

## **On the Beach Beds Limited**

Strategic report, directors' report and  
financial statements  
For the year ended 30 September 2022  
Registered number 06294605

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**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 2022.

### 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 2022 are set out on pages 16 to 33. Revenue increased to £13,977,000 year on year, this performance is despite the early part of the financial year, which includes the traditional peak booking month of January, being impacted by the emergence of the Omicron variant of Covid-19.

Operating profit increased to £11,157,000 compared to £1,437,000 operating loss in the prior year.

#### *Impact of the pandemic and associated disruption*

Certain costs have been excluded from performance measures in this statement as the Directors considers this necessary to provide a fair, balanced and understandable view of the performance of the Company. The Directors believes that adjusting for these items provide a clearer reflection of the Company's performance in the current and prior periods. The Company has organised package holidays for customers which were cancelled either as a direct result of the pandemic and more recently due to capacity constraints and operational challenges with airlines and at airports.

The 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 or resulting disruption.

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

|                          | 2022         |                             |                     |               |
|--------------------------|--------------|-----------------------------|---------------------|---------------|
|                          | Adjusted     | Impact of travel disruption | Fair FX value gains | GAAP          |
|                          | £'000        | £'000                       | £'000               | £'000         |
| Revenue                  | 13,198       | 182                         | 597                 | 13,977        |
| Administrative expenses  | (3,627)      | 807                         | -                   | (2,820)       |
| <b>Profit before tax</b> | <b>9,571</b> | <b>989</b>                  | <b>597</b>          | <b>11,157</b> |

  

|                                 | 2021         |                |                |
|---------------------------------|--------------|----------------|----------------|
|                                 | Adjusted     | COVID-19       | GAAP           |
|                                 | £'000        | £'000          | £'000          |
| Revenue                         | 3,823        | (3,949)        | (126)          |
| Administrative expenses         | (1,466)      | -              | (1,467)        |
| Other income                    | -            | 156            | 156            |
| <b>Profit/(loss) before tax</b> | <b>2,356</b> | <b>(3,793)</b> | <b>(1,437)</b> |

***Cash and liquidity***

Thanks to significant shareholder support, the flexible business model and the disciplined way in which customer money is handled, On the Beach Group plc, the ultimate parent company of the Company, has continued to invest in the brand and technology throughout the pandemic and ahead of a full recovery of the travel industry.

Group cash at 30 September 2022 was £64.5m excluding customer monies held in a ring-fenced trust account of £69.4m. In December 2022, the Group refinanced its credit facilities with Lloyds Bank and NatWest. This included cancelling all current facilities and entering into a new facility for £60m expiring in December 2025. Through centralised cash pooling, the Company has access to the Group's cash and facilities.

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. This has been another challenging 12 months for the travel industry, disrupted in the first half of the year by the Omicron variant, and in the second half by staff shortages across the supply chain. Since the onset of Covid-19, the Company has consistently outlined its strategic intention to capture market share as trading normalises and demand for beach holidays recovers.

***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 challenging 12 months for the travel industry, disrupted in the first half of the year by the Omicron variant, and in the second half by staff shortages across the supply chain. Since the onset of Covid-19, the Company has consistently outlined its strategic intention to capture market share as trading normalises and demand for beach holidays recovers.

***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  
Build our in-house capability to increase flight connectivity  
Grow our multi-channel capability to offer partners the widest range of distribution  
Enhance access to 4\* and 5\* product to support expansion into new addressable markets

***3. Diversify into adjacent beach holiday markets***

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

***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.

## 1. Data and security

| <i>Risk and impact</i>   | <i>Key controls and mitigating factors</i>   |
|--|--|
| <ul style="list-style-type: none"> <li>A major security breach, whether stemming from human error, deliberate action or a technology failure, could lead to unauthorised access to or misuse of our technology, customer data, employee data, commercially sensitive information and disruption to core business operations, which could result in significant financial loss, significant fines and reputational damage.</li> </ul> | <ul style="list-style-type: none"> <li>Security policies, processes and technology are baselined against recognised standards such as NIST 800-53 and PCI-DSS.</li> <li>A dedicated secure and PCI-DSS complaint card holder environment has been implemented to protect customer payments and to maintain best practices; this is backed by a 24/7 Managed Security Service provided by our Information Security partner.</li> <li>Investment in cyber security has significantly increased and we have completed a security transformation programme with a dedicated Information Security function in place.</li> <li>Cyber Security Governance Committee established with empowered representation from all departments within the Company.</li> <li>All colleagues are provided with regular security training as part of an agreed yearly security training schedule.</li> <li>Cyber insurance is in place.</li> </ul> |

## 2. Innovation, transformation and scalability

| <i>Risk and impact</i>   | <i>Key controls and mitigating factors</i>  |
|--|---|
| <ul style="list-style-type: none"> <li>The Company operates in a fast-moving marketplace. In order to meet our strategic objectives, our IT platforms must be agile and scalable. If we cannot keep up with growing demand and/or do not innovate or adapt our technologies or fail to adapt to changing customer attitudes/needs, then this will impact growth and the service we can offer to our customers.</li> <li>The Company invests in a number of IT systems/transformational projects as part of its strategy. Failure to execute transformational projects successfully could reduce the Company's operational efficiency, erode the Company's market leadership position and have a negative impact on financial performance.</li> </ul> | <ul style="list-style-type: none"> <li>With the addition of a Director of Product to the Executive Team, innovation will be at the forefront of the Executive Team. It is the responsibility of the Director of Product to create a high-performing product organisation that acts as a glue between all teams and functions – championing customer centricity and utilising data to drive business outcomes. A strong understanding of technology and the art of possibility underpins all of this. The Director of Product's overarching objective is to establish the best (web and mobile) user experience, innovative technology, and highly competitive product offerings in Europe. In order to achieve this goal, we will need a strong product team and we continue to invest heavily in this area.</li> <li>The concept of scalability focuses on ensuring that projects are fit for purpose and meet the goals of end users. In order to ensure this delivery, the product team works closely with the business. The cross-functional and collaborative approach helps identify bumps on the road to delivery and, if necessary, adjust plans or rearrange resources proactively.</li> </ul> |

## 3. Disruption to operations

| <i>Risk and impact</i>  | <i>Key controls and mitigating factors</i>   |
|---|--|
| <ul style="list-style-type: none"> <li>The Company faces the risk of disruption to its operations from a wide range of unpredictable domestic and international events. These can range from smaller localised disruptions impacting systems and operations at office locations, incidents at holiday destinations or major incidents affecting the whole Company such as a pandemic or natural disaster, which could impact our ability to trade and/or manage our business. Such disruptive events could materialise at any point along the supply chain and could impact the Company's finances and affect business operations and customer demand.</li> </ul> | <ul style="list-style-type: none"> <li>We have comprehensive business continuity and disaster recovery plans in place. These plans and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.</li> <li>Insurance policies are also in place to further mitigate this risk.</li> <li>During the year, On the Beach Group plc, the ultimate parent company of the Company, carried out climate scenario analysis to help us identify and quantify the impact of climate-related risks, including physical risks such as chronic heat, which could potentially cause disruption to operations. Whilst it is not anticipated that such risks will have a material impact in the near term, we are adopting controls to monitor these risks, such as country-level threat modelling to help identify specific areas within major holiday destinations that are particularly exposed to heat.</li> </ul> |

## 4. People

| <i>Risk and impact</i>  | <i>Key controls and mitigating factors</i>  |
|---|---|
| <ul style="list-style-type: none"> <li>Our employees are a key asset and it is critical that we are attracting and retaining the right talent. We need an engaged and motivated workforce, with the right people in the right places throughout all levels of the business in order to innovate, share best practice and move the Company forward. Failure to do so may negatively impact our ability to deliver on performance targets and strategic priorities. The North West, where the Company's HQ is located, is an area where there is a particularly high degree of competition for talent.</li> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>We provide an excellent working environment for our employees, and have a very positive, informal and open culture, which contributes to our ability to recruit and retain staff. Our Glassdoor rating based on anonymous reviews is 4.5 out of 5. Our employee engagement score is 8.1 out of 10.</li> <li>We are constantly reviewing our remuneration tools to recruit and retain employees, including base salary, bonus and share schemes and enhanced policies.</li> <li>We have succession plans in place and invest in leadership development to ensure we have a strong and diverse talent pipeline.</li> </ul> |

**Key performance indicators**

The key performance indicators monitored by the Company are:

|                         | <b>2022</b>  | <b>2021</b>  |
|-------------------------|--------------|--------------|
|                         | <b>£'000</b> | <b>£'000</b> |
| Revenue                 | 13,977       | (126)        |
| Operating profit/(loss) | 11,157       | (1,437)      |

**Key highlights:**

- Revenue increased by £14,103,000 to £13,977,000 year on year, this performance is despite the early part of the financial year, which includes the traditional peak booking month of January, being impacted by the emergence of the Omicron variant of Covid-19.
- Operating profit was £11,157,000 compared to £1,437,000 operating loss in the prior year.
- The Company's liquidity position remains strong with total cash at 30 September 2022 of £10,333,000. As part of the On the Beach Group plc, through centralised cash pooling the Company has access to Group cash of £64.5m at 30 September 2022, the Company also has access to the Group's £60m Revolving Credit Facility which was undrawn at year end.

**Going concern**

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

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

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

Cash received from customers for bookings that have not yet travelled is held in a ring-fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2022 was £69.4m.

The Directors have assessed a going concern period through to 31 March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and uncertainties' section of this report. The Directors have modelled a reasonably possible downside scenario to sensitise the base case.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. In this scenario, the Group would have positive cash and no requirement to draw down on its current facilities during the going concern review period.

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

## Strategic Report

On the Beach Beds Limited  
Strategic report, directors' report and financial statements  
30/09/2022  
Registered number 06294605

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company if required, the Directors remain confident that the Group can continue to operate in an agile way adapting to any continued disruption. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

By order of the board



**Shaun Morton**

*Director, On the Beach Beds Limited*

*Aeroworks, 5 Adair Street, Manchester. M1 2NQ*

29/03/2023

## **Directors' report**

The directors present their directors' report and the audited financial statements of the company for the year ended 30 September 2022.

### **Proposed dividend**

Dividends of £9,319,000 were paid to the parent company, On the Beach Travel Limited (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

The profit before income tax for the financial year is £11,157,000 (2021: loss £1,437,000).

### **Directors**

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

SM Cooper

S Morton

### **Political contributions**

The company made no political contributions (2021: £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 £908,000 (2021: £1,643,000) 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 2022 this was £159,000 (2021: £1,443,000), 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*

29/03/2023

## 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 2022 which comprise the Profit and loss account and Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 19, 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 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 2022 and of its profit 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 for the period to 31 March 2024.

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 11, 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 Group 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  
29/03/2023

**Profit & loss account and statement of comprehensive income  
for the year ended 30 September 2022**

|   | Note | 2022<br>£'000 | 2021<br>£'000  |
|---|------|---------------|----------------|
| Revenue   | 4    | 13,977        | (126)          |
| Administrative expenses                               |      | (2,820)       | (1,467)        |
| Other income  | 5    | -             | 156            |
| <b>Operating profit/(loss)</b>                        | 5    | <b>11,157</b> | <b>(1,437)</b> |
| <b>Profit/(loss) before income tax</b>                |      | <b>11,157</b> | <b>(1,437)</b> |
| Income tax (expense)/credit                           | 7    | (705)         | 800            |
| <b>Profit/(loss) for the financial year</b>           |      | <b>10,452</b> | <b>(637)</b>   |
| Other comprehensive income                            |      | -             | -              |
| <b>Total comprehensive income/(loss) for the year</b> |      | <b>10,452</b> | <b>(637)</b>   |

All amounts relate to continuing operations.

The notes on pages 18 to 33 form part of the financial statements.

## Balance sheet

As at 30 September 2022

|  | Note | 2022<br>£'000    | 2021<br>£'000    |
|--|------|------------------|------------------|
| <b>Non-current assets</b>                              |      |                  |                  |
| Intangible assets                                      | 8    | 1,681            | 1,604            |
| Deferred tax   | 12   | 4                | -                |
| <b>Total non-current assets</b>                        |      | <b>1,685</b>     | <b>1,604</b>     |
| <b>Current assets</b>                                  |      |                  |                  |
| Trade and other receivables                            | 9    | 306,760          | 98,180           |
| Deferred tax   | 12   | -                | 205              |
| Cash at bank   |      | 10,333           | 41,108           |
| Derivative financial instruments                       | 15   | 2,733            | -                |
| <b>Total current assets</b>                            |      | <b>319,826</b>   | <b>139,493</b>   |
| <b>Total assets</b>                                    |      | <b>321,511</b>   | <b>141,097</b>   |
| <b>Creditors - amounts falling due within one year</b> |      |                  |                  |
| Trade and other payables                               | 10   | (302,848)        | (123,595)        |
| Provisions for liabilities                             | 11   | -                | (288)            |
| Income tax payable                                     |      | (503)            | -                |
| Derivative financial instruments                       | 15   | -                | (187)            |
| <b>Total liabilities</b>                               |      | <b>(303,351)</b> | <b>(124,070)</b> |
| <b>Net assets</b>                                      |      | <b>18,160</b>    | <b>17,028</b>    |
| <b>Capital and reserves</b>                            |      |                  |                  |
| Called up share capital                                | 13   | -                | -                |
| Retained earnings                                      |      | 18,148           | 17,016           |
| Reserves   |      | 12               | 12               |
| <b>Total shareholders' funds</b>                       |      | <b>18,160</b>    | <b>17,028</b>    |

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



**S Morton**

Director, On the Beach Beds Ltd

Aeroworks, 5 Adair Street, Manchester, M1 2NQ

29/03/2023

## Statement of changes in equity

|   | Note | Share<br>capital<br>£'000 | Reserves<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|---|------|---------------------------|-------------------|-------------------------------|--------------------------|
| 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                   |
| Dividends paid to parent company        | 17   |                           |                   | (9,319)                       | (9,319)                  |
| Total comprehensive income for the year |      | -                         | -                 | 10,452                        | 10,452                   |
| <b>Balance at 30 September 2022</b>     |      | <b>-</b>                  | <b>12</b>         | <b>18,148</b>                 | <b>18,160</b>            |

The notes on pages 18 to 33 form part of the financial statements.

## Notes to the financial statements

### 1 General information

The financial statements of On the Beach Beds Limited for the year ended 30 September 2022 were authorised for issue by the board of directors on 29 March 2023. 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.

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.

### 2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions as set out below. The Company's financial statements are presented in sterling and are rounded to the nearest thousand pounds (£000) except when otherwise stated.

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).
- 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'

## 2.2 Going concern

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

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

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

Cash received from customers for bookings that have not yet travelled is held in a ring-fenced trust account and is not withdrawn until the customer returns from their holiday. Cash held in trust at 30 September 2022 was £69.4m.

The Directors have assessed a going concern period through to 31 March 2024 and have modelled a number of scenarios considering factors such as airline and hotelier resilience, cost of living, inflation, interest rates and customer behaviour / demand. The Group has performed an assessment of the impact of climate risk, as part of the Director's assessment of the Group's ability to continue as a going concern. Further detail of the Group's assessment of the impact of climate risk is provided within the 'Principal risks and uncertainties' section of this report. The Directors have modelled a reasonably possible downside scenario to sensitise the base case.

The Directors modelled what they consider to be a remote downside scenario of no travel or bookings until March 2024. In this scenario the Directors have assumed that variable marketing spend, which is within their control, is significantly reduced. In this scenario, the Group would have positive cash and no requirement to draw down on its current facilities during the going concern review period.

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

Given the assumptions above, and that the Directors are satisfied that the parent undertaking has agreed to support the company if required, the Directors remain confident that the Group can continue to operate in an agile way adapting to any continued disruption. Therefore, it is considered appropriate to continue to adopt the going concern basis in preparing these financial statements.

## 2.3 Changes in accounting policies

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021; the following amended standards have been implemented; however, they have not had a significant impact on the Company's financial statements:

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16; and The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). These amendments had no impact on the consolidated financial statements of the Company.
- Covid-19 Related Rent Concessions beyond 30 June 2021: Amends to IFRS 16  
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of Covid-19 continued, the IASB extended the period of application to 30 June 2022. The Company has not received Covid-19 related rent concessions during the period of application.

### *Standards issued but not yet effective*

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

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

## 2.4 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.

**2.5 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

**2.6 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.

**2.7 Financial instruments****i) Financial assets**

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss. In order for a financial asset to be classified and measured at amortised cost, the financial asset is under a 'hold to collect' business model and it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. The Company considers financial asset in default when contractual payments are 90 days past due.

***Trade and other receivables***

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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.

**ii) Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

***Trade and other payables***

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

***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.

**iii) 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 15 of these financial statements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IFRS 9. On initial designation of the derivative as a hedging instrument, the Company 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 Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items attributable to the hedged risk.

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

**2.8 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.

**2.9 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.

**2.10 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. Revenue is presented on an agent basis, and therefore is stated net.

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.

**2.11 Override income**

The Company has agreements with suppliers which give rise to rebate income. This income relates to segments where revenue is accounted for on an agent basis, therefore the income received from suppliers relates to reduction in cost of sales (corresponding increase in commission received), and as such is considered part of the Company's net 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 current and forecast performance.

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

## **2.12 Taxation**

Income tax on the profit or loss 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**

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. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in the other years and it further excludes items that are never taxable or deductible.

### **Deferred tax**

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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset will be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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.

## **3 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.

**3.1 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. In accordance with IFRS 15, revenue is recognised as an agent on the basis that the performance obligation is to arrange for another entity to provide the goods or services. This assessment has given consideration that there is no inventory risk and limited discretion in establishing prices.

**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 2022, the proportion of development costs that have been capitalised is higher than the years ending 30 September 2020 and 2021 as the development team are focusing on key developments rather than operational tasks to respond to Covid-19.

**3.2 Critical accounting estimates****a) COVID-19**

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

For the year ending 30 September 2021, the Company recognised a cancellation provision to estimate the extent to which forward bookings would be cancelled in FY22. During the current year this provision has been utilised and any unused amounts reversed, see note 11 for details. The Company has not included a provision for forward bookings affected by Covid-19 as at 30 September 2022.

**ii. Impact of Covid-19 and supplier disruption**

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

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|                          | Impact of<br>travel<br>disruption<br>£'000 |
|--------------------------|--|
| Revenue                  | 182  |
| Overheads                |  |
| Administrative expenses  | 807  |
| <b>Profit before tax</b> | <b>989</b>                                 |

### 4 Revenue

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

|                                      | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------------|---------------|---------------|
| Commissions                          | 13,198        | 3,823         |
| Impact of exceptional cancellations* | 182           | (3,949)       |
| Fair value FX gains                  | 597           | -             |
| <b>Total revenue</b>                 | <b>13,977</b> | <b>(126)</b>  |

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

### 5 Operating profit/(loss)

| a) Expenses and auditor's remuneration | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
|--|---------------|---------------|

*Operating profit/(loss) is stated after charging:*

|   |     |     |
|---|-----|-----|
| Amortisation of other intangible assets | 831 | 522 |
| Audit fees                              | 8   | 7   |

### b) Exceptional items

|                          | Adjusted<br>£'000 | 2022<br>Impact of<br>travel<br>disruption<br>£'000 | 2022<br>Fair<br>value FX<br>gains<br>£'000 | GAAP<br>£'000 |
|--------------------------|-------------------|--|--|---------------|
| Revenue                  | 13,198            | 182  | 597  | 13,977        |
| Administrative expenses  | (3,627)           | 807  | -  | (2,820)       |
| Other income             | -                 | -  | -  | -             |
| <b>Profit before tax</b> | <b>9,571</b>      | <b>989</b>   | <b>597</b>                                 | <b>11,157</b> |

## Notes to the financial statements

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

The total exceptional items in the year ended 30 September 2022 of £1,586,000 includes £989,000 due to the impact of travel disruption and £597,000 of fair value FX gains. The impact of travel disruption represents £58,000 cost of Covid-19 and supplier disruption to trading in the period which has been offset by the release of £1,047,000 of provisions from the previous year.

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 supplier provisions.

### 6 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 |           |
|-------------------------------|---------------------|-----------|
|                               | 2022                | 2021      |
| Management and administration | 34                  | 33        |
|                               | <b>34</b>           | <b>33</b> |

The aggregate payroll costs of these persons were as follows:

|                      | 2022<br>£'000 | 2021<br>£'000 |
|----------------------|---------------|---------------|
| Wages and salaries   | 2,186         | 1,246         |
| Social security cost | 244           | 124           |
| Other pension costs  | 37            | 18            |
|                      | <b>2,467</b>  | <b>1,388</b>  |

### Director's remuneration

The directors of the company received no remuneration from this entity during the year (2021: £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 (2021: £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.

**7 Taxation**

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Current tax:</b>                            |              |              |
| Corporation tax on income for the year         | 495          | -            |
| Adjustments in respect of prior periods        | 9            | (595)        |
| <b>Total current tax</b>                       | <b>504</b>   | <b>(595)</b> |
| <b>Deferred tax:</b>                           |              |              |
| Origination and reversal of timing differences | 426          | (574)        |
| Adjustments in respect of prior periods        | (225)        | 369          |
| <b>Total deferred tax</b>                      | <b>201</b>   | <b>(205)</b> |
| <b>Income tax expense/(credit)</b>             | <b>705</b>   | <b>(800)</b> |

Factors affecting the income tax expense for the current year: The current tax credit for the year is higher with (2021: lower tax charge) than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below.

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Tax reconciliation</b>  |              |              |
| Profit/(loss) before income tax                                  | 11,157       | (1,437)      |
| Tax using the current UK corporation tax rate of 19% (2021: 19%) | 2,120        | (273)        |
| Effects of:  |              |              |
| Expenses not deductible  | 166          | (267)        |
| Adjustments in respect of prior periods                          | (216)        | (226)        |
| Adjustments in respect of group relief received                  | (1,397)      | -            |
| Impact of difference in current and deferred tax rates           | 32           | (34)         |
| <b>Income tax expense/(credit)</b>                               | <b>705</b>   | <b>(800)</b> |

The tax rate for the period is the standard rate of tax in the UK of 19% (2021: 19%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2022. The deferred tax assets and liabilities at 30 September 2022 have been calculated based on these rates.

**8 Intangible assets**

|                                 | <b>Website &amp;<br/>development<br/>costs<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------|--|------------------------|
| <b>Cost</b>                     |  |                        |
| At 30 September 2021            | 3,079  | 3,079                  |
| Additions                       | 908  | 908                    |
| <b>At 30 September 2022</b>     | <b>3,987</b>   | <b>3,987</b>           |
| <b>Accumulated amortisation</b> |  |                        |
| At 30 September 2021            | 1,475  | 1,475                  |
| Amortisation                    | 831  | 831                    |
| <b>At 30 September 2022</b>     | <b>2,306</b>   | <b>2,306</b>           |
| <b>Net book amount</b>          |  |                        |
| <b>At 30 September 2022</b>     | <b>1,681</b>   | <b>1,681</b>           |
| At 30 September 2021            | 1,604  | 1,604                  |

**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.

**9 Trade and other receivables**

|  | <b>2022<br/>£'000</b> | <b>2021<br/>£'000</b> |
|--|-----------------------|-----------------------|
| Amounts due from group undertakings      | 299,350               | 93,255                |
| Other receivables and prepayments        | 4,741                 | 3,964                 |
| Other taxes and social securities        | 2,669                 | 961                   |
| <b>Total trade and other receivables</b> | <b>306,760</b>        | <b>98,180</b>         |

All receivables fall within one year. Amounts owed by group undertakings are presented as a current asset as the balances are repayable on demand.

For the year ended 30 September 2022, other receivables and prepayments includes £2,401,000 of advanced payments to suppliers.

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

## Notes to the financial statements

On the Beach Beds Limited  
Strategic report, directors' report and financial statements  
30/09/2022  
Registered number 06294605

### 10 Trade and other payables

|                                       | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
|                                       | £'000          | £'000          |
| Trade payables                        | 114,080        | 80,041         |
| Amounts owed to group undertakings    | 188,534        | 43,385         |
| Accruals                              | 234            | 169            |
| <b>Total trade and other payables</b> | <b>302,848</b> | <b>123,595</b> |

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

### 11 Provisions

|                             | Covid-19<br>cancellations | Other Covid-<br>19 related<br>provisions | Total |
|-----------------------------|---------------------------|--|-------|
|                             | £'000                     | £'000                                    | £'000 |
| <b>At 1 October 2021</b>    | 271                       | 17                                       | 288   |
| Arising during the year     | -                         | -  | -     |
| Utilised                    | (33)                      | -  | (33)  |
| Unused amounts reversed     | (238)                     | (17)                                     | (255) |
| <b>At 30 September 2022</b> | -                         | -  | -     |
| Current                     | -                         | -  | -     |
| Non-current                 | -                         | -  | -     |

#### Covid-19

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

### 12 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

|  | 2022     | 2021       |
|--|----------|------------|
|  | £'000    | £'000      |
| Deferred tax assets at beginning of the year       | 205      | (595)      |
| (Debit)/Credit to the profit and loss for the year | (201)    | 800        |
| <b>Deferred tax assets at end of the year</b>      | <b>4</b> | <b>205</b> |

The deferred tax asset of £4,000 relates to accelerated depreciation on property, plant and equipment.

**13 Share capital**

|   | 2022     | 2021     |
|---|----------|----------|
|   | £        | £        |
| <i>Allotted, called up and fully paid</i>   |          |          |
| Ordinary shares 1 ordinary share of £1 each | 1        | 1        |
| <b>Called up share capital</b>              | <b>1</b> | <b>1</b> |

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.

**14 Commitments**

The company has no capital commitments at 30 September 2022 (2021:£Nil).

**15 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<br>currency | Notional<br>Value | Carrying<br>amount |
|                          | €'000               | £'000             | £'000              |
| <b>30 September 2022</b> |                     |                   |                    |
| Less than 3 months       | 43,820              | 37,449            | 1,013              |
| 3 to 6 months            | 9,670               | 8,307             | 244                |
| 6 to 12 months           | 38,430              | 35,789            | 1,004              |
| 12+ months               | 2,050               | 1,831             | 22                 |
| <b>Total</b>             | <b>93,970</b>       | <b>83,376</b>     | <b>2,283</b>       |
| <b>30 September 2021</b> | <b>€'000</b>        | <b>£'000</b>      | <b>£'000</b>       |
| 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)              |
| <b>Total</b>             | <b>45,850</b>       | <b>39,605</b>     | <b>(191)</b>       |

The average exchange rate on these contracts was €1.158 (2021: €1.158) per £1.

**15 Financial Instruments (continued)**

|                          | USD                           |                            |                             |
|--------------------------|-------------------------------|----------------------------|-----------------------------|
|                          | Foreign<br>currency<br>\$'000 | Notional<br>Value<br>£'000 | Carrying<br>amount<br>£'000 |
| <b>30 September 2022</b> |                               |                            |                             |
| Less than 3 months       | 3,710                         | 2,910                      | 409                         |
| 3 to 6 months            | 1,665                         | 1,442                      | 47                          |
| 6 to 12 months           | 1,635                         | 1,472                      | (5)                         |
| <b>Total</b>             | <b>7,010</b>                  | <b>5,824</b>               | <b>451</b>                  |
| <b>30 September 2021</b> | <b>\$'000</b>                 | <b>£'000</b>               | <b>£'000</b>                |
| Less than 3 months       | -                             | -                          | -                           |
| 3 to 6 months            | 425                           | 314                        | 2                           |
| 6 to 12 months           | 1,100                         | 814                        | 2                           |
| <b>Total</b>             | <b>1,525</b>                  | <b>1,128</b>               | <b>4</b>                    |

The average exchange rate on these contracts was \$1.195 (2021: \$1.351) per £1.

|                          | MAD                            |                            |                             |
|--------------------------|--------------------------------|----------------------------|-----------------------------|
|                          | Foreign<br>currency<br>MAD'000 | Notional<br>Value<br>£'000 | Carrying<br>amount<br>£'000 |
| <b>30 September 2022</b> |                                |                            |                             |
| Less than 3 months       | 235                            | 20                         | (1)                         |
| <b>Total</b>             | <b>235</b>                     | <b>20</b>                  | <b>(1)</b>                  |
| <b>30 September 2021</b> | <b>MAD'000</b>                 | <b>£'000</b>               | <b>£'000</b>                |
| Less than 3 months       | -                              | -                          | -                           |
| <b>Total</b>             | <b>-</b>                       | <b>-</b>                   | <b>-</b>                    |

**16 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 2017-2019 schemes the EPS target is measured at the end of the three-year performance period commencing on the first day of the financial period in which they are awarded in.

For the 2020 and 2021 LTIP schemes the EPS target is measured across a three year performance period, to the end of year ending September 2022 / 2023 respectively. For the 2020 schemes, the Group awarded nil-cost options to certain key management within the business. The vesting of these awards will be dependent on EBITDA over a three-year performance period.

During the prior year, the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019 to key management. This removal of a non-marked based condition has resulted in a catch up charge to the income statement of £2.0m that reflects the scheme progress to date. The performance conditions for the shares to vest was achieved on 30 September 2020, all of the shares vested in FY21. The Group also awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on set departmental targets.

During the current year, the Group awarded nil-cost options to certain key employees within the business. The vesting of these awards will be dependent on absolute TSR, relative TSR and Total Transaction Value ("TTV") targets at the end of a two year period. On 21 December 2021, the remuneration committee approved the introduction of an underpin/minimum award for the nil cost awards originally granted 9 July 2019. This removal of a non-marked based condition has resulted in a catch up charge to the income statement of £1.9m that reflects the scheme progress to date, all of these shares vested in FY22.

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

#### 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<br>September<br>2022 | 30<br>September<br>2021 |
|----------------------------|-------------------------|-------------------------|
| Number of options          | 354,555                 | 479,154                 |
| Remaining contractual life | 2.5                     | 1.5                     |

All options have an exercise price of £nil (2021: £nil).

#### 17 Dividends

During the year, dividends of £9,319,000 were paid to the Company's parent company, On the Beach Travel Limited (2021: £nil).

#### 18 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 and Sunshine.co.uk Limited in relation to balances held with Lloyds Bank PLC. The maximum amount owed during the year was £Nil (2021: £Nil) and the amount owed as at 30 September 2022 is £Nil (2021: £Nil).

#### 19 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](http://www.onthebeachgroupplc.com).