27 November 2019

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

PRELIMINARY RESULTS FOR YEAR ENDED 30 SEPTEMBER 2019 ("FY19")

3% GROWTH IN GROUP ADJUSTED PBT (1)

Group Overview

	2019		2018 (restated)(2)		Change	
	Adjusted(1)	GAAP	Adjusted(1)	GAAP	Adjusted(1)	GAAP
Group revenue	***£147.5m***	***£140.4m***	**£104.3m**	**£104.3m**	***41%***	**35%**
Revenue as agent	*£92.5m*	*£85.4m*	*£90.9m*	*£90.9m*	*2%*	*(6)%*
Revenue as principal	*£55.0m*	*£55.0m*	*£13.4m*	*£13.4m*	*310%*	*310%*
Group gross profit	***£99.1m***	***£92.0m***	**£92.6m**	**£92.6m**	***7%***	***(1)%***
Gross profit as agent	*£92.0m*	*£84.9m*	*£90.9m*	*£90.9m*	*1%*	*(7)%*
Gross profit as principal	*£7.1m*	*£7.1m*	*£1.7m*	*£1.7m*	*318%*	*318%*
Group profit before tax	**£34.6m**	**£19.4m**	**£33.6m**	**£26.1m**	**3%**	**(26)%**
Basic earnings per share	**21.4p**	**12.0p**	**21.2p**	**16.5p**	**1%**	**(27)%**
Total dividend payable	**3.3p**	**3.3p**	**3.3p**	**3.3p**	**-**	**-**

(1) Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the Glossary at the back of this statement. The difference of £15.2m in Group profit before tax between Adjusted and GAAP in 2019 is summarised in the table below.

(2) Restated for adoption of IFRS 15. Refer to note 2 (c).

Financial Highlights

- Group gross profit decreased 1% and Group profit before tax reduced by 26% reflecting the impact of the failure of Thomas Cook Group plc ("TCG").
- Adjusted Group gross profit (1) increased 7% to £99.1m (FY18: £92.6m) reflecting revenue growth of 1% for Onthebeach.co.uk and Sunshine.co.uk ("OTB") and a full year contribution from Classic Collection Holidays ("Classic").
- Group adjusted profit before tax (1) up 3% to £34.6m (FY18: £33.6m).
- Operating cash conversion (1) of 89% (FY18: 95%).
- Cash at Bank at year end of £54.8m (FY18: £47.3m). Excluding the impact of refunds and costs of replacement flights paid in relation to TCG failure, Cash at Bank would have been £62.0m.
- Proposed final dividend of 2.0p per share; dividend maintained at 3.3p per share for the year (FY18: 3.3p per share).

Strategic Highlights

- Launched Classic Package Holidays ("CPH") in March 2019.
- Continued to expand long haul offering and more than doubled revenues in the year.
- Key management appointments including Stefan Nordin as CTO, Adam Hansen in the newly formed role of Corporate Development Director and Oliver Garner as CEO of Classic and CPH.
- Opened new Digital HQ in central Manchester and refurbished operational HQ in Cheadle.

Thomas Cook Group plc impact

On 23 September 2019, TCG announced that it had ceased trading and entered compulsory liquidation. There was a one-off exceptional cost associated with helping customers to organise alternative travel arrangements and lost margin on cancelled bookings.

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

	2019			2018
	TCG	***Other***	***Total***	***Total***
Revenue as agent	*(£7.1m)*	-	*(£7.1m)*	-
Revenue as principal	-	-	-	-
Group revenue	***(£7.1m)***	**-**	***(£7.1m)***	**-**
Share based payments	-	*(£0.7m)*	*(£0.7m)*	*(£1.4m)*
Acquired intangibles amortisation	-	*(£5.5m)*	*(£5.5m)*	*(£4.6m)*
Other exceptional operating costs	*(£0.6m)*	*(£1.3m)*	*(£1.9m)*	*(£1.5m)*
Group overheads	**(£0.6m)**	**(£7.5m)**	**(£8.1m)**	**(£7.5m)**
Group profit before tax	**(£7.7m)**	**(£7.5m)**	**(£15.2m)**	**(£7.5m)**

The adjustment of £7.1m to revenue represents the lost revenue associated with providing refunds and the costs associated with organising alternative travel arrangements for customers. This totalled £25.6m and is stated net of a chargeback claim of £18.5m. The £0.6m of other exceptional operating costs relates to the incremental operational costs of managing the process and the loss of monies held by TCG agents.

Group revenue was up 35%, as a result of the full year contribution of Classic Collection (where revenue is reported gross, as Principal). Group Profit Before Tax was down (26%). As shown above, the impact of the failure of TCG impacted revenue by £(7.1)m and Profit Before Tax by £(7.7)m, with an adjusted Group revenue increase of 41% and an adjusted Group Profit Before Tax increase of 3%.

The exceptional impact of the TCG failure has been excluded from performance measures in this statement. A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the glossary. The Directors believe that adjusting the income statement for the impact of the TCG failure provides a fair, balanced and understandable view of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight.

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

"In what has been a difficult general economic climate with the prolonged uncertainty regarding Brexit and the related currency impacts, I am pleased with the Group's performance with significant progress made against our strategic objectives while delivering a 3% increase in Group adjusted profit before tax, in line with market expectations.

Following the failure of Thomas Cook Group plc ("TCG"), all teams across our business responded exceptionally to ensure that customers were either re-booked or refunded in the shortest possible time while maintaining high quality customer care.

We have made significant progress against our strategic objectives in the year with the launch of Classic Package Holidays, the expansion of our long haul offering and the International segment delivering strong H2 revenue growth and a full year revenue after marketing break-even performance for the first time.

The first quarter of our financial year (calendar Q4) has historically been the quietest trading period for the Group. The failure of TCG has led to a material shift in market dynamics as it had a 20% share of beach holiday passengers and approximately 20% of the seat capacity to beach holiday destinations. This has created a significant short-term lack of seat capacity as well as an unprecedented opportunity in the medium term to gain share.

Search demand has therefore been strong throughout the period following the failure albeit the loss of seat capacity has led to a supply / demand imbalance with a significant increase in flight pricing, particularly for winter 19/20 departures and for travel to Eastern Mediterranean destinations.

The Board strongly believes the correct course of action to ensure that On the Beach is best-positioned to capture market share, is to focus on price competitiveness and to increase the visibility of all of the Group's brands, with the expectation that seat supply will normalise during FY20. Whilst the consumer environment will continue to be challenging, we remain confident in the ability of our resilient and flexible business model to significantly increase our market share in the medium term."

Analyst Meeting
A meeting for analysts will be held today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD commencing at 09:45am.

For further information:

On the Beach Group plc	**via FTI Consulting**
Simon Cooper, Chief Executive Officer	
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Jonathon Brill	
Alex Beagley	
Fiona Walker	
Sam Macpherson	

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, 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

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.

CHIEF EXECUTIVE OFFICER'S REPORT

The last year has presented a challenging environment with multiple failures (most notably the collapse of TCG towards the end of the financial year), continuing uncertainty over the timing and nature of the UK's departure from the EU, and a devaluation of Sterling against the Euro.

On the Beach continues to be a dynamic, entrepreneurial and ambitious business with a flexible and resilient business model. The collapse of TCG creates an unprecedented opportunity for the Group to take additional market share at an increased rate. The Group has therefore started to strategically increase its marketing investment both online and offline to attract new customers and is well positioned across all channels.

The Group has delivered a solid performance in the year with significant progress made against strategic objectives. Key highlights include

- Driving an efficient increase in our share of market, while investment into our brand has also increased awareness with branded share of traffic at its highest ever level of 70% of overall traffic (FY18: 64%).
- Smartphone traffic is now 69% of total traffic and smartphone bookings have increased 31% year on year.
- Increasing the directness of our relationships with end suppliers to achieve in excess of 70% (FY18: 70%) 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 7% year on year.
- Driving an increasing proportion of sales into exclusive product while maintaining our lean cost base.
- Building and launching Classic Package Holidays, which supports our strategic goal to gain share of the offline market by providing third party agencies with an online portal which allows access to a wide range of value-for-money beach holiday product.
- Long haul revenues grown by more than 100% and we have directly integrated with a number of key scheduled long haul carriers.
- Significant investment in our People function, and the execution of a new people strategy to align with strategic objectives, as well as an all-employee culture survey. This will support the development of a cultural framework that ensures the link between strategy, values and culture, and which is critical to ensure long-term sustainability for stakeholders.

Market

We believe that overall demand in the year for short haul beach holidays was affected by Brexit uncertainty and general consumer confidence.

We have observed the following market trends:

- A continued return in appetite for customers to travel to destinations in the Eastern Mediterranean, most notably Turkey;
- Tour operator discounting in the lates market to fill risk capacity, which became more aggressive in the eight weeks prior to the collapse of TCG;
- A weakening of Sterling leading to a slowdown in bookings; and
- A strong finish to the year with a strengthening of Sterling and early sales for summer 2020.

Investment in Brand

We have continued to invest in an efficient multi-channel approach supported by our sophisticated bid management capability and have enhanced our cross-device attribution capability, giving us greater clarity on the return on marketing investment of multi-device traffic. The auction dynamics have remained relatively benign throughout FY19 with transient periods of aggressive spending by a range of competitors.

The increasing strength of our brand and efficiency in our online marketing activity has allowed us to increase investment into offline marketing and FY19 saw our largest ever offline campaign. We have continued to optimise our in-house econometric modelling to monitor the effectiveness of our offline marketing spend and are delighted that prompted and unprompted brand awareness are at their highest levels. We are well advanced with creative and media plans for the FY20 campaign which we expect to be our largest ever.

In the four years since launching iPhone, iPad and Android apps, we have achieved more than two million downloads and an increasing percentage of traffic and bookings come via our mobile apps. We have also invested to build booking management capabilities and reminder functionality into our apps so that customers can interact with us via the app before, during and after their holidays.

Against the backdrop of the TCG collapse at the end of the financial year we have increased our investment in brand marketing activity to ensure that we are well positioned to offer holidays to all of those affected by the failure of TCG.

Investment in People

The Group moved into its digital headquarters in the centre of Manchester in November 2018 and we have continued to accelerate the pace at which we add digital talent. The contact centre teams continue to be based in our Operational HQ in Cheadle, which was refurbished in early 2019 and fitted with 50% more desk space to support growth. We will shortly invest to refurbish the Classic office in Worthing.

In October, we welcomed our new Chief Technology Officer, Stefan Nordin, into the business and we believe his prior experience as CTO of Betsson Group will greatly assist us in our ambition to double our digital capability over the next 3-5 years. Stefan has overseen a reorganisation of the Tech and Product resource, growing the teams by approximately 50% through FY19 and providing the foundations for us to add further talent in FY20.

We have continued to invest 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 across all brands. We are delighted that complaint ratios continue to fall, Net Promoter Scores continue to improve and our repeat purchase rates have increased significantly through FY19.

We have built a team of multi-skilled agent-facing staff to support the launch and growth of the CPH brand. We have also invested to broaden the senior management team in Worthing to ensure that Classic is able to evolve its product and sales strategies.

Investment in Supply

Despite the increasing proportion of sales into Eastern Mediterranean and longer haul destinations, the investments we have made into our supply resource and technologies has helped us to deliver more than 70% of total hotel buying through direct contracting in FY19. 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.

We have continued to add resource to build our portfolio of directly contracted hotel product in existing destinations such as Greece and in support of our long haul expansion in the Caribbean, the Middle East and Indian Ocean. We have also added talent to the hotel platform technology team to ensure that we are well placed to deliver our longer term strategic objectives.

In H2 2019 almost 35% of our hotel product was contracted with some form of exclusivity with us delivering significant incremental volume for our key partners and our focus will be to continue to build on this base throughout 2020 and to convert our differentiated supply position into incremental margin. The collapse of TCG has created numerous opportunities to expand our hotel portfolio and our team of contractors are working hard to forge new partnerships with former TCG exclusives. We continue to explore opportunities to contract with partner airlines on a more strategic basis to deliver incremental revenue.

We have also continued to invest significantly in our search technologies to support our strategic objective. This drives an increasing proportion of differentiated flight and hotel product via our Holiday Finder booking path and allows us to build innovative search tools for customers who are destination agnostic.

In the aftermath of the failure of TCG, we continue to explore innovative ways to backfill the lost flight capacity to destinations where TCG had a substantial share.

International

After the failure of Primera airlines at the start of H1 and the subsequent weakness in performance in H1 we are pleased to have delivered strong growth in Sweden and Norway in H2 (+43% YOY). This growth was achieved with increasing efficiency delivering a breakeven performance in revenue post marketing spend. With a stable supply of seats across the coming year, we are confident that the progress we have made in H2 will allow us to drive significant and efficient growth in Sweden while we continue to invest in Norway.

We continue to evaluate opportunities to enter further markets outside of Scandinavia.

Strategy and Growth

The Group's vision is to build Europe's leading online beach holiday retailer via a single platform multi-brand strategy.

On the Beach continues to grow market share by evolving a strategy based on the following strategic pillars:

1. Investing in talent and technology to extend core capabilities

- Continuing to invest in our people and our platform to allow us to innovate at an increasing pace
- Investing in our People function to ensure that we drive optimum performance from a growing talent baseEvolving platform capabilities to simplify the integration of further brands
- Refreshing company-wide values

2. Driving an efficient increase in traffic through branded and direct channels

- Investing in an efficient multi-channel approach supported by our sophisticated bid management capability
- Increasing investment offline in conjunction with econometric modelling capability to strengthen brand awareness and to ensure marketing investment is efficient
- Driving performance improvements across all brands

3. Personalising our customer experience

- Driving an increasingly simplified customer experience
- Showing the most relevant product to all site visitors on all devices at the earliest possible opportunity
- Enhancing personalisation logic through data science and machine learning
- Optimising our multifunctional app to increase customer engagement

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
   - Leveraging our multi-brand capability to offer a range of distribution options to preferred partners

5. **Inspiring holidaymakers with destination agnostic search technologies**

   - Optimising destination agnostic search technologies
   - Leveraging capabilities to retail a wider range of product from a wider range of suppliers

6. **Reaching an ever wider audience of beach holidaymakers through product, channel and geographic extension**

   - Expanding our long haul offering to monetise existing search volumes
   - Growing share of B2B sales through the CPH online agent-facing portal
   - Evolving the product portfolio of the Classic luxury B2B brand
   - Leveraging our core capabilities to grow market share in Scandinavia
   - Seeking value-enhancing M&A opportunities

Board Changes

The Board appointed Richard Pennycook as Chair of the Board with effect from 1 April 2019 and we are delighted to have Richard on board.

Following Lee Ginsberg's resignation on 6 February 2019, our Senior Independent Director, David Kelly, served as Interim Chair until Richard's appointment and I thank David for fulfilling this interim role.

The Nomination Committee undertook an evaluation of the Board and its Committees and the balance of skills and experience on the Board. As a result of this exercise, the Committee concluded that it would be beneficial to recruit a further Non-Executive Director to complement the skills and experience of the current Directors and the Committee is in the process of recruiting for the vacancy.

Current trading and outlook

The first quarter of our financial year (calendar Q4) has historically been the quietest trading period for the Group. The failure of TCG has led to a material shift in market dynamics as it had a 20% share of beach holiday passengers and approximately 20% of the seat capacity to beach holiday destinations. This has created a significant short-term lack of seat capacity as well as an unprecedented opportunity in the medium term to gain share.

Search demand has therefore been strong throughout the period following the failure albeit the loss of seat capacity has led to a supply / demand imbalance with a significant increase in flight pricing, particularly for winter 19/20 departures and for travel to Eastern Mediterranean destinations.

The Board strongly believes the correct course of action to ensure that On the Beach is best-positioned to capture market share, is to focus on price competitiveness and to increase the visibility of all of the Group's brands, with the expectation that seat supply will normalise during FY20. Whilst the consumer environment will continue to be challenging, we remain confident in the ability of our resilient and flexible business model to significantly increase our market share in the medium term.

The Board will continue to evaluate internal and external opportunities that will both increase scale and deliver value for shareholders.

The Board will provide a further update on trading at our AGM on 6 February 2020.

Simon Cooper
Chief Executive Officer
27 November 2019

FINANCIAL REVIEW

The Group organises its operations into four principal financial reporting segments, being OTB (onthebeach.co.uk and sunshine.co.uk), International (ebeach.se, ebeach.no and ebeach.dk), Classic (Classic Collection Holidays) and CPH (Classic Package Holidays).

As a principal, Classic and its subsidiaries account for revenue on a "travelled" basis and therefore report revenue on a gross basis. In each of the OTB, International and CPH Segments, the Group offers dynamically packaged holidays acting as an agent rather than a principal.

The exceptional impact of the TCG failure, as described above, have been excluded from performance measures in this statement as the Directors consider this necessary to provide a true, balanced and understandable view of the performance of the Group. A full reconciliation of all non-GAAP measures to the closest equivalent GAAP measure is included in the glossary.

The Directors believe that adjusting the income statement for the impact of the TCG failure provides a clearer reflection of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight. In addition, the proximity of the TCG failure to the year end means that customers did not have the opportunity to replace package holidays that were impacted.

OTB performance

	2019 Adjusted £m	2019 GAAP £m	2018 Adjusted £m	2018 GAAP £m
Revenue	90.3	83.3	89.3	89.3
Revenue after marketing costs	55.1	48.1	52.0	52.0
Variable costs	(7.2)	(7.2)	(6.6)	(6.6)
Fixed costs	(9.7)	(9.7)	(7.5)	(7.5)
Depreciation and amortisation	(4.0)	(4.0)	(3.0)	(3.0)
Exceptional operating costs(2)	-	(1.2)	-	(1.5)
Share based payments	-	(0.7)	-	(1.4)
Amortisation of acquired intangibles	-	(4.4)	-	(4.3)
Operating profit	34.2	20.9	34.9	27.7
EBITDA(1)	38.2	29.3	37.9	35.0
EBITDA %	42%	35%	42%	39%

(1) *Denotes a non-GAAP measure. An explanation of this measure and reconciliation to the closest GAAP measure is included in the Glossary at the back of this statement*

(2) *Exceptional operating costs comprise the costs of dealing with the failure of TCG and reorganisation costs*

Performance summary

Following the TCG collapse, OTB revenue for the year was down 7% and operating profit was down 25%. The failure of TCG impacted revenue by £(7.0)m and operating profit by £(7.2)m.

Excluding the impact of TCG detailed above, and despite the challenging market, and the weakening of Sterling between May and September 2019, OTB delivered an adjusted revenue growth of 1% to £90.3m (FY18: £89.3m).

Adjusted revenue after marketing costs grew by 6% to £55.1m. Online marketing expenses as a percentage of adjusted revenue decreased to 33% (FY18: 37%) with total spend of £29.8m (FY18: £33.2m). This reflects further optimisation of our online spend together with a continued increase in the share of branded and direct traffic.

We have again increased spending in the year on offline advertising campaigns to £5.4m (FY18: £4.1m). This increased investment continues to drive greater brand awareness.

Improvements to the customer journey, including the Holiday Finder path, have been rolled out further during the year. Package holiday bookings grew by 10% YOY and now account for 88% of all bookings made on onthebeach.co.uk and sunshine.co.uk.

We have also made significant progress with expanding our long haul proposition. Long haul package holiday bookings doubled this year and we expect to continue to see expansion in this area as we integrate with more airlines and hotels in long haul destinations.

EBITDA

Overhead as % of adjusted revenue

	2019 Adjusted £m	2019 GAAP £m	2018 Adjusted £m	2018 GAAP £m
Variable costs % adjusted revenue	8%	9%	8%	8%
Fixed costs % adjusted revenue	11%	11%	8%	8%
Overheads % adjusted revenue	**19%**	**20%**	**16%**	**16%**

In spite of the market conditions leading to low revenue growth, the Group has continued to invest in areas that will support the long term prospects of the Company. As a result, overheads increased to 19% of adjusted revenue. This reflects investment in our Digital HQ, talent acquisition & retention, and additional costs incurred as a result of the implementation of the Package Travel Regulations. A bonus will also be paid to eligible employees based on achievement of the non-financial targets.

Adjusted EBITDA of £38.2m (FY18: £37.9m) increased by 1% and adjusted EBITDA as a percentage of adjusted revenue remained at 42% (FY18: 42%). The closest GAAP equivalent measure to Adjusted EBITDA is operating profit which decreased to £20.9m (FY18: £27.7m). This decrease is attributable to exceptional costs paid in the year of £8.2m relating to the TCG failure and internal restructuring.

International performance

	2019 £m	2018 £m	Change %
Revenue	1.4	1.6	(13)%
Revenue after marketing costs	-	(1.4)	
Variable costs	(0.2)	(0.3)	
Fixed costs	(0.4)	(0.5)	
Depreciation and amortisation	(0.1)	(0.2)	
Operating loss	(0.7)	(2.4)	
International EBITDA	(0.6)	(2.2)	

Performance summary

Revenue in H2 has grown 43% YOY. H1 revenues were adversely affected by the failure of Primera in October 2018 resulting in a FY reduction in revenue of (13)% to £1.4m. In H2 there was a significant recovery in booking volumes, as capacity returned to the market. Revenue after marketing is now at break-even levels and EBITDA losses for the year have reduced from (£2.2m) to (£0.6m).

The closest GAAP equivalent measure to International EBITDA is operating loss which decreased to (£0.7m) (2018: (£2.4m)).

The International segment comprises websites in Sweden, Norway, and Denmark operating under the ‘www.ebeach.se’, ‘www.ebeach.no’, and ‘www.ebeach.dk’ domains.

Classic Performance

	2019 Adjusted £m	2019 GAAP £m	2018 Adjusted £m	2018 (restated)(2) GAAP £m	pro-forma(3) £m
Revenue	55.0	55.0	13.4	13.4	59.0
Gross Profit after marketing	6.3	6.3	1.6	1.6	6.7
Variable costs	(1.2)	(1.2)	(0.1)	(0.1)	(1.3)
Fixed costs	(2.9)	(2.9)	(0.4)	(0.4)	(3.0)
Depreciation and amortisation	(0.2)	(0.2)	-	-	(0.2)
Amortisation of acquired intangibles	-	(1.1)	-	(0.2)	-
Exceptional operating costs(1)	-	(0.7)	-	-	-
Operating profit	2.0	0.2	1.1	0.9	2.2
Classic EBITDA	2.2	1.5	1.1	1.1	2.4

(1) Exceptional operating costs comprise the costs of dealing with the failure of TCG and re-organisation costs

(2) Restated for adoption of IFRS 15. Refer to note 2 (c).

(3) Numbers are unaudited and taken from management accounts. FY18 Proforma has been included to show performance on a full-year basis. The Directors believe this provides a useful comparison and makes the results more understandable.

Classic was acquired on 15 August 2018. Classic has provided On the Beach with a "business to business" channel through which we are starting to access the five million short haul beach holidays that are booked offline each year.

As a principal (rather than an agent) Classic accounts for revenue on a "travelled" basis and reports revenue on a gross basis.

Revenue decreased by 7% to £55.0m whilst the new senior management team transition the business towards more luxury and tailor made travel. The performance in the year also reflects the continuing challenges of high street retail more generally.

CPH Performance

	2019 Adjusted £m	2019 GAAP £m
Revenue	0.8	0.7
Gross Profit after marketing	0.1	-
Variable costs	(0.2)	(0.2)
Fixed costs	(1.0)	(1.0)
Operating profit	(1.1)	(1.2)
CPH EBITDA	(1.1)	(1.2)

CPH provides an online B2B platform that enables high street travel agents to sell dynamically packaged holidays to their customers.

Since launch in March 2019, CPH has established a distribution network of c. 1,500 travel agents. The primary focus in FY20 is to further increase the numbers of agents and the volume of bookings per agent.

Group gross profit

Group gross profit now comprises OTB, International, Classic and CPH revenues and has fallen to £92.0m (FY18: £92.6m), as a result of the failure of TCG. The adjusted group gross profit has increased by 7% to £99.1m. This is a result of growth in the OTB revenues of 1% and the increased contribution from the Classic and CPH segments of £5.8m.

Profit before tax

Group profit before tax decreased by 26% to £19.4m (FY18: £26.1m), the current year impacted by the exceptional costs relating to the TCG failure and an internal restructure program.

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

	2019 £m	2018 £m	Change
Group profit before taxation	19.4	26.1	(26)%
Amortisation of acquired intangibles	5.5	4.6	
Share Based Payments	0.7	1.4	
Exceptional operating costs [1]	9.0	1.5	
Adjusted profit before tax	34.6	33.6	3%

(1) Exceptional operating costs comprise the costs of dealing with the failure of TCG, re-organisation costs and one-off property costs (FY18: Acquisition costs and one off property costs)

Finance costs

The finance cost for the year was £0.3m (FY18: £0.3m). With strong cash management, the maximum revolving credit facility drawdown during the year was £19m. During the year, the Group extended the revolving credit facility to 31 December 2022 and increased the facility from £28.5 million to £50 million to cover seasonal working capital requirements and expansion plans.

Share based payments

The Group makes annual awards under a long term incentive plan ("LTIP"). In accordance with IFRS2, the Group has recognised a non-cash charge of £0.7m (FY18: £1.4m).

Exceptional operating costs

Exceptional costs for the year were £9.0m (FY18: £1.5m). These costs relate to:

- £1.3m relates to double property costs and an internal restructuring program to ensure that we have the best structure in place to deliver our strategic goals; and
- the net cost associated with the recent failure of TCG of £7.7m (£7.1m revenue and £0.6m operating costs), which 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 a chargeback claim of £18.5m.

Taxation

The Group tax charge of £3.7m represents an effective tax rate of 19% (FY18: 18%) which was in line with the standard UK rate of 19% (FY18: 19%).

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 decreased by (27)% to 12.0 pence in FY19 (FY18: 16.5 pence).

The adjusted earnings per share based on adjusted earnings increased 1% to 21.4 pence (FY18: 21.2 pence). The table below shows the adjustment from actual earnings:

	2019 £m	2018 £m	Change
Profit for the year	15.7	21.5	(27)%
Add backs:			
Share based payments (net of tax)	0.6	1.2	
Exceptional and non-underlying costs (net of tax)	7.2	1.2	
Amortisation of acquired intangibles (net of tax)	4.5	3.8	
Adjusted profit for the year	28.0	27.7	1%
Number of ordinary shares in issue at year end assumed to be outstanding for the full year and comparative period (millions)	131.2	131.0	
Adjusted earnings per share (pence)	21.4	21.2	1%

Cash flow and net debt

Operating cash conversion was 89% (FY18: 95%).

	FY19 £m	FY18 £m	Change
Profit before tax	**19.4**	**26.1**	**(27)%**
Depreciation	1.1	0.5	
Amortisation	8.7	7.2	
Net finance (income)/costs	(0.2)	0.1	
Share based payment charges	0.7	1.4	
EBITDA excluding share based payment charges	**29.7**	**35.3**	**(16)%**
Movement in working capital	2.4	(1.7)	
Movement in trust account	(5.6)	(0.2)	
Cash generated from operating activities	**26.5**	**33.4**	**(21)%**
Operating cash conversion	89%	95%	
Other cash flows			
Corporation tax paid	(3.8)	(7.1)	
Capitalised development expenditure	(5.1)	(3.8)	
Capital expenditure net of proceeds	(3.0)	(2.2)	
Contingent consideration	(2.7)	(3.0)	
Acquisition of subsid net of cash acquired	-	1.0	
Net Finance income / (costs)	0.2	(0.1)	
Dividends paid	(4.6)	(3.9)	
Net cash flows	**7.5**	**14.3**	**(48)%**
Closing cash at bank	54.8	47.3	
Closing trust account balance	44.0	38.4	
Total	**98.8**	**85.7**	**15%**

Closing Cash was £54.8m (FY18: £47.3m). Excluding the impact of refunds and costs of replacement flights paid in relation to the TCG failure Cash at Bank would have been £62.0m.

Cash generated from operating activities £26.5m (FY18: £33.4m) and operating cash conversion was 89% (FY18: 95%) reflecting changes to the trust rules and supplier mix.

Dividend

The Directors are recommending a final dividend of 2.0p per share, totalling 3.3p per share for the year (FY18: 3.3p per share). Subject to shareholders' approval at the Annual General Meeting ('AGM') on 6 February 2020, the dividend will be paid on 13 February 2020 to shareholders on the register of members at the close of business on 10 January 2020.

Paul Meehan
Chief Financial Officer
27 November 2019

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2019	Note	Income before impact of Thomas Cook(1) 2019 £'m	Impact of Thomas Cook(3) 2019 £'m	Total 2019 £'m	Restated (note 2) 2018 £'m
Revenue		147.5	(7.1)	140.4	104.3
Cost of sales		(48.4)	-	(48.4)	(11.7)
Gross profit		99.1	(7.1)	92.0	92.6
Administrative expenses		(72.2)	(0.6)	(72.8)	(66.4)
Group operating profit		26.9	(7.7)	19.2	26.2
Finance costs		(0.3)	-	(0.3)	(0.3)
Finance income		0.5	-	0.5	0.2
Net finance income/(costs)		0.2	-	0.2	(0.1)
Profit before taxation		27.1	(7.7)	19.4	26.1
Taxation	8	(5.2)	1.5	(3.7)	(4.6)
Profit for the year		21.9	(6.2)	15.7	21.5
Other comprehensive income:					
Net loss on cashflow hedges		(0.1)	-	(0.1)	-
Total comprehensive income for the year		21.8	(6.2)	15.6	21.5
Attributable to:					
Equity holders of the parent		21.8	(6.2)	15.6	21.5
Basic and diluted earnings per share attributable to the equity Shareholders of the Company:					
Basic earnings per share	9			12.0p	16.5p
Diluted earnings per share	9			11.9p	16.5p
Adjusted earnings per share(2)	9			21.4p	21.2p
Adjusted profit measure(2)					
Adjusted PBT (before amortisation of acquired intangibles, exceptional & non underlying costs and share based payments)(2)	6			34.6	33.6

(1) The impact of the TCG failure has been excluded
(2) This is a non GAAP measure, refer to notes
(3) Refer to note 2d

CONSOLIDATED BALANCE SHEET

At 30 September 2019

Assets	Note	2019 £'m	Restated (note 2) 2018 £'m
Non-current assets			
Intangible assets	10	85.1	88.2
Property, plant and equipment		6.4	4.5
Investment property		0.6	0.8
Total non-current assets		**92.1**	**93.5**
Current assets			
Trade and other receivables		94.5	71.5
Assets held for sale		0.2	0.5
Derivative financial instruments		-	0.1
Corporation tax receivable		-	0.7
Trust account	11	44.0	38.4
Cash at bank		54.8	47.3
Total current assets		193.5	158.5
Total assets		**285.6**	**252.0**
Equity			
Share capital		1.3	1.3
Retained earnings		257.1	245.3
Capital contribution reserve		0.5	0.5
Merger reserve		(129.5)	(129.5)
Total equity		**129.4**	**117.6**
Non-current liabilities			
Deferred tax		6.1	7.2
Total non-current liabilities		**6.1**	**7.2**
Current liabilities			
Corporation tax payable		0.2	-
Trade and other payables		136.6	127.2
Provisions		12.3	-
Derivative financial instruments		1.0	-
Total current liabilities		**150.1**	**127.2**
Total liabilities		156.2	134.4
Total equity and liabilities		**285.6**	**252.0**

CONSOLIDATED STATEMENT OF CASHFLOWS
Year ended 30 September 2019

	Note	2019 £'m	2018 £'m
Profit before taxation		19.4	26.1
Adjustments for:			
Depreciation		1.1	0.5
Amortisation of intangible assets		8.7	7.2
Finance costs		0.3	0.3
Finance income		(0.5)	(0.2)
Share based payments		0.7	1.4
		29.7	35.3
Changes in working capital:			
Increase in trade and other receivables		(22.2)	(7.8)
Increase in trade and other payables		24.6	6.1
Increase in trust account		(5.6)	(0.2)
		(3.2)	(1.9)
Cash flows from operating activities			
Cash generated from operating activities		26.5	33.4
Tax paid		(3.8)	(7.1)
Net cash inflow from operating activities		**22.7**	**26.3**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3.3)	(2.2)
Proceeds from disposal of assets held for sale		0.3	-
Purchase of intangible assets	10	(5.1)	(3.8)
Interest received		0.5	0.2
Contingent consideration		(2.7)	(3.0)
Acquisition of subsidiary, net of cash acquired		-	1.0
Net cash outflow from investing activities		**(10.3)**	**(7.8)**
Cash flows from financing activities			
Equity dividends paid		(4.6)	(3.9)
Interest paid		(0.3)	(0.3)
Net cash outflow from financing activities		**(4.9)**	**(4.2)**
Net increase in cash at bank and in hand		7.5	14.3
Cash at bank and in hand at beginning of year		47.3	33.0
Cash at bank and in hand at end of year		**54.8**	**47.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2019

	Share capital	Merger reserve	Capital contribution reserve	Retained earnings	Total
	£'m	£'m	£'m	£'m	£'m
Balance at 30 September 2017	1.3	(132.1)	0.5	226.5	96.2
Share based payment charges	-	-	-	1.2	1.2
Share issued during the year	-	2.6	-	-	2.6
Dividends paid during the year	-	-	-	(3.9)	(3.9)
Total comprehensive income for the year	-	-	-	21.5	21.5
Balance at 30 September 2018 restated (note 2)	**1.3**	**(129.5)**	**0.5**	**245.3**	**117.6**
Share based payments including tax	-	-	-	0.8	0.8
Share issued during the year	-				-
Dividends paid during the year	-	-	-	(4.6)	(4.6)
Total comprehensive income for the year	-	-	-	15.6	15.6
Balance at 30 September 2019	**1.3**	**(129.5)**	**0.5**	**257.1**	**129.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2019

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 registered office is located at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

2 Accounting Policies

a) Basis of preparation

The consolidated financial statements for the year ended 30 September 2019 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 27 November 2019 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 this preliminary announcement does not constitute the company's statutory accounts for the years ended 30 September 2019 and 2018. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course.

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

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.

b) 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.

c) New standards, amendments and interpretations

The Group has adopted the following standards, amendments and interpretations in these financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 October 2018. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities 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 Group has applied IFRS 15 using the full retrospective method of adoption, the effect of the transition on the current period has not been disclosed. The following changes were required for the prior year as a result of IFRS 15:

(i) Administration fees

Certain administration fees that were previously recognised at the time of booking are now recognised when payment has been received and the service has been provided.

The statement of financial position as at 30 September 2018 was restated resulting in the reversal of administration fee debtors of £0.3m and reduction in retained earnings of £0.3m.

(ii) Timing of recognition

The Group has performed analysis on the agent vs principal status of each segment and identification of performance obligations, see note 3 for details. For bookings sold as principal, the Group has the responsibility to provide all the elements that make up the package.

The Group therefore believe that the provision of the complete package is one performance obligation and that revenue should be recognised over the duration of the customers booking. Prior to the adoption of IFRS 15, the Group recognised revenue from sales as principal upon the departure date of the booking.

For bookings sold as agent, the Group has the obligation to arrange the individual elements on behalf of the customer in return for a service fee and commission. Revenue is recognised once the booking confirmation has been sent to the customer. The statement of financial position as at 30 September 2018 was restated resulting in £0.7m increase in trade receivables and a £0.8m increase in trade payables. The acquisition balance of Classic Collection Holidays has been restated resulting in a £0.1m increase to goodwill (see note 5).

The income statement for the year ended 30 September 2018 was restated, resulting in a £0.2m increase in sales and a £0.2m increase in cost of sales.

Impact on the consolidated statement of financial position:

	30 September 2018			
	Original	Admin fee adjustment note (i)	Timing adjustment note (ii)	Restated
	£m	£m	£m	£m
Assets				
Non-current assets				
Intangible assets	88.1	-	0.1	88.2
Property, plant and equipment	4.5	-	-	4.5
Investment property	0.8	-	-	0.8
Total non-current assets	93.4	-	0.1	93.5
Current assets				
Trade and other receivables	71.1	(0.3)	0.7	71.5
Assets held for sale	0.5	-	-	0.5
Derivative financial instruments	0.1	-	-	0.1
Corporation tax receivable	0.7	-	-	0.7
Trust account	38.4	-	-	38.4
Cash at bank	47.3	-	-	47.3
Total current assets	158.1	(0.3)	0.7	158.5
Total assets	251.5	(0.3)	0.8	252.0
Equity				
Share capital	1.3	-	-	1.3
Retained earnings	245.6	(0.3)	-	245.3
Capital contribution reserve	0.5	-	-	0.5
Merger reserve	(129.5)	-	-	(129.5)
Total equity	117.9	(0.3)	-	117.6
Non-current liabilities				
Deferred tax	7.2	-	-	7.2
Total non-current liabilities	7.2	-	-	7.2
Current liabilities				
Trade and other payables	126.4	-	0.8	127.2
Total current liabilities	126.4	-	0.8	127.2
Total liabilities	133.6	-	0.8	134.4
Total equity and liabilities	251.5	(0.3)	0.8	252.0

Impact on consolidated income statement and statement of comprehensive income:

Year ended 30 September 2018	Original	Admin fee adjustment note (i)	Timing adjustment note (ii)	Restated
	£m	£m	£m	£m
Revenue	104.1	-	0.2	104.3
Cost of sales	(11.5)	-	(0.2)	(11.7)
Gross profit	92.6	-	-	92.6
Operating expenses	(66.4)	-	-	(66.4)
Finance costs	(0.3)	-	-	(0.3)
Finance income	0.2	-	-	0.2
Taxation	(4.6)	-	-	(4.6)
Profit for the period	21.5	-	-	21.5
Other comprehensive income - net loss on cash flow hedges	-	-	-	-
Total comprehensive income for the period	21.5	-	-	21.5

There is no material impact on the statement of cash flows. The impact on basic and diluted EPS is, as follows:

Earnings per share	30 September 2018
Basic, profit for the year attributable to ordinary equity holders of the parent	£0.02
Diluted, profit for the year attributable to ordinary equity holders of the parent	£0.02

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 with a date of initial application of 1 October 2018. The revised standard replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new guidance for classification and measurement, impairment and hedge accounting. Management performed an assessment of the impact of the standard and any potential changes due to impairment.

Classification and measurement

Under IFRS 9, financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The assessment of the Group's business model was made as of the date of initial application, 1 October 2018. The assessment of whether contractual cash flows on financial instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement of the Group's financial liabilities has also been considered under IFRS 9. There was no impact on the measurement of the Group's financial assets and liabilities upon transition.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 October 2018.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39 £'m**	**New carrying amount under IFRS 9 £'m**
Financial Assets				
Forward exchange contracts	Fair value - hedging instrument	Fair value - hedging instrument	0.1	0.1
Cash at bank	Loans and receivables	Amortised cost	47.3	47.3
Trust account	Loans and receivables	Amortised cost	38.4	38.4
Trade and other receivables	Loans and receivables	Amortised cost	67.2	67.2
Total financial assets			153.0	153.0
Financial liabilities				
Contingent consideration	Fair value through profit or loss	Fair value through profit or loss	(2.7)	(2.7)
Trade and other payables	Other financial liabilities	Other financial liabilities	(124.5)	(124.5)
Total financial liabilities			(127.2)	(127.2)

Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Group has made an assessment of the impairment of trade receivables and other receivables, applying the simplified approach in calculating ECLs, there has been no material impact on impairment recognised.

Hedge accounting
The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Standards not yet effective
IFRS 16 Leases
IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The new standard is effective for annual periods beginning on or after 1 January 2019 and therefore will first be applicable for the Group's year ending 30 September 2020. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases to help provide useful information to the users of financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. The Group will apply the new standard using the fully retrospective approach, which means that comparative figures will be restated. The transition rules include the option to apply 'grandfathering' to all IAS 17 judgments previously made by an entity regarding whether a contract was indeed a lease or not, the Group have applied this option in the IFRS 16 considerations made. There is also an exemption for short-term leases, i.e. 12 months or less (and not containing a purchase option) and low value assets to be expensed and the Group has taken this option.

The lease liabilities attributable to the Group's property leases, which have previously been classified as operating leases under IAS 17, will be measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at the inception of the relevant lease. A corresponding right-of-use asset will be recognised at an amount equal to the depreciated cost as if the asset had been a right-of-use asset from inception of the lease. Total costs incurred remain unchanged over the life of the lease but the timing of when those costs are recognised within the consolidated income statement will be impacted.

Based on initial analysis of property lease commitments held by the group at 30 September 2019, and using an estimated discount rates, the Group estimates that it will recognise additional lease liabilities of £4.5m and right-of-use assets of £4.2m as at 1 October 2019. The net impact on profit is expected to be £0.1m and there is no impact on the Groups cash flows.

The Group has calculated the incremental borrowing rate for each material class of operating leases and has applied these rates in the IFRS 16 calculations. The discount rates used have been tested for sensitivity and the opening adjustment was not materially sensitive to changes in discount rates.

d) Thomas Cook Group plc Impact

On 23 September 2019, TCG announced that it had ceased trading and entered compulsory liquidation. There was a one-off exceptional cost associated with helping customers to organise alternative travel arrangements and lost margin on cancelled bookings.

The adjustment of £7.1m to revenue represents the lost revenue associated with providing refunds and the costs associated with organising alternative travel arrangements for customers. This totalled £25.6m and is stated net of a chargeback claim of £18.5m. The £0.6m of other exceptional operating costs relates to the incremental operational costs of managing the process and the loss of monies held by TCG agents.

The Directors believe that adjusting the income statement for the impact of the TCG failure provides a fair, balanced and understandable view of the Group's underlying performance in the year. The Group organised package holidays for affected customers which included TCG flights. Had these flights not been available at the time of booking, customers would have booked the package with an alternative flight.

3 Critical accounting estimates and judgements

The Group's accounting policies have been set by management. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results. Under IFRS estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain or because different estimation methods or assumptions could reasonably have been used.

Critical accounting judgements

Revenue from contracts with customers

The Group applied the following key judgements on the agent vs principal status of each segment as well as the number of performance objections in each.

Performance obligations

Revenue in the OTB, International and CPH segments is recognised based on there being a single performance obligation 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.

The Group has concluded that under IFRS 15 for revenue in the Classic segment, a package holiday constitutes the delivery of one distinct performance obligation which includes flights, accommodation, transfers and other holiday-related services. In formulating this conclusion, management has assessed that it provides a significant integration service to collate all of the elements within a customer's specification to produce one integrated package holiday. Whilst this is consistent with the treatment under IAS 18, management has further analysed the recognition profile and concluded that under IFRS 15, revenue and corresponding cost of sales should be recognised over the period a customer is on holiday rather than on date of departure as previously reported under IAS 18.

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.

Following review and consideration of the guidance within IFRS 15, management have concluded that revenue in the OTB, International and CPH segments will continue to be treated as an agent on the basis that the performance obligation is to arrange for another entity to provide the goods or services. This assessment has given consideration that there is no inventory risk and limited discretion in establishing prices. Revenue in the Classic segment will continue to be treated as a principal on the basis that Classic have the primary responsibility for fulfilling the package holiday for the customer.

Critical accounting estimates

Thomas Cook Insolvency

On 23 September 2019, Thomas Cook Group plc announced that it had ceased trading and entered compulsory liquidation. Bound by their terms of business and obligations under the ATOL regulations, the Group has a responsibility to organise alternative travel arrangements or provide a refund to affected customers.

The Directors considered a present obligation arising from a past event for which a provision was required. The total cost of the Group's obligations was £27.5 million of which £12.3 million is outstanding at year end and has been recognised as a provision in the balance sheet. The Directors considered part of the provision could be mitigated through chargebacks and accordingly a £18.5 million receivable relating to the amounts expected to be reclaimed from chargebacks was recognised.

Determining the amounts to be provided for the remaining bookings involves judgement and is dependent upon a number of assumptions by management including the number of suitable alternative flights for the customer and fluctuations in flight pricing. Sensitivity analysis for these remaining bookings was performed based on various scenarios and the range of resulting losses were not considered to be material on the provision recognised. Management expect the remaining 5% of affected bookings to have been dealt with before the end of the first half of 2020 and further to be no material effect on the carrying value of the assets and liabilities affected.

At the time of signing the accounts, the Group had either found a suitable alternative replacement flight or refunded 95% of the affected bookings which crystallised a number of the assumptions used at year end.

As noted in IAS 37, paragraph 53, when some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

The Directors have exercised judgement in determining whether the threshold of virtual certainty has been met in recognising the Thomas Cook reimbursement asset, there is no estimation in the value of the asset. In arriving at this judgement the Directors have considered the right to recover amounts from the payment card provider, correspondence and discussions with the card providers to date and the Group's history of being able to recover such amounts from chargeback claims.

4 Segmental report

As explained in note 2h, the management team considers the reportable segments to be ''OTB'', "International", ''Classic'' and "CPH". All segment revenue, operating profit assets and liabilities are attributable to the Group from its principal activities. OTB, International and CPH recognise revenue as agent on a net basis. Classic recognises revenue as a principal on a gross basis.

	2019					Restated (note 2) 2018			
	OTB	**Int'l**	**Classic**	**CPH(1)**	**Total**	**OTB**	**Int'l**	**Classic(2)**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Income									
Revenue before impact of TCG	90.3	1.4	55.0	0.8	147.5	89.3	1.6	13.4	104.3
Impact of TCG	(7.0)	-	-	(0.1)	(7.1)	-	-	-	-
Total Revenue	83.3	1.4	55.0	0.7	140.4	89.3	1.6	13.4	104.3
Adjusted EBITDA	38.2	(0.6)	2.2	(1.1)	38.7	37.9	(2.2)	1.1	36.8
Share based payments	(0.7)	-	-	-	(0.7)	(1.4)	-	-	(1.4)
Impact of TCG	(7.2)	-	(0.4)	(0.1)	(7.7)	-	-	-	-
Exceptional costs	(1.0)	-	(0.3)	-	(1.3)	(1.5)	-	-	(1.5)
EBITDA	**29.3**	**(0.6)**	**1.5**	**(1.2)**	**29.0**	**35.0**	**(2.2)**	**1.1**	**33.9**
Depreciation and amortisation	(8.4)	(0.1)	(1.3)	-	(9.8)	(7.3)	(0.2)	(0.2)	(7.7)
Group operating profit	**20.9**	**(0.7)**	**0.2**	**(1.2)**	**19.2**	**27.7**	**(2.4)**	**0.9**	**26.2**
Finance costs					(0.3)				(0.3)
Finance income					0.5				0.2
Profit before taxation					**19.4**				**26.1**
Non-current assets									
Goodwill	31.6	-	4.6	4.0	**40.2**	31.6	-	8.1	**39.7**
Other intangible assets	34.5	0.1	10.0	0.3	**44.9**	37.3	0.1	11.1	**48.5**
Property, plant and equipment	4.7	-	1.7	-	**6.4**	2.5	-	2.0	**4.5**
Investment property	-	-	0.6	-	**0.6**	-	-	0.8	**0.8**

(1) Trading commenced in March 2019
(2) Results are from the acquisition date to 30 September 2018

5 Business combinations

Prior year acquisition of Classic Collection Holidays Limited

On 15 August 2018 the Group acquired the entire share capital of the Classic Collection Limited in exchange for cash, shares and contingent consideration. The primary reason for the business combination was increase market share and gain access to the Classic Collection Group's B2C network.

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:

	Restated (note 2) **Recognised values on acquisition £'m**	**Adjustment £'m**	**Recognised values £'m**
Net assets acquired			
Intangible assets	11.2	-	11.2
Property plant and equipment	2.0	(0.3)	1.7
Investment property	0.8	(0.2)	0.6
Trade and other receivables	5.9	-	5.9
Cash and cash equivalents	18.2	-	18.2
Trade and other payables	(21.0)	-	(21.0)
Deferred tax liabilities	(1.9)	-	(1.9)
Net identifiable assets and liabilities	15.2	(0.5)	14.7
Consideration paid			
Cash paid	20.7	-	20.7
Shares issued	2.6	-	2.6
Total consideration	23.3	-	23.3
Net working capital cash adjustment	(3.3)	-	(3.3)
Net consideration	20.0	-	20.0
Goodwill	8.1	0.5	8.6

Under IFRS 3 Business Combinations, the Classic collection brand, including the domain name, has been identified as an asset separate from Goodwill with a value of £11.2m. The recognition of the brand has resulted in a deferred tax liability of £1.9m.

The Goodwill balance represents the value of the workforce, the realisation of the potential increase in market share and gaining access to new customers in the luxury packaged holidays space. None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

Included within cash paid is £2.7m which on acquisition was contingent consideration, the contingent consideration was paid in full on 15 August 2019. The fair value of the contingent consideration at acquisition amounted to £2.7m which was the agreed payment amount. The consideration would have been reduced by any losses suffered or incurred resulting from any material breach of the Directors' service agreements. This was deemed to be remote, and therefore didn't affect the fair value at acquisition. The Directors received market rate remuneration for the period of the service agreement which is separate from the consideration amount. There were no changes to the fair value of the contingent consideration since 30 September 2018.

Acquisition related costs amounting to £0.6m have been excluded from the consideration transferred and were recognised as an expense in the profit and loss account in the prior year. The agreed purchase price for Classic Collection Holidays Group was £20m. Excess working capital was paid upon acquisition as additional consideration. Had the business combination been effected as at 1 October 2017, the revenue for the Group would have been £147.4m and the operating profit for the period would have been £24.8m.

The Group has recorded an adjustment to the valuation of the property acquired in accordance with an external valuation obtained during the hindsight period.
The goodwill balance has been revised since 30 September 2018 due to the retrospective adoption of IFRS 15. The application of IFRS 15 resulted in a £0.7m increase in trade receivables, a £0.8m increase in trade payables and £0.1m to goodwill.

6 Operating Profit

a) *Operating expenses*

Expenses by nature including exceptional items and impairment charges:

	2019 £'m	2018 £'m
Marketing	36.3	40.4
Depreciation	1.1	0.5
Staff costs (including share based payments)	14.7	10.9
IT hosting, licences & support	2.1	1.4
Rent	1.5	1.0
Credit / debit card charges	2.8	2.7
Insurance	0.6	0.1
Other	3.1	0.7
Administrative expenses before exceptional cost & amortisation of intangible assets	**62.2**	**57.7**
Impact of TCG failure	0.6	-
Exceptional costs (note 6b)	1.3	1.5
Amortisation of intangible assets	8.7	7.2
Exceptional costs and amortisation of intangible assets	**10.6**	**8.7**
Administrative expenses	**72.8**	**66.4**

b) *Exceptional items*

The exceptional costs of £1.3m relate to £0.3m exceptional property costs, £0.8m relating to organisational restructuring costs and £0.2m relating to other exceptional costs.

Exceptional items in the prior period include £0.6m of costs incurred in relation to the purchase of Classic Collection Holidays Group, £0.5m relating to exceptional property costs and £0.4m relating to other exceptional costs.

c) Services provided by the company auditor

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

	2019 £'m	2018 £'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	0.1	0.1
– Review of interim financial statements	-	-
– Other assurance services	-	-
	0.2	0.2

d) Adjusted PBT

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

	2019 £'m	2018 £'m
Profit before taxation	19.4	26.1
Impact of TCG failure	7.7	-
Exceptional costs:		
Exceptional acquisition costs	-	0.6
Exceptional property costs	0.3	0.5
Organisational restructure	0.8	-
Other exceptional costs	0.2	0.4
Total exceptional costs	1.3	1.5
Amortisation of acquired intangibles	5.5	4.6
Share based payments charge*	0.7	1.4
Adjusted PBT	**34.6**	**33.6**

*The first LTIP was granted in 2016. As each LTIP award reaches maturity (3 year cycle) there will be a material change to the charge each year. Therefore the charges have been added back to the adjusted profit measure in order to better reflect management's view of the underlying performance of the business.

7 Employees and Directors

a) Payroll costs

The aggregate payroll costs of these persons were as follows:

	2019 £'m	2018 £'m
Wages and salaries	17.2	12.0
Defined contribution pension cost	0.3	0.1
Social security costs	1.7	1.2
Share-based payment charges	0.7	1.4
	19.9	**14.7**

Staff costs above include £5.2m (2018: £3.8m) employee costs capitalised as part of software development.

b) Employee numbers

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

	2019	2018
By reportable segment:	**No.**	**No.**
OTB	404	384
Int'l	13	18
Classic	99	102
CPH	5	-
	521	**504**

c) Directors' emoluments

The remuneration of Directors was as follows:	**2019**	**2018**
	£'m	**£'m**
Aggregate emoluments	1.0	0.8
Defined contribution pension	-	0.1
Share-based payment charges	(0.1)	0.7
	0.9	**1.6**

Remuneration was paid by On the Beach Limited and On the Beach Beds Limited, both subsidiary companies of the Group.

The remuneration of the highest paid director was as follows:

	2019	**2018**
	£'m	**£'m**
Aggregate emoluments	0.4	0.3
Share-based payment charges	-	0.4
	0.4	**0.7**

d) Key management compensation

Key management comprised the six members of the executive team.

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

	2019	**2018**
	£'m	**£'m**
Wages and salaries	1.9	1.1
Short-term non-monetary benefits	-	0.1
Share-based payment charges	0.1	0.9
	2.0	**2.1**

e) Retirement benefits

Included in pension contributions payable by the Group of £0.2m (2018: £0.1m) is £26,000 (2018: £42,000) of contributions that the Group made to a personal pension scheme in relation to one Executive Director.

8 Taxation

	2019 £'m	Restated (note 2) 2018 £'m
Current tax on profit for the year	4.8	6.1
Adjustments in respect of prior years	(0.1)	(0.4)
Total current tax	**4.7**	**5.7**
Deferred tax on profits for the year		
Origination and reversal of temporary differences	(1.0)	(1.1)
Total deferred tax	**(1.0)**	**(1.1)**
Total tax charge	**3.7**	**4.6**

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.

	2019 £'m	2018 £'m
Profit on ordinary activities before tax	19.4	26.1
Profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	3.7	5.0
Effects of:		
Adjustments in respect of prior years	(0.1)	(0.4)
Depreciation of expenditure not eligible for tax relief	0.1	-
Total taxation charge	**3.7**	**4.6**

The tax charge for the year is based on the effective rate of UK Corporation tax for the period of 19% (2018: 19%). A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was substantially enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 30 September 2019 has been calculated based on these rates.

9 Earnings per share

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

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

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

Basic 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 £'m	Pence per share
Year ended 30 September 2019			
Basic EPS	131.1	15.7	12.0p
Diluted EPS	131.4	15.7	11.9p
Adjusted EPS	131.1	28.0	21.4p

Year ended 30 September 2018			
Basic EPS	130.5	21.5	16.5p
Diluted EPS	130.7	21.5	16.5p
Adjusted EPS	130.5	27.7	21.2p

Adjusted earnings after tax is calculated as follows:

	2019 £'m	Restated (note 2) 2018 £'m
Profit for the year after taxation	15.7	21.5
Adjustments (Net of Tax at 19%)		
Thomas Cook Failure	6.2	-
Exceptional acquisition costs	-	0.5
Exceptional property costs	0.2	0.4
Organisational restructure	0.6	-
Other exceptional costs	0.2	0.3
Amortisation of acquired intangibles	4.5	3.8
Share based payment charges*	0.6	1.2
Adjusted earnings after tax	**28.0**	**27.7**

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

10 Intangible assets

	Brand	Goodwill	Website & development costs	Website technology	Customer relationships	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Cost						
At 1 October 2017	31.5	31.6	6.5	22.5	-	92.1
Assets acquired on acquisition	4.4	8.1	-	0.3	6.5	19.3
Additions	-	-	3.8	-	-	3.8
Disposals	-	-	(3.8)	-	-	(3.8)
At 30 September 2018 restated (note 2)	35.9	39.7	6.5	22.8	6.5	111.4
Additions	-	-	5.1	-	-	5.1
Revaluation	-	0.5	-	-	-	0.5
At 30 September 2019	35.9	40.2	11.6	22.8	6.5	117.0
Accumulated amortisation						
At 1 October 2017	8.1	-	2.6	9.0	-	19.7
Charge for the year	2.2	-	2.6	2.2	0.2	7.2
Disposals	-	-	(3.7)	-	-	(3.7)
At 1 October 2018	10.3	-	1.5	11.2	0.2	23.2
Charge for the year	2.4	-	3.2	2.4	0.7	8.7
Revaluation	-	-	-	-	-	-
At 30 September 2019	12.7	-	4.7	13.6	0.9	31.9
Net book amount						
At 30 September 2019	23.2	40.2	6.9	9.2	5.6	85.1
At 30 September 2018	25.6	39.7	5.0	11.6	6.3	88.2

Assets acquired on acquisition

These assets were recognised upon acquisition of Classic Collection Holiday Limited. The amounts recognised are at fair value at acquisition date.

11 Trust account

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

12 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).

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.

- **Consumer demand**: 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. Brexit uncertainty has heightened this risk.
- **Flight supply**: A lack of flight supply impacts the Group's ability to fulfil consumer demand and the failure of TCG has led to a reduction in flight capacity. In order to mitigate flight supply risk, the Group may take allocations of seats on key routes which may involve some limited risk. The Group does not have agreements in place with a number of airlines. The Group uses technology to access flight data and place bookings on behalf of customers. Certain airlines may use technological and other means to prevent the Group's bookings or to apply a price difference to make the Group's bookings more expensive. This could make the Group's offering less extensive or more expensive which could have a material adverse effect on the Group. The Group is one of several online travel agents involved in litigation with Ryanair in connection with Ryanair's efforts to prevent OTAs from booking and selling its flights. The legal process is ongoing but remains at an early stage. There have been no developments since the previous annual report, so this has caused a delay to the anticipated timescales set out in the Company's Prospectus.
- **Supplier failure**: in the event of a major airline failure, the Group must replace customers' flights or provide a full holiday refund with no ability to claim back the costs from the failed airline or any bond or effective insurance or the ATOL scheme, though it can recover any flight costs paid on a credit/debit card via the chargeback scheme.
- **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.
- **Package organiser liability**: The Group is responsible for the "proper performance" of the package holidays it sells, so it may be held liable for death/personal injury or illness suffered by customers that are the fault of suppliers. In the event of a catastrophic injury, the cost could run to millions of pounds. The Group must also provide replacement travel services or a refund where a supplier cancels a holiday element, and provide accommodation where customers are stranded.
- **Regulatory breach**: The Group operates in a highly regulated environment and is subject to a complex regime of laws, rules and regulations concerning travel, aviation, online commerce, financial services, consumer rights and data protection. An incorrect application of the rules could lead to fines and / or damage the Group's reputation.
- **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.
- **Foreign exchange risk**: The Group's costs of sale are incurred in a different currency to that in which it sells. If the currency in which the Group is buying changes unfavourably, the margin could be uncertain/volatile or the booking could make a loss. The Group sets prices at prevailing spot rates and places forward contracts based on orders. 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 and the reverse is true.
- **IT Systems & data security**: 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). If the Group's platform cannot keep up with growing demand, this could affect ability to delivery strategic objectives. The Group is exposed to risks of security breaches. A data security breach could result in damage to brand, material fines and litigation which would impact traffic, revenue and profit.

- **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. If the Group cannot attract and retain staff, or if a member of key personnel were unable to perform their role, this could have a material impact on the Group's growth.
- **Business Interruption:** A significant business interruption could impact on the Group's ability to trade and/or manage the business, e.g. an event preventing head office access, website or system downtime or restrictions on taking or making payments. Failure to comply with the new "strong customer authentication" rules under the PSD2 regulations could restrict the Group's ability to accept online payments.

<u>Responsibility Statement</u>

The responsibility statement below has been prepared in connection with the Group's Annual Report & Accounts for the year ended 30 September 2019. 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 27 November 2019 and is signed on its behalf by:

Paul Meehan

Chief Financial Officer

27 November 2019

Glossary of Alternative Performance measures (APMs)

APM	Definition	Reconciliation to closest GAAP measure
Adjusted OTB EBIT	Adjusted OTB EBIT is based on OTB operating profit before the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment.	See table below
Adjusted OTB EBITDA	Adjusted OTB EBITDA is based on OTB operating profit before depreciation, amortisation and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment.	See table below
International EBITDA	International EBITDA is based on International operating profit before depreciation and amortisation.	See table below
Classic EBITDA	Classic EBITDA is based on Classic operating profit before depreciation and amortisation.	See table below
Adjusted Profit before Tax	Adjusted Profit before Tax is based on Profit before Tax adjusted for amortisation of acquired intangibles, and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group.	See table below

Adjusted OTB operating profit (£m)	**2019**	**2018**
OTB Operating Profit	**20.9**	**27.7**
Exceptional costs	8.2	1.5
Share Based Payments	0.7	1.4
Amortisation of acquired intangibles	4.4	4.3
Adjusted OTB EBIT	**34.2**	**34.9**

Adjusted OTB EBITDA (£m)	**2019**	**2018**
OTB Operating Profit	**20.9**	**27.7**
Exceptional costs	8.2	1.5
Share Based Payments	0.7	1.4
Depreciation and amortisation	4.0	3.0
Amortisation of acquired intangibles	4.4	4.3
Adjusted OTB EBITDA	**38.2**	**37.9**

International EBITDA (£m)	**2019**	**2018**
International Operating Profit	**(0.7)**	**(2.4)**
Depreciation and amortisation	0.1	0.2
International EBITDA	**(0.6)**	**(2.2)**

Classic EBITDA (£m)	**2019**	**2018**
Classic Operating Profit	**0.2**	**0.9**
Depreciation and amortisation	1.3	0.2
Classic EBITDA	**1.5**	**1.1**

Adjusted Profit before Tax (£m)	**2019**	**2018**
Profit before Tax	**19.4**	**26.1**
Amortisation of acquired intangibles	5.5	4.6
Share Based Payments	0.7	1.4
Exceptional costs	9.0	1.5
Adjusted Profit before Tax	**34.6**	**33.6**

Adjusted Profit after Tax

Adjusted Profit after Tax is based on Profit after Tax adjusted for amortisation of acquired intangibles, and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. This also includes the non-cash cost of the share based payment schemes. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Group.

Adjusted Profit after Tax	2019	2018
Profit for the year	**15.7**	**21.5**
Share based payments (net of tax)	0.6	1.2
Exceptional costs (net of tax)	7.2	1.2
Amortisation of acquired intangibles (net of tax)	4.5	3.8
Adjusted Profit after Tax	**28.0**	**27.7**

Adjusted EPS

Adjusted EPS is calculated on the weighted average number of Ordinary share in issue, using the adjusted profit after tax.

Adjusted EPS	2019	2018
Adjusted Profit after Tax	**28.0**	**27.7**
Basic weighted average number of Ordinary Shares (m)	131.1	130.5
Adjusted EPS (p)	**21.4**	**21.2**

Exceptional costs

Exceptional costs are certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. These costs / income are excluded from various performance measures by virtue of their size and in order to better reflect management's view of the performance of the Group.

Exceptional costs (£m)	2019	2018
Impact of TCG failure	7.7	-
Exceptional acquisition costs	-	0.6
Non-underlying property costs	0.3	0.5
Organisational restructure	0.8	-
Other exceptional costs	0.2	0.4
Exceptional costs	**9.0**	**1.5**

Operating cash conversion

Operating cash conversion is EBITDA divided by cash generated from operating activities. These cash flows are excluded from various performance measures by virtue of their size and in order to better reflect management's view of the performance of the Group.

Operating cash conversion (£m)	2019	2018
Profit before taxation	**19.4**	**26.1**
Depreciation	1.1	0.5
Amortisation	8.7	7.2
Net finance (income)/costs	(0.2)	0.1
Share based payments	0.7	1.4
EBITDA excluding share based payments	**29.7**	**35.3**
Movement in working capital	2.4	(1.7)
Movement in trust account	(5.6)	(0.2)
Cash generated from operating activities	**26.5**	**33.4**
Operating cash conversion %	89%	95%

OTB adjusted revenue after marketing cost

OTB adjusted revenue after marketing cost is adjusted revenue after "OTB" online and offline marketing costs.

OTB adjusted revenue after marketing cost (£m)	2019	2018
OTB adjusted revenue	**90.3**	**89.3**
OTB online marketing costs	(29.8)	(33.2)
OTB offline marketing costs	(5.4)	(4.1)
Total OTB marketing	(35.2)	(37.3)
OTB adjusted revenue after marketing costs	**55.1**	**52.0**

Operating profit before amortisation and exceptional costs

Operating profit before amortisation and exceptional costs is based on Group operating profit, adjusting for amortisation of acquired intangibles and the impact of certain costs that derive from events or transactions that fall outside of the normal activities of the Group.

Operating profit before amortisation and exceptional costs (£m)	**2019**	**2018**
Operating profit	**19.2**	**26.2**
Impact of TCG failure	7.7	-
Exceptional costs	1.3	1.5
Amortisation of intangibles	8.7	7.2
Operating profit before amortisation and exceptional costs (£m)	**36.9**	**34.9**

OTB EBITDA as a percentage of adjusted revenue

OTB EBITDA as a percentage of adjusted revenue is based on the adjusted OTB EBITDA divided by the revenue generated in the OTB business.

OTB EBITDA as a percentage of revenue	**2019**	**2018**
Adjusted OTB Revenue	90.3	89.3
Adjusted OTB EBITDA	38.2	37.9
OTB EBITDA as a percentage of revenue	**42%**	**42%**

International revenue after marketing costs

International revenue after marketing costs is based on International revenue after all marketing costs

International revenue after marketing costs (£m)	**2019**	**2018**
Revenue	1.4	1.6
Marketing costs	(1.4)	(3.0)
International revenue after marketing costs	**-**	**(1.4)**

Adjusted Classic EBITDA

Adjusted Classic EBITDA is based on Classic operating profit before depreciation, amortisation and the impact of certain costs / income that derive from events or transactions that fall outside of the normal activities of the Group. These costs / income are excluded by virtue of their size and in order to reflect management's view of the performance of the Segment.

Adjusted Classic EBITDA (£m)	**2019**	**2018**
Classic Operating Profit	0.2	0.9
Impact of TCG failure	0.4	-
Exceptional costs	0.3	-
Depreciation and amortisation	0.2	-
Amortisation of acquired intangibles	1.1	0.2
Adjusted Classic EBITDA	**2.2**	**1.1**

OTB EBITDA

OTB EBITDA is based on OTB operating profit before depreciation and amortisation.

OTB EBITDA (£m)	**2019**	**2018**
OTB Operating Profit	20.9	27.7
Depreciation and amortisation	8.4	7.3
OTB EBITDA	**29.3**	**35.0**