On the Beach Beds Limited

Strategic report, directors' report and financial statements

For the year ended 30 September 2021

Registered number 06294605

Contents

Officers and advisors

Secretary and registered office	Kirsteen Vickerstaff Aeroworks 5 Adair Street Manchester M1 2NQ
Auditor	Ernst & Young LLP Chartered Accountants 2 St Peter's Square Manchester M2 3DF
Bankers	Lloyds Bank plc 40 Spring Gardens Manchester M2 1EN
Directors	Simon Cooper Shaun Morton

Strategic report

The directors present their annual strategic report and the audited financial statements for On the Beach Beds Limited (the Company) for the year ended 30 September 2021.

Principal activities

The principal activity of the Company is that of an in-house bedbank.

Business review

Development and performance of the business:

The audited financial statements for the year ended 30 September 2021 are set out on pages 17 to 34. Revenue decreased to (£126,000) year on year due to continued disruption to the travel industry resulting in holidays organised by the Company being cancelled as well as a lack of opportunity and demand for travel during the year. The impact of cancellations due to COVID-19 on revenue was £3,949,000.

Adjusted revenue, which is grossed up for revenue on bookings taken during the period but subsequently cancelled, decreased by 53% to £3,823,000 (2020: £8,130,000).The summer holiday booking peak, which traditionally occurs in January, did not take place this year due to tightening restrictions over the Christmas period followed by a complete and indefinite lockdown announced on 4 January 2021. In addition, the Company's decision in May 2021 to withdraw from selling holidays departing prior to 1 September 2021 impacted booking volumes, but also reduced the opportunity for significant business disruption, holiday cancellations and customer dissatisfaction through summer.

As a result of the market dynamics explained above, operating loss was £1,437,000 compared to £3,666,000 operating profit in the prior year.

COVID-19 pandemic impact

Certain items, including the ongoing exceptional impact of the COVID-19 pandemic, have been excluded from performance measures in this statement as the Directors consider this necessary to provide a fair, balanced and understandable view of the performance of the Company. Whilst the underlying result has still been significantly impacted by the COVID-19 pandemic, the Directors believe that adjusting for the items shown in the table below provides a clearer reflection of the Company's performance in the period. The Company organised package holidays for customers which have since been cancelled, or are likely to be cancelled, due to continued airspace closures and government restrictions on leisure travel. The Company has not estimated the financial impact of, or made an adjustment for, the significant reduction in booking volumes as a result of the COVID-19 pandemic.

A summary of the adjustments between Adjusted and GAAP measures is shown below:

		2021	
	Adjusted	**COVID-19**	**GAAP**
	£'000	**£'000**	**£'000**
Revenue	3,823	(3,949)	(126)
Administrative expenses	(1,467)	-	(1,467)
Other income	-	156	156
Profit/(loss) before tax	**2,356**	**(3,793)**	**(1,437)**

COVID-19 pandemic impact (continued)

		2020	
	Adjusted	**COVID-19**	**GAAP**
	£'000	**£'000**	**£'000**
Revenue	8,130	(1,529)	6,601
Administrative expenses	(1,931)	(1,004)	(2,935)
Profit before tax	**6,199**	**(2,533)**	**3,666**

Continued and evolving response to the pandemic

The health and wellbeing of our team members and our customers is and always will be the Company's top priority. As the country started to emerge from the pandemic, the ultimate parent company of the Company, On the Beach Group plc took a customer-led approach. This has included taking the bold decision to remove July and August departures from sale while rules and restrictions remained changeable and complex.

Cash and liquidity

- Given the extended disruption to international travel from the UK throughout 2021 and the ongoing trading environment across the sector, in July 2021 On the Beach Group plc raised £24.9m, net of fees (the 'Placing'), to:
  - provide the Group with greater resilience, flexibility and firepower through the current downturn by restoring the Group's cash position to a similar position to where it was following the placing in May 2020;
  - ensure that, ahead of an expected recovery of the international travel market in calendar year 2022, the Group will have sufficient funding available to increase marketing spend; and to support the necessary short-term investment in working capital to capitalise upon that demand; and
  - ensure that, even in more pessimistic scenarios where international travel continues to be significantly impacted due to the pandemic, the Group is able to protect its strong market position and position itself to gain market share when there is an eventual recovery.

- The headroom from the Placing allows the Group to simultaneously increase investment in its digital platforms; continue to drive brand through investment in online and offline marketing activity and improve conversion with attractive low deposit schemes. A disciplined approach to investment will be maintained, in line with the Group's track record.
- In addition, the Group extended the £25m CLBILS facility to May 2023 and reset covenants for the period up to September 2022.
- The Group has access to a £75m Revolving Credit Facility ('RCF') which has not been drawn since 22 May 2020.
- Group cash at 30 September 2021 was £56m excluding customer monies held in a ring-fenced trust account of £39m. The Group continues to refund customers in advance of receiving refunds from airlines for cancelled flights and it does not issue refund credit notes.
- Through centralised cash pooling, there is inter-reliance of subsidiary companies within the On the Beach Group.

The Directors believe that the Company's low-cost operating model, in a primarily digital sector, where consumers are seeking increased convenience, choice, and a personalised experience with financial protection, positions us to emerge from the pandemic favourably. Over the period, we have continued to invest in our people and technology, optimise our supply and reinvigorate our brand to lay strong foundations for the Company in the year ahead as holidaying begins to return to pre-pandemic levels.

Strategy and growth

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

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

Strategy for growth

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

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

2. Optimise our direct and differentiated supply
   - Develop key partnerships through our ability to manage relationships, retail opaquely and pay promptly
   - Grow our multi-channel capability to offer partners the widest range of distribution

3. Diversify into adjacent beach holiday markets
   - Grow share of long haul beach holidaymakers
   - Seek value enhancing opportunities in new and existing international markets

Principal risks and uncertainties:

The following risk factors may affect the Company's operating results and its financial position. The risk factors described below are those which the directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

Principal risks and uncertainties (continued)

› Consumer demand

<table>
<tr><th>Impact:</th><th>Key mitigations:</th></tr>
<tr><td>A recession or reduced economic growth can lead to reduced job security and a reduction in consumer leisure spending.</td><td rowspan="5">In an environment of rapidly shifting consumer demand, the Company's flexible and asset-light business model means it is well placed to respond to sudden shifts in consumer demand.

The Company anticipates that COVID-19 will present opportunities for the Company to increase its market share and help strengthen consumer confidence.</td></tr>
<tr><td>A weak pound makes holidays and consumer spending abroad more expensive. High-profile corporate failures reduce consumer confidence to make 'big ticket' purchases, particularly well in advance.</td></tr>
<tr><td>Terrorist attacks, war/acts of force and civil unrest undermine consumer confidence and cause consumer behaviour to shift suddenly (e.g. by choosing not to book a holiday, delaying booking or booking a different destination or a 'staycation').</td></tr>
<tr><td>An increase in inflation rates and costs of living can lead to reduction in consumer spend on holidays.</td></tr>
<tr><td>COVID-19 has caused consumer behaviour to shift with many people choosing not to book a holiday or delaying booking. It has had a huge impact on the economy and has led to reduced job security. Health concerns and anxiety in relation to the virus could lead to a continued reduction in consumer demand for holidays which could be exacerbated if there are new variants and / or further travel restrictions.</td></tr>
<tr><td>Environmental and sustainability concerns are increasingly becoming a factor in consumer choices and demand could be impacted by consumers choosing to travel less frequently. Also extreme weather events and physical impacts of climate change such as flooding and forest fires could impact the desirability of certain holiday destinations.</td><td>As part of developing our ESG strategy, we will be looking at ways in which we can support customers to make choices that are better for the environment and helping them reduce their carbon footprint as well as looking at what commitments On the Beach Group plc, the Company's ultimate parent, can make in terms of reducing its own carbon footprint.</td></tr>
</table>

› Supplier failure

Impact:	*Key mitigations:*
Failure of a major bedbank or key hotel partner would cause operational disruption.	In these challenging market conditions, we have made preparations in the event bedbanks and other partners fail. We are closely monitoring the financial health of suppliers and taking steps to mitigate risk, such as only agreeing prepayment deals with well-established hotels.
Climate considerations particularly impact the aviation industry and if airlines do not take sufficient action to address those risks, this could increase the chance of their failure	The challenging market conditions will inevitably mean some travel organisers and suppliers will collapse but such failures could create opportunities for the Company to gain market share.

Principal risks and uncertainties (continued)

› Competition risk

Impact:	*Key mitigations:*
The Company operates in a very competitive market. If competitors offer a more compelling proposition, this could have a material adverse effect on the Company's financial position and prospects. New entrants to the market increase competition. COVID-19 has seen the rise of refund credit notes in lieu of cash refunds. This could increase the competition risk for the Company as it creates captive consumers for those organisers issuing the credit notes, thereby potentially reducing the demand for the Company's offering.	The Company has a strong brand and offers a great value proposition to customers. The Company's investment in marketing, talent and its infrastructure means it can compete to attract and convert customers.
Our customers care about climate and ESG issues and if our competitors are perceived to be doing more to meet consumer needs in this area, we could be less attractive to consumers.	By implementing and embedding our new ESG strategy we will have a more compelling sustainability proposition which will help differentiate our brand.

› IT systems and data security

Impact:	*Key mitigations:*
The Company is exposed to security threats and the associated risk of breach whereby a third party could illegally gain access to our customers' or employees' personal data, resulting in damage to brand, material fines and litigation. This would impact traffic, revenue and profit as legislation (e.g. UK GDPR) significantly increased the fines that could be levied in the event of a data breach and the Company could receive civil claims.	Security policies, processes and technology are well defined and robust with regular testing/audits undertaken with all findings actioned as priority. A new dedicated secure and PCI-DSS complaint card holder environment has been implemented to protect customer payments and to maintain best practices; this is backed by 24/7 Managed Security Service provided by our Information Security partner. Investment in cyber security has significantly increased during the year and a new three year cyber security strategy is in the process of being implemented.
Our IT platforms must be scalable, robust and reliable. If our systems can't keep up with growing demand, this could affect our ability to deliver growth.	The scalability and performance of our platform is a priority for our 'Tech & Product' teams and we continue to invest heavily in talent and technology in this area.

Principal risks and uncertainties (continued)

› Business interruption

Impact:	*Key mitigations:*
The risk that a pandemic, terrorism-related event or other business interruption causes significant business interruption to the Company and/or its suppliers' ability to trade and/or manage the business, for example, an event preventing head office access, website or systems downtime or restrictions on taking or making payments.	The Company's business continuity & disaster recovery plan was successfully implemented to support the business in its response to COVID-19. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.
Extreme weather events and physical impacts of climate change such as flooding and forest fires could increase the risk of a significant business interruption.	As part of our response to the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, we will review the risks of future climate change on our business and identify adaptation action required.

› People risk

Impact:	*Key mitigations:*
The Company's ability to achieve its strategic objectives is dependent on certain key personnel, plus its ability to attract and retain skilled staff. The North West, where the Company's HQ is located, is an area where there is a high degree of competition for talent.	We provide an excellent working environment for our employees, and a very positive, informal and open culture, which contributes to our ability to recruit and retain staff. The Company has various remuneration tools to recruit and retain employees, including base salary, bonus and share schemes including a HMRC-approved Share Incentive Plan and a Long-Term Incentive Plan.
The Company relies on key personnel and if those key personnel were unable to carry out their role, this could have a material effect on the Company's business.	We have a succession plan in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.
Competition for talent has increased during the year. Unemployment levels are at historic lows and there are more job vacancies than pre-pandemic. Extended periods of disruption and restrictions due to COVID-19 could result in: (1) an erosion of resilience/morale; (ii) incentive schemes failing to pay out; and/or (iii) talent seeking to exit the travel industry.	We have continually communicated with our employees throughout the pandemic and taking steps to safeguard their wellbeing and have adopted flexible working arrangements going forward to retain and attract talent.

Key performance indicators

The key performance indicators monitored by the Company are:

	2021	2020
	£'000	£'000
Revenue	(126)	6,601
Operating (loss)/profit	(1,437)	3,666

Key performance indicators (continued)

Key highlights:

- Revenue decreased by 102% to (£126,000) year on year as a result of exceptional COVID-19 cancellations. Adjusted revenue of £3,823,000 is down (53%) on prior year.
- Operating loss was £1,437,000 compared to £3,666,000 operating profit in the prior year due to the lack of opportunity and demand for travel during the year.
- Despite the disruption, the Company's liquidity position remains strong with total cash at 30 September 2021 of £41.1m. As part of the On the Beach Group plc, through centralised cash pooling the Company has access to Group cash of £56.0m at 30 September 2021, the Company also has access to the Group's £75m Revolving Credit Facility which was undrawn at year end.

Going concern

The Company a part of On the Beach Group plc meets its day to day working capital requirement from its cash balances and the availability of the Revolving Credit Facility to which it is a party. Through centralised cash pooling arrangements there is inter-reliance of subsidiary companies within the On the Beach Group.

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

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

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

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

Where holidays are cancelled as a result of the COVID-19 pandemic the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines. Cash received from customers for bookings that have not yet travelled is held in a ring fenced trust account and is not withdrawn until the customer returns from their holiday. Group cash held in trust at 30 September 2021 was £39.0m.

The Directors have assessed a going concern period through to 30 September 2023 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. The Directors have also considered the impact of climate risk in these scenarios concluding that it is not expected to have a significant impact over the going concern period. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and Uncertainties' section of this report. The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until 30 September 2023. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. Even in this scenario, the Group would have positive cash and no requirement to draw down on its current facilities both during the going concern review period, and in the subsequent period prior to expiry of facilities.

Going concern (continued)

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company until 30 September 2023 if required, the Directors remain confident in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

By order of the board

S. Mt

Shaun Morton
Director, On the Beach Beds Limited
Aeroworks, 5 Adair Street, Manchester. M1 2NQ
31/03/2022

Directors' report

The directors present their directors' report and the audited financial statements of the company for the year ended 30 September 2021.

Proposed dividend

The directors do not recommend the payment of a final dividend (2020: £nil). During the year interim dividends of £nil (2020: £nil).

The loss before income tax for the financial year is £1,437,000 (2020: profit £3,666,000).

Directors

The Directors who held office during the year were as follows:

SM Cooper

S Morton

Political contributions

The company made no political contributions (2020: £nil).

Research and development

Research and development work continues to be directed towards the website's ability to deliver effective search results for customers. This requires the developers to undertake continued improvements to the software architecture. Development costs of £1,643,000 (2020: £271,000) were incurred in year; these costs have been capitalised within intangible assets. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred, in 2021 this was £1,443,000 (2020: £126,000), and they are recognised in administrative expenses.

Post balance sheet events

There have been no events since the balance sheet date to note.

Disclosure of information to auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board

Shaun Morton

Director, On the Beach Beds Limited

Aeroworks, 5 Adair Street, Manchester. M1 2NQ

31/03/2022

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Independent auditor's report to the members of On the Beach Beds Limited

Opinion

We have audited the financial statements of On the Beach Beds Limited for the year ended 30 September 2021 which comprise the Profit and Loss Account, the Balance Sheet, Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern to 30 September 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101, the Companies Act 2006). In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being General Data Protection Regulations and Consumer Rights.
- We understood how On the Beach Beds Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries by reading the minutes of board meetings.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries of Legal Counsel, management and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with the requirements of the relevant accounting standards and UK legislation.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31/03/2022

Profit & loss account and statement of comprehensive income
for the year ended 30 September 2021

	Note	2021 £'000	2020 £'000
Revenue	3	(126)	6,601
Administrative expenses		(1,467)	(2,935)
Other income	4	156	-
Operating (loss)/profit	4	**(1,437)**	**3,666**
(Loss)/profit before income tax		**(1,437)**	**3,666**
Income tax credit/(expense)	6	800	(9)
(Loss)/profit for the financial year		**(637)**	**3,657**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(637)**	**3,657**

All amounts relate to continuing operations.

The notes on pages 20 to 34 form part of the financial statements.

Balance sheet

As at 30 September 2021

	Note	2021	2020
		£'000	**£'000**
Non-current assets			
Intangible assets	7	1,604	483
Current assets			
Trade and other receivables	8	98,180	72,330
Deferred tax	11	205	-
Cash at bank		41,108	8,547
Derivative financial instruments	14	-	414
Total current assets		**139,493**	**81,291**
Total assets		**141,097**	**81,774**
Creditors - amounts falling due within one year			
Trade and other payables	9	(123,595)	(62,393)
Provisions for liabilities	10	(288)	(796)
Income tax payable		-	(921)
Derivative financial instruments	14	(187)	-
Total liabilities		**(124,070)**	**(64,110)**
Net assets		**17,027**	**17,664**
Capital and reserves			
Called up share capital	12	-	-
Retained earnings		17,015	17,652
Reserves		12	12
Total shareholders' funds		**17,027**	**17,664**

These financial statements were approved by the board of directors and were signed on its behalf by:

S. Mort

S Morton
Director, On the Beach Beds Ltd
Aeroworks, 5 Adair Street, Manchester, M1 2NQ
31/03/2022

Statement of changes in equity

	Share capital £'000	Reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2019	**-**	**12**	**13,995**	**14,007**
Total comprehensive income for the year	-	-	3,657	3,657
Balance at 30 September 2020	**-**	**12**	**17,652**	**17,664**
Total comprehensive loss for the year	-	-	(637)	(637)
Balance at 30 September 2021	**-**	**12**	**17,015**	**17,027**

The notes on pages 20 to 34 form part of the financial statements.

Notes to the financial statements

1 Accounting policies

The financial statements of On the Beach Beds Limited for the year ended 30 September 2021 were authorised for issue by the board of directors on 31 March 2022. On The Beach Beds Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in England in the United Kingdom. The registered number is 06294605 and the registered address is Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company's financial statements are presented in sterling and are rounded to the nearest thousand pounds (£000) except when otherwise stated.

The Company's ultimate parent undertaking, On the Beach Group PLC includes the Company in its consolidated financial statements. The consolidated financial statements of On the Beach Group PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from either Companies House, Crown Way, Cardiff, CF14 3UZ or from the Group's registered office at Aeroworks, 5 Adair Street, Manchester, M1 2NQ.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d) (statement of cash flows);
  – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements, including cash flow statements);
  – 38B–D (additional comparative information);
  – 111 (cash flow statement information); and
  – 134–136 (capital management disclosures).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

1. Accounting policies (continued)

- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).
- Paragraphs 113(a), 114, 115, 118, 119(a)-(c), 1202-127 and 129 of IFRS 15 'Revenue from contracts with customers'

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

These financial statements are prepared on the historical cost basis with the exception of the following assets and liabilities which are stated at their fair value: derivative financial instruments.

1.2 Going concern

The Company a part of On the Beach Group plc meets its day to day working capital requirement from its cash balances and the availability of the Revolving Credit Facility to which it is a party. Through centralised cash pooling arrangements there is inter-reliance of subsidiary companies within the On the Beach Group.

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

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

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

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

Where holidays are cancelled as a result of the COVID-19 pandemic the Group is committed to refunding customers in cash rather than vouchers. These cash refunds are fully funded from the trust account (where refunds are for hotel and transfer payments) or are a pass-through from airlines.

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

1.2 Going concern (continued)

The Directors have assessed a going concern period through to 30 September 2023 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, employee absence and customer behaviour / demand. The Directors have also considered the impact of climate risk in these scenarios concluding that it is not expected to have a significant impact over the going concern period. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and Uncertainties' section of this report. The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until 30 September 2023. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. Even in this scenario, the Group would have positive cash and no requirement to draw down on its current facilities both during the going concern review period, and in the subsequent period prior to expiry of facilities.

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company until 30 September 2023 if required, the Directors remain confident in their response to the pandemic and will continue to operate in an agile way adapting to any applicable government guidance. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

1.3 New standards, amendments and IFRIC interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020; the following amended standards have been implemented however they have not had a significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3); and
- Definition of material - amendments to IAS 1 and IAS 8.

1.4 Foreign currency

The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying hedges, which are recognised in other comprehensive income.

1.5 Intangible assets

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs: 3 years

1.6 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 Non-derivative financial instruments

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Cash at bank

Cash at bank comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash at bank.

Trade and other payables

Trade and other payables including deferred consideration are recognised initially at fair value and net of directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the Effective Interest Rate ("EIR") amortisation process.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Derivative financial instruments and hedging

The company enters into forward foreign exchange contracts to manage exposure to foreign exchange rate risk. Further details of these derivative financial instruments are disclosed in note 14 of these financial statements.

1.8 Derivative financial instruments and hedging (continued)

All derivative financial instruments are assessed against the hedge accounting criteria set out in IFRS 9. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item. This includes identification of the hedging instrument, the hedged item, the risk management objectives and strategy in understanding the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items attributable to the hedged risk.

Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

1.9 Employee benefits

i. Pension scheme

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

ii. Share-based payment transactions

Equity-settled awards are valued at grant date, and the difference between the grant date fair value and the consideration paid by the employee is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity.

1.10 Provisions

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

1.11 Revenue

As agent

The Company acts as agent when it is not the primary party responsible for providing the components that make up the customers booking and it does not control the components before they are transferred to customers. Revenue comprises the fair value of the consideration received or receivable in the form of commission. Service fees/commissions are earned from the consumer through purchases of travel products such as flight tickets or hotel accommodation from third party suppliers. Revenue in the form of commission or service fees recognised when the performance obligation of arranging and facilitating the customer to enter into individual contracts with suppliers is satisfied, usually on delivery of the booking confirmation.

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

1.12 Override income

The Company has agreements with suppliers whereby volume-related rebates are received in connection with the travel arrangements made with the customer. The income received from suppliers relates to an increase in commission received, and as such is considered part of the Company's revenue. The Company has some agreements whereby receipt of the income is conditional on the Company achieving agreed volume targets.

For agreements not linked to volume targets, override income is recognised when earned by the Company, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract, which is usually once the booking has been confirmed with the supplier.

For agreements where volume targets are in place, income is recognised once the target has been achieved. For volume targets which span the year end the Company is required to make estimates in determining the amount and timing of recognition of override. In determining the amount of volume-related allowances recognised in any period, management estimate the probability that the Company will meet contractual target volumes, based on historical and forecast performance.

Amounts due but not yet recovered relating to override income are recognised within trade and other receivables.

1.13 Taxation

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

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

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

2 Critical judgements and estimates in applying the accounting policies

The Company'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 FRS 101 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.

2.1 Critical accounting judgements

a) Revenue from contracts with customers

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

i) **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 recognised by the Company. Management have carefully considered the agency status of its revenue streams and have concluded that revenue in the Company 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. As an agent, revenue is recognised at the point of booking on a net basis.

ii) **Performance obligations**
Revenue in the Company 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. There is not a significant integration service and responsibility for providing the services remains with the principal suppliers.

b) Capitalised website development costs

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

c) Deferred tax asset

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

2.2 *Critical accounting estimates*

a) COVID-19

The recognition of costs and provisions relating to disruption caused by the COVID-19 pandemic is an area of significant estimation. These adjustments relate primarily to lost revenue resulting from the cancellation of bookings in the financial year and beyond. The estimation includes the loss of revenues caused by the cancellation and refund of bookings, off-set by the extent to which related holiday costs can be recovered. Key areas of estimation include:

a) COVID-19 (continued)

COVID cancellation provision

The extent to which holidays will be impacted by the pandemic, either directly due travel restrictions or indirectly due to reductions in flying schedules. Management have estimated that up to 20% of forward bookings as at the balance sheet date will be cancelled within FY22, giving rise to an estimated liability of £271,000, shown in note 10. In estimating this cancellation rate management have considered:

i) season; as historically summer cancellations are lower than the preceding winter;
ii) flight supplier load factors; and
iii) experience of summer FY21 during the pandemic but taking into consideration the current levels of vaccination rate.

The level of forward bookings beyond summer 2022 is not significant and any changes to this assumption would not have a material impact. If the Company was to increase the percentage of cancellations by 5 percentage points ('ppts') then the provision required would increase by 28%.

Prepayments with suppliers

In the normal course of business the Company will advance payments to certain hotel suppliers for holidays booked. A risk assessment is made based on a review of each significant suppliers financial stability with varying % provisions applied to different risk levels. If the Company was to increase its % provision applied by 5ppts across all specific risk categories not already fully provided, this would have resulted in a decrease of £139,000 in the prepayments of £3,584,000 shown in Note 8.

The total exceptional items in the year ended 30 September 2021 of £3,793,000 represents the estimated cost of COVID-19 to trading in the period. This is primarily the cost of COVID-19 related cancellations or expected cancellations of £3,949,000. Exceptional operating income of £156,000 relates to the utilisation and release of unused supplier provisions (see note 10).

The total exceptional items in the year ended 30 September 2020 of £2,533,000 represents the estimated cost of COVID-19 to trading in the period. This is primarily the cost of COVID-19 related cancellations or expected cancellations of £1,529,000.The exceptional operating costs of £1,004,000 relate to amounts due from suppliers £954,000 and exceptional development spend of £50,000.

b) Impairment of intangible assets

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Company to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections based on the latest budget, the long-term growth rate to be applied to these cash flow projections and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Sensitivity analysis has been completed on key assumptions in isolation, and the headroom taken is significant. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount. The key assumptions are discount factor, long term growth rates and short term trading volumes/cash flows. Sensitivities have been applied on all of these assumptions.

The Company has concluded that the carrying value of the intangibles and goodwill is appropriate.

3 Revenue

An analysis of the Company's revenue, all of which is attributable to continuing operations is as follows:

	2021 £'000	2020 £'000
Commissions	3,823	8,130
Impact of exceptional cancellations*	(3,949)	(1,529)
Total revenue	**(126)**	**6,601**

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

4 Operating (loss)/profit

a) Expenses and auditor's remuneration

	2021 £'000	2020 £'000
Operating (loss)/profit is stated after charging:		
Amortisation of other intangible assets	522	340
Audit fees	7	4

b) Exceptional items

	2021			2020		
	Adjusted	Impact of COVID-19	GAAP	Adjusted	Impact of COVID-19	GAAP
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3,823	(3,949)	(126)	8,130	(1,529)	6,601
Administrative expenses	(1,467)	-	(1,467)	(1,931)	(1,004)	(2,935)
Other income	-	156	156	-	-	-
(Loss)/profit before tax	**2,356**	**(3,793)**	**(1,437)**	**6,199**	**(2,533)**	**3,666**

The total exceptional items in the year ended 30 September 2021 of £3,793,000 represents the estimated cost of COVID-19 to trading in the period. This is primarily the cost of COVID-19 related cancellations or expected cancellations of £3,949,000. Exceptional operating income of £156,000 relates to the utilisation and release of unused supplier provisions (see note 10).
The total exceptional items in the year ended 30 September 2020 of £2,533,000 represents the estimated cost of COVID-19 to trading in the period. This is primarily the cost of COVID-19 related cancellations or expected cancellations of £1,529,000.The exceptional operating costs of £1,004,000 relate to amounts due from suppliers £954,000 and exceptional development spend of £50,000.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Management and administration	33	33
	33	**33**

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	1,246	1,228
Social security cost	124	124
Other pension costs	18	16
	1,388	**1,368**

Director's remuneration

The directors of the company received no remuneration from this entity during the year (2020: £nil). The directors of this company are also directors of other companies within the On the Beach Group and accordingly the cost of their remuneration has been fully incurred by the ultimate parent company. £115,000 (2020: £115,000) of the total cost of this remuneration has been allocated to this company on the basis of their services as directors of each group company.

6 Taxation

	2021	2020
	£'000	£'000
Current tax:		
Corporation tax on income for the year	-	-
Adjustments in respect of prior periods	(595)	-
Total current tax	**(595)**	**-**
Deferred tax:		
Origination and reversal of timing differences	(574)	9
Adjustments in respect of prior periods	369	-
Total deferred tax	**(205)**	**9**
Income tax (credit)/expense	**(800)**	**9**

Factors affecting the income tax expense for the current year: The current tax credit for the year is higher with (2020: lower tax charge) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below.

	2021	2020
	£'000	£'000
Tax reconciliation		
(Loss)/profit before income tax	(1,437)	3,666
Tax using the current UK corporation tax rate of 19% (2020: 19%)	(273)	697
Effects of:		
Expenses not deductible	(267)	73
Adjustments in respect of prior periods	(226)	-
Adjustments in respect of group relief received	-	(762)
Impact of difference in current and deferred tax rates	(34)	-
Income tax (credit)/expense	**(800)**	**9**

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

7 Intangible assets

	Website & development costs £'000	Total £'000
Cost		
At 30 September 2020	1,436	1,436
Additions	1,643	1,643
At 30 September 2021	3,079	3,079
Accumulated amortisation		
At 30 September 2020	953	953
Amortisation	522	522
At 30 September 2021	1,475	1,475
Net book amount		
At 30 September 2021	**1,604**	**1,604**
At 30 September 2020	483	483

Development costs

Additions in the year relate to the development of software. The amortisation period for website development costs is 3 years straight line. Amortisation has been recognised within operating expenses. Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

8 Trade and other receivables

	2021 £'000	2020 £'000
Amounts due from group undertakings	93,255	65,150
Other debtors and prepayments	3,964	6,006
Other taxes and social securities	961	1,174
Total trade and other receivables	**98,180**	**72,330**

All receivables fall within one year.
For the year ended 30 September 2021, other receivables and prepayments includes £3,584,000 of advanced payments to suppliers.

9 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	80,041	49,039
Amounts owed to group undertakings	43,385	11,582
Accruals	169	1,772
Total trade and other payables	**123,595**	**62,393**

All trade payables are expected to be settled within one year.

10 Provisions

	COVID-19 cancellations	Other COVID-19 related provisions	Total
	£'000	£'000	£'000
At 1 October 2020	796	-	796
Arising during the year	143	17	160
Utilised	(666)	-	(666)
Unused amounts reversed	(2)	-	(2)
At 30 September 2021	**271**	**17**	**288**
Current	271	17	288
Non-current	-	-	-

COVID-19 cancellations

A provision is recognised in respect of expected future cancellations in relation to bookings taken before 30 September 2021. We expect this provision to be utilised over the next year. Assumptions used to calculate the provision for cancellations were to the extent to which holidays will be impacted by the pandemic and the level of revenue that will be reversed as a result of the cancellations, see note 2.

Other COVID-19 related provisions

A provision has been recognised for specific suppliers, we expect this provision to be utilised over the next year. Assumptions used to calculate the other COVID-19 related provisions were the extent to which holidays will be impacted by the pandemic, see note 2.

11 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2021	2020
	£'000	£'000
Deferred tax assets at beginning of the year	-	9
Credit/(debit) to the profit and loss for the year	205	(9)
Deferred tax assets at end of the year	**205**	**-**

The deferred tax asset of £205,000 relates to carried forward tax losses. The Company has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved projections and plans for the Company. The losses can be carried forward indefinitely and have no expiry date.

12 Share capital

	2021	2020
Allotted, called up and fully paid	**£**	**£**
Ordinary shares 1 ordinary share of £1 each	1	1
Called up share capital	**1**	**1**

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13 Commitments

The Company has no capital commitments at 30 September 2021 (2020:£Nil).

14 Financial Instruments

Foreign currency risk management

The majority of the Company's purchases are sources from outside the United Kingdom and as such the Company is exposed to the fluctuation in exchange rates (currencies are principally Sterling, US Dollar, Euro, Swedish Krona and Moroccan Dirham). To the extent that the Company's contracts to purchase services in foreign currency, forward cover is purchased in line with Company guidelines. The Company foreign currency requirement is reviewed three times per week and forward cover is purchased to cover expected usage.

The Company uses forward exchange contracts to hedge its foreign currency risk against sterling. The forward contracts have maturities of less than one year after the balance sheet date.

As a matter of policy the Company does not enter into derivative contracts for speculative purposes. The details of such contracts at the year-end, by currency were:

		EUR	
	Foreign currency	Notional Value	Carrying amount
30 September 2021	**€'000**	**£'000**	**£'000**
Less than 3 months	5,000	4,362	(63)
3 to 6 months	1,450	1,254	(8)
6 to 12 months	39,400	33,989	(120)
Total	**45,850**	**39,605**	**(191)**

30 September 2020	**€'000**	**£'000**	**£'000**
Less than 3 months	7,565	6,501	368
3 to 6 months	765	660	35
Total	**8,330**	**7,161**	**403**

The average exchange rate on these contracts was €1.158 (2020: €1.163) per £1.

		USD	
	Foreign currency	Notional Value	Carrying amount
30 September 2021	**$'000**	**£'000**	**£'000**
Less than 3 months	-	-	-
3 to 6 months	425	314	2
6 to 12 months	1,100	814	2
Total	**1,525**	**1,128**	**4**

30 September 2020	**$'000**	**£'000**	**£'000**
Less than 3 months	670	509	11
3 to 6 months	35	27	-
Total	**705**	**536**	**11**

The average exchange rate on these contracts was $1.351 (2020: $1.314) per £1.

15 Share-based payments

During the year, shared based payment arrangements existed as follows. All options in the plan are equity settled and related to the equity instruments of On the Beach Group plc.

LTIP

The LTIP scheme started on 26 May 2016 and the Group has awarded nil-cost options under the scheme each year since then. The vesting of 30% of the award will be dependent on a relative Total Shareholder Return ("TSR") performance condition measure over the performance period and the vesting of 70% of the award will be dependent on the satisfaction of an Earnings per Share ("EPS") target. For the 2016-2019 schemes the EPS target is measured at the end of the three-year performance period commencing on the first day of the financial period in which they are awarded in. For the 2020 and 2021 LTIP schemes the EPS target is measured across a three year performance period, to the end of year ending September 2022 / 2023 respectively.

During the prior year, the Group awarded nil-cost options to certain key management within the business. The vesting of these awards will be dependent on EBITDA over a three-year performance period. On 29 June 2020, an additional 30,000 shares were granted. For these options awarded, the vesting is dependent on achieving a best quarter EBITDA between 1 January 2021 and 31 March 2022.

On 10 December 2020 the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019 to key management. This removal of a non-marked based condition has resulted in a catch up charge to the income statement of £602,000 that reflects the scheme progress to date. The performance conditions for the shares to vest was achieved on 30 September 2020, all of the shares vested in FY21.

During the current year, the Group awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on set departmental targets.

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

Options outstanding at the year end

The following table illustrates the number of shares and remaining contractual life of share options at the end of the year. No options were exercised during the year.

	30 September 2021	**30 September 2020**
Number of options	479,154	391,125
Remaining contractual life	1.5	1.5

All options have an exercise price of £nil (2020: £nil).

For the year ended 30 September 2021, the share scheme charge recognised in the income statement is £609,000 (2020: credit £404,000).

16 Contingent liabilities

There is a cross-guarantee held between On the Beach Group PLC, On the Beach Limited, On the Beach Beds Limited, On the Beach Travel Limited, On the Beach Topco Limited, On the Beach Bidco Limited and Sunshine.co.uk Limited in relation to balances held with Lloyds Bank PLC. The maximum amount owed during the year was £Nil (2020: £30.0m) and the amount owed as at 30 September 2021 is £Nil (2020: £Nil).

17 Ultimate parent company and parent company of larger Company

On the Beach Beds Ltd, is a wholly owned subsidiary of On the Beach Group PLC, which is the ultimate parent company incorporated in the UK.

The largest and smallest group in which the results of the Company are consolidated is that headed by On the Beach Group PLC, incorporated in the UK. The Groups registered office is located at Aeroworks, 5 Adair Street, Manchester, M1 2NQ. No other group financial statements include the results of the company.

The consolidated financial statements of the group is available to the public and may be obtained from www.onthebeachgroupplc.com.