

**30 November 2017**

**On the Beach Group plc**  
("On the Beach", the "Company" or the "Group")

**Preliminary Results for year ended 30 September 2017 ("FY17")**

**Strong second half revenue growth drives 33.8% increase in Group adjusted PBT**

**Financial highlights**  
**Group**

	<b>12 months to 30 September 2017</b>	<b>12 months to 30 September 2016</b>	<b>Change</b>
Group revenue	£83.6m	£71.3m	+17.2%
Group operating profit before amortisation and exceptional costs	£30.3m	£22.8m	+32.8%
Group profit before tax <sup>(1)</sup>	£21.1m	£16.9m	+24.9%
Group adjusted profit before tax <sup>(2)</sup>	£28.5m	£21.3m	+33.8%
Basic and diluted earnings per share	13.8p	11.0p	+25.4%
Adjusted proforma earnings per share <sup>(3)</sup>	17.6p	13.0p	+35.4%
Total dividend payable	2.8p	2.2p	+27.2%

**Overview**

- Group revenue increased 17.2% to £83.6m (FY16: £71.3m)
- Group adjusted profit before tax increased 33.8% to £28.5m (FY16: £21.3m)
- Strong cash conversion of 79% (FY16: 89%) – underlying operating cash conversion 88%
- Net external cash<sup>(4)</sup> at year end of £33.0m (FY16: £26.1m)
- Proposed final dividend of 1.9p per share, totalling 2.8p per share for the year (FY16: 2.2p per share), an increase of 27.2%
- On 9 May 2017 we completed the acquisition of Sunshine.co.uk Limited, an online travel agent based in the UK, for a net consideration of £12.0m (See note 3)

- (1) Group profit before tax includes the net costs associated with the recent failure of Monarch Airlines Ltd. amounting to £2.0m (FY16: £nil)
- (2) Group adjusted profit before tax is the profit before taxation excluding share based payments £0.5m (FY16: £0.1m), exceptional costs of £2.6m (FY16: £nil) and amortisation of acquired intangibles of £4.3m (FY16: £4.3m)
- (3) Adjusted proforma earnings per share is Group adjusted profit after tax<sup>(1)</sup> divided by the average number of shares in issue during the year
- (4) Net external cash is defined as cash and cash equivalents excluding the trust accounts

**UK**

- Revenue up 16.7% to £81.9m (FY16: £70.2m), up 14% like-for-like<sup>(5)</sup> and up 21% in H2
- UK operating profit increased 37.6% to £26.0m (FY16: £18.9m)
- Revenue after marketing costs up 24.7% to £44.9m (FY16: £36.0m)
- UK EBITDA up 30.3% to £32.7m (FY16: £25.1m)
- UK EBITDA as a percentage of revenue increased to 39.9% (FY16: 35.8%)

- (5) Revenue on a like for like basis is revenue excluding the acquisition of Sunshine.co.uk Limited, acquired on 9th May 2017

## International

- Revenue increased 48.0% to £1.7m (FY16: £1.1m)
- International EBITDA loss of £(2.0)m (FY16: £(1.8)m), reflecting continued investment to drive market share growth in Sweden and launch of Norway
- Online cost per unique visitor increased 15% to £1.12 (FY16: £0.98)

## Operational highlights

### UK (Excluding Sunshine.co.uk) <sup>(5)</sup>

- Daily unique visitors increased 13.6% to 66.0m (FY16: 58.1m) <sup>(6)</sup>
- Efficiencies in online marketing reduced spend as a percentage of revenue to 41.2% (FY16: 44.7%)
- Branded and free traffic increased 6.7% to 59.3% of total traffic (FY16: 55.6%)
- Directly contracted hotel product increased to 65% (FY16: 57%)
- Revenue per daily unique visitor maintained at £1.21 (FY16: £1.21) <sup>(5)</sup>

(6) For comparability, KPIs are stated excluding Sunshine.co.uk Limited which was acquired on 9 May 2017

(7) The Group now uses Google's Universal Analytics for website tracking which allows for more accurate data collection across all digital devices. Unique Visitors for the past two years have been provided on a like-for-like basis and from Universal Analytics. All future reporting will be based on Universal Analytics only

## Sunshine.co.uk

- Integration process now complete
- Sunshine's trading since acquisition is in line with expectations

## Simon Cooper, Chief Executive of On the Beach Group plc, commented:

"These results are further testament to the continued strength and flexibility of our agile business model. On the Beach has delivered a 33.8% increase in Group adjusted profit before tax, in line with market expectations and a market-leading performance for UK EBITDA as a percentage of revenue at 39.9%. Revenue growth in the International business supports our plans to launch in our third international market, Denmark, early in 2018. On the Beach continues to use its modular technology platform to innovate and deliver value and flexibility to an increasing audience of beach holidaymakers.

"In May, we completed our first significant acquisition, Sunshine.co.uk Limited, which is now fully integrated onto the OTB platform. I am pleased with the performance that has been achieved by the team both through the integration process and beyond. The Board will continue to evaluate acquisition opportunities that will both increase our scale and deliver value for shareholders.

"We remain confident in the resilience and flexibility of our business model to capitalise on any structural changes in the market. On the Beach continues to successfully build a leading position as more consumers discover the ease of use and wide choice of beach holidays that our platforms offer.

"The Board is pleased to report that current trading is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2018."

## Analyst Meeting

A meeting for analysts will be held today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD commencing at 9.30am.

## For further information:

### On the Beach Group plc

Simon Cooper, Chief Executive Officer  
Paul Meehan, Chief Financial Officer

### via FTI Consulting

### FTI Consulting

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## **About On the Beach**

With over 20% share of online sales in the short haul beach holiday market, we are one of the UK's largest online beach holiday retailers. We have significant opportunities for growth and a long-term mission to become Europe's leading online retailer of beach holidays. By using our innovative technology, low-cost base and strong customer-value proposition to provide a structural challenge to legacy tour operators and travel agents, we continue our journey to disrupt the online retail of beach holidays. Our model is customer-centric, asset light, profitable and cash generative.

**[www.onthebeachgroupplc.com](http://www.onthebeachgroupplc.com)**

### **Cautionary statement**

This announcement may contain 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 announcement and will not be updated during the year. Nothing in this announcement should be construed as a profit forecast

## Chairman's Statement

On the Beach has swiftly and effectively adapted to life as a listed company whilst maintaining the dynamism and entrepreneurial flair that has powered its continued success. During FY17 the business continued to improve its market position, generate impressive financial results, expand internationally and undertake an acquisition.

We reported last year that FY16 was a particularly challenging year for the travel industry, with terrorist attacks, the corporate failure of a large budget tour operator and the impact of the UK's vote to leave the European Union ("Brexit"). FY17 also brought its difficulties including further terrorist attacks and unpredictability caused by the uncertainties arising from Brexit, such as currency fluctuation. The extent of these challenges was evidenced at the commencement of FY18 when Monarch Airlines Limited went into administration. Despite this difficult and unstable trading backdrop, On the Beach's agility, cutting edge technology and focused approach enabled it to deliver Group Adjusted Profit Before Tax performance towards the upper end of expectations of £28.5m, up 33.8% on the prior year. At the same time, Group Adjusted Proforma EPS of 17.6p was up 35.4% on the prior year. Given the headwinds facing the travel industry, I would like to praise and thank Simon Cooper and his team for this admirable performance.

At the year-end, On the Beach's balance sheet was strong with net external cash balances of £33.0m and the Board is pleased to declare a final dividend of 1.9p per share, totalling 2.8p per share for the year, an increase of 27.2%.

On the Beach is committed to investing in its people, technology and brand. The Group recognises the importance of recruiting, developing and retaining its talent and adapts its HR strategies to optimise employee satisfaction, recruitment and retention. To support our continued ability to out-innovate the market and attract and retain top talent, we are actively considering the potential relocation of our head office within the Greater Manchester area, together with reviewing our reward mechanisms for top performers. On the Beach's cutting edge technology means it can continue to enhance its product offering and improve its rate of conversion throughout the customer journey and it is also scalable, meaning it can support the significant growth generated by the business. Investment into the On the Beach brand, including online and offline marketing, means it is now one of the most visible online beach holiday brands. This has resulted in consumers having more trust and confidence in the brand; something that is highly valuable during uncertain and unstable times in the travel industry. The marketing investment has delivered growth and means that On the Beach is well-placed to benefit from the continuing structural shifts in both the travel market and wider consumer behaviour.

The Board is committed to delivering both top and bottom line growth. Where circumstances are volatile, the business reviews its marketing spend to ensure it is effective and avoids chasing unprofitable bookings. UK revenue growth for FY17 was up 16.7% on the back of a strong H2 performance, where growth was 26%. Excluding the acquisition of Sunshine.co.uk Limited ("Sunshine"), UK revenue growth for the year was 14% ahead of prior year, with an H2 performance up 21%.

The Board evaluates acquisition opportunities that are both strategic and earnings enhancing. Following the acquisition of Sunshine on 9 May 2017, I am delighted to report that the business has performed in line with expectations since the acquisition and that the integration is now complete.

On the Beach has continued to make good progress in our international markets, with full year revenue growth of 48%. Of particular note is the significant revenue growth in H2 of 70% and that the Group's net investment in international operations is in line with expectations. This FY17 performance supports plans to launch in our third international market, Denmark, in early 2018.

On the Beach is a fast moving business that grows with purpose and momentum. During FY17, the Group has made strong progress delivering material growth in both the UK and international markets and undertaken the Sunshine acquisition in its stride. Across every facet of the business, talented employees are working hard to develop the business further and granular attention to detail is evident across all functions, with the customer remaining at the core of everything the business does. This customer centric approach means that the business is innovative in nature and I am excited by the opportunities that will be explored over the next few years. The team is focused on delivering excellent value beach holidays that meet the individual demands of a wide range of customers. Their capabilities, passion and commitment is apparent and on behalf of the Board I would like to thank all my colleagues within On the Beach for their hard work, efforts, dedication and continued support.

The Board has a wide range of responsibilities and I would like to thank my fellow non-executive directors, Lee Ginsberg and David Kelly, for their continual contribution and support. The Board works effectively as a team with the appropriate combination of examination, control, challenge, support and encouragement of the Executive Directors from the Non-Executive Directors. The Board carefully reviews ongoing trading performance, agrees upon the Group's future strategic direction, monitors risk and control processes and ensures that corporate governance is appropriately managed. During the year, we undertook an evaluation of the directors and the functioning of the Board and its committees. This demonstrated that the Board has the appropriate balance of skills, experience and perspectives on the Board, which operates effectually and is properly engaged.

The Board remains committed to profitable growth and the delivery of long-term value for our shareholders. The performance in FY17 was pleasing and provided good momentum for FY18.

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. The low cost carrier summer 2018 seat release came earlier than last year and in part helped to offset the disruption caused by the Monarch Airlines Limited failure and repeated flight cancellations borne out of air traffic control and pilot strikes. The Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2018.

The Board will provide a further update on trading at our AGM on 8 February 2018

The business continues to invest across the organisation – in its people, technology and brand. On the Beach's strategic direction centres around the delivery of profitable market share growth through the provision of an excellent value proposition, exceptional performance, increasing customer retention, the attraction of new customers, controlling overheads and expanding the territories in which we operate. We will continue to grow organically (both in the UK and in international markets) as well as through properly evaluated acquisitions.

The Board recognises that world events can impact the backdrop within which On the Beach operates. The last two financial years have demonstrated the agility and resilient nature of the business. The Group has performed well, has invested smartly and is well-positioned to face the future with confidence. As a result, I remain excited about On the Beach's future and look forward to the continued development of the business. As a Board, we remain confident about our prospects and that our strategy and business plan will allow On the Beach to continue to grow and create value for our shareholders.

Our AGM will be held at 11am on 8 February 2018 at the Company's headquarters at Park Square, Bird Hall Lane, Cheadle, SK3 0XN. I look forward to welcoming shareholders.

**Richard Segal**  
**Chairman**

## **Chief Executive's Report**

### **Summary of Operating Performance**

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

We have continued to grow market share, with daily unique visitors to site in the UK increasing 13.6% year-on-year (YOY). We have focused on driving this share growth efficiently with improvements to our bespoke bid management capability driving online marketing spend as a percentage of revenue down 8% to 41.2% (2016: 44.7%) and our revenue after marketing costs increased 24.7% to £44.9m (2016: £36.0m). Our continued growth has been delivered by executing a simple strategy to optimise our customer proposition to increase conversion and improve margin while driving an efficient increase in our market traffic share providing further evidence of our ability to gain market share from traditional tour operators and other online travel agents (OTA's).

### **Growth**

Growth has come as a result of:

- Driving an efficient increase in our share of market, while investment into our brand has also increased awareness. Daily unique visitors increased 13.6% with revenue after marketing costs increasing 21%, and with a different profile of offline investment across the course of the year our prompted brand awareness at the end of summer was 46% (FY16: 34%).
- Optimisation and personalisation of our market-leading multi-device customer proposition driving an increase in both the number of unique visitors, and the revenue per unique visitor. Smartphone bookings have increased 44% YOY.
- Increasing engagement by encouraging visitor login with logged in users up 40% YOY
- Increasing the directness of our relationships with end suppliers to achieve 65% of hotels sourced directly.
- Continuing to provide the highest possible level of customer service by investing in our service staff and function to increase repeat purchase volumes by 29% YOY.
- Driving an increasing proportion of sales into exclusive product whilst maintaining our lean cost base and risk-free model.
- Investing to increase our market share in a cost-effective manner in Sweden and Norway with plans to extend this further under our eBeach brand into Denmark in early 2018.
- The acquisition of Sunshine.co.uk Limited, which supports our strategic goal to drive an efficient increase in market share.

### **Market**

We believe that overall demand for short haul beach holidays was flat on the previous year but that a continued growth in online penetration resulted in growth in our addressable market. As one of the most visible online beach holiday brands we remain well-placed to benefit from this ongoing structural shift in consumer behaviour.

We have observed the following market trends:

- Acts of terrorism in Egypt, Tunisia and Turkey in 2015 drove demand from the Eastern to Western Mediterranean and this demand for destinations in the Western Mediterranean remained stronger throughout 2017.

- The reprogramming of flight capacity out of the Eastern Mediterranean led to flight overcapacity into the Western Mediterranean and a continued mismatch between flight capacity and bed capacity.
- Average flight seat prices into the Western Mediterranean fell once again because of the supply / demand imbalance and this helped to offset any increase in basket values borne out of the weakness of sterling.
- Tour operators hedged a proportion of their summer 2017 currency before Brexit and held a significant advantage in the early sales period (October 2016 – March 2017).
- Following the early sell out prior to summer 2016, Western Mediterranean hoteliers removed peak season early booking discounts in summer 2017 to slow intake and as a result, there was strong availability and demand in the run into summer 2017.
- The terrorist attack in Barcelona in the middle of August 2017 led to a slowdown in short lead time bookings for Spanish destinations but demand for forward bookings remains strong.

### **Investment in Brand**

We have continued to invest in an efficient multi-channel approach supported by our sophisticated bid management capability (which optimises the value gained from our multi-channel marketing spend) and this in turn has allowed us to continue to take share of market traffic, with increasing efficiency. The auction dynamics, which improved immediately after the Low Cost Travel Group's administration in July 2016, remained relatively benign throughout FY17 with transient periods of aggressive spending by a range of competitors.

Our brand continued to strengthen, supported by our investment into a fully national offline marketing activity and sponsorship of the ITV show Benidorm. We completed the internal build of an econometric model to allow us to monitor the effectiveness of our offline marketing spend and are well advanced with our planning for our largest ever campaign from December 2017. In the three years since we have launched iPhone, iPad and Android apps, we have achieved c.1 million downloads and an increasing percentage of traffic and bookings via our apps. We have also invested to build booking management capabilities into our apps so that customers can interact with us via the app throughout the period before, during and after their holidays.

### **Investment in People**

In January we welcomed our new CFO Paul Meehan. Paul has integrated into the business well and has built strong relationships both internally and externally.

We have increased our investment to multi-skill our customer-facing staff to ensure that we can provide an even higher level of customer support for all of our valued customers. We are delighted that our Net Promoter Scores have been maintained and that our repeat purchase rates continued to increase significantly through FY17. Our dedicated teams have helped to minimise the effect of the Monarch Airlines Limited failure as well as the impact of air traffic and pilot strikes on our valued customers.

The Group has continued to invest into its digital capabilities to support our continued ability to out-innovate the market and attract and retain the best talent. We are also reviewing potential locations within Greater Manchester for our head office, and we are implementing long term incentive plans for top performing talent. To support our drive to a more exclusive supply position we are also investing into our service and supply functions whilst ensuring that our scalable business model continues to allow us to leverage our cost base by reducing fixed and variable costs as a percentage of revenue.

## **Investment in Product**

We have been able to drive growth in our direct contracting function, building on the strong foundations which were put in place in previous years and delivering 65% of total hotel buying through in house capability, with significant incremental margin contribution. The increasing proportion of directly contracted product has continued to support the improved customer satisfaction scores as complaint ratios on directly contracted product are significantly lower than third party sourced product.

Our continued focus to strengthen our relationships with key overseas suppliers is giving us increased access to exclusive rates, ring-fenced capacity and OTA exclusivity while maintaining our no risk, lightweight business model. In FY17 more than 20% of our hotel product was contracted on an exclusive basis with us delivering significant incremental volume for our key partners and our focus will be to continue to build on this base throughout 2018. During the course of 2016 we built the capabilities internally to allow us to support an in-house programme of flying. Against the backdrop of overcapacity into destinations in the Western Mediterranean we reduced the in-house programme and focused our attentions on innovative solutions to deliver incremental revenue for strategic partner airlines. We continue to monitor capacity at a route level and will scale our in-house programme if we believe the market conditions will allow.

We have also invested significantly in our search technologies to support our strategic objective to drive an increasing proportion of differentiated flight and hotel product and to allow us to build innovative search tools for customers who are destination agnostic.

## **International**

After a slow start to FY17 where revenue growth was impacted by the tour operator currency hedge, we have achieved full year revenue growth in line with our expectations by delivering a strengthening performance in the second half of the year with significant gains in market traffic, a reduction in acquisition costs and an improvement in awareness of our brand. Our target in Sweden will now be to deliver a breakeven performance within the next financial year and to continue to build a presence in Norway in our second full year. As a result of the improvements in Sweden we will be launching our third international site in Denmark in early 2018.

## **Strategy and Growth**

Our strategy continues to be the Group's vision to be Europe's leading online retailer of beach holidays.

On the Beach has delivered significant growth within a growing market over the last three years by evolving a strategy based around the following principles:

1. Out-innovating through agility and investment in talent and technology
2. Driving an efficient increase in market share
3. Optimising and personalising our multi-device customer proposition
4. Leveraging increased revenue through direct and differentiated supply
5. Expanding our model into new source markets and products

### **Our key strategic pillars for FY18 remain as:**

1. Out-innovating through agility and investment in talent and technology
  - Continuing to invest in our people and our platform which allows us to innovate at an increasing pace and in doing so, stay ahead of the competition



- Introducing company-wide values based on innovation, simplicity, communication, respect and great customer experience
- Reviewing the location of our headquarters and reward schemes to ensure we are well placed to attract and retain the best talent

## 2. Driving an efficient increase in market share

- Investing in an efficient multi-channel approach supported by our sophisticated bid management capability
- Increasing investment offline in conjunction with econometric modelling capability to strengthen brand awareness and to ensure marketing investment is efficient
- Driving performance improvements in Sunshine and reinvesting a proportion of these synergies to drive increased online visibility
- Seeking further value-enhancing merger and acquisition opportunities

## 3. Optimising and personalising our multi-device customer proposition:

- Driving an increasingly simplified customer experience across multiple devices by continually testing changes to the website versus a control to increase conversion
- Encouraging login and showing the most relevant product to all site visitors on all devices at the earliest possible opportunity
- Building a multifunctional app to engage directly with users and provide a higher standard of service in an efficient manner

## 4. Leveraging increased revenue through direct and differentiated supply

- Building a programme of direct and differentiated supply to leverage margin and gain market share
- Building our in-house capability to increase visibility of differentiated product
- Differentiating an exclusive product offering through innovative and attractive customer and supplier payment terms

## 5. Expanding our model into new source markets and products:

- Leveraging core capabilities to expand internationally, delivering improvements to key drivers of conversion, cost per unique visitor and branded share of traffic
- Driving positive returns with a significant market share in Sweden
- Rolling out fully formed proposition into further source markets
- Expanding our long haul offering to monetise existing search volumes
- Building tools to inspire customers who are destination agnostic

## **Current trading and outlook**

The first quarter of our financial year (calendar Q4) is historically the quietest trading period for the Group. The low cost carrier summer 2018 seat release came earlier than last year and in part helped to offset the disruption caused by the Monarch Airlines Limited failure and repeated flight cancellations borne out of air traffic control and pilot strikes. On many of the routes from regional departure points where Monarch had a higher proportion of the flight capacity we are already seeing replacement capacity being positioned. In calendar Q4 last year sales for summer 2017 were impacted by the tour operator currency hedge and the Western Mediterranean hotel price inflation. Neither of these headwinds have been prevalent in the start to FY18. In addition to this, consumer appetite for and capacity travelling to destinations in the Eastern Mediterranean are strongly up year on year and against this backdrop the Board is pleased to report that current performance is in line with expectations and believes the business is well positioned for the key trading period that commences in late December and continues into Q1 2018.

The Board will provide a further update on trading at our AGM on 8 February 2018

**Simon Cooper**  
**Chief Executive Officer**

## Financial Review

### Chief Financial Officer's report

The Group organises its operations into two principal financial reporting segments, being UK (the "UK Segment") (the Group's established market) and International (the "International Segment") (the Group's new markets). For FY17, the UK segment includes the performance of Sunshine.co.uk from the date of acquisition, 9<sup>th</sup> May 2017. In each of the UK Segment and the International Segment, the Group offers dynamically packaged holidays but with options to book single element products such as flights or hotels.

### UK Segment performance

UK Segment performance	FY17 £m	FY16 £m	Change %
Revenue	81.9	70.2	16.7%
Revenue after marketing costs	44.9	36.0	24.7%
Variable costs	(4.9)	(4.3)	
Fixed costs	(6.2)	(6.0)	
Holding Company Costs	(1.1)	(0.6)	
Depreciation and amortisation <sup>(1)</sup>	(2.4)	(2.0)	
EBIT	30.3	23.1	31.2%
EBITDA	32.7	25.1	30.3%
EBITDA % revenue	39.9%	35.8%	

(1) Excludes amortisation of acquired brand and website technology intangible assets of £4.3m (2016: £4.3m)

### Revenue and marketing costs

Revenue increased by 16.7% to £81.9m (FY16: £70.2m). On a like for like basis<sup>2</sup>, revenue increased by 14.0% to £80.0m (FY16: £70.2m) with strong growth in the second half of the year of 21%. Revenue per daily unique visitor was maintained at £1.21 (2016 £1.21)<sup>3</sup> and revenue per booking was 2.5% higher at £179.6 per booking (FY16: £175.1)<sup>3</sup>. This was largely due to further strengthening and increasing the directness in our relationships with our suppliers through the volume of in-house accommodation bookings which increased to 64% (FY16: 57%)<sup>3</sup>.

Marketing expenses (excluding offline) for the year to 30 September 2017 as a percentage of revenue decreased to 41.2% (FY16: 44.7%)<sup>3</sup> with total spend of £32.9m (FY16: £31.4m)<sup>3</sup> driving an efficient increase in our share as we continue to invest in the sophistication of our in house bid tools. We have again increased spending in the year on offline TV advertising campaigns to £3.5m (FY16: £2.8m). Our continuation of a full national campaign together with our sponsorship of the ITV Benidorm programme for the first time, to drive greater brand awareness.

(2) Revenue on a like for like basis is revenue excluding the acquisition of Sunshine.co.uk Limited, acquired on 9th May 2017

(3) UK only excluding Sunshine.co.uk

### EBITDA

We continue to leverage our lightweight cost base and as a result there has been a further fall in costs as a percentage of revenue:

Overheads as % Revenue	FY17 %	FY16 %
Variable costs % revenue	6.0%	6.1%
Fixed costs % revenue	7.6%	8.5%
Holding Company costs % revenue	1.3%	0.9%
Total	14.9%	15.5%

Variable costs, which comprise mainly of contact centre wages and credit card fees, are closely linked to booking volumes and continue to improve from IT developments and in the ability for Customers to manage their bookings more effectively online, to 6.0% of revenue (FY16: 6.1%). Continued operational leverage and the revenue benefit of direct relationships reduced overhead costs as a percentage of revenue to 7.6% (FY16: 8.5%).

Holding company costs have increased in the year by £0.5m to £1.1m (FY16: £0.6m) due to share based payment charges of £0.5m (FY16: £0.1m).

EBITDA of £32.7m (FY16: £25.1m) increased by 30.3% and EBITDA as a percentage of revenue increased from 35.8% to 39.9%. The closest GAAP equivalent measure to EBITDA is UK operating profit which increased by 37.6% to £26.0m (FY15: £18.9m).

### International Segment performance

	FY17 £m	FY16 £m	Change
Revenue	1.7	1.1	48.0%
Revenue after marketing costs	(1.6)	(1.4)	
Variable costs	(0.2)	(0.2)	
Fixed costs	(0.2)	(0.2)	
Depreciation and amortisation	(0.2)	(0.1)	
EBIT	(2.2)	(1.9)	
EBITDA	(2.0)	(1.8)	

In addition to the international platform in Sweden, operating under the 'www.ebeach.se' domain and launched early in 2015, the Group also launched a further international platform in Norway in H1 FY17, operating under the 'www.ebeach.no' domain.

Losses are derived almost entirely from the marketing investment required to drive branded awareness and share of traffic which will in turn improve efficiency. The closest GAAP equivalent measure to EBITDA is operating loss which increased to £(2.2)m (2016: £(1.9)m).

### Adjusted profit before tax

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

Adjusted profit before tax	FY17 £m	FY16 £m	Change %
Group profit before taxation	21.1	16.9	24.9%
Amortisation of acquired intangibles	4.3	4.3	
Share Based Payments	0.5	0.1	
Exceptional Costs	2.6	-	
Adjusted profit before tax	28.5	21.3	33.8%

### Finance costs

The finance cost for the year was £(0.1)m (FY16: £0.1m). During the year, the Group extended its revolving credit facility from £30 million up to £35 million to cover the increased seasonal working capital requirements as a result of the acquisition of Sunshine.co.uk, but with strong cash management the maximum drawdown during the year was £22.0m.

## Share based payments

The Group implemented a long term incentive plan in May 2016 as detailed in the remuneration report. Further options under the scheme were granted in May 2017. In accordance with IFRS2, the Group has recognised a non-cash charge of £0.5m (FY16: £0.1m).

## Exceptional items

Exceptional items for the year to 30 September 2017 were £2.6m (FY16: £ nil). These costs relate to deal costs in relation to the acquisition of Sunshine.co.uk.Limited amounting to £0.6m (FY16: £nil) and the net cost associated with the recent failure of Monarch Airlines Ltd. amounting to £2.0m (FY16: £nil). This represents the expected one-off costs associated with helping customers to organise alternative travel arrangements or providing refunds following the failure of the airline and is stated net of the anticipated claim of £5.0m, under the Scheduled Airline Failure Insurance policy or chargeback.

## Taxation

The Group tax charge of £3.1m represents an adjusted effective tax rate <sup>(1)</sup> of 12.0% (FY16: 12.5%) which was lower than the standard UK rate of 19% (FY16: 20.0%). In 2017 this was affected by a deferred tax credit of £0.6m (FY16: £0.9m) released in line with the amortisation of £4.3m on the valuation of acquired intangibles, together with a credit of £1.1m (FY16: £nil) in respect of the settlement of Advance Thin Capitalisation Agreements from FY14 and FY15.

(1) Adjusted effective tax rate is calculated as taxation charge divided by adjusted profit before tax and exceptional items.

## Earnings per share

Basic earnings per share, calculated for the current and comparative period, is based on the weighted average number of shares in issue and has improved by 25.4% to 13.8 pence in FY17 (FY16: 11.0 pence).

The adjusted proforma basic earnings per share based on adjusted earnings increased 35.4% to 17.6 pence (FY16: 13.0 pence). The table below shows the adjustment from actual earnings:

Earnings per Share	FY17 £m	FY16 £m	Change %
Profit for the year	18.0	14.3	25.9%
Add back:			
Share based payments (net of tax)	0.4	0.1	
Exceptional costs (net of tax)	2.2	-	
Amortisation of acquired intangibles	4.3	4.3	
Deferred tax asset on acquired intangibles	(0.9)	(1.8)	
Prior year tax adjustment	(1.1)	-	
Adjusted profit for the year	22.9	16.9	35.5%
Number of ordinary shares in issue at year end; assumed to be outstanding for the full year and comparative period (millions)	130.4	130.4	
Adjusted proforma earnings per share (pence)	17.6	13.0	35.4%

## Cash flow and net debt

The Group continues to see strong cash generation with adjusted operating cash flows 17.6% higher at £24.6m (FY16: £21.0m), resulting in cash conversion of 79% (FY16: 89%).

Excluding the working capital movement resulting from the acquisition of Sunshine.co.uk. Ltd. and the provision for exceptional costs at year end, underlying operating cash conversion is 88%.

<b>Cashflow and Net Debt</b>	<b>FY17 £m</b>	<b>FY16 £m</b>	<b>Change %</b>
EBITDA excluding Share based payment charges	31.2	23.4	31.8%
Capitalised development spend	(2.7)	(2.4)	
Movement in working capital	(3.4)	0.6	
Capital expenditure	(0.5)	(0.6)	
Adjusted operating cash flow	24.6	21.0	17.1%
Operating cash conversion	79%	89%	

Net external cash at the year-end was £33.0m (2016: £26.1m).

#### **Dividend**

- The Directors are recommending a final dividend of 1.9p per share, totalling 2.8p per share for the year (FY16: 2.2p per share), an increase of 27.2%. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 8 February 2018, the dividend will be paid on 15th February 2018 to shareholders on the register of members at the close of business on 12<sup>th</sup> January 2018.

**Paul Meehan**

**Chief Financial Officer**

30 November 2017

**CONSOLIDATED INCOME STATEMENT AND  
STATEMENT OF COMPREHENSIVE INCOME**

**Year ended 30 September 2017**

		<b>2017</b>	<b>2016</b>
	Note	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	2	83,555	71,321
Administrative expenses	4	(62,407)	(54,499)
<b>Operating profit before amortisation and exceptional costs</b>		<b>30,257</b>	<b>22,793</b>
Exceptional costs	4	(2,667)	-
Amortisation of intangible assets		(6,442)	(5,971)
<b>Group operating profit</b>		<b>21,148</b>	<b>16,822</b>
Finance costs		(177)	(100)
Finance income		97	230
<b>Net finance costs/(income)</b>		<b>(80)</b>	<b>130</b>
<b>Profit before taxation</b>		<b>21,068</b>	<b>16,952</b>
Taxation	7	(3,068)	(2,645)
<b>Profit for the year</b>		<b>18,000</b>	<b>14,307</b>
Total other comprehensive income		-	-
Total comprehensive income for the year		18,000	14,307
<b>Attributable to:</b>			
Equity holders of the parent		18,000	14,307
<b>Basic and diluted earnings per share attributable to the equity Shareholders of the Company:</b>			
Basic and diluted earnings per share	6	13.8p	11.0p
Adjusted proforma earnings per share *	6	17.6p	13.0p
<b>Adjusted profit measure</b>			
Adjusted PBT (before amortisation of acquired intangibles and exceptional costs) *	4	28,515	21,315

\* This is a non GAAP measure

## CONSOLIDATED BALANCE SHEET

At 30 September 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	72,512	64,662
Property, plant and equipment	9	1,396	747
<b>Total non-current assets</b>		<b>73,908</b>	<b>65,409</b>
<b>Current assets</b>			
Trade and other receivables		56,508	29,933
Cash and cash equivalents	10	71,569	51,632
Derivative financial instruments		-	1,683
<b>Total current assets</b>		<b>128,077</b>	<b>83,248</b>
<b>Total assets</b>		<b>201,985</b>	<b>148,657</b>
<b>Equity</b>			
Share capital		1,304	1,304
Retained earnings		226,849	212,427
Capital contribution reserve		500	500
Merger reserve		(132,093)	(132,093)
<b>Total equity</b>		<b>96,560</b>	<b>82,138</b>
<b>Non-current liabilities</b>			
Deferred tax		6,441	7,007
<b>Total non-current liabilities</b>		<b>6,441</b>	<b>7,007</b>
<b>Current liabilities</b>			
Corporation tax payable		2,406	3,647
Trade and other payables		89,453	55,865
Provisions	11	7,000	-
Derivative financial instruments		125	-
<b>Total current liabilities</b>		<b>98,984</b>	<b>59,512</b>
<b>Total liabilities</b>		<b>105,425</b>	<b>66,519</b>
<b>Total equity and liabilities</b>		<b>201,985</b>	<b>148,657</b>



## CONSOLIDATED STATEMENT OF CASHFLOWS

Year ended 30 September 2017

	2017 £'000	2016 £'000
<b>Profit before taxation</b>	21,068	16,952
Adjustments for:		
Depreciation	442	397
Amortisation of intangible assets	6,442	5,971
Finance costs	177	100
Finance income	(97)	(230)
Share based payments	465	105
	<u>28,497</u>	<u>23,295</u>
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(9,589)	247
Increase in trade and other payables	10,950	1,999
Increase in trust account	(4,729)	(1,661)
	<u>(3,368)</u>	<u>585</u>
<b>Cash flows from operating activities</b>		
Cash generated from underlying operating activities	25,129	23,880
IPO costs paid	-	(3,010)
	<u>25,129</u>	<u>20,870</u>
Cash generated from operating activities	(5,110)	(2,780)
Tax paid		
<b>Net cash inflow from operating activities</b>	<u><b>20,019</b></u>	<u><b>18,090</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(475)	(617)
Purchase of intangible assets	(2,651)	(2,407)
Interest received	97	230
Acquisition of subsidiary, net of cash acquired	(5,795)	-
<b>Net cash outflow from investing activities</b>	<u><b>(8,824)</b></u>	<u><b>(2,794)</b></u>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(4,043)	-
Interest paid	(177)	(100)
	<u>(4,220)</u>	<u>(100)</u>
<b>Net cash outflow from financing activities</b>	<u><b>(4,220)</b></u>	<u><b>(100)</b></u>
Net increase in cash at bank and in hand	6,975	15,196
Cash at bank and in hand at beginning of year	26,052	10,856
<b>Cash at bank and in hand at end of year</b>	<u><b>33,027</b></u>	<u><b>26,052</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2017

	Share capital	Share premium	Merger reserve	Capital contribution reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 30 September 2015</b>	195,652	13,856	(132,093)	550	(10,239)	67,726
Capital reduction	(194,348)	(13,856)	-	(50)	208,254	-
Share based payment charges	-	-	-	-	105	105
Total comprehensive income for the year	-	-	-	-	14,307	14,307
<b>Balance at 30 September 2016</b>	<b>1,304</b>	<b>-</b>	<b>(132,093)</b>	<b>500</b>	<b>212,427</b>	<b>82,138</b>
Share based payment charges	-	-	-	-	465	465
Dividends paid during the year	-	-	-	-	(4,043)	(4,043)
Total comprehensive income for the year	-	-	-	-	18,000	18,000
<b>Balance at 30 September 2017</b>	<b>1,304</b>	<b>-</b>	<b>(132,093)</b>	<b>500</b>	<b>226,849</b>	<b>96,560</b>

### 1. Basis of preparation

On the Beach Group plc (the Company) is a company incorporated in the United Kingdom and its registered office is Park Square, Bird Hall Lane, Stockport, Cheshire, SK3 0XN. The company is listed on the London Stock Exchange. The consolidated financial statements for the year ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and were approved by the Directors of the Company on 30 November 2017 along with this preliminary announcement. The consolidated financial statements are prepared on the historical costs basis except for derivative financial instruments and certain investments measured at their fair value. The financial information set out in these preliminary announcement does not constitute the company's statutory accounts for the years ended 30 September 2017 and 2016. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course.

The auditor has reported on those accounts; their reports were i) unqualified, ii) does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The auditor has consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

### Going concern

The financial results relating to the Group have been prepared on the going concern basis. The Directors believe the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

## **New standards, amendments and interpretations**

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. The Group is currently assessing the effect of these standards on the financial statements.

### **IFRS 15 Revenue from contracts with customers (European Union effective date 1 January 2018).**

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. Our initial impact assessment of IFRS 15 included a systematic review to ensure the new standard is fully understood in advance of the effective date. Management expect there to be no material impact upon adoption of this standard on either revenue from customers or overrides from suppliers.

With respect to revenue from customer bookings, management believes adopting IFRS 15 will have no material impact because of the following: The Group's revenue is earned as an agent in consumer purchases of travel products from third party suppliers and therefore recognised on a booked basis when our performance obligations are met as per the Group's terms of business and booking conditions.

With respect to revenue from supplier overrides, management believes adopting IFRS 15 will have no material impact because of the following: For the majority, according to the override agreement, the Group's performance obligations are met and overrides are earned when the customer has either booked or travelled depending on the agreement. Therefore overrides, once agreed with suppliers, are recognised on a booked or travelled basis, in line with the agreement.

Although we do not consider there will be a material impact upon adoption of the standard. We will continue to monitor adoption in the travel industry as we progress towards the date of adoption

### **IFRS 9 Financial Instruments (European Union effective date 1 January 2018).**

The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment of financial instruments and hedge accounting.

On the basis of our initial impact assessment our view of the new standard is that we expect there to be no material impact upon adoption of this standard. The new standard represents a more principle based standard. This is not expected to impact the Groups ability to hedge account, although there will be additional disclosures required to complement its principle based approach.

### **IFRS 16 Leases (European Union effective date 1 January 2019).**

IFRS 16, "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure material leases will be reflected on the balance sheet. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. We intend to quantify the impact of the changes (if any) no later than in the Annual Report and Financial Statements for the year ended 30 September 2018.

## 2. Segmental reporting

The management team considers the reportable segments to be "Core" and "International". All segment revenue, operating profit assets and liabilities are attributable to the Group from its principal activities as an online travel agent.

Sunshine.co.uk Limited is disclosed within the "Core" segment. The 2017 numbers include transactions since acquisition.

	2017			2016		
	Core £'000	Inter- national £'000	Total £'000	Core £'000	Inter- national £'000	Total £'000
<b>Income</b>						
Revenue	81,865	1,690	83,555	70,177	1,144	71,321
<b>EBITDA (before holding company costs)</b>	33,724	(1,996)	31,728	25,599	(1,802)	23,797
Holding company costs	(1,029)	-	(1,029)	(607)	-	(607)
<b>EBITDA</b>	<b>32,695</b>	<b>(1,996)</b>	<b>30,699</b>	<b>24,992</b>	<b>(1,802)</b>	<b>23,190</b>
Depreciation and amortisation	(6,729)	(155)	(6,884)	(6,257)	(111)	(6,368)
Segment operating profit/(loss)	25,966	(2,151)	23,815	18,735	(1,913)	16,822
Exceptional	(2,667)	-	(2,667)			-
<b>Group operating profit</b>	<b>23,299</b>	<b>(2,151)</b>	<b>21,148</b>	<b>18,735</b>	<b>(1,913)</b>	<b>16,822</b>
Finance costs			(177)			(100)
Finance income			97			230
Profit before taxation			<b>21,068</b>			<b>16,952</b>
<b>Non-current assets</b>						
Goodwill	31,624	-	31,624	21,544	-	21,544
Other intangible assets	40,636	252	40,888	42,853	265	43,118
Property, plant and equipment	1,396	-	1,396	747	-	747

## 3. Business combinations

### Acquisition of Sunshine.co.uk Limited

On 9 May 2017 the Group acquired the entire share capital of Sunshine.co.uk Limited in exchange for cash and contingent consideration. The primary reason for the business combination was to increase the Groups market share.

### Asset acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	<b>Recognised values on acquisition £'000</b>
<b>Net assets acquired</b>	
Intangible assets	1,561
Property plant and equipment	616
Trade and other receivables	25,815
Cash and cash equivalents	3,205
Trade and other payables	(29,018)
Deferred tax liabilities	(259)
<b>Net identifiable assets and liabilities</b>	<u>1,920</u>
 <b>Consideration paid</b>	 £'000
Cash paid	12,980
Contingent consideration	3,000
<b>Total consideration</b>	<u>15,980</u>
Net working capital cash adjustment	(3,980)
<b>Net consideration</b>	<u>12,000</u>
 <b>Goodwill</b>	 <u>10,080</u>

Under IFRS 3 Business Combinations, the Sunshine.co.uk brand, including the domain name, has been identified as an asset separate from Goodwill with a value of £1,456,000. The recognition of the brand has resulted in a deferred tax liability of £256,000.

The Goodwill balance represents the realisation of the potential increase in market share and efficiencies as a result of economies of scale provided by the existing Group infrastructure. None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

The Board believes the acquisition will be earnings enhancing because of the Group's ability to quickly leverage its modular technology platform to deliver a market leading customer proposition, access directly sourced, higher margin product and deliver proprietary personalisation and bid management technology. The acquisition will accelerate On the Beach's growth and the compelling economic benefits of scale will create short to medium term synergies and further margin opportunity.

The fair value of the contingent consideration at acquisition amounts to £3,000,000, which is the agreed payment amount. There is one condition attached which may result in any expenses incurred being deducted from this consideration but the occurrence of this condition is considered to be remote by management.

Acquisition related costs amounting to £667,000 have been excluded from the consideration transferred and were recognised as an expense in the profit and loss account within the exceptional costs line.

The agreed purchase price for Sunshine.co.uk was £12,000,000. Excess working capital was paid upon acquisition as additional consideration.

Included in the operating profit for the period ended 30 September 2017 is £535,000 attributable to the additional business generated by Sunshine.co.uk Limited.

Had the business combination been effected as 1 October 2016, the revenue for the Group would have been £86,191,000 and the operating profit for the period would have been £22,159,000.

#### 4. Operating Profit

##### **Operating expenses**

Expenses by nature including exceptional items and impairment charges:

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Marketing	40,270	35,591
Depreciation	442	397
Staff costs	6,916	7,808
IT hosting, licences & support	1,054	878
Credit / debit card charges	2,168	1,519
Other	2,448	2,335
<b>Total administrative expenses before exceptional costs and amortisation of intangible assets</b>	<b>53,298</b>	<b>48,528</b>
Exceptional costs	2,667	-
Amortisation of intangible assets	6,442	5,971
<b>Total exceptional and cost amortisation</b>	<b>9,109</b>	<b>5,971</b>
<b>Total administrative expenses</b>	<b>62,407</b>	<b>54,499</b>

##### **Exceptional items**

Exceptional items in the period include £667,000 of costs incurred in relation to the purchase of Sunshine.co.uk Limited and a £2,000,000 provision following the failure of the Monarch Travel Group on 2nd October 2017. The £2,000,000 charge is the net of a £5,000,000 asset relating to the amounts expected to be reclaimed from insurers and a provision of £7,000,000 relating to our obligations to arrange refunds or alternative flights for our affected customers under ATOL regulations.

##### **Services provided by the company auditor**

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

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Audit of the parent company financial statements	66	90
<i>Amounts receivable by the Company's auditor and its associated in respect of:</i>		
– Audit of financial statements of subsidiaries pursuant to legislation	37	-
– Review of interim financial statements	21	3
– Other assurance services	6	-
	<b>130</b>	<b>93</b>

### **Adjusted PBT**

Management measures the overall performance of the Group by reference to Adjusted PBT, a non-GAAP measure:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	21,068	16,952
Exceptional acquisition costs	667	-
Monarch charge (net)	2,000	-
Amortisation of acquired intangibles	4,315	4,258
Share based payments charge	465	105
Adjusted PBT	<b>28,515</b>	<b>21,315</b>

## **5. Employees and Directors**

### **a) Payroll costs**

The aggregate payroll costs of these persons were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	10,063	8,618
Defined contribution pension cost	61	46
Social security costs	977	799
Share-based payment charges	465	105
	<b>11,566</b>	<b>9,568</b>

Staff costs above include £2,651,000 (2016: £2,407,000) employee costs capitalised as part of software development.

### **b) Employee numbers**

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
<i>By reportable segment:</i>		
UK	322	299
International	15	16
	<b>337</b>	<b>315</b>

## 6. Earnings per Share

Basic and diluted 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.

Adjusted pro-forma earnings per share figures are calculated by dividing adjusted earnings after tax for the year by the weighted average number of shares.

Basic and diluted earnings per share are the same as there is no difference between the basic and diluted number of shares.

	Basic weighted average number of Ordinary Shares  (m)	Total earnings  £'000	Pence per share
<b>Year ended 30 September 2017</b>			
Basic and diluted EPS	130.4	18,000	13.8p
Adjusted proforma EPS	130.4	22,946	17.6p
<b>Year ended 30 September 2016</b>			
Basic EPS	130.4	14,307	11.0p
Adjusted proforma EPS	130.4	16,922	13.0p

Adjusted earnings after tax is calculated as follows:

	2017 £'000	2016 £'000
<b>Profit for the year after taxation</b>	18,000	14,307
Exceptional acquisition costs (net of tax at 19%)	540	-
Monarch net charge (net of tax at 19%)	1,620	-
Amortisation of acquired intangibles	4,315	4,258
Share based payment charges (net of tax at 19.3%) *	375	105
Adjustments in respect of prior years	(1,063)	-
Deferred tax movements relating to amortisation of acquired intangibles	(841)	(1,748)
<b>Adjusted earnings after tax</b>	<b>22,946</b>	<b>16,922</b>

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

## 7. Taxation

	2017 £'000	2016 £'000
Current tax on profit for the year	4,957	4,318
Adjustments in respect of prior years *	(1,063)	-
<b>Total current tax</b>	<b>3,894</b>	<b>4,318</b>
<b>Deferred tax on profits for the year</b>		
Origination and reversal of temporary differences	(826)	(776)
Impact of change in tax rate	-	(897)
<b>Total deferred tax</b>	<b>(826)</b>	<b>(1,673)</b>
<b>Total tax charge</b>	<b>3,068</b>	<b>2,645</b>



The differences between the total taxation shown above the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operating are as follows. The Group earns its profits primarily in the UK therefore the rate used for taxation is the standard rate for UK corporation tax.

\* The adjustment in respect of prior years is in relation to an agreed Advanced Thin Capitalisation Agreement (ATCA) for financial years ended 30 September 2014 and 2015.

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	21,068	16,952
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19.5% (2016: 20%)	4,109	3,390
Effects of:		
Other expenses not deductible	-	152
Adjustments in respect of prior years	(1,063)	-
Effect of rate changes on current tax	22	-
Effect of rate changes on deferred tax	-	(897)
<b>Total taxation charge</b>	<b>3,068</b>	<b>2,645</b>

## 8. Intangible assets

	Brand £'000	Goodwill £'000	Website & development Costs £'000	Website technology £'000	Total £'000
<b>Cost</b>					
At 1 October 2015	30,079	21,544	5,023	22,513	79,159
Additions	-	-	2,407	-	2,407
Disposals	-	-	(3,628)	-	(3,628)
At 1 October 2016	30,079	21,544	3,802	22,513	77,938
Assets acquired on acquisition	1,456	10,080	105	-	11,641
Additions	-	-	2,651	-	2,651
At 30 September 2017	<b>31,535</b>	<b>31,624</b>	<b>6,558</b>	<b>22,513</b>	<b>92,230</b>
<b>Accumulated amortisation</b>					
At 1 October 2015	4,010	-	2,419	4,504	10,933
Charge for the year	2,005	-	1,713	2,253	5,971
Disposals	-	-	(3,628)	-	(3,628)
At 1 October 2016	6,015	-	504	6,757	13,276
Charge for the year	2,062	-	2,127	2,253	6,442
At 30 September 2017	<b>8,077</b>	<b>-</b>	<b>2,631</b>	<b>9,010</b>	<b>19,718</b>
<b>Net book amount</b>					
At 30 September 2017	<b>23,458</b>	<b>31,624</b>	<b>3,927</b>	<b>13,503</b>	<b>72,512</b>
At 30 September 2016	<b>24,064</b>	<b>21,544</b>	<b>3,298</b>	<b>15,756</b>	<b>64,662</b>

## 9. Property, plant and equipment

	Freehold property	Buildings leasehold	Fixtures, fittings and equipment	Total
Cost	£'000	£'000	£'000	£'000
At 1 October 2015	-	-	1,304	1,304
Additions	-	-	617	617
Disposals	-	-	(610)	(610)
At 1 October 2016	-	-	1,311	1,311
On Acquisition	300	299	17	616
Additions	-	-	475	475
<b>At 30 September 2017</b>	<b>300</b>	<b>299</b>	<b>1,803</b>	<b>2,402</b>
<b>Accumulated depreciation</b>				
At 1 October 2015	-	-	775	775
Charge for the year	-	-	397	397
Disposals	-	-	(608)	(608)
At 1 October 2016	-	-	564	564
Charge for the year	2	3	437	442
<b>At 30 September 2017</b>	<b>2</b>	<b>3</b>	<b>1,001</b>	<b>1,006</b>
<b>Net book amount</b>				
At 30 September 2017	<b>298</b>	<b>296</b>	<b>802</b>	<b>1,396</b>
At 30 September 2016	-	-	<b>747</b>	<b>747</b>

## 10. Cash and cash equivalents

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

	2017 £'000	2016 £'000
Cash at bank and in hand	33,027	26,052
Trust account	38,542	25,580
	<b>71,569</b>	<b>51,632</b>

## 11. Provisions

The £7,000,000 provision is in respect of the Monarch airline failure. The amount recognised is an estimate of the cost the Group will incur to fulfil its obligations to arrange refunds or alternative flights for affected customers under the ATOL regulations.

The £7,000,000 represents the gross costs incurred by the Group, of which £5,000,000 is expected to be recovered from either chargebacks or the Groups insurers.

## 12. Dividend

The Directors are recommending a final dividend of 1.9p per share, totalling 2.8p per share for the year (FY16: 2.2p per share).

### Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the nature of the risks currently faced by the Group is set out below.

- **Brexit:** As part of the Brexit negotiations, new aviation rights need to be agreed with the remaining EU member states and standalone agreements need to be reached with non-EU members. Without such a deal, planes cannot fly. Although it is considered almost inconceivable that no aviation deal will be done, there is a theoretical risk that if agreements are not reached, planes cannot fly, so the Group would be unable to offer flights to its customers which would have a catastrophic impact on the business and the whole travel industry. It is also possible that a delay in agreeing a deal could lead to low cost carriers delaying their flight releases for 2019 if the position relating to air traffic rights is not clear by summer 2018 which could result in a reduced opportunity for the Group to sell both flights and holidays. Brexit also impacts on other risks including foreign exchange risk, consumer confidence risk, and people risk.
- **Consumer confidence:** A recession or reduced economic growth can lead to reduced job security and a reduction in consumer leisure spending capacity. A weak pound makes holidays more expensive. The Brexit vote has increased this risk, as well as terrorist attacks.
- **Regulatory changes:** The Group operates in a highly regulated environment, with multiple changes in regulation due to come into force in 2018 (including the new Package Travel Directive, the General Data Protection Regulation and the Second Payment Services Directive). An incorrect application of the rules could lead to fines and / or damage the Group's reputation and there are costs to the business to comply with the new rules.
- **Security of supply:** The Group does not have relationship agreements in place with a number of airlines. The Group is currently able to use technology to access flight data and place bookings on behalf of customers. Certain airlines have sought to hinder or block the Group's access to their websites using technological, legal or other means and may do so in the future. If successful, the Group's offering may be less extensive which could have a material adverse effect on the Group's business.
- **Supplier failure:** If a supplier were to collapse this could result in significant direct and indirect costs for the Group. In the case of the failure of a major low cost carrier, this could have catastrophic consequences for the Group.
- **Competition risk:** The Group operates in a very competitive market. If competitors offer a more compelling proposition, this could have a material adverse effect on the Group's financial position and prospects.
- **Reputation risk:** The Group relies on the strength of its brand to attract customers to its website and secure bookings. Any events which give rise to adverse publicity could cause reputation damage and lead to a loss of goodwill.
- **Litigation:** The Group is one of several online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. The position remains as disclosed in our Prospectus, save that (with regard to paragraph 13.6 on page 185), OTB issued a motion to compel delivery of full and proper particulars in May 2017 and in response to this motion, Ryanair is proposing to make amendments to its original statement of claim. This has resulted in a further delay to the anticipated timescales set out in the Prospectus. Litigation is unpredictable and if Ryanair were to prevail, this could have a material impact on the Group's business.
- **System & technology risk:** A significant business interruption could impact on the Group's ability to trade and/or manage the business. The Group is exposed to risks of security breaches associated with online commerce security (e.g. loss of customer data).
- **People risk:** The Group's ability to achieve its strategic objectives is dependent on certain key personnel, plus its ability to attract and retain skilled staff.

- **Foreign exchange risk:** The Company faces transactional exposure primarily relating to the cost of acquiring accommodation. The Company's main exposure to exchange rate fluctuations is in relation to the Euro/Sterling exchange rate. This risk is managed by forward buying foreign exchange to match requirements as they are generated by customer bookings. Tour operators purchase currency in advance whereas OTAs tend to purchase currency to match orders so if the pound weakens, tour operators have an advantage over OTAs.
- **Working capital risk:** Given the seasonality of the business, cash flow is volatile which could lead to a lack of liquidity and an inability to trade. The expectation, based on the detailed budgeting process undertaken by the Company, and the working capital facility the Company has in place, is that the Company will have sufficient cash resources to meet the financing liabilities that fall due on the base case and on sensitised forecasts.
- **Tax complexity:** Due to the complexity of VAT rules in the travel industry, HMRC could disagree with the VAT treatment the Group has applied, which could result in additional unrecoverable VAT, plus interest and penalties, and the costs of litigation if we chose to challenge the decision.

## Responsibility Statement

The responsibility statement below has been prepared in connection with the Group's Annual Report & Accounts for the year ended 30 September 2017. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position, cash flows and loss of the Company and Group; and
- The management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties it faces.

This responsibility statement was approved by the Board on 30 November 2017 and is signed on its behalf by:

**Paul Meehan**  
**Chief Financial Officer**  
 30 November 2017