents a risk in reduced demand for the Group's holidays. There is no short-term impact on the business, strategy or financial planning of this risk or opportunity given this is not currently a priority area for consumers, but we believe this is likely to change in the medium term and we will continue to review.

### Extreme Heat Risk (Chronic) – Risk & Opportunity

We have not yet seen any chronic extreme heat risk impact the relative desirability of certain destinations. If this did happen, our agile business model gives us the opportunity to react to shifts in consumer demand swiftly. Given this is not a current risk or opportunity, there is currently no impact on the business, strategy or financial planning.

### Extreme Heat Risk (Acute) – Risk

During the year, some of the Group's destinations (including Greece and Canary Islands) have suffered with wildfires due to extreme heat. The impact on customers and the cost generated has been relatively small; less than £100k which related to the cost of replacement flights and accommodation and lost margin through cancellations. There was an operational impact but this was mitigated and managed through a well documented and rehearsed customer incident management plan. Given the small impact, it has not been deemed necessary to build a specific loss into the financial plan going forward, and it has not impacted our strategic planning decisions including destinations.

### Talent Retention – Risk

The short and medium term impact of this risk is expected to be extremely limited. There may be a small subset of our potential talent pool that may not choose to join a travel business where air travel is an unmitigated element of the customer proposition. However we believe this is very small and therefore has no impact on the business, strategy or financial planning at this stage.

### Carbon Pricing – Risk

There is currently no carbon pricing applicable to the Group's operations. In a Government announcement in September 2023, they ruled out any new taxes on flying despite the Government's commitment to net zero 2050. In the short term therefore, we do not expect any impact on the business, strategy or financial planning, but we will keep this under review, especially in view of a likely general election in the next year.

## Strategy continued

**Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario**

As reported last 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.

| 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 | Short - Long | Short - Long |
| **Financial implications** | Low | Low | Low | Low | Low |
| **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.

| Risk management | |
|---|---|
| **Describe the organisation's processes for identifying and assessing climate-related risks.** | Climate-related risks are overseen by the ERC and will be managed using the same risk management approach as other risks within our risk management system (please see page 30 for information on our risk management system). |
| **Describe the organisation's processes for managing climate-related risks.** | 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. However, it is a factor that is relevant to a number of our other strategic risks including disruption to operations, people/talent, customer demand, brand & consumer proposition, compliance with laws and regulations, customer health & safety, and financial risk & liquidity. We have updated the strategic risk register to include the climate related risks, and associated controls and mitigations, within the relevant strategic or departmental risks. |
| **Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.** | 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.<br><br>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. The Executive Team and ERC reviewed climate-related risks during the year and concluded the five key climate-related risks remained the most appropriate.<br><br>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.<br><br>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. |

## 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 intend to set targets to reduce our Scope 1 and 2 emissions and these targets will be set during FY24. We are also going to repeat our Scope 3 analysis to better understand our total carbon footprint at which point we will consider whether there are additional targets and metrics we want to use to measure our progress. |
| **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, to the extent required by SECR, Scope 3 emissions (in relation to grey fleet) as disclosed on page 74. During FY22, for the first time, we conducted an initial assessment of our Scope 3 emissions. High level data is disclosed on page 73. Given that this was based on FY21 data which was heavily impacted by the pandemic, and largely based on spend protocols, we will repeat the Scope 3 analysis this year to better understand our total emissions baseline.<br><br>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 substantial impact. Setting a target to reduce Scope 1 and 2 emissions, and better understanding our Scope 3 emissions will assist us to mitigate this risk. |
| **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) emissions and have committed to set a target to reduce scope 1 and 2 emissions during FY24 (aligned to the science-based target framework but not accredited) and to repeat our analysis of our Scope 3 analysis using more up to date figures and more accurate data where available. |

## 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 95.

### 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 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.

### 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 and sustainability 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 58, which also contains the statutory carbon emission and energy data on page 74. | |
| **Employees** | • Equality and diversity policy<br>• Board diversity policy<br>• Whistleblowing policy<br>• HR policies including adoption leave, parental leave, flexible working<br>• Health and safety policy<br>• Staff handbook | • Responsibility and Sustainability, page 58<br>• Stakeholder engagement and s.172 statement, page 46<br>• Principal risks and uncertainties, pages 31-41<br>• Gender pay gap report www.onthebeachgroupplc.com/responsibility |
| **Social matters** | • Health and safety policy<br>• Staff handbook | • Responsibility and Sustainability, page 58<br>• Stakeholder engagement and s.172 statement, page 46 |
| **Human rights** | • Modern slavery statement<br>• Anti-slavery and human trafficking policy<br>• Data retention and destruction policy<br>• Data handling and data quality policy<br>• Employee data privacy policy | • Responsibility and Sustainability, page 58 |
| **Anti-corruption and anti-bribery** | • Anti-bribery and anti-corruption policy<br>• Whistleblowing policy<br>• Staff handbook | • Responsibility and Sustainability, page 58<br>• Audit Committee Report, page 108 |
| **Business model** | | • Business model, page 14 |
| **Non-financial KPIs** | | • Non-financial key performance indicators, pages 18-21 |
| **Description of principal risks** | | • Principal risks and uncertainties, pages 31-41 |

Certain Group policies are not published externally.

The Company's strategic report, set out on pages 1-85, was approved by the Board on 4 December 2023 and signed on its behalf by:

**Shaun Morton**
Chief Executive Officer

4 December 2023

# Governance

# 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, with the exception of the period between 30 June 2023 and 1 September 2023 when the Company was not compliant with Provision 11 of the Code between Simon Cooper's appointment as a non-independent Founder Director and Veronica Sharma's appointment as an independent Non-Executive Director. Further details are provided on page 94.

## Succession Planning and Board changes during FY23

In December 2022, we announced a succession planning process for On the Beach's founder and CEO, Simon Cooper. In January, as part of our NED succession planning in anticipation of David Kelly's succession, Justine Greening took on the role of Chair of the Remuneration Committee and Elaine O'Donnell took on the role of Senior Independent Director, from David Kelly, who remains on the Board as a Non-Executive Director. In June, we welcomed Jon Wormald as Chief Financial Officer, at which point the Group's CEO succession plan was enacted. At the same time, Shaun Morton commenced his role as Chief Executive Officer, replacing Simon Cooper who transitioned to his new role as Non-Executive Founder Director. In September, we welcomed Veronica Sharma as an additional Non-Executive Director, further strengthening the skills and experience on the Board. Jon and Veronica's biographies can be found on pages 90 and 92 and more details about the succession and recruitment processes can be found in the Nomination Committee Report on page 104.

## Shareholder engagement following 2023 AGM Vote on Directors' Remuneration Policy

At our AGM in January 2023, we sought shareholder approval for a new Directors' Remuneration Policy (resolution 2). The voting result for this resolution was 79.34% in favour. This was unexpected, particularly given strong shareholder engagement and support prior to publication of the proposed policy and also prior to the AGM. Following the AGM, Justine Greening, as the new Chair of Remuneration Committee, undertook a thorough engagement exercise with shareholders and proxy representatives including ISS, Investment Association, Glass Lewis and PIRC to listen to shareholder views on remuneration. The Directors' Remuneration Report, at page 116, summarises the engagement, the issues raised, the actions taken and rationale.

## 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 102-103.

## Stakeholders

A key priority for the Board continued to be ensuring engagement with our customers, employees and other stakeholders. Our Section 172 Statement on page 46 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 monitored the implementation of the ESG strategy and had direct oversight of all ESG matters (including climate). You can read more about our ESG journey on page 58.

## Risk

During the year, we continued to embed our new risk management system, enhancing the Group's existing assurance process and giving 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, strengthened by the Board changes during the year.

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

4 December 2023

"The Board remains effective and continues to **work very well, strengthened** by the Board changes during the year."

# Directors’ biographies

### Richard Pennycook, CBE

Chairman of the Board

**Appointed to Board:** 1 April 2019

**Independent:** Yes

**Listed Company Appointments:** None

**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.

Richard was previously non-executive chairman of Howden Joinery Group plc, a position he held from 2016 to 2022, having joined the board as a non-executive director in 2013. He was also 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.

### Shaun Morton

Chief Executive Officer

**Appointed to Board:** 17 July 2020

**Independent:** No

**Listed Company Appointments:** None

**Committee Memberships:** Disclosure (Chair)

**Experience and contribution:** Shaun is the Chief Executive Officer. He joined On the Beach as Director of Finance in February 2018, was appointed CFO in July 2020 and stepped into the role of CEO in June 2023. During his time at On the Beach, Shaun has been instrumental in guiding the Group through COVID, leading on strategic initiatives including the investment in our brand, technology and customer proposition and our decision to capture share in the premium, long haul and B2B strategic expansion areas.

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.

### Jon Wormald

Chief Financial Officer

**Appointed to Board:** 30 June 2023

**Independent:** No

**Listed Company Appointments:** None

**Committee Memberships:** Disclosure

**Experience and contribution:** Jon is the Chief Financial Officer having joined On the Beach in June 2023. Since joining the business Jon has worked closely with the Executive team to develop the strategic plan for FY24 and beyond.

Jon joined On the Beach from THG PLC, a global e-commerce technology group and brand owner, where he was Chief Financial Officer of THG Nutrition, the world’s largest online sports nutrition brand. Jon was responsible for the financial performance of the division alongside responsibility for the vertically integrated manufacturing businesses. Prior to THG, Jon spent 11 years at the Co-operative Group Limited, holding a number of senior roles across its M&A and Finance teams. Jon is a fellow of the Institute of Chartered Accountants of England and Wales, having qualified with PwC LLP.

## Simon Cooper

### Founder and Non-Executive Director

**Appointed to Board:** 17 August 2015

**Independent:** No

**Listed Company Appointments:** None

**Committee Memberships:** None

**Experience and contribution:** Simon Cooper is the founder of On the Beach and, in June 2023, stepped down as Chief Executive Officer to take up his position as Founder Director NED, a role created as part of the Group's CEO succession plan. 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.

## David Kelly

### Non-Executive Director

**Appointed to Board:** 28 August 2015

**Independent:** Yes

**Listed Company Appointments:** None

**Committee Memberships:** Remuneration, Audit and Nomination

**Experience and contribution:** David joined On the Beach in August 2015 as Non-Executive Director and Chair of the Remuneration Committee. David is a Product & Technology specialist and his experience spans a variety of complementary sectors, bringing 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. David has extensive experience as a Non-Executive Director of listed businesses, having served previously on the Boards of Reach PLC and The Gym Group plc.

David has in-depth knowledge of the business, being the Group's longest serving Non-Executive Director, and having previously served the Company in the roles of Senior Independent Director, Chair of Remuneration Committee and designated Non-Executive Director for employee engagement.

## Elaine O'Donnell

### Senior Independent Director

**Appointed to Board:** 3 July 2018

**Independent:** Yes

**Listed Company Appointments:** SThree plc (NED and Chair of the Audit and Risk Committee) and The Gym Group plc (NED and Chair of the Audit and Risk 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 Audit, Risk, Nomination and Remuneration committees, and has also previously served as Chair of the board of Alliance Fund Managers (AFM), a wholly owned subsidiary of MSIF and of Games Workshop Group plc. Elaine is a Chartered Accountant and brings online retail industry experience to the Company, as well as experience in regulated industries. Elaine has extensive PLC experience through her previous role at Games Workshop Group plc (as NED, SID and Chair) as well as her incumbent positions highlighted above.

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

# Directors’ biographies continued

## The Rt. Hon Justine Greening

Non-Executive Director

**Appointed to Board:** 4 March 2021

**Independent:** Yes

**Listed Company Appointments:** None

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

**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.

## Veronica Sharma

Non-Executive Director

**Appointed to Board:** 1 September 2023

**Independent:** Yes

**Listed Company Appointments:** None

**Committee Memberships:** Audit, Nomination and Remuneration

**Experience and contribution:**
Veronica joined On the Beach in September 2023 as a Non-Executive Director, also serving as a member of the Audit, Remuneration and Nomination Committees. Veronica has recently taken on the role of Designated Non-Executive Director for Employee Engagement. Veronica brings to the Board extensive experience in strategic people and organisational strategy roles, working within a number of leading technology-enabled organisations (both public and private companies).

Veronica was Group Chief People Officer at online car retailer Cazoo Group Ltd, where she led its people and engagement strategy as the company grew from a UK only organisation into a European business across five markets. Prior to this, Veronica founded a talent advisory and organisational change consultancy to private equity, venture capital and other growth-focused organisations, specialising in technology businesses. Veronica was also Group Chief People Officer at Photobox & Moonpig Group plc where she led a large-scale cultural transformation across Europe and has also worked in a variety of roles at organisations including eBay, Laing O’Rourke and BAA Heathrow Terminal 5.

## Zoe Harris

Chief Marketing Officer

**Appointed to Board:** 14 October 2022

**Independent:** No

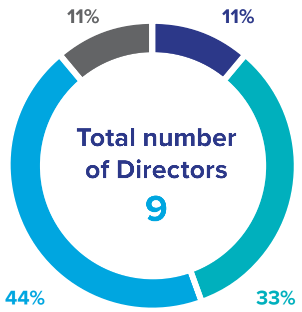
**Listed Company Appointments:** None

**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.

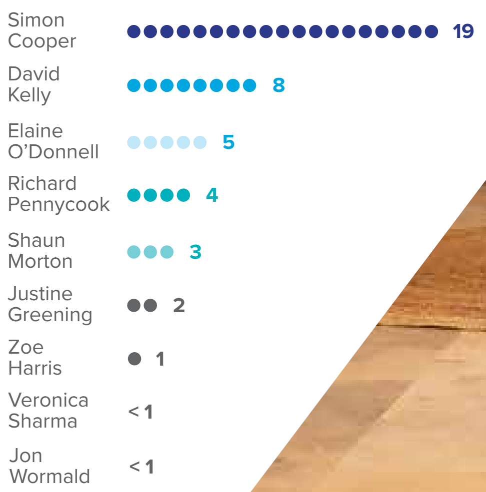
Zoe joined On the Beach from GoCo Group, where she had been since 2018, initially holding the role of CMO for GoCompare and then CEO for Look After My Bills (a GoCo company). She joined GoCo from Reach PLC (formerly Trinity Mirror) where she was group marketing director for nearly six years, working 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




- Chairman
- Executive directors
- Independent Non-executive directors
- Founder NED (not independent)

## Tenure in years



# 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 FY23, the Company complied with all relevant principles and provisions of the Code, with the exception of provision 11 (at least half the board, excluding the chair, should be non-executive directors whom the Board considers to be independent). From 30 June 2023 (when Simon Cooper stepped into the role of Founder NED, which is not independent) until 1 September 2023 (when Veronica Sharma joined the Board as an independent Non-Executive Director) we were not compliant with this provision of the Code. During that period, the Board comprised the Chair of the Board, three Executive Directors, three Non-Executive Directors and the Founder NED, however the search for an independent Non-Executive Director was ongoing and the appointment was made during August 2023 to start 1 September 2023, resulting in full compliance with this provision.

The table below sets out where you can find further information on our compliance with the Code:

| Code Section | Contents | Pages |
|---|---|---|
| **Board Leadership and Purpose** | • Chair's Statement | 88-89 |
| | • Board of Directors | 90-92 |
| | • Governance structure | 95 |
| | • Board leadership and purpose | 97 |
| | • Designated Non-Executive Director for employee engagement | 101 |
| | • Shareholder engagement | 98 |
| **Division of Responsibilities** | • Board and Committee meetings | 99 |
| | • Governance structure | 95 |
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| | • Board composition | 102 |
| | • Appointments to the Board and succession planning | 105-106 |
| **Composition, Succession and Evaluation** | • Board composition | 102 |
| | • Board diversity, tenure and experience | 93, 106-107 |
| | • Board, Committee and Director performance evaluation | 102-103 |
| | • Nomination Committee report | 104-107 |
| **Audit, Risk and Internal Control** | • Audit Committee report | 108-115 |
| | • Strategic Report – Risk Management | 30-41 |
| | • Fair, balanced and understandable Annual Report | 111 |
| | • Viability Statement | 42-45 |
| **Remuneration** | • Letter from the Chair of Remuneration Committee and Q&A | 116-121 |
| | • Remuneration for FY23 | 116-139 |
| | • Summary of Remuneration Policy and Implementation for FY24 | 126-127 |
| | • Workforce Remuneration | 128-130 |
| | • Annual Report on remuneration | 116-139 |

## 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 108-115.

### Remuneration Committee

**Chaired by Justine Greening**

Responsible for all elements of the remuneration of the Executive Directors, the Chair and other members of senior management and reviewing wider workforce remuneration to ensure the alignment of incentives and reward with culture.

The Remuneration Committee Report can be read on pages 116-139.

### Nomination Committee

**Chaired by Richard Pennycook**

Reviews structure, size and composition of the Board as well as succession planning arrangements and makes appropriate recommendations to the Board.

The Nomination Committee Report can be read on pages 104-107.

### 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 which 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.

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 FY23

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<br>• Received presentations from management in relation to business strategy and performance<br>• Reviewed strategic opportunities<br>• Received regular customer updates with key customer metrics<br>• Continued to have oversight of the Group's ESG strategy<br>• Reviewed capital allocation & dividend policy |
| **Business performance** | • Received regular updates from Chief Executive Officer and Chief Financial Officer<br>• Reviewed the Group's debt, capital and funding arrangements<br>• Approved the annual budget and business plan<br>• Approved the full year results, half year results and the annual report<br>• Monitored the Group's financial performance and financial results<br>• Received updates on technology-related developments |
| **Risk management and internal controls** | • Regularly reviewed the implementation of the Group's risk management framework<br>• Reviewed principal risks and uncertainties and emerging risks<br>• Reviewed and confirmed the Group's viability statement and going concern status<br>• Reviewed effectiveness of the Group's systems of internal controls and risk management<br>• Continued to monitor the security and performance of the Company's IT systems and infrastructure |
| **Governance and legal** | • Received and reviewed regular reports in relation to material legal matters<br>• Received and reviewed updates on regulatory and governance developments<br>• Reviewed and updated the terms of reference of the Board Committees<br>• Received annual refresher training on continuing obligations as a listed business and directors' duties<br>• Discussed specific issues raised by shareholders and other stakeholders<br>• Approved the Company's insurance programme |
| **People, culture and Board effectiveness** | • Discussed the results of employee-wide engagement surveys<br>• Received regular updates from the People Team<br>• Received regular updates on the Group's People Strategy including Diversity and Inclusion<br>• Received updates from David Kelly, the designated Non-Executive Director for workforce engagement (until November 2023 when Veronica Sharma took over this role)<br>• Considered succession planning for the Board and Executive Team<br>• Undertook an evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors |

# Board leadership and Company purpose

## Role of the Board

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

Our governance structure is set out on page 95 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 pages 56-57. 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

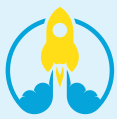
The Group's business model is set out on page 14. The Board closely monitors performance and ensures its actions promote the long term sustainable success of the Company, that the Group's business model remains sound and that the Executive Team is supported in assessing opportunities and risks to the 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 48-57.
- Evaluating strategic opportunities to consider how these will support the business model.
- Maintaining a sound system of risk oversight and internal controls, including reviewing principal risks and uncertainties, identifying key and emerging risks and considering how they may affect the model – pages 30-41.
- In assessing the Group's prospects and viability for the purposes of the viability statement (see pages 42-45), 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 challenge the status quo in the holiday sector to better meet the needs of tomorrow's holidaymaker. 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:




### 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.


### 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.


### 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.

Culture is established by leadership and by example, but this also needs to be underpinned by clear policies, 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 and facilitates the Board's understanding of the culture within the Company.
- **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 and processes are overseen by the Audit Committee as described on pages 108-115, and an independent whistleblowing process monitored by the Board as described on page 84.
- **Employee policies and practices –** The Board receives regular updates from the Chief Executive Officer and Chief People Officer on employee matters. This provides the Board with an understanding of the culture through receipt of employee recruitment and retention data and facilitate an understanding of the extent to which the values and culture are embedded within the Group 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 60-65 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 and regular updates from the Executive Risk Committee.
- **Customer Report –** The Board receives a monthly report on key customer metrics and KPIs which help to give a view on company 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 60-65.

## Stakeholder engagement

The Board seeks to understand the views of our stakeholders and engage with them in a variety of ways to ensure that stakeholder interests can be considered during our discussions and decision making. The section 172 report and stakeholder engagement section of the Strategic report on pages 46-57 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 60-65 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 –** Following the publication of the FY22 Annual Report, we communicated with 80% of our shareholder base to offer an opportunity to engage in relation to the Directors' Remuneration Policy ahead of the Annual General Meeting – see page 120 for an update on how this feedback has impacted the decisions the Board has taken and the actions proposed.

**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, Elaine O'Donnell, 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 | – | 5/6 | 5/5 |
| Simon Cooper | 11/11 | – | – | – |
| Shaun Morton | 11/11 | – | – | – |
| Zoe Harris(1) | 10/10 | – | – | – |
| Jon Wormald(2) | 3/3 | – | – | – |
| David Kelly | 11/11 | 4/4 | 6/6 | 5/5 |
| Elaine O'Donnell | 11/11 | 4/4 | 6/6 | 5/5 |
| Justine Greening | 11/11 | 4/4 | 6/6 | 5/5 |
| Veronica Sharma(3) | 1/1 | 1/1 | 1/1 | - |

1 Zoe Harris was appointed to the Board on 14 October 2022 and has attended all scheduled meetings since that date. She also attended a Board meeting as an observer on the date she was appointed as a Director.

2 Jon Wormald was appointed to the Board on 30 June 2023 and has attended all scheduled meetings since that date.

3 Veronica Sharma was appointed to the Board on 1 September 2023 and has attended all scheduled meetings since that date. She also attended a Board meeting as an observer after she had been appointed as a Director but before her start date.

# Corporate Governance statement continued

## Information and support

All Directors have access to the Company Secretary, who advises them on governance matters. Directors receive and access their Board papers via an electronic portal. The Chairman and the Company Secretary work together to ensure that Board papers are clear, accurate and of sufficient quality to ensure the Board can discharge its duties. Specific business-related presentations are given by senior management as part of Board meetings where appropriate. As well as the support of the Company Secretary, Directors have access to the Company's professional advisers where considered necessary.

## Division of responsibilities

### Clear division of roles and responsibilities

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

## Chairman

Richard Pennycook, as Chairman, is responsible for:

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

## Chief Executive Officer

Shaun Morton, 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

Jon Wormald, 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

Elaine O'Donnell, 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 four 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. Simon Cooper, as Founder Non-Executive Director is not independent, but brings deep knowledge of the company he built, the technology that drives it and the wider travel environment as well as strong mentoring skills to support the senior leadership team. 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 was the designated Non-Executive Director ('Designated NED') for Employee Engagement until November 2023 when Veronica Sharma took over as Designated NED. The Designated NED is expected to:

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

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

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

- Quarterly review of employee 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 employee engagement;
- The Designated NED will join:
    - "Pier Group" (the employee engagement forum) on a quarterly basis;
    - "Up" Manager cohort for engagement and listening (twice annually);
    - People Team meeting (twice annually);
- NEDs will engage with a sub-set of employees during in-person board meetings (monthly where possible).

## 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 90-92. 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 104-107.

## 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, including actions taken, are set out in the Nomination Committee report on pages 104-105.

As required by provision 11 of the Code, at least 50% of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board is currently comprised of nine members: the Non-Executive Chairman, three Executive Directors, four independent Non-Executive Directors and the Founder Director NED. Details of the skills and expertise of each member of the Board is set out in the profiles on pages 90-92.

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

The Board also believes that each of the independent 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 Jon Wormald and Veronica Sharma as Directors, please see the report of the Nomination Committee on pages 104-107.

## 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 Company Secretary arranges training sessions to support the learning and development of Directors or to provide a useful backdrop for Board discussions (e.g. on the economy, or on consumer attitudes/competitive landscape).

The Directors spend time with various leaders within the business to further develop their knowledge and to provide support, guidance and challenge, 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.

## 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 continues to work 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 FY22 Board/Committee evaluation, together with actions from the FY23 Board/Committee evaluation are set out below.

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 FY22 Board evaluation

| Area of focus | Progress |
|---|---|
| **Succession planning** | Significant work was undertaken during the year on succession planning at Board and Executive Team level. In June 2023, the CEO Succession Plan was completed, with the formal appointment of Jon Wormald as Chief Financial Officer and Shaun Morton as Chief Executive Officer, replacing Simon Cooper who transitioned to his new role of Founder Director NED.<br><br>Arrangements were also made for David Kelly's succession, with Elaine O'Donnell taking over the role of Senior Independent Director and Justine Greening becoming Chair of the Remuneration Committee. |
| **Board composition** | Veronica Sharma joined the Board as an additional independent Non-Executive Director, further enhancing the Board's diversity and facilitating the achievement of its objectives under the Board Diversity Policy. |
| **Risk management** | A Risk Management system has been implemented across the business and an Executive Risk Committee has been established, providing regular updates to the Audit Committee to facilitate its oversight of risk. |

## Actions from FY23 Board evaluation

| Area of focus | Actions |
|---|---|
| **Investment Appraisals** | The Board considered investment decisions were based on evidence and taken at the right time. The evaluation concluded it would be beneficial to conduct investment appraisals one year after the investment period. |
| **Stakeholder engagement** | Stakeholder engagement was considered to be strong. It was noted that it would be beneficial to increase employee engagement opportunities for the Board, including NED visits. |
| **Board Papers** | Papers were considered to be of high quality and the meetings effectively chaired, promoting effective decision making. The evaluation concluded that the Board would benefit from earlier distribution of the papers to facilitate a thorough consideration of the matters to be discussed. |
| **Succession Planning** | There were a number of Board changes during FY23 and the evaluation concluded that these had been well managed and were proving to have a positive impact on the effectiveness of the Board. Several respondents noted the importance of planning well for succession for David Kelly's role and this will be a focus during FY24. |

# Report of the Nomination Committee

I am pleased to introduce the report of the Nomination Committee for the year ended 30 September 2023.

## 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 five times during the year and member attendance is shown below.

| Member | Status | Appointment | Attendance |
|---|---|---|---|
| Richard Pennycook (Chair) | Independent | April 2019 | 5/5 |
| David Kelly | Independent | August 2015 | 5/5 |
| Elaine O'Donnell | Independent | July 2018 | 5/5 |
| Justine Greening | Independent | March 2021 | 5/5 |
| Veronica Sharma | Independent | September 2023 | 0 /0 |

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.

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 90-92.

## 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.

## CEO Succession & Appointment of CFO

In December 2022, Simon Cooper informed the Board of his intention to stand down within the next twelve months. Prior to this, the Nomination Committee had, as a matter of good practice, considered the risk of Simon wishing to retire as CEO, and had reviewed whether an internal successor could be identified or whether an external search would be required. The Nomination Committee also engaged with Simon Cooper about his future succession, and Simon was firmly of the view that when the time came for him to step back, that Shaun Morton, then CFO, was the right successor for Simon's role as CEO. Simon had worked with Shaun closely, and had seen his talent and strategic capabilities first hand, in particular how he had been instrumental in guiding the Group through COVID, leading on strategic initiatives including the investment in our brand, technology and customer proposition and our decision to capture share in the premium, long-haul and B2B segment. Since his appointment as CFO, Shaun had worked very closely with Simon on all operational and commercial aspects of the business, including the evolution of the strategy, which would ensure a seamless transition.

The Nomination Committee discussed succession for the CEO role at length and in detail, including whether an external process would be required or not. The Committee decided that given a talented and natural successor was available, it was not necessary or desirable to go through an external process. However, the Committee engaged Odgers Berndtson to undertake a rigorous CEO readiness assessment. The results were presented to the Committee and confirmed the Committee's view that Shaun would make an excellent CEO. The Committee also concluded that if Shaun were to step into the role of CEO (i) it would be important for Shaun to have an experienced CFO by his side; and (ii) it would be desirable for Simon to stay on in the role of Founder Non-Executive Director to ensure the Company continued to benefit from the founder's knowledge and experience.

Accordingly, when Simon informed the Board that the time was right to step away from the CEO role, it was agreed that Shaun would step into the CEO role and Simon would step into the Founder NED role, but only once a successor could be found for Shaun's role as CFO, and that was a very important appointment.

An external search, undertaken by Odgers Berndtson, commenced for the role of CFO. The Nomination Committee oversaw this process, with the favoured candidates meeting the members of the Nomination Committee. On 31 March 2023, the Board appointed Jon Wormald as CFO, with a start date of 30 June 2023.

Jon joined from THG PLC, a global e-commerce technology group and brand owner, where he was CFO of THG Nutrition, the world's largest online sports nutrition brand. At THG Nutrition, Jon was responsible for the financial performance of the division alongside responsibility for the vertically integrated manufacturing businesses. Prior to THG, Jon spent 11 years at the Co-operative Group Limited, holding a number of senior roles including Director of M&A, Programme Director and leading the Group's Finance department. Having worked closely with Jon in a previous role, he is a talented individual whose extensive experience in both online and consumer-facing businesses will deliver real value for the Company.

On 30 June 2023, Jon became CFO, Shaun became CEO, and Simon became Founder NED, bringing the CEO succession plan to a successful close.

## Change in Board Roles

As announced in last year's report, as part of succession planning for David Kelly's multiple roles on the Board, Elaine O'Donnell became Senior Independent Director and Justine Greening became Chair of Remuneration Committee on 27 January 2023.

# Report of the Nomination Committee continued

## Appointment of Veronica Sharma as Independent Non-Executive Director

Prior to Simon's appointment as Founder NED, there were three Executive Directors and three independent Non-Executive Directors (excluding myself as Non-Executive Chairman), which was compliant with the UK Corporate Governance Code. However, when Simon stepped into the role of Founder NED, which is not an independent Director position, the Board was not comprised (excluding the Chairman) of at least 50% independent Non-Executive Directors.

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 had already started the search for a new independent Non-Executive Director to complement the existing balance of skills and experience on the Board.

The Nomination Committee appointed ORESA to assist it to find an independent Non-Executive Director. ORESA supported the Committee to consider the skills and balance already on the Board and to identify what type of skills and experience the Committee was looking for in a new Director.

The Nomination Committee oversaw the process and met with a number of talented candidates. The Nomination Committee identified Veronica Sharma as the strongest candidate with the best fit for the brief, and Veronica was appointed as an independent NED on 3 August 2023, taking effect on 1 September 2023. Veronica's people and organisational strategy capabilities (including as Group Chief People Officer at Cazoo, Photopig & Moonpig Group plc) will be complementary to the composition of the Board, and her experience working within a number of leading technology enabled organisations will be beneficial as we continue to invest and innovate.

Veronica's appointment ensures that, excluding myself as Chairman, the Board is comprised of at least 50% independent Non-Executive Directors.

## 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, last 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 the appointments of Zoe Harris and Veronica Sharma, we now have 44% 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 | Yes | Elaine O'Donnell became SID on 27 January 2023 |
| At least one member of the Board shall be from a minority ethnic background | Yes | Veronica Sharma is from a minority ethnic background and joined the Board on 1 September 2023 |

The table on page 107 sets out data on gender identity and ethnicity representation across the Board and Executive Management. The Company Secretariat collates data on gender identity and ethnicity directly from our Board and Executive Management using a Diversity and Inclusion Monitoring Form, which is circulated annually. The below tables directly reflect the questions asked of the Board and Executive Management. All data is held securely in line with our data protection and retention guidelines.

## (a) Gender identity as at 30 September 2023

| | Number of board members | Percentage of the board | Number of senior positions on the board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| **Men** | 5 | 56 | 3 | 5 | 56 |
| **Women** | 4 | 44 | 1 | 4 | 44 |
| **Not specified/prefer not to say** | – | – | – | – | – |

## (b) Ethnicity Representation as at 30 September 2023

| | Number of board members | Percentage of the board | Number of senior positions on the board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| **White British or other White (including minority-white groups** | 8 | 89 | 4 | 9 | 100 |
| **Mixed/Multiple Ethnic Groups** | – | – | – | – | – |
| **Asian/Asian British** | 1 | 11 | – | – | – |
| **Other ethnic group, including Arab** | – | – | – | – | – |
| **Not specified/prefer not to say** | – | – | – | – | – |
| **Black/African/Caribbean/ Black British** | – | – | – | – | – |

### 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 pages 102-103.

**Richard Pennycook**
Chair, Nomination Committee

4 December 2023

# Report of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 September 2023. 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.

We were delighted to welcome our new Chief Financial Officer, Jon Wormald, to the business in June 2023. As Chief Financial Officer, Jon has responsibility for all aspects of financial reporting and control as well as risk management. Since joining the business, Jon has attended all Committee meetings and updated the Committee on key matters as appropriate. I look forward to working with Jon on ensuring we maintain and continue to enhance our robust financial controls and quality reporting environment.

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. These were updated on 30 November 2023. 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 agree the external auditors engagement terms, scope and fees. 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 and the effectiveness of the Group's anti-bribery and fraud prevention processes. |

## Committee composition

The Committee currently comprises four 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 90-92. 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 four times during the year and member attendance is shown below.

| Member | Status | Appointment | Attendance |
|---|---|---|---|
| Elaine O'Donnell (Chair) | Independent | July 2018 | 4/ 4 |
| David Kelly | Independent | August 2015 | 4/ 4 |
| Justine Greening | Independent | March 2021 | 4/ 4 |
| Veronica Sharma | Independent | September 2023 | 1/ 1 |

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 Chair of the Board, Chief Financial Officer, Chief Executive, Chief Marketing Officer, Head of Group Reporting and Risk, the Company Secretary, the Deputy 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 the proposed scope, materiality, focus areas and planning for the external audit;
- Reviewed and recommended to the Board the full and half year financial results for publication and the financial results presentations;
- Monitored the implementation of the new risk management framework and reviewed the activity of the Executive Risk Committee throughout the year;
- 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 judgemental areas of reporting and the related comments of the external auditor (see below for further details);
- Reviewed the Group's approach to meeting its reporting responsibilities against the TCFD framework and the Companies Act (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021;
- Received and reviewed a report on whistleblowing
- Considered the potential impact of forthcoming regulatory reforms in relation to audit and corporate governance
- Reviewed the resolutions to be put to shareholders at the 2023 AGM and reviewed the Terms of Reference;
- Received updates on the Group's security and data protection processes;
- Reviewed and provided feedback on an advanced draft of a new Treasury Policy;
- Reviewed the Group's procedures for preventing and detecting fraud, along with its systems and controls for the prevention of bribery; and
- Assessed the effectiveness of the external audit process and the Committee's effectiveness.

# Report of the Audit Committee continued

## How the Committee discharged its responsibilities in FY23

### 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 |
|---|---|
| **Revenue recognition**<br>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 the estimated loss of margin on future cancellations is also recorded.<br>This is subjective and involves judgement. Given the cost of living crisis there has been an increase in cancellations in FY23 which has necessitated a higher level of provision than in the prior year. | 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**<br>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 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**<br>The estimated recoverable value of the Group's intangible assets is subjective due to inherent uncertainty involved in forecasting and discounting future cash flows.<br>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.<br>Management has also considered the extent to which the carrying value of investments in the parent company may be impaired by reference to the current market capitalisation of the Group. | 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. |
| **Recoverability of trade receivables**<br>The recoverability of customer monies in light of the cost of living crisis and increasing interest rates. | The Committee has considered management's judgments and the appropriateness of the provision and considers management's approach to be reasonable. |

| Description of focus area | Audit Committee action |
|---|---|
| **Task Force on Climate-Related Disclosures ('TCFD')**<br>The Group is required to include TCFD reporting in its annual reporting this year. | The 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. |
| **Discontinued Operations**<br>The Group decided to discontinue its International business in September 2023 following a strategic review. Given this was an operating segment in the prior year management have given consideration to whether this meets the requirements to be disclosed as Discontinued Operations. | The Committee has considered management's judgments and consider management's approach to be reasonable. |
| **Litigation**<br>The Group has a number of litigation cases outstanding which have been ongoing for several years. Post the year-end the Group was successful in obtaining judgement against Ryanair under which the Group was awarded c£2m in respect of sums the Group had paid to customers following cancelled flights. Given the nature of this and other ongoing matters management have given consideration as to whether any assets or liabilities should be recognized at year-end or whether disclosure is required of specific events. | The Committee has considered management's judgments and considers management's approach to be reasonable. |

## 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 153 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 five-year assessment period. This was supported by a very thorough paper from the CFO. The Group's viability statement is on pages 42-45.

# Report of the Audit Committee continued

## 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 2023 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 FY23;
- 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 FY23 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 £422k). 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 £83k representing 16% of the total audit fee (2022: £68k, representing 18% 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 and steps are now being taken to ensure a smooth and appropriate handover to our new audit partner in early 2024.

The Committee recommended, and the Board intends to propose, the reappointment of EY as the Company's auditor for FY24. 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.

- The Executive Risk Committee ("ERC"), responsible for the oversight and management of risk across the business, as well as the performance of the risk and control system and ensuring the implementation of effective mitigations and controls to manage risk.

Reports from the 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 again 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.

The integration of the risk management framework has not only enhanced the Group's ability to identify and mitigate potential risks but has also enabled a proactive approach towards risk management. By embedding this framework into its operations, the Group has created a culture of risk awareness and accountability throughout the organisation.

The iterative nature of the risk management framework means that it is an ongoing process, continuously evolving and adapting to the changing business landscape. This approach ensures that the Group remains agile in its response to emerging risks and opportunities.

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 and receives regular updates from the ERC on risk developments. A description of the process for managing risk together with a description of the principal risks and strategies to manage those risks is provided on pages 30-41. The Committee has continued to keep under review the embedding our Risk Management Framework during FY24.

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 ERC 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.
- 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

4 December 2023

# Directors' Remuneration Report

## Letter from the Directors' Remuneration Committee Chair

I am pleased to introduce my first Directors' Remuneration Report (the "Report") as Chair of the Remuneration Committee (the "Committee") for the financial year to 30 September 2023. Having joined the On The Beach Board in March 2021, I became Chair of the Remuneration Committee in January 2023. On behalf of the Committee and the Board, I would like to thank the previous Chair, David Kelly, for his stewardship of the Committee since the Company's IPO in 2015, his thorough handover, and his ongoing support as a continued valued member of the Committee.

During the course of this year we have seen the Board transition to new leadership under new CEO Shaun Morton, and over the coming pages, I set out the Committee's approach to executive pay, including the alignment of remuneration with our business strategy, and also how it takes account of stakeholder expectations. Following the introduction of the Company's new Remuneration Policy approved at the 2023 AGM and the resulting vote, we have consulted with shareholders and reflected on that feedback. Subsequently, we have undertaken a review of the layout and content of this report so that the information is presented clearly and transparently, with even greater clarity.

The report also sets out the broader context of how the Company approaches wider workforce remuneration, reflecting the challenges that our employees face in relation to the cost of living and the Company's approach to supporting our employees during this period.

We are very conscious of the heightened focus on remuneration and as a Committee have sought to clearly articulate our approach and decisions in relation to executive pay which are set out in this report.

## Contents



| Member | Attendance |
|---|---|
| The Rt. Hon Justine Greening (Chair from 27 Jan 2023) | 6/6 |
| David Kelly (Chair to 27 Jan 2023) | 6/6 |
| Elaine O'Donnell | 6/6 |
| Richard Pennycook | 5/6 |
| Veronica Sharma (member from 1 September 2023) | 1/1 |

## Spotlight on...

**Market alignment of executive pay**
page 119

**Link between strategy and remuneration incentives**
page 122

**Tracking employee socio-economic data**
page 130

**Approach to LTIP underpin and discretion**
page 137

# Letter from the Directors' Remuneration Committee Chair
continued

## Stakeholders

At the heart of our remuneration strategy lies a commitment to recognising and rewarding the talent that propels our success and delivers our growth strategy. Our primary focus is on attracting, retaining, and fairly rewarding our dedicated workforce and leadership team. This commitment is not just about internal stakeholders; it extends to contributing positively to society and communities, fostering equity and opportunities.

In shaping our remuneration strategy, we have actively engaged with our investors, promoting open and transparent communication. Our commitment doesn't stop there. We place significant emphasis on the customer experience and its continued enhancement. We recognise that highly-engaged and motivated employees are vital to driving positive customer experiences and our remuneration strategy is therefore designed to align with this interconnected approach. Senior bonuses are tied to employee and customer satisfaction, reinforcing our belief that happy employees translate to delighted customers. This comprehensive strategy underscores our dedication to ensuring that our remuneration practices not only drive our growth strategy but also contribute to creating a positive impact on our customers and society at large.

Our Remuneration Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all of our stakeholders: employees, investors, customers, communities & society, regulators & government. In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through stakeholder lenses (see page 122).

## New Directors' Remuneration Policy and new LTIP

Shareholders were asked to approve a new Directors' Remuneration Policy (the "Policy") at the 2023 AGM. The main change was the transition from a performance-based long-term incentive to a time-based plan (subject to a discretionary performance underpin - see "spotlight" on page 137) and a corresponding reduction in quantum from 200% to 100% of salary in recognition of the removal of targets. The Committee believes that the new LTIP structure will enable the Company to retain crucial talent by empowering management with greater visibility over long-term remuneration outcomes in a challenging and unpredictable market. The structure provides a strong incentive for management to contribute to shareholder value by driving sustainable growth and is therefore fully aligned with the Company's growth strategy.

The vast majority of our shareholders were supportive of the changes, with 79.34% of shareholders voting in favour of the Policy. As this level of support was just under the 80% threshold established by the UK Corporate Governance Code, the Committee engaged with shareholders following the AGM to further understand their views. Further details are set out in my Q&A on page 120.

## FY23 LTIP Award

The first awards under the new LTIP were made on 24 February 2023 (the "FY23 LTIP Award"); see page 136 for more details.

## Letter from the Directors' Remuneration Committee Chair continued

### FY23 Bonus Outcome

The FY23 annual bonus for the Executive Directors was based on Group adjusted profit before tax ("Group Adjusted PBT") (35% weighting), Group total transaction value ("Group TTV") (35% weighting), net promoter score ("NPS") (20% weighting) and employee engagement (10% weighting). Based on the performance against those targets, the bonus outcome for the year was 61.14% of maximum, of which half will be deferred into shares for two years. This compares to 79.7% in FY22. The international segment was discontinued on 30 September 2023, and is excluded from the reported figures for Group TTV and Group Adjusted PBT because they are reported on a continuing basis. However, for the purposes of calculating performance against bonus targets, the Committee considered Group TTV and Group Adjusted PBT including the impact of the international division, because this was consistent with how the target had been set. The inclusion of the international division reduced the overall bonus payout, because the £0.5m loss in that division reduced the overall performance against the Group Adjusted PBT target. Offset against that is a near-maximum target performance on total transaction value with the group hitting record TTV approaching £1.1bn. Both NPS and employee engagement scores were broadly on target in relation to bonus outturns. The Committee judged that the formulaic bonus outcome was an appropriate reflection of performance in the year and therefore did not exercise discretion to adjust it.

### FY21 LTIP - EPS Outcome

The LTIP award granted to Simon Cooper, Shaun Morton and Zoe Harris in FY21 was based on earnings per share ("EPS") (70% weighting) and absolute total shareholder return ("TSR") (30% weighting). The EPS target was not met and accordingly this element will lapse in full. The Committee decided there was no reason to exercise any discretion to adjust this outcome. Performance against the TSR target will be assessed after the TSR performance period ends in February 2024. However, based on performance up to 30 September 2023, our current estimate is that this element will also lapse in full as the performance is below the threshold level.

### Approach to performance and reward for FY24

The Committee considered carefully the need for Executive Director remuneration to be considered in relation to market pay benchmarking but also against wider workforce pay and benefits.

**Base salary:** The Committee increased the Executive Directors' base salary by 2% from 1 January 2024, which is at a lower rate than the wider workforce base pay increase of 4%.

**Pension:** The Executive Directors' pension contributions are aligned with the wider workforce (currently 3% of eligible earnings but due to increase to 4% from January 2024) and will remain so in FY24.

**Annual bonus:** The maximum bonus opportunity remains unchanged at 100% of salary. The Committee considered the existing bonus metrics and weighting in relation to the business strategy and concluded they remain the strongest approach to align remuneration with the strategy to grow market share, in a way that drives increased profitability, whilst also recognising the importance of employee engagement and customer satisfaction in underpinning this strategy. The FY24 bonus will therefore adopt the same structure (metrics and weighting) as the FY23 awards. 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 in shares for two years remains unchanged.

**FY24 LTIP:** LTIP awards of 100% of salary were granted to the Executive Directors on 3 October 2023 (the "FY24 LTIP Award"). Each LTIP award vests after three years, but is subject to continued employment over the vesting period and a further two-year post-vesting holding period then applies for Executive Directors. Under the Directors' Remuneration Policy, awards are subject to a discretionary performance underpin based on the Company's performance and shareholder experience. This approach is further explained on page 137.

**Non-Executive Directors:** Following a period of unchanged base fees since 2021, the Board reviewed the rates of pay for Non-Executive Directors over the year to ensure they remain aligned with market levels. These were disclosed in the FY22 Directors' Remuneration Report and remain unchanged.

### Board Changes

During the year the Company's founder and CEO Simon Cooper stood down to take a new role as a Non-Executive Director. The Committee determined that Simon Cooper should receive 'good leaver' status and is being treated in line with the Policy. Simon receives the standard base NED fee for his role as Founder Non-Executive Director, but no further remuneration awards will be granted.

Our previous Chief Financial Officer, Shaun Morton, was appointed as CEO on 30 June 2023 with Jon Wormald replacing Shaun as Chief Financial Officer on the same date. In addition, as announced in last year's report, Zoe Harris joined the Board as CMO on 14 October 2022.

The Report of the Nomination Committee sets out the thorough process that was undertaken to select Shaun as CEO and Jon as CFO. In support of the succession planning exercise, an independent analysis was undertaken by external advisers to assess the market rate for the roles. Based on this data, and an assessment of the skills and experience of the candidates, the Committee set the incoming CEO salary at £425,000 and the incoming CFO salary at £265,000.

More details on the Committee's work during FY23 in relation to Board changes is on pages 120-121. Additional details on implementation of remuneration for all Executive Directors in relation to FY24 can be found on pages 124-127.

## Conclusion

The Committee remains committed to ensuring that we are responsive to developments in best practice, as well as a transparent approach in respect of executive pay in the context of the wider workforce.

Following the 2023 AGM, I have found the engagement process with shareholders this year valuable and will seek to continue to have open and constructive engagement with shareholders through FY24 and beyond.

Should you have any queries or comments on this report, or more generally in relation to 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 2024 Annual General Meeting.

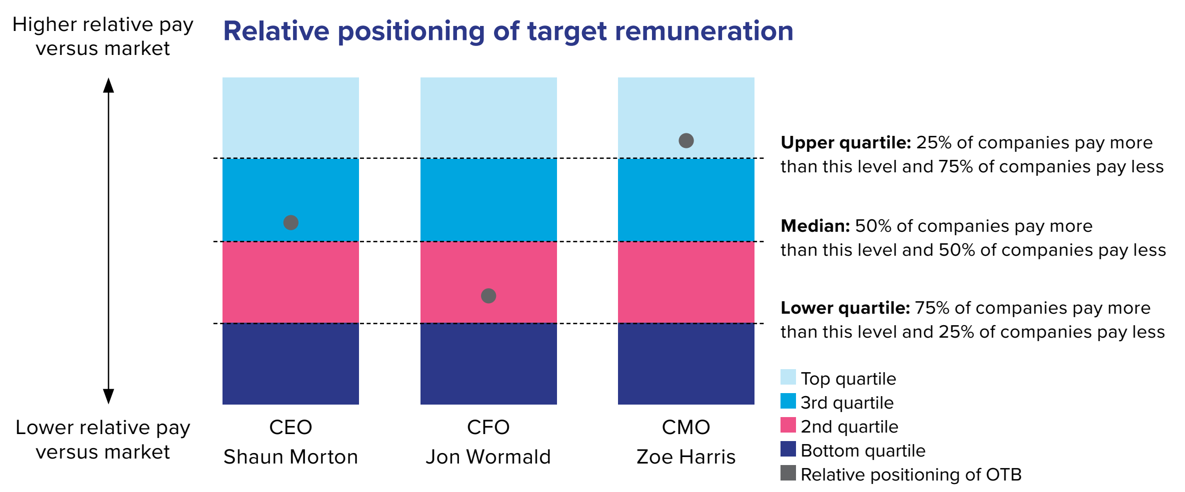
**The Rt. Hon Justine Greening**
Chair of the Remuneration Committee

## Spotlight on market alignment of executive pay

When we set the remuneration of our Executive Directors, one of the factors the Committee considers is the positioning of remuneration versus the market, which we believe is comparable sized companies operating in similar sectors (broadly the "Consumer Discretion" sector).

The chart below shows the relative position of the total target remuneration under the Policy in comparison to this peer group.

Note: For the Chief Marketing Officer, the market comparison is based on Executive Director roles (excluding CEO and CFO roles) in FTSE Small Cap companies.



## Q&A with the Chair of the Directors' Remuneration Report

Q

### At the 2023 AGM, the Remuneration Policy received less than 80% support. What engagement was undertaken, what issues arose and what actions is the Committee taking to address them?

A

Shareholders were asked to approve a new Directors' Remuneration Policy at the 2023 AGM, which included a new time-based long term incentive plan (the "LTIP"), often referred to as a "restricted share plan". As part of the Policy review, the Committee consulted with major proxy voting agencies and over 65% of our shareholder base and took on board the feedback received. For example, while the initial proposal was for the 2023 LTIP to incorporate both performance and time-based elements (with a reduction in quantum from 200% to 150% of salary), this was simplified based on shareholder feedback to focus solely on time-based awards (with a further reduction in quantum to 100% of salary), in line with institutional shareholder guidance.

Following the publication of the FY22 Annual Report, we wrote to 80% of the shareholder base to request engagement ahead of AGM. The Committee noted that the majority of shareholders were supportive of the final version of the revised Policy, but also recognised that divergent shareholder views meant that a small minority were not supportive of a restricted share plan structure.

The vast majority of shareholders supported the new Policy, with 79.34% voting in favour. However, recognising that over 20% voted against the new Policy, and in line with the UK Corporate Governance Code, the Committee formally engaged shareholders again following the AGM and offered a further discussion in relation to the Company's approach to remuneration.

This further engagement, which included correspondence and meetings with shareholders directly, as well as engagement with ISS, Investment Association, Glass Lewis and PIRC, has been helpful in understanding shareholder perspectives for future remuneration policy considerations. In particular, it has underlined the need for even greater transparency and clear articulation of the Committee's approach and rationale underpinning its decision-making. In response to the feedback, we have refreshed this Directors' Remuneration Report to ensure it achieves this.

The new LTIP, combined with the bonus and its ambitious growth targets for FY24, provide a strong incentive for management to contribute to shareholder value by driving sustainable growth and are therefore fully aligned with the Company's growth strategy.

Reflecting on the feedback that some shareholders were concerned about how the discretionary underpin would operate, we set out further details on how we will implement this on page 137.

The Committee would like to thank those shareholders and their representative bodies who have taken part in the engagement process.

Q

### There have been a lot of Board Changes this year. How has the Committee approached the remuneration aspects of these changes?

A

The biggest change during the year was the CEO succession plan. This required the Committee to support with the remuneration aspects of Simon's move to a NED role, Shaun's move to CEO role and Jon's move to the CFO role. In addition, Zoe Harris joined the Board as an Executive Director early in FY23, and Veronica Sharma joined the Board as a NED towards the end of FY23.

#### i. Shaun Morton – incoming CEO

When the Committee set out to support the CEO succession planning exercise, it was conscious that Simon's remuneration during his tenure as CEO reflected the nature of his role as its founder and his significant shareholding in the business. As a consequence, his base salary and overall remuneration package were deliberately set below the market lower quartile of similarly sized businesses. The Committee recognised that the package for the incoming CEO would need to be "reset" to a more market aligned level to ensure it was competitive, attractive and retentive. The Committee therefore sought external advice to market benchmark the package for the incoming CEO (see "spotlight on market alignment of pay" on page 119).

Taking into account Shaun's experience at OTB and appropriate market data, the Committee determined that the new CEO base salary would be set at £425,000 (broadly in line with the median of the comparator group of similarly sized companies in similar sectors). The other elements of remuneration were set in line with the Policy, such that the total target remuneration was also broadly in line with the market median.

### ii. Jon Wormald – incoming CFO

The Committee also similarly used external advice as it carefully considered the remuneration package for Jon Wormald as CFO, taking into account a variety of factors including Jon's experience, market data and his remuneration package in his previous role. We determined that his salary would be £265,000 with other remuneration elements set in line with the Policy. The Committee recognises that it will be necessary to keep this salary under review, in the context of external market benchmarking and may award higher increases in future years as Jon develops in the role.

### iii. Simon Cooper – transition from CEO to Founder NED

In relation to Simon's change in role to Founder NED, the Committee considered whether an additional fee should be paid on top of the base NED fee to reflect the ongoing support and mentoring Simon would be providing to the management team as founder and former CEO. However, in recognition that all NEDs provide mentoring and support to the management team, it was decided that Simon would receive the base NED fee and no additional payment.

When the first LTIP grant was made under the new LTIP scheme on 24 February 2023, Simon was still CEO and had not yet entered his notice period as the search was still underway for the CFO. The Committee therefore decided to grant Simon an award at 100% of salary as he was still in role and that was part of his CEO package. On 31 March 2023, Jon was appointed as CFO and Simon's notice period started at that point. Jon's start date was agreed as 30 June 2023 and it was agreed that on that date, Jon would become CFO, Shaun would become CEO and Simon would become Founder NED. The Committee discussed whether Simon should receive his full CEO salary for the duration of his 6 month notice period, or only for 3 months until 30 June when he changed role. Simon informed the Committee he was happy to waive his entitlement to the CEO salary for the full 6 months, and the Committee was supportive of this proposal.

The Committee determined that Simon was a good leaver for the purposes of the bonus and LTIP schemes, with effect from the termination date of his employment on 30 June 2023. He will receive a pro rata bonus for FY23 and his in flight LTIP awards have been adjusted down pro rata to reflect his good leaver status.

### iv. Zoe Harris – CMO – appointed to the Board as Executive Director

As noted in last year's annual report, Zoe Harris joined the Board as an Executive Director and received a 9% increase in her base salary effective from 1 January 2023 to reflect her strong performance and development in role.

**Q**

## How has the Committee approached ESG in executive pay?

**A**

The Committee is aware that many stakeholders now expect ESG to be formally reflected in executive remuneration, particularly in relation to climate change. As an online travel company, the Group's customers are served by both third party airlines and hotels. The company has used external expertise to assess its own direct environment across Scopes 1 & 2 emissions, as well as its total footprint including Scope 3. The outcome of that work has been to clearly set out that the business has limited Scope 1 and 2 emissions, with Scope 3 emissions representing 99.5% of its total emissions, with more limited ability for the Group to influence these. The Group has committed to setting a target for its Scope 1 & 2 emissions, and to repeating its Scope 3 analysis. It is also making significant progress engaging with its hotel partners to encourage them to obtain a sustainability accreditation certified by the Global Sustainable Tourism Council. Further details can be found in the "Here for the Planet" section of the Responsibility and Sustainability Report on page 70.

The Committee has engaged with shareholders on a proportionate approach to ESG and remuneration. The clear message from shareholders was that ESG measures within remuneration should be clearly tied to strategy. While climate issues are clearly an important part of our governance framework and an area of focus for the wider company, they are not currently a core driver for strategic success. There are other areas within our ESG framework which directly linked with strategy: if the Group has an engaged and motivated workforce, and satisfied customers, that will underpin the achievement of its strategy. The Committee therefore believes the inclusion of employee engagement score and customer net promoter score are much more important strategic metrics and these are included within the annual bonus scheme (at 10% and 20% weighting respectively).

# Directors' Remuneration Report continued

## Our Stakeholders, our Strategy and the link to the Remuneration

The Committee has designed remuneration with our stakeholders in mind as set out in the table below.

| Stakeholder | Link to remuneration |
|---|---|
| **Employees** | • Our ability to deliver on our strategy is dependent on being able to attract, retain, incentivise and reward our employees. We do this via the following tools:<br>– Basic salary<br>– Benefits<br>– Bonus (for more senior staff)<br>– LTIP (for more senior staff)<br>• Employee satisfaction |
| **Investors** | • We've engaged with our investors this year to understand what was important to them on remuneration.<br>• We know financial performance is important to investors. 70% of the annual bonus is in financial metrics (35% TTV, 35% PBT).<br>• Employee (HIVE 10%) and customer (NPS 20%) metrics within the bonus ensure long term sustainable success and returns for investors.<br>• The new LTIP (100% of salary with no performance conditions (previously 200% with conditions)) aligns management with investors because:<br>– History proves very difficult to set targets in travel industry 3 years out. In the 9 years of listing, only two LTIPs paid out at 30% and 22.9% respectively.<br>– A retained and engaged management team need to have line of sight to tangible reward. They are incentivised to deliver financial and strategic performance which will drive long term shareholder value.<br>• Alignment of Executive Directors with investors is also achieved via:<br>– deferral of 50% of bonus into shares for 2 years;<br>– 2 year post-vesting holding period for LTIPs; and<br>– Committee assessment of appropriateness of award in the round (see page 137). |
| **Customers** | As a customer-centric business, customer satisfaction is built into our remuneration policy via the NPS element in bonus (20%). Indirectly, customer satisfaction is also built via employee satisfaction (happy employee = happy customer). |
| **Communities & Society** | People strategy is not only designed to support our current cohort of employees but to cultivate a diverse pipeline of talent and our outreach activities to support DEI including social mobility will support our communities more widely. |
| **Regulators & Government** | We need to report openly and transparently to the Government and Regulators to ensure we comply with our obligations but also to support the policy aims of Government and Regulators more generally. We will disclose our gender pay gap report in December 2023, ahead of mandatory disclosure in April 2024. We will also consider other voluntary disclosure. |

### Spotlight on link between strategy and remuneration incentives

The annual bonus consists of the following metrics and weighting:

- Total Transaction Value (35%)
- Profit Before Tax (35%)
- Net Promoter Score (20%)
- Employee engagement (10%)

These metrics were carefully considered by the remuneration committee and in particular to ensure they remain fit for purpose and aligned with the strategic focus for FY24.

The Group's growth strategy focuses on greater penetration into the Group's addressable market, in particular penetrating the premium and long haul markets, whilst progressing its successful presence in the existing value market, and delivering enhanced margins.

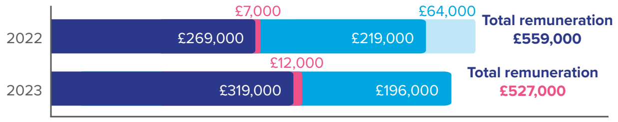
Remuneration strategy reflects this in its financial metrics of total transaction value and adjusted profit before tax.

The Committee believes it remains appropriate that the weighting of these financial metrics represents the largest element of the annual bonus. The strategy to deliver that growth strategy and financial performance is through a tech-enabled, high customer satisfaction experience, reflected in the employee engagement metric and net promoter score metric within the annual bonus. As the growth strategy reaches new customers it remains vital to maintain a strategic focus on customer satisfaction and the employee engagement that is crucial to its delivery.

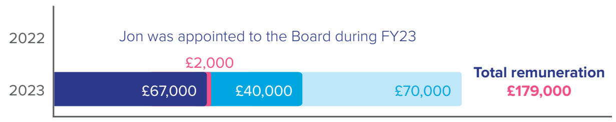
# Remuneration Report for FY23

## Total remuneration outcomes for Executive Directors ("Single Figure of Remuneration")

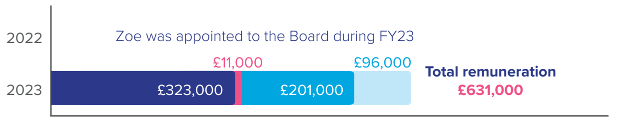
### CEO Shaun Morton




### CFO Jon Wormald




### CMO Zoe Harris




- Base salary
- Benefits and pension
- Annual bonus
- LTIP

## 2023 Annual Bonus

The maximum annual bonus opportunity for FY23 was 100% of salary. Page 136 sets out the detail on performance against targets, with the overall outcome being 61.14% of maximum.

Pro rata calculations have been applied to each Director as disclosed in the footnotes to the single total figure of remuneration table on page 135.

The corresponding pro-rata outcomes for the Executive Directors were:

- £196k for Shaun Morton
- £40k for Jon Wormald (pro-rata from 30 June 2023)
- £201k for Zoe Harris (pro-rata from 14 October 2022)
- £102k for Simon Cooper (pro-rata to 30 June 2023)

## FY21 LTIP

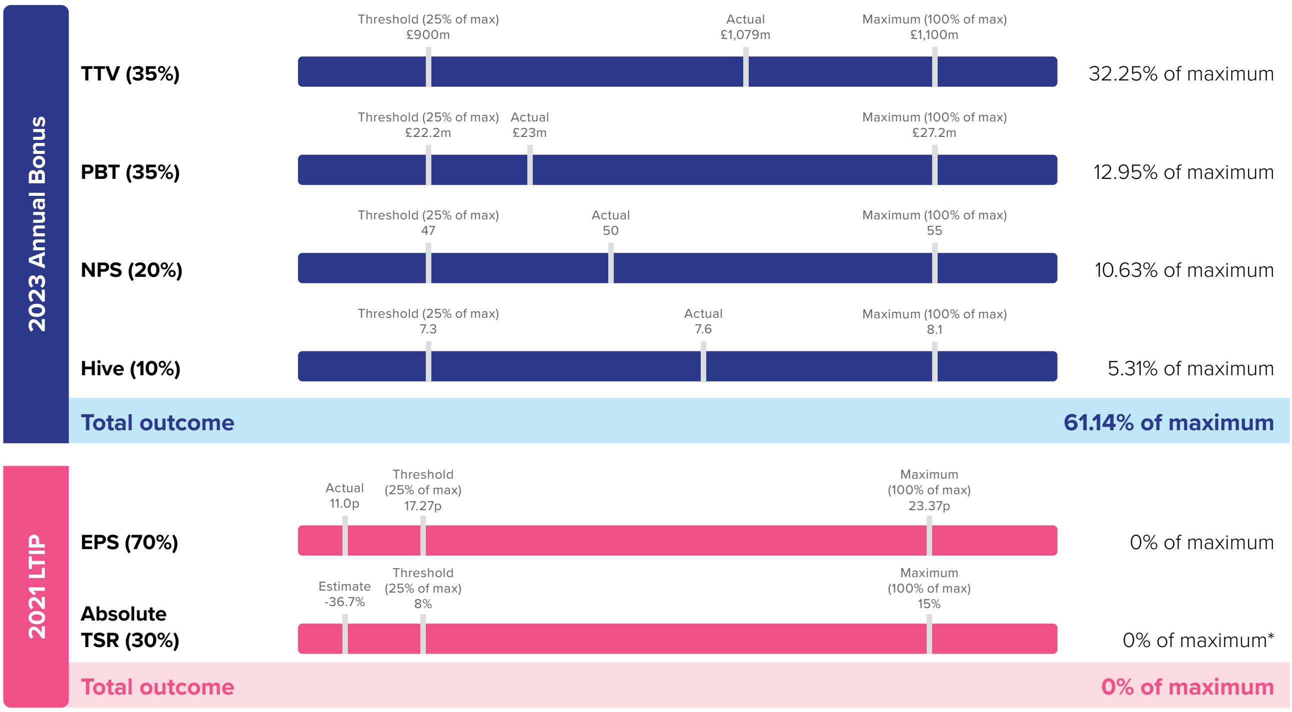
Shaun Morton, Simon Cooper and (prior to her appointment to the Board) Zoe Harris were granted LTIP awards on 5 February 2021.

As outlined below, performance for the EPS element did not meet the threshold level of performance and accordingly this portion of the award will lapse in full.

The TSR element will be measured after the end of the TSR performance period in February 2024. However, based on performance up to 30 September 2023, our current estimate is that this element will also lapse in full as the performance is below the threshold level.

## 2023 Incentive Outcomes

Further details on the annual bonus and LTIP outcomes are set out on page 136.




* Final TSR outcome will be assessed at the end of the performance period in February 2024. Estimate is based on performance up to 30 September 2023.

# Directors' Remuneration Report continued

## Remuneration Policy and Implementation for FY24

The Directors' Remuneration Policy (the "Policy") was approved at the AGM on 27 January 2023. A summary of the Policy is set out below and the full version is included in the Annual Report & Accounts for the financial year ended 30 September 2022, available under the "Reports and presentations" page of the Investors section of our website www.onthebeachgroupplc.com/investor-centre/reports-and-presentations. Our remuneration policy is based on five key principles:

### Shareholder alignment

Ensure a strong link between reward and individual and Company performance to align the interests of Executive Directors, senior management and employees with those of shareholders

### Competitive remuneration

Maintain a competitive package against businesses of a comparable size and nature in order to attract, retain and motivate high-calibre talent to help ensure the Company's continued growth and success

### Strategic alignment

Provide a package with an appropriate balance between short and longer-term performance targets linked to the delivery of the Company's business plan

### Performance-focused compensation

Encourage and support a high performance culture

### Setting appropriate performance conditions

In line with the agreed risk profile of the business

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| **Fixed pay** | Salary, benefits & pension | | | | |
| **Annual bonus** Max: 100% of salary | 50% in cash | 50% in shares Two year deferral period (no further performance conditions) | | | |
| **LTIP** Max: 100% of salary | Three year vesting period (subject to continued employment and performance underpin) | | | Two year post-vesting holding period | |
| **Shareholding requirement:** 200% of salary | Minimum shareholding requirement | | | | |

| Policy element | Purpose, operation and opportunity levels | Implementation in FY24 |
|---|---|---|
| **Executive Directors: Fixed pay** | | |
| **Base salary** | **To provide 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.**<br>Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year.<br>When determining an appropriate level of salary, the Remuneration Committee considers:<br>• remuneration practices within the Company;<br>• the performance of the individual Executive Director;<br>• the individual Executive Director's experience and responsibilities;<br>• the general performance of the Company;<br>• salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and<br>• the economic environment.<br>**Maximum opportunity:** No maximum limit. 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. | Salary increases of 2% will be awarded to Shaun Morton, Jon Wormald and Zoe Harris (below the wider workforce average of 4%), effective 1 January 2024. The resulting salaries will be:<br>• Shaun Morton: £433,500<br>• Jon Wormald: £270,300<br>• Zoe Harris: £336,600 |
| **Benefits** | **To provide a competitive level of benefits.**<br>The Executive Directors receive benefits, which include family private health cover. The 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 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.<br>**Maximum opportunity:** The maximum will be set at the cost of providing the benefits described. | No changes |
| **Pension** | **To provide market competitive retirement benefits.**<br>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.<br>**Maximum opportunity:** Aligned with the wider workforce (currently 3% of salary or eligible earnings). | Employer contributions for the workforce (including Executive Directors) are due to increase to 4% from January 2024 |

# Directors' Remuneration Report continued

## Remuneration Policy and Implementation for FY24 continued

| Policy element | Purpose, operation and opportunity levels | Implementation in FY24 |
|---|---|---|
| **Executive Directors: Variable pay** | | |
| **Annual bonus** | **To provide 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.**<br>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.<br>Malus will apply up to the date of the bonus determination and clawback will apply for three years from the date of bonus determination.<br>Performance is measured over the financial year 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.<br>**Maximum opportunity:** 100% of salary. | FY24 opportunity: 100% of salary<br>No changes to performance measures and weightings:<br>• Total Transaction Value – 35%<br>• Profit Before Tax – 35%<br>• Net Promoter Score – 20%<br>• Employee Engagement – 10%<br>The Committee considers the forward-looking targets to be commercially sensitive but full disclosure of the targets and performance outcome will be set out in next year's Directors' Remuneration Report. |
| **LTIP** | **To incentivise the Executive Directors to maximise total shareholder returns.**<br>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. Awards will not be subject to any formulaic performance conditions but are subject to an overall performance underpin.<br>The Committee may award dividend equivalents on awards to the extent that these vest.<br>A further two-year holding period post vesting will apply.<br>Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.<br>**Maximum opportunity:** 100% of salary. | FY24 opportunity: 100% of salary<br>No formulaic performance conditions – awards vest subject to continued employment only and performance underpin. |

| Policy element | Purpose, operation and opportunity levels | Implementation in FY24 |
| --- | --- | --- |
| **Executive Directors: Shareholding requirement** | | |
| **Shareholding requirement** | **To support long-term commitment to the Company and the alignment of Executive Director interests with those of shareholders.**<br>Executive Directors must reach a shareholding equal to 200% of salary over a five-year period from appointment to the Board.<br>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 the 2022 AGM are not subject to this holding requirement. | No changes |
| **Non-Executive Directors** | | |
| **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.**<br>The Board 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.<br>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.<br>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. The fee structure was updated during 2022.<br>Non-Executive Directors do not participate in any variable remuneration or benefits arrangements. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors. | No changes<br>Chairman - £178,800<br>Base fee - £53,300<br>Additional fees paid for:<br>Senior Independent Director - £6,000<br>Chair of Audit Committee - £9,000<br>Chair of Remuneration Committee - £9,000<br>No additional fee is paid to the Chairman as Chair of the Nomination Committee |

# Directors' Remuneration Report continued

## Workforce Remuneration Report

This section of the report outlines our approach to pay and reward across the whole business. Our reward structure is designed to ensure we can attract, retain and incentivise our talent to enable us to deliver on our business strategy. It is important to us that we offer a reward package that our employees value and is fair, transparent, competitive, and drives high performance.

### All employees

| Remuneration element | Details | Implementation at OTB |
|---|---|---|
| Salary | We regularly assess salaries against local markets to ensure that we are able to attract and retain top talent. | • Annual pay reviews take place in January for all employees.<br>• The Group is proud that it continues to be a Real Living Wage employer, voluntarily paying its lowest-paid employees a salary equal to or in excess of the Real Living Wage.<br>• In October 2022, against a backdrop of an escalating cost of living crisis, we awarded a pay rise of £1,500 to all employees with annual salaries at or below £30,000 p.a., three months earlier than our usual pay review. This was to support employees through difficult winter months with higher energy and living costs. It also aligned with the suggested voluntary increase by the Living Wage Foundation of the Real Living Wage, which rose by 10% in September 2022. |
| Pension | To support employees in saving for the future, they're enrolled into the Group pension scheme within three months of their start date. | All On the Beach employees receive a 3% Group pension contribution. We regularly review pension provisions as part of our benefits review and in January 2024 we'll be implementing an increased employer pension contribution of 4%. |
| Benefits | All employees are now able to access benefits from day one of their employment. | We aim to offer a benefits programme that has something for everyone, rather than one size fits all. We regularly review our benefits offering to ensure that it is relevant and competitive. You can read more about these in our Here for People section on page 59. Using internal feedback and data insights, alongside industry best practices, we continue to review and evolve our benefits package. In the new financial year, we'll be introducing some new and renewed benefits for employees that have a strong focus on wellbeing and are family friendly. |

## All employees continued

| Remuneration element | Details | Implementation at OTB |
|---|---|---|
| Share Incentive Plan (SIP) | After six months employment, employees are invited to join our Share incentive Plan (SIP), this is a benefit that enables eligible employees to buy shares in On the Beach Group, aligning the interests of employees with those of our shareholders.<br><br>Our SIP gives employees the option to become a shareholder in the Company via monthly contributions of £5 to £150. | Available to all employees with over 6 months' service |

## Senior Leaders and Executive Directors

| Remuneration element | Details | Implementation at OTB |
|---|---|---|
| Annual bonus | Our senior leadership team participates in a bonus plan which is based on performance against four business and financial metrics which underpin our business strategy.<br><br>The plan is designed to reward collective contribution towards the delivery of our strategy. | As per Directors' Remuneration Policy except there is no deferral into shares for senior leaders |
| Long -Term Incentive Plan (LTIP) | The LTIP scheme is designed to retain and reward top talent. | The LTIP is available to Executive Directors, the Executive Committee, and all senior leaders. |

# Directors' Remuneration Report continued

## Q&A with Jennie Cronin, Chief People Officer

**Q**

### What do you think is important and valuable to people at On the Beach?

**A**

Having and supporting a diverse workforce with the ability to reach their potential and contribute to our success is key to the high-performing culture that we are driving. This has been very much front of mind this year as we've worked hard to develop and enhance our wellbeing and family-friendly benefits. These will launch in FY24 and include the option to purchase extra annual leave, increased pension contributions and improved family leave policies including enhanced maternity, paternity, parental bereavement leave, and carers leave.

It is really important to me that each of our employees finds values in at least one aspect of our offerings at On the Beach - at least one benefit that they will tell their friends and family about.

We regularly ask our people for their feedback about life at On the Beach and we'll continue to do so to make sure we're getting things right. We really value the insight and support that we get from Pier Group, our employee taskforce who represent the voice of the employee.

**Q**

### You've made the decision to make many of your employee benefits accessible from day one. Why is this important to you?

**A**

When people move jobs they can often feel like they're giving something up. Even if that's just a temporary feeling while they transition to a new business and through the probation process, but we want to make sure it feels different at On the Beach. When people make the decision to join us, we want them to feel supported from the moment their career journey starts. This is why we made many of our benefits available from day one, including Death in Service, access to our Employee Assistance programme and Health plans. These are often the 'safety net' benefits that can help people to feel secure should the worst happen, and we don't believe that people should have to wait 6 months for this feeling of security.

**Q**

### What are On the Beach doing to support employees throughout the cost-of-living crisis?

**A**

Back in our 2022 salary review, we made the decision to award salary increases three months ahead of schedule for those employees on the lowest salaries and we are continuing to review and build on this initiative. It is important to us that we support those people in our business who need it most, providing them with a wage that allows them to cover their basic needs, and this is why we have once again committed to pay the Real Living Wage. This ongoing long-term investment in our people supports our vision of fostering an environment where our employees are motivated and equipped to excel in their roles.

### Spotlight on tracking employee socio-economic data

A maintained focus on Equality, Diversity, and Inclusion runs right through our business and is considered in everything that we do. We recognise that understanding the social mobility background of employees can help us better understand where the barriers are to recruitment and progression within On the Beach and interpreting other employee diversity data such as gender and ethnicity.

Over the last year, we've trialled asking employees within our annual employee engagement survey questions on what socio-economic diversity looks like at On the Beach and what we can do to ensure we're providing the earliest opportunities for people, regardless of their social background.

To help us understand our starting point, we asked our employees to share some information about their social background using questions recommended by the Social Mobility Commission. The questions were voluntary, but we had a really good response rate.

This data will help us understand what social diversity currently looks like at On the Beach and as we carry out more analysis to understand it, we'll use this analysis to build action plans for the long term, with a focus on how we can access and encourage talent from a range of socio-economic backgrounds, as early as possible. This is just the start of our journey but one we're excited about and one where we know we can add real value.

## CEO pay ratio

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 FY20 to FY23. 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 |
|---|---|---|---|---|
| 2022/23 | Option A | 22:1 | 17:1 | 10:1 |
| 2021/22 | Option A | 18:1 | 10:1 | 7:1 |
| 2020/21 | Option A | 11:1 | 8:1 | 4:1 |
| 2019/20 | Option A | 5:1 | 3:1 | 2:1 |

We used 'Option A' as we believe this is the most statistically robust method and is in line with the general preference of institutional shareholders. All figures are calculated using pay and benefits data for the financial year to 30 September 2023 for individuals employed as at the financial year-end. The pay ratio has been calculated using the actual pay and benefits received in FY23. 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) for FY23.

| | 25th percentile (P25) | Median (P50) | 75th percentile (P75) |
|---|---|---|---|
| Salary | £20,600 | £26,620 | £46,075 |
| Total pay and benefits | £20,930 | £27,140 | £46,890 |

The pay ratios have increased for FY23 due to the increase in the CEO remuneration package upon Shaun's appointment to the role, as part of a market reset of the package as explained on page 120.

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.

## Gender Pay Gap

UK Gender Pay Gap legislation was introduced in April 2017 to promote gender equality and accelerate action. UK companies with 250 employees or more are required to report various statistics illustrating pay differences between male and female employees. We have published our 2023 Gender Pay Gap Report (covering the period between April 2022 to April 2023). The full report is available at https://www.onthebeachgroupplc.com/people/responsibility. Please refer to page 65 of the "Here For People" section of our report for more details.

## Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2022 and 2023 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 2023 financial year (£'m) | % change |
|---|---|---|---|
| Profit distributed by way of dividend | – | – | N/A |
| Overall spend on pay including Executive Directors | 34.5 | 35.9 | 4.1% |

## Other statutory remuneration disclosures

### 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 FY21 to FY23 compared with the average percentage change for employees.

| | FY21 | | | FY22 | | | FY23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary / fees | Benefits | Bonus | Salary / fees | Benefits | Bonus | Salary / fees | Benefits | Bonus |
| **Executive Directors[1]** | | | | | | | | | |
| Shaun Morton[1] | – | – | – | 10% | – | 100% | 19% | – | 2% |
| Jon Wormald[2] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Zoe Harris[2] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Non-Executive Directors** | | | | | | | | | |
| Simon Cooper[1] | 139% | – | – | 4% | – | 100% | (17%) | – | (33%) |
| Richard Pennycook | 11% | – | – | – | – | – | 8% | – | – |
| David Kelly | 11% | – | – | – | – | – | (10%) | – | – |
| Elaine O'Donnell | 11% | – | – | – | – | – | 14% | – | – |
| Justine Greening[3] | n/a | n/a | n/a | – | – | – | 21% | – | – |
| Veronica Sharma[2] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Wider workforce** | | | | | | | | | |
| Average employee – Group wide[4] | 2% | – | – | 6% | – | 100% | 6% | – | 98% |

1 Simon Cooper stepped down as CEO on 30 June 2023 and transitioned to a Non-Executive Founder Director role and Shaun Morton was appointed as CEO from this date. This is reflected in the FY23 figures above.

2 Jon Wormald, Zoe Harris and Veronica Sharma were appointed to the Board during FY23 and therefore there is no % change.

3 Justine Greening was appointed to the Board during FY21 and therefore there was no % change prior to FY22.

4 Average employee percentage change is based on earnings of full time employees that were employed throughout the current and comparison period. There are no employees, excluding Directors, of On the Beach Group plc.

## Alignment to Provision 40

Provision 40 of the UK Corporate Governance Code sets out a number of factors that remuneration committees should have regard to when determining executive remuneration. The table below sets out how the Committee has addressed these.

| Provision 40 factor | How OTB addresses this |
|---|---|
| **Clarity** | • The remuneration arrangements for the Executive Directors are set out in a clear and simple way in the Directors' Remuneration Policy ("Policy") and in the plan rules for each incentive plan. Guides are accessible to participants to explain how each incentive plan operates to ensure full understanding.<br>• The People team ensure that remuneration matters are clearly signposted and communicated via all-employee and manager forums and provide training for managers on how to have clear conversations on remuneration outcomes. |
| **Simplicity** | • The Group's remuneration arrangements are intentionally simple and well understood. Executive Directors (and senior leadership) receive fixed pay (salary, benefits, pension), and participate in a single short-term incentive and a single long-term incentive (the "LTIP").<br>• The Committee reviews the appropriateness of targets annually, being mindful of alignment with strategy. |
| **Predictability** | • At the time of approving the Policy full information on the potential values of the annual bonus and LTIP are provided, with strict maximum opportunities and minimum, target and maximum performance scenarios. An indication of the potential impact of a 50% share price appreciation on the value of LTIP awards is also included.<br>• The FY23 annual bonus and LTIP award opportunities were in line with the maximum opportunity in the Policy. LTIP awards are made at the beginning of the financial year. |
| **Risk** | • The ability to mitigate potential risks is within the Policy. Examples include:<br>  • the Committee's discretionary powers to amend the formulaic outcome from incentive awards (for example, where not consistent with performance);<br>  • the inclusion of malus and clawback provisions under a wide range of potential scenarios; and<br>  • in-employment and post-employment shareholding requirements. |
| **Proportionality** | • Payments under the annual bonus require robust performance against challenging conditions over the financial year. For FY23, 70% of the annual bonus was based on financial measures (equally split between total transaction value and profit before tax, which are both Key Performance Indicators).<br>• Vesting of awards under the LTIP is subject to a discretionary underpin that considers overall performance over the vesting period.<br>• The Committee considers the formulaic outcome, as well as other relevant factors, when making decisions on remuneration outcomes. Outcomes do not reward poor performance due to the Committee's overriding discretion to depart from formulaic outcomes which do not reflect underlying business performance. |
| **Alignment to culture** | • The Committee oversees consistent workforce reward principles and is satisfied that these policies drive the right behaviours and reinforce the Group's values, which in turn promote an appropriate culture.<br>• The use of annual bonus deferral, LTIP holding periods and our shareholding requirements strengthen the focus on our strategic aims and ensure alignment with the interests and experiences of shareholders, both during and after employment. |

## Other statutory remuneration disclosures 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 30 January 2023, the results of which were as follows:

| Resolution | For | Against | Withheld |
|---|---|---|---|
| Ordinary resolution to approve the Directors' Remuneration Policy | 96,639,341 (79.34%) | 25,159,239 (20.66%) | 787,639 |
| Ordinary resolution to approve the Directors' Remuneration Report | 120,718,499 (98.48%) | 1,863,280 (1.52%) | 4,440 |

The Committee recognises that just over 20% of shareholders voted against the new Policy at the 2023 AGM. Whilst this means that the vast majority of our shareholders supported the Policy, the Committee engaged with shareholders again after the AGM to further understand their views. Further details are set out on page 120.

### Composition and terms of reference of the Remuneration Committee

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

All members of the Remuneration Committee are independent Non-Executive Directors. The Remuneration Committee receives assistance from the CEO, CFO and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met 6 times during FY23 and member attendance is set out below:

| | Member from | Meetings attended |
|---|---|---|
| David Kelly (Chair to 27 Jan 23) | August 2015 | 6 / 6 |
| Elaine O'Donnell | July 2018 | 6 / 6 |
| Richard Pennycook | April 2019 | 5 / 6 |
| Justine Greening (Chair from 27 Jan 23) | March 2021 | 6 / 6 |
| Veronica Sharma | September 2023 | 1 / 1 |

### 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 FY23, PwC advised the Company on market practice, market benchmarks, corporate governance, performance target-setting, recruitment, share schemes and other matters that the Committee was considering.

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 £52,700 for their advice during the year to 30 September 2023, based on a fixed retainer plus additional fees charged on a time and expenses basis.

## Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2023 financial year. Comparative figures for the 2022 financial year have also been provided.

| £'000 | Base salary / Fees | | Benefits[3] | | Pension | | Total Fixed Pay | | Bonus[4] | | LTIP | | Total Variable Pay | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Executive Directors[1]** | | | | | | | | | | | | | | | | |
| Shaun Morton | **319** | 269 | **2** | 2 | **10** | 5 | **331** | 276 | **196** | 219 | – | 64[5] | **195** | 283 | **527** | 559 |
| Simon Cooper | **166** | 214 | **2** | 2 | **5** | 4 | **173** | 220 | **102** | 172 | **–** | – | **102** | 172 | **275** | 392 |
| Jon Wormald | **67** | – | – | – | **2** | – | **69** | – | **40** | – | **70[6]** | – | **110** | – | **179** | – |
| Zoe Harris | **323** | – | **1** | – | **10** | – | **334** | – | **201** | – | **96[7]** | – | **297** | – | **631** | – |
| **Non-Executive Directors[2]** | | | | | | | | | | | | | | | | |
| Simon Cooper | **13** | – | **–** | – | **–** | – | **13** | – | **–** | – | **–** | – | **–** | – | **13** | – |
| Richard Pennycook | **174** | 161 | **–** | – | **–** | – | **174** | 161 | **–** | – | **–** | – | **–** | – | **174** | 161 |
| David Kelly | **57** | 63 | **–** | – | **–** | – | **57** | 63 | **–** | – | **–** | – | **–** | – | **57** | 63 |
| Elaine O'Donnell | **65** | 57 | **–** | – | **–** | – | **65** | 57 | **–** | – | **–** | – | **–** | – | **65** | 57 |
| Justine Greening | **58** | 48 | **–** | – | **–** | – | **58** | 48 | **–** | – | **–** | – | **–** | – | **58** | 48 |
| Veronica Sharma | **4** | – | **–** | – | **–** | – | **4** | – | **–** | – | **–** | – | **–** | – | **4** | – |

1 Shaun Morton and Jon Wormald were appointed as CEO and CFO respectively on 30 June 2023. Zoe Harris was appointed to the Board on 14 October 2022.

2 Simon Cooper transitioned from his role of CEO to a Non-Executive Founder Director on 30 June 2023. With effect from 27 January 2023, David Kelly stepped down from his role as Chair of the Remuneration Committee and Senior Independent Director, and Justine Greening and Elaine O'Donnell appointed to these roles respectively. Veronica Sharma was appointed to the Board on 1 September 2023.

3 Taxable benefits received were family medical insurance.

4 The bonus for Shaun Morton has been calculated based on his CFO salary from 1 October 2022 to 29 June 2023 and his CEO salary from 30 June 2023 to 30 September 2023. The bonus for Jon Wormald is the pro rata bonus payable from his start date of 30 June to 30 September 2023. The bonus for Simon Cooper is the pro rata bonus payable from 1 October 2022 to the last date of his employment on 30 June 2023. The bonus for Zoe Harris is the bonus payable from the date of her appointment to Board on 14 October 2023 to 30 September 2023.

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).

6 Jon Wormald was granted a buyout award following his appointment to CFO of an equivalent value to awards forfeited from his previous employer. Further details are set out on page 137.

7 The value of Zoe Harris' LTIP for 2023 relates to an award that was granted prior to her appointment to the Board. Her FY22 EXEC RSA award vested in two tranches; 50% on 31 December 2022 (included above for 2023) and the remaining 50% will vest on 31 December 2023. The award was subject to continued employment (no performance conditions).

# Directors' Remuneration Report continued

## Other statutory remuneration disclosures continued

### Bonus awards (audited)

### 2023 annual bonus awards and performance targets

For the year ended 30 September 2023, the maximum bonus opportunity for Executive Directors was equal to 100% of salary. The table below sets out the targets and performance and ultimate payout level. A pro rata calculation has been applied where applicable (as disclosed in the single total figure of remuneration above).

| | | Performance Level | | | Actual bonus paid | | |
|---|---|---|---|---|---|---|---|
| Performance metric | Weighting | Threshold (25%) | Target | Maximum | Actual | % of maximum | % of salary |
| Group TTV (£m) | 35% | 900 | 1,000 | 1,100 | 1,079 | 92.13 | 32.25 |
| Group adjusted PBT (£m) | 35% | 22.2 | 24.7 | 27.2 | 23.1 | 37.00 | 12.95 |
| Net Promoter Score | 20% | 47.0 | 51.0 | 55.0 | 50.0 | 53.00 | 10.63 |
| Employee Engagement Score | 10% | 7.3 | 7.7 | 8.0 | 7.6 | 53.00 | 5.31 |
| **Total** | **100%** | | | | | | **61.14%** |

The international segment was discontinued on 30 September 2023, and is excluded from the reported figures for Group TTV and Group Adjusted PBT because they are reported on a continuing basis. However, for the purposes of calculating performance against bonus targets, the Committee considered Group TTV and Group Adjusted PBT including the impact of the international division, because this was consistent with how the target had been set. The inclusion of the international division reduced the overall bonus payout, because the £0.5m loss in that division reduced the overall performance against the Group Adjusted PBT target.

No discretion was applied in determining the annual bonus outcome.

### Vesting of FY21 LTIP award (audited)

Shaun Morton, Simon Cooper and (prior to her appointment to the Board) Zoe Harris were granted LTIP awards on 5 February 2021. The awards were subject to EPS (70%) and absolute TSR (30%) targets. The threshold performance level for the EPS element was not met and therefore the EPS element of the award will lapse in full. Performance against the TSR element of the award will be assessed after the TSR performance period ends in February 2024 but is estimated to lapse in full based on performance up to 30 September 2023. Further details are set out on page 123.

### LTIP awards granted in FY23 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2023 financial year in the form of nil-cost options.

| Director | LTIP | Value of award | Face value of award | Number of shares awarded | Exercise Price (£) |
|---|---|---|---|---|---|
| Simon Cooper | 100% of salary | £224,300 | 138,883[1] | Nil | Nil |
| Shaun Morton | 100% of salary | £286,000 | 176,980 | Nil | Nil |
| Zoe Harris | 100% of salary | £330,000 | 204,208 | Nil | Nil |

1 Simon's employment ended on 30 June 2023 and he is a 'good leaver'. His award has been adjusted down pro rata to the time served in the performance period, so the award is now 15,967 shares.

The awards were granted on 24 February 2023. The number of shares awarded was calculated using the closing share price on 23 February 2023, which was 161.6 pence.

The awards will vest subject to continued employment and a discretionary performance underpin assessed by the Committee prior to vesting. There is no threshold vesting level for the award.

### Spotlight on approach to LTIP underpin and discretion

Under the new Policy, the LTIP awards vest subject to continued employment only as well as a discretionary underpin.

The default approach will be that awards vest in full (subject to continued employment) - this is because the opportunity level of the LTIP represents a 50% discount to the previous performance-based long term incentive plan to reflect that there are no formal performance conditions.

However, the awards are also subject to an underpin. The Committee will not set predetermined performance thresholds to consider when assessing the underpin, but will consider Company and individual performance over the three year vesting period. This provides the Committee with the ability to take a holistic view of the Company's performance to ensure that the vesting level is appropriate and that there is no "reward for failure".

The factors the Committee may consider when assessing the underpin includes (but is not limited to):

- financial performance outcomes;
- share price performance since grant;
- environmental, social and governance performance insofar as it is relevant to strategy; and
- major strategic or investment decisions and the returns on that investment.

The Committee will disclose its assessment in the relevant Directors' Remuneration Report following the vesting of the award.

## Remuneration arrangements for Jon Wormald (audited)

On 30 June 2023, Jon Wormald joined the Board as an Executive Director and was appointed CFO. Jon's salary is £265,000. His pension is in line with the wider workforce and his annual bonus and LTIP opportunities are in line with the Directors' Remuneration Policy (100% of salary for both schemes). Jon was not granted an LTIP award for FY23.

On joining, Jon was granted a buyout award to compensate him for some of the awards forfeited from his previous employer in connection with his appointment at OTB. The value of these awards was £70,343. The buyout award was granted on consistent terms with the original awards: share awards (in the form of nil-cost options) with vesting on 31 December 2023 subject to continued employment and post-vesting holding periods as set out below.

| Director | Face value of award | Number of shares awarded | Exercise Price (£) | Vesting date | Holding period |
|---|---|---|---|---|---|
| Jon Wormald | £70,343 | 73,274 | Nil | 31 December 2023 | 31 December 2024 (one third)<br>31 December 2025 (two thirds) |

## Remuneration arrangements for Simon Cooper (audited)

On 30 June 2023, Simon Cooper stepped down as CEO and remains on the Board as a Non-Executive Founder Director. From this date, Simon transitioned from his remuneration package as CEO to the standard OTB Non-Executive Director base NED fee. He was eligible to receive a pro-rata bonus for FY23 for the proportion of the year he was CEO.

He will also retain his unvested share awards, pro-rated for the period served as CEO. The awards will continue to vest on the normal timescales, subject to the performance conditions as relevant, and be disclosed in future remuneration reports, where required.

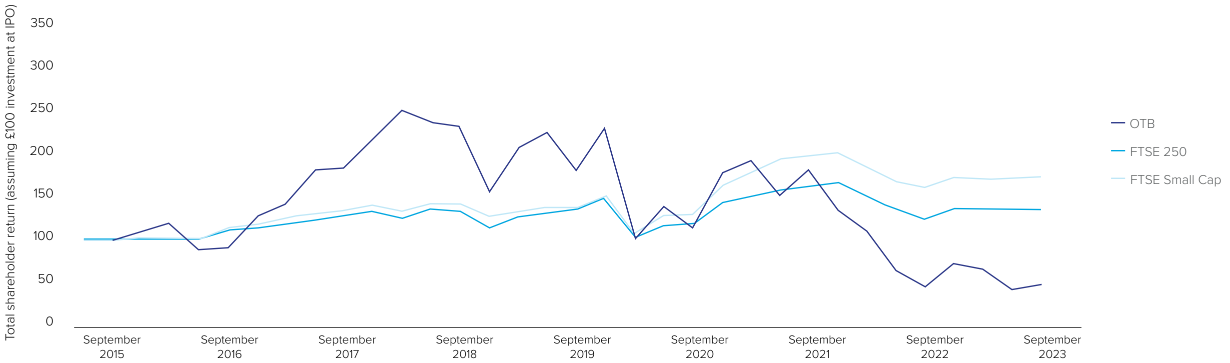
## Payments to past directors

There were no payments made to past directors during FY23.

## Other statutory remuneration disclosures continued

### Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to both the FTSE 250 and FTSE Small Cap indices. These indices were chosen as they each reflect an index to which the Group has been a constituent since the IPO in 2015. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 September 2015 and, therefore, only has a listed share price for the period from 28 September 2015 to 30 September 2023.




### 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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| Total Single Figure (£000s) | 131 | 239 | 201 | 316 | 305 | 89 | 210 | 392 | 526 |
| Annual bonus payment level achieved (% of maximum opportunity) | – | 27.8% | – | – | – | – | – | 79.7% | 61.14% |
| LTIP vesting level achieved (% of maximum opportunity) | N/A | N/A | N/A | 30% | 22.9% | – | – | – | – |

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.

### Statement of directors' shareholdings and share interests (audited)

| Director | Share plan awards subject to performance conditions[2] | Share plan awards subject to continued employment | Share plan interests vested but unexercised | Shares held outright[1] |
|---|---|---|---|---|
| **Executive Directors[1]** | | | | |
| Shaun Morton | 419,879 | 586,421 | 0 | 96,639 |
| Jon Wormald | 0 | 328,572 | 0 | 0 |
| Zoe Harris | 236,963 | 583,800 | 105,674 | 6,060 |
| **Non-Executive Directors[1]** | | | | |
| Simon Cooper (former Executive Director) | 105,521 | 15,967 | 50,298 | 12,521,226 |
| Richard Pennycook | 0 | 0 | 0 | 48,267 |
| David Kelly | 0 | 0 | 0 | 10,258 |
| Elaine O'Donnell | 0 | 0 | 0 | 11,447 |
| Justine Greening | 0 | 0 | 0 | 3,636 |
| Veronica Sharma | 0 | 0 | 0 | 0 |

1 This information includes holdings of any connected persons.

2 This figure includes the FY21 LTIP award for which the performance period ended 30 September 2023. Although the performance period outcome is expected to be nil, the award will not formally lapse until after the period under review.

Between 30 September 2023 and the date of this report, there were no changes in the Directors' shareholdings and share interests remained unchanged.

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 2023 | | | |
|---|---|---|---|---|
| Director | Number of options exercised | Date of exercise | Share price on date of exercise | Gain on exercise |
| Shaun Morton | 12,588 | 23 December 2022 | 149.40p | £18,806 |
| | 92,056 | 23 December 2022 | 151.26p | £139,244 |

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? |
| Shaun Morton[3] | 200% of salary | 407,442 | 101.4 | No |
| Jon Wormald[4] | 200% of salary | 174,143 | 69.5 | No |
| Zoe Harris[5] | 200% of salary | 371,481 | 119.1 | 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 105.8 pence as at 29 September 2023 (the last business day of the financial year ending 30 September 2023) has been taken for the purpose of calculating the current shareholding as a percentage of salary.

3 Shaun Morton was appointed to the Board on 17 July 2020 and has five years from this date to build up his shareholding requirement.

4 Jon Wormald joined the Company on 30 June 2023 and has five years from this date to build up his shareholding requirement.

5 Zoe Harris was appointed to the Board on 14 October 2022 and has five years from this date to build up her shareholding requirement.

On behalf of the board

Justine Greening

**The Rt. Hon Justine Greening**
Chair of the Remuneration Committee

4 December 2023

# 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 50-51 |
| Employment of disabled persons | Page 67 |
| Future developments of the business | Page 8-14 |
| Stakeholder engagement and s.172 statement | Page 46-57 |
| Viability statement | Page 44 |
| Directors' interests | Page 90-92, 99, 138-139 |
| Directors Responsibilities Statement | Page 153 |
| Greenhouse gas emissions | Page 74 |
| Risk management | Strategic report page 30 and note 2 to the consolidated financial statements |
| Human rights and anti-bribery and corruption | Page 84 |
| Diversity | Page 104-107 |
| Non-financial key performance indicators | Page 18-21 |

## Directors' report

All sections under the heading "Governance" on page 87 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 2023.

## Strategic report

All sections under the heading "Strategic Report" on page 7 of this document comprise the Strategic report. The Strategic report sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties (including the financial risk management position), which is set out on pages 30-41.

## Management report

This Directors' report (pages 87-144) together with the Strategic report (pages 7-85) 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 94. 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 90-92. Biographical details of all the directors serving at the date of this annual report are shown on pages 90-92. 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 election or re-election at the 2024 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 2023 comprised 166,640,480 ordinary shares of £0.01 each. Further information regarding the Company's issued share capital can be found on page 189 of the financial statements. Details of the movements in issued share capital during the year are provided in note 21 to the Group's financial statements contained on page 189. All the information detailed in note 21 on page 189 forms part of this Directors' report and is incorporated into it by reference.

At the Annual General Meeting of the Company held on 27 January 2023 the Directors were granted authority from shareholders to allot shares in the capital of the Company up to a maximum nominal amount of £1,108,387.81 (110,838,781 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 2024 AGM.

## Authority to purchase own shares

The Company was authorised by shareholders at the last AGM to purchase, in the market, up to 16,625,817 shares (equivalent to 10% of the Company's ordinary share capital as at 9 December 2022. No shares were bought back under this authority for the year ended 30 September 2023. This authority will expire at the conclusion of the 2024 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.

# Other statutory and regulatory disclosures continued

## 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, subject to continued employment;
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 116-139.

## Annual General Meeting

The Annual General Meeting for 2024 will be held at 11 am on 26 January 2024 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 have not increased above or decreased below a threshold during the year.

Please note there will be other shareholders with substantial shareholdings who are not listed below because their shareholdings have not increased above or decreased below a threshold during the year.

| Name of Shareholder | Number of shares | Nature of holding as per disclosure | Date of Notification |
|---|---|---|---|
| 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 |
| Baillie Gifford & Co | 7,534,476 | 4.53% | 30 January 2023 |
| BlackRock Inc | 8,408,851 | 5.04% | 20 April 2023 |
| BlackRock Inc | 8,399,992 | 5.03% | 31 May 2023 |
| BlackRock Inc | 8,761,420 | 5.25% | 27 June 2023 |
| BlackRock Inc | 8,815,509 | 5.28% | 17 July 2023 |
| BlackRock Inc | Below 5% | Below 5% | 26 July 2023 |
| Hawksford Trustees Jersey Limited (as trustees of the SC 2014 Settlement) | 10,427,589 | 6.26% | 11 August 2023 |
| Lombard Odier Asset Management (Europe) Limited | 8,341,912 | 5.01% | 9 November 2023 |
| Lombard Odier Asset Management (Europe) Limited | 8,195,225 | 4.92% | 16 November 2023 |

Between 16 November 2023 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 26 to the consolidated financial statements.

## Events post year-end

### 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 188-192 in note 23 to the consolidated financial statements, and forms part of this report by reference.

## Political contributions

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

## Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 155-206.

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 FY23. Given the Group's focus on investing for growth, the Board is not recommending a final dividend in respect of FY23.

## 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 126 |

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

## Disclosure of information to the auditor

Each of the Directors has confirmed that:

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

ii. the Director has taken all the steps that 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 4 December 2023

Approved by the Board and signed on its behalf:

**K Vickerstaff**
Company secretary

4 December 2023

# 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 2023 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 2023 which comprise:

| Group | Parent company |
|---|---|
| Consolidated Income Statement and Statement of Comprehensive Income for the year then ended | Balance sheet as at 30 September 2023 |
| Consolidated Balance Sheet as at 30 September 2023 | Statement of changes in equity for the year then ended |
| Consolidated Statement of Cash Flows for the year then ended | Related notes 1 to 9 to the financial statements including a summary of significant accounting policies |
| Consolidated Statement of Changes in Equity for the year then ended | |
| Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies | |

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We 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.

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

## 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, including the cash flow forecasts and covenant calculations for the going concern period which covers the period to 31 March 2025. Management have modelled a base scenario and a downside scenario in the cash flow forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group. The downside scenario considered a severe but plausible reduction in booking levels. In this scenario the Group continues to have sufficient liquidity and headroom on its covenants.
- Challenging the significant assumptions underpinning the Group's forecasts for the going concern period. Our challenge was particularly focused around the consideration of current macro-economic factors including the rising cost of living 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.
- Verifying the credit facilities available to the Group including the £60m revolving credit facility due to expire in December 2025.
- 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.

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 31 March 2025.

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.<br>• The components where we performed full or specific 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.<br>• Website development costs - risk that management inappropriately capitalise costs in relation to the website development team in order to improve the financial results for the period. |
| **Materiality** | • Overall Group materiality of £820,000 which represents 5% of profit before tax adjusted for the impact of exceptional items. |

## 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 UK registered companies 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% (2022: 100%) of the Group's Profit before tax adjusted for the impact of exceptional items, 100% (2022: 100%) of the Group's Revenue and 100% (2022: 100%) of the Group's Total assets.

### Climate change

Stakeholders are increasingly interested in 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. These are explained on pages 76-83 in the required Task Force for Climate related Financial Disclosures and on pages 33-41 in the principal risks and uncertainties which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information".

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 76-83 have been appropriately reflected in the carrying value of goodwill, intangible assets, property plant and equipment and deferred tax assets following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our

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

climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

## 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 (£170.2m, PY comparative £143.4m)**<br><br>Refer to the Audit Committee Report (pages 108-115); Accounting policies (page 160); and Note 6 of the Consolidated Financial Statements (page 171)<br><br>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.<br><br>For the On the Beach 'OTB' 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:<br><br>• Assessed the design and implementation of the key controls over revenue recognition for all trading entities within the Group.<br>• Tested, to supporting evidence, all material journal entries impacting on net revenue which fell outside of the standard booking process for evidence of management override.<br>• 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 & CPH) in relation to the standard booking process. Any exceptions to our expectations above our testing threshold have been substantively tested.<br><br>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. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Capitalisation of website & development costs (£12.0m, PY comparative £11.1m)**<br><br>Refer to the Audit Committee Report (page 108); Accounting policies (page 164); and Note 12 of the Consolidated Financial Statements (page 180).<br><br>There is a risk that management inappropriately capitalise costs in relation to the website development team in order to improve the financial results for the period. Judgement is involved in determining whether future economic benefit will be generated from the projects capitalised and a risk that management could override inputs in these assessments. | We have performed the following procedures:<br>• Assessed the design and implementation of the key controls over the capitalisation of website development costs across the Group.<br>• Obtained a breakdown by project of all website development costs capitalised in the period. From this breakdown, we selected a sample of projects for further testing and for each project we:<br>– Obtained an understanding and related support for management's evaluation of how the project satisfies the requirements of 'IAS 38 Intangible Assets' to be capitalised.<br>– Held interviews with a number of IT developers to understand a) the nature and responsibilities associated with their role and b) the nature of the projects they had been working on in the period. We utilised this information to assess the appropriateness of capitalisation in line with the accounting standard requirements and management's accounting treatment.<br>– We performed an independent assessment of the potential future economic benefits expected to be obtained from each project in our sample to identify any contradictory indicators that could imply the project has been treated incorrectly by management.<br>• We agreed the total value of payroll costs capitalised in the period to the underlying payroll records. We also selected a sample of employees whose time had been capitalised and obtained their employment contract to confirm the nature of their role is that of an IT developer.<br><br>We performed full scope procedures which covered 100% of revenue. | Based on our procedures we are satisfied that the judgements applied by management in relation to the capitalisation of website & development costs are appropriate. |

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

In the prior year, our auditor's report included a key audit matter in relation to accounting for exceptional items in relation to legacy Covid-19 balances and Covid-19 related cancellations. In the current year, this is no longer a key audit matter on the basis that the impact of the Covid-19 pandemic on the Group and corresponding balances previously recorded is no longer relevant.

## Our application of materiality

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

### Materiality

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

We determined materiality for the Group to be £820,000 (2022: £961,000), which is 5% (2022: 1%) of profit before tax adjusted for the impact of exceptional items (2022: gross margin adjusted for the impact of exceptional items). We considered the focus of stakeholders and users of the financial statements and subsequently determined that profit before tax adjusted for the impact of exceptional items is an appropriate measure for materiality given the recovery of the Group in the post pandemic period.

We determined materiality for the Parent Company to be £5,468,000 (2022: £5,722,000), which is 2% (2022: 2%) of equity. For the purposes of its inclusion in the Group, our materiality is capped at £820,000 (2022: £961,000).

### 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% (2022: 75%) of our planning materiality, namely £615,000 (2022: £721,000).*

### 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 £41,000 (2022: £48,000), 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 154, 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.

## 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 45;
- 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 45;
- 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 45;
- Directors' statement on fair, balanced and understandable set out on page 153;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 31;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 96; and;
- The section describing the work of the audit committee set out on page 108.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 153 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.

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

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 those directly relevant to specific assertions in the financial statements and 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 is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board and committee 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 higher risk 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 consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

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

## Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 7 March 2019 to audit the financial statements for the year ending 30 September 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 30 September 2019 to 30 September 2023.
- 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

5 December 2023

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group 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.

**Jon Wormald**
Chief Financial Officer

4 December 2023

# Financial Statements

# Consolidated income statement and statement of comprehensive income

YEAR ENDED 30 SEPTEMBER 2023

| | Note | 2023 £'m | Restated* 2022 £'m |
|---|---|---|---|
| Revenue | 4,5 | **170.2** | 143.4 |
| Cost of sales | | **(54.2)** | (48.5) |
| Expected credit losses | 15 | **(2.0)** | – |
| **Gross profit** | | **114.0** | 94.9 |
| Administrative expenses | 6 | **(103.7)** | (92.2) |
| **Group operating profit** | | **10.3** | 2.7 |
| Finance costs | 8 | **(1.5)** | (0.8) |
| Finance income | 8 | **4.1** | 0.3 |
| **Net finance income/(costs)** | | **2.6** | (0.5) |
| **Profit before taxation** | | **12.9** | 2.2 |
| Taxation | 9 | **(2.3)** | (0.5) |
| **Profit from continuing operations** | | **10.6** | 1.7 |
| Loss from discontinued operations | 10 | **(0.5)** | (0.1) |
| **Profit for the year** | | **10.1** | 1.6 |
| Other comprehensive income: | | | |
| Net (loss)/gain on cash flow hedges | | **(0.6)** | 0.6 |
| Net gain on fair value hedges | | **0.7** | – |
| **Total comprehensive income for the year** | | **10.2** | 2.2 |
| **Attributable to equity holders of the parent** | | | |
| Profit from continuing operations | | **10.6** | 1.7 |
| Loss from discontinued operations | | **(0.5)** | (0.1) |
| Other comprehensive income | | **0.1** | 0.6 |
| **Total comprehensive income for the year** | | **10.2** | 2.2 |
| **Basic and diluted earnings per share from continuing operations attributable to the equity shareholders of the Company:** | | | |
| Basic earnings per share | 11 | **6.4p** | 1.0p |
| Diluted earnings per share | 11 | **6.3p** | 1.0p |
| Adjusted basic earnings per share** | 11 | **11.6p** | 6.4p |
| Adjusted diluted earnings per share ** | 11 | **11.5p** | 6.4p |
| **Basic and diluted earnings per share from total operations attributable to the equity Shareholders of the Company:** | | | |
| Basic earnings per share | 11 | **6.1p** | 0.9p |
| Diluted earnings per share** | 11 | **6.0p** | 0.9p |
| **Adjusted profit measure**** | | | |
| Adjusted PBT (before amortisation of acquired intangibles, exceptional items and share-based payments)** | 6 | **23.6** | 14.2 |

* The prior period is restated for the effects of the discontinued operations (see note 10).

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

The notes on pages 160 to 195 form part of the financial statements.

# Consolidated balance sheet

AT 30 SEPTEMBER 2023

| Assets | Note | 2023 £'m | 2022 £'m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | **73.7** | 74.3 |
| Property, plant and equipment | 13 | **8.3** | 9.1 |
| Deferred tax | 20 | **2.6** | 3.4 |
| Other assets | 15 | **–** | 0.6 |
| **Total non-current assets** | | **84.6** | 87.4 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 15 | **165.3** | 122.4 |
| Derivative financial instruments | 23 | **0.9** | 3.2 |
| Trust account | 16 | **108.6** | 69.4 |
| Cash at bank | | **75.8** | 64.5 |
| **Total current assets** | | **350.6** | 259.5 |
| **Total assets** | | **435.2** | 346.9 |
| | | | |
| **Equity** | | | |
| Share capital | 21 | **1.7** | 1.7 |
| Share premium | 22 | **89.6** | 89.6 |
| Retained earnings | 22 | **205.9** | 194.5 |
| Capital contribution reserve | 22 | **0.5** | 0.5 |
| Merger reserve | 22 | **(129.5)** | (129.5) |
| **Total equity** | | **168.2** | 156.8 |
| | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | **2.6** | 3.0 |
| **Total non-current liabilities** | | **2.6** | 3.0 |
| | | | |
| **Current liabilities** | | | |
| Corporation tax payable | | **1.7** | 0.2 |
| Trade and other payables | 17 | **261.2** | 186.6 |
| Provisions | 17 | **0.4** | 0.3 |
| Derivative financial instruments | 23 | **1.1** | – |
| **Total current liabilities** | | **264.4** | 187.1 |
| | | | |
| **Total liabilities** | | **267.0** | 190.1 |
| **Total equity and liabilities** | | **435.2** | 346.9 |

The financial statements from pages 160 to 195 were approved by the Board of Directors and authorised for issue.

**Jon Wormald**
Chief Financial Officer

4 December 2023
On the Beach Group plc. Reg no 09736592

# Consolidated statement of cash flows

## YEAR ENDED 30 SEPTEMBER 2023

| | Note | 2023 £'m | Restated* 2022 £'m |
|---|---|---|---|
| **Profit before taxation** | | | |
| From continuing operations | | **12.9** | 2.2 |
| From discontinued operations | 10 | **(0.5)** | (0.1) |
| Adjustments for: | | | |
| Depreciation | 6 | **2.7** | 2.0 |
| Amortisation of intangible assets | 6 | **12.6** | 10.8 |
| Finance costs | 8 | **1.5** | 0.8 |
| Finance income | 8 | **(4.1)** | (0.3) |
| Share-based payments | 24 | **1.2** | 4.7 |
| Loss on disposal of property, plant and equipment | 13 | **–** | – |
| | | **26.3** | 20.1 |
| **Changes in working capital:** | | | |
| Increase in trade and other receivables | | **(39.9)** | (29.6) |
| Increase in trade and other payables | | **75.0** | 61.3 |
| Increase in trust account | | **(39.2)** | (30.4) |
| | | **(4.1)** | 1.3 |
| **Cash flows from operating activities** | | | |
| Cash used in operating activities | | **22.2** | 21.4 |
| Tax (paid)/received | | **(0.2)** | 0.5 |
| **Net cash inflow from operating activities** | | **22.0** | 21.9 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | **(0.1)** | (1.3) |
| Proceeds from disposal of assets | | **0.1** | – |
| Purchase of intangible assets | 12 | **–** | (0.5) |
| Development expenditure | 12 | **(12.0)** | (10.6) |
| Interest received | 8 | **4.1** | 0.3 |
| **Net cash outflow from investing activities** | | **(7.9)** | (12.1) |
| **Cash flows from financing activities** | | | |
| Interest paid on borrowings | 8 | **(1.3)** | (0.6) |
| Payment of lease liabilities | 18 | **(1.5)** | (0.7) |
| **Net cash outflow from financing activities** | | **(2.8)** | (1.3) |
| Net increase in cash at bank and in hand | | **11.3** | 8.5 |
| Cash at bank and in hand at the beginning of the year | | **64.5** | 56.0 |
| **Cash at bank and in hand at the end of the year** | | **75.8** | 64.5 |

* The prior period is restated for the effects of the discontinued operations (see note 10).

The notes on pages 160 to 195 form part of the financial statements.

# Consolidated statement of changes in equity

## YEAR ENDED 30 SEPTEMBER 2023

| | Share capital £'m | Share premium £'m | Merger reserve £'m | Capital contribution reserve £'m | Retained earnings £'m | Total £'m |
|---|---|---|---|---|---|---|
| **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 |
| Share-based charge including tax | – | – | – | – | 1.2 | 1.2 |
| Total comprehensive income for the year | – | – | – | – | 10.2 | 10.2 |
| **Balance at 30 September 2023** | **1.7** | **89.6** | **(129.5)** | **0.5** | **205.9** | **168.2** |

The notes on pages 160 to 195 form part of these financial statements.

# Notes to the consolidated financial statements

YEAR ENDED 30 SEPTEMBER 2023

## 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 207.

## 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 Revolving Credit Facility ('RCF'). On 7 December 2022, the Group increased its facility from £50m to £60m, expiring in December 2025. At the same time the Group cancelled its CLBILS facility of £25m, which was due to expire in May 2023. The RCF has financial covenants in place, which are tested quarterly.

As at 30 September 2023, cash (excluding cash held in trust which is ringfenced and not factored into the going concern assessment) was £75.8m (30 September 2022: cash of £64.5m).

Cash received from customers for bookings that have not yet travelled is held in a ringfenced trust account and is not withdrawn until the customer returns from their holiday except where a flight is purchased. Cash held in trust at 30 September 2023 was £108.6m.

The Directors have assessed a going concern period through to March 2025 and have modelled a number of scenarios considering factors such as airline 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 40% lower than historic levels, although profitability would be affected, the Group would be able to continue operating. The impact of climate change has not yet been reflected in these estimates and assumptions due to the level of uncertainty about the impact of climate change on these estimates and assumptions.

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 2022; the following amended standards have been implemented, however, they have not had a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 – Reference to Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 introduced a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The Group has applied the temporary exception in the Group's consolidated financial statements.

#### 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 2023 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:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 introduced a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The Group has applied the temporary exception in the Group's consolidated financial statements.

## d) Climate-related matters

The Group considers climate-related matters in estimates and assumptions where appropriate, this includes areas such as:

- Impairment of non-financial assets: The value-in-use may be impacted by the changes in climate-related regulations or a change in the demand of certain holiday destinations as a result of extreme weather or natural disasters.
- Deferred tax asset recoverability: The forecasts used in assessing whether the Group has sufficient future taxable income could be impacted by climate-related regulation or change in consumer demand for travelling abroad.

The Group's business model allows for flexibility, through being asset-light, this means the Group can respond quickly to changes in customer demand for certain locations. The Group is closely monitoring changes and developments in both climate-related legislation and extreme weather events.

## e) Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the consolidated income statement and statement of comprehensive income.

Additional disclosures are provided in note 10. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

## f) 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.

## g) 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 are reversed only if the reasons for the impairment have ceased to apply.

## h) 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.

## i) 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 assets 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. An expected credit loss is calculated using a provision matrix, which is initially based on the Group's historical observed default rates that is calibrated for changes in the forward-looking estimates.

### 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 ('RCF')

Borrowings from the RCF are recognised initially at fair value and net of directly attributable transaction costs. After initial recognition, the RCF is subsequently measured at amortised cost using the EIR method.

### iii. Derivative financial instruments, including hedge accounting

The Group enters into forward foreign exchange contracts to manage exposure to foreign exchange rate risk. Further details of these derivative financial instruments are disclosed in note 23 of these financial statements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

### Fair value hedges

All derivative financial instruments are assessed against the hedge accounting criteria set out in IFRS 9. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, the Group elects to identify the spot-element of forward contracts as the hedging instrument. The documentation also identifies 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 the hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense. The change in the fair value of the forward element of the forward contracts is recognised in other comprehensive income.

### 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.

## j) 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 three reportable segments:

i. 'OTB' – activity via UK websites (www.onthebeach.co.uk, www.sunshine.co.uk and www.onthebeachtransfers.co.uk).
ii. 'CCH' – activity via the Tour Operator, Classic Collection Holidays Limited and subsidiaries.
iii. 'CPH' – activity via the Classic Package Holidays online business to business portal.

## k) Revenue recognition

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

### As agent

The Group acts as agent when it is not the primary party responsible for providing the components that make up the customers booking and it does not control the components before they are transferred to customers. Revenue comprises the fair value of the consideration received or receivable in the form of commission. Service fees/commissions are earned through purchases from customers 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 (note 17).

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

### As principal

The Group acts as principal when it is the primary party responsible for providing the components that make up the customer's booking and it controls the components before transferring to the customer for the CCH segment. 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.

## l) 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 a reduction in cost of sales (corresponding increase in commission received), and as such is considered part of the Group's net revenue, for the year ended 30 September 2023 override income was £3.4m. 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 that 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.

## 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 meets 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 and 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 asset. 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.

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.

#### ii. Lease liabilities

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

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

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

### 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 24.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 11).

### s) Financing income and expenses

Financing expenses comprises interest payable and interest on 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). Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. 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.

### 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'.

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 due to the risk that a booking may be cancelled (see note 2k).

### aa) Non-statutory measures

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

Adjusted PBT is calculated by adjusting for material items of income and expenditure where, because of the nature and/or expected infrequency of events giving rise to them, merit separate presentation to allow shareholders a better understanding of the financial performance in the period. These adjustments include amortisation of acquired intangibles and exceptional items. In addition, share-based payments charge is excluded in order to provide comparability to prior periods due to fluctuations in the charge.

## 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 that 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 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 that 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 2023, the proportion of development costs that have been capitalised is higher than prior year as the development team are focusing on key strategic development objectives. Management have assessed each project to determine whether the project is technically feasible, intended to be completed and used, whether there is available resources to complete it, and whether there is probable economic benefits from each project.

### 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 a sufficient level of future taxable profits to support the deferred tax asset of £6.3m (2022: £8.2m) recognised (note 20).

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 20.

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 (2022: £0.2m). On this basis, the Group has determined that it cannot recognise deferred tax assets on these tax losses carried forward.

## Critical accounting estimates

### Recoverability of airline debtor

In relation to flights cancelled during the financial year, the Group has considered the recoverability of amounts paid to airlines in lieu of flights that have been cancelled, which as at 30 September 2023 is a receivable balance of £1.2m – see note 15.

The Group has a legal right to a refund; the airline has an obligation to refund in the event that the flight is cancelled. Where an airline is not forthcoming with a refund owed, the Group exercises its chargeback rights 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:

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

ii. the cardholder is entitled to a refund under the merchant's cancellation policy. Where a flight has been cancelled, the Group has recognised a net receivable for the expected recoverable amount in accordance with the considerations above. Management have calculated the provision for airline refunds owed based on factors such as age, flight supplier and payment method. If the Group was to increase the provision by five percentage points ('ppts') this would have resulted in a decrease of £0.2m in the airline receivable of £1.2m.

# 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 2k of these financial statements.

### For the year ended 30 September 2023

| | OTB £'m | CCH £'m | CPH £'m | Total £'m |
|---|---|---|---|---|
| *Revenue before fair value FX losses* | | | | |
| Revenue as agent | **106.9** | **–** | **6.0** | **112.9** |
| Revenue as principal | **–** | **58.1** | **–** | **58.1** |
| *Total revenue before fair value FX losses* | **106.9** | **58.1** | **6.0** | **171.0** |
| Fair value FX losses | **(0.8)** | **–** | **–** | **(0.8)** |
| **Total revenue** | **106.1** | **58.1** | **6.0** | **170.2** |

### For the year ended 30 September 2022*

| | OTB £'m | CCH £'m | CPH £'m | Total £'m |
|---|---|---|---|---|
| *Revenue before exceptional items* | | | | |
| Revenue as agent | 86.9 | – | 6.2 | 93.1 |
| Revenue as principal | – | 50.5 | – | 50.5 |
| *Total revenue before exceptional items* | 86.9 | 50.5 | 6.2 | 143.6 |
| Exceptional cancellations** | (0.6) | – | (0.4) | (1.0) |
| Fair value FX gains | 0.8 | – | – | 0.8 |
| **Total revenue** | 87.1 | 50.5 | 5.8 | 143.4 |

* The results for the year ended 30 September 2022 have been restated to exclude the results of the discontinued operation included in that period (note 10).

** 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.

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

# Notes to the consolidated financial statements continued

**YEAR ENDED 30 SEPTEMBER 2023**

## 5. Segmental report

As explained in note 2j, the management team considers the reportable segments to be 'OTB', 'CCH' and 'CPH'. All segment revenue, operating profit and assets and liabilities are attributable to the Group from its principal activities. All revenues are derived in the United Kingdom.

OTB and CPH recognise revenue as agent on a net basis. CCH recognises revenue as a principal on a gross basis.

| | 2023 | | | | 2022* | | | |
|---|---|---|---|---|---|---|---|---|
| | OTB £'m | CCH £'m | CPH £'m | Total £'m | OTB £'m | CCH £'m | CPH £'m | Total £'m |
| **Revenue** | | | | | | | | |
| Revenue before exceptional cancellations | 106.9 | 58.1 | 6.0 | 171.0 | 86.9 | 50.5 | 6.2 | 143.6 |
| Exceptional cancellations** | – | – | – | – | (0.6) | – | (0.4) | (1.0) |
| Fair value FX (losses)/gains | (0.8) | – | – | (0.8) | 0.8 | – | – | 0.8 |
| **Total revenue** | 106.1 | 58.1 | 6.0 | 170.2 | 87.1 | 50.5 | 5.8 | 143.4 |
| **Adjusted EBITDA** | 32.1 | (1.0) | 0.1 | 31.2 | 22.1 | (0.1) | (0.1) | 21.9 |
| Share-based charge | (1.1) | (0.1) | – | (1.2) | (4.7) | – | – | (4.7) |
| Exceptional items | (3.3) | (0.2) | – | (3.5) | (1.9) | (0.3) | (0.4) | (2.6) |
| Fair value FX (losses)/gains | (0.8) | – | – | (0.8) | 0.8 | – | – | 0.8 |
| **EBITDA** | 26.9 | (1.3) | 0.1 | 25.7 | 16.3 | (0.4) | (0.5) | 15.4 |
| Depreciation and amortisation | (14.1) | (1.3) | – | (15.4) | (11.1) | (1.4) | (0.2) | (12.7) |
| **Group operating profit/(loss)** | 12.8 | (2.6) | 0.1 | 10.3 | 5.2 | (1.8) | (0.7) | 2.7 |
| Finance costs | | | | (1.5) | | | | (0.8) |
| Finance income | | | | 4.1 | | | | 0.3 |
| **Profit before taxation** | | | | 12.9 | | | | 2.2 |
| **Non-current assets** | | | | | | | | |
| Goodwill | 31.6 | 4.6 | 4.0 | 40.2 | 31.6 | 4.6 | 4.0 | 40.2 |
| Other intangible assets | 27.9 | 5.6 | 0.2 | 33.7 | 27.4 | 6.6 | 0.1 | 34.1 |
| Property, plant and equipment | 5.5 | 2.5 | – | 8.0 | 6.3 | 2.8 | – | 9.1 |

* The results for the year ended 30 September 2022 have been restated to exclude the results of the discontinued operation included in that period (note 10).

** 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.

# 6. Operating profit

## a) Operating expenses

Expenses by nature including exceptional items and impairment charges:

| | 2023 £'m | Restated* 2022 £'m |
|---|---|---|
| Marketing | **40.6** | 38.3 |
| Depreciation | **2.7** | 2.0 |
| Staff costs (including share-based payments) | **28.4** | 27.9 |
| IT hosting, licences and support | **6.2** | 4.5 |
| Office expenses | **0.9** | 0.7 |
| Credit/debit card charges | **3.9** | 3.2 |
| Insurance | **2.2** | 1.6 |
| Professional services | **1.2** | 0.9 |
| Other | **1.5** | 1.0 |
| **Administrative expenses before exceptional items and amortisation of intangible assets** | **87.6** | 80.1 |
| Exceptional items | **3.5** | 1.3 |
| Amortisation of intangible assets | **12.6** | 10.8 |
| **Exceptional items and amortisation of intangible assets** | **16.1** | 12.1 |
| **Administrative expenses** | **103.7** | 92.2 |

* The prior period is restated for the effects of the discontinued operations (see note 10).

## b) Exceptional items

Exceptional items in the year ended 30 September 2023 of £3.5m represents £2.0m of non-trade legal and professional fees relating to ongoing litigation and £1.5m of redundancy costs as a result of the consolidation of certain Group functions between OTB and CCH.

Total exceptional items for the year ended 30 September 2022 includes £2.6m due to the impact of travel disruption, £1.3m relates to exceptional cancellations, other exceptional operating costs of £1.3m includes £2.5m of legal and professional fees incurred in the year offset by the release of £1.2m of provisions.

## c) Services provided by the Company auditor

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Audit of the parent company financial statements | **0.1** | 0.1 |
| *Amounts receivable by the Company's auditor and its associated in respect of:* | | |
| – Audit of financial statements of subsidiaries pursuant to legislation | **0.4** | 0.3 |
| – Review of interim financial statements | **–** | – |
| – Other assurance services | **–** | – |
| | **0.5** | 0.4 |

### d) Adjusted profit before tax

Management measures the overall performance of the Group by reference to adjusted profit before tax, a non-GAAP measure, as it provides comparability of the Group's performance year on year:

| | 2023 £'m | Restated* 2022 £'m |
|---|---|---|
| Profit before taxation | 12.9 | 2.2 |
| Exceptional items | 3.5 | 2.6 |
| Fair value FX losses/(gains) | 0.8 | (0.8) |
| Amortisation of acquired intangibles** | 5.2 | 5.5 |
| Share-based payments charge*** | 1.2 | 4.7 |
| **Adjusted profit before tax** | 23.6 | 14.2 |

* The prior period is restated for the effects of the discontinued operations (see note 10).

** 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 decreased to £1.2m (2022: £4.7m) as a result of a reduction in the number of awards in the year and the change in the expectations for non-market-based performance conditions. The year ending 30 September 2022 also included a catch-up charge following the introduction of an underpin/minimum award. 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:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Wages and salaries | 31.7 | 27.2 |
| Defined contribution pension cost | 1.0 | 0.7 |
| Social security costs | 3.3 | 2.9 |
| Share-based payment charge | 1.2 | 4.7 |
| | 37.2 | 35.5 |

Staff costs above include £8.8m (2022: £7.5m) employee costs capitalised as part of software development.

The share-based payment charge has decreased to £1.2m (2022: £4.7m) as a result of a reduction in the number of awards in the year and the change in the expectations for non-market based performance conditions. The year ending 30 September 2022 also included a catch-up charge following the introduction of an underpin/minimum award.

### b) Employee numbers

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

| By reportable segment: | 2023 No. | 2022 No. |
|---|---|---|
| OTB | 522 | 463 |
| CCH | 148 | 134 |
| CPH | 11 | 22 |
| | 681 | 619 |

The average monthly number of employees for the discontinued operations was four (2022: four).

### c) Directors' emoluments

The remuneration of Directors was as follows:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Aggregate emoluments | 1.8 | 1.0 |
| Defined contribution pension | 0.1 | – |
| Share-based payment charges | 0.4 | 0.8 |
| | 2.3 | 1.8 |

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

The remuneration of the highest paid Director was as follows:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Aggregate emoluments | 0.6 | 0.6 |
| Share-based payment charges | 0.3 | 0.8 |
| | 0.9 | 1.4 |

### d) Key management compensation

Key management comprised the ten members of the Executive Team (2022: eight).

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Wages and salaries | 4.2 | 5.1 |
| Short-term non-monetary benefits | 0.2 | – |
| Share-based payment charges | 1.2 | 3.4 |
| | 5.6 | 8.5 |

### e) Retirement benefits

Included in pension contributions payable by the Group of £1.0m (2022: £0.7m) is £25,800 (2022: £10,700) of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

## 8. Finance income and finance costs

### a) Finance costs

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Rolling credit facility interest/fees | 1.3 | 0.6 |
| Interest on lease liabilities | 0.2 | 0.2 |
| **Finance costs** | 1.5 | 0.8 |

### b) Finance income

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Bank interest receivable | 4.1 | 0.3 |
| **Finance income** | 4.1 | 0.3 |

## 9. Taxation

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Current tax on profit for the year | 1.6 | 0.4 |
| Adjustments in respect of prior years | (0.1) | – |
| **Total current tax** | 1.5 | 0.4 |
| | | |
| **Deferred tax on profits for the year** | | |
| Origination and reversal of temporary differences | 1.0 | 0.3 |
| Adjustments in respect of prior years | (0.2) | (0.2) |
| **Total deferred tax** | 0.8 | 0.1 |
| **Total tax charge** | 2.3 | 0.5 |

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 operations are as follows.

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Profit on ordinary activities before tax | 12.9 | 2.2 |
| | | |
| Profit on ordinary activities multiplied by a blended rate of corporation tax of 22% (2022: 19%) | 2.8 | 0.4 |
| | | |
| Effects of: | | |
| Impact of difference in current and deferred tax rates | (0.6) | (0.5) |
| Adjustments in respect of prior years | (0.3) | (0.2) |
| Expenses not deductible | 0.4 | 0.8 |
| | | |
| **Total taxation charge** | 2.3 | 0.5 |

The tax charge for the year is based on the effective rate of corporation tax for the period of 19% (2022: 25%). 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 2023 have been calculated based on this rate.

## 10. Loss from discontinued operations

On 30 September 2023, the Group made the decision to cease its current operations outside of the UK. The results of the discontinued operations are analysed below. The comparative figures have been restated to show separately the results of the discontinued operation included in that period. The 'International' segment is no longer presented in the segment note.

| | 2023<br>£'m | 2022<br>£'m |
|---|---|---|
| **Loss for the year from discontinued operations** | | |
| Revenue | **0.9** | 0.7 |
| Administrative expenses | **(1.4)** | (0.8) |
| **Loss before tax** | **(0.5)** | (0.1) |
| **Loss from discontinued operations** | **(0.5)** | (0.1) |
| **Earnings per share** | | |
| Basic EPS | **(0.3p)** | (0.1p) |
| Adjusted EPS | **(0.3p)** | (0.1p) |
| **Cash flows from discontinued operations** | | |
| Net cash flows from operating activities | **(0.5)** | (0.1) |
| Net cash flows from discontinued operations | **(0.5)** | (0.1) |

No impact on cash flows from investing or financing activities.

There are no assets relating to discontinued operations held for sale at 30 September 2023.

## 11. Earnings per share

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

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

Adjusted 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.

| Earnings per share for continuing operations | Basic weighted average number of ordinary shares (m) | Total earnings £'m | Pence per share |
|---|---|---|---|
| **Year ended 30 September 2023** | | | |
| Basic EPS | **166.5** | **10.6** | **6.4p** |
| Diluted EPS | **167.8** | **10.6** | **6.3p** |
| Adjusted basic EPS | **166.5** | **19.3** | **11.6p** |
| Adjusted diluted EPS | **167.8** | **19.3** | **11.5p** |

| | Basic weighted average number of ordinary shares (m) | Total earnings* £'m | Pence per share |
|---|---|---|---|
| **Year ended 30 September 2022** | | | |
| Basic EPS | 165.9 | 1.7 | 1.0p |
| Diluted EPS | 166.7 | 1.7 | 1.0p |
| Adjusted basic EPS | 165.9 | 10.6 | 6.4p |
| Adjusted diluted EPS | 166.7 | 10.6 | 6.4p |

* The prior period has been restated to exclude the results of discontinued operations

| Earnings per share for total operations | Basic weighted average number of Ordinary Shares (m) | Total earnings £'m | Pence per share |
|---|---|---|---|
| **Year ended 30 September 2023** | | | |
| Basic EPS | 166.5 | 10.1 | 6.1p |
| Diluted EPS | 167.8 | 10.1 | 6.0p |

| | 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 | 0.9p |
| Diluted EPS | 166.7 | 1.6 | 0.9p |

Adjusted earnings after tax is calculated using the Group's effective tax rate as follows:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Profit for the year after taxation** | **10.6** | 1.7 |
| **Adjustments (net of tax at the effective rate)*** | | |
| Exceptional items | **2.8** | 1.9 |
| Fair value FX losses/(gains) | **0.7** | (0.6) |
| Amortisation of acquired intangibles | **4.2** | 4.1 |
| Share based payment charges** | **1.0** | 3.5 |
| **Adjusted earnings after tax** | **19.3** | 10.6 |

* The effective tax rate for the year ending 30 September 2023 was 19% (2022: 25%), see note 9 for details.

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Weighted average number of shares for basic earnings per share | **166.5** | 165.9 |
| Dilution from share options | **1.3** | 0.8 |
| **Weighted average number of shares for diluted earnings per share** | **167.8** | 166.7 |

# Notes to the consolidated financial statements continued

YEAR ENDED 30 SEPTEMBER 2023

## 12. Intangible assets

| | Brand £'m | Goodwill £'m | Website and development costs £'m | Website technology £'m | Customer relationships £'m | Agent relationships £'m | Total £'m |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 October 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 |
| Additions | – | – | 12.0 | – | – | – | 12.0 |
| Disposals | – | – | (0.5) | – | – | – | (0.5) |
| **At 30 September 2023** | **35.9** | **40.2** | **42.7** | **22.8** | **2.1** | **4.4** | **148.1** |
| **Accumulated amortisation** | | | | | | | |
| At 1 October 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 |
| Charge for the year | 2.5 | – | 7.4 | 2.0 | 0.4 | 0.3 | 12.6 |
| Disposals | – | – | (0.5) | – | – | – | (0.5) |
| **At 30 September 2023** | **22.4** | **–** | **25.5** | **22.8** | **2.1** | **1.6** | **74.4** |
| **Net book amount** | | | | | | | |
| **At 30 September 2023** | **13.5** | **40.2** | **17.2** | **–** | **–** | **2.8** | **73.7** |
| **At 30 September 2022** | 16.0 | 40.2 | 12.6 | 2.0 | 0.4 | 3.1 | 74.3 |

### 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 useful economic life | Acquisition | At 30 September 2023 £'m | At 30 September 2022 £'m |
|---|---|---|---|---|
| On the Beach | 5 | On the Beach Travel Limited | **10.0** | 12.1 |
| Sunshine.co.uk | 5 | Sunshine.co.uk Limited | **0.6** | 0.7 |
| Classic Collection | 10 | Classic Collection Limited | **2.9** | 3.2 |
| | | | **13.5** | 16.0 |

## Goodwill

Goodwill acquired in a business combination is allocated on acquisition to the cash-generating unit ('CGU') that is expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| Reportable segment | CGU | Acquisition | At 30 September 2023 £'m | At 30 September 2022 £'m |
|---|---|---|---|---|
| OTB | OTB | On the Beach Travel Limited | **21.5** | 21.5 |
| OTB | OTB | 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 and a single CGU, as they are internally reported and managed as one entity. Goodwill acquired through Sunshine.co.uk has been allocated to the 'OTB' CGU. Goodwill acquired through the Classic collection acquisition has been allocated to the 'CCH' and 'CPH' CGUs.

The Group has not recognised an impairment to the goodwill for the year ending 30 September 2023 (2022: £nil).

### 'OTB' CGU

The Group performed its annual impairment test as at 30 September 2023 on the 'OTB' CGU. The recoverable amount of the CGU has been determined based on the value-in-use calculations using cash flow projections derived from financial budgets and projections covering a five-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2% (2022: 2%), 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 14.6% (2022: 13.5%).

### 'CCH' CGU

The Group performed its annual impairment test as at 30 September 2023 on the 'CCH' CGU. The recoverable amount of the CGU has been determined based on the value-in-use calculations using cash flow projections derived from financial budgets and projections covering a five-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2% (2022: 2%). 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 14.6% (2022: 13.%).

### 'CPH' CGU

The Group performed its annual impairment test as at 30 September 2023 on the 'CPH' CGU. The recoverable amount of the CGU has been determined based on the value-in-use calculations using cash flow projections derived from financial budgets and projections covering a five-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2% (2022: 2 percent). This is deemed appropriate based on the Directors' best estimate of the future prospects of the business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The discount rate applied is 14.6% (2022: 13.5%)

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 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 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 16% 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 changes in customer behaviour

The Group does not consider that any CGU has been automatically impaired as a result of either the rising cost of living or changes in customer behaviour in respect of climate related matters with booking volumes increasing for the year ending 30 September in comparison to the prior year. All CGUs remain viable long term trading 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 either of these factors. The Group is satisfied that sufficient headroom exists to support the asset value.

## Website and development costs

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

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Additions in the year relate to the development of software 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 2023 this was £0.9m (2022: £1.3m).

## 13. Tangible assets

| | Freehold property £'m | Right-of-use asset (note 17) £'m | Fixtures, fittings and equipment £'m | Total £'m |
|---|---|---|---|---|
| **Cost** | | | | |
| 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 1 October 2022 | 2.3 | 5.1 | 7.4 | 14.8 |
| Additions | – | 1.0 | 0.1 | 1.1 |
| Modification of lease | – | 0.9 | – | 0.9 |
| Disposals | – | – | (1.4) | (1.4) |
| **At 30 September 2023** | **2.3** | **7.0** | **6.1** | **15.4** |
| | | | | |
| **Accumulated deprecation** | | | | |
| 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 1 October 2022 | 0.2 | 1.7 | 3.8 | 5.7 |
| Charge for the year | 0.1 | 1.4 | 1.2 | 2.7 |
| Disposals | – | – | (1.3) | (1.3) |
| **At 30 September 2023** | **0.3** | **3.1** | **3.7** | **7.1** |
| | | | | |
| **Net book amount** | | | | |
| **At 30 September 2023** | **2.0** | **3.9** | **2.2** | **8.3** |
| | | | | |
| **At 30 September 2022** | 2.1 | 3.4 | 3.6 | 9.1 |

The depreciation expense of £2.7m for the year ended 30 September 2023 and the depreciation expense of £2.0m for the year ended 30 September 2022 have been recognised within administrative expenses.

# Notes to the consolidated financial statements continued

**YEAR ENDED 30 SEPTEMBER 2023**

## 14. Investments

The parent company, On the Beach Group plc, is incorporated in the UK and directly holds a number of subsidiaries. The registered address for each subsidiary is Aeroworks, 5 Adair Street, Manchester M1 2NQ.

The table below shows details of the wholly-owned subsidiaries of the Group.

| Subsidiary | Nature of business | Proportion of ordinary shares held by the Group |
|---|---|---|
| On the Beach Topco Limited* | Holding company | 100% |
| On The Beach Limited | Internet travel agent | 100% |
| On The Beach Beds Limited | In-house bedbank | 100% |
| On The Beach Bid Co Limited* | Holding company | 100% |
| On the Beach Travel Limited | Holding company | 100% |
| On the Beach Trustees Limited | Employee trust | 100% |
| On the Beach Holidays Limited | Dormant | 100% |
| Sunshine.co.uk Limited | Internet travel agent | 100% |
| Sunshine Abroad Limited | Dormant | 100% |
| Classic Collection Holidays Limited | Tour Operator | 100% |
| Classic Collection Aviation Limited | Transport Broker | 100% |
| Classic Collection Holiday, Travel & Leisure Limited | Dormant | 100% |
| Saxon House Properties Limited | Property Management | 100% |
| Classic Package Holidays Limited | Travel agent | 100% |

* In the prior year, the Group undertook 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 simplify 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.

## 15. Trade and other receivables

| Amounts falling due within one year: | 2023 £'m | 2022 £'m |
|---|---|---|
| Trade receivables – net | 147.4 | 100.8 |
| Other receivables and prepayments | 17.9 | 21.6 |
| | 165.3 | 122.4 |

For trade receivables, impairment analysis is performed at each reporting date to calculate the expected credit losses. The provision rates are based on historical default rates, see note 23 for details of credit risk.

Prepayments greater than one year are nil (2022: £0.6m).

For the year ended 30 September 2023, other receivables includes £1.2m receivable in respect of amounts due from airlines as a result of supplier cancellations (2022: £2.8m). Other receivables and prepayments includes £7.4m of advanced payments to suppliers, and £6.0m of rebates due from suppliers. The expected credit losses in respect to these balances is not material. Other receivables and prepayments for the year ending 30 September 2022 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.

### Expected credit losses for trade receivables

Set out below is the movement in the allowance for expected credit losses of trade receivables:

| | £'m |
|---|---|
| At 1 October 2022 | 0.5 |
| Provision for expected credit losses | 2.0 |
| Utilised in year | (1.5) |
| **At 30 September 2023** | **1.0** |

## 16. Trust account

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

## 17. Trade, other payables and provisions

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Non-current** | | |
| Lease liabilities (note 18) | 2.6 | 3.0 |
| **Current** | | |
| Trade payables | 236.4 | 158.3 |
| Accruals and other payables | 17.0 | 19.9 |
| Contract liabilities | 5.9 | 7.5 |
| Lease liabilities (note 18) | 1.9 | 0.9 |
| Provision | 0.4 | 0.3 |
| | 264.2 | 189.9 |

Accruals and other payables includes £8.6m (2022: £14.9m) for products or services received but not yet invoiced at the year-end date, £6.5m relates to amounts due to non-trade suppliers.

### Contract balances

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 for the CCH segment. 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.

A contract liability is recognised if a payment is received from a customer before the Group delivers its performance obligations. Contract liabilities are recognised as revenue when the Group delivers its performance obligations.

Set below is the amount of revenue recognised from:

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Amounts included in contract liabilities at the beginning of the year | 6.6 | 5.3 |
| Performance obligations satisfied in previous years | 0.8 | 0.2 |

### Provisions

| | Cancellations £'m | Total £'m |
|---|---|---|
| At 1 October 2022 | 0.3 | 0.3 |
| Arising during the year | 0.4 | 0.5 |
| Utilised | (0.3) | – |
| Unused amounts reversed | – | – |
| Unwinding of discount and changes in the discount rate | – | – |
| **At 30 September 2023** | 0.4 | 0.7 |
| Current | 0.4 | 0.7 |
| Non-current | – | – |

### 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 supplier disruption and customer requested cancellations.

## 18. Leases

### The Group as a lessee

The Group has leases for its head office and IT equipment, the lease term for the building is ten years and lease terms for the IT equipment are between three and five years. For the year ending 30 September 2023, the Group was subject to a rent review for the lease of the building, this resulted in the revaluation of the lease liability and a corresponding increase in the right-of-use asset. 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 13).

### Amounts recognised in profit or loss

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| Depreciation expense of right-of-use assets | **1.4** | 0.6 |
| Interest expense on lease liabilities | **0.2** | 0.2 |
| **Total amount recognised in profit or loss** | **1.6** | 0.8 |

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| As at 1 October | **3.9** | 2.9 |
| Additions | **1.0** | 1.5 |
| Modification of lease | **0.9** | – |
| Accretion of interest | **0.2** | 0.2 |
| Payments | **(1.5)** | (0.7) |
| **As at 30 September** | **4.5** | 3.9 |
| Current (note 17) | **1.9** | 0.9 |
| Non-current (note 17) | **2.6** | 3.0 |

The Group had total cash outflows for leases of £1.5m in 2023 (2022: £0.7m). The above table satisfies the requirements of IAS 7.44A to present a net debt reconciliation.

## 19. Borrowings

### Bank facility

On 7 December 2022, the Group refinanced its credit facilities with Lloyds and NatWest. This included cancelling its previous facilities of £75m with Lloyds Bank and entering into a new facility for £60m, expiring in December 2025. The purpose of the facility is to meet the day-to-day working capital requirements of the Group. At the point of refinancing there was nothing drawn down.

The total facility is £60m and has two elements as follows:

- £30m facility with Lloyds; and
- £30m facility with NatWest.

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 facility prior to 7 December 2022 included the following key financial covenants:

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

The terms of the new facility following 7 December 2022 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.

The Group did not breach the covenants during the period.

The RCF is available for other credit uses including currency hedging liabilities and corporate credit cards. At 30 September 2023, the liabilities recognised in trade and other payables for the other credit uses was £4.9m, leaving £55.1m of the Lloyds/NatWest facility available for use. Card facilities with other providers remain available for use.

The amount drawn down in cash at 30 September 2023 was £nil and there has been nothing drawn down post balance sheet date.

# Notes to the consolidated financial statements continued

YEAR ENDED 30 SEPTEMBER 2023

## 20. Deferred tax

| | Intangible assets £'m | Property, plant and equipment £'m | Share-based payments £'m | Losses and unused tax relief £'m | Tax assets/ (liabilities) £'m |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Assets | – | – | 0.4 | 6.3 | 6.7 |
| Liabilities | (4.0) | (0.1) | – | – | (4.1) |
| **Total** | **(4.0)** | **(0.1)** | **0.4** | **6.3** | **2.6** |
| **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 |

| | Intangible assets £'m | Capital allowances £'m | Acquired property £'m | Share-based payments £'m | Losses and unused tax relief £'m | Total £'m |
|---|---|---|---|---|---|---|
| 30 September 2021 | (6.3) | (0.1) | (0.2) | 0.7 | 9.5 | 3.6 |
| Recognised in income | 1.1 | – | – | 0.1 | (1.3) | (0.1) |
| Recognised in equity | – | – | – | (0.1) | – | (0.1) |
| 30 September 2022 | (5.2) | (0.1) | (0.2) | 0.7 | 8.2 | 3.4 |
| Recognised in income | 1.2 | 0.2 | – | (0.3) | (1.9) | (0.8) |
| Recognised in equity | – | – | – | – | – | – |
| **30 September 2023** | **(4.0)** | **0.1** | **(0.2)** | **0.4** | **6.3** | **2.6** |

The deferred tax asset includes an amount of £6.3m (2022: £8.2m), 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 availability of sufficient taxable temporary differences and the probability that sufficient taxable profit will be available to allow all or part of the 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 14.
- The Group has considered the approved budgeted information covering a five-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 12. 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 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.

## 21. Share capital

| Allotted, called up and fully paid | 2023 £'m | 2022 £'m |
|---|---|---|
| 166,640,480 ordinary shares @ £0.01 each (2022: 166,258,172 ordinary shares @ £0.01 each) | **1.7** | 1.7 |

The Group issued 382,308 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.

## 22. Reserves

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

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

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

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

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

## 23. Financial instruments

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

At the balance sheet date the Group held the following:

| Financial assets | FV Level | 2023 £'m | 2022 £'m |
|---|---|---|---|
| ***Derivative financial assets designated as hedging instruments*** | | | |
| Forward exchange contracts | 2 | **0.9** | 3.2 |
| ***Financial assets at amortised cost*** | | | |
| Trust account | | **108.6** | 69.4 |
| Cash at bank | | **75.8** | 64.5 |
| Trade and other receivables (note 15) | | **157.9** | 116.9 |
| **Total financial assets** | | **343.2** | 254.0 |
| **Financial liabilities** | | | |
| ***Derivatives designated as hedging instruments*** | | | |
| Forward exchange contracts | 2 | **(1.1)** | – |
| ***Financial liabilities at amortised cost*** | | | |
| Trade and other payables (note 17) | | **(263.8)** | (189.6) |
| Provisions | | **(0.4)** | (0.3) |
| **Total financial liabilities** | | **(265.3)** | (189.9) |

### 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 and NatWest Banks. The borrowing limits under the facility is £60m per month, subject to covenant compliance; at year-end nothing was drawn down on this facility (2022: £nil). For details of the revolving credit facility, see note 19.

# Notes to the consolidated financial statements continued

YEAR ENDED 30 SEPTEMBER 2023

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

| Financial assets | FV Level | 2023 £'m | 2022 £'m |
|---|---|---|---|
| Forward exchange contracts | 2 | (0.2) | 3.2 |

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 2023** | – | (0.2) | – |
| As at 30 September 2022 | – | 3.2 | – |

The forward contracts have been fair valued at 30 September 2023 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

## b) Financial risk management

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

In the course of its business, the Group is exposed to market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and technology risk. The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

## c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

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

Liquidity risk, credit risk and capital risk is considered below. The Executive Team is responsible for implementing the risk management strategy to ensure that the 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 and interest income, 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 | 2023 €'m | 2022 €'m |
|---|---|---|
| Cash | 28.5 | 12.0 |
| Trade payables | (195.6) | (137.0) |
| Trade receivables | 2.8 | 3.0 |
| Forward exchange contracts | 163.4 | 129.5 |
| **Balance sheet exposure** | (0.9) | 7.5 |

| US Dollar | 2023 $'m | 2022 $'m |
|---|---|---|
| Cash | 2.0 | 4.0 |
| Trade payables | (23.0) | (8.1) |
| Trade receivables | – | 0.3 |
| Forward exchange contracts | 21.4 | 12.7 |
| **Balance sheet exposure** | 0.4 | 8.9 |

| Swedish Krona | 2023 Kr'm | 2022 Kr'm |
|---|---|---|
| Cash | 28.8 | 25.0 |
| Trade receivables | 1.0 | 1.5 |
| Forward exchange contracts | – | – |
| **Balance sheet exposure** | 29.8 | 26.5 |

| Norwegian Krona | 2023 Kr'm | 2022 Kr'm |
|---|---|---|
| Cash | 2.1 | 2.4 |
| Trade receivables | – | – |
| Forward exchange contracts | – | – |
| **Balance sheet exposure** | 2.1 | 2.4 |

| Danish Krona | 2023 Kr'm | 2022 Kr'm |
|---|---|---|
| Cash | – | 0.1 |
| **Balance sheet exposure** | – | 0.1 |

| Moroccan Dirham | 2023 MAD'm | 2022 MAD'm |
|---|---|---|
| Cash | 1.8 | 0.2 |
| Forward exchange contracts | (3.5) | (0.9) |
| **Balance sheet exposure** | (1.7) | (0.7) |

| United Arab Emirates Dirham | 2023 AED'm | 2022 AED'm |
|---|---|---|
| Trade payables | (0.1) | – |
| **Balance sheet exposure** | (0.1) | – |

| Swiss Franc | 2023 CHF'm | 2022 CHF'm |
|---|---|---|
| Cash | 0.1 | – |
| Trade payables | – | – |
| **Balance sheet exposure** | 0.1 | – |

## Foreign currency sensitivity

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| **Euro** | | |
| Weakening – 10% | 0.9 | (1.7) |
| Strengthening – 10% | (0.9) | 1.7 |
| **US Dollar** | | |
| Weakening – 10% | – | (0.2) |
| Strengthening – 10% | – | 0.2 |
| **Swedish Krona** | | |
| Weakening – 10% | 0.2 | 0.2 |
| 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 18 months after the balance sheet date. Hedge ineffectiveness can arise from differences in timing of cash flows of the hedged item and hedging instrument, the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

As a matter of policy, the Group does not enter into derivative contracts for speculative purposes. The details of such contracts at the year-end, by currency were:

| Euro | 2023 Foreign currency €'m | 2023 Notional value £'m | 2023 Carrying amount £'m | 2022 Foreign currency €'m | 2022 Notional value £'m | 2022 Carrying amount £'m |
|---|---|---|---|---|---|---|
| **30 September** | | | | | | |
| Less than 3 months | 79.2 | 69.3 | (0.5) | 56.2 | 48.1 | 1.3 |
| 3 to 6 months | 16.8 | 14.7 | (0.1) | 11.6 | 10.0 | 0.3 |
| 6 to 12 months | 68.4 | 59.9 | 0.1 | 53.1 | 46.3 | 1.2 |
| 12+ months | 3.9 | 3.4 | – | 2.3 | 2.1 | – |
| **Total** | 168.3 | 147.3 | (0.5) | 123.2 | 106.5 | 2.8 |

| USD | 2023 Foreign currency $'m | 2023 Notional value £'m | 2023 Carrying amount £'m | 2022 Foreign currency $'m | 2022 Notional value £'m | 2022 Carrying amount £'m |
|---|---|---|---|---|---|---|
| **30 September** | | | | | | |
| Less than 3 months | 8.9 | 7.1 | 0.1 | 3.9 | 3.1 | 0.4 |
| 3 to 6 months | 6.6 | 5.3 | 0.1 | 1.8 | 1.5 | 0.1 |
| 6 to 12 months | 5.9 | 4.7 | 0.2 | 1.8 | 1.6 | – |
| 12+ months | 0.1 | 0.1 | – | – | – | – |
| **Total** | 21.5 | 17.2 | 0.4 | 7.5 | 6.2 | 0.5 |

| MAD | 2023 Foreign currency MAD 'm | 2023 Notional value £'m | 2023 Carrying amount £'m | 2022 Foreign currency MAD 'm | 2022 Notional value £'m | 2022 Carrying amount £'m |
|---|---|---|---|---|---|---|
| **30 September** | | | | | | |
| Less than 3 months | 0.9 | 0.1 | (0.1) | 0.2 | – | – |
| 3 to 6 months | 0.2 | – | – | – | – | – |
| 6 to 12 months | 0.1 | – | – | – | – | – |
| **Total** | 1.2 | 0.1 | (0.1) | 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 2023** | | | | |
| Foreign exchange forward contracts | 164.5 | (0.2) | Derivative financial instruments | (2.0) |
| **As at 30 September 2022** | | | | |
| Foreign exchange forward contracts | 112.6 | 3.2 | Derivative financial instruments | 1.3 |

# Notes to the consolidated financial statements continued

YEAR ENDED 30 SEPTEMBER 2023

## Credit risk

Credit risk refers to the risk that the 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 at the balance sheet date was:

| | Not past due £'m | Past due 0–90 days £'m | Past due >90 days £'m | Total £'m |
|---|---|---|---|---|
| **At 30 September 2023** | **146.7** | **0.4** | **0.3** | **147.4** |
| At 30 September 2022 | 100.1 | 0.7 | – | 100.8 |

The ageing of other receivables at the balance sheet date was:

| | Not past due £'m | Past due 0–90 days £'m | Past due >90 days £'m | Total £'m |
|---|---|---|---|---|
| **At 30 September 2023** | **10.5** | **–** | **–** | **10.5** |
| At 30 September 2022 | 16.1 | – | – | 16.1 |

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 £4.8m has been recognised for airline receivables past due greater than 12 months. The Group has recognised a net receivable for the expected recoverable amount in note 15.

### 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<br>At 30 September 2023 | Carrying amount £'m | Contractual cash flows £'m | Within 1 year £'m | 1 to 5 years £'m | > 5 years £'m |
|---|---|---|---|---|---|
| Trade payables | 236.4 | 236.4 | 236.4 | – | – |
| Lease liabilities | 4.5 | 4.7 | 1.8 | 2.9 | – |
| Contract liabilities | 5.9 | 5.9 | 5.9 | – | – |
| Other payables | 17.0 | 17.0 | 17.0 | – | – |
| | 263.8 | 264.0 | 261.1 | 2.9 | – |
| **At 30 September 2022** | | | | | |
| 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 |

### Capital management

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

The capital structure of the Group consists of the net cash (borrowings disclosed in note 19) and equity of the Group as disclosed in note 21.

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

## 24. Share-based payments

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

| | LTIP 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 | 2,964 | 1,617 | 4,581 |
| Granted during the year | 2,295 | – | 2,295 |
| Lapsed during the year | (547) | – | (547) |
| Exercised during the year | (129) | (226) | (355) |
| Forfeited during the year | (684) | (346) | (1,030) |
| Outstanding at the year-end | 3,899 | 1,045 | 4,944 |
| Exercisable | 186 | 351 | 537 |

### LTIP

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 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 at 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.

# Notes to the consolidated financial statements continued

YEAR ENDED 30 SEPTEMBER 2023

During the current year, the Group awarded nil-cost options to certain key employees within the business. The vesting of these awards will be subject to continued employment, however the Remuneration Committee have the ability to adjust the level of vesting as deemed appropriate.

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 (£) |
|---|---|---|---|---|---|---|---|---|---|
| 22 December 2021 (no conditions) | 435,500 | 4.630 | Nil | 0% | 3.0 | 0.73% | 0.74% | – | 4.520 |
| 22 December 2021 (no conditions) | 44,000 | 2.450 | Nil | 0% | – | 0.73% | 0.74% | – | 2.395 |
| 22 December 2021 (EBITDA dependent) | 22,000 | 2.450 | Nil | 43% | – | 0.73% | 0.74% | – | 2.395 |
| 25 February 2022 (Relative TSR dependent) | 275,591 | 2.750 | Nil | 46% | 3.0 | 1.20% | – | – | 1.710 |
| 25 February 2022 (Absolute TSR dependent) | 275,591 | 2.750 | Nil | 46% | 3.0 | 1.20% | – | – | 1.470 |
| 25 February 2022 (TTV condition dependent) | 551,183 | 2.750 | Nil | 0% | 3.0 | 1.20% | – | – | 2.749 |
| 27 July 2022 (Relative TSR dependent) | 4,883 | 2.750 | Nil | 46% | 3.0 | 1.20% | – | – | 0.717 |
| 27 July 2022 (Absolute TSR dependent) | 4,883 | 2.750 | Nil | 46% | 3.0 | 1.20% | – | – | 0.613 |
| 27 July 2022 (TTV condition dependent) | 9,766 | 2.750 | Nil | 0% | 3.0 | 1.20% | – | – | 1.156 |
| 24 February 2023 (no conditions) | 2,221,629 | 1.610 | Nil | 0% | 3.0 | 3.93% | – | – | 1.610 |
| 30 June 2023 (no conditions) | 73,274 | 0.960 | Nil | 0% | 0.5 | 4.93% | – | – | 0.960 |

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

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

There have been no new RSA or CSOP awarded in the current year. Of the 2022 RSA awards, 290,398 vested on 31 December 2022. The remaining 2022 RSA awards will vest on 31 December 2023 subject to continued employment, employee personal performance and Company performance.

| Award date | 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 (£) |
|---|---|---|---|---|---|---|---|---|---|
| 2022 RSA | 793,135 | 2.450 | Nil | N/A | 2.0 | 1.20% | – | Nil | 2.450 |
| 2022 RSA | 290,398 | 2.450 | Nil | N/A | 1.0 | 1.20% | – | Nil | 2.450 |
| 2022 RSA | 33,164 | 2.750 | Nil | N/A | 2.0 | 1.20% | – | Nil | 2.750 |
| 2022 RSA | 87,887 | 1.156 | Nil | N/A | 1.5 | 1.20% | – | Nil | 1.156 |

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

| | 2023 £'m | 2022 £'m |
|---|---|---|
| LTIP | **0.5** | 3.2 |
| RSA | **0.7** | 1.5 |
| **Total share scheme charge** | **1.2** | 4.7 |

## 25. Commitments and contingencies

### a) Capital commitments

No new capital commitments.

### b) Contingencies

In September 2010, proceedings were initiated in Ireland against On the Beach Limited by Ryanair alleging infringement of, inter alia, its intellectual property rights. The case lay dormant for over 3 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. The Court decided that Ryanair was guilty of inordinate and inexcusable delay but decided that the balance of justice lay in favour of allow the case to proceed. The legal process is ongoing but no trial date has yet been set. The amount of the claim by Ryanair is unquantified as at the date of this document. The Group expects that final resolution of the dispute might take some time.

## 26. Related party transactions

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

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

## 27. Events after the reporting period

On 31 October 2023, the High Court ruled in favour of the Group in respect of the legal claim brought against Ryanair for refunds owed by Ryanair to the Group for flights that had been cancelled or had been subject to a major change where customers had chosen a refund, the Group was awarded £2m plus costs which was received on 4 December 2023. This is a non-adjusting post balance sheet event and therefore no accounting entries have been recognised in the current year.

# Company Balance Sheet

## YEAR ENDED 30 SEPTEMBER 2023

| | Note | 2023 £'m | 2022 £'m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 4 | 163.4 | 163.4 |
| Deferred tax | | – | 1.0 |
| **Current assets** | | | |
| Debtors | 5 | 119.9 | 122.6 |
| Cash at bank | | 0.1 | 0.1 |
| | | 120.0 | 122.7 |
| Creditors: amounts falling due within one year | 6 | (1.0) | (1.0) |
| Net assets | | 282.4 | 286.1 |
| **Equity** | | | |
| Share capital | 7 | 1.7 | 1.7 |
| Share premium | 8 | 89.6 | 89.6 |
| Merger reserve | 8 | 2.6 | 2.6 |
| Capital contribution reserve | 8 | 0.5 | 0.5 |
| Retained earnings | 8 | 188.0 | 191.7 |
| **Total equity** | | 282.4 | 286.1 |

The loss for the year ended 30 September 2023 dealt with in the financial statements of the parent company is £4.8m (2022: loss £3.9m).

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

**Jon Wormald**
Chief Financial Officer

4 December 2023

On the Beach Group plc. Reg no 09736592

# Company Statement of Changes in Equity

## YEAR ENDED 30 SEPTEMBER 2023

| | Share capital £'m | Share premium £'m | Merger reserve £'m | Capital contribution £'m | Retained earnings £'m | Total £'m |
|---|---|---|---|---|---|---|
| **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 |
| Shares issued during the year | – | – | – | – | – | – |
| Share based payment charges including tax | – | – | – | – | 1.1 | 1.1 |
| Total comprehensive loss for the year | – | – | – | – | (4.8) | (4.8) |
| **Balance at 30 September 2023** | **1.7** | **89.6** | **2.6** | **0.5** | **188.0** | **282.4** |

# 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 £100,000.

The financial information presented is at, and for, the years ended 30 September 2023 and 30 September 2022.

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 2023 dealt with in the financial statements of the parent company is £4.8m (2022: loss £3.9m).

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 principle 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. The value in use calculations use cash flow projections derived from financial budgets and projections covering a five-year period. The forecasts are then extrapolated in perpetuity based on an estimated growth rate of 2 percent (2022: 2 percent). In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A discount rate is used in such calculations was 14.6% (2022:13.5%). 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 forecast future discounted cash flows.

Details of the subsidiaries are listed in note 14 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 116 to 144.

## 3. Share-based payments

The Company recognised total charge of £1.2m (2022: £4.7m) in the year in relation to the Long-Term Incentive Plan. Details of this scheme is described in note 24 to the consolidated financial statements.

## 4. Investments

The £132,613,000 investment in subsidiary undertakings made in 2015 relates to the capital reorganisation of the Group in 2015. During the prior year, the Group undertook 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.

The Directors have performed an annual impairment review, see note 1 for details.

## 5. Debtors

| Amounts falling due within one year: | 2023 £'m | 2022 £'m |
|---|---|---|
| Amounts owed by Group undertakings | **117.4** | 121.7 |
| Prepayments | **1.4** | 0.9 |
| Deferred tax assets | **1.1** | – |
| **Total** | **119.9** | 122.6 |

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 availability of sufficient taxable temporary differences and the probability that sufficient taxable profit will be available to allow all or part of deferred tax asset to be utilised, see note 20 to the consolidated financial statements for details.

## 6. Creditors due within one year

| Amounts falling due within one year: | 2023 £'m | 2022 £'m |
|---|---|---|
| Amounts owed to Group undertakings | **–** | – |
| Accruals | **1.0** | 1.0 |
| **Total** | **1.0** | 1.0 |

## 7. Called-up share capital

| Allotted, called up and fully paid | 2023 £'m | 2022 £'m |
|---|---|---|
| 166,640,480 ordinary shares @ £0.01 each (2022: 166,258,172 ordinary shares @ £0.01 each) | **1.7** | 1.7 |
| **Total** | **1.7** | 1.7 |

The Group issued 382,308 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 contribution 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 2023 was £nil (2022: £nil).

# Glossary of Alternative Performance Measures ('APMs')

| APM | Definition | Reconciliation to closest GAAP measure |
|---|---|---|
| **Adjusted earnings per share ('EPS') for continuing operations** | 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 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 restructuring and legal and professional costs. Exceptional items for 2022 consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 and legal and professional services. 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 before tax** | Adjusted profit before tax is based on profit 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 restructuring and legal and professional costs. Exceptional items for 2022 consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 and legal and professional services. 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 after tax (£'m) | 2023 | Restated (note 10) 2022 |
|---|---|---|
| **Profit for the year** | **10.6** | 1.7 |
| Share-based payments (net of tax) | **1.0** | 3.5 |
| Exceptional items (net of tax) | **2.8** | 1.9 |
| Fair value FX losses/(gains) (net of tax) | **0.7** | (0.6) |
| Amortisation of acquired intangibles (net of tax) | **4.2** | 4.1 |
| **Adjusted profit after tax** | **19.3** | 10.6 |
| Basic weighted average number of ordinary shares (m) | **166.5** | 165.9 |
| **Adjusted EPS (p)** | **11.6** | 6.4 |

| Adjusted profit before tax (£'m) | 2023 | Restated (note 10) 2022 |
|---|---|---|
| **Profit before tax** | **12.9** | 2.2 |
| Amortisation of acquired intangibles | **5.2** | 5.5 |
| Share-based payments | **1.2** | 4.7 |
| Exceptional items | **3.5** | 2.6 |
| Fair value FX losses/(gains) | **0.8** | (0.8) |
| **Adjusted profit before tax** | **23.6** | 14.2 |

| 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.

* Costs relate to the gross costs for bookings made on an agent basis.

** Bookings where revenue has been recognised on a travelled basis as a principal.

| B2B (£'m) | 2023 | 2022 |
|---|---|---|
| CCH revenue | 58.1 | 50.5 |
| CPH revenue | 6.0 | 5.8 |
| **B2B revenue** | 64.1 | 56.3 |
| Costs* and amendments | 23.5 | 35.5 |
| Booked in previous year and travelled in year** | (20.9) | (13.7) |
| Booked but not yet travelled** | 20.0 | 8.6 |
| **B2B TTV** | 86.7 | 86.7 |

**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 restructuring costs. Exceptional items for 2022 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 EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **CCH operating loss** | (2.6) | (1.8) |
| Exceptional items | 0.2 | 0.3 |
| Share-based payment | 0.1 | – |
| Depreciation and amortisation | 0.3 | 0.3 |
| Amortisation of acquired intangibles | 1.0 | 1.1 |
| **Adjusted CCH EBITDA** | (1.0) | (0.1) |

**CCH adjusted operating loss**

CCH adjusted operating loss is based on CCH operating loss before amortisation of acquired intangibles, share-based payments and exceptional items Exceptional items consists of restructuring costs. Exceptional items for 2022 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 operating loss (£'m) | 2023 | 2022 |
|---|---|---|
| **CCH operating loss** | (2.6) | (1.8) |
| Exceptional items | 0.2 | 0.3 |
| Share-based payments | 0.1 | – |
| Amortisation of acquired intangibles | 1.0 | 1.1 |
| **CCH adjusted operating loss** | (1.3) | (0.4) |

**CCH EBITDA**

CCH EBITDA is based on CCH operating profit before depreciation and amortisation.

| CCH EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **CCH operating loss** | (2.6) | (1.8) |
| Depreciation and amortisation | 1.3 | 1.4 |
| **CCH EBITDA** | (1.3) | (0.4) |

# Glossary of Alternative Performance Measures ('APMs') 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.<br><br>* 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. 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 operating profit/(loss)** | CPH adjusted operating profit/(loss) is based on CPH operating loss 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. | 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.<br><br>* Costs relate to the gross costs for bookings made on an agent basis. | See table below |

| CCH TTV (£'m) | 2023 | 2022 |
|---|---|---|
| **Revenue** | **58.1** | 50.5 |
| Amendments | **1.5** | 10.2 |
| Booked in previous year and travelled in year* | **(20.9)** | (13.7) |
| Bookings made but not yet travelled* | **20.0** | 8.6 |
| **CCH TTV** | **58.7** | 55.6 |

| Adjusted CPH EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **CPH operating loss** | **0.1** | (0.7) |
| Depreciation and amortisation | **–** | 0.2 |
| Exceptional items | **–** | 0.4 |
| **Adjusted CPH EBITDA** | **0.1** | (0.1) |

| CPH EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **CPH operating profit/(loss)** | **0.1** | (0.7) |
| Depreciation and amortisation | **–** | 0.2 |
| **CPH EBITDA** | **0.1** | (0.5) |

| CPH adjusted gross profit (£'m) | 2023 | 2022 |
|---|---|---|
| **CPH operating profit/(loss)** | **0.1** | (0.7) |
| Exceptional items | **–** | 0.4 |
| **CPH adjusted operating profit/(loss)** | **0.1** | (0.3) |

| CPH TTV (£'m) | 2023 | 2022 |
|---|---|---|
| Revenue | **6.0** | 5.8 |
| Costs* and amendments | **22.0** | 25.3 |
| **CPH TTV** | **28.0** | 31.1 |

| 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 2023, this consists of restructuring, legal and professional costs. For 2022, this 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 Group and allow comparability to prior years. | see table below |

| Exceptional items (£'m) | 2023 | 2022 |
|---|---|---|
| Exceptional cancellations | – | 1.3 |
| Exceptional operating costs | 3.5 | 1.3 |
| **Exceptional items** | **3.5** | 2.6 |

**Group TTV**

Group 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.

** Bookings where revenue has been recognised on a travelled basis as a principal.

| Group TTV (£'m) | 2023 | Restated (note 10) 2022 |
|---|---|---|
| **Group revenue** | **170.2** | 143.4 |
| Costs* and amendments | 901.1 | 711.1 |
| Booked in previous year and travelled in year** | (20.9) | (13.7) |
| Booked but not yet travelled** | 20.0 | 8.6 |
| **Group TTV** | **1,070.4** | 849.4 |

**Group adjusted revenue**

Group adjusted revenue as an agent is revenue adjusted for the impact of fair value FX losses in 2023, for 2022, gross profit is adjusted for Covid-19 and supplier disruption offset by fair value FX gains.

| Group adjusted revenue (£'m) | 2023 | 2022 |
|---|---|---|
| **Group revenue** | **170.2** | 143.4 |
| Exceptional cancellations | – | 1.0 |
| Fair value FX losses/(gains) | 0.8 | (0.8) |
| **Group adjusted revenue** | **171.0** | 143.6 |

**Group adjusted gross profit**

Group adjusted gross profit is gross profit adjusted for the impact of fair value FX losses in 2023, for 2022, gross profit is adjusted for Covid-19 and supplier disruption offset by fair value FX gains.

| Group adjusted gross profit (£'m) | 2023 | Restated (note 10) 2022 |
|---|---|---|
| Gross profit as an agent | 106.4 | 89.1 |
| Gross profit as a principal | 7.6 | 5.8 |
| **Group gross profit** | **114.0** | 94.9 |
| Exceptional cancellations | – | 1.3 |
| Fair value FX loss/(gain) | 0.8 | (0.8) |
| **Group adjusted gross profit** | **114.8** | 95.4 |

# Glossary of Alternative Performance Measures ('APMs') continued

| APM | Definition | Reconciliation to closest GAAP measure |
|---|---|---|
| **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.<br>* Costs relate to the gross costs for bookings made on an agent basis.<br>** Bookings where revenue has been recognised on a travelled basis as a principal. | See table below |
| **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 restructuring and legal and professional costs. Exceptional items for 2022 consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 and legal and professional services. 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 revenue** | OTB adjusted revenue is revenue adjusted for the impact of fair value FX losses in 2023, for 2022, gross profit is adjusted for Covid-19 and supplier disruption offset by fair value FX gains. 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 |

| Long haul TTV (£'m) | 2023 | 2022 |
|---|---|---|
| **Group revenue** | **170.2** | 143.4 |
| Costs* and amendments | **901.1** | 711.1 |
| Booked in previous year and travelled in year** | **(20.9)** | (13.7) |
| Booked but not yet travelled** | **20.0** | 8.6 |
| Short haul TTV | **(988.3)** | (795.9) |
| **Long haul TTV** | **82.1** | 53.5 |

| OTB adjusted EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **OTB operating profit** | **12.8** | 5.2 |
| Exceptional items | **3.3** | 1.9 |
| Fair value FX losses/(gains) | **0.8** | (0.8) |
| Share-based payments | **1.1** | 4.7 |
| Depreciation and amortisation | **9.9** | 6.7 |
| Amortisation of acquired intangibles | **4.2** | 4.4 |
| **OTB adjusted EBITDA** | **32.1** | 22.1 |

| OTB adjusted revenue (£'m) | 2023 | 2022 |
|---|---|---|
| **OTB revenue** | **106.1** | 87.1 |
| Exceptional cancellations | **–** | 0.6 |
| Fair value FX losses/gains | **0.8** | (0.8) |
| **OTB adjusted revenue** | **106.9** | 86.9 |

| APM | Definition | Reconciliation to closest GAAP measure |
|---|---|---|
| **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 restructuring and legal and professional costs. Exceptional items for 2022 consists of exceptional cancellations as a result of Covid-19 and supplier disruption in 2022 and legal and professional services. 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 marketing as % revenue** | OTB revenue after marketing cost is revenue after 'OTB' online and offline marketing costs. | see table below |
| **OTB EBITDA** | OTB EBITDA is based on OTB operating profit before depreciation and amortisation. | see table below |

| OTB adjusted operating profit (£'m) | 2023 | 2022 |
|---|---|---|
| **OTB operating profit** | **12.8** | 5.2 |
| Exceptional items | **3.3** | 1.9 |
| Fair value FX losses/gains | **0.8** | (0.8) |
| Share-based payments | **1.1** | 4.7 |
| Amortisation of acquired intangibles | **4.2** | 4.4 |
| **OTB adjusted operating profit** | **22.2** | 15.4 |

| OTB revenue after marketing cost (£'m) | 2023 | 2022 |
|---|---|---|
| **OTB revenue** | **106.1** | 87.1 |
| OTB online marketing costs | **(26.0)** | (27.0) |
| OTB offline marketing costs | **(14.6)** | (11.9) |
| **OTB adjusted revenue after marketing costs** | **65.4** | 48.2 |
| **OTB marketing as % revenue** | **38%** | 45% |

| OTB EBITDA (£'m) | 2023 | 2022 |
|---|---|---|
| **OTB operating profit** | **12.8** | 5.2 |
| Depreciation and amortisation | **14.1** | 11.1 |
| **OTB EBITDA** | **26.9** | 16.3 |

# Glossary of Alternative Performance Measures ('APMs') continued

| APM | Definition | Reconciliation to closest GAAP measure |
|---|---|---|

**OTB adjusted EBITDA as a percentage of adjusted revenue**

OTB adjusted EBITDA as a percentage of adjusted revenue is based on the OTB adjusted EBITDA divided by the revenue generated in the OTB business before the impact of exceptional cancellations. Exceptional items consists of restructuring and legal and professional costs. Exceptional items for 2022 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 by virtue of their size and in order to reflect management's view of the performance of the Segment.

| OTB adjusted EBITDA as a percentage of adjusted revenue | 2023 | 2022 |
|---|---|---|
| **Revenue (£'m)** | 106.1 | 87.1 |
| Exceptional cancellations (£'m) | – | 0.6 |
| Fair value FX losses/gains (£'m) | 0.8 | (0.8) |
| **OTB adjusted revenue (£'m)** | 106.9 | 86.9 |
| OTB adjusted EBITDA (£'m) | 32.1 | 22.1 |
| **OTB adjusted EBITDA as a percentage of adjusted revenue** | 30% | 25% |

**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) | 2023 | 2022 |
|---|---|---|
| **OTB revenue** | 106.1 | 87.1 |
| Costs* and amendments | 877.6 | 675.6 |
| **OTB TTV** | 983.7 | 762.7 |

**Overheads % revenue**

Overheads as a percentage of revenue is based on the OTB revenue divided by the overheads for OTB. OTB overheads is the administrative expenses excluding the depreciation and amortisation.

| Overheads % revenue | 2023 | 2022 |
|---|---|---|
| OTB revenue (£'m) | 106.1 | 86.9 |
| Overheads (£'m) | (32.3) | (25.9) |
| **Overheads % revenue** | 31% | 30% |

**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 % TTV | 2023 | 2022 |
|---|---|---|
| OTB TTV (£'m) | 983.7 | 762.7 |
| Overheads (£'m) | (32.3) | (25.9) |
| **Overheads % TTV** | 3.3% | 3.4% |

# Shareholder information

## Registered Office

5 Adair Street,
Manchester
M1 2NQ
United Kingdom

Tel: c/o FTI Consulting on 020 3727 1000
Web: www.onthebeachgroupplc.com (Corporate)
Web: www.onthebeach.co.uk (UK)
Web: www.sunshine.co.uk (UK)
Web: www.classic-collection.co.uk (UK)
Investor relations: corporate@onthebeach.co.uk

## Cautionary statement

The purpose of this Annual Report is to provide information to the members of the Company. The Company and its Directors accept no liability to third parties in respect of this Annual Report save as would arise under English law.

This Annual Report contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'will', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates'. These forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements, including factors outside the Company's control. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

## Company Secretary

**Kirsteen Vickerstaff**
5 Adair Street,
Manchester
M1 2NQ
United Kingdom

## Corporate Brokers

**Peel Hunt LLP**
Moor House
120 London Wall
EC2Y 5ET

**Numis Securities Limited**
10 Paternoster Row
London
EC4M 7LT

## Statutory Auditors

**Ernst & Young LLP**
2 St Peter's Square
Manchester
M2 3DF

## Registrar

**Link Asset Services**
Link Group
PXS 1
Central Square
29 Wellington Street
Leeds
LS1 4DL

## Corporate solicitors

**Addleshaw Goddard LLP**
One Peter's Square
Manchester
M2 3DE

## Corporate PR advisers

**FTI Consulting**
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

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