ANNUAL REPORT 2018

HOSTELWORLD

MEET THE WORLD

20

YEARS OF

HOSTELWORLD

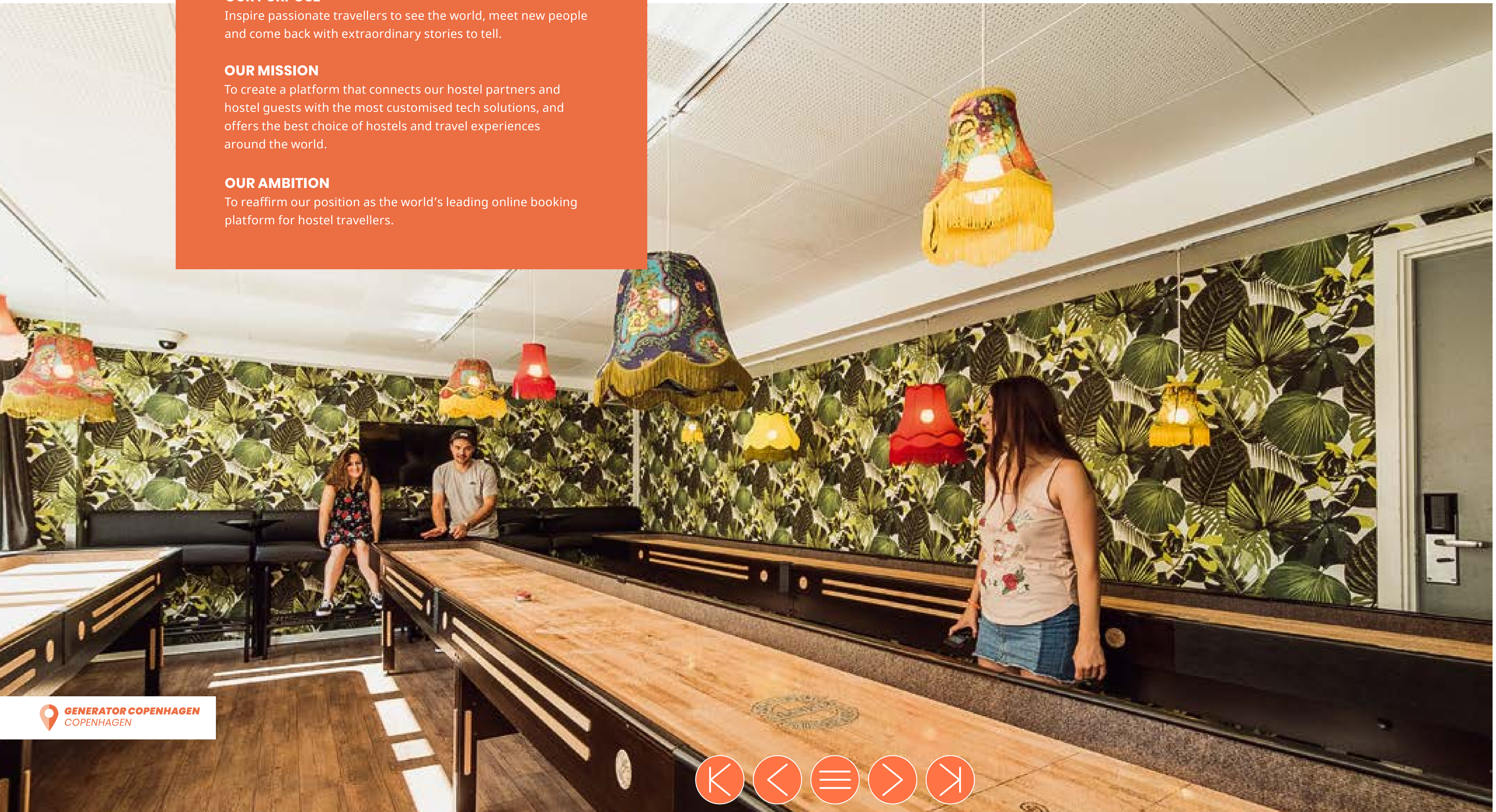
Hostelworld Annual Report 2018 | **Overview**

HOSTELWORLD'S VISION

OUR PURPOSE
Inspire passionate travellers to see the world, meet new people and come back with extraordinary stories to tell.

OUR MISSION
To create a platform that connects our hostel partners and hostel guests with the most customised tech solutions, and offers the best choice of hostels and travel experiences around the world.

OUR AMBITION
To reaffirm our position as the world's leading online booking platform for hostel travellers.



GENERATOR COPENHAGEN
COPENHAGEN

ABOUT HOSTELWORLD GROUP

Hostelworld Group is the leading hostel-focussed online booking platform, sparking social experiences for young and independent travellers.

Our customers are not your average tourists; they crave unique experiences that we facilitate with the best choice of hostels around the world offered in 19 languages across the website and 13 languages on the app of our core brand Hostelworld.

We have 20 years' experience as the hostel Online Travel Agent ("OTA") experts, and today we work with over 16,500 hostel properties globally, in addition to 20,000 other forms of budget accommodation.

Our customers have access to an extensive database of more than 11.5 million customer reviews which allows them to choose the hostel that's right for them.

Since 1999 we've partnered with hostels worldwide, enabling them to manage and distribute their inventory to our highly engaged and valuable global customer base.

Hostelworld Annual Report 2018 | **Overview**

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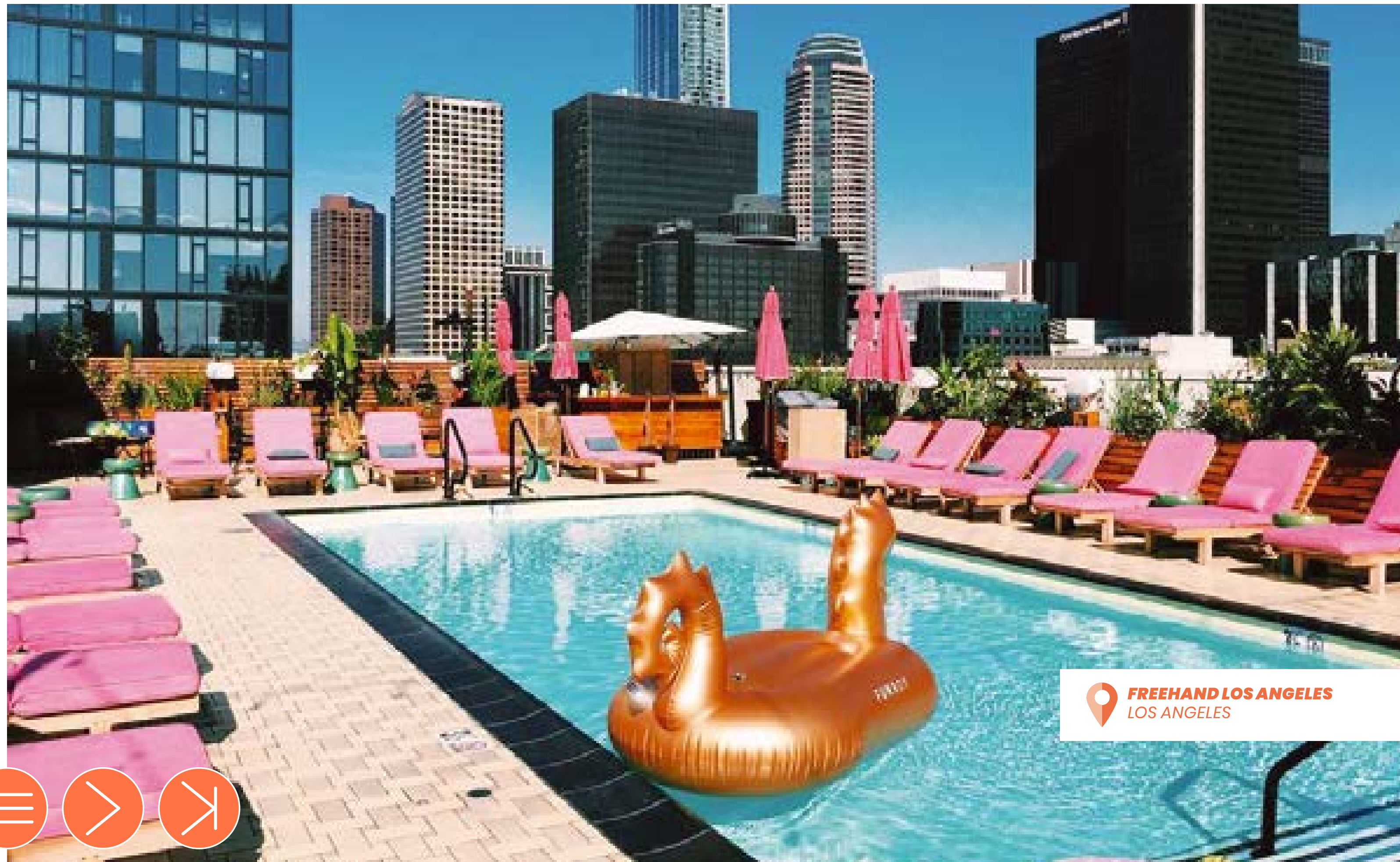

01

OVERVIEW

10 ....Our Journey
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Hostelworld Annual Report 2018 | **Overview**

OUR JOURNEY

A Celebration of 20 years

1999
Launch of the Hostelworld website, providing an online booking platform and back-end property management system

2003
Acquired the Hostels.com business and brand

2006
Opened office in Shanghai

2009
Hellman & Friedman LLC, a US private equity firm, acquired the Group

2013
Acquired the Hostelbookers business, based in the UK

2014
Released new suite of Hostelworld booking apps for iOS and Android

2015
Listed on the London and Euronext Dublin Stock Exchanges

Rebranding of Hostelworld with 'Meet the world'

2017
Opened technology development centre in Porto, Portugal

2018
Roadmap to Growth programme

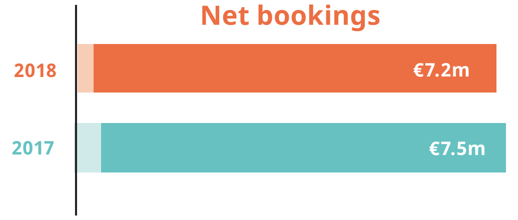
2019
Celebrating 20 years of Hostelworld

2018 SUMMARY

Bookings

7.6m
Gross bookings

7.2m
Net bookings



2018
- Hostelworld Brand
- Other Brands

2017
- Hostelworld Brand
- Other Brands

Net Revenue

€82.1m

Deferred Revenue

- Free Cancellation Booking Revenue

€2.9m

Adjusted EBITDA

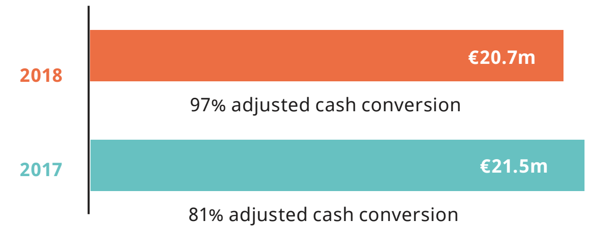
€21.4m

Adjusted Profit After Tax

€17.5m

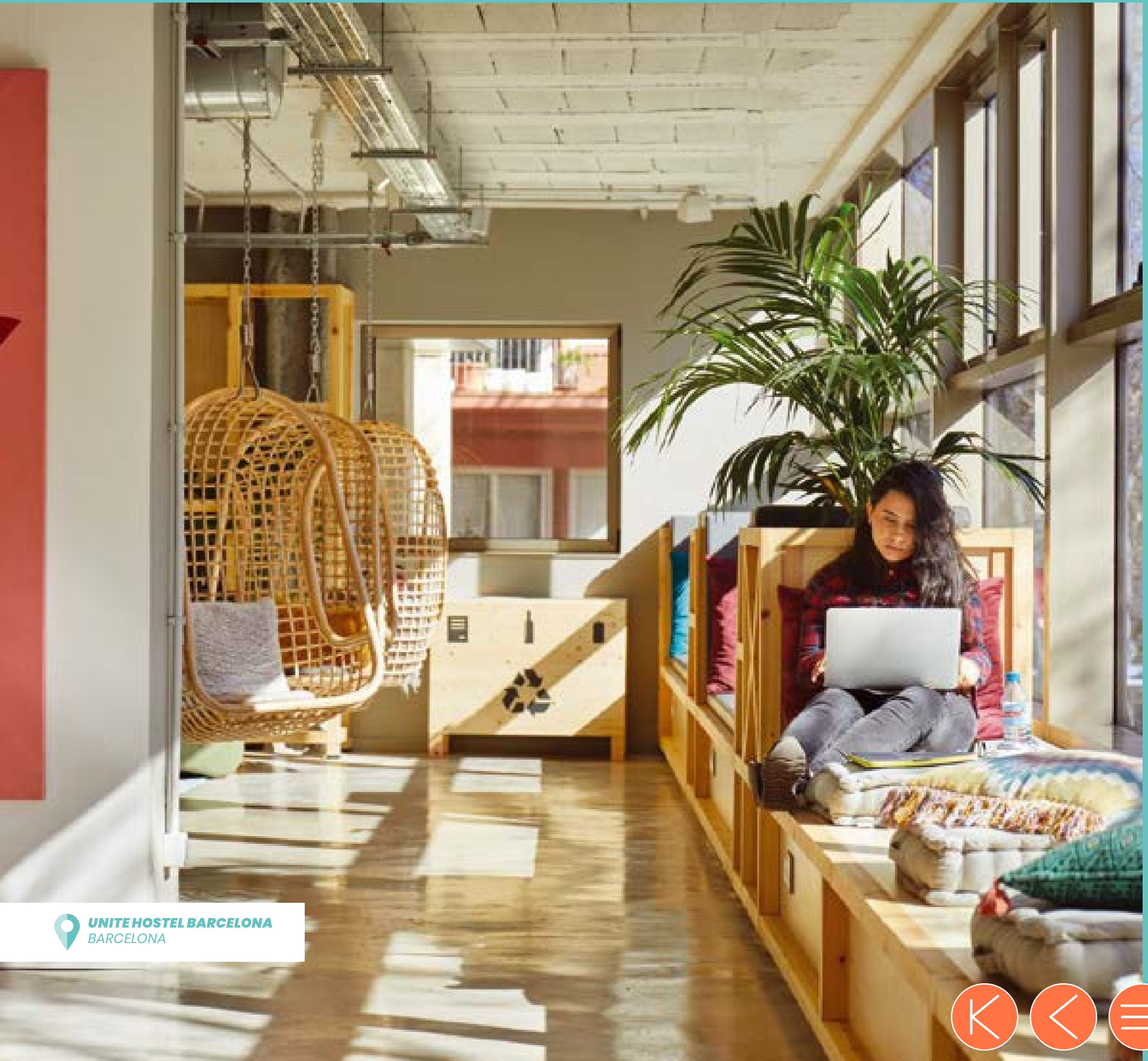
Adjusted Free Cash Flow

€20.7m



Definitions
Adjusted EBITDA - Earnings before interest, tax, depreciation and amortisation, excluding exceptional and non-cash items;
Adjusted Profit after Tax – Profit after tax excluding exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share based payment expenses and deferred taxation;
Adjusted Free Cash Flow – Free cash flow adjusted for capital expenditure, acquisition of intangible assets, net finance costs and net movement in working capital excluding the effect of exceptional costs.

02



STRATEGIC REPORT

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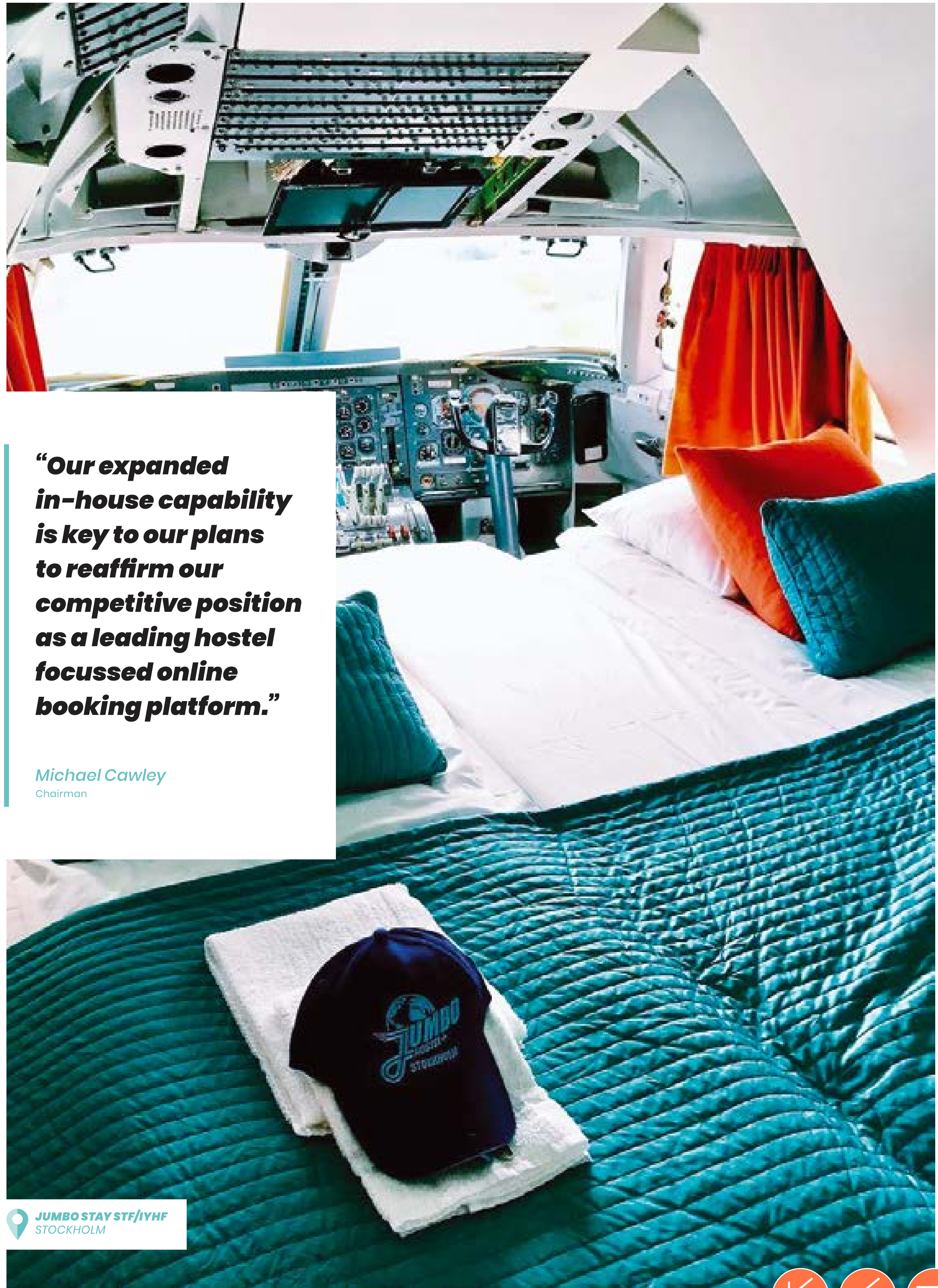


> ***"Our expanded in-house capability is key to our plans to reaffirm our competitive position as a leading hostel focussed online booking platform."***
>
> *Michael Cawley*
> Chairman

JUMBO STAY STF/IYHF
STOCKHOLM

CHAIRMAN'S STATEMENT

2018 was a year of significant activity and change for the Hostelworld Group. Despite experiencing challenging industry conditions during the summer months, we are pleased to report continued growth in gross bookings from our core Hostelworld brand of 4%, although the managed decline in our supporting brands resulted in flat overall Group bookings. In response to customer demand and following a pilot launch, in July we successfully rolled out our free cancellation booking option globally, which further enhanced and broadened our customer product offering.

In June 2018 Gary Morrison joined Hostelworld as Chief Executive Officer, following the departure of Feargal Mooney from the Group. Gary worked for Expedia for over seven years and brings a wealth of experience and knowledge of the Online Travel Agent ("OTA") marketplace. Following his arrival, Gary undertook a detailed strategic review of the Group which he completed in November 2018. As outlined in more detail in his Chief Executive's review, this confirmed the significant growth opportunity for Hostelworld and the strengths and continuing relevance of our brand, in addition to highlighting areas that require future investment.

Results and Financial Position

Gross bookings for the year were flat given the managed decline in our supporting brands which offset the growth of 4% in the Hostelworld brand. As indicated at the time, the peak summer months were impacted by unseasonably hot weather in Europe and the timing of the World Cup. The Group's core brand, Hostelworld, currently represents 96% of total Group bookings (2017: 93%) with this percentage likely to increase further during 2019 as per our strategy. The successful rollout of the free cancellation booking option during the year led to a deferral of revenue recognition, which has impacted reported earnings in 2018, however this has not had an impact on cash receipts. At 31 December 2018, €2.9m of revenue from free cancellation bookings was collected from customers and deferred and will be recognised, net of any future cancellations, in 2019 when the last cancellation date has passed.

Revenue for the year was €82.1m (2017: €86.7m) a decrease of 5%, due to the impact of the deferred revenue. Adjusted EBITDA (as defined in the Financial Review) for the year was €21.4m (2017: €26.4m) and operating profit for the year was €6.7m (2017: €11.9m). Both were also impacted by the deferred revenue.

The business continues to be strongly cash generative, with Adjusted Free Cash Flow (as defined in the Financial Review) of €20.7m (2017: €21.5m). Cash balances at year end were €26.0m (2017: €21.3m), after payment of €16.1m of dividends during the year (2017: €24.8m).

Dividend and Capital Structure

The Board is recommending a full year final dividend of 9.0 euro cent per share which together with the interim dividend of 4.8 euro cent per share brings the total dividend for 2018 to 13.8 euro cent. This reflects a distribution of 75% of the Adjusted Profit after Taxation for the year and is in line with our stated dividend policy. The Board continues to review its approach to returning capital to shareholders, whilst retaining flexibility to enable us to stabilise and strengthen our core platform.

Board Composition

The composition of the Board is fully compliant with the UK Corporate Governance Code as applied to small companies. The Board has undertaken an appraisal of the Directors, as well as of the Board and each sub-committee, which concluded that the Board is functioning effectively.

There was significant change to the Board during 2018. In May 2018, we announced that Feargal Mooney who had been with Hostelworld for 16 years would be leaving the Board in June and would be succeeded by Gary Morrison.

Earlier in 2018, Mari Hurley who had been with the Group for 11 years as Chief Financial Officer, resigned from the Board. In August 2018 we announced that TJ Kelly would be taking up the position of Chief Financial Officer and would be joining the Group and the Board in November 2018. TJ was formerly Chief Financial Officer of Glanbia plc's Performance Nutrition division and brings a wealth of financial experience in international consumer-focussed businesses and a proven track record in financial leadership.

Pursuant to changes to the composition of the audit committee as set out in the 2018 Corporate Governance Code, I stepped down as a member of the Audit Committee in December 2018. In February 2018 Éimear Moloney was appointed as a member of both the Nomination Committee and Remuneration Committee. There were no other changes to the Audit Committee, Remuneration Committee and Nomination Committee during the year.

Colleagues, Customers and Shareholders

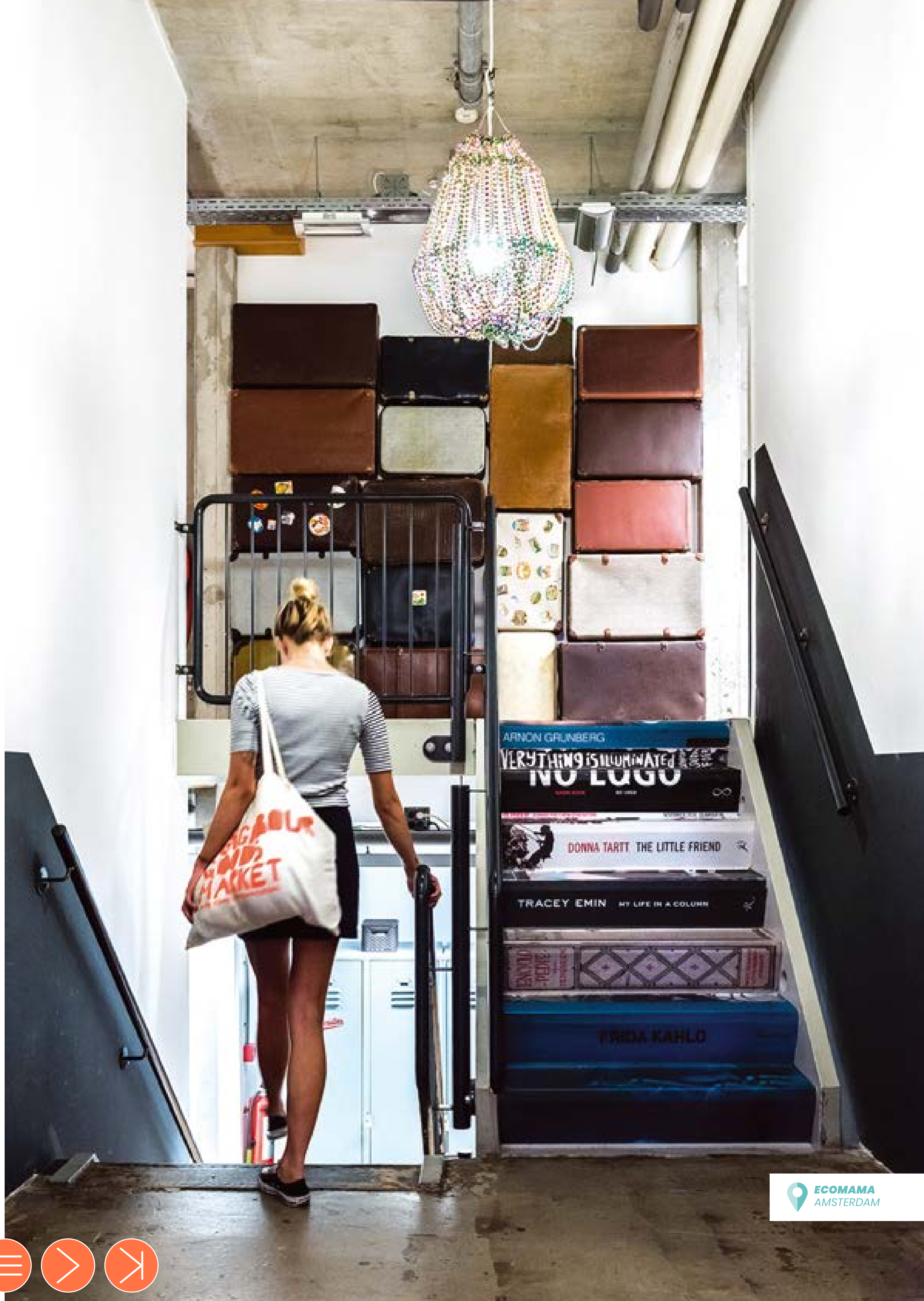
On behalf of the Board, I would like to thank all members of the Hostelworld team for their commitment and hard work during the year. I would like to particularly acknowledge the dedication of our product and technology development teams based in Dublin and Porto. Our expanded in-house capability is key to our plans to leverage Hostelworld's data assets and native app development strengths and reaffirm our competitive position as a leading hostel focussed online booking platform.

Following Gary Morrison's appointment as Chief Executive Officer, he developed a 'Roadmap for Growth' programme and strengthened the management team to better resource us to deliver the significant future growth opportunities in the business. In addition to the appointment of TJ Kelly as Chief Financial Officer, a number of key appointments and internal promotions have been made across the business in areas including Product, Technology, and Analytics and Insights in order to deliver our ambitious growth objectives.

I would also like to thank our customers and hostel partners, whom we continue to place at the heart of our business, for their loyalty and support.

Finally, to our shareholders for their confidence and commitment, we look forward to returning our business to growth and continuing to return value to our shareholders.

Michael Cawley
Chairman
1 April 2019



CHIEF EXECUTIVE'S STATEMENT

Since its foundation twenty years ago, Hostelworld has grown into a global business focussed on facilitating a social travelling experience for young and independent travellers and others seeking a sense of adventure, community and interaction with like-minded international travellers. Since joining the business in June I have completed my strategic review, which has confirmed why I decided to join the Group. Hostelworld has a very relevant brand which is trusted by a loyal and engaged customer base and has access to exclusive inventory of high quality hostels. By leveraging our significant accumulated data assets and native app development skills to exploit our unique and focussed position in the hostel ecosystem, we are not just well positioned in a growing market, but as a market leading category specialist we can compete effectively with the generalist lodging online travel agents ("OTAs").

It is also clear that in recent years, while Hostelworld has had a strong track record of EBITDA delivery, this has not been matched by consistent top line growth. Furthermore the reliance on, and significant investment in category advertising to drive customer acquisition has not accelerated the core business and translated into bookings growth, despite operating in a growing market. My strategic review, announced in November, also identified a number of areas where there has been a lack of investment, most notably in our core platform, that need to be addressed to ensure that we remain competitive in our marketplace. These will be the main focus of our attention in the coming year. At the same time, I have identified and developed a 'Roadmap for Growth' programme in order to capitalise on the significant opportunities for the business and to return it to a proper growth trajectory. In order to deliver this, I have taken steps to strengthen the management team with a number of significant hires and internal promotions.

The main elements of our 'Roadmap for Growth' programme have now been agreed, with a number of initiatives started during the second half of 2018. As we look to 2019 as a year of investment to fund the 'return to growth drivers' in 2020, there will be a number of key focus areas for the management team as described in more detail below. It is anticipated that organic growth will be self-funded from our existing cash resources and cash generated from the business. Appropriate deployment of capital against organic and inorganic growth opportunities will be subject to continual assessment and appraisal by the Board.

Returning to Growth

Gross bookings were flat year on year (2017: 6% growth) with modest growth of 4% in the Hostelworld brand, which now accounts for 96% of total bookings, being offset by the managed decline in our supporting brands. As announced in August at the time of our half year results, bookings growth in 2018 was impacted by some softness in trading seen during the peak Summer months as a result of the hot weather in Europe and the timing of the World Cup.

Our focus is on the hostel market and we are operating in a growing market: the total value of hostel revenue is forecast to grow from US$5.5bn in 2017 to US$6.4bn in 2020 (Source: Phocuswright's "The Global Hostel Market Place Second Edition", March 2018). The market is highly fragmented, but with a growing supply base of high quality accommodation. We are seeing significant investment and some modest consolidation by the top chains within the hostel segment and the share of bookings made through OTAs, such as Hostelworld, is forecast to grow at a faster rate than the traditional hostel market. We also have a strong and trusted brand that provides relevant and valuable customers to the hostel sector. It is therefore imperative that we are correctly positioned to take advantage of the growth opportunities in our marketplace and that we appropriately invest in our core product, platform, technological capabilities and marketing in order to achieve this.

Our Strategy

The strategic review has highlighted the opportunity for significant growth for the business. The positive market dynamics showcase the potential pace for growth, which a purely hostel focussed business can exploit. We have identified a number of key focus areas as our strategic objectives for 2019. These are as follows:

► Investing in our Platform

One of the key areas of our focus in 2019 will be on strengthening the core platform in order to improve its flexibility and the experience of our customers bringing it up to competitive parity. Since 2015 there was underinvestment in the total product and engineering headcount, which was insufficient to maintain our platform competitiveness against other OTAs. I have identified closing this technological gap as a key priority for my management team.

During 2018 we rolled out our free cancellation option for customers which has now been successfully embedded, with cancellation rates performing in line with our expectations. We plan to make further improvements to the range of booking options we offer our customers which will result in greater flexibility to make online changes and a wider range of payment options, including different currencies and different payment methods.

We plan to improve the search experience for our customers in order to present the right hostels to the right customers at the right time through more dynamically optimised search functions. This will involve expanding and improving the hostels available to our customers with unique experiences and improved site and hostel content localisation.

We are also investing in our current platform to upgrade connectivity for hostel owners and to offer improved and more flexible rate plan configurations. Hostelworld has significant exclusive inventory and in order to retain this position we need to invest and ensure that our platform is as flexible and convenient as possible for hostel owners to use. In recent years the use of third party platforms has increased with these platforms typically providing connections to multiple OTAs, including Hostelworld. This has allowed more competitors to gain access to the hostel market. Therefore upgrading our third party platform connectivity is a key priority in order to defend our competitive position, ensuring we have the best access to inventory for our customers.

► Best-in-Class App Technology

Hostelworld launched its first app in 2010 and this has been one of the key factors in our success over the past few years with continued growth in bookings via our app every year. In 2018 40% of all bookings were made via the app up from 33% in 2017. Since we launched our iOS and Android apps in 2014, they have won industry awards and recognition. However, in an increasingly competitive market where our customers have more choice and options, we need to ensure that our app has the best functionality with the most relevant content, together with the appropriate inventory for our chosen segment. We expect to see app usage continue to grow in the future and this will continue to drive marketing efficiencies by lowering our customer acquisition and transaction costs.

One of Hostelworld's key strengths is our experience and expertise in native app development. Our software development office in Porto which we opened in 2017 has been significantly expanded during 2018. As at 31 December 2018 we had 53 people employed in Porto compared to 24 at the end of 2017. During 2019 our Dublin and Porto product and development teams will continue to update and expand our app capability. The native app development skills that Hostelworld has developed are a key source of competitive advantage for our business.

► Leveraging our Data Assets

Hostelworld has millions of stored anonymised itineraries which provide a rich data source and have historically been under-utilised by the Group. We can use this data to better understand the preferences of different types of customer: for example, a single destination trip customer will typically have different requirements and be looking for different features in their hostel stay compared to a multi destination trip traveller who is seeking a different type of hostel experience. By using this data we can generate highly relevant bespoke recommendations and suggestions for our customers. For Hostelworld, leveraging our data will allow us to target and grow the most profitable customer segments, such as multi destination customers.

- **Driving Customer Acquisition**

In recent years Hostelworld has invested in category advertising through some high profile celebrity advertising campaigns. However, whilst these generated strong interest on social media, it is difficult to measure the related core business growth and associated returns. The conclusions of the recent strategic review are that in 2019 these resources would be more productively deployed in investing in our products and systems as previously outlined and that marketing activities will be focussed on core customer acquisition.

We know that our most engaged customer base who book for four or more destinations per trip is significantly more valuable than those who book two or three destinations per trip, both for Hostelworld and for our hostel partners. Providing the right customer to the right hostel at the right time not only increases the chances of repeat bookings through Hostelworld, but it also delivers the most valuable customers for the hostels. These are customers who understand the hostel experience and who are most likely to leave positive reviews. Hostelworld customers are also best known for contributing to the atmosphere in the hostel, by participating most fully in the activities of the hostel and using in-house food and beverage facilities during their stay.

Business Model

In operating a global hostel-focussed online booking platform, we offer a simple and comprehensive online mechanism that gives providers of hostels and other budget accommodation a shop window to show their accommodation to young and independent travellers. We provide the technology solution to facilitate bookings between the hostel and traveller, offering a high quality booking experience that provides us with commission based revenue.

At the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. The deposit equates to our revenue from the transaction. This efficient business model has favourable working capital attributes and strong cash conversion. Debt collection and invoicing overheads are all minimised.

During 2018, we rolled out a global free cancellation model to further broaden our product offering. As with the other deposit models, at the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. If the hostel traveller cancels their free cancellation booking, within a specified period, we will refund their deposit. The introduction of the free cancellation booking option has resulted in a portion of gross bookings being cancelled and the deposits refunded to customers. Underlying cancellation rates are performing in line with our expectations.

The Market

The second independent study of the global hostel market (“Second Edition”) was published by Phocuswright in 2018.

The topline findings of the Second Edition include:

- Phocuswright estimates total property count globally of approximately 18,200 in 2016, increasing significantly from 15,700 properties in 2014.
- Phocuswright projects 5% hostel revenue growth per year through 2020 for the global hostel market (on pace with the global hotel industry), when it estimates that total hostel revenue will reach nearly US$6.4 billion in revenue.
- Online channels accounted for 62% of global hostel revenue in 2016. OTAs are the fastest-growing channel, processing 46% of global hostel bookings in 2016, and estimated to rise to 54% by 2020.

Phocuswright’s conclusions provide us with additional confidence in the strength of our target market and the long term growth opportunities it offers the Group as a leading provider of bookings into this niche market.

Investing in People

In order to deliver our ‘Roadmap for Growth’ programme, since my appointment in June I have made a number of important changes to strengthen the management team. In November, TJ Kelly joined Hostelworld from Glanbia as our Chief Financial Officer. In addition, I have made a number of internal promotions: Breffni Horgan to Chief Product Officer, Noel Maher to Chief Technology Officer and Catriona Flood to Chief Analytics Officer. We will continue to invest in talent across the business especially in product, technology and in our Porto office. We are fortunate to have an excellent and diverse pool of talented individuals working across our organisation who are critical to our future success. I would like to thank the entire team, in Dublin, London, Porto, Shanghai and Sydney for their hard work in 2018.

Optimising Capital Allocation

After our people, capital is our most important resource and it is critical that we invest it wisely. My strategic review has highlighted insufficient investment in our core platform and product suite in recent years. Therefore my priorities for future capital allocation are on focussed marketing programmes that will drive growth in core customer acquisition and re-investment in our core platform in order to reaffirm and strengthen our position as a leading hostel-focussed online booking platform. Most of our existing growth plans can be delivered organically using the existing resources and experience of the Group, including more effective leveraging of our under-utilised existing data assets. However, we will continue to appraise complementary target acquisitions that would accelerate our growth or provide us with a unique capability to improve our offering to our customers or hostel partners.

2019 will be a year of investment for Hostelworld to fund the ‘return to growth’ drivers for 2020 and beyond. It is anticipated that organic growth will be self-funded through our existing cash resources and the strong cashflows generated from the business.

Outlook

Hostelworld is operating in a highly competitive market, which is growing. We have a very relevant brand which is trusted by a loyal and engaged customer base. Trading in the first quarter of 2019 is in line with the Board’s expectations. We remain committed to delivering value to shareholders and continue to assess our capital allocation approach in line with investment choices and priorities.

Gary Morrison
Chief Executive
1 April 2019

Hostelworld Annual Report 2018 | **Strategic Report**

"The Group's business model continues to produce strong free cash flow conversion."

TJ Kelly
Chief Financial Officer

MEMORY HOSTEL
DA NANG

FINANCIAL REVIEW

Introduction

- Hostelworld gross brand bookings growth of 4%, total Group bookings growth flat reflecting the managed decline in supporting brands
- Average Booking Value ("ABV") (gross) of €11.89, a 3% increase on 2017, 6% increase on a constant currency basis
- Revenue decreased by 5%, 3% decrease on a constant currency basis, impacted by deferred revenue. Excluding the impact of deferred revenue, Group revenue decreased by 2% and grew by 1% on a constant currency basis
- €2.9m of revenue generated from free cancellation bookings has been deferred (2017: €nil) and will be recognised, net of any future cancellations, in future periods
- Marketing expenses represented 38% of Revenue (2017: 38%)
- Adjusted EBITDA decreased by 19%, 17% decrease on a constant currency basis
- Excluding the impact of deferred revenue, Adjusted EBITDA would have decreased by €2.1m (8%)
- Adjusted EBITDA margin of 26% (2017: 30%) impacted by deferred revenue. Excluding the impact of deferred revenue, Adjusted EBITDA margin would have been 29%
- Strong underlying cash conversion (97%) and final proposed dividend of 9.0 euro cent per share

Key Performance Indicators

	2018	2017	% Change Reported	% Change Constant Currency
Gross Bookings:				
Bookings – Hostelworld brand (m)	7.27	7.00	4%	
Bookings – supporting brands and channels (m)	0.28	0.54	(47%)	
Total Booking Volume (m)	7.55	7.54	0%	
Net Bookings:				
Net Bookings – Hostelworld brand (m)	6.96	7.00	(1%)	
Total Net Group Bookings Volume (m)	7.24	7.54	(4%)	
Average Booking Value ("ABV") (gross) (€)	11.89	11.55	3%	6%
Revenue (€m)	82.1	86.7	(5%)	(3%)
Deferred Free Cancellation Revenue (€m)	2.9	n/a		
Adjusted EBITDA (€m)	**21.4**	**26.4**	**(19%)**	**(17%)**

The Group believes that both gross booking volume ("Gross Bookings", "Bookings") and booking volume net of cancellations ("Net Bookings") are key performance indicators and are critical in assessing the operational performance of the business.

The Group's gross booking volumes were flat in 2018 (2017: 6% growth), with 4% growth in the core Hostelworld brand (2017: 13% growth) offset by 47% decline in the Group's supporting brands (2017: 41% decline). The Group's core brand, Hostelworld, represents 96% of Group bookings (2017: 93%). Bookings growth was skewed towards H1 2018, with Hostelworld brand bookings growth of 6% (H2 2018: 2% growth) which was partially attributed to softer booking volume in the key summer months due to the World Cup and the unusually hot weather in Europe.

In 2018 in response to customer demand, the Group rolled out a free cancellation booking option, to further broaden our product offering. This booking option was rolled out on a phased basis in H1 2018 and globally in H2 2018. As with the other deposit models, at the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. If the hostel traveller cancels their free cancellation booking, within a specified period, we will refund their deposit.

This has led to a deferral of revenue recognition, which has impacted reported earnings in 2018, however this has not had an impact on cash receipts. At 31 December 2018, €2.9m of revenue from free cancellation bookings was collected from customers and deferred and will be recognised, net of any future cancellations, in 2019 when the last cancellation date has passed. Any cancellations that were processed by customers up to and including 31 December 2018 have been refunded and are not included in this deferred revenue balance.

The introduction of the free cancellation booking option has resulted in a portion of gross bookings being cancelled and refunded to customers. Group bookings, net of any cancellations processed by 31 December 2018, have declined by 4% in 2018, with Hostelworld brand net bookings declining by 1%. Underlying cancellation rates are performing in line with our expectations.

Bookings generated from the app and mobile web channels represented 59% of Group bookings (2017: 54%), with bookings from the app growing by 22% during the year to 40% of all bookings. The Group's booking volumes are seasonal and peak between May and August during the summer travel period in the northern hemisphere.

While the Group operates in one segment and is managed as such, business performance is reviewed on a bookings volume and average booking value basis for both the Hostelworld brand as well as all supporting brands (including Hostelbookers, Hostels.com, booking engines and affiliates).

Revenue decreased by 5% during the year to €82.1m (2017: €86.7m), a 3% decrease on a constant currency basis, partially as a result of the impact of €2.9m deferred revenue (2017: €nil). Excluding the impact of deferred revenue, Group revenue would have declined by €1.7m (2%) and increased by 1% on a constant currency basis during the year.

All of the marketing costs in relation to these bookings have been recognised in the year.

Average Booking Value ("ABV") is the average value paid by a customer for a gross booking. ABV grew by 3% during the year, and 6% in constant currency. The average commission rate in 2018 increased to 15.4% (2017: 14.3%), primarily driven by a base commission increase during the year. The commission increase and an increase in the underlying base price per bed were offset by the continued decline in the number of bed nights per booking with the continued shift to mobile bookings and the negative impact of exchange rate movements in 2018.

The Group continues to actively manage its marketing mix with marketing investment as a percentage of net revenue of 38% in 2018 (2017: 38%). Excluding the impact of deferred free cancellation revenue, marketing investment would be 37% of revenue (2017: 38%). While exchange rate movements had a negative impact on Revenue and Adjusted EBITDA, there was a partial offsetting benefit to marketing expenses as the majority of marketing investment is denominated in US dollars.

Adjusted EBITDA

The Group uses Earnings before Interest, Tax, Depreciation and Amortisation, excluding exceptional and non-cash items ("Adjusted EBITDA") as a key performance indicator when measuring the outcome in the business. Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. We believe this alternative performance measure reflects the key drivers of profitability for the Group and removes those items which do not impact underlying trading performance.

Adjusted EBITDA of €21.4m (2017: €26.4m) has decreased by €5.0m (19%) in the year and by 17% on a constant currency basis. Adjusted EBITDA as a percentage of revenue declined to 26% (2017: 30%) due in part to the impact of €2.9m revenue relating to free cancellation bookings that was received but deferred in the year. Excluding the impact of the deferral of this revenue, Adjusted EBITDA would have declined by €2.1m (8%), by 5% on a constant currency basis, and Adjusted EBITDA margin would have been 29%. Any future cancellations (made within a specified period) will reduce the amount

of deferred revenue that can be recognised in future periods.

Administration expenses increased by €1.6m (3%) to €61.9m in 2018. A contributory factor in this increase was the increase in exceptional costs, and in staff and other administration costs due to the increased investment in the technology development centre in Porto during the year as part of the strategy of the Group to invest in its development capacity.

Gross staff costs (excluding share based payment expense and before the impact of capitalised development labour) increased from €18.7m to €19.2m. Average full time equivalent headcount increased by 13% from 254 in 2017 to 288 in 2018. Excluding the impact of development labour capitalised in accordance with IFRS standards (2018: €1.7m; 2017: €1.7m), share based payment expense and the impact of bonus provisions, staff costs increased by 3% on a constant currency basis.

Reconciliation between Operating Profit and Adjusted EBITDA:

€'m	2018	2017
Operating profit	**6.7**	**11.9**
Depreciation	1.2	1.1
Amortisation of development costs	1.9	2.9
Amortisation of acquired intangible assets	10.3	10.4
Exceptional items	1.6	(0.5)
Share based payment (credit) / expense	(0.3)	0.6
Adjusted EBITDA	**21.4**	**26.4**

The exceptional costs for the year of €1.6m were primarily restructuring related costs. In 2017 exceptional gains for the year of €0.5m were due to the release of an accrual relating to previously recognised merger and acquisition costs.

The share based payment credit of €0.3m (2017: €0.6m expense) reflects the share based payment charge arising on the issuance of options in accordance with the Group's Long Term Incentive Plan ("LTIP") and Save as you Earn ("SAYE") plan offset by the release of previously recognised expenses relating to options which have been forfeited during the year.

Adjusted Profit after Taxation

Reconciliation between Adjusted EBITDA and Profit for the Year:

€'m	2018	2017
Adjusted EBITDA	21.4	26.4
Depreciation	(1.2)	(1.1)
Amortisation of development costs	(1.9)	(2.9)
Corporation tax	(0.8)	(0.7)
Adjusted Profit after Taxation	**17.5**	**21.7**
Exceptional items	(1.5)	0.5
Amortisation of acquired intangibles	(10.3)	(10.4)
Net finance costs	0.0	(0.1)
Share based payment credit / (expense)	0.3	(0.6)
Deferred taxation	(0.2)	0.1
Profit for the year	**5.7**	**11.2**

Adjusted Profit after Taxation ("Adjusted PAT") is an alternative performance measure that the Group uses to calculate the dividend payout for the year, subject to Company Law requirements regarding distributable profits. It excludes exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Adjusted PAT decreased by 19% from €21.7m to €17.5m (2017: 12% increase) and 16% on a constant currency basis due in part to the impact of €2.9m revenue related to free cancellation bookings that was received but deferred in the year.

Based on the weighted average number of shares in issue during 2018, reported Earnings per Share ("EPS"), as set out in note 10 to the financial statements, is 5.95 euro cent per share for the financial year (2017: earnings per share 11.77 euro cent). Using Adjusted PAT as the measure of earnings would result in an adjusted EPS of 18.33 euro cent per share for the year. The corresponding EPS for 2017 calculated on the same basis, using the weighted average number of shares in issue as at 31 December 2017 is 22.73 euro cent per share. Adjusted EPS is an alternative performance measure that excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Given that the capital nature of the Group post IPO is fully equity funded, there is minimal net finance costs in 2018 of €0.0m (2017: €0.1m).

Taxation

The Group corporation tax charge of €0.8m (2017: €0.7m) results in an effective tax rate (corporation tax as a percentage of profit before taxation) of 11.6% (2017: 6.0%). The low effective tax rate in 2017 was primarily as a result of carried forward tax losses arising from the previous capital structure of the Group.

The Group's deferred tax charge for the year ended 31 December 2018 was €0.2m (2017: €0.1m credit) and relates to the movement in deferred tax assets offset by the movement in deferred tax liabilities.

Adjusted Free Cash Flow Conversion

The Group has a business model which produces strong free cash flow conversion, with a negative working capital cycle on operational cash flows. The movement in working capital in 2018 was at a higher level than 2017, due to the impact of €2.9m of revenue related to free cancellation bookings which was collected but deferred. This resulted in a higher adjusted free cash flow conversion of 97% (2017: 81%). Excluding the impact of the deferral of this revenue, adjusted free cash flow conversion would have been 85% (2017: 81%).

Total cash at 31 December 2018 was €26.0m (2017: €21.3m) and there were no borrowings at 31 December 2018 (2017: €nil).

€'m	2018	2017
Adjusted EBITDA	21.4	26.4
Acquisition of intangible assets	(1.8)	(1.8)
Capital expenditure	(0.7)	(1.8)
Interest and tax paid	(0.8)	(0.6)
Net movement in working capital [1]	2.6	(0.7)
Adjusted Free Cash Flow	**20.7**	**21.5**
Adjusted Free Cash Flow conversion	*97%*	*81%*

[1] *changes in working capital excludes the effects of exceptional costs*

Foreign Exchange Risk

The Group's primary operating currency is euro. The Group also has significant sterling and US dollar cash flows. In 2018 the average US dollar to euro exchange rate weakened by 5% and the average sterling to euro exchange rate weakened by 1% in comparison to 2017. Restated on a constant currency basis, ABV has increased by 6%, revenue has decreased by 3% (€2.4m) and Adjusted EBITDA has decreased by 17% (€4.3m) in 2018. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2018 to the financial results for the year ended 31 December 2017 on a month by month basis. The Group's principal policy is to match cash flows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

Dividend

The directors are pleased to recommend a full year final dividend payout of €8.6m equating to 9.0 euro cent per share. This is in addition to the interim dividend of €4.6m or 4.8 euro cent per share paid in September 2018. This payout of €13.2m or 13.8 euro cent per share (2017: 17.1 euro cent per share) reflects a distribution of 75% of the Adjusted PAT for the year ended 31 December 2018 and is in line with our stated dividend policy.

The final dividend of 9.0 euro cent per share is to be approved by shareholders at the 2019 AGM on 31 May 2019. If approved, the dividend will be paid on 5 June 2019 to members appearing on the register at close of business on 10 May 2019.

The Board continually reviews its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment growth opportunities. After payment of the proposed final dividend for 2018 the Group will have returned €56.7m to shareholders in dividends since IPO in November 2015.

TJ Kelly
Chief Financial Officer
1 April 2019

BABY LEMONADE HOSTEL
ST PETERSBURG

Hostelworld Annual Report 2018 | **Strategic Report**

PRINCIPAL RISKS AND UNCERTAINTIES

The Board takes overall responsibility for identifying the nature and extent of the risks to be managed by the Group to ensure the successful delivery of its strategic and business priorities. The Audit Committee monitors certain risk areas and the internal control system, as set out in the report on governance.

The nature of the principal risks and uncertainties faced by the Group is on the whole unchanged, although, external geopolitical factors, including a hard Brexit continue to impact the Group's risk profile in certain areas. The most significant of these factors is the volatility in exchange rates to the euro, in particular that of the US dollar and sterling and the continued incidence of terrorism.

The Group's risk register identifies key risks and monitors progress in managing and mitigating them and is reviewed at least annually by the Board. The most material risks facing the Group are set out in the table below, together with comments on how they are managed to minimise their potential impact. While the table below is not prioritised nor an exhaustive list of all risks that may impact the Group, it is the Board's view of the principal risks at this point in time. Individually or together, these risks could affect our ability to operate as planned, and could have a significant impact on revenue and shareholder returns. Additional risks and uncertainties, including those that have not been identified to date or are currently deemed immaterial, may also, individually or together, have a negative impact on our revenue, returns, or financial condition.

The Board also considered its obligations in relation to providing both the annual viability and going concern statements and its conclusions can be found on page 35 and in note 1 to the Consolidated Financial Statements respectively.

Risk	Description and Impact	Management and Mitigation	Direction of Change
1. **Macroeconomic Conditions**	Revenue is derived from the wider leisure travel sector. A decline in macroeconomic conditions could result in a reduction in leisure travel, and declining revenues. Significant movements in FX rates can have a dramatic impact on travel volumes, revenues and travel patterns. Increased volatility in currency markets have heightened this risk.	Our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations. Whilst market conditions may decline in certain regions, the globally diversified nature of the business significantly mitigates this, with c.50% of destination markets in Europe and c.50% in the rest of world. FX movements may impact travel decisions and travel patterns by customers, but typically there is a degree of counterbalancing movement e.g. the weakening of the US dollar against the euro means fewer US travellers visiting the Eurozone, but decreased marketing costs from US denominated suppliers such as Google. FX translation risk is mitigated through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-euro currency above anticipated outflow requirements.	⟷
2. **Impact of Terrorism Threat on Leisure Travel**	The threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips particularly to certain geographies, resulting in declining revenues. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.	Our target 18-34 year old population tend to be both flexible as to destination, and less concerned about risk-taking than other sectors in the leisure travel industry. The dispersed nature of our business also acts as a mitigant, with c.50% of destination markets in Europe and c.50% in the rest of world.	⟷
3. **Competition**	The business operates in an increasingly competitive marketplace and our relative scale and size could impact our ability to keep pace with changes in customer behaviour and technology change. Failure to continue to innovate on our product offering and to compete effectively in our marketplace could have an adverse effect on our market share and the future growth of the business. Increased competition from other online travel agents ("OTAs") or from the alternative accommodation sector or a disruptive new entrant such as large hotel chains into the hostel segment or loss of key accommodation suppliers could impact revenue due to potential loss of traffic or could increase traffic acquisition costs. Demand for our services could suffer, reducing revenue and margins.	We continue to build on our strong market position, and our app bookings have grown by 22% in 2018. The Group continues to invest in leveraging its unique data assets allowing it to target and grow the most profitable customer segments by optimising its overall marketing investment. The Group continues to strengthen its core platform in order to improve its flexibility and the experience of our customers while also upgrading our third-party platform connectivity in order to defend our competitive position. The market we operate in remains highly fragmented with a high proportion of independent and small chains. We continue to focus on expanding our global footprint, meeting emerging demand and also strengthening our overall market position. We undertake regular research to track performance in key markets and seek feedback from customers as to the relevancy and competitiveness of our proposition as well as propensity to recommend to others.	↑

Risk	Description and Impact	Management and Mitigation	Direction of Change
4. Search Engine Algorithms	A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel-related keywords (paid search). We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. This could result in a decrease in bookings and thus revenue. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins.	The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in paid & non-paid search. This in-house expertise is supplemented by the deployment of leading technology tools and where required the engagement of specific deep functional third party expertise. The search marketing team works closely with Google to understand any changes in functionality to the adwords platform so that we can avail of any efficiencies in our search traffic. The Group participates in alpha and beta feature tests that give Hostelworld first mover advantage with new functionality that can help drive efficiency.	↔
5. Brand	Consumer trust in our brand is essential to ongoing revenue growth. Negative publicity around our products or services could negatively impact on traveller and accommodation provider confidence and result in loss of revenue.	We are focussed on investing in our core products, platform and technological capabilities to support our brand proposition as well as actively managing our brand portfolio through social media channels. Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us. The Group has a Crisis Communications Document in place which sets out in detail how various incidents are managed including appropriate escalation processes.	↔
6. Data Security	We capture personal data from our customers, including credit card details and retain this on our systems. There is always a risk of a cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third party suppliers. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial or other penalties.	Hostelworld works closely with internal and external audit functions to ensure that our system architectures, work processes and policies are in place to provide as much protection as possible. Hostelworld continues to be fully compliant with the guidelines of the payment card industry (i.e. is "Level 1 PCI compliant") and is in the process of implementing its compliance obligations in connection with certain aspects of Payment Services Directive 2 ("PSD2") as it relates to customer payment authorisation requirements. Specifically, the Group will be required to facilitate the implementation of certain customer authentication security measures by its payment processor, issuing banks and card schemes. We have adopted all the requirements of GDPR and will continue to monitor compliance. We regularly review our employee information security policy and we continue to invest in security training for all staff so that they remain vigilant and alert to the possibility of cybercrime. We conduct regular independent penetration testing of our software. We proactively address vulnerabilities with a continual vulnerability assessment program. We have also implemented Web Application Protector from Akamai to migrate threats in real-time.	↔

Risk	Description and Impact	Management and Mitigation	Direction of Change
7. Regulation	The global nature of our business means we are exposed to regulatory issues regarding competition, licensing of local accommodation, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions. Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage. In addition, as a listed company on the London and Euronext Dublin Stock Exchanges, adherence to the Listing Rules is required. Uncertainty remains as to the impact of Brexit on UK and international laws and regulations including matters such as travel visas or work visas for our UK staff.	We monitor regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations. Suitable expertise has been engaged to ensure compliance with the Group's regulatory obligations. In addition the Group has engaged appropriately qualified support to ensure compliance with the Listing Rules, the FRC Corporate Governance Code and the Market Abuse Regulations. Developments to international laws and regulations continue to be closely monitored as Brexit proceeds. The Group's multinational structure with Head Office in Dublin provides some natural mitigation to the potential impact.	↔
8. Tax	The taxation of e-commerce businesses is constantly being evaluated and developed by tax authorities around the world. The taxation of online transactions in the travel space remains unsettled in the United States in particular. The taxation of e-commerce is also under active review by both the OECD and European Commission. Due to the global nature of our business, tax authorities in other jurisdictions may consider that taxes are due in their jurisdiction, for example because the customer is resident in that jurisdiction or the travel service is deemed to be supplied in such jurisdiction. If those tax authorities take a different view than the Group as to the basis on which the Group is subject to tax, it could result in the Group having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Group's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Group considers relevant. The Group has historically had a low effective tax rate due to the Group's capital and corporate structure and the effect of carried forward tax losses. Changes to tax legislation or the interpretation of tax legislation or changes to tax laws based on recommendations made by the OECD in relation to its Action Plan on Base Erosion and Profits Shifting ("BEPS") or national governments may result in additional material tax being suffered by the Group or additional reporting and disclosure obligations.	In collaboration with our tax advisers, a large professional services firm, we assess possible tax impacts in the jurisdictions in which we operate to ensure our tax obligations are aligned to the operational nature of our business.	↔

Risk	Description and Impact	Management and Mitigation	Direction of Change
9. Business Continuity	Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with a knock-on reduction in financial performance.	As an e-commerce organisation, the Group's business continuity plan focusses on the continued operation of consumer facing products and related services to ensure our e-commerce trading systems can continue to process bookings. Our fully distributed and redundant architecture across two data centres based in two different countries supports this approach. The Group has worked with external advisers to produce robust documented business continuity and disaster recovery capabilities. We have also extended our e-commerce business continuity plans to include our corporate office.	↔
10. People	The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.	The Group has developed strong recruitment processes supported by effective HR policies and procedures. The Group has an increased focus on understanding the drivers of employee engagement, this has informed the development of its Employee Value Proposition aimed at driving levels of motivation, alignment and commitment to the Group's strategic goals. The Group also operates from five global offices, which provides flexibility for location of recruitment of key talent, thereby opening up a larger pool of talent for selection.	↔
11. Brexit	The Group is exposed to Brexit-related risks and uncertainties in relation to its continued impact on global markets and currency exchange rate fluctuations. The uncertainties in relation to the movement of people may result in the reduction of bookings particularly into and from the UK travel market which could impact on Group revenue. In the twelve months ended 31 December 2018, the UK as a destination represented 6% of total Group bookings (2017: 7%) and 14% of Group bookings were from UK nationals (2017: 14%). Overall a decline in macroeconomic conditions and the warning from the Bank of England of a Brexit related recession in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider leisure travel sector.	The Group is a global business and continues to grow its international footprint and presence across its key markets. Through continued international expansion and diversification the Group will seek to naturally mitigate the impacts of Brexit. However, the Group will continue to assess Brexit and implement any necessary remediation steps to mitigate its impact on the Group.	↑

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties outlined above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are outlined in the Financial Review on pages 25 to 29. The Directors consider that a three year period is appropriate as it reflects the Group's strategic planning horizon. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2021.

The Directors have determined that a three year period to 31 December 2021 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Board in our budgeting and forecasting process. In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The assessment process included detailed engagement with the Executive Leadership Team, including the Chief Financial Officer, to determine the principal risks facing the Group.

The Board considers annually a three year, bottom up forecast. The output of this forecast is used to perform KPI analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and severe but plausible events. It also considers the ability of the Group to convert earnings into cash. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

Although the forecast reflects the Directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. These scenarios, which are based on aspects of the principal risks as outlined on pages 30 to 34 represent severe but plausible circumstances that the Group could experience.

The scenarios tested on principal risks included:

- **Macroeconomic/Terrorism/Brand damage:** Shortfall in the number of bookings forecast
- **Macroeconomic Shock/FX/ Brand Damage to Hostels as Accommodation Category:** A continual decline in the average booking value ("ABV")
- **Increased Competition or Change in Search Engine Algorithms:** An increase in the cost per paid booking

The mitigating actions that were modelled included a reduction in variable overheads and a reduced reliance on certain channels to market. The results of this stress testing showed that, due to the stability of the core business, the responsive business model and the strong cash balance on the balance sheet, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments to its operating plans within the normal course of business.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ended 31 December 2021.

The Directors also consider it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation paragraph in note 1 to the financial statements.

MOJO NOMAD CENTRAL
HONG KONG

CORPORATE SOCIAL RESPONSIBILITY

At Hostelworld Group, we are always committed to operating in a responsible and ethical manner in the wider world. We demonstrate this in the way we engage with our people, suppliers, customers, shareholders and the communities in which we operate worldwide.

Our People

Our people are our most important asset. Located across five offices globally in Dublin, London, Porto, Shanghai and Sydney, our people create a diverse and inclusive workforce. As a company that has 'Meet the World' as its slogan and core belief, we believe that diversity is essential in our role as a facilitator of global travel. We believe that recruitment, selection and promotion should be based on merit, and should not be impacted by age, gender, sexual orientation, civil status, family status, disability, membership of the travelling community, race, religious beliefs or political opinions. Our success in this area is demonstrated by the fact that our staff of 291 people come from a variety of backgrounds, cultures and age groups, and represent 27 nationalities. We are committed to ensuring and maintaining an environment that is free from bullying and/or harassment and where the dignity of each and every person at work is respected and upheld.

Our people are expected to abide by our general Code of Conduct, which outlines specific principles of behaviour all colleagues are expected to follow, at all times, in the key areas of integrity, confidentiality, lawful behaviour and disclosure of interests.

We have a Whistleblowing Policy in place that sets out how a colleague can raise a concern, the way the Group will respond, and how the rights of colleagues who raise a concern, and those who are the subject of reports, are to be protected. We have an independent whistleblowing hotline that all staff can access confidentially should they not feel safe reporting a concern internally.

Our culture centres on an inclusive and transparent working environment for all and we believe open communication with our people is key to aligning our goals, and achieving key results. We recognise that in order to achieve our goals it is important that our people are kept informed of business decisions and are provided with opportunities to share their valuable inputs. Promoting our culture of transparency and involvement, over 70% of our employees participated in 'Stop, Start, Continue' sessions led by our new Chief Executive Officer Gary Morrison following his appointment in 2018. These sessions were vital in gaining insights into the business activities that employees at all levels felt we should start doing, stop doing or continue doing. These provided an opportunity for our people to express their opinions openly and honestly with our Chief Executive Officer, which allowed us to make improvements and commitments based on the collective feedback received.

This year we also gained invaluable feedback from our people following the launch of our employee engagement survey in July. This was facilitated by an online tool which allowed us to gather employee feedback to measure engagement. Our people were asked to respond to questions regarding topics such as work-life-balance, collaboration and communication, innovation, learning and development and alignment and involvement. Much like the 'Stop, Start, Continue' sessions, the results from this survey enabled us to improve not only as a Group, but within departments and individual teams. Overall, 88% of our people participated in the survey, highlighting how passionate our people are when it comes to engaging with new initiatives.

2019 marks our 20 year anniversary as a business, and we could not have reached this milestone without the contributions of each of our people both past and present.

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Gender

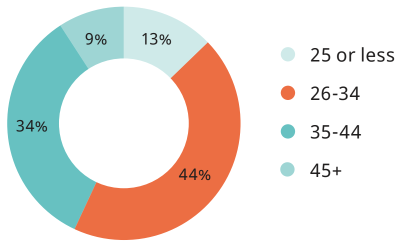
A breakdown of our Board, Executive Leadership Team and all employees by gender as at 31 December 2018 is set out below:

	Number		%	
	Male	Female	Male	Female
Directors [1]	5	1	83.3%	16.7%
Executive Leadership Team [1]	6	3	66.7%	33.3%
Other staff	141	137	50.7%	49.3%

(1) Executive Directors are included in each of Directors and Executive Leadership Team

Age

Age	Employees
25 or Less	37
26-34	129
35-44	100
45+	25



In 2018 we launched the second SAYE ("Save As You Earn") scheme for employees in Dublin and London. Our SAYE plan provides employees with the chance to share in the future success of our business and align to shareholder interest. Participation in the scheme is voluntary with employees saving between €12 and €500 per month on a three-year savings contract with a pre-approved bank.

Once the savings period is complete, employees can decide if they want to exercise their option to buy the shares. The amount they save must be enough to buy the shares at the option price set with the Group, before savings start. If employees decide not to exercise their option, their savings will be returned to them.

Our Hostel Partners

In 2018 we focussed on delivering product enhancements to our hostel partners. These enhancements included creating an easier password reset function and an improved price tracking tool. Our Hostel Notice Board feature allows hostels to post messages and information about events happening in their hostel directly to a notice board featured on our app, which guests can see.

A large proportion of accommodation suppliers we deal with tend not to have resources to build the tools we can offer at little or no cost. We build and nurture mutually beneficial relationships that allow both our hostel partners and us to enhance yields.

The safety of our customers is of paramount importance to us and we have a strict sign-up process when on boarding new hostel partners including thorough verification checks in order to deliver the best quality accommodation and experience to our customers.

Our Customers

We continually anticipate the needs of our customers by providing a 24/7 global customer service desk. We also offer a booking guarantee, whereby if a customer's booking details cannot be found at check-in, we refund their full booking deposit and credit their account with $50, which can be used on future booking deposits. We offer 24/7 Customer Service in 19 languages – helping our customers to Meet the World with ease.

We understand that there may be times our customers have to cancel their bookings with little notice, so in 2018 we launched our Free Booking Cancellation option. This allows customers to cancel their booking online through their Hostelworld account within the cancellation window and have their deposit refunded.

To make travelling more interactive and engaging we also offer Hostel Speak, an innovative translation feature which enables customers to communicate in 43 languages. In addition, customers can also use our Hostel Chat feature when staying in any of our 50 most popular hostels. Hostel Chat is an in-app instant messaging feature that lets customers chat with fellow Hostelworld travellers who are staying at the same hostel, at the same time as them. It's an easy way to start a conversation and swap tips for their trip, or to meet other solo travellers for outings. Other features include the Wishlist, where customers can save their favourite hostels to revisit and book another day, and our Notice Board feature.

Our Shareholders

We are committed to building long-term relationships with our shareholders through open and transparent communication. Our Company Secretary is available to shareholders, and the Senior Independent Director and Chairman are available to shareholders through the Company Secretary, if required.

Our Communities

As a global company with locations across three continents, we encourage and support our people in engaging with the communities we both work in, and travel to. In 2018, Hostelworld again participated in the Techies4TempleStreet Irish charity event which brings together the technology community based in Ireland to fundraise over €240,000 for Temple Street Children's Hospital, Dublin.

Other charitable initiatives during 2018 included a European colleague charity pool tournament with the proceeds going to various local charities, the Christmas Shoebox Appeal with Team Hope, donating to the St. Vincent de Paul Christmas Food Appeal, and a charity coffee morning in aid of Harold's Cross Hospice, Dublin. A Christmas Jumper Day in aid of Cystic Fibrosis Ireland and Save the Children UK took place in our Dublin and London offices, and we also encouraged employees to become regular blood donors by arranging local donation clinics.

In the last year, we eliminated the use of bottled water across all of our offices with our "Ban the Bottle" initiative. All colleagues were given a new, reusable, BPA free water bottle, to reduce plastic waste and encourage the use of filtered water within the office environment.

THE HOUSE OF SANDEMAN – HOSTEL & SUITES
PORTO

Modern Slavery Act 2015

The Modern Slavery Act 2015 (the "Act") requires large organisations operating in the United Kingdom to make a public statement outlining how they keep their supply chains free from slavery and human trafficking. We published a statement on our website on 27 June 2017 outlining the steps taken by the Group to ensure that slavery and human trafficking is not taking place within the business or any supply chain and we will continue to monitor our obligations under the Act.

Greenhouse Gas Emission Statement

Greenhouse Gas ("GHG") emissions for the financial year ended 31 December 2018 have been measured as required under the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 as amended in 2013.

We have used the GHG Protocol Corporate Accounting and Reporting standards (revised edition), data gathered to fulfil the requirements under the CRC Energy Efficiency scheme, and emission factors from Defra, UK Government conversion factors for Company Reporting (2018) to calculate the disclosures, where they are not separately disclosed by a supplier.

We believe our emissions are impacted by the size of the business, which is driven by our global headcount and office footprint. We have therefore chosen to use an intensity ratio measured on emissions per €m of net revenue in order to put the GHG in context for the size of the business.

	2018	2017
	tCO2e	tCO2e
Scope 1 – Emissions from operations	Nil	Nil
Scope 2 – Emissions from energy usage	161.0	190.9
Scope 3 – Emissions from employee travel	163.3	258.1
Total	324.3	449.0
Intensity Ratio (tCO2e/€m)	4.0	5.2

Scope 1 - All direct GHG emissions
Scope 2 - All indirect emissions due to consumption of purchased electricity
Scope 3 - Voluntary disclosure of other indirect emissions where Hostelworld Group has the ability to influence them

Hostelworld Group is an internet-based business which leases its premises and does not have a retail footprint. The main GHG releasing activities over which the Group has influence are use of purchased electricity and business travel. The Group has no owned vehicles.

The energy consumption in the Group's Sydney and Shanghai offices has been estimated on a per person basis, based on the actual energy consumption in the Group's Dublin office, and is not considered material to the above disclosures.

The Group is committed to monitoring and reviewing its carbon emissions, and in particular its employee business travel, which accounts for 51% of its total carbon emissions in 2018 (2017: 57%).

GENERATOR STOCKHOLM
STOCKHOLM

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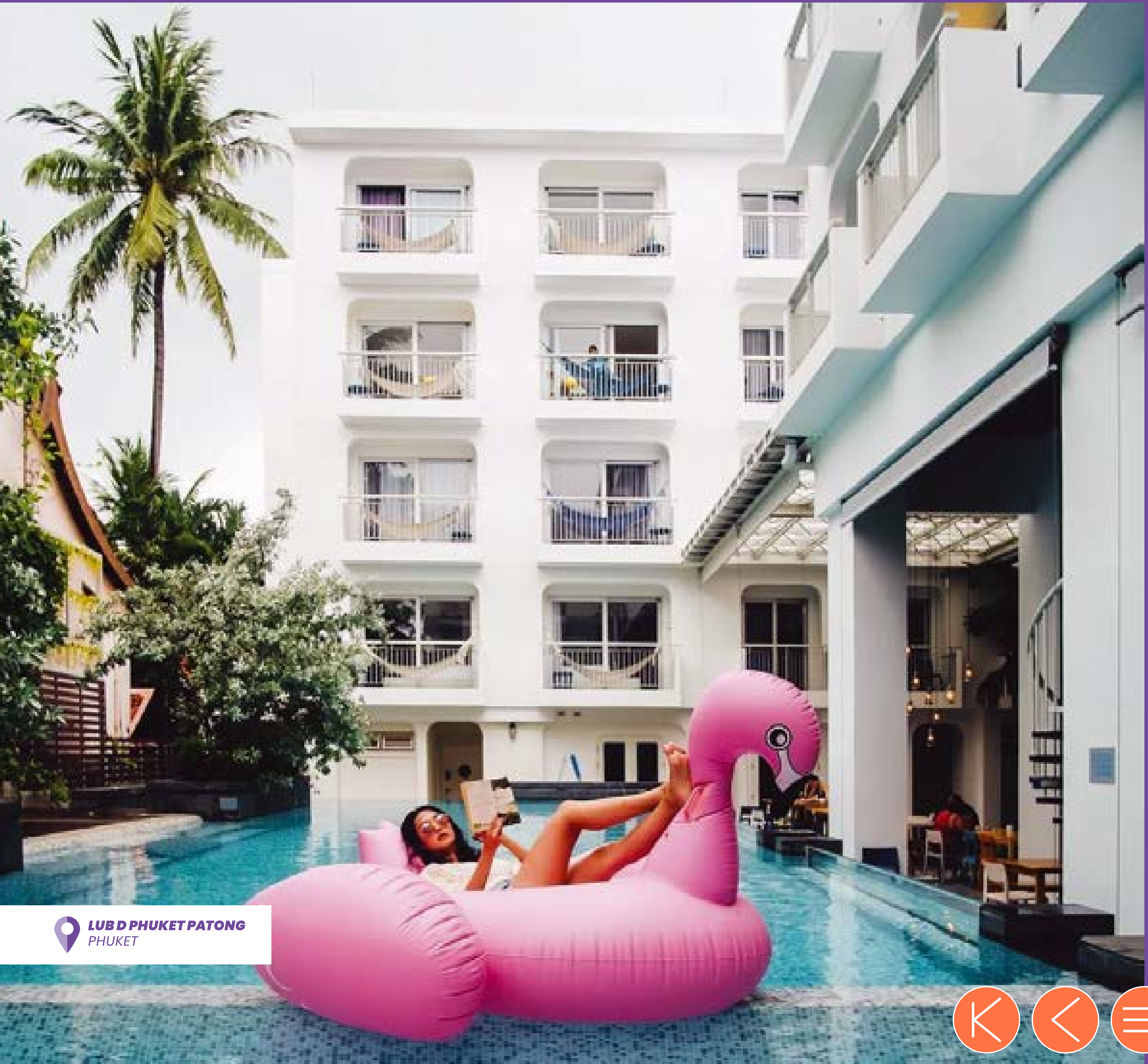

GOVERNANCE

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CHAIRMAN'S INTRODUCTION TO GOVERNANCE

I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2018 which sets out how Hostelworld Group plc has applied the main principles of good governance contained in the UK Corporate Governance Code.

The Board is committed to promoting high standards of corporate governance in Hostelworld Group plc (the "Company") and its subsidiaries (together the "Group"). The Board continues to ensure that the governance structures evolve as necessary and remain appropriate for a Group of our size and complexity. The Directors are fully aware of their duties and responsibilities under the UK Corporate Governance Code, the Disclosure and Transparency Rules and the Listing Rules.

Compliance with UK Corporate Governance Code 2016

The Corporate Governance Report for 2018 sets out how the Company has applied the main principles of good governance and I am pleased to report that the Company is in full compliance with the UK Corporate Governance Code 2016 (the "2016 Code"). In addition, the Financial Reporting Council published an updated Corporate Governance Code in July 2018 and while the updated 2018 code does not apply to Hostelworld until 2019, in the interest of adhering to high standards of corporate governance, the Company has already taken account of certain changes on a voluntary basis and will report formally in accordance with the updated 2018 code in its 2019 Annual Report.

Board Composition, Diversity and Succession

There have been significant changes to the Board during 2018 with the appointment of a new Chief Executive Officer and Chief Financial Officer. Diversity and succession have been particularly important considerations for the Board in a year of such change. Board composition, diversity and succession continue to be reviewed by the Nomination Committee and remain an area of ongoing focus for the Board and management.

We currently have six board members, comprising two Executive Directors, myself and three other Non-Executive Directors. Of the six board members, one is female, five are resident in Europe and one is resident in the United States of America. Four have travel/leisure sector executive experience and two members come from other industry sectors. In my opinion, we have an excellent mix of skills and styles which ensures challenging and robust debate at boardroom level and well considered decisions.

Board Evaluation

In 2018, a formal evaluation of the Board, its Committees and individual Directors was undertaken. This review was facilitated by the Company Secretary. The evaluation established that the Board is operating effectively and cohesively with a good balance of support and challenge. A summary of the process undertaken is included on page 54 and 55.

Shareholder Engagement

We are committed to engaging regularly with our shareholders to address any queries and concerns.

We will keep under constant review developments in corporate governance best practice to ensure that our processes continue to be aligned to the needs of the business, help us manage risk and provide assurance and accountability in a transparent way for the benefit of all our shareholders and stakeholders.

I look forward to reporting to you next year as to how our governance arrangements continue to develop.

Michael Cawley
Chairman
1 April 2019

DIRECTORS' BIOGRAPHIES

Role: Chair of the Board; Chair of the Nomination Committee; member of the Remuneration Committee

Age: 64

Nationality: Irish

Qualifications: Michael holds a Bachelor of Commerce degree from University College Cork and is a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: October 2015

Independent: N/A*

Sector Experience: Airlines; motor; betting and gaming; construction.

Other Board and Management Experience: Michael is also a non-executive director of Ryanair Holdings plc, having joined the Board in August 2014. Michael had previously served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair from 2003 to March 2014 and before that as Ryanair's Chief Financial Officer and Commercial Director from 1997. Michael also holds directorships in Paddy Power Betfair plc, Kingspan Group plc, Mazine Limited, Prepaypower Holdings Limited, GMS Professional Imaging Limited, Gowan Group Limited, Flybondi Limited, Linked P2P Limited and Meadowbrook Heights Unlimited. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited. Michael is also Chairman of Fáilte Ireland Authority.

*Independent on appointment

Role: Chief Executive Officer; Chair of Disclosure Committee

Age: 51

Nationality: British

Qualifications: Gary has a Masters in Engineering from Leeds University UK and holds an MBA from INSEAD.

Joined Group: June 2018

Independent: N/A

Sector Experience: Online travel industry; technology; telecommunications.

Other Board and Management Experience: Prior to joining the Group, Gary was Senior Vice President and Head of Retail for Expedia brand worldwide. He also was a director of Despegar (NYSE DESP), AirAsiaExpedia and Voyages SNCF. Previously, Gary held senior management positions at Google as Head of Global Sales Operations for Google's Online Sales Channel and Motorola as VP and Head of Product management for Motorola's Smartphone division. Gary also worked in corporate development/M&A, consulting and engineering roles at General Electric, Booz Allen & Hamilton and Schlumberger France respectively.

Role: Chief Financial Officer; member of the Disclosure Committee

Age: 44

Nationality: Irish

Qualifications: TJ is a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: November 2018

Independent: N/A

Sector Experience: Nutrition; technology; financial services; telecommunications.

Other Board and Management Experience: Prior to joining the Group, TJ was Chief Financial Officer of Glanbia plc's Performance Nutrition division primarily based in Chicago. During this time TJ also had oversight responsibility for Glanbia plc's Group Procurement function. Prior to this TJ was Group Financial Controller at Glanbia plc with responsibility for investor relations. Previously TJ held senior financial roles at Microsoft, GE Capital and Eir. TJ trained and qualified as a chartered accountant with PwC.

Role: Senior Independent Non-Executive Director; Chair of the Remuneration Committee; member of the Audit Committee; member of the Nomination Committee

Age: 44

Nationality: British

Qualifications: Andy has a M.A. in Economics and Management from the University of Cambridge and a Masters in Finance from the London Business School.

Joined Group: October 2015

Independent: Yes

Sector Experience: E-Commerce; betting and gaming; management and strategy consulting.

Other Board and Management Experience: Andy is currently the Chief Executive Officer of The Restaurant Group plc*. Andy previously held the positions of Chief Executive Officer, Chief Operating Officer and Head of Retail UK and Ireland at Paddy Power Betfair plc. Prior to this, Andy was a principal at OC&C Strategy Consultants and also worked at Arthur Andersen Business Consulting. Andy also holds directorships in The Restaurant Group plc and subsidiary companies.

*On 14 February 2019, The Restaurant Group plc announced that Andy had informed the board of his decision to leave the company but that it anticipated that Andy would remain in his position while a successor is being recruited.

Role: Non-Executive Director; Chair of the Audit Committee; member of the Remuneration Committee; member of the Nomination Committee

Age: 48

Nationality: Irish

Qualifications: B.A. Accounting and Finance and MSc. Investment and Treasury from Dublin City University. Éimear is also a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: November 2017

Independent: Yes

Sector Experience: Financial services.

Other Board and Management Experience: Éimear has held senior investment manager roles in Zurich Life Assurance (Ireland) plc, for 17 years up to December 2017, with responsibility for all major markets including the Irish, US and UK equity portfolios, sector, stock analysis and selection. Éimear previously worked with Bankers Trust Funds Management Ltd in Australia and also with Crowe Horwath, Chartered Accountants in Ireland. Eimear also holds directorships with Yew Grove REIT plc and Chanelle Pharmaceutical Group.

Role: Non-Executive Director; member of the Audit Committee; member of the Remuneration Committee; member of the Nomination Committee

Age: 66

Nationality: American

Qualifications: Carl has a M.A. in Business Administration from the University of Texas.

Joined Group: October 2017

Independent: Yes

Sector Experience: Online travel industry.

Other Board and Management Experience: Carl was co-founder of HomeAway Inc. where he served on the board of directors and was the company's founding Chief Operating Officer and Chief Strategic and Development Officer until its sale to Expedia in 2015. Carl is currently on the board of @Leisure Group, Turnkey Vacation Rentals, Inc., OnceThere, Inc. and RVshare, LLC. Carl's previous roles include Chief Operating Officer and Chief Development Officer of Hoover's Online.

CORPORATE GOVERNANCE STATEMENT

The Board recognises the importance of high standards of corporate governance and is committed to ensuring that appropriate corporate governance procedures are in place within the Group. The Board provides leadership and oversight designed to achieve sustained business growth, enhanced shareholder value and the protection of the interests of employees and other stakeholders whilst promoting a culture of the highest standards of integrity, transparency and accountability. A key objective of the governance framework at Hostelworld is to ensure compliance with applicable legal requirements and with best practice in governance.

As part of its role, the Board provides entrepreneurial leadership and strategic guidance to management in the constructive challenge of proposals, the monitoring of performance, and the setting of both short term and long term objectives. The Board works to ensure that the Group has sufficient human and financial capital to meet its objectives, and that appropriate controls are in place and operational to safeguard the assets of the Group.

Further to the Company's announcement on 19 December 2017 of Mari Hurley's intention to resign her position as Chief Financial Officer, the Company announced Mari's resignation as a Director of the Company on 10 April 2018. Mari remained as an employee of the Company until 17 June 2018. On 11 June 2018, Feargal Mooney resigned as Chief Executive Officer and Director of the Company and was replaced with immediate effect by Gary Morrison. Feargal will remain as an employee of the Company until 11 June 2019. On 21 August 2018, the Company announced the appointment of TJ Kelly as Chief Financial Officer and Director of the Company, with effect from 21 November 2018.

In light of the changes to audit committee composition set out in the updated UK Corporate Governance Code (July 2018) and to ensure the Company continues to comply with best corporate governance, Michael Cawley (Chairman) resigned as a member of the Company's Audit Committee on 5 December 2018.

The Board is currently comprised of six members, as follows:

- Michael Cawley, (Non-Executive Chairman of the Board and Chairman of the Nomination Committee), who was independent on appointment;
- Andy McCue (Senior Independent Director and Chairman of the Remuneration Committee), Éimear Moloney (Chairperson of the Audit Committee) and Carl Shepherd (all three being independent Non-Executive Directors); and
- Gary Morrison (Chief Executive Officer) and TJ Kelly (Chief Financial Officer), both Executive Directors.

The Board operates in accordance with the Company's Articles of Association, and its operation is governed by the Board Charter and the Schedule of Matters Reserved for the Board. In addition, the Board has established a number of Committees, as indicated below, each of which has its own terms of reference, which are reviewed at least annually.

Biographies of the Directors are provided on pages 46 to 47.

Length of Appointments

Non-Executive Director appointments to the Board are for an initial term of three years, subject to election at the Company's AGM. Non-Executive Directors are usually expected to serve two three year terms, unless otherwise agreed with the Board upon appointment (although the Board may invite a Director to serve for an additional period).

Election of Directors

The Board may appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board, subject to the limits of Board size and composition as set out in the Articles of Association. Any Director so appointed by the Board shall hold office until the AGM following their appointment and must put themselves forward for election by the shareholders.

In accordance with the provisions of the 2016 Code, an evaluation of the skills, knowledge, independence and experience of each Director took place in 2018. Following the completion of the evaluation exercise, the Board considers that all Directors continue to be effective, committed to their roles and are able to devote sufficient time to their duties and that Andy McCue, Éimear Moloney and Carl Shepherd are 'independent non-executive directors' within the meaning of the term as defined in the 2016 Code. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM on 31 May 2019.

Board Composition

The Board is comprised of six Directors, four Non-Executive Directors and two Executive Directors. Collectively, the Non-Executive Directors possess a wide range of financial, commercial and general management experience, online travel expertise and e-commerce expertise, and each Non-Executive Director brings independent judgement to bear on a number of key issues for the Group, including strategy, performance and risk management. Their collective range of knowledge and viewpoints ensures a high quality of robust debate and input into key decisions and ensures the Board operates effectively. Having regard to the level of experience required for the Board to operate effectively, it is felt that collectively the Board is well positioned to address the risks and uncertainties faced by the Group as outlined on pages 30 to 34 through the combined business skills and online travel expertise of its Non-Executive and Executive Directors. It is also felt that the current number of Executive Directors and Non-Executive Directors is sufficient for the Board to properly fulfil its duties.

Audit Committee Composition

The 2016 Code requires that the Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Disclosure Guidance and Transparency Rules (DTRs) require that at least one member of the Audit Committee has competence in accounting and/or auditing. The Board is satisfied that the Chairperson of the Audit Committee meets these requirements, being a qualified accountant who has previously held senior investment manager roles in Zurich Life Assurance (Ireland) plc. In addition, the Board considers that the Audit Committee has the necessary competence and broad experience relevant to the sector in which the Group operates, as required by the 2016 Code. Carl Shepherd is a former Chief Operating Officer and Chief Strategic and Development Officer with HomeAway, Inc., Andy McCue has held senior executive positions with Paddy Power Betfair plc and Michael Cawley has previously served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair Holdings plc. This means that they each have a deep understanding of the challenges presented by the Group's customer-focussed strategy which enabled them to make robust contributions to the Audit Committee's activities during the reporting period. Further details of the background, knowledge and experience of the Chairperson of the Audit Committee and each of the Audit Committee members can be found on pages 46 to 47 of this report.

Board and Group Diversity

The Board is fully aware of the need to have a Board that is well balanced and which has the appropriate skills, knowledge, experience and diversity for the needs of the business. Diversity is considered in its broadest sense and includes age, gender, cultural background, geographical diversity and business background. During 2018 we adopted a formal Board policy on diversity to ensure that the Group continues to derive the benefits of a diverse Board. The policy provides that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors.

The application of diversity principles to the appointment of Éimear Moloney as a member of the Nomination Committee and Remuneration Committee in February 2018 and the appointment of Gary Morrison as Chief Executive Officer and TJ Kelly as Chief Financial Officer during the reporting period are described in detail in the Report of the Nomination Committee.

The Group will continue to monitor diversity both on the Board, its Committees and across the business to ensure diversity and equal opportunities.

Diversity is embraced at Hostelworld and the Group operates and implements a dignity at work policy that seeks to ensure that the working environment is free from any type of bullying and/or harassment. Further, the Group strives to ensure that a culture is maintained and fostered that values and respects diversity and inclusion, not only gender and age diversity but also diversity of educational and professional background. The Group's success in this area is demonstrated by the fact that our staff come from a variety of different cultures, age groups and educational and professional backgrounds and represent 30 different nationalities. The Group believes that recruitment, selection and promotion should be based on merit and should not be impacted by age, gender, sexual orientation, civil status, family status, disability, membership of the travelling community, race, religious beliefs or political opinions. The Group's success in this area is demonstrated by the fact that no equality or discrimination based claim has been issued against the Group during the reporting period. The Group's success in the area of ensuring gender equality is demonstrated by the fact that the male/female ratio of employees' as of 31 December 2018 was 51.5% male and 48.5% female.

Board Role

The Board has delegated authority for day-to-day operations within defined governance parameters to the Executive Leadership Team, consisting of the Executive Directors and other senior executives.

The Board may appoint Committees as it thinks fit to exercise certain of its powers and has delegated certain responsibilities to Board Committees, namely:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Disclosure Committee

Following the introduction of the Market Abuse Regulation in July 2016 ("MAR"), the Company established a Disclosure Committee. This Committee has responsibility for considering and advising on the disclosure requirements and treatment of material information disclosed in public filings and determining the disclosure requirements and treatment of material information. This Committee also has responsibility for maintaining procedures, systems and controls required for the purposes of complying with the obligations falling on the Company and its Directors and employees under MAR and the Listing Rules of the London Stock Exchange and of Euronext Dublin. Membership of the Disclosure Committee is comprised of the Chief Executive Officer and the Chief Financial Officer.

As required by the 2016 Code, specific areas of delegation are set out in the Terms of Reference for each of the Audit Committee, Remuneration Committee and Nomination Committee. The Terms of Reference of the Audit, Remuneration and Nomination Committees, as updated in December 2018 to align with the requirements of the updated UK Corporate Governance Code (July 2018), are available on the Company's website, and reports of each of these Committees are set out below. Certain matters, however, are reserved for the Board's decision, and are not delegated to the Company's Executive Directors. The schedule of these matters includes, but is not limited to:

- Responsibility for the overall leadership of the Company and setting the Company's values, standards and objectives as well as approval of annual budgets;
- Approving the strategic aims and objectives of the Group;
- Oversight of the Group's day-to-day operations including maintenance of sound internal control and risk management systems and compliance with statutory and regulatory obligations;
- Controlling the Company's capital structure;
- Approval of the annual report and accounts, dividend policy, changes in accounting policies, or matters that may impact the Company's tax residency;
- Ensuring a satisfactory dialogue with shareholders;
- Approving the structure, size, composition and membership of the Board, and ensuring adequate succession planning for the Board and senior management;
- Determining the remuneration policy for the Directors and other senior executives following recommendations of the Remuneration Committee, including use of share incentive plans;
- Determining the division of responsibilities between the Chairman, Chief Executive Officer and other Executive Directors, and approving how authority may be delegated to subcommittees of the Board, the Chief Executive Officer and other staff;
- Considering the balance of interests between shareholders, employees, customers and the community;
- Review of the Group's overall corporate governance framework including any matters relating to compliance with the UK Corporate Governance Code; and
- Any decision relating to the prosecution, defence or settlement of material litigation.

The Schedule of Matters Reserved for the Board is reviewed annually and updated as appropriate.

Board and Committee Meetings

The Board has scheduled regular meetings throughout the year and holds other meetings as required. At scheduled meetings, the Board addresses:

- Progress against previously agreed actions;
- Business performance;
- Financial performance;
- Operational matters of particular note for the Board;
- Strategic considerations; and
- Reports of Board Committees.

Other meetings are held on an ad hoc basis as required, and matters addressed will vary according to the demands of the business at that time.

Members of the Executive Leadership Team, other executives and external advisors are regularly invited to Board meetings to present on their particular areas of expertise.

The Board periodically reviews the strategic development of the business and collaborates

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with the Executive Leadership Team in the development of the Group's strategy to ensure that the construct and direction of the Group's strategic plan is appropriate and in the long term interests of the Group. A comprehensive programme of engagement with the Group's Chief Executive Officer and Executive Leadership Team was conducted by the Board during the reporting period in connection with the strategic review of the Group's business and the need to formally establish key strategic areas for the Group to focus on. Detailed strategy proposals on the below areas were provided to the Board and were discussed at Board meetings and in meetings between Board members and the Group's Chief Executive Officer and senior executives.

Areas of Strategic Focus:

- Investing in the Group's core technology platform
- Focus on best-in-class technology
- Leveraging the Group's data assets
- Driving customer acquisition
- Improving the Group's business model
- Investing in the Group's people
- Optimising capital allocation

The specific results of the detailed strategic review and the future strategy focus for the Group were approved by the Board and are outlined in more detail in the Chief Executive's Statement.

Attendance at Meetings

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board and the AGM. There were nine Board meetings held in 2018, seven of which were scheduled Board meetings and all scheduled meetings had full attendance. There were two unscheduled Board meetings held in 2018 dealing with specific items of business and convened at short notice (one unscheduled meeting held by teleconference and the other conducted in person). During 2018 there was also two unanimous written decisions of the Board, to deal with (1) the appointment of the Group's new Chief Financial Officer; and (2) the approval of a material contract involving a financial spend requiring Board approval in accordance with the Schedule of Matters Reserved for the Board.

There was also one unanimous written decision of the Nomination Committee and the Remuneration Committee, respectively, to deal with the appointment of the Group's new Chief Financial Officer.

Details of the Directors attendance at Board and Committee meetings are set out below.

	Board/Committee (No. of Meetings held during the year when the Director was a member)						
	Board		Audit	Remuneration		Nomination	
	Scheduled	Unscheduled	Scheduled	Scheduled	Unscheduled	Scheduled	Unscheduled
Michael Cawley(i)	7 / 7	2 / 2	3 / 3	4 / 4	1 / 1	2 / 2	2 / 2
Andy McCue	7 / 7	2 / 2	3 / 3	4 / 4	1 / 1	2 / 2	2 / 2
Carl Shepherd	7 / 7	1 / 2	3 / 3	4 / 4	0 / 1	2 / 2	1 / 2
Éimear Moloney(ii)	7 / 7	2 / 2	3 / 3	4 / 4	1 / 1	2 / 2	2 / 2
Gary Morrison(iii)	4 / 4	1 / 1	-	-	-	-	-
TJ Kelly(iv)	1 / 1	-	-	-	-	-	-
Feargal Mooney(v)	3 / 3	-	-	-	-	-	-
Mari Hurley(vi)	2 / 2	-	-	-	-	-	-

i. In advance of the application of the provisions of the updated UK Corporate Governance Code (July 2018), Michael Cawley resigned as a member of the Audit Committee on 5 December 2018
ii. Éimear Moloney was appointed a member of both the Remuneration Committee and the Nomination Committee on 9 February 2018.
iii. Appointed 11 June 2018
iv. Appointed 21 November 2018
v. Resigned 11 June 2018
vi. Resigned 10 April 2018

Where a Director is unable to attend a meeting, all papers for the meeting are issued to them, their views are solicited in advance of the meeting, and updates are provided to them after the meetings where appropriate.

Directors may request that any relevant concern they have be reflected in the minutes of any Board or Committee meeting, and minutes are circulated for review in advance of approval and signing at the next meeting, or as appropriate.

Division of Responsibilities

The Board takes collective responsibility for the management of the Group. Within the Board, the roles and responsibilities of the Chairman and Chief Executive Officer are clearly separated and are held by different individuals, and there is also a Senior Independent Director.

Michael Cawley, as Chairman, is the link between the Board and the Company and is responsible for leadership and governance of the Board, including setting the Board's agenda. He oversees the operation and overall effectiveness of the Board, ensuring that it has a common purpose, is effective as a group by creating and managing constructive relationships between the Executive and Non-Executive Directors and at individual Director level and that it upholds and promotes high standards of integrity and corporate governance. The Chairman ensures the Directors receive accurate and timely information, enabling them to play a full and constructive role in the development and determination of the Group's strategy. He ensures that there is effective communication with the shareholders and that the Board is aware of the views of its major shareholders.

Gary Morrison, as Chief Executive Officer, reports to the Chairman and the Board, and is entrusted with the ongoing management of the Group's business. He and his Executive Leadership Team bring forward to the Board proposals for the development and strategy of the business. The Chief Executive Officer is responsible for execution of the agreed strategy and implementation of the decisions of the Board.

It is expected that all Non-Executive Directors constructively challenge management proposals where appropriate and contribute their expertise and knowledge towards the development of the Group.

Andy McCue is the Board's Senior Independent Director ("SID"). The SID's primary role is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The SID meets with the other Non-Executive Directors without the Executive Directors present and also leads the annual evaluation of the Chairman's performance. The SID is available to shareholders if they have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

Support to Directors

To assist the Directors in performing their duties, they have full and timely access to all relevant information. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of Board papers including regular updates and reports of special matters of interest. The Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

All newly appointed Directors receive a comprehensive induction briefing on their duties and responsibilities as directors of a publicly quoted company. This induction also includes meetings with members of the Executive Leadership Team together with briefings on the Group's business, key risks and its competitive opportunities and challenges. The programme of induction is tailored to take account of prior experience and business perspectives and on the Committees on which he or she will serve.

All Directors have access to ongoing training as required and, as part of the annual Board evaluation and Director appraisal process in 2018, the Chairman considered and discussed the training and development needs of each Director. The Directors are also encouraged to identify any additional training requirements that would assist them in carrying out their role. During the year, training included detailed briefings and updates on (1) compliance and governance requirements arising from the application of the updated UK Corporate Governance Code (July 2018); (2) Market Abuse Regulation compliance requirements; (3) company law developments specific to the Company's listed status; and (4) General Data Protection Regulation compliance requirements. Product, strategy and business presentations were provided to the Board during 2018 by the Chief Product Officer, Chief Technology Officer, Chief Customer Officer and the Director of Analytics and Insights and, on the particular request of the Board, a presentation on the Group's culture and employee engagement roadmap was also provided to the Board by the Group's Chief HR Officer.

At each scheduled Board meeting, the Executive Directors provide operational and financial updates. Depending on the nature of the proposal to be considered, other senior executives are invited to make presentations or participate in Board discussions to ensure that Board decisions are supported by a full analysis of each proposal. The Chairman will continue to review individual training needs of Directors on an ongoing basis and as part of the formal annual appraisal process.

All Directors also have access to the advice and services of the Company Secretary. The Company Secretary acts as Secretary to each of the Board Committees reporting in these roles directly to their Chairperson. John Duggan, appointed as Company Secretary on 11 June 2018 to replace Paula Phelan, assists the Chairman in ensuring the effective operation of the Board and has the following responsibilities:

- To ensure good information flows between the Board and its Committees, senior management and Non-Executive Directors;
- To ensure Board and Committee procedures are followed;
- To facilitate Director induction and assist with professional development; and
- To advise the Board on corporate governance obligations.

Board Effectiveness and Evaluation

In accordance with the provisions of the 2016 Code, a formal internal evaluation of the Board, Committees and individual Directors was undertaken during the year. This included completion of a detailed questionnaire by each of the Directors, covering the Board's role, knowledge and skills, effectiveness of Board and Committee meetings and information flows, Board composition, succession planning, risk management and relations with shareholders. The results were analysed by the Company Secretary who prepared a report for the Chairman. The report and completed questionnaires were reviewed by the Chairman and the principal findings were fed back to and discussed with the Board. The evaluation established that the Board and its Committees were operating effectively and efficiently with good leadership and accountability and that the Board has the appropriate depth and breadth of skills and experience to be effective. As part of both the evaluation exercise and a general review of the Board's effectiveness the following items were recommended and will be on the Board's agenda for 2019:

- Non-Executive Directors to be provided with tailored training on developments and competitive challenges in the online travel industry;
- The Chief Executive Officer and the Chairman to arrange more frequent engagement between Non-Executive Directors and the Group's senior executives;
- KPI based strategy implementation updates to be provided to the Board on an on-going basis by members of the Group's Executive Leadership Team;
- Increased focus on the Group's values and assessing and monitoring the Group's culture; and
- Succession planning for the Board and for the Group's senior executives; and
- Increased focus on the emerging risks faced by the Group.

The Chairman also conducted an appraisal of the performance of each Director, having taken into account the views of the other Directors. He reported that each Director continues to perform effectively and demonstrates strong commitment to the role. As part of the appraisal exercise the Chairman assessed the individual and collective depth and breadth of skills, experience and knowledge of the Non-Executive Directors and concluded that (1) these were adequate to enable the Board and its Committees to discharge their respective duties and responsibilities effectively; and (2) no additional non-executive appointments

to the Board were currently necessary (with the matter being kept under on-going review and to be reassessed in 2019). Accordingly, each Non-Executive Director is considered to be fit for re-election.

In addition, an assessment of the Chairman's performance was carried out in 2018 by the Non-Executive Directors, led by the SID, who provided feedback to him individually that concluded that he performed effectively.

Aside from the Chairman, Michael Cawley, who was independent at appointment, the Board regards all of the other Non-Executive Directors as ''independent non-executive directors'' within the meaning of the 2016 Code and free from any relationship that could materially interfere with the exercise of their independent judgement. The Board reached this conclusion (1) after assessing the responses to specific questions each Director was asked as part of the formal internal evaluation of the Board during the reporting period; and (2) on the basis of the affirmative responses provided by each Director when the Company Secretary, as part of a governance agenda item at a related Board meeting, provided the Board with an overview of the independence requirements prescribed by the 2016 Code and asked each Director if they considered Andy McCue, Éimear Moloney and Carl Shepherd to be independent within the meaning of the 2016 Code.

External Directorships

Any external directorships or other significant commitments of the Executive Directors require prior approval of the Board. Each Non-Executive Director holds external directorships and these are disclosed within their profiles on pages 46 to 47.

Executive Directors are permitted to retain any fees paid in respect of approved external appointments. At the date of this report, as noted above, neither of the current Executive Directors holds external directorships. Feargal Mooney, the previous Chief Executive Officer, is a non-executive director of Meetingsbooker Limited for which he earned nil remuneration in 2018 (2017: €nil). Mari Hurley, the previous Chief Financial Officer, is a non-executive director of the National Asset Management Agency and of Ervia, for which she received remuneration of €60,000 and €15,750 respectively in 2018 (2017: €60,000 and €15,750).

The Chairman and each of the other Non-Executive Directors hold other directorships, and the Board is satisfied that they still have sufficient capacity to devote adequate time to Company matters. The Board considers that these other directorships considerably enhance the contribution of the Directors to the Board of Hostelworld Group plc.

Shareholder Relations

The Group places considerable importance on communicating with its shareholders to ensure that its strategy, performance, management and governance are understood and that it remains accountable to shareholders. The Chairman makes himself available to meet with major shareholders to discuss governance and strategy and can be contacted through the Company Secretary.

The Company formally updates the market on its financial performance at least twice a year, at the half year and full year results. These are accompanied by formal investor roadshows in Ireland, the UK and other investment centres. There is also an ongoing programme of meetings with institutional investors, fund managers and analysts and attendance by the Executive Directors and other senior executives at conferences, covering a wide range of issues (within the constraints of legal requirements in respect of publicly available information), including strategy, performance and governance. On 29 November 2018, the Group held a Capital Markets Day in London and provided a strategy and trading update to shareholders, analysts and fund managers.

The Board is also kept informed of the views of shareholders through the Executive Directors attendance at investor presentations and results presentations. Furthermore, relevant feedback from such meetings, investor relations reports and broker notes are provided to the Board on a regular basis.

The Board ensures that any price sensitive information is released to all shareholders, institutional and private, at the same time. Questions from individual shareholders are generally dealt with by the Executive Directors.

The Chairman, in line with governance requirements, will, as required, ensure that the views, issues and concerns of major shareholders are communicated to the Directors so that appropriate action can be taken.

The Group's website www.hostelworldgroup.com provides the full text of the Annual Report, interim management statements, investor presentations, trading updates and any stock exchange announcements.

Andy McCue, in his capacity as the SID, is an additional point of contact for shareholders should they feel their concerns are not being properly addressed through the normal channels. The SID and other Non-Executive Directors are available to meet with shareholders. Arrangements can be made to meet with them through the Company Secretary.

Andy McCue, in his capacity as the Chairman of the Remuneration Committee, engaged with shareholders representing a majority of the share register during the later part of 2018 on the proposed revisions to the Directors Remuneration Policy which will be put to a binding shareholder vote at the AGM on 31 May 2019.

The AGM is another opportunity for shareholder engagement, with all Directors present and available to answer any questions or concerns that shareholders may have. Shareholders are given the opportunity to lodge their votes by way of proxy and/or attend the meeting in person where they have an opportunity to ask questions of the Board, including the Chairs of the Board Committees, vote in person or by proxy and meet informally with the Directors to discuss any issues they may wish to raise.

Shareholders can also contact the Company through the Company Secretary.

Annual General Meeting

The AGM of the Company will take place at 12 noon on 31 May 2019 at Hostelworld Group plc, Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland. The Annual Report and Financial Statements and Notice of the AGM are sent to shareholders at least 20 working days prior to the date of the meeting to provide the shareholders with adequate time to consider the proposed resolutions. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions to be considered at the meeting. Separate resolutions will be proposed on each substantive issue. All shareholders will have the opportunity to attend and vote, in person or by proxy, at the AGM.

The Chairman and all Directors will be available at the AGM to answer shareholders' questions.

Results of resolutions proposed at the AGM will be published on the Company's website www.hostelworldgroup.com following the AGM.

Approved by the Board and signed on its behalf:

John Duggan
Company Secretary
1 April 2019

REPORT OF THE AUDIT COMMITTEE

Dear Shareholders

On behalf of the Audit Committee I am pleased to introduce the Report of the Audit Committee for 2018.

During the year the Audit Committee dedicated significant time supporting the Board in executing its duties in relation to reviewing and monitoring the Group's risk management and internal controls systems. This was in addition to monitoring the Group's financial reporting process and assessing the independence and effectiveness of the Group's external auditor.

Membership

- Éimear Moloney (Chairperson)
- Michael Cawley (resigned on 5 December 2018)
- Andy McCue
- Carl Shepherd

Members of the Audit Committee are appointed by the Board on the recommendation of the Nomination Committee. Appointments to the Audit Committee are for an initial period of three years, subject to review of the Audit Committee's composition by the Board. Provided the members continue to be independent, this may be extended by no more than two further three-year periods. As the Company is recognised as a 'small' company under the 2016 Code, the Company Chairman was permitted to be a member of the Audit Committee for the duration of 2018. Pursuant to the changes to audit committee composition set out in the updated UK Corporate Governance Code (July 2018), Michael Cawley (Chairman) resigned from the Audit Committee on 5 December 2018.

As outlined in the Directors biographical details, set out on page 46 and 47, members of the Audit Committee bring considerable financial and accounting experience to the work of the Audit Committee. The extent of the Audit Committee members expertise and how this is brought to bear in respect of the work of the Audit Committee is set out in the Corporate Governance Statement under 'Audit Committee Composition'.

The Company Secretary acts as Secretary to the Audit Committee.

Role of the Audit Committee

The roles and primary responsibilities of the Audit Committee are summarised below. The full schedule of roles and responsibilities are contained in the Audit Committee's Terms of Reference, which were updated in December 2018 to align with the requirements of the updated UK Corporate Governance Code (July 2018), which are available on the Company's website www.hostelworldgroup.com.

- Monitor the integrity of the financial statements of the Company and any formal announcement relating to its financial performance, including reviewing significant financial reporting issues and estimates and judgements they contain;

- Review and challenge where necessary the use of or changes to accounting policies, the methods used to account for significant or unusual transactions where different approaches are possible, the clarity and completeness of disclosure in the Company and Group's financial reports and the context in which statements are made, and all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement insofar as it relates to the audit and risk management;

- Ensure that there are appropriate procedures in place to monitor and evaluate the general business risks facing the Group (the Board has delegated the management of certain risk areas to the Audit Committee with the Board retaining overall responsibility);

- Review the adequacy and effectiveness of the

Company's internal financial controls and the Company's statements on these matters;

- Perform an annual assessment of the Company's compliance with the requirements of the UK Corporate Governance Code (and in this regard the Audit Committee notes the substantial changes to the 2016 Code incorporated in the updated UK Corporate Governance Code (July 2018));
- Review the Company's procedures for detecting fraud;
- Review the Company's systems and controls for the prevention of bribery and receive and review reports on non-compliance;
- Consider annually whether there is a need for an internal audit function; and
- Oversee the relationship with the external auditor, including selection, appointment, removal, terms of engagement, approval of remuneration, assessing independence and objectivity, assessing effectiveness of the audit process, and setting policy on the use of non-audit services.

The Chairperson of the Audit Committee reports to the Board as necessary on the activities of the Audit Committee and attends the AGM to answer questions on the report of the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

Fair, Balanced and Understandable

One of the key governance requirements is to consider whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At the request of the Board, the Audit Committee has undertaken the detailed work in making this assessment, including consideration of the scope of work carried out by the auditors, the materiality levels considered by them, the focus of their work, the work undertaken by management in the preparation of the accounts and the Annual Report, the analysis performed of changes to applicable standards and reporting requirements, and the arrangements for review and verification of the information contained in the Annual Report.

The Audit Committee reviewed a draft of the whole Annual Report at a meeting in advance of giving their final opinion and ahead of final approval by the Board. The Audit Committee was provided with all relevant information and, in particular, with detailed briefings from management on how specific issues are managed and challenged management as required. The review by the Audit Committee in considering whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy included:

- considering whether the content of sections 1 to 3 (inclusive) of the Annual Report, in particular the Strategic Report and business review, provides both positive and negative aspects of performance and developments in a clear and meaningful way;
- ensuring that the links between discussions of performance, financial position and cash flows, including the use of appropriate performance measures and the financial statements are clear;
- considering that the information provided on the Company, the environment in which it operates and the risks it faces are specific to the Group and not explained in general terms;
- removing immaterial items; and
- explaining the links between information in the Annual Report, such as objectives, KPIs and risks.

Having conducted its review, the Audit Committee is satisfied that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Following recommendation by the Audit Committee, the Board confirmed that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for

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shareholders to assess the Company's position and performance, business model and strategy. The ultimate decision to recommend the Annual Report and accounts to the shareholders is taken by the Board, as set out in the Directors' Responsibility Statement on page 104 and 105.

Meetings

Under its Terms of Reference, the Audit Committee is required to meet at least twice a year. The Audit Committee met on three occasions during 2018. Individual attendance at these meetings is set out on page 52. The Audit Committee's meetings and agenda are linked to events in the Group's financial calendar.

Meetings are attended by the Audit Committee members and others, being principally the Chief Financial Officer, senior members of the Group's Finance department who attend by invitation and the Company Secretary. Other members of the Group's Executive Leadership Team and other senior executives are invited to attend as necessary to provide a deeper level of insight or expertise in certain areas related to the Group's principal risks. The Deloitte Ireland LLP audit partner and senior representatives from PricewaterhouseCoopers ("PwC"), as outsourced internal audit provider, are invited to attend certain meetings. The Audit Committee also met privately with the Deloitte Ireland LLP audit partner and with senior representatives from PwC, without executive management present, in 2018.

The Audit Committee activities during 2018 are set out overleaf.

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Significant Issues

In reviewing the financial statements with management and the auditors, the Audit Committee has discussed and debated the critical accounting judgements. The significant issues considered by the Audit Committee in respect of the 2018 Annual Report are as follows:

Significant Issue	Description and Resolution
Carrying Value of Goodwill and Intangible Assets	The largest asset on the Group statement of financial position relates to the goodwill and intangible assets reflecting the underlying value of the brands and technology acquired, with a carrying value at 31 December 2018 of €117.7m. This represented 78.5% of the Group's total assets. Under IFRS goodwill is not amortised but is subject to an annual impairment review. An impairment review is required to be performed for other intangible assets where there is an indicator of impairment. Goodwill is allocated to Cash Generating Units ("CGUs") and a model has been developed to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment. Management have performed impairment reviews at year end on the Group's carrying value of goodwill, all of which relates to the Hostelworld brand. The cash flow forecasts were based on the budgets approved by the Board. The Audit Committee has reviewed the assumptions around growth rates and discount rates. The Audit Committee discussed with the external auditor its review of the assumptions used. The Audit Committee also reviewed the carrying value of other intangibles and is satisfied that there was no indication of impairment at 31 December 2018. Following these discussions, the Audit Committee is satisfied that there was no impairment of goodwill and other intangibles as at 31 December 2018, and that the controls over management's impairment review process are adequate.
Capitalisation of Development Costs	The Group incurs significant internal costs in respect of the ongoing development of its IT systems and core technology and product platforms. The accounting for these costs as either development costs (which are capitalised as intangibles) or expensed as incurred involves judgement. In the year ended 31 December 2018 €1.7m (2017: €1.7m) of development costs were capitalised in accordance with the criteria as set out in IAS 38. Capitalised development costs carried in the balance sheet amounted to €1.7m at 31 December 2018 (2017: €1.9m). The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment as to whether current projects meet the criteria required for costs to be capitalised (including feasibility of completion, intention to complete, probable economic benefits, availability of resources to complete, and ability to measure expenditure). The Audit Committee also held discussions with the external auditor on their review of this area. The Audit Committee considers the approach taken and the application of the policy to be appropriate.

Significant Issue	Description and Resolution
Transfer Pricing and International Taxation Environment	The Group as a global business operates in an increasingly complex international corporate tax environment. It is subject to taxation in a number of jurisdictions and cross–border transactions can be challenged by tax authorities. The Group has a number of intercompany agreements within its Group structure including management services, marketing services, research and development and intellectual property licence agreements. The Group seeks regular updates from its tax advisors, EY, on any new developments in the international tax environment, particularly the policy efforts being led by the OECD around the Base Erosion and Profit Shifting initiative ("BEPS"). The Audit Committee also discussed this matter with the external auditors and their transfer pricing specialist team. The Audit Committee considers that the tax provisions and related disclosures which have been made are reasonable.
Corporate Governance	The Group is required to comply with the provisions of the UK Corporate Governance Code or explain reasons for non-compliance. The more significant of the disclosure requirements include those in relation to principal risks and uncertainties, the fair, balanced and understandable statement and the viability statement. The Audit Committee has reviewed the disclosures in the Annual Report, and, having discussed them with management and the Group's auditors, is satisfied that the additional reporting and disclosure requirements have been met.
Other Matters	The Audit Committee has also considered a number of other judgements which have been made by management including those relating to revenue recognition, accruals and estimates and deferred tax and considers that the judgements which have been made are reasonable.

External Auditors

On behalf of the Board the Audit Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor.

Deloitte Ireland LLP were first appointed auditor to the Hostelworld Group in 2004. However, the first year that they were appointed as external auditor to Hostelworld Group plc as a listed plc entity was in relation to the audit for the financial year ended 31 December 2015. In the UK, mandatory audit tendering is required every ten years with mandatory rotation of auditors of Public Interest Entities ("PIEs") required at least every twenty years. Transitional arrangements require Hostelworld to put its audit out to tender by 17 June 2023. This is on the basis of Deloitte Ireland LLP, the existing auditor, being in place for a period of between 11 and 20 years. Accordingly, the Group will need to run a tender process by 17 June 2023.

The Audit Committee will, however, continue to review the relationship with the external auditor and may re-tender its audit contract prior to this date if it considers this necessary.

The external auditor is required to rotate the audit partner responsible for the Group audit every five years. In this regard, Daniel Murray acted as audit partner for the year ended 31 December 2018, his second year as audit partner.

To ensure there can be no reason for audit independence to be impacted, the Company has in place a policy on the provision of non-audit services. Under the policy, except in exceptional circumstances, non-audit fees to the audit firm should not exceed 70% of the amount of the audit fee for the current financial year.

All requirements to engage the external auditors for material non-audit services must be notified to the Chairperson of the Audit Committee in advance, and non-audit work with an expected cost in excess of €30,000 must be subject to competitive tender and approved by the Audit Committee. During 2018, Deloitte Ireland LLP were engaged to provide non-audit services to the Group totalling €1.5k (2017: €4k). The Audit Committee will continue to monitor the type and level of non-audit services provided by the external auditors to prevent any perceived or actual impact on the auditors' independence.

The Audit Committee assesses the independence of the external auditor and the effectiveness of the external audit process before making recommendations to the Board in respect of their appointment or re-appointment. In assessing the effectiveness of the external auditor, the Audit Committee assesses the expertise and industry knowledge of the audit partner and team and their response to dealing with areas of risk, as well as receiving feedback from executive management on the audit process.

In assessing independence and objectivity, the Audit Committee considers the level and nature of services provided by the external auditor as well as the confirmation from the external auditor that it has remained independent within the meaning of the APB Ethical Standards for Auditors. The Audit Committee's assessment of the external auditor's independence took into account the non-audit services provided during the year. The Audit Committee concluded that the nature and extent of the non-audit fees did not compromise the independence of the auditor.

The external auditors have unrestricted access to the Chairperson of the Audit Committee.

Having reviewed the auditor's independence and performance, the Audit Committee recommends that Deloitte Ireland LLP be re-appointed as the Company's auditor at the next Annual General Meeting.

Internal Controls and Risk Management

The Directors recognise that the monitoring and assessment of the internal controls environment is a necessary step to ensure the Board can place reliance on the reported financial position and prospects of the Group.

Responsibility for the ongoing monitoring of the effectiveness of the Group's risk management and internal control systems is delegated by the Board to the Audit Committee.

Management note that risks cannot necessarily be eliminated, hence the Group's internal control environment is designed to identify, evaluate, mitigate and monitor the risks faced by the business, and report to the Board in a timely manner. To assist in managing risk, the Group has:

- a clear organisational structure with appropriate lines of responsibility;
- a comprehensive annual planning and budgeting process;
- clear delegations of authority for the Board for relevant matters, and a comprehensive schedule of matters reserved for the Board;
- internal control systems and procedures to implement and monitor the use of these delegated authorities;
- financial control, budgeting and forecasting systems, with regular reporting, variance analysis and reviews of key performance indicators;
- robust systems by which the Group's financial statements are prepared, which included assessment of key financial reporting risks arising through complexity of transactions, changes to the business, and changes in accounting standards;
- an experienced and suitably qualified finance function that is fully conversant with the operations of the business;
- a code of conduct setting out behavioural and ethical standards, supported by clear anti-bribery and corruption guidelines, and a whistleblowing policy with an external independent hotline.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal control and considered the significant risks affecting the business and the way in which these risks are managed as part of its responsibility to monitor the Company's risk management and internal control systems. The risks identified on pages 30 to 34 are those that could have a material adverse impact on the Group's prospects, its financial condition and the results of its operations. The actions taken to mitigate the risks described in the Principal Risks and Uncertainties cannot provide assurance that other risks will not materialise and/or adversely affect the operating results and financial position of the Group.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the internal audit function including its plans, activities and resources. At each scheduled meeting the Audit Committee assesses the findings arising from the internal auditor's reviews. In particular, the Audit Committee considers any control weaknesses identified and the remedial action to be taken.

The 2018 internal audit plan, setting out areas of internal audit focus, was agreed by the Audit Committee with PwC, the internal auditors. In 2018, the Audit Committee received four reports from PwC covering a data protection compliance follow up review, a new booking model review, IT change management and information security. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management. There were four overdue internal audit findings from 2018 at year end, two of which have been successfully closed out and the remaining two being addressed to our satisfaction.

The internal audit plan for 2019 was agreed with PwC following consultation with the Audit Committee. The 2019 internal audit plan focusses on a review of product development governance, cloud computing risk assessment processes, new payments key controls and a follow up review on the effectiveness of management actions taken in response to previous findings raised in internal audit reports between 2016 and 2018.

Whistleblowing

For the annual term commencing on 1 January 2018, the Audit Committee was responsible for ensuring that the Group maintains suitable whistleblowing arrangements for the Group's employees. The Group's whistleblowing policy contains arrangements for an independent external service provider to receive complaints in confidence should staff not feel comfortable raising them through existing internal channels. The Audit Committee reviewed the Group's whistleblowing procedures during the year to ensure that it continues to meet the needs of the Group and was satisfied with the procedures in place. Confidential reports from the independent external service provider are provided to the Company Secretary and the Audit Committee Chairperson for investigation. No concerns were raised during 2018. The Audit Committee noted the provisions of the updated UK Corporate Governance Code (July 2018) on 'Board Leadership and Company Purpose' to the effect that it is a matter for the Board to ensure that the workforce should be able to raise any matters of concern. The Audit Committee approved an amendment to the Audit Committee's Terms of Reference in December 2018 to align with the requirements of the updated code in this regard.

Annual Evaluation of Performance

The Audit Committee's effectiveness was reviewed as part of an internal formal annual evaluation process in the final quarter of 2018. The Audit Committee and the Board considered the outcome of the evaluation and is satisfied that it is performing effectively.

I will be available at the AGM to answer any questions on the work of the Audit Committee.

Éimear Moloney
Chairperson, Audit Committee
1 April 2019

REPORT OF THE NOMINATION COMMITTEE

Dear Shareholders

I am pleased to present the Report of the Nomination Committee outlining the work of the Nomination Committee during 2018.

Membership of the Nomination Committee is comprised of the following Non-Executive Directors:

- Michael Cawley (Chairman)
- Andy McCue
- Carl Shepherd
- Éimear Moloney (appointed 9 February 2018)

Under its Terms of Reference, the Nomination Committee must have a minimum of three members appointed by the Board, of whom a majority should be independent non-executive directors. The Terms of Reference of the Nomination Committee, as updated in December 2018 to align with the requirements of the UK Corporate Governance Code (July 2018), are available on the Company's website at www.hostelworldgroup.com.

Appointments to the Nomination Committee are for a period of up to three years, which may be extended for two further periods of up to three years, provided the majority of the Nomination Committee members remain independent and subject to review of the Nomination Committee's composition by the Board. There is no age limit for Directors.

The Company Secretary acts as Secretary to the Nomination Committee, and other executives may be invited to attend when deemed appropriate.

Role of the Nomination Committee

The Nomination Committee is responsible for all aspects of the appointment of Directors of the Company. This includes, but is not limited to:

- Regularly reviewing the structure, size and composition of the Board, including the balance of skills, experience, independence, knowledge and diversity to ensure optimum size and composition, taking into account the Company's current requirements, the results of the Board performance evaluation, its status as a UK and Irish listed plc, the future development of the Company, and making recommendations to the Board with regard to any changes;
- Reviewing succession plans for the Directors, including the Chairman, Chief Executive Officer and senior management;
- Making recommendations to the Board regarding the Board's policy on boardroom diversity and reviewing its implementation;
- Identifying and nominating candidates for approval by the Board to fill Board vacancies, taking into account the need for diversity and a balance of skills, experience, independence and knowledge;
- Reviewing annually the time needed to fulfil the roles of Chairman, Senior Independent Director and each Non-Executive Director (taking into account Committee memberships) and ensuring that each individual has sufficient time available to devote to their role; and
- Making recommendations to the Board on the appointment and re-appointment of both Executive and Non-Executive Directors.

Key Activities of the Nomination Committee in 2018

The Nomination Committee met on four occasions during 2018 and separately dealt with the appointment of the Group's new Chief Financial Officer through a unanimous written resolution. Individual attendance at these meetings is set out on page 52. The principal activities of the Nomination Committee throughout the year are detailed below:

- Chief Executive Officer and Chief Financial Officer succession

There is a formal, rigorous and transparent procedure determining the nomination for appointment of new Executive and Non-Executive Directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee engages specialist recruitment consultants to assist in the identification and selection process. The Nomination Committee makes recommendations to the Board concerning appointments of Executive or Non-Executive Directors, having considered the blend of skills, experience, independence and diversity deemed appropriate and reflecting the international nature of the Group.

During 2018 the Nomination Committee led a thorough succession planning process for the new Chief Executive Officer. The Up Group, an independent external search agency, assisted with this process. A Chief Executive Officer role profile was created with the requirements and skill-set that a potential successor would be required to have. A list of suitable candidates was identified and subsequently reduced to a shortlist who were interviewed by members of the Nomination Committee. Following recommendation by the Nomination Committee, Gary Morrison was unanimously appointed by the Board. The Board's selection of Gary reflects his experience as a proven online travel executive with a unique combination of travel and digital consumer expertise. The Up Group had no other connection with the Group in 2018.

During 2018 the Nomination Committee also led a thorough succession planning process for the new Chief Financial Officer. Pinnacle HR, an independent external search agency, assisted with this process. A Chief Financial Officer role profile was created with the requirements and the skill-set that a potential successor would be required to have. A list of suitable candidates was identified and subsequently reduced to a shortlist who were interviewed by members of the Nomination Committee. Following recommendation by the Nomination Committee, TJ Kelly was unanimously appointed by the Board. The Board's selection of TJ reflects his prior experience with another listed company and his track record working in an international consumer-focussed business. Pinnacle HR had no other connection with the Group in 2018.

- During 2018 the Nomination Committee considered Board composition and succession and senior management succession plans to ensure that the Company has the appropriate level of skills and diversity.

- During the reporting period the Nomination Committee met and recommended to the Board the appointment of Éimear Moloney as a member of both the Nomination Committee and the Remuneration Committee so that there would be a balance of skills, knowledge, experience and diversity of membership on each of those Committees. Éimear's strong investment management experience will be of significant benefit to the Group as we execute on our strategic objectives and continue to grow the business.

- An internal evaluation of the Board, Board Committees and individual Directors took place in 2018. The Nomination Committee considered the outcome of this evaluation and any area identified relevant to the Nomination Committee will form part of the agenda of the Nomination Committee for the coming year; and

- The Nomination Committee reviewed its Terms of Reference during the year to ensure the contents remained relevant and updated the Terms of Reference in December 2018 to align with the requirements of the updated UK Corporate Governance Code (July 2018).

Board Composition and Succession

Board composition and succession has been an important consideration for the Group during 2018. On an ongoing basis, the Nomination Committee reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board with regard to succession planning. As part of the Nomination Committee's succession planning work during 2018, the individual and collective skills, experience and knowledge of the Non-Executive Directors was assessed in detail and the Nomination Committee recommended to the Board that no additional non-executive appointments to the Board were currently necessary (with the matter to be kept under on-going review and reassessed in 2019). The Nomination Committee also assessed the internal talent pipeline in the Group to ensure appropriate management development and comprehensive succession planning for the Executive Leadership Team and other key executives was in place.

Board Evaluation and Re-Election of Directors

The Nomination Committee carried out an evaluation of its own performance for the year ended 31 December 2018 and concluded it was satisfactory. The results of the Board evaluation and Director appraisal process as described on page 54 and 55 were also noted. The process established that the Board is operating effectively and cohesively with a good balance of support and challenge and that there was sufficient diversity on the Board. It recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that all Directors will seek re-election/election at the Company's forthcoming AGM.

Board Diversity

The Nomination Committee aims to have a Board that is well-balanced and has the appropriate skills, knowledge, experience and diversity for the needs of the business. Diversity is considered in its broadest sense and includes age, gender, cultural background, geographical diversity and business background. During 2018, we reviewed and recommended the adoption by the Board of

a Board policy on diversity (the "Diversity Policy") to ensure that the Group continues to derive the benefits of a diverse Board.

The stated aim of the Diversity Policy is for the Company to have a balanced Board that has the appropriate skills, knowledge, experience and diversity for the needs of the business. The stated objectives of the Diversity Policy are (1) to ensure that the possibilities for maximising the Company's success and achieving its strategic goals are optimised by having a broad range of perspectives on the Board; and (2) that diversity provides the basis for improving the quality of decision making on the Board by reducing the risk of 'group think'. The provisions of the Diversity Policy require that its effectiveness is subject to annual review by the Nomination Committee. In addition, as part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Diversity Policy requires the Nomination Committee to specifically consider and assess the adequacy of the diversity representation on the Board. The policy statement included in the Diversity Policy provides that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors and emphasises that in identifying suitable candidates for appointment to the Board, the Nomination Committee are required to consider candidates on merit against objective criteria, with due regard for the benefits of diversity on the Board.

Although the appointment of Éimear Moloney to the Nomination Committee and Remuneration Committee in February 2018 occurred prior to the formal adoption of the Diversity Policy, the recommendation to the Board that Eimear be appointed to the respective Committees was on the basis that there would be a balance of skills, knowledge, experience and diversity of membership of those Committees. Although the appointments of Gary Morrison and TJ Kelly as Directors of the Company likewise occurred prior to the formal adoption of the Diversity Policy, the Nomination Committee had specific regard to the benefits of diversity on the Board (including gender) when conducting the searches and proposing the appointments of the Company's new Chief Executive Officer and Chief Financial Officer, respectively, during 2018.

Diversity is embraced at Hostelworld and the Group strives to create a culture that values and respects diversity and inclusion, not only gender diversity but also cultural and age diversity.

The Group will continue to monitor diversity both on the Board, its Committees and across the business to ensure diversity and equal opportunities.

Availability of Terms and Conditions of Appointment of Non-Executive Directors

The terms and conditions of appointment of the Company's Non-Executive Directors are available for inspection at the Company's registered office.

I will be available at the AGM to answer any questions that shareholders may have on the work of the Nomination Committee.

Michael Cawley
Chairman, Nomination Committee
1 April 2019

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CHAIRMAN OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 31 December 2018.

2018 was a busy year for the Remuneration Committee. In addition to the usual Remuneration Committee activities, we undertook a detailed review of the Directors' Remuneration Policy ahead of the requirement to seek shareholder approval for a new policy at the AGM in 2019. We also determined the recruitment packages for the new Chief Executive Officer and Chief Financial Officer and agreed the termination arrangements for their predecessors. Full details are set out below and in the Annual Report on Remuneration.

Members of the Remuneration Committee

Remuneration Committee membership is as follows:

- Andy McCue (Chairman)
- Michael Cawley
- Carl Shepherd
- Éimear Moloney

Key Activities of the Remuneration Committee in 2018

The Remuneration Committee met five times during 2018 and, among other things, undertook the following activities:

- Finalised the 2017 Remuneration Report;
- Determined the salary increases for the Executive Directors that applied for 2018, as reported last year;
- Agreed the final outturn of the 2017 annual bonus scheme for the Executive Directors, as reported last year;
- Agreed the structure of the 2018 annual bonus scheme for the Executive Directors, including bonus opportunity, metrics and specific targets to be employed;
- Agreed the approach to the award made under the Company's Long Term Incentive Plan ("LTIP") in 2018, including the quantum, metrics, targets and award population. As noted on page 90, the 2018 awards were structured in a similar manner to the awards made in 2016 and 2017;
- Determined the appropriate termination arrangements for Feargal Mooney, the outgoing Chief Executive Officer;
- Agreed the recruitment packages for Gary Morrison and TJ Kelly, the incoming Chief Executive Officer and Chief Financial Officer;
- Reviewed the Directors' remuneration policy and consulted with major shareholders and proxy voting agencies on the proposed changes to the policy; and
- Started to consider the implications for our remuneration reporting and practices of the new UK legislation and the updated 2018 UK Corporate Governance Code.

Subsequent to the financial year end, the Remuneration Committee met to review salaries for 2019, the final outturn of the 2018 annual bonus scheme and the structure and targets of the annual bonus scheme and LTIP for 2019. The Remuneration Committee also made the final decisions in relation to the new remuneration policy.

The New Remuneration Policy

The Directors' Remuneration Policy is designed to support the Company's culture and strategic objectives while offering competitive remuneration to enable the business to attract, retain and motivate the high-calibre talent needed to help ensure we are successful, aligning all stakeholders' interests. This is achieved by the strong focus on performance-related compensation and the use of appropriate performance conditions.

As noted above, the Remuneration Committee undertook a major review of the remuneration policy during the year ahead of the requirement to seek shareholder approval for a revised policy at the 2019 AGM. We concluded that the policy remained broadly fit for purpose but that a number of changes were required. The key changes are set out below:

- With effect from the LTIP awards to be granted in 2019, the shares which vest after the end of the three-year performance period (net of those required to be sold to pay tax) will be subject to an additional two-year holding period. This brings the structure of the plan into line with the expectations of many institutional investors and the provisions of the 2018 UK Corporate Governance Code.
- The shareholding requirement which applies to Executive Directors will be increased from 150% to 200% of basic salary.
- For new Executive Directors appointed after shareholder approval of the remuneration policy, we now specify that the maximum pension contribution will be in line with the contribution level provided to the majority of the workforce.
- The financial underpin in the annual bonus scheme has been amended so that payment of any bonus will require a Remuneration Committee assessment of overall performance during the year. This replaces the inflexible provision in the current policy which requires a threshold level of adjusted profit before tax ("Adjusted PBT") to be achieved before any bonus is paid. In making this change, we wish to enshrine an approach that reflects our belief that other factors over and above an Adjusted PBT hurdle should be taken into account to determine whether or not it is appropriate to pay a bonus. That said, when considering whether a minimum level of performance has been achieved to justify the payment of the bonus, the Remuneration Committee will review factors such as underlying financial performance (including Adjusted PBT), performance against other KPIs and progress against the achievement of strategic goals. In addition, the Remuneration Committee will continue to reserve the right to adjust the provisional bonus outturn if it is not deemed to be a fair and accurate reflection of business performance.
- We reviewed the Chief Financial Officer's package in the context of the change of individual in the role during the year. Under the revised policy, the annual bonus opportunity for the Chief Financial Officer has been increased from 72% to 100% of basic salary, with his normal award level under the LTIP increased to 100% (from the past practice of 90%). This new bonus opportunity aligns the Chief Financial Officer's bonus potential with that of the Chief Executive Officer (which is being reduced from 102.6% of salary). It is also consistent with the market median bonus level for other companies in the FTSE SmallCap index, as is the revised LTIP award level. While the Remuneration Committee is very cognisant of investor concerns surrounding increases to pay quantum, it is important that we are able to offer a package which reflects the market, recognising that pay levels for the Chief Financial Officer role have historically been conservative. Performance conditions for the bonus plan and LTIP will be set each year and will remain suitably challenging.
- To correct an anomaly, we have included a policy provision which permits Executive Directors to participate in the Company's Save As You Earn ("SAYE") plan on the same basis as other employees.
- The flexibility for the Remuneration Committee to provide additional sign-on compensation for new recruits has been removed. We appreciate that this level of flexibility goes beyond standard market practice and that some investors have concerns with remuneration policies which allow for too much Remuneration Committee discretion.

The Remuneration Committee did consider whether now was the right time to introduce a number of additional changes, such as requiring a portion of the annual bonus to be deferred into shares or making the shareholding requirement apply for a period beyond the cessation of employment. We have decided not to go down

these routes at this stage although we will keep these matters under review during the lifetime of the policy. In particular, the Committee will continue to give active consideration as to how best to approach the issue of ensuring that incumbent executive directors' interests remain aligned to shareholders after cessation of employment, and will update investors on the results of its deliberations at the appropriate time. As it stands, the new policy incorporates a significant enhancement to long term alignment between management and shareholders given the introduction of the post-vesting holding period in the LTIP and the increase to the shareholding requirement.

We consulted with major shareholders and proxy voting agencies on the proposed changes towards the end of 2018, and received a number of supportive comments in response. The revised policy will now be subject to a binding shareholder vote at the AGM.

Recruitment of new Executive Directors

The remuneration packages for the new management team were set in line with the existing remuneration policy.

Gary Morrison joined Hostelworld as Chief Executive Officer and as a Director on 11 June 2018. His remuneration package on appointment was consistent with that of Feargal Mooney, his predecessor, and included a basic salary of €418,200, a 10% pension contribution and a standard benefits package. His annual bonus opportunity was set at 100% of basic salary, slightly below the level of 102.6% available to his predecessor. The Remuneration Committee exercised its discretion to grant Gary an LTIP award at a level of 150% of basic salary following his appointment, in line with the limit as set out in the remuneration policy. We made an award at this level in order to help attract Gary to Hostelworld, to aid in his motivation and retention over the next few years and to provide an immediate long term alignment with Hostelworld shareholders. The award will vest subject to the performance conditions applied to other LTIP awards in 2018, which we believe are suitably challenging.

TJ Kelly's appointment was announced on 21 August 2018. His remuneration package on appointment included a basic salary of €295,000, a 6% pension contribution and a standard benefits package. TJ's salary was set at a slight premium to that of Mari Hurley, his predecessor, reflecting his experience and wider market comparatives. He was not entitled to participate in the annual bonus scheme for 2018. He was granted an LTIP award at a level of 75% of basic salary following his appointment (subject to the same performance targets as applied to all 2018 awards), which was lower than the award level for the Chief Financial Officer in prior years given the fact TJ joined Hostelworld relatively late in the financial year.

Departure of Former Executive Directors

Feargal Mooney stepped down as Chief Executive Officer and as a Director on 11 June 2018. He remains employed during his 12 month notice period, which ends on 11 June 2019. During this period he will continue to receive salary, pension and benefits, including any period of garden leave. He was eligible to participate in the 2018 bonus plan on a pro-rata basis. As set out below, no bonus was ultimately payable to Feargal for 2018 performance.

Feargal was treated as a good leaver for the purposes of the LTIP in light of the circumstances of his departure and his willingness and desire to ensure a smooth transition to his successor. Therefore, in line with the remuneration policy and the rules of the LTIP, the Remuneration Committee determined that his subsisting LTIP awards will continue until the normal time of vesting, at which point they will vest subject to performance against the relevant targets. No pro rata reduction was applied to his 2016 LTIP award as the date of cessation of employment (11 June 2019) occurs after the vesting date for the award (although, as noted later, this award has zero vesting due to the performance targets not being achieved). His 2017 award will be pro-rated to the date of cessation. The Remuneration Committee has exercised its discretion to take a different approach for the 2018 award, with the date on which Feargal stepped down from the Board (11 June 2018) being used as the basis for the calculation of the pro rata reduction as opposed to his actual cessation of employment. This means that the potential value of the 2018 award at vesting will be significantly lower than had we used the default position of cessation of employment to calculate the reduction.

We believe that this was a fair approach in the context of Feargal's departure and appropriately recognised the relatively short period between the grant of the 2018 award and the date on which Feargal's departure was announced.

Mari Hurley's resignation as Chief Financial Officer was announced on 19 December 2017. She left the Board and the Company during 2018 and her termination arrangements were disclosed in last year's report.

Remuneration Outcomes for 2018

As described earlier in this Annual Report, 2018 was a year of significant activity and change for Hostelworld Group. In addition we experienced challenging industry conditions during the summer months. Despite this our core Hostelworld brand grew by 4% although the expected decline in our supporting brands resulted in overall Group bookings being flat. The introduction of a free cancellation booking option led to a deferral of revenue recognition, which has impacted reported earnings in 2018, although this has not had an impact on cash receipts.

In light of the Company's performance over the financial year, there were no payments to Executive Directors or senior management under the annual bonus scheme set up at the start of 2018. The requirement for a threshold level of Adjusted PBT to be met before any bonuses were paid was not met, with this threshold set at the start of the year. As a result, Feargal Mooney did not receive any bonus for the year.

For Gary Morrison, the Remuneration Committee used its discretion under the remuneration policy to set different bonus performance conditions that reflected circumstances existing at the time of his appointment. Metrics relating to Adjusted EBITDA, total bednights (booked by customers) and personal performance were agreed, with the specific financial targets set reflecting trading conditions that existed at the time. As disclosed in the Annual Report on Remuneration, in line with achievement of certain of these targets, a payout of 19.3% of salary was made to Gary Morrison (19.3% of his maximum bonus opportunity).

TJ Kelly was not eligible to participate in the bonus plan for 2018.

The three-year performance period for the 2016 LTIP award ended in 2018. Following an assessment of the Adjusted Earnings per Share ("Adjusted EPS") and absolute Total Shareholder Return ("TSR") performance conditions attached to this award, it was determined that none of the vesting conditions were met and as a result none of these awards will vest in April 2019.

How we will apply the policy in 2019

The Remuneration Committee reviewed Gary Morrison's salary and determined that an increase of 3% with effect from 1 January 2019 was warranted (which is in line with the typical salary increase across the wider workforce). No review of TJ Kelly's salary was undertaken given his recent appointment to the Group.

The maximum annual bonus opportunity for Gary Morrison will remain at 100% of basic salary. Subject to shareholder approval of the new remuneration policy, the maximum potential bonus payable to TJ Kelly will also be 100% of salary. The bonus will be subject to the achievement of challenging performance targets in the following areas (which, for 2019, the Committee has agreed should be based solely on financial/operational metrics i.e. with no personal bonus element):

- Adjusted PBT (70% weighting); and
- Total bednights (30% weighting).

As noted above, the payment of any bonus will be subject to the Remuneration Committee being satisfied that the Company has delivered an acceptable level of performance, taking into account underlying financial performance (including Adjusted PBT), performance against other KPIs and progress against the achievement of strategic goals.

Gary Morrison will receive an LTIP award at a level of 125% of basic salary. TJ Kelly will receive an LTIP award at a level of 100% of basic salary. The award to Gary is lower than the 150% of salary award he received in 2018. The award to TJ is consistent with his revised remuneration package, as explained above. The performance conditions will be based 70% on Adjusted EPS performance and 30% on absolute TSR measured over a three-year period, as set out later in this report. We have set EPS targets which are challenging yet potentially achievable in the context of internal and external expectations of our performance over the coming years. On TSR, we are aware that some investors have a preference for this to be measured on a relative basis. This was considered by the Remuneration Committee, but we have been unable to identify a sufficiently large group of relevant listed peers to form the basis for a useful comparison. There is also relatively little historical correlation between Hostelworld's share price performance and that of the broader Travel & Leisure sector, or that of a broader index, suggesting that such comparators would be of limited use.

In line with the new remuneration policy, a two-year post-vesting holding period will apply to the 2019 LTIP awards.

Legislative and Regulatory Developments

The Remuneration Committee has started to consider the impact of the legislative and regulatory changes which formally apply to Hostelworld from the 2019 financial year onwards. In our report next year, we envisage complying in full with the new remuneration reporting requirements mandated by law. We also intend to comply with the provisions of the 2018 UK Corporate Governance Code, but we reserve the right to explain any area of non-compliance if it is decided that compliance would not be in the best interests of Hostelworld or its shareholders.

Structure of this Report

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement.
- The new Directors' Remuneration Policy. The policy will be subject to a binding shareholder vote at the AGM on 31 May 2019.
- The Annual Report on Remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2018 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM.

I hope that you find the information in this Report helpful and informative and I look forward to your continued support at the AGM.

I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company's remuneration.

Andy McCue
Chairman, Remuneration Committee
1 April 2019

Hostelworld Annual Report 2018 | **Governance**

DIRECTORS' REMUNERATION POLICY

Introduction

The Directors' Remuneration Policy as set out below will be put to a binding shareholder vote at the Annual General Meeting on 31 May 2019 and will apply for the period of three years from the date of approval. The policy will replace the policy approved at the AGM on 26 May 2016.

Policy Summary

The Remuneration Committee has designed the policy around the following key principles:

- Shareholder alignment – Ensure alignment of the interests of the Executive Directors, senior management and employees to the long term interests of shareholders;
- Competitive remuneration – Maintain a competitive package against businesses of a comparable size and nature in order to attract, retain and motivate high-calibre talent to help ensure the Company performs successfully;
- Strategic and cultural alignment – Provide a package with an appropriate balance between short and longer term performance targets linked to the delivery of the Company's business plan and is aligned to and reflective of the Company's culture;
- Performance-focussed compensation – Encourage and support a high-performance culture; and
- Set appropriate performance conditions in line with the agreed risk profile of the business.

The Remuneration Committee reviews annually the remuneration arrangements for the Executive Directors and key senior management, taking into consideration:

- Business strategy over the period;
- Overall corporate performance;
- Market conditions affecting the Company;
- Changing practice in the markets where the Company competes for talent;
- Pay structure and levels in the Company as a whole; and
- Changing views of institutional shareholders and their representative bodies.

Changes to the Policy

The policy as set out below incorporates a number of changes to the policy approved by shareholders in 2016. These changes are listed below and are explained further in the Annual Statement from the Chairman of the Remuneration Committee:

- With effect from the LTIP awards to be granted in 2019, shares which vest after the end of the three-year performance period (net of those required to be sold to pay tax) will be subject to an additional two-year holding period;
- The shareholding requirement which applies to Executive Directors will be increased from 150% to 200% of basic salary;
- For new Executive Directors appointed after shareholder approval of the remuneration policy, we now specify that the maximum pension contribution will be in line with the contribution level provided to the majority of the workforce;
- The financial underpin in the annual bonus scheme has been amended so that payment of any bonus will require a Remuneration Committee assessment of overall performance during the year (rather than merely the achievement of a specific threshold profit target);
- The annual bonus opportunity for the Chief Financial Officer has been increased from 72% to 100% of basic salary;
- To correct an anomaly, we have included a policy provision which permits Executive Directors to participate in the Company's SAYE plan; and

- The flexibility for the Remuneration Committee to provide additional sign-on compensation for new recruits has been removed.

The following table sets out each element of remuneration and how it supports the Company's short and long term strategic objectives.

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Base Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are effective from 1 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: ▸ remuneration practices within the Company; ▸ the performance of the individual Executive Director; ▸ the individual Executive Director's experience and responsibilities; ▸ the general performance of the Company; ▸ salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and ▸ the economic environment.	Base salaries will be set at an appropriate level within a comparator group of comparably sized listed companies and will normally increase in line with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None
Benefits			
Provides a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors receive benefits which include, but are not limited to, family private health cover and life assurance cover (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors.	The maximum will be set at the cost of providing the benefits described.	None
Pensions			
Provide market competitive retirement benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Remuneration Committee maintains the ability to provide pension funding in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	For existing Executive Directors, the maximum pension contribution as a percentage of basic salary is 10%. For new Executive Directors appointed after approval of this policy, the maximum pension contribution will be in line with the contribution level provided to the majority of the workforce.	None

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Annual Bonus Plan The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Plan supports the Company's objectives allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wide range of performance metrics can be used.	The Remuneration Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are paid in cash after the end of the financial year to which they relate. On change of control, the Remuneration Committee may pay bonuses on a pro rata basis measured on performance up to the date of change of control. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.	The maximum bonus opportunity as a % of base salary is 100%.	Bonus payouts are determined on the satisfaction of a range of key financial and non-financial objectives set annually by the Remuneration Committee. In addition, the payment of any bonus will require the Remuneration Committee determining that the Company has delivered an acceptable level of performance during the year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.
Long Term Incentive Plan ("LTIP") Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term.	Awards are granted annually to Executive Directors under the LTIP. These vest at the end of a three-year period, normally subject to: ▸ the Executive Director's continued employment at the date of vesting; and ▸ satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that they vest. Awards granted from 2019 onwards which vest after the end of the three-year performance period will be subject to an additional two-year holding period. During this period the shares cannot be sold (other than as required for tax purposes). The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares. Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.	Awards may be made up to 150% of base salary. If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 200% of a participant's annual basic salary. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	LTIP awards vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. Awards granted in 2019 will be subject to performance measures based on Adjusted EPS and absolute TSR performance. The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards during the policy period, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Save As You Earn ("SAYE") plan To encourage share ownership among Hostelworld employees and increase the alignment with shareholders.	The plan permits employees to purchase shares at the end of a three-year period at a discount of up to 20% of the market value of the shares at grant.	The maximum participation limit is as set out in the relevant legislation.	None (as is the norm for approved all-employee plans).
Shareholding Requirement To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to 200% of their base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200% of salary	None
Non-Executive Director Fees The Company provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and as Chairperson of Board committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments). Non-Executive Directors do not participate in any of the Company's incentive arrangements.	The base fees for Non-Executive Directors are set at an appropriate rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce. The Company will pay reasonable vouched expenses incurred by the Chairman and Non-Executive Directors, together with other benefits where considered necessary (and any related tax that may be payable).	None

Choice of Performance Measures

Each year, the Remuneration Committee will choose the appropriate performance measures and targets to apply to the annual bonus scheme and LTIP. The measures will be closely aligned with Hostelworld's strategy and business priorities at the time.

For the 2019 LTIP grant, the performance conditions for awards will be split between Adjusted EPS growth (70%) and absolute TSR (30%). The use of Adjusted EPS ensures Executive Directors are focussed on achieving earnings growth over the longer term. The use of absolute TSR reflects Hostelworld's dividend policy and measures the extent to which there is market confidence in the business strategy.

Malus and Clawback

Malus and clawback provisions within the annual bonus scheme and the LTIP apply in the following circumstances:

- Material misstatement of results;
- Gross misconduct;
- Error in calculating the number of shares subject to an award or the amount of cash paid;
- Corporate failure; or
- Serious reputational damage.

Discretion

The Remuneration Committee has discretion in several areas of policy as set out in this report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

Differences in Policy from the Wider Employee Population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focussed on mid to senior management level. In some cases, incentive structures and performance conditions apply which are different to those used for Executive Directors. The Remuneration Committee takes into account workforce remuneration and related policies when setting the policy for Executive Directors' remuneration.

Recruitment Policy

The approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding enhanced short term or long term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. Subject to the paragraph below, the incentive awards that can be received in any one year will not exceed the maximum individual limits as set out in the Remuneration Policy Table.

The Remuneration Committee's policy is not to provide sign-on compensation. In addition, the Remuneration Committee's policy is not to provide buyouts as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated. This will take into account, among other things, the performance conditions attached to the vesting of these incentives, the likelihood of vesting and the nature of the awards (cash or equity). The Remuneration Committee may then grant a buyout up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans the Remuneration Committee may, in exceptional circumstances consider it appropriate to grant an award under a different structure to facilitate a buyout of outstanding awards held by an individual on recruitment.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Annual Report on Remuneration for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service Agreements and Letters of Appointment

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company.

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Gary Morrison	CEO	11 June 2018	12	12
TJ Kelly	CFO	21 November 2018	6	6

Non-Executive Directors

The Non-Executive Directors have each entered into letters of appointment with the Company. Each independent Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon written notice or upon their resignations. Non-Executive Directors are also subject to re-election at each AGM.

The dates of appointment of each Non-Executive Director is set out below:

Name	Effective Date of appointment	Notice periods by Company (months)	Notice periods by Director (months)
Michael Cawley	14 October 2015	1	1
Andy McCue	14 October 2015	1	1
Carl Shepherd	1 October 2017	1	1
Éimear Moloney	27 November 2017	1	1

Payment for Loss of Office

The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment; or in relation to the provision of outplacement or similar services.

When determining any loss of office payment for a departing individual the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

Remuneration element	Treatment on exit
Salary, benefits and pension	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Annual Bonus Plan	*Good leaver reason* – pro-rated to time and performance for year of cessation. *Other reason* – no bonus payable for year of cessation.
LTIP	*Good leaver reason* – Pro-rated to time and performance in respect of each subsisting LTIP award. *Other reason* – Lapse of any unvested LTIP awards. The Remuneration Committee has the following elements of discretion: ► to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; ► to measure performance over the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; ► The Remuneration Committee's policy is generally to pro-rate to time from the date of grant to the date of cessation. It is the Remuneration Committee's intention to only use its discretion to adopt a different approach to pro-rating in circumstances where there is an appropriate business case which will be explained in full to shareholders.

A good leaver reason may include cessation in the following circumstances:

- Death;
- Ill-health;
- Injury or disability;
- Redundancy;
- Retirement with agreement of employer;
- Employing company ceasing to be a Group company;
- Employing company transferred to a person who is not a Group Member; or
- At the discretion of the Remuneration Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of Control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of Incentive Plan	Change of Control	Discretion
Annual Bonus Plan	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the Plan to the end of the bonus year.
LTIP	The number of shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance. Options to the extent vested may be exercised at any time during the period of six months following the change of control and if not so vested will lapse at the end of such period unless the Remuneration Committee determines that a longer period shall apply.	The Remuneration Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance. There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.

Illustrations of the Application of the Remuneration Policy

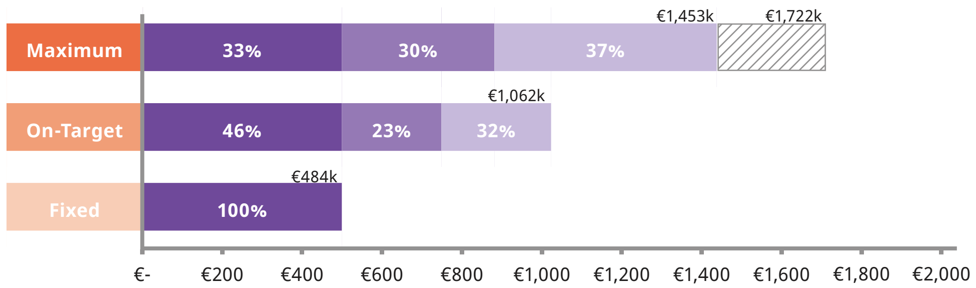
The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries with effect from 1 January 2019, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus; and (iii) LTIP, with the assumptions set out below:

Element	Minimum	On-Target	Maximum
Salary, benefits and pension	Included	Included	Included
Annual bonus	No variable payable	CEO: 56% of salary CFO: 56% of salary	CEO: 100% of salary CFO: 100% of salary
LTIP	No LTIP vesting	CEO: 62.5% of maximum opportunity CFO: 62.5% of maximum opportunity	CEO: 125% of salary CFO: 100% of salary

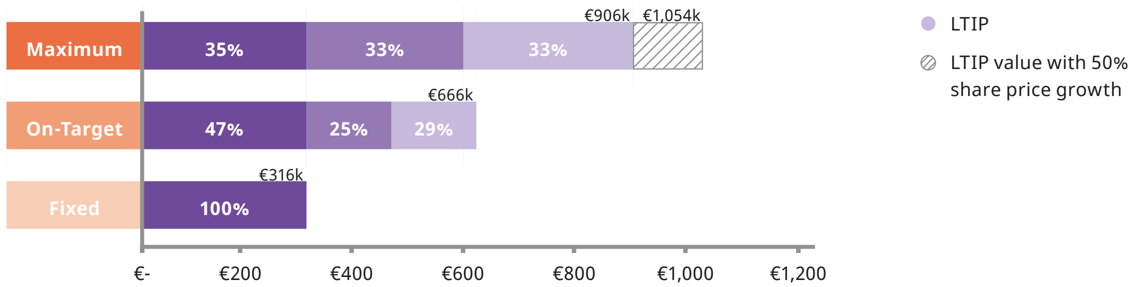
The level of annual bonus payment for on-target performance reflects (i) the stretching nature of the performance targets (i.e. on-target performance should not be viewed as the level of reward for "average" performance), (ii) the relatively modest annual bonus opportunity of 100% of salary and (iii) the fact that total target remuneration of the Executive Directors is around median at this level of potential bonus outturn for on-target performance.

Dividend equivalents have not been added to LTIP share awards. In line with the new UK reporting regulations, the maximum column has been extended to reflect the potential impact of 50% share price appreciation on the shares which vest.

CEO(€000's)



CFO(€000's)

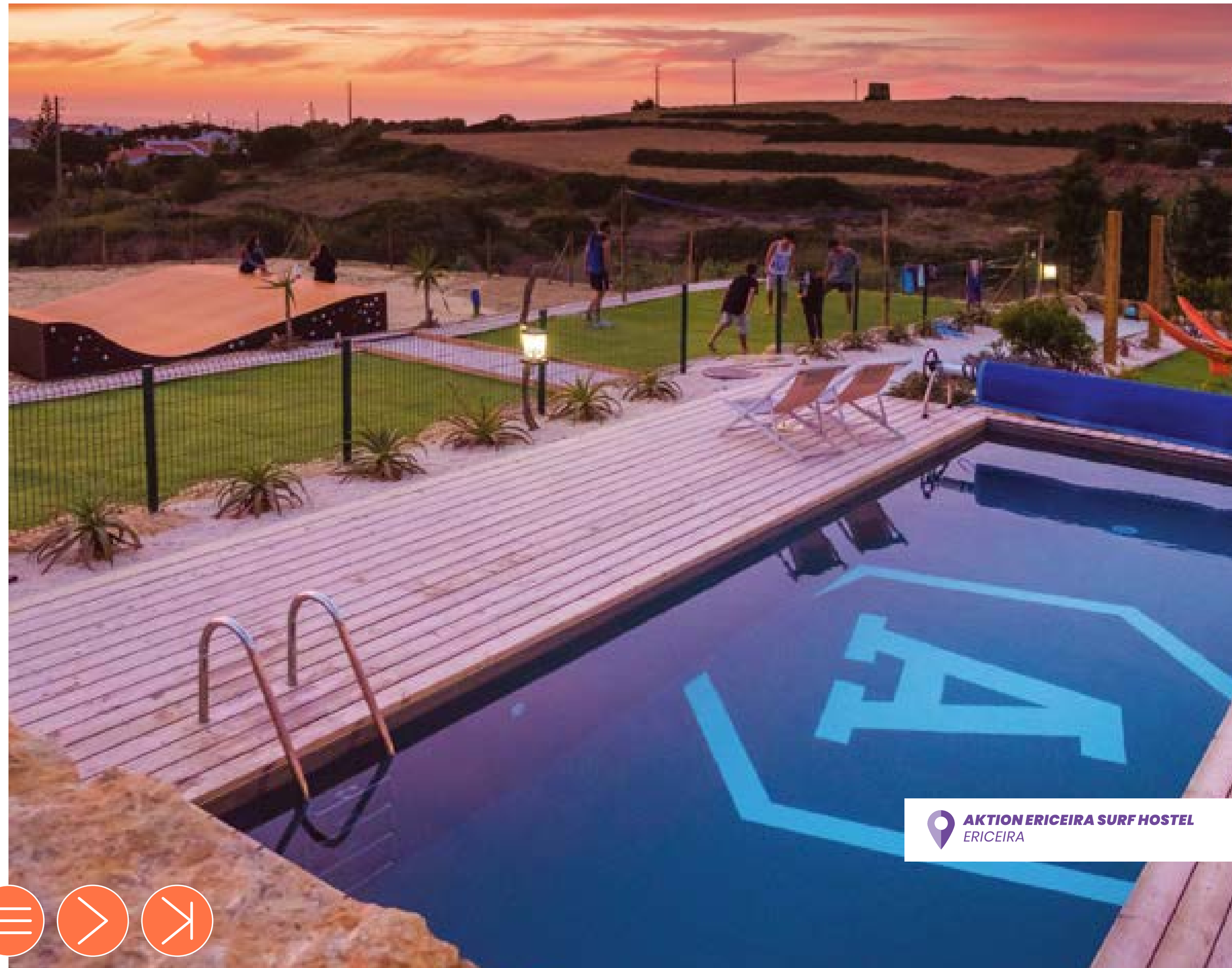


Statement of Conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group as well as wider workforce remuneration and related policies. While the Company has not to date directly consulted with employees as part of the process of reviewing executive pay and formulating the remuneration policy set out in this report, the Company does receive updates from the Executive Directors on their discussions and reviews with senior management and employees. In addition, the Remuneration Committee will be reviewing its approach in light of the publication of the 2018 UK Corporate Governance Code, which recommends that engagement with the workforce takes place to explain how executive remuneration aligns with wider Company pay policy.

Consideration of Shareholder Views

The Remuneration Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy. The Remuneration Committee consulted with major shareholders during the formulation of this revised remuneration policy.



ANNUAL REPORT ON REMUNERATION

Single Total Figure of Remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2018 financial year. Comparative figures for the 2017 financial year have also been provided. Figures provided have been calculated in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary (€'000)		Benefits (1) (€'000)		Bonus (2) (€'000)		LTIP (€'000)		Pension (€'000)		Total (€'000)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Gary Morrison(3)	233.2	-	5.7	-	45.0	-	-	-	23.3	-	307.2	-
TJ Kelly(4)	33.6	-	0.4	-	-	-	-	-	2.0	-	36.0	-
Feargal Mooney(5)	187.0	410.0	3.8	8.9	-	308.9	-	-	18.7	41.0	209.5	768.8
Mari Hurley(6)	87.3	282.0	1.4	4.8	-	-	-	-	4.7	16.9	93.4	303.7

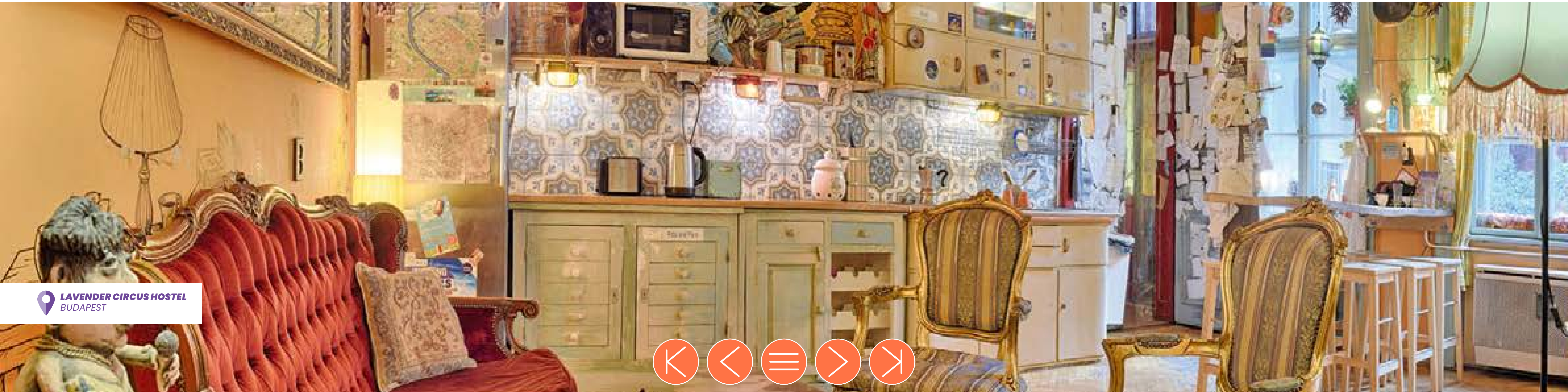
(1) Benefits represent payments for health insurance and life assurance policies.
(2) An explanation of the bonuses paid for 2018 is set out later in this report.
(3) Gary Morrison was appointed to the Board on 11 June 2018.
(4) TJ Kelly was appointed to the Board on 21 November 2018.
(5) Feargal Mooney stepped down from the Board on 11 June 2018. As explained in the section on payments to past Directors below, he remains employed by (and continues to be available to) the Company until 11 June 2019.
(6) Mari Hurley stepped down from the Board on 10 April 2018. She remained in employment until the expiry of her notice period on 17 June 2018.

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director.

Name	2018 (€'000)				2017 (€'000)			
	Fees	Taxable Benefits	Other payments	Total	Fees	Taxable Benefits	Other payments	Total
Michael Cawley(1)	145.0	-	-	145.0	74.0	-	-	74.0
Andy McCue(2)	74.0	-	-	74.0	67.0	-	-	67.0
Carl Shepherd(3)	60.0	-	-	60.0	15.0	-	-	15.0
Éimear Moloney(4)	67.0	-	-	67.0	5.9	-	-	5.9
Former Directors								
Richard Segal(5)	-	-	-	-	145.0	-	-	145.0

(1) Chairman of the Board and Chair of the Nominations Committee since 1 December 2017. Previously Senior Independent Director and Chair of Audit Committee.
(2) Chair of Remuneration Committee and, from 1 December 2017, Senior Independent Director.
(3) Appointed to the Board on 1 October 2017.
(4) Appointed to the Board on 27 November 2017 and Chair of the Audit Committee from 1 December 2017.
(5) Company Chairman and Chair of Nominations Committee until 1 December 2017. Stepped down from the Board on 31 December 2017.



Additional Information Regarding Single Figure Table

Annual Bonus – Feargal Mooney

Feargal Mooney was entitled to consideration for a bonus for 2018, pro-rated to reflect his service as a Director until 11 June 2018. The bonus was subject to the achievement of performance conditions based on Adjusted PBT (50% weighting), bookings (30% weighting) and personal performance (20% weighting). The table below sets out the details of the performance targets that were used to determine the annual bonus outcome.

Performance metric	Weighting	Threshold performance level	% of max payout of relevant element at threshold	Maximum performance level	% of max payout of relevant element at max	Actual performance	Resulting payout (% of award)
Adjusted Profit Before Tax	50%	€24.2m	6.8%	€28.3m	100%	€21.7m	0%
Bookings	30%	7.5m	6.8%	8.3m	100%	7.6m	0%
Personal Performance	20%	€24.2m Adjusted PBT and personal performance targets	25.0%	100% achievement of personal performance targets	100%	€21.7m Adjusted PBT	0%

For the 2018 financial year, Adjusted PBT (before bonus payments and adjusting for the deferred revenue balance at 31 December 2018 that resulted from the introduction of free cancellation booking option) was used as an underpin on which any payout under the annual bonus is contingent. For personal performance, the bonus was based on the achievement of individual objectives and the resulting performance rating. As the threshold level of Adjusted PBT was not achieved, no bonus was payable to Feargal Mooney under any of the performance metrics.

Mari Hurley was not eligible to participate in the bonus plan for 2018.

Annual Bonus – Gary Morrison

Gary Morrison was appointed to the Board on 11 June 2018 and was entitled to consideration for a bonus for the year, pro-rated to reflect his period of service during the year. The maximum potential bonus Gary was eligible to receive was 100% of his pro-rated salary. The Remuneration Committee used its discretion under the remuneration policy to set different performance conditions than those which were set for Feargal Mooney at the start of 2018 that reflected circumstances existing at the time of his appointment. Gary's bonus was subject to the achievement of performance conditions based on Adjusted EBITDA (40% weighting), total bednights (30% weighting) and personal performance (30% weighting).

The table below sets out the details of the performance targets that were used to determine the annual bonus outcome.

TJ Kelly was not eligible to participate in the bonus plan for 2018.

Performance metric	Weighting	Threshold performance level	% of max payout of relevant element at threshold	Maximum performance level	% of max payout of relevant element at max	Actual performance	Resulting payout (% of award)[2]
Adjusted EBITDA[1]	40%	€21.4m	0%	€23.5m	100%	€21.9m	23.7%
Total Bednights	30%	27.1m	0%	29.8m	100%	27.3m	7.5%
Personal Performance[3]	30%	€17.3m Adjusted PBT and personal performance	0%	100% achievement of personal performance targets	100%	25% achievement of personal performance targets	25.0%

1. Adjusted EBITDA is calculated before any bonus payments for the 2018 financial year.
2. For the 2018 financial year, any annual bonus payout was contingent on an Adjusted PBT underpin being met. The Adjusted PBT underpin set for Gary Morrison required the achievement of Adjusted PBT of €17.3m after any bonus payments. This reflected circumstances that existed at the time of his appointment and so was different to the underpin applied to Feargal Mooney's bonus, which was set earlier in the year. The Remuneration Committee is satisfied that the underpin was appropriate in the specific context.
3. Further detail of the personal element of Gary's bonus is set out below (with the Remuneration Committee considering that disclosing any further information would raise issues of commercial sensitivity and so would not be in shareholders' interests):

Objective/Metrics	Performance achieved
Strategic objectives - Growth in Hostelworld app bookings	See note below
Culture objectives	Fully achieved: enhanced career development framework of the Employee Value Proposition
Finance objectives e.g. Realignment of finance resources	Not achieved
Supply objectives e.g. Trial new ancillary revenue services	See note below

Strategy and supply objectives were not achieved in the period, although it is worth noting that the business was determining focus areas throughout the period as the new Chief Executive Officer undertook a strategic review. The Remuneration Committee determined that no bonus was payable for these objectives.

Based on overall performance, the table below summarises the annual bonus awarded to Gary Morrison in respect of 2018:

Director	Maximum bonus opportunity (% of salary)	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (€)
Gary Morrison	100%[1]	19.3%	19.3%	45,000

1. Pro-rated for the period from 11 June 2018 to 31 December 2018.

Long Term Incentives Vesting Subject to Performance Period ending in 2018

Feargal Mooney holds the following LTIP award granted on 5 April 2016, with vesting subject to the satisfaction of performance conditions to the end of 31 December 2018. Mari Hurley was also granted an LTIP award in April 2016, which lapsed on her cessation of employment.

Director	LTIP	Value of award	Face value of award at grant (€'000)	Number of shares awarded[1]	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting
Feargal Mooney	LTIP – nil cost option	125% of salary	500.0	215,918	Nil	25%	31 December 2018	Adjusted EPS (70%) Absolute TSR (30%)

1. The number of shares awarded was calculated using the closing share price on Admission, which was 185.00p, as disclosed in the Admission document.

Vesting of this award was subject to achievement of an Adjusted EPS performance condition (applying to 70% of the awards) and an absolute TSR performance condition (applying to 30% of the awards). Subsequent to the year end, the performance conditions for the award were tested, leading to a nil vesting level, as set out below.

Adjusted EPS condition (70%)

	Annual average Adjusted EPS growth	Vesting
	Less than 6.6% p.a.	0%
	6.6% p.a.	25%
	14.0% p.a. or above	100%
	Between 6.6% p.a. and 14.0% p.a.	Straight line vesting between 25% and 100%
Outcome:	(5.9%)	0%

Absolute TSR condition (30%)

	Annualised TSR of the Company over the three- year period to 31 December 2018	Vesting
	Less than 10.0% p.a.	0%
	10.0% p.a.	25%
	15.0% p.a. or above	100%
	Between 10.0% and 15.0% p.a.	Straight line vesting between 25% and 100%
Outcome:	2.14%	0%

Based on the above performance outcome, the awards have vested as follows:

Director	Number of shares awarded	Number of shares vesting	Number of shares lapsing	Dividend equivalent award [1]	Total estimated value (€)
Feargal Mooney	215,918	-	215,918	Nil	Nil

1. Dividend equivalents are paid on vested shares to reflect the value of dividends which would have been paid during the performance period.

Long Term Incentives Awarded in 2018

The table below sets out the details of the LTIP awards granted in the 2018 financial year.

Director	LTIP	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting [1]
Feargal Mooney	LTIP – nil cost option	125% of salary	522.8	117,612 [2]	Nil	25%	31 December 2020	Adjusted EPS (70%) Absolute TSR (30%)
Gary Morrison	LTIP – nil cost option	150% of salary	627.3	175,723 [3]	Nil	25%	31 December 2020	Adjusted EPS (70%) Absolute TSR (30%)
TJ Kelly	LTIP – nil cost option	75% of salary	221.25	98,520 [4]	Nil	25%	31 December 2020	Adjusted EPS (70%) Absolute TSR (30%)

1. The performance targets for these awards are the same as those applying to the award granted in 2016, as set out in the tables above.
2. This award was granted on 11 April 2018. The number of shares awarded was calculated using the closing share price on 10 April 2018, which was 387.50p.
3. This award was granted on 29 June 2018. The number of shares awarded was calculated using the closing share price on 28 June 2018, which was 316.00p.
4. This award was granted on 5 December 2018. The number of shares awarded was calculated using the closing share price on 4 December 2018, which was 200.00p.
5. To the extent any of the above awards vest, a dividend equivalent award will be made at the end of the vesting period.

Long Term Incentives Awarded in 2017

The table below sets out the details of the LTIP award granted to Feargal Mooney on 29 March 2017. (Mari Hurley was also granted an LTIP award in March 2017, which lapsed upon her cessation of employment.)

Director	LTIP	Value of award	Face value of award (€'000)	Number of shares awarded [1]	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting [2]
Feargal Mooney	LTIP – nil cost option	125% of salary	512.5	194,121	Nil	25%	31 December 2019	Adjusted EPS (70%) Absolute TSR (30%)

1. The number of shares awarded was calculated using the closing share price on 28 March 2017, which was 228.25p. To the extent the awards vest, a dividend equivalent award will be made at the end of the vesting period.
2. The performance targets for this award are the same as those applying to the award granted in 2016, as set out in the tables above.

Recruitment Arrangements for New Directors

Gary Morrison

Gary Morrison joined as Chief Executive Officer and as a Director on 11 June 2018. His remuneration on appointment included a basic salary of €418,200, a 10% pension contribution and a standard benefits package in line with the remuneration policy. He has an annual bonus opportunity of 100% of basic salary, which for 2018 was pro-rated to reflect his period of service on the Board during the year. As explained in the Annual Statement from the Chairman of the Remuneration Committee, he was granted an LTIP award in June 2018 at a level of 150% of basic salary.

TJ Kelly

TJ Kelly joined as Chief Financial Officer and as a Director on 21 November 2018. His remuneration on appointment included a basic salary of €295,000, a 6% pension contribution and a standard benefits package in line with the remuneration policy. He was not entitled to participate in the annual bonus scheme for 2018. From 2019, and subject to shareholder approval of the new remuneration policy at the AGM, he will be entitled to an annual bonus opportunity of 100% of basic salary. He was granted an LTIP award in December 2018 at a level of 75% of basic salary.

Payments to Past Directors / Payments for Loss of Office

Feargal Mooney

On 14 May 2018, it was announced that Feargal Mooney would step down as Chief Executive Officer and as a Director with effect from 11 June 2018. He will remain employed by (and continue to be available to) the Company until the expiry of his 12-month notice period on 11 June 2019. The following arrangements have been agreed in connection with his departure:

- **Salary, benefits and pension** – pursuant to his contract of employment and the remuneration policy, he will continue to receive salary, benefits and pension until 11 June 2019 (including any period of garden leave). For the period from 12 June 2018 until 31 December 2018, this amounted to salary of €231,172, benefits with a value of €4,694 and pension of €23,117. The remaining payments until 11 June 2019 are anticipated to be salary of €185,510, benefits with a value of €3,663 and pension of €18,551.
- **Annual bonus** – the Remuneration Committee determined that he was eligible to receive an annual bonus for the 2018 financial year, subject to the achievement of the applicable performance targets

and with his bonus opportunity reduced on a pro-rata basis to cover the period from 1 January 2018 to 11 June 2018. As disclosed above, no bonus was payable to Feargal for 2018 as the threshold level of Adjusted PBT was not achieved. He will not participate in the 2019 bonus plan.

- **LTIP** – pursuant to the remuneration policy and the rules of the LTIP, the Remuneration Committee determined that Feargal's subsisting LTIP awards will continue until the normal time of vesting, at which point they will vest subject to performance against the relevant targets. The rules of the plan state that, unless the Remuneration Committee determines otherwise, awards will be pro-rated up to the date of cessation of employment (i.e. 11 June 2019 in Feargal's case). For Feargal's 2016 LTIP award, his date of cessation is after the vesting date in April 2019 and so no pro rating is applicable (although, as noted above, this award will lapse in full due to the performance conditions not being met). Feargal's 2017 award will be pro-rated using his date of cessation to calculate the reduction in shares as per the LTIP rules and policy. The Remuneration Committee determined to use a different approach for the pro-rating of Feargal's 2018 LTIP award, with the date on which Feargal stepped down from the Board (11 June 2018) being used to calculate the pro rata reduction, rather than the later date of cessation, resulting in a lower potential vesting value. Details of the vesting of the 2017 and 2018 LTIP awards will be disclosed in future years following the end of the relevant performance periods.

Mari Hurley

On 19 December 2017, it was announced that Mari Hurley intended to resign from the Board. She stepped down from the Board on 10 April 2018 and remained in employment with Hostelworld until the expiry of her six-month notice period on 17 June 2018. As disclosed in last year's remuneration report, her termination arrangements were as follows:

- **Salary, benefits and pension** – pursuant to her contract of employment and the remuneration policy, she continued to receive salary, benefits and pension during her notice period to 17 June 2018.
- **Annual bonus** – the Remuneration Committee determined that Mari would not receive a bonus for 2017 and would not be eligible to participate in the 2018 bonus plan.
- **LTIP** – the Remuneration Committee determined that Mari's subsisting awards would lapse upon her cessation of employment. She did not receive an LTIP award in 2018.

Statement of Directors' Shareholdings and Share Interests

The number of shares of the Company in which the current Executive Directors had a beneficial interest and details of long term incentive interests as at 31 December 2018 are set out in the table below. As set out in the revised remuneration policy, the Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build up and hold a shareholding equivalent to 200% of basic salary. This has been increased from the previous guideline level of 150% of basic salary.

Director	Beneficially owned shares	Shareholding requirement (% of salary)	Current shareholding (% of salary)[1]	Shareholding requirement	Unvested LTIP interests subject to performance conditions
Gary Morrison	-	200%	0%	No	175,723
TJ Kelly	-	200%	0%	No	98,520

1. Unvested LTIP awards do not count towards satisfaction of the shareholding guidelines.

The number of shares held by the former Executive Directors as at the date of their departure from the Board is set out below.

Director	Beneficially owned shares	Unvested LTIP interests subject to performance conditions
Feargal Mooney	240,033	527,651[1]
Mari Hurley	19,504	203,011[2]

1. Feargal Mooney stepped down from the Board on 11 June 2018. The treatment of his unvested LTIP awards is set out above in the section on payments to past Directors.
2. Mari Hurley stepped down from the Board on 10 April 2018. Her unvested LTIPs awards lapsed upon the cessation of her employment on 17 June 2018.

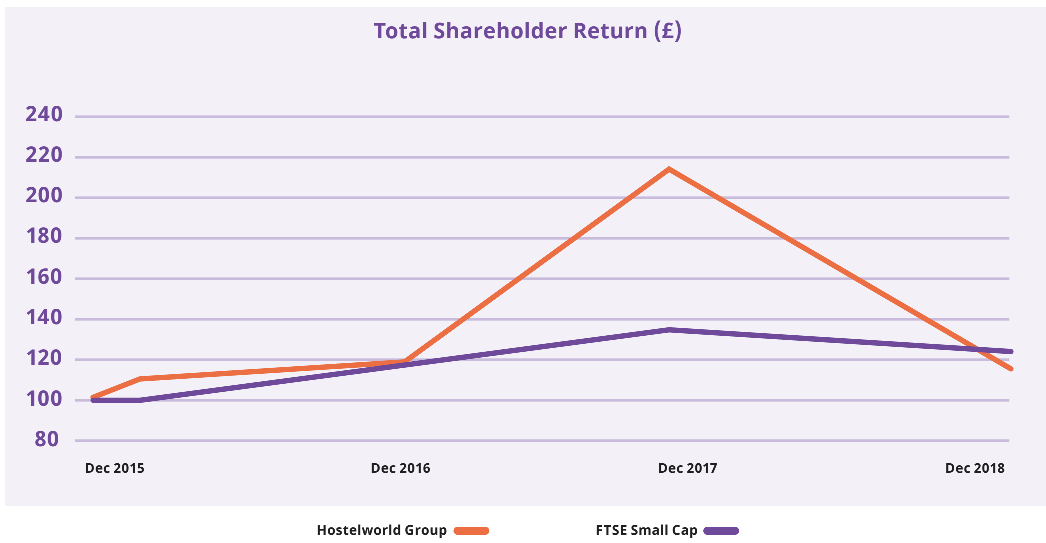
Details of the interests held in shares by Non-Executive Directors as at 31 December 2018 are set out below. Non-Executive Directors are not subject to a shareholding requirement.

Director	Beneficially owned shares
Michael Cawley	81,000
Andy McCue	25,000
Carl Shepherd	-
Éimear Moloney	-

No changes in the above Directors' interests have taken place between 31 December 2018 and the date of this report.

Comparison of Overall Performance and Pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE SmallCap index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment of dividend income over the same period. The Remuneration Committee considers that the FTSE SmallCap index is the appropriate index given the current magnitude and nature of operations and market capitalisation. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 October 2015 (with grey market trading until 2 November 2015) and therefore only has a listed share price for the period from 28 October 2015 to 31 December 2018.



Chief Executive Officer Historical Remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last four years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its more formative years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for the five most recent financial years (reflecting the disclosures made in previous reports):

	2014	2015	2016	2017	2018	
Chief Executive Officer	Feargal Mooney	Feargal Mooney	Feargal Mooney	Feargal Mooney	Feargal Mooney	Gary Morrison
Total Single Figure (€'000)	413.1	395.0	1,298.7	768.8	209.5	307.2
Annual bonus payment level achieved (% of maximum opportunity)	14.9%	0%	0%	73.4%	0%	19.3%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a	n/a	0%	n/a

It should be noted that the Company only introduced the LTIP on Admission.

Change in Chief Executive Officer's Remuneration Compared with Employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2017 to 2018 compared with the average percentage change for all employees.

	Salary			Taxable Benefits			Bonus		
	2018 (€'000)	2017 (€'000)	% change	2018 (€'000)	2017 (€'000)	% change	2018 (€'000)	2017 (€'000)	% change
Chief Executive Officer	418.2	410.0	2.0%	10.2	8.9	14.6%	80.4	308.9	(74.0%)
Total pay	15,373	14,385	6.9%	362.9	307.6	18.0%	311.3	1,367.3	(77.2%)
Average number of employees	294	254	15.7%	294	254	15.7%	294	254	15.7%
Average per employee	52.3	56.6	(7.6%)	1.2	1.2	0%	1.1	5.4	(79.6%)

The Chief Executive Officer's remuneration disclosed in the table above has been calculated to take into account base salary, taxable benefits and annual bonus. We have provided annualised data for the Chief Executive Officer for 2018 so as to ensure comparability with 2017. To reflect the relevant regulations, the employee pay figures (on which the average percentage change is based) is calculated using the increase in the earnings of all Group employees (i.e. those based in Ireland, the UK and other jurisdictions) from calendar years 2017 and 2018 which, for base salary, gives a reduction of 7.6%.

Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2017 and 2018 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2018 financial year (€m)	Disbursements from profit in 2017 financial year (€m)	% change
Profit distributed by way of dividend/share buybacks	16.1	24.8	(35.1%)
Overall spend on pay including Executive Directors	18.3	19.0	(3.7%)

Shareholder Voting at General Meeting

The table below sets out the results of voting on the Annual Report on Remuneration at the AGM held on 11 June 2018, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' remuneration report for the year ended 31 December 2017	82,397,515 (96.74%)	2,777,512 (3.26%)	1,325,878

The results of the voting on the Directors' Remuneration Policy at the AGM held on 26 May 2016 are set out below:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' Remuneration Policy	69,030,425 (89.63%)	7,987,337 (10.37%)	330

Implementation of Remuneration Policy in Financial Year 2019

Subject to shareholder approval of the new remuneration policy at the AGM, the Remuneration Committee proposes to implement the policy for 2019 as set out below:

Salary

Executive Directors' salaries have been reviewed and the following increases agreed, with effect from 1 January 2019:

Name	Salary (€) 2019	Salary (€) 2018	Percentage Change
Gary Morrison	430,700	418,200	3%
TJ Kelly	295,000	295,000	0%

The salary increase for Gary Morrison is in line with the typical salary increase across the wider workforce.

Pension

Pension contributions for the Executive Directors will continue at the rate of 10% of basic salary for Gary Morrison and 6% of basic salary for TJ Kelly.

Changes to Non-Executive Directors' Fees
No changes are proposed to the current fee components in place. The breakdown of fee components will remain as follows:

Role	Fees (€)
Chairman Fee	145,000
Base Non-Executive Director Fee	60,000
Senior Independent Director Fee	7,000
Chair of Audit Committee Fee	7,000
Chair of Remuneration Committee Fee	7,000

Annual Bonus Plan
The maximum bonus opportunity for Gary Morrison will remain at 100% of basic salary, the level which applied to him following his appointment to the Board during 2018. The maximum bonus opportunity for TJ Kelly will also be 100% of basic salary. The annual bonus for the 2019 financial year will be subject to the achievement of challenging performance targets in the following areas:
- Adjusted PBT (70% weighting); and
- Total bednights (30% weighting).

Therefore, the Committee has agreed that performance against solely financial/operational metrics will be used to determine the 2019 bonus outturn (i.e. there will be no personal bonus element) to reflect key strategic priorities for the year.

The payment of any bonus will be subject to the Remuneration Committee being satisfied that the Company has delivered an acceptable level of performance, taking into account underlying financial performance (including Adjusted PBT), performance against other KPIs and progress against the achievement of strategic goals.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholders' interests. The targets will be disclosed on a retrospective basis in next year's remuneration report alongside an explanation of performance achieved and bonus payments made.

LTIP award
Grants under the LTIP will be made during 2019. Gary Morrison will receive an LTIP award at a level of 125% of basic salary (which is lower than the 150% of salary award he received in 2018). TJ Kelly will receive an LTIP award at a level of 100% of basic salary.

The performance conditions will be based 70% on Adjusted EPS performance and 30% on absolute TSR measured over a three-year period as follows:

Annual average Adjusted EPS growth	Vesting
Less than 5.0% p.a.	0%
5.0% p.a.	25%
11.0% p.a. or above	100%
Between 5.0% p.a. and 11.0% p.a.	Straight line vesting between 25% and 100%

Annualised TSR of the Company over the three year period to 31 December 2021	Vesting
Less than 10.0% p.a.	0%
10.0% p.a.	25%
15.0% or above	100%
Between 10.0% and 15.0%	Straight line vesting between 25% and 100%

The Remuneration Committee recognises that the target range of 5-11% annual Adjusted EPS growth is lower than the range of 6.6-14% applied to LTIP awards in previous years. We set the range taking into account a number of factors. These included internal expectations of likely performance over the medium term, including the impact of our investment plan, and changes to external market forecasts. These inputs suggested that maintaining an Adjusted EPS range of 6.6-14% would not be appropriate given Hostelworld's current position. In the interests of ensuring that the target range remains challenging but potentially achievable – and thus fulfils its goal as an incentive – we opted for an adjusted range for the 2019 grant. As normal, ahead of making LTIP awards in future years we will review the range in the context of the situation prevailing at the time.

The 2019 awards will be granted with a requirement that any shares which vest after the end of the three-year performance period are required to be held for a further two years before they can be sold (subject to any sales required for tax purposes).

Composition and Terms of Reference of the Remuneration Committee

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

The Remuneration Committee is comprised of Andy McCue (Chairman of the Remuneration Committee), Carl Shepherd and Éimear Moloney (all of whom are independent Non-Executive Directors) and Michael Cawley (who was independent upon his appointment as Chairman of the Board). The Remuneration Committee receives assistance from the Chief Executive Officer, Chief Financial Officer, Chief HR Officer and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met five times during 2018. Meeting attendance is shown on page 52 of the Annual Report.

Advisors to the Remuneration Committee

The Remuneration Committee's independent advisors are Korn Ferry, who were appointed in October 2017. Korn Ferry has advised the Remuneration Committee on all aspects of remuneration policy for Executive Directors and members of the Executive team, and has assisted in the review of the remuneration policy undertaken during the year. The Remuneration Committee is satisfied that the advice received was objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Korn Ferry received fees of £71,590 for their advice during the year. Fees were charged on a cost incurred basis. A separate practice within Korn Ferry provided candidate assessment and testing services to the Company during the year.

On behalf of the Board

Andy McCue
Chairman, Remuneration Committee
1 April 2019

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DIRECTORS' REPORT

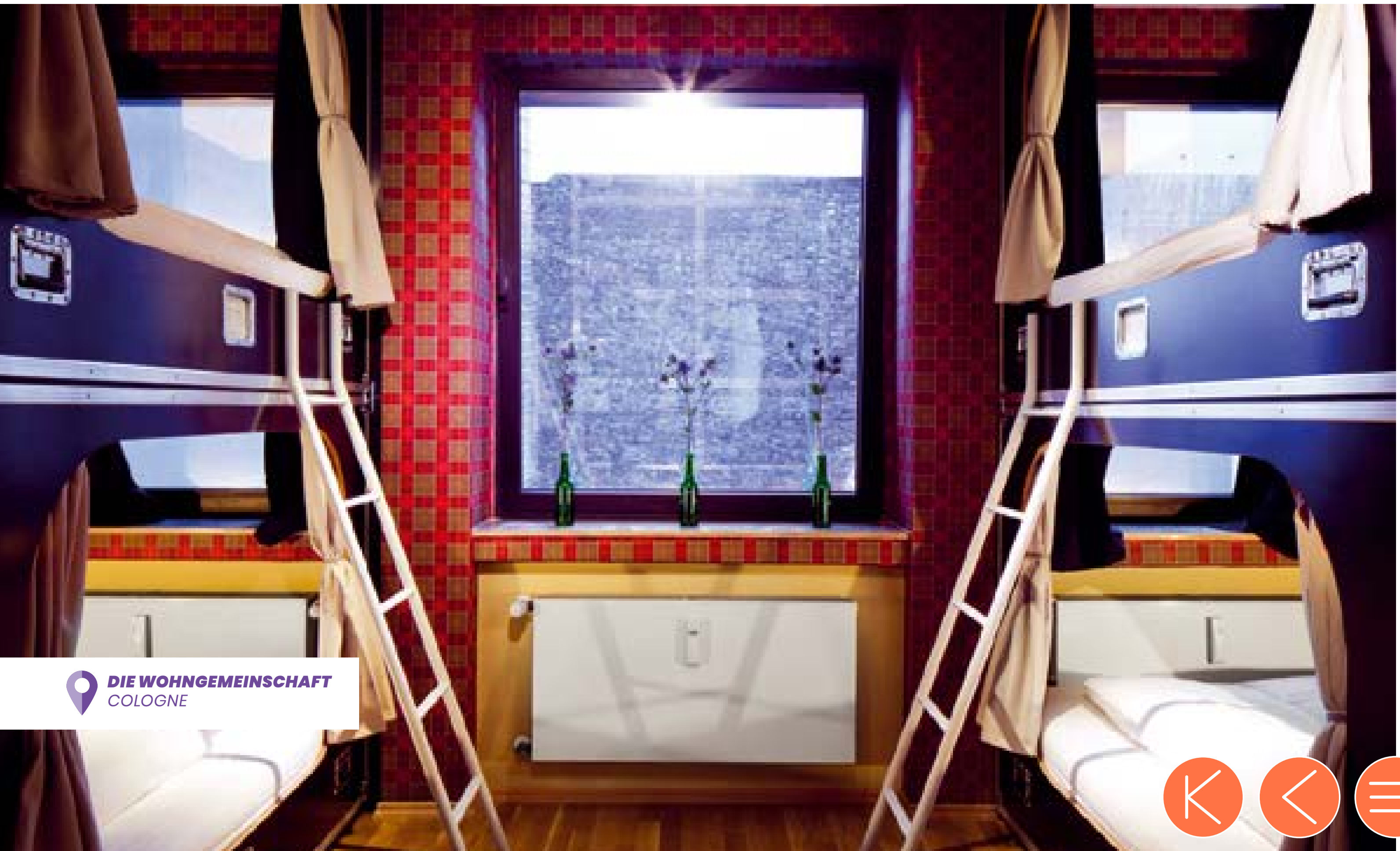
The Directors have pleasure in submitting their Annual Report and the audited Financial Statements of Hostelworld Group plc and its subsidiaries for the financial year to 31 December 2018.

Statutory Information

This section of the Annual Report includes additional information required to be disclosed under the Companies Act 2006 (the "Companies Act"), the UK Corporate Governance Code, the Disclosure and Transparency Rules ("DTRs") and the Listing Rules ("Listing Rules") of the Financial Conduct Authority.

Certain information required to be included in the Directors' Report can be found elsewhere in this Annual Report, as highlighted throughout this report and also including:

- The Strategic Report, which can be found on pages 17 to 40, which sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties (including the financial risk management position);
- The Corporate Governance Statement on pages 48 to 56, which sets out the Company's statement with regard to its adoption of the UK Corporate Governance Code. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference;
- The Audit Committee Report on pages 59 to 65; and
- The Directors' Remuneration Report on pages 71 to 97.
- This Directors' Report, on pages 98 to 105, together with the Strategic Report on pages 17 to 40, form the Management Report for the purposes of DTR 4.1.5R.



Disclosures under Listing Rule 9.8.4R

The table below is included to comply with the disclosure requirements under LR 9.8.4R. The information required by the Listing Rules can be found in the Annual Report at the location stated below:

Requirement	Referenced
Details of any long-term incentive schemes as required by LR 9.4.3R	Directors' Remuneration Report on pages 71 to 97
Details of any post balance sheet events	Directors' Report on pages 98 to 105, note 23 to the Consolidated Financial Statements on page 155
Details of any allotment for cash of equity securities made during the period otherwise than to holders of the Company's equity shares in proportion to their holdings, which has not been specifically authorised by the Company's shareholders	No such share allotments made
Details of any allotment for cash of equity securities made during the period otherwise than to holders of a major subsidiary undertaking's equity shares in proportion to their holdings, which has not been specifically authorised by the major subsidiary undertaking's shareholders	No such allotments made
Details of any contract of significance subsisting during the year, between the Company or one of its subsidiaries and any party of which a director has an interest; and between the Company or one of its subsidiaries, and a controlling shareholder	Annual Report on Remuneration on pages 86 to 97, Directors' Report on pages 98 to 105
Details of contracts for the provision of services to the Company or any of its subsidiary undertakings by a controlling shareholder	No such services provided

Board of Directors

The appointment and replacement of Directors of the Company is governed by the Articles of Association.

The Directors who served on the Board throughout the year, except as noted, were as follows:

- Michael Cawley (Non-Executive Chairman)
- Gary Morrison (Chief Executive Officer appointed on 11 June 2018)
- TJ Kelly (Chief Financial Officer appointed on 21 November 2018)
- Andy McCue (Non-Executive Senior Independent Director ("SID"))
- Éimear Moloney (Non-Executive Director)
- Carl Shepherd (Non- Executive Director)
- Feargal Mooney (former Chief Executive Officer, resigned as Chief Executive Officer and as a Director of the Company on 11 June 2018).
- Mari Hurley (former Chief Financial Officer, resigned as a Director of the Company on 10 April 2018).

Biographical details of the current Directors together with membership of the various Committees are set out on pages 46 to 47.

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Amendment of Articles of Association

The Company's Articles of Association may only be amended by way of a special resolution at a general meeting of the shareholders. No amendments are proposed to be made at the forthcoming Annual General Meeting.

Incorporation, Share Capital and Structure

The Company was incorporated and registered in England and Wales as a public limited company with registration number 9818705. The Company's issued share capital comprises ordinary shares of €0.01 each which are traded on the London Stock Exchange's main market for listed securities and on Euronext Dublin's main securities market.

The liability of the members of the Company is limited.

The Company is tax resident in Ireland and its principal place of business is at 2nd Floor, One Central Park, Leopardstown, Dublin 18, Ireland. The Company's registered office is at High Holborn House, 52-54 High Holborn, London WC1V 6RL.

As at 31 December 2018 and as at the date of this Directors' Report, the Company's issued share capital comprises 95,570,778 ordinary shares of €0.01 ("shares"). The ISIN of the shares is GB00BYYN4225. Further information on the Company's share capital are provided in note 15 to the Group's Financial Statements contained on page 146. All the information detailed in note 15 on page 146 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company to be held on 31 May 2019, the Directors will seek authority from shareholders to allot shares in the capital of the Company (i) up to a maximum nominal amount of €318,569.26 (31,856,926 shares of €0.01 each) being one-third of the Company's issued share capital and (ii) up to a further €318,569.26 (31,856,926 shares of €0.01 each) where the allotment is in connection with a rights issue, being one-third of the Company's issued share capital. The power will expire at the earlier of 31 August 2020 and the conclusion of the Annual General Meeting of the Company held in 2020.

The Directors are also seeking authority from shareholders to allot ordinary shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. The resolution seeks authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. The power will expire at the earlier of 31 August 2020 and the conclusion of the Annual General Meeting of the Company held in 2020.

The Directors intend to follow the Pre-Emption Group's Statement of Principles regarding cumulative usage of authority within a rolling 3-year period. The principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders. The power will expire at the earlier of 31 August 2020 and the conclusion of the Annual General Meeting of the Company held in 2020.

Authority to Purchase Own Shares

The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares either to be cancelled or retained as treasury shares. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights Attaching to Shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company.

Voting Rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.
No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held, unless all amounts presently payable in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on Transfer of Securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and market requirements relating to close periods) and requirements of the Market Abuse Regulation and the Company's Securities Dealing Code whereby Directors and all employees of the Company require advance clearance to deal in the Company's securities.

Change of Control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

2019 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 12 noon on 31 May 2019 at Hostelworld Group plc, 2nd Floor, One Central Park, Leopardstown, Dublin 18, Ireland.

The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Substantial Shareholders

At 31 December 2018, the Company had been notified, in accordance with chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules ("DTR5 Notification"), of the following significant interests:

Shareholder	Number of ordinary shares / voting rights notified	Percentage of voting rights over ordinary shares of €0.01 each and nature of holding
Standard Life Aberdeen plc	12,111,887	12.67% (indirect)
The Capital Group Companies, Inc.	9,511,068	9.95% (indirect)
Unicorn Asset Management Limited	5,410,000	5.66% (indirect)
Burgundy Asset Management Limited	5,252,294	5.50% (indirect)
Bailie Gifford & Co	5,163,599	5.40% (indirect)
Miton Group plc	4,813,812	5.03% (indirect)
Majedie Asset Management Limited	4,722,404	4.94% (indirect)
Allianz Global Investors GmbH	4,046,400	4.23% (direct – 0.03%; indirect – 4.20%)
Lizard Investors LLC	3,829,689	4.0% (indirect)
Legal & General Group plc	3,069,505	3.21% (direct)

As at the date of this report one further DTR5 Notification had been received from the following:

Lizard Investors LLC notified the Company on 9 January 2019 of an increase in their holding to 5,121,406 ordinary shares representing 5.36% of the issued share capital of the Company (5.36% -indirect holding).

Transactions with Related Parties

Please refer to note 19 to the Consolidated Financial Statements on pages 151 to 152.

Events Post Year End

As part of a Group reorganisation, certain assets were acquired by Hostelworld.com Limited from WRI Nominees DAC on 12 March 2019. WRI Nominees DAC was subsequently placed in liquidation by way of members' voluntary winding up (see note 23 to the Consolidated Financial Statements).

Future Developments

The Group will continue to pursue new developments to enhance shareholder value, through a combination of organic growth, product delivery, expansion of our technology team in Porto and other development and investment opportunities.

Going Concern

The Directors have prepared cash flow forecasts that include key assumptions in respect of the trading subsidiary's booking numbers, booking profiles, commission rates and marketing costs. In making their assessment, management have performed sensitivity analysis on the forecasts. After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future (at least one year from the date when Financial Statements are signed) on both base case and sensitised forecasts.

Accordingly, the Financial Statements have been prepared on a going concern basis.

Indemnities and Insurance

The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006 and the Articles of Association.
Such indemnities contain provisions that are permitted by the director liability provisions of the Companies Act and the Company's Articles of Association.

Research and Development

Innovation, specifically in the proposition on the websites and mobile apps for both customers and hostel partners, is a critical element of the strategy and therefore of the future success of the Group. Accordingly the majority of the Group's research and development expenditure is predominantly related to this area.

Suppliers

The Group's policy is to pay suppliers and creditors sums due in accordance with the payment terms agreed in the relevant contract with each such supplier/creditor, provided the supplier has complied with its obligations.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on page 40 and forms part of this report by reference.

Financial Instruments

Details of the financial risk management objectives and policies of the Group, including exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given on pages 153 to 154 in note 20 to the Consolidated Financial Statements.

Political Contributions

During the year, no political donations were made.

External Branches

Hostelworld Group plc is registered as a branch in Ireland with branch registration number 908295.

Hostelworld Services Limited, a UK subsidiary of the Company, is registered as a branch in Australia with Australian registered body number 613076556.

Results and Dividends

The Group's and Company's audited Financial Statements for the year are set out on pages 120 to 161. In accordance with the Group's dividend policy, the Directors recommend the payment of a final dividend for the year ended 31 December 2018 of 9.0 euro cent per share amounting to

€8.6m, to members appearing on the register at close of business on 10 May 2019. This is to be approved by the shareholders at the 2019 AGM. The recommended full year dividend of 9.0 euro cent per share together with the interim dividend of 4.8 euro cent per share paid in September 2018 brings the total dividend for the year ended 31 December 2018 to 13.8 euro cent per share.

Independent Auditor

Deloitte Ireland LLP has confirmed its willingness to continue in office as Auditor of the Group. In accordance with section 489 of the Companies Act 2006, separate resolutions for the re-appointment of Deloitte Ireland LLP as Auditors of the Group and for the Audit Committee to determine the remuneration will be proposed at the forthcoming AGM of the Company.

Disclosure of Information to Auditor

Each of the Directors has confirmed that:

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

ii. The Director has taken all the steps that he/she ought to have taken as a Director to make him/her aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual 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 the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company Financial Statements in accordance with FRS 101 Reduced Disclosure Framework ("Relevant Financial Reporting Framework") and applicable law. 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 Group and Company and of the profit or loss of the Group for that period. In preparing the parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether financial reporting standard 101 reduced disclosures framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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.

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The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the Relevant Financial Reporting Framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 1 April 2019 and is signed on its behalf by:

John Duggan
Company Secretary
1 April 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSTELWORLD GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements of Hostelworld Group plc (the 'Parent Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company as at 31 December 2018 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting frameworks and, in particular, with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

The Group financial statements:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows;

The Parent Company financial statements:

- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;

and; the related notes 1 to 30, including a summary of significant accounting policies as set out in note 2 to the financial statements.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2006, International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS as issued by the International Accounting Standards Board ("the relevant financial reporting framework").

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is the Companies Act 2006 and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" ("the relevant financial reporting framework").

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 described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Parent Company.

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

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Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▶ Carrying value of intangible assets ▶ Capitalisation of development costs ▶ Taxation provisions There have been no significant changes to the key audit matters since the prior financial year report.
Materiality	The materiality that we used for the Group financial statements was €975,000, which was determined on the basis of approximately 5% of Adjusted profit before tax ("Adjusted PBT").
Scoping	The structure of the Group's finance function is such that the central Group finance team in Dublin provides support to Group entities for the accounting of the majority of transactions and balances. The audit work covering all of the Group's revenues and 99% its net assets is undertaken and performed by an audit team based in Dublin.
Significant changes in our approach	There are no significant changes to our approach. This is consistent with the fact that the operations of the Group are largely unchanged from the previous year.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which ISAs (UK) or the Listing Rules require us to report to you whether we have anything material to add or draw attention to:

- the disclosures on pages 30 to 34 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 35 that they have carried out a robust assessment of the principal risks facing the Group and Parent Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1 to the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and directors' identification of any material uncertainties to the Group and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. This included considering the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment;
- whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation on page 35 as to how they have assessed the prospects of the Group and Parent Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Intangible Assets	
Key audit matter description	At 31 December 2018, intangible assets (including goodwill) had a carrying value of €117.7m representing 79% of the Group's total assets. Group management have allocated goodwill to Cash Generating Units (CGUs) and have developed a model to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment. There is a risk that certain incorrect inputs or inappropriate assumptions, in particular projected cash flows, growth rate and discount rate could be included in the impairment assessment model calculated by management leading to an impairment charge that has not been included in the Group's financial statements. Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly. Intangible assets other than goodwill are amortised over their expected useful life. The expected useful life of an intangible asset is an area of estimation and can have an impact on the amortisation charge for the year. *Refer to notes 3 and 11 to the financial statements.* *The Audit Committee has included their assessment of this risk on page 62.*
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of the controls in place for determining when an impairment review is required for intangible assets. As part of a Group reorganisation, valuations on such assets were undertaken which were considered in our assessment of whether or not an impairment was required for the current year. Where an impairment review was required, we challenged the underlying assumptions and obtained audit evidence to test those assumptions within the Group's impairment model, including cashflow projections and growth rates, which we compared to relevant industry data. We used our internal valuation experts to determine an acceptable range of discount rates and compared our range to that determined by management. We performed a sensitivity analysis on the underlying assumptions noted above to determine if there were any scenarios whereby a reasonably possible expectation of impairment could be present. For intangible assets other than goodwill, we assessed the basis used by management in determining the expected useful lives and the resulting amortisation charge and performed an independent assessment of the appropriateness of the expected useful lives used. We assessed whether the disclosures in relation to goodwill and intangibles were appropriate and met the requirement of accounting standards.
Key observations	We have no observations that impact on our audit in respect of the valuation of intangible assets.

Capitalisation of Development Costs	
Key audit matter description	At 31 December 2018, capitalised development costs amounted to €1.7m. Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met. There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and is amortised over its expected economic useful life. In determining the amount to be capitalised management make judgements regarding expected future cash generation of the asset and expected period of benefit. *Refer to notes 3 and 11 to the financial statements.* *The Audit Committee has included their assessment of this risk on page 62.*
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs. We evaluated the design and determined the implementation of the controls in place to separately identify the time on development activities. We reviewed the capitalised project register and completed procedures to determine whether the expenditure was recorded accurately and whether it met the required capitalisation criteria in accordance with IAS 38. We agreed the amount of development costs capitalised to underlying documentation detailing cost per project, including timesheet data.
Key observations	No significant matters that impact on our audit arose from our work.

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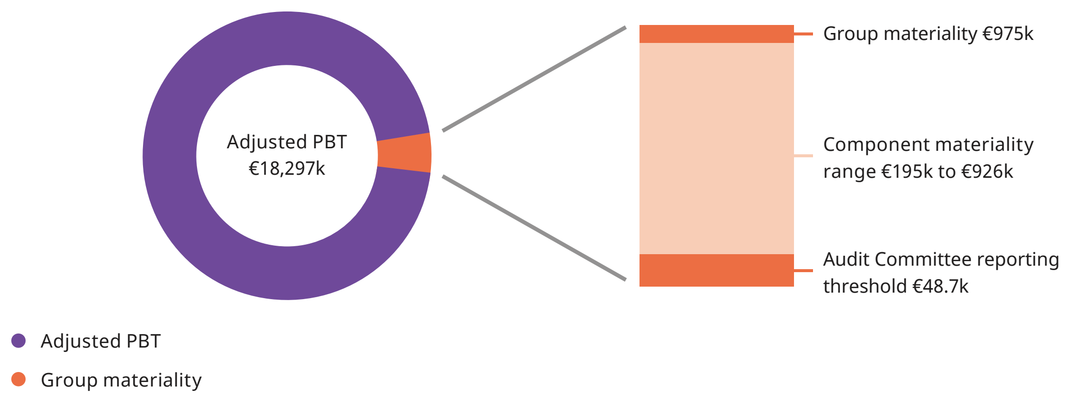
Taxation Provisions	
Key audit matter description	The global nature of the Group's business means it is subject to taxation in numerous jurisdictions and cross-border transactions can be challenged by taxation authorities resulting in tax exposures. As a result of the interaction of tax laws in different jurisdictions, there is significant complexity in determining the most appropriate transfer pricing rates and thus the appropriate tax liabilities in each jurisdiction. There is a risk that tax authorities could have different interpretations to those of the Directors resulting in potential misstatement of taxation provisions. *Refer to notes 3 and 9 to the financial statements.* *The Audit Committee has included their assessment of this risk on page 63.*
How the scope of our audit responded to the key audit matter	We obtained an understanding of the Group's tax strategy and management's process for determining the appropriate transfer pricing rates applicable to cross-border transactions. Assisted by our transfer pricing tax specialists, who are part of the audit team, we reviewed material cross-border intergroup agreements and transactions and the underlying data used in determining applicable royalty and mark-up rates and assessed the appropriateness of the royalties and mark-up rates being used. We challenged and evaluated management's assumptions and critical estimates and judgements in respect of tax exposures, based on the royalty and mark-up rates utilised and their interpretation of the relevant tax laws in jurisdictions where the Group has significant operations.
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to the taxation provisions.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group to be €975,000, which is approximately 5% of Adjusted PBT. The items adjusted in the Adjusted PBT are explained further in the Financial Review. We have considered the Adjusted PBT to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. It is also a key measure used by the Group in reporting results to allow a better understanding of the adjusted trading of the Group. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment. We determined materiality for the parent to be €195,000.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €48,750 (2017: €50,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The structure of the Group's finance function is such that the central Group finance team in Dublin provides support to Group entities for the accounting of the majority of transactions and balances. The audit work was undertaken and performed by an audit team based in Dublin.

Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. Based on this assessment, we focused our work on four legal entities covering 100% of revenue and 99% of net assets. These legal entities, which were subject to a full scope audit, were Hostelworld Group plc, Hostelworld.com Limited, Hostelworld Services Limited and WRI Nominees DAC. We also carried out specified audit procedures on Hostelworld Services Portugal.

At the parent entity level, we also tested the consolidation process and carried out review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ***Fair, balanced and understandable*** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ***Audit committee reporting*** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- ***Directors' statement of compliance with the UK Corporate Governance Code*** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Hostelworld Annual Report 2018 | **Governance**

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: management override of controls and revenue recognition; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2006 which require us to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of the provisions in the Companies Act 2006 which require us to report to you if, in our opinion, certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board at its annual general meeting in 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2015 to 31 December 2018.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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.

Daniel Murray
(Senior Statutory Auditor)
For and on behalf of Deloitte Ireland LLP
Chartered Accountant and Statutory Audit Firm
Dublin, Ireland
01 April 2019

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Berlin

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 €'000	2017 €'000
Revenue	4	**82,087**	86,672
Administrative expenses	5	**(61,939)**	(60,380)
Depreciation and amortisation	5	**(13,453)**	(14,395)
Operating profit		**6,695**	11,897
Financial income		**20**	9
Financial costs	8	**(63)**	(75)
Profit before taxation		**6,652**	11,831
Taxation	9	**(961)**	(582)
Profit for the year attributable to the equity owners of the parent company		**5,691**	11,249
Basic earnings per share (euro cent)	10	**5.95**	11.77

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 €'000	2017 €'000
Profit for the year	**5,691**	11,249
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(2)**	3
Total comprehensive income for the year attributable to equity owners of the parent company	**5,689**	11,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 €'000	2017 €'000
Non-current assets			
Intangible assets	11	**117,726**	128,108
Property, plant and equipment	12	**3,256**	3,774
Deferred tax assets	13	**99**	480
		121,081	132,362
Current assets			
Trade and other receivables	14	**2,814**	3,966
Cash and cash equivalents		**25,974**	21,294
		28,788	25,260
Total assets		**149,869**	157,622
Issued capital and reserves attributable to equity owners of the parent			
Share capital	15	**956**	956
Foreign currency translation reserve		**16**	18
Share based payment reserve		**630**	960
Retained earnings		**134,650**	145,015
Total equity attributable to equity holders of the parent company		**136,252**	146,949
Non-current liabilities			
Deferred tax liabilities	13	**262**	457
		262	457
Current liabilities			
Trade and other payables	16	**12,946**	9,832
Corporation tax		**409**	384
		13,355	10,216
Total liabilities		**13,617**	10,673
Total equity and liabilities		**149,869**	157,622

The financial statements were approved by the Board of Directors and authorised for issue on 1 April 2019 and signed on its behalf by:

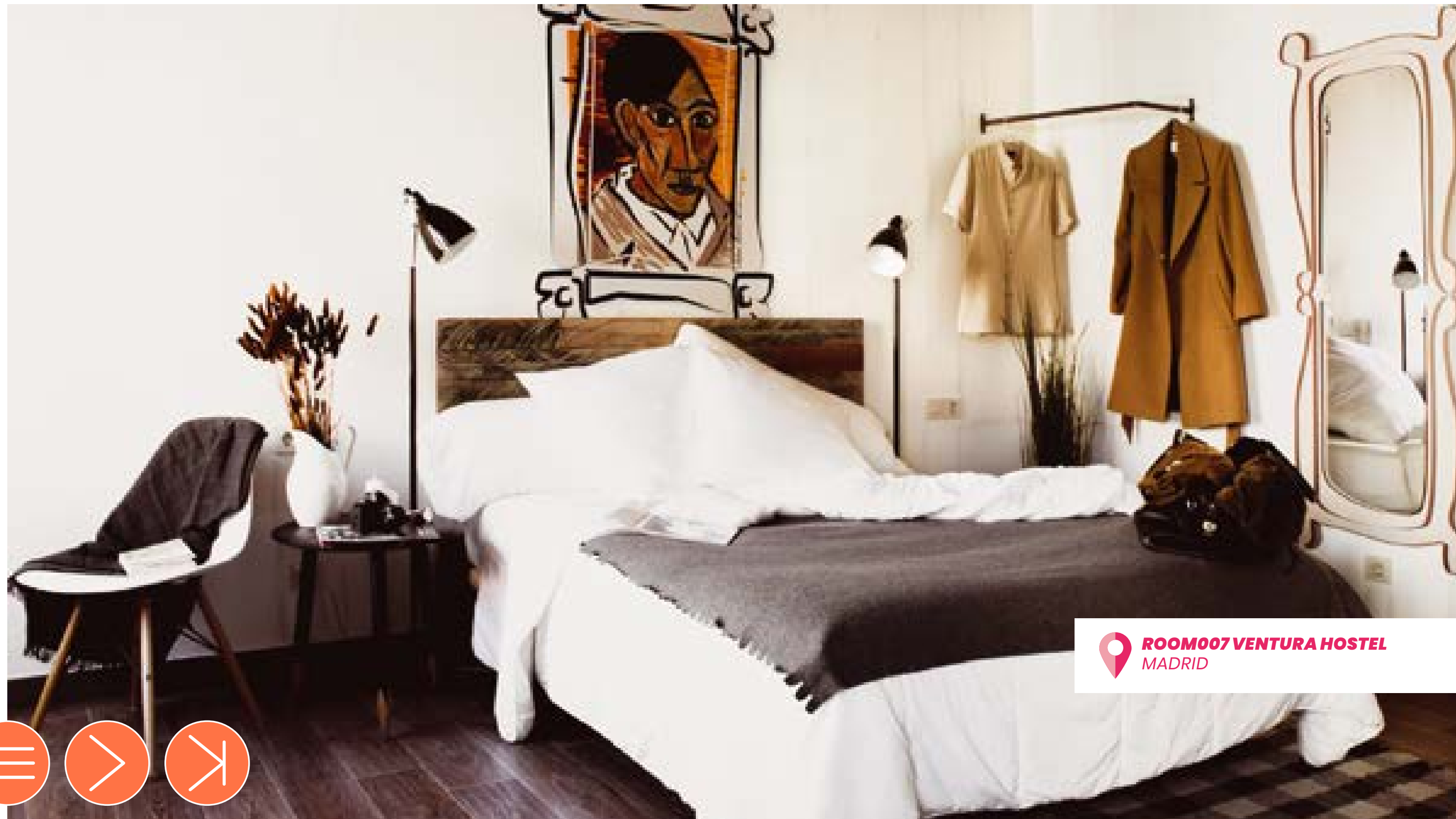
Gary Morrison
Chief Executive Officer

TJ Kelly
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share Capital €'000	Retained Earnings €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2017		956	154,986	3,628	15	351	159,936
Total comprehensive income for the year		-	11,249	-	3	-	11,252
Dividends	21	-	(24,848)	-	-	-	(24,848)
Release of merger reserve		-	3,628	(3,628)	-	-	-
Credit to equity for equity-settled share based payments		-	-	-	-	609	609
As at 31 December 2017		**956**	**145,015**	**-**	**18**	**960**	**146,949**
Total comprehensive income for the year		**-**	**5,691**	**-**	**(2)**	**-**	**5,689**
Dividends	21	**-**	**(16,056)**	**-**	**-**	**-**	**(16,056)**
Debit to equity for equity-settled share based payments		**-**	**-**	**-**	**-**	**(330)**	**(330)**
As at 31 December 2018		**956**	**134,650**	**-**	**16**	**630**	**136,252**



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 €'000	2017 €'000
Cash flows from operating activities			
Profit before tax		**6,652**	11,831
Depreciation of property, plant and equipment	5	**1,232**	1,064
Amortisation of intangible assets	5	**12,221**	13,331
Financial income		**(20)**	(9)
Financial expense	8	**63**	75
Employee equity settled share based payment (credit)/ expense	18	**(346)**	623
Changes in working capital items:			
Increase in trade and other payables		**3,129**	149
Decrease/ (increase) in trade and other receivables		**1,152**	(1,340)
Cash generated from operations		**24,083**	25,724
Interest paid		**(63)**	(75)
Interest received		**20**	9
Income tax paid		**(749)**	(551)
Net cash from operating activities		**23,291**	25,107
Cash flows from investing activities			
Acquisition/ capitalisation of intangible assets		**(1,839)**	(1,820)
Purchases of property, plant and equipment		**(714)**	(1,780)
Net cash used in investing activities		**(2,553)**	(3,600)
Cash flows from financing activities			
Dividends paid	21	**(16,056)**	(24,848)
Net cash used in financing activities		**(16,056)**	(24,848)
Net increase/ (decrease) in cash and cash equivalents		**4,682**	(3,341)
Cash and cash equivalents at beginning of year		**21,294**	24,632
Effect of foreign exchange rate changes		**(2)**	3
Cash and cash equivalents at end of year		**25,974**	21,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Hostelworld Group plc, hereinafter "the Company", is a public limited company incorporated in the United Kingdom on the 9 October 2015. The registered office of the Company is High Holborn House, 52 - 54 High Holborn, London, WC1V 6RL, United Kingdom.

The Company and its subsidiaries (together "the Group") provide software and data processing services that facilitate hostel, B&B, hotel and other accommodation bookings worldwide.

Basis of Preparation

The consolidated financial statements incorporate the financial statements of the Company and its directly and indirectly owned subsidiaries, all of which prepare financial statements up to 31 December. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006, applicable to companies reporting under IFRS. The Group financial statements have been prepared in accordance with IFRSs adopted by the European Union ("the EU") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The directors have assessed the ability of the Company and Group to continue as a going concern and are satisfied that it is appropriate to prepare the financial statements on a going concern basis of accounting. In doing so, the directors have assessed that there are no material uncertainties to the Company's and Group's ability to continue as a going concern for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued, but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 3 (Amendment) Definition of a Business	*1 January 2020*
IFRS 9 (Amendment) Prepayment Features with Negative Compensation	*1 January 2019*
IFRS 16 Leases	*1 January 2019*
IFRS 17 Insurance Contracts	*1 January 2021*
IAS 1 (Amendment) Definition of Material	*1 January 2020*
IAS 8 (Amendment) Definition of Material	*1 January 2020*
IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement	*1 January 2019*
IAS 28 (Amendment) Long-term Interests in Associates and Joint Arrangements	*1 January 2019*
Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendment)	*1 January 2019*
IFRIC 23 Uncertainty over Income Tax Treatments	*1 January 2019*
Amendments to References to Conceptual Framework in IFRS Standards	*1 January 2020*

Changes in accounting policies – IFRS 16

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations. IFRS 16 provides guidance on the classification, recognition and measurement of leases. The standard will primarily affect the accounting for the Group's operating leases relating to office premises. The Group will apply IFRS 16 from its effective date.

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right-of-use of the leased item) and a financial liability to pay rental expenses are recognised. Fixed rental expenses are removed from the consolidated income statement and are replaced with finance costs on the lease liability and depreciation on the right-of-use asset. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Group will adopt the new standard by applying the modified retrospective approach and will avail of the recognition exemption for short-term and low-value leases. Upon transition, the lease liability is based on the present value of remaining lease payments and the right-of-use asset is an amount equal to the lease liability adjusted for prepaid/accrued payments.

The adoption of the new standard will have the following impact on the Group's consolidated income statement and consolidated statement of financial position in 2019:

Consolidated Income Statement - Administrative expenses are expected to decrease by €1.1m as the Group currently recognises rental expenses therein. Depreciation and finance costs will increase, as a result of the requirement to capitalise a right-of-use asset and depreciate over the term of the lease, and the resulting finance cost which will be applied annually to the lease liability. As a result, Operating Profit will be impacted by the implementation of IFRS 16. Total lease expenses will increase in the early years of implementation of IFRS 16 due to the front-loading effect of finance charges versus the existing straight-line rent expense under the current standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies – IFRS 16 (Continued)

Consolidated Statement of Financial Position - At 1 January 2019, the Group has calculated the lease commitments outstanding and applied the appropriate discount rate to calculate the present value of the lease commitment which will be recognised as a liability and a right-of-use asset on the Group's statement of financial position. As at the transition date, IFRS 16 will result in an increase in right-of-use assets of €4.3m and a corresponding increase in financial liabilities of €5.4m.

The Group is currently assessing the impact of other standards and interpretations that are effective for the first time for the financial year beginning on 1 January 2019.

Aside from the adoption of IFRS 9 and 15, which are described below, since the last Annual Report there are a number of amendments to existing accounting standards that have been adopted. These had no material impact on the financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration is effective for the financial year beginning on 1 January 2018. The adoption of IFRIC 22 did not have a material impact on the Group on adoption and no other new IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2018 have had a material impact on the Group.

Changes in accounting policies – IFRS 9

From 1 January 2018, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 Financial Instruments replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. There is no material impact on the Group in relation to the adoption of this standard, as detailed below.

The Group's accounting policy under IFRS 9 is as follows: The financial assets held are trade receivables and cash, which will continue to be carried at amortised cost. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

In relation to the impairment of financial assets, as at 1 January 2018, the directors reviewed and assessed the Group's existing trade receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised. There is no additional credit loss recognised against retained earnings at 1 January 2018. In line with the transition guidance in IFRS 9 the Group has not restated the 2017 prior period on adoption.

The Group recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of the current as well as the forecast direction of conditions at the reporting date. The change from an incurred loss model under IAS 39 to an expected loss model has not had a material impact.

The directors determine the classification of the Group's financial liabilities at initial recognition. The Group's financial liabilities are classified as trade and other payables and are carried at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies – IFRS 15

From 1 January 2018, the Group has adopted IFRS 15 Revenue from Contracts with Customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The Group has adopted the five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. This involves identifying the contract with customers, identifying the performance obligations, determining the transaction price, allocating the price to the performance obligations within the contract and recognising revenue when the performance obligations are satisfied.

The Group generates substantially all of its revenues from the technology and data processing fees and service fees that it charges to accommodation providers and the transaction service fees it charges to consumers.

The Group's accounting policy under IFRS 15 is that revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed.

The Group also generates revenues from technology and data processing fees that it charges to providers of other travel products and associated transaction service fees, from cancellation protection fees, payment protection fees and from advertising services.

Where the Group provides an ancillary service to allow a flexible booking option which allows a booking to be cancelled for no charge or a new booking to be made, such revenue is deferred, until such time as the related cancellation date has passed or for a six month period from the date of cancellation, at which time the credit expires.

Ancillary advertising revenues are recognised over the period when the service is provided and performance obligations are met. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is stated net of discounts, sales taxes and value added taxes.

There is no material impact on the Group in relation to the adoption of this standard, due to the nature of the contracts in place with customers. In line with the transition guidance in IFRS 15 the Group has not restated the 2017 prior period on adoption.

In 2018, the Group introduced a new free cancellation booking option to further broaden the Group's product offering. If the traveller cancels their free cancellation booking, within a specified period, their deposit is refunded. The introduction of this booking option has led to a deferral of revenue recognition. €2.9m of revenue generated during the year from free cancellation bookings has been deferred (2017: €nil) and will be recognised in future years, net of any cancellations, when the last cancellation date has passed. All of the costs in relation to these bookings have been recognised in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company:

- has power to govern the financial and operating policies of the investee;
- is exposed, or has rights, to variable return from its investment with the investee; and
- has the ability to use its power to affect its returns.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Revenue recognition

The Group generates substantially all of its revenues from the technology and data processing fees and service fees that it charges to accommodation providers and the transaction service fees it charges to consumers. The Group also generates revenues from technology and data processing fees that it charges to providers of other travel products and associated transaction service fees, from cancellation protection fees, payment protection fees and from advertising services.

Revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Where the Group provides an ancillary service to allow a flexible booking option which allows a booking to be cancelled for no charge or a new booking to be made, a portion of such revenue is deferred, until such time as the related cancellation date has passed or for a six month period from the date of cancellation, at which time the credit expires. Advertising revenue and revenue from other services are recognised over the period when the service is performed. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is stated net of discounts, sales taxes and value added taxes.

Exceptional items

Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. Such items may include restructuring, material merger and acquisition costs, profit or loss on disposal or termination of operations, litigation settlements, legislative changes and profit or loss on disposal of investments. Judgment is used by the Group in assessing the particular items which by virtue of their scale and nature should be disclosed as exceptional items.

Operating leases

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense and are spread over the life of the lease.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 to be recovered. Such reductions are reversed when the probability of future taxable profits improves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the consolidated 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.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in euro, which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items (including deferred revenue) at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined in accordance with IFRIC 22. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the period. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the appropriate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (foreign currency translation reserve). Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Retirement benefits costs

Contributions made in respect of employees' pension schemes are charged through the consolidated income statement in the period they become payable. The Group pays contributions to privately administered pension insurance plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is provided on the following basis:

Leasehold property improvements	:	5-10 years straight line
Computer equipment	:	4-5 years straight line
Fixtures and equipment	:	6-7 years straight line

Leasehold improvements are improvements made to buildings leased by the Group when it has the right to use these leasehold improvements over the term of the lease. The improvements will revert to the lessor at the expiration of the lease.

The cost of a leasehold improvement is depreciated over the shorter of:
1. the remaining lease term, or
2. the estimated useful life of the improvement.

Intangible assets

(a) Goodwill

Goodwill is initially measured as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the consolidated income statement.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicated that the carrying value may be impaired.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

(b) Other intangible assets

The Group has four classes of intangible asset: domain names, technology assets, affiliate contracts and development costs.

Other intangible assets including domain names and computer software are capitalised at their cost and amortised to the consolidated income statement, generally on a straight line basis over their estimated useful lives except for the Hostelbookers domain name which is amortised on a reducing balance basis (see note 11):

- Domain names	8-20 years
- Technology assets	4 years
- Affiliate contracts	5 years
- Capitalised development costs	2-3 years

The residual value associated with all intangible assets is deemed to be €nil.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure in relation to internally-generated intangible assets is capitalised when all of the following have been demonstrated; the technical feasibility of completing the intangible asset so that it will be available for use; the intention to complete the project to which the intangible asset relates and use it; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially capitalised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged through the consolidated income statement in the period in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the directors review the carrying amounts of the Group's tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

(a) Financial assets

The directors determine the classification of the Group's financial assets at initial recognition based on IFRS 9 categories and classification criteria. The Group has one financial asset held within 'Trade and other receivables'.

After initial measurement at fair value plus transaction costs, financial assets are subsequently carried at amortised cost using the effective interest method.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(b) Expected credit loss of financial assets

In accordance with IFRS 9, the directors assess the credit risk of financial assets on the date they are initially recognised. If objective evidence of a credit risk is identified, the Group recognises the lifetime expected credit losses for those assets. Expected credit losses are reported in the consolidated income statement.

(c) Financial liabilities

The directors determine the classification of the Group's financial liabilities at initial recognition. The Group's financial liabilities are classified as trade and other payables and are carried at amortised cost.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve.

Dividends

Final dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

(a) The critical judgements that have been made that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below:

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Capitalisation of development costs

Development costs are capitalised in accordance with accounting policies in Note 2. Determining the amount to be capitalised requires the directors to make assumptions regarding expected future cash generation of the asset and expected period of benefit.

Tax provisioning

The Group, as a global business, is subject to both international and local transfer pricing legislation. The directors review the transfer pricing position to ensure any potential exposure is adequately assessed.

(b) Key sources of estimation that have been made that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below:

Useful lives for amortisation of intangible assets

Intangible assets are disclosed in note 11. The amortisation charge is dependent on the estimated useful lives of the assets. The directors regularly review estimated useful lives of each type of intangible asset and change them as necessary to reflect its current assessment of remaining lives and the expected pattern of future economic benefit embodied in the asset. Changes in asset lives can have a significant impact on the amortisation charges for that year.

Impairment of goodwill and intangible assets

The directors assess annually whether goodwill has suffered any impairment, in accordance with the relevant accounting policy and intangible assets are assessed for possible impairment where indicators of impairment exist. The recoverable amounts of cash-generating units ("CGUs") are determined based on value-in-use calculations that require the use of estimates.

The value-in-use calculations are prepared using cash flow projections based on three year budgets approved by the directors and extended out for a further 2 years. The cash flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

Further details on the assumptions used are set out in note 11.

Deferred Tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available in future periods against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

4. REVENUE & SEGMENTAL ANALYSIS

The Group is managed as a single business unit which provides software and data processing services that facilitate hostel, hotel and other accommodation worldwide, including ancillary online advertising revenue.

The directors determine and present operating segments based on the information that is provided internally to the Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"). When making resource allocation decisions, the CODM evaluates booking numbers and average booking value. The objective in making resource allocation decisions is to maximise consolidated financial results.

The CODM assesses the performance of the business based on the consolidated adjusted profit/ (loss) after tax of the Group for the year. This measure excludes the effects of certain income and expense items, which are unusual by virtue of their size and incidence, in the context of the Group's ongoing core operations, such as the impairment of intangible assets and one-off items of expenditure.

All revenue is derived wholly from external customers and is generated from a large number of customers, none of whom is individually significant.

The Group's major revenue-generating asset class comprises its software and data processing services and is directly attributable to its reportable segment operations. In addition, as the Group is managed as a single business unit, all other assets and liabilities have been allocated to the Group's single reportable segment.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

Reportable segment information is presented as follows:

	2018 €'000	2017 €'000
Europe	**49,060**	52,114
Americas	**15,149**	16,196
Asia, Africa and Oceania	**17,878**	18,362
Total revenue	**82,087**	86,672

As at 31 December 2018, €2,892k of revenue relating to free cancellation bookings has been deferred (2017: €nil).

Disaggregation of revenue is presented as follows:

	2018 €'000	2017 €'000
Technology and data processing fees	**79,696**	84,517
Advertising revenue and ancillary services	**2,391**	2,155
Total revenue	**82,087**	86,672

4. REVENUE & SEGMENTAL ANALYSIS (CONTINUED)

In the year ended 31 December 2018, the Group generated 97% (2017: 98%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

Revenue is recognised at the time the reservation is made in respect of non-refundable commission on the basis that the Group has met its performance obligations at the time the booking is made. In respect of the free cancellation product, which offers the traveller the opportunity to make a booking on a free cancellation basis and to receive a refund of their deposit in certain circumstances, such related revenue is not recognised until the last cancellation date has passed as one party can withdraw from the contract until such a date has passed. Deferred revenue is expected to be recognised within twelve months of initial recognition.

Advertising revenue and revenue generated from other services are recognised over the period when the service is performed.

The Group's non-current assets are located in Ireland, Luxembourg, Portugal and the UK. Out of the total non-current assets in the Group of €121,081k (2017: €132,362k), the non-current assets of the Group located in the UK are €1,654k (2017: €2,659k) and in Portugal are €623k (2017: €617k).

5. OPERATING EXPENSES

Profit for the year has been arrived at after charging/ (crediting) the following operating costs:

	Notes	2018 €'000	2017 €'000
Marketing expenses		**31,203**	33,068
Staff costs	7	**17,179**	17,543
Credit card processing fees		**2,379**	2,048
Exceptional items	6	**1,590**	(494)
FX loss/ (gain)		**64**	(102)
Other administrative costs		**9,524**	8,317
Total administrative expenses		**61,939**	60,380
Depreciation of tangible fixed assets	12	**1,232**	1,064
Amortisation of intangible fixed assets	11	**12,221**	13,331
Total operating expenses		**75,392**	74,775

5. OPERATING EXPENSES (CONTINUED)

Auditors' remuneration

During the year, the Group obtained the following services from its Auditors:

	2018 €'000	2017 €'000
Fees payable for the statutory audit of the Company	**41**	35
Fees payable for other services:		
- statutory audit of subsidiary undertakings	**96**	115
- tax advisory services	**-**	-
- other assurance services	**-**	-
- corporate finance services	**-**	-
- other services	**2**	4
Total	**139**	154

6. EXCEPTIONAL ITEMS

	2018 €'000	2017 €'000
Restructuring costs	**1,590**	-
Merger and acquisition credit	**-**	(494)
Total	**1,590**	(494)

Restructuring costs of €1,590k include costs relating to the restructure of the senior management team and an internal reorganisation of the Group's non-current assets (see note 23). The credit of €494k in 2017 relates to the release of an accrual relating to previously recognised merger and acquisition costs within the Group.

7. STAFF COSTS

The average monthly number of people employed (including executive directors) was as follows:

	2018	2017
Average number of persons employed		
Administration and sales	**188**	165
Development and information technology	**106**	89
Total	**294**	254

7. STAFF COSTS (CONTINUED)

The aggregate remuneration costs of these employees is analysed as follows:

	Notes	2018 €'000	2017 €'000
Staff costs comprise:			
Wages and salaries		**16,194**	16,073
Social security costs		**1,889**	1,800
Pensions costs		**389**	356
Other benefits		**711**	438
Long-term employee incentive (credit)/costs	18	**(346)**	623
Capitalised development labour		**(1,658)**	(1,747)
Total		**17,179**	17,543

8. FINANCIAL COSTS

	2018 €'000	2017 €'000
Bank charges	**63**	75
Total	**63**	75

9. TAXATION

	Notes	2018 €'000	2017 €'000
Corporation tax:			
Current year		**776**	686
Adjustments in respect of prior years		**(1)**	24
Total		**775**	710
Deferred tax charge/ (credit)	13	**186**	(128)
Total		**961**	582

Corporation tax is calculated at 12.5% (2017: 12.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the consolidated income statement as follows:

9. TAXATION (CONTINUED)

	2018 €'000	2017 €'000
Profit before tax on continuing operations	**6,652**	11,831
Tax at the Irish corporation tax rate of 12.5% (2017: 12.5%)	**832**	1,479
Effects of :		
Tax effect of expenses that are not deductible in determining taxable profit	**622**	515
Tax effect of utilisation of tax losses not previously recognised	**(827)**	(1,662)
Capital allowances in excess of depreciation	**(283)**	(293)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**201**	299
Reversal of deferred tax asset on tax losses	**417**	220
Adjustments in respect of prior years	**(1)**	24
Total	**961**	582

The tax losses arise primarily from the previous capital structure of the Group.

The Group has an unrecognised deferred tax asset as at 31 December 2018 of €3,476k (31 December 2017: €3,125k) which has not been recognised in the consolidated financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
Weighted average number of shares in issue ('000s)	**95,571**	95,571
Profit for the year (€'000s)	**5,691**	11,249
Basic earnings euro cent per share	**5.95**	11.77

Diluted earnings per share is computed by dividing the net profit for the year by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially ordinary shares.

	2018	2017
Weighted average number of ordinary shares in issue ('000s)	**95,571**	95,571
Effect of dilutive potential ordinary shares:		
Share options ('000s)	**11**	473
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)	**95,582**	96,044
Diluted earnings euro cent per share	**5.95**	11.71

Actual earnings per share, calculated by dividing the net profit attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2018, is 5.95 euro cent (2017: earnings per share of 11.77 euro cent).

11. INTANGIBLE ASSETS

The table below shows the movements in intangible assets for the year:

	Goodwill €'000	Domain Names €'000	Technology €'000	Affiliates Contracts €'000	Capitalised Development Costs €'000	Total €'000
Cost						
Balance at 1 January 2017	47,274	214,640	13,814	5,500	8,120	289,348
Additions	-	-	73	-	1,747	1,820
Balance at 31 December 2017	47,274	214,640	13,887	5,500	9,867	291,168
Balance at 1 January 2018	**47,274**	**214,640**	**13,887**	**5,500**	**9,867**	**291,168**
Additions	**-**	**-**	**181**	**-**	**1,658**	**1,839**
Balance at 31 December 2018	**47,274**	**214,640**	**14,068**	**5,500**	**11,525**	**293,007**
Accumulated amortisation and impairment						
Balance at 1 January 2017	(29,426)	(96,304)	(13,445)	(5,500)	(5,054)	(149,729)
Charge for year	-	(10,149)	(257)	-	(2,925)	(13,331)
Balance at 31 December 2017	(29,426)	(106,453)	(13,702)	(5,500)	(7,979)	(163,060)
Balance at 1 January 2018	**(29,426)**	**(106,453)**	**(13,702)**	**(5,500)**	**(7,979)**	**(163,060)**
Charge for year	**-**	**(10,247)**	**(106)**	**-**	**(1,868)**	**(12,221)**
Balance at 31 December 2018	**(29,426)**	**(116,700)**	**(13,808)**	**(5,500)**	**(9,847)**	**(175,281)**
Carrying amount						
At 31 December 2017	17,848	108,187	185	-	1,888	128,108
At 31 December 2018	**17,848**	**97,940**	**260**	**-**	**1,678**	**117,726**

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill

The goodwill balance at 31 December 2018 relates to an investment in Hostelworld.com Limited in 2009 which resulted in a goodwill amount of €17,848k. The carrying value of this balance as at 31 December 2018 is €17,848k (2017: €17,848k).

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The recoverable amounts of the cash generating units ("CGUs") are determined from value in use calculations. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 2 years. The cash flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

The pre-tax discount rate which has been applied in determining value in use is 10.8% (2017: 10.7%). The discount rate is based on the Group estimated weighted average cost of capital adjusted for the business specific risk of the CGU. The revised discount rate in 2018 was calculated from first principles by a third party professional advisor. Growth rates are assessed based on the approved three year 2019 budget and over the two year forecast period after 2021, they range from 5% to 6%. Cash flows beyond the 5 year period are extrapolated using the estimated long- term growth rate of 2.8% (2017: 2.5%). This long term growth rate was calculated using global rates by a third party professional advisor.

There are no reasonably possible or material changes to the assumptions presented above that would result in any further impairment recorded in each of the years presented in these financial statements.

Following impairment testing, no impairment was recognised for goodwill in 2018.

Other Intangible Assets

Additions during the year comprised of internally generated additions of €1,658k (2017: €1,747k) and other separately acquired additions of €181k (2017: €73k).

There were no indicators to require an impairment test of intangible assets in the current year.

In 2018, as a result of a strategic review of the business by the directors, the estimated useful life of the Hostels.com domain name was reduced to a period of 12 months from 1 July 2018, to be amortised on a straight line basis. This had a result of increasing the amortisation charge relating to Hostels.com by €305k in 2018 and similarly increasing this amortisation charge by the same amount in 2019. Management considers that this change in relation to Hostels.com domain name does not have implications on goodwill.

12. PROPERTY, PLANT AND EQUIPMENT

The table below shows the movements in property, plant and equipment for the year:

	Leasehold Property Improvements €'000	Fixtures & Equipment €'000	Computer Equipment €'000	Total €'000
Cost				
Balance at 1 January 2017	1,279	689	2,623	4,591
Additions	474	98	1,208	1,780
Disposals	-	-	(85)	(85)
Balance at 31 December 2017	1,753	787	3,746	6,286
Balance at 1 January 2018	**1,753**	**787**	**3,746**	**6,286**
Additions	**102**	**36**	**576**	**714**
Disposals	**-**	**-**	**(83)**	**(83)**
Balance at 31 December 2018	**1,855**	**823**	**4,239**	**6,917**
Accumulated depreciation				
Balance at 1 January 2017	(213)	(189)	(1,131)	(1,533)
Charge for year	(167)	(126)	(771)	(1,064)
Disposals	-	-	85	85
Balance at 31 December 2017	(380)	(315)	(1,817)	(2,512)
Balance at 1 January 2018	**(380)**	**(315)**	**(1,817)**	**(2,512)**
Charge for year	**(272)**	**(120)**	**(840)**	**(1,232)**
Disposals	**-**	**-**	**83**	**83**
Balance at 31 December 2018	**(652)**	**(435)**	**(2,574)**	**(3,661)**
Carrying amount				
At 31 December 2017	1,373	472	1,929	3,774
At 31 December 2018	**1,203**	**388**	**1,665**	**3,256**

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13. DEFERRED TAXATION

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated Taxation Depreciation €'000	Taxation Losses €'000	Total €'000
As at 1 January 2017	(742)	637	(105)
Credited/ (charged) to the income statement	348	(220)	128
As at 1 January 2018	**(394)**	**417**	**23**
(Charged)/ credited to the income statement	**231**	**(417)**	**(186)**
As at 31 December 2018	**(163)**	**-**	**(163)**

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2018 €'000	2017 €'000
Deferred taxation assets	**99**	480
Deferred taxation liabilities	**(262)**	(457)
Net deferred taxation (liabilities)/ assets	**(163)**	23

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been acted or substantially enacted at the reporting date.

The Irish standard rate of corporation tax continued to be 12.5% through the period and comparative periods. The tax rate ruling in Luxembourg for 2018 was 26.01% (2017: 27.08%). The tax rate ruling in the UK was 20% up to 1 April 2017 when it reduced to 19%, and will reduce to 17% on 1 April 2020.

14. TRADE AND OTHER RECEIVABLES

	2018 €'000	2017 €'000
Amounts falling due within one year		
Trade receivables	**1,067**	1,017
Prepayments	**804**	932
Value Added Tax	**943**	2,017
Total	**2,814**	3,966

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 5 days (2017: 4 days). Given the nature of the business, allowance for impairment of receivables is not material.

15. SHARE CAPITAL

	2018 €'000	2017 €'000
Allotted, Called-up and fully paid		
95,570,778 ordinary shares of €0.01 each (2017: 95,570,778 ordinary shares of €0.01 each)	**956**	956
Total	**956**	956

The Group has one class of ordinary shares which carry no right to fixed income. The share capital of the Group is represented by the share capital of the parent company, Hostelworld Group plc. This company was incorporated on 9 October 2015 to act as the holding company of the Group, and as a management services company.

16. TRADE AND OTHER PAYABLES

	2018 €'000	2017 €'000
Amounts falling due within one year		
Trade payables	**2,361**	2,265
Accruals and other payables	**5,937**	5,273
Deferred revenue	**4,095**	1,734
Payroll taxes	**553**	560
Total	**12,946**	9,832

At 31 December 2018, €2,892k deferred revenue related to free cancellation bookings is included in Deferred revenue (2017: €nil).

The average credit period for the Group in respect of trade payables is 21 days (2017: 20 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

17. COMMITMENTS AND CONTINGENCIES

(i) Operating Leases

At the reporting date, the Group had commitments under non-cancellable operating leases which fall due as follows:

	2018 €'000	2017 €'000
Operating leases		
Within one year	**1,124**	1,017
Within two to five years	**2,653**	3,077
More than five years	**725**	1,294
Total	**4,502**	5,388

All operating lease commitments relate to buildings. These relate to four leases of office space in Ireland, UK, Portugal and China. These leases are due to expire in 2035, 2025, 2022 and 2020 respectively. If the Group was to exercise available break options, the leases in Ireland and the UK would expire in 2025 and 2020 respectively.

The operating lease charge included in the consolidated income statement was €1,144k in 2018 (2017: €1,040k).

IFRS 16 Impact

Note 2 contains details of the impact of IFRS 16 Leases on the Group, which is effective from 1 January 2019.

(ii) Contingencies

In the normal course of business the Group may be subject to indirect taxes on its services in certain foreign jurisdictions. The directors perform ongoing reviews of potential indirect taxes in these jurisdictions. Although the outcome of these reviews and any potential liability is uncertain, no provision has been made in relation to these taxes as the directors believe that it is not probable that a material liability will arise.

18. SHARE-BASED PAYMENTS

Long Term Incentive Plan ("LTIP") scheme

In April 2016, the Group introduced a Long Term Incentive Plan for executive directors and selected management. The proportion of each award which vests, will depend on the Adjusted Earnings per Share ("EPS") performance and Total Shareholder Return ("TSR") of the Group over a three year period ("the performance period").

Up to 70% of the shares/options subject to an award will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance indicators approved by the Remuneration Committee. An award will lapse if a participant ceases to be an employee or an officer within the Group before the vesting date and is not subject to good leaver provisions.

During the year ended 31 December 2018, the Remuneration Committee approved the grant of 773,797 share options pursuant to the terms and conditions of the Group's LTIP Rules. These were granted in three separate offerings. In 2018, €141k was expensed in the consolidated income statement in relation to these awards. €608k was credited to the consolidated income statement for the year ended 31 December 2018 for the awards made in 2016 and 2017. This credit is mainly due to the forfeiture of the 2016 awards which will not vest in April 2019 due to vesting conditions not being satisfied and a change in the estimate of shares that will vest under the EPS component of the 2017 awards.

Details of the share options outstanding during the year are as follows:

	2018 No. of share options	2017 No. of share options
Outstanding at beginning of year	**1,324,039**	928,464
Granted during the year	**773,797**	847,663
Forfeited during the year	**(1,221,879)**	(452,088)
Exercised during the year	**-**	-
Expired during the year	**-**	-
Outstanding at the end of the year	**875,957**	1,324,039
Exercisable at the end of the year	**-**	-

Included in the number of options forfeited in 2018, are 562,626 options of the 2016 awards which did not meet the vesting conditions based on performance conditions from 1 January 2016 to 31 December 2018.

The remaining awards will vest on the later of the 3rd anniversary of the grant and the determination of the performance condition, and will then remain exercisable until the 7th anniversary of the date of grant, provided the individual remains an employee or officer of the Group or is subject to good leaver provisions. The measurement period for the 2017 and 2018 awards for performance conditions is over 3 years from 1 January 2017 to 31 December 2019 and from 1 January 2018 to 31 December 2020 respectively.

Share options under the LTIP scheme have an exercise price of £nil. The fair value, at the grant date, of the TSR-based conditional awards was measured using a Monte Carlo simulation model.

18. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options granted during the year:

At the grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

	December 2018	**June 2018**	**April 2018**	**March 2017**
Year of potential vesting	2021	2021	2021	2020
Number of share options granted	98,520	175,723	499,554	847,663
Share price at grant date	£1.99	£3.15	£3.86	£2.33
Exercise price per share option	£nil	£nil	£nil	£nil
Expected volatility of Company share price	41.5%	47.0%	46.0%	46.0%
Expected life	3 years	3 years	3 years	3 years
Expected dividend yield	7.6%	4.8%	3.8%	5.7%
Risk free interest rate	0.75%	0.76%	0.88%	0.21%
Weighted average fair value at grant date	£1.48	£2.64	£3.35	£1.92
Remaining weighted average life of options (years)	2.93	2.50	2.28	1.24

Expected volatility was determined in line with market performance of the Company and comparator companies as there was insufficient historic data available for the Company at the grant date of the awards up to and including the June 2018 awards. The expected volatility for the December 2018 awards was determined based on the market performance of the Company over 2.07 years, corresponding to the remaining time left of the measurement period. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. Non-market based performance conditions, such as the EPS conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

Save As You Earn ("SAYE") scheme

During the year ended 31 December 2018, the Remuneration Committee approved the granting of share options under a SAYE scheme for all eligible employees across the Group. 24 employees in Ireland availed of the scheme in 2018 (2017: 73 employees availed of the 2017 scheme). The scheme will last three years and employees may choose to purchase shares at the end of the three year period at the fixed discounted price set at the start. The share price for the scheme has been set at a 20% discount for Irish and UK based employees in line with amounts permitted under tax legislation in both jurisdictions.

The total expected cost of the 2018 SAYE scheme was estimated at €41k of which €7k has been recognised in the consolidated income statement for the year ended 31 December 2018. The remaining €34k will be charged against profit or loss in equal instalments over the remainder of the three year vesting period. The total expected cost of the 2017 SAYE scheme was estimated at €200k of which €115k (2017: €37k) has been recognised in the consolidated income statement for the current year.

18. SHARE-BASED PAYMENTS (CONTINUED)

	Number of SAYE share options granted	
	2018	2017
Outstanding at beginning of year	**171,333**	-
Granted during the year	**90,819**	181,208
Forfeited during the year	**(96,990)**	(9,875)
Outstanding share options granted at end of year	**165,162**	171,333

Fair value of options granted during the year:

At the grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

Scheme	**Irish office**	**UK office**	**Irish office**
Grant date	September 2018	July 2017	July 2017
Year of potential vesting	2021	2020	2020
Share price at grant date	€2.40	£3.37	€4.00
Exercise price per share option	€2.56	£2.78	€3.24
Expected volatility of company share price	47.5%	45.0%	44.6%
Expected life	3 years	3 years	3 years
Expected dividend yield	6.9%	4.0%	4.0%
Risk free interest rate	(0.40%)	0.38%	0.38%
Weighted average fair value at grant date	€0.45	£0.99	€1.10
Valuation model	Black Scholes	Black Scholes	Black Scholes

Expected volatility was determined in line with market performance of the Company and comparator companies as there was insufficient historic data available for the Company at the grant date of the awards.

The charge of €121k (2017: €37k) in relation to the SAYE schemes, together with the credit in respect of the long-term incentive plan for the year of €467k (2017: €586k expense) is the total charge in respect of share-based payments, which has been recognised directly in equity. The LTIP and SAYE schemes are accounted for as equity-settled in the financial statements.

The Group recognised a credit of €346k (2017: €623k expense) relating to equity-settled share-based payment transactions in the consolidated income statement during the year.

Cash settled share-based payments

During 2018, the Group issued to certain individuals share appreciation rights (“SARs”), in the form of Phantom Shares that require the Group to pay the intrinsic value of the SAR at the date of exercise. The Group has recorded liabilities of €3k and a corresponding expense of €3k in relation to these SARs as at 31 December 2018 (2017: €nil). The fair value of these SARs was determined by using a Black Scholes model.

19. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

The following is a list of the Company’s current investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest:

Company	Holding	Nature of Business	Registered Office
WRI Nominees DAC	100%*	Holding of IP	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland 15, Boulevard Friedrich Wilhelm Raiffeisen, L-2411 Luxembourg **
Hostelworld.com Limited	100%	Technology trading company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland
Hostelworld Services Portugal LDA	100%	Marketing and research and development services company	Aviz Trade Center, Rua Engenheiro Ferreira Dias, 924, 2nd Andar, Sala E27, 4100-246 Porto, Portugal
Hostelworld Services Limited	100%*	Marketing services and technology trading company	High Holborn House, 52 - 54 High Holborn, London, WC1V 6RL, United Kingdom

** held directly by the Company*

*** WRI Nominees DAC is dually incorporated in Luxembourg and Ireland with registered offices in both locations. Its place of business is in Luxembourg. On 12 March 2019, WRI Nominees DAC was placed in liquidation by way of members’ voluntary winding up.*

All subsidiaries have the same reporting date as the Company being 31 December.

On 30 November 2018, Hostelworld Korea Limited was placed into voluntary liquidation.

On 24 March 2017, Hostelworld Services LDA was incorporated in Portugal. On 13 November 2017, Wings Lux 3 S.à r.l. and Cornetto Bidco Limited transferred their shares in Hostelworld Services Limited to the Company. On 21 December 2017, WRI Nominees DAC purchased 96 ordinary shares in Hostelworld.com Limited which represents a 49% ownership. Hostelworld Group plc owns the remaining 51% directly.

During 2017, as part of a group reorganisation, Wings Lux 2 S.à r.l., Wings Lux 3 S.à r.l., Wings Holdco Limited and Cornetto Bidco Limited were liquidated/ wound up.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' remuneration

	2018 €'000	2017 €'000
Salaries, fees, bonuses and benefits in kind	**1,004**	1,321
Amounts receivable under long-term incentive schemes	**44**	207
Termination benefits	**467**	-
Pension contributions	**52**	58
Total	**1,567**	1,586

Retirement benefit charges of €52k (2017: €58k) arise from pension payments relating to 4 executive directors (2017: 2).

Key management personnel

The Group's key management comprise the Board of Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group.

	2018 €'000	2017 €'000
Short term benefits	**2,892**	2,882
Share based payments (credit)/ charge	**(253)**	420
Termination benefits	**1,121**	-
Post employment benefits	**123**	112
Total	**3,883**	3,414

In 2018, it was determined that the non-market vesting condition of the 2016 LTIPs was not satisfied and there was a change in vesting estimate for the non-market vesting condition of the 2017 LTIPs, as disclosed in note 18. This led to a reversal of the cumulative expense recognised in 2016 and 2017 in relation to this element of these awards in accordance with the requirements of IFRS 2 and as a result, there is a negative expense included for share based payments in the Key Management Personnel disclosure.

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20. FINANCIAL RISK MANAGEMENT

20.1 Financial risk factors

The directors manage the Group's capital, consisting of both debt and equity, to ensure that the Group will be able to continue as a going concern while also maximising the return to stakeholders. As part of this process, the directors review financial risks such as liquidity risk, credit risk, foreign exchange risk and interest rate risk regularly.

Liquidity risk

Cash flow forecasting is monitored by rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The Group had no derivative financial liabilities in the current or prior year. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	**2018 €'000**	2017 €'000
Up to 1 year			
Trade and other payables	16	**11,190**	9,832
Total up to 1 year		**11,190**	9,832

	2018 €'000	2017 €'000
Over 5 years		
Trade and other payables	**-**	-
Total over 5 years	**-**	-
Total	**11,190**	9,832

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

20.1 Financial risk factors (Continued)

Interest rate risk

The Group is not materially exposed to interest rate risk.

Credit risk and foreign exchange risk

The directors monitor the credit rate risks associated with loans, trade receivables and cash and cash equivalent balances on an on-going basis. The majority of the Group's trade receivable balances are due for maturity within 5 days and largely comprise amounts due from the Group's payment processing agents. Accordingly, the associated credit risk is determined to be low. These trade receivable balances, which consist of euro, US dollar and Sterling amounts, are settled within a relatively short period of time, which reduces any potential foreign exchange exposure risk. At 31 December 2018, all material cash balances are held with banks with a minimal credit rating of BBB-, as assigned by international credit rating agencies. As a result, the credit risk on cash balances is limited. The carrying value of trade receivables, trade payables and cash and cash equivalents is a reasonable approximation of their fair value. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

20.2 Capital management

The directors' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The directors believe the Group's capital requirement will be met from retained earnings.

The Group is not subject to any externally imposed capital requirements.

The Group will ensure it retains sufficient reserves to manage its day to day cash requirements, including capital expenditure requirements, whilst ensuring appropriate dividends are distributed to shareholders.

21. DIVIDENDS

Amounts recognised as distributions to equity holders in the financial year:

	2018 €'000	**2017 €'000**
Final 2017 dividend of €0.12 per share (paid 14 June 2018)	**11,468**	
Interim 2018 dividend of €0.048 per share (paid 21 September 2018)	**4,588**	
Final 2016 dividend of €0.104 per share (paid 6 June 2017)		9,939
Supplementary 2016 dividend of €0.105 per share (paid 6 June 2017)		10,035
Interim 2017 dividend of €0.051 per share (paid 22 September 2017)		4,874
	16,056	24,848
Proposed final dividend for the year ended 31 December 2018 of €0.09 per share (2017: €0.12 per share)	**8,601**	11,468

In accordance with the Group's dividend policy, the directors recommend the payment of a final dividend for 2018 of €0.09 per share amounting to €8.6m (2017: €0.12 per share amounting to €11.5m).

The proposed dividends are to be approved by the shareholders at the 2019 AGM on 31 May 2019.

22. PARENT COMPANY EXEMPTION

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

23. EVENTS AFTER THE BALANCE SHEET DATE

As part of a group reorganisation, Hostelworld.com Limited acquired certain assets from WRI Nominees DAC for a consideration of €151m on 12 March 2019. On 12 March 2019, WRI Nominees DAC was subsequently placed in liquidation by way of members' voluntary winding up.

There were no other significant events after the balance sheet date.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 €'000	2017 €'000
Non-current assets			
Investments	27	**205,630**	206,306
		205,630	206,306
Current assets			
Trade and other receivables	28	**225**	239
Cash and cash equivalents		**19**	291
		244	530
Total assets		**205,874**	206,836
EQUITY			
Share capital	29	**956**	956
Share based payment reserve		**639**	985
Retained Earnings		**168,663**	186,566
Total equity attributable to equity holders of the parent		**170,258**	188,507
Current liabilities			
Trade and other payables	30	**35,616**	18,329
		35,616	18,329
Total liabilities		**35,616**	18,329
Total equity and liabilities		**205,874**	206,836

The Company reported a loss for the financial year ended 31 December 2018 of €1,847k (2017: €4,235k profit).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 1 April 2019 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

TJ Kelly
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital €'000	Retained Earnings €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2017	956	207,179	362	208,497
Total comprehensive income for the year	-	4,235	-	4,235
Dividends	-	(24,848)	-	(24,848)
Credit to equity for equity-settled share based payments	-	-	623	623
As at 31 December 2017	**956**	**186,566**	**985**	**188,507**
Total comprehensive expense for the year	**-**	**(1,847)**	**-**	**(1,847)**
Dividends	**-**	**(16,056)**	**-**	**(16,056)**
Debit to equity for equity-settled share based payments	**-**	**-**	**(346)**	**(346)**
As at 31 December 2018	**956**	**168,663**	**639**	**170,258**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

Basis of preparation

The separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, financial risk management, impairment of assets, related party transactions and where required, equivalent disclosures are given in the consolidated financial statements. Significant accounting policies specifically applicable to these individual Company financial statements and which are not reflected within the accounting policies for the Group consolidated financial statements are detailed below.

The financial statements are prepared on the historical cost basis.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less any allowance for impairment.

Dividends

Final dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Details of interim and final dividends are disclosed in note 21 to the consolidated financial statements.

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 (as issued by the FRC) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. There were no significant judgements applied in the preparation of the Company financial statements.

Key sources of estimation that have been made that have the most significant effect on the amounts recognised in the financial statements are set out below:

Carrying value of investments in subsidiaries

The directors assess annually whether the carrying value of the investments in subsidiaries has suffered any impairment, in accordance with the relevant accounting policy and the recoverable amounts of cash generating units ("CGUs") are determined based on value-in-use calculations that require the use of estimates.

24. ACCOUNTING POLICIES (CONTINUED)

Carrying value of investments in subsidiaries (continued)

The value-in-use calculations are prepared using cash flow projections based on a three year budget approved by the directors and extended out for a further 2 years. The cash flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

25. LOSS/ PROFIT FOR THE YEAR

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The loss/ profit attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

The auditor's remuneration for the audit and other services is disclosed in note 5 to the consolidated financial statements.

26. STAFF COSTS

The average monthly number of full time people employed by the Company (including executive directors) during the year was 3 (2017: 3).

The aggregate remuneration costs of these employees is analysed as follows:

	2018 €'000	2017 €'000
Staff costs comprise:		
Wages and salaries	**820**	1,681
Social security costs	**98**	114
Pensions costs	**69**	75
Other benefits	**21**	23
Long-term employee incentive (credit)/costs	**(189)**	273
Total	**819**	2,166

27. INVESTMENTS

The carrying value of the Company's subsidiaries at 31 December 2018 are as follows:

	2018 €'000	2017 €'000
At 1 January	**206,306**	211,122
Additions	**-**	5,199
Impairment	**(520)**	-
Disposal	**(156)**	(10,015)
At 31 December	**205,630**	206,306

27. INVESTMENTS (CONTINUED)

The Company's subsidiaries directly owned by the Company, are disclosed in note 19. Additions relate to investments in Hostelworld Services Portugal Lda, Hostelworld Services Limited and capital contributions arising from the administration of the Group's share option schemes.

In 2018, following a review of Hostelworld Services Limited's trading performance and the changes in its senior management, the directors reassessed the estimated cash flows associated with its investment in the company. The recoverable amounts of cash generating units ("CGUs") are determined based on value-in-use calculations that require the use of estimates. The value-in-use calculations are prepared using cash flow projections based on three year budgets approved by the directors and extended out for a further 2 years. The cash flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

The pre-tax discount rate which was applied in determining value in use was 10.8% which was calculated from first principles by a third party professional advisor.

Following impairment testing, an impairment charge of €520k was recognised in relation to the Company's investment in Hostelworld Services Limited (2017: €nil). This impairment charge was recognised in the Company's income statement as an impairment loss. There were no indicators to require an impairment test of other investments in 2018.

The disposal in 2018 relates to the previously recognised capital contribution for the 2016 LTIP awards which did not meet the vesting conditions and to the change in vesting estimate in relation to the 2017 LTIP awards (note 18). The disposal in 2017 relates to a subsidiary, Wings Lux 2 S.à r.l., which was liquidated during that year.

28. TRADE AND OTHER RECEIVABLES

	2018 €'000	2017 €'000
Amounts falling due within one year		
Prepayments	**135**	182
Value Added Tax	**9**	23
Amount due from related parties	**81**	28
Other debtors	**-**	6
Total	**225**	239

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and there is no expected credit loss recognised in relation to these balances.

29. SHARE CAPITAL

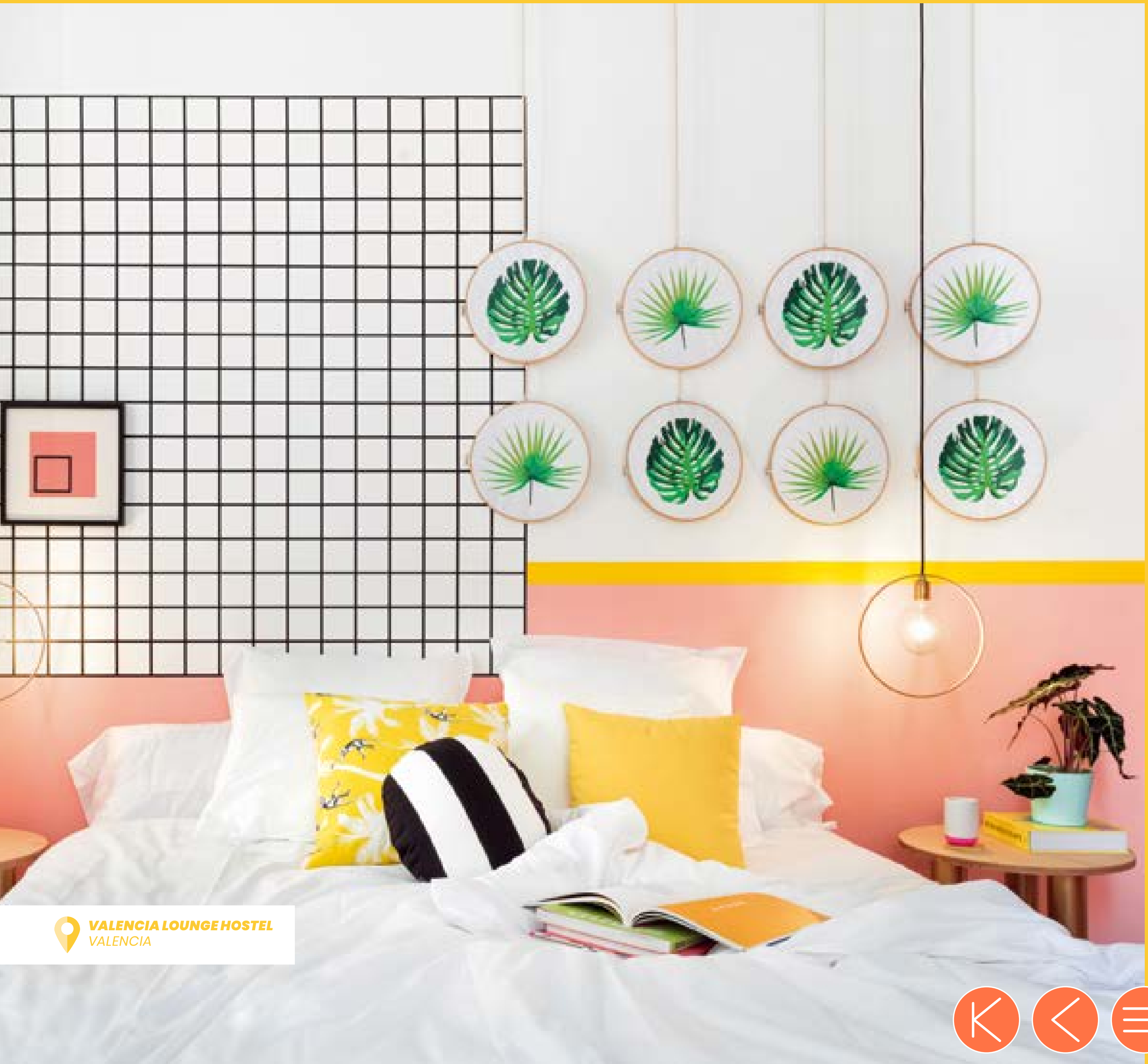
Details of the Company's share capital are disclosed in note 15 to the consolidated financial statements.

30. TRADE AND OTHER PAYABLES

	2018 €'000	2017 €'000
Amounts falling due within one year		
Trade payables	**58**	113
Accruals and other payables	**423**	863
Amount due to related parties	**35,135**	17,353
Total	**35,616**	18,329

The amounts due to related parties are unsecured loans from group undertakings that are repayable on demand.

05



ADDITIONAL INFORMATION

164 ....Shareholder Information
165 ....Advisers

SHAREHOLDER INFORMATION

Financial Calendar

AGM	31 May 2019
Payment of 2018 Final Dividend	5 June 2019
Announcement of 2019 Interim Results	20 August 2019

Share Price

During the year ended 31 December 2018, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price as at 31 December 2018	£2.01
Lowest price during the year	£1.69
Highest price during the year	£4.17

Daily information on the Company's share price can be obtained on our website:
www.hostelworldgroup.com

Shareholder's Enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrars:

UK Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

Irish Registrar
Computershare Investor Services (Ireland) Ltd
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82
Ireland

Company Secretary and Registered Office

Mr. John Duggan
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High Holborn House
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United Kingdom

Company Registration Number
9818705

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Banking

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Chartered Accountants and Statutory Audit Firm
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