

# ANNUAL REPORT 2019

Ready to meet the world?



Let's go!



**HOSTELWORLD**

MEET THE WORLD





**HOSTELWORLD**

MEET THE WORLD

## **OUR VISION**

To shape people's lives and attitudes through travel and build a better world.

## **OUR PURPOSE**

To inspire adventurous minds through travel.

## **OUR MISSION**

To enable travellers to experience new places and meet new people in a fun, memorable and safe way.

## **OUR VALUES**



**THINK  
CUSTOMER**



**BE BOLD,  
BE BRAVE,  
BE ADVENTUROUS**



**BUILDING  
A BETTER  
WORLD**



**KEEP  
IT SIMPLE**



**COMMUNITY  
SPIRIT**

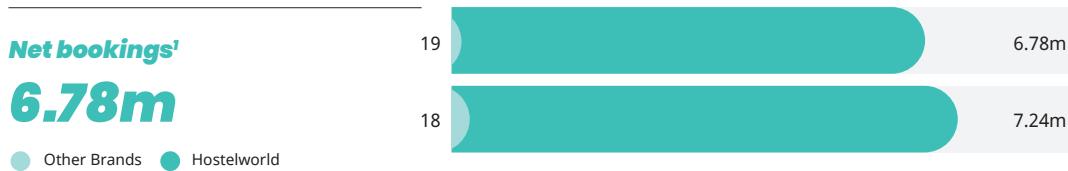
# **ABOUT HOSTELWORLD GROUP**

Hostelworld Group, the global hostel-focussed online booking platform, inspires passionate travellers to Meet The World, and come back with life-changing stories to tell. Our customers are not your average tourists; they crave cultural connection and unique experiences that we make possible by providing an unbeatable selection of hostels in unmissable locations – all in the palm of their hand.

It is the social nature and community feel of hostels and their environment, that enable travellers to embrace journeys of discovery, adventure and meaning. We have more than 13 million reviews across more than 17,700 hostels in more than 179 countries, making our brand the leading online hub for social travel. Our website operates in 19 different languages and our mobile app in 13 languages.

2019 was a milestone year for Hostelworld, marking two decades since our very first booking! We celebrated in August by throwing our community The World's Biggest Hostel Party across 20 hostels, in 20 countries, for 20 consecutive days.

## 2019 SUMMARY



\* For comparative purposes metrics for prior year have been restated to reflect the impact of adopting IFRS 16, in order to give a true and fair comparative of underlying performance.

### Note

1. The Group reports booking volume net of cancellations ("Net bookings") as a key performance indicator as the free cancellation booking option has been in place for the full financial year. Cancelled bookings increased to 0.5m bookings in 2019 (2018: 0.3m) driven by the timing of full global rollout of the product from July 2018.

2. The impact of deferred revenue from our free cancellation booking option is not considered significant in the current year and has not been included in this summary page.

### Definitions

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 EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation, excluding exceptional and non-cash items.

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.

Normalised Adjusted Free Cash Flow - Adjusted Free Cash Flow excludes the impact of the deferral of the revenue related to free cancellation bookings and the impact of the timing of specific one off cash receipts.

# LET'S GO!

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# DISCOVER NEW TERRITORIES

Along with activities, tomorrow's travellers are focussed on capturing priceless moments. For future backpackers, 40% rank getting to see the prettiest landscapes as the most memorable and positive travel experience.\*



## THINK CUSTOMER

Think customer first, we're on their side in everything we do. We always aim to delight and surprise, anticipating and fulfilling their needs, deepening our engagement at every opportunity.

## OVERVIEW

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6

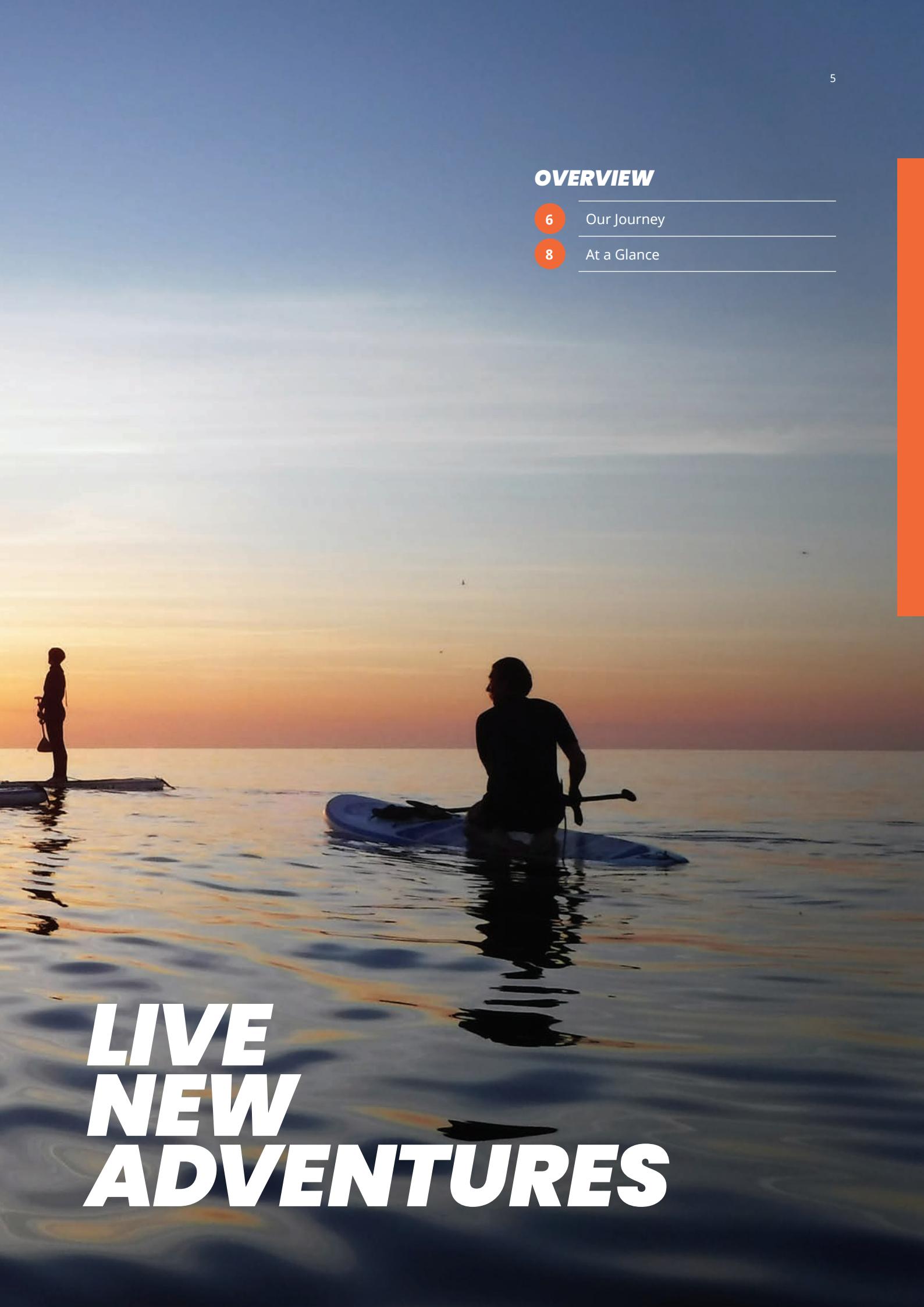
Our Journey

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8

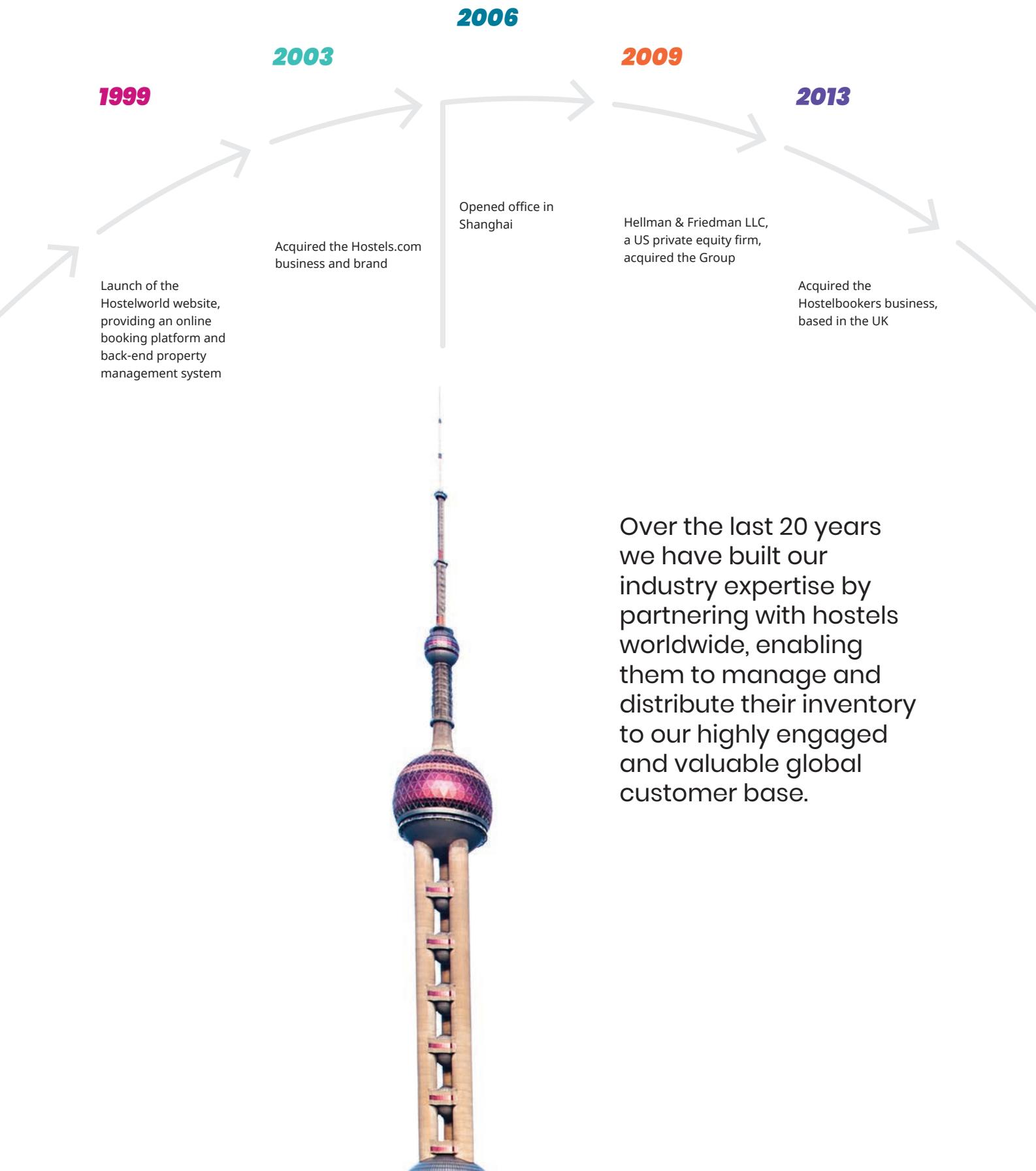
At a Glance

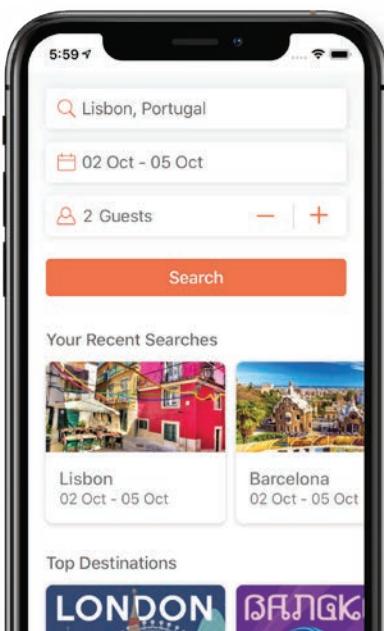
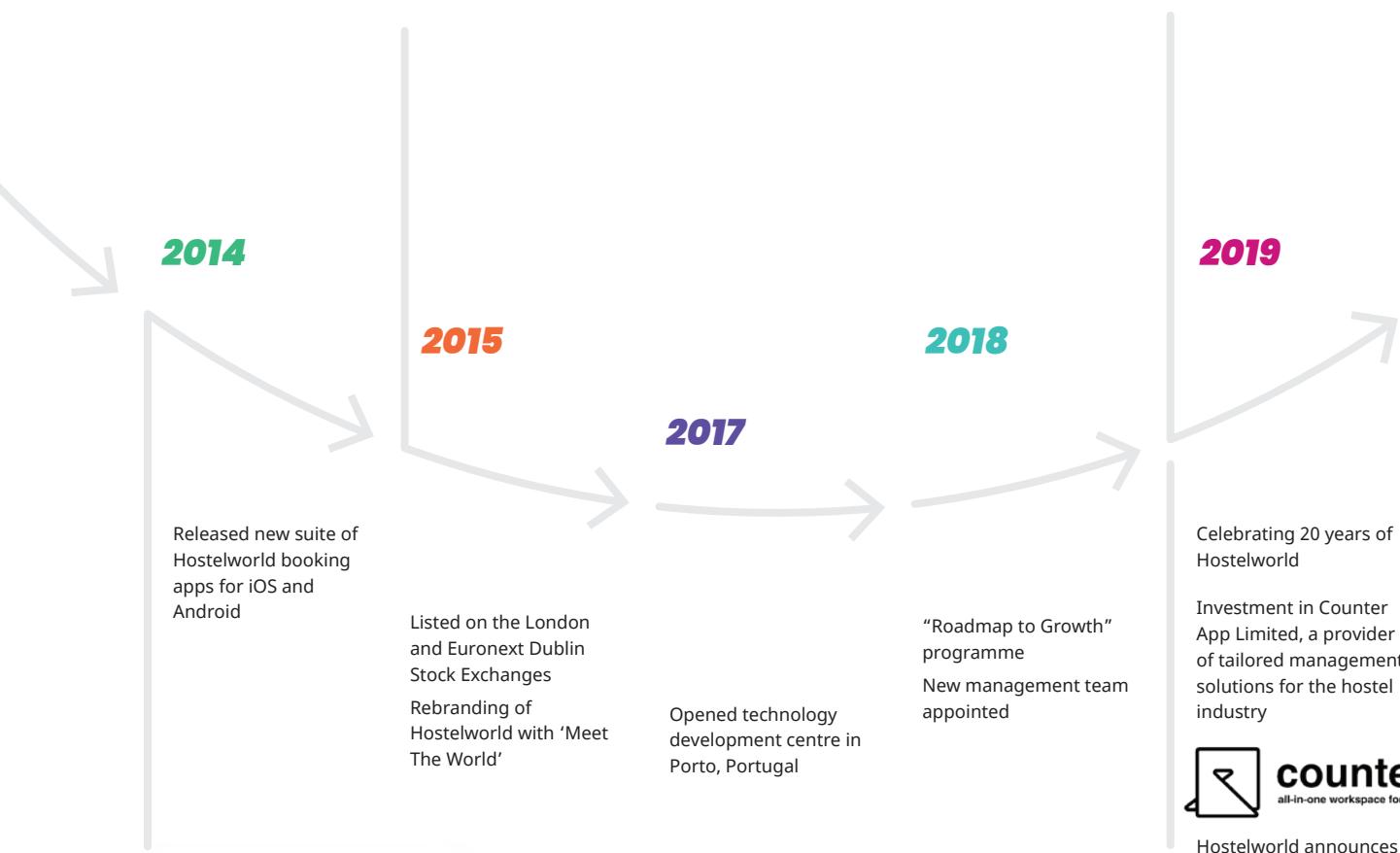
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A photograph of two people paddleboarding on a calm sea at sunset. The sky is a gradient of orange, yellow, and blue. The water reflects the colors of the sky. The person in the foreground is facing away from the camera, while the person in the background is facing towards the horizon.

**LIVE  
NEW  
ADVENTURES**

## OUR JOURNEY





**goki**



Hostelworld announces strategic investment in Goki Pty Limited  
Innovative hardware and consumer app solution to fully automate check-in and door access control

## AT A GLANCE

### THE GLOBAL HOSTEL-FOCUSSED ONLINE BOOKING PLATFORM

**327**  
**Employees**

**Properties  
in 179  
Countries**

**Over  
13m  
reviews**

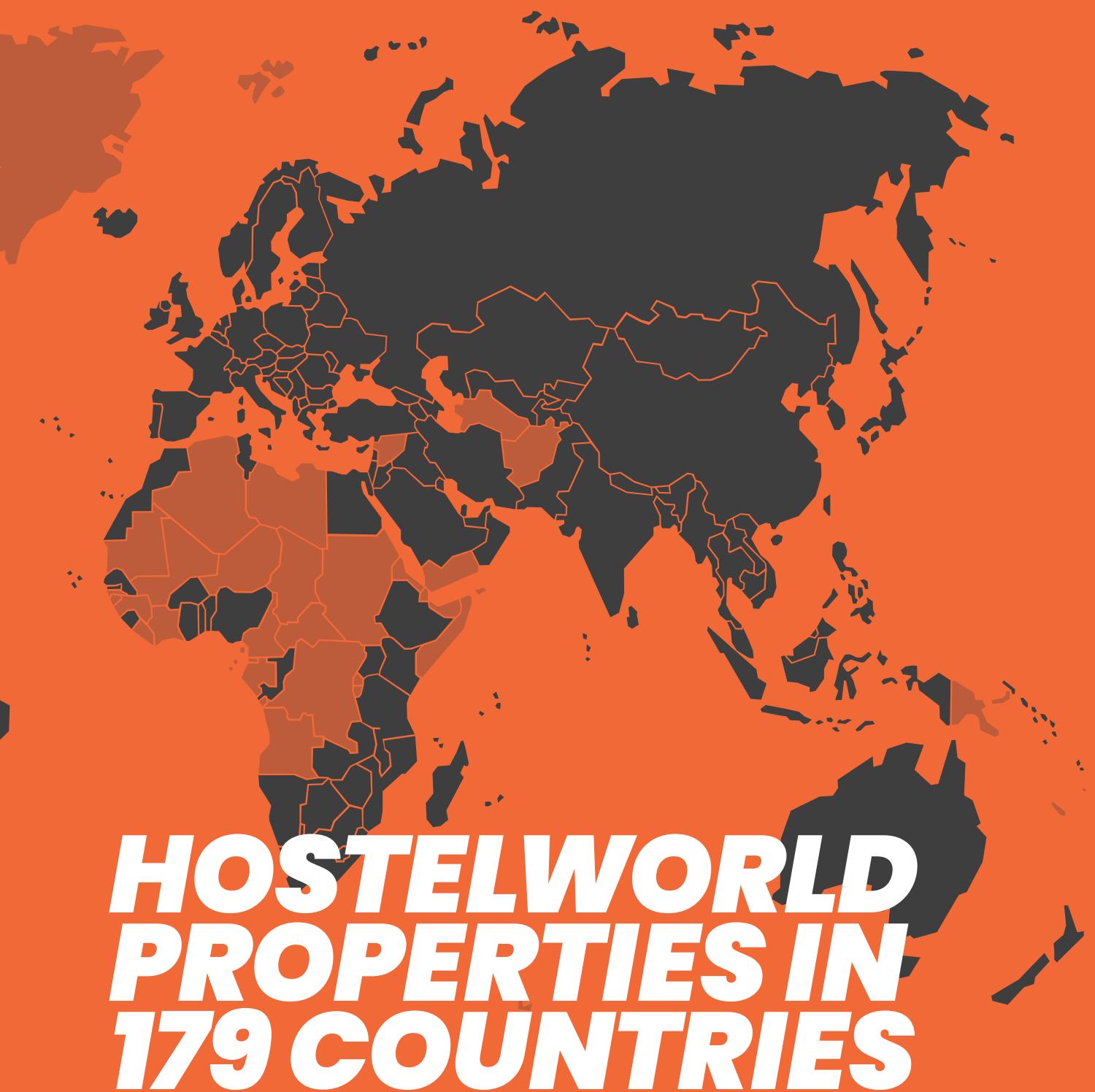
**Available  
globally in  
19 languages  
(13 on app)**

**Over  
17,700  
hostels**

**Over  
87m  
visits to  
website**

**Over  
3.0m  
social media  
followers**





# EXPERIENCE NEW CULTURES

**Over 28% of backpackers rate trying local food as one of the most memorable experiences of their trip. Today's female travellers are serious foodies, with a 10% increase in the importance of liking the local cuisine, from past female travellers.\***

**BE BOLD, BE BRAVE, BE ADVENTUROUS**

Allow our passion to drive our ambition. Be fearless to embrace change as a path to success and adventurous in our thinking.



## STRATEGIC REPORT

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THE YELLOW ROME

# SAVOUR NEW EXPERIENCES

## **CHAIRMAN'S STATEMENT**

# **A YEAR OF SIGNIFICANT ACTIVITY AND CHANGE**

2019 was a milestone year for the Hostelworld Group, where we marked 20 years since the formation of the business.



Michael Cawley | Chairman

Gary Morrison, CEO, completed a detailed strategic review of the business during the latter part of 2018, which identified a number of areas of underinvestment in the business as well as a "Roadmap for Growth" programme to capitalise on the significant opportunities for the business. The progress achieved is covered in more detail in the Chief Executive's Review, but the programme is designed to strengthen our core business, to close the competitive and technological deficits and to enhance our customers' experience. At the time we announced the "Roadmap for Growth" programme we said that the benefits of these initiatives would be seen through a return to growth during 2020. I am pleased to report that the business saw a return to growth during the latter part of 2019. Despite experiencing weaker consumer sentiment during the peak summer months, a return to year-on-year net bookings growth started in September and continued to build momentum during the final quarter of the year. We are encouraged by this strong endorsement of the Hostelworld brand and the vindication of our strategy. In addition, we believe that the business will be well-placed with a solid foundation to capitalise on exciting growth opportunities and to provide our customers with an enhanced product offering through an expanding portfolio.

#### **Dividend and Capital Structure**

Given the growth opportunities the Board wishes to pursue, and the resources and investment required to deliver against our "Roadmap for Growth" strategy, the Board have determined that a change to capital allocation policy is required. The Hostelworld Group will require flexibility on the best use of shareholders' funds to optimise shareholder return and to deliver against the long-term interests of the business and shareholders.

As a consequence, the Board have taken the decision to reduce the level of annual dividend to a range of 20% to 40% of the Group's Adjusted Profit After Tax. The Board is recommending a full year final dividend of 2.1 euro cent per share which together with the interim dividend of 4.2 euro cent per share brings the total dividend for 2019 to 6.3 euro cent per share. This equates to a distribution of 41% of the Adjusted Profit After Taxation in respect of 2019 and €62.7m having been returned to shareholders since IPO in November 2015.

#### **Board Composition**

The composition of the Board is fully compliant with the 2018 UK Corporate Governance Code as applied to small companies. In 2019, an evaluation of the Board, its Committees and individual Directors was undertaken which concluded that the Board is operating effectively. In May, Andy McCue informed the Board of his intention to step down at the 2019 AGM after over three years on the Board. We thank Andy for his contribution during that time. In August, we were delighted to announce the appointment of Evan Cohen as an Independent Non-Executive Director.

**"WE BELIEVE THAT THE BUSINESS WILL BE WELL-PLACED WITH A SOLID FOUNDATION TO CAPITALISE ON EXCITING GROWTH OPPORTUNITIES AND TO PROVIDE OUR CUSTOMERS WITH AN ENHANCED PRODUCT OFFERING THROUGH AN EXPANDING PORTFOLIO."**

**CHAIRMAN'S STATEMENT (CONTINUED)**

With a background in management and strategy consultancy, Evan brings a wealth of experience in the technology sector having held senior positions in several well-known global technology companies, including Lyft and Foursquare. Evan has joined the Audit, Remuneration and Nomination Committees following the resignation of Andy McCue.

There were no other changes to the Audit Committee, Remuneration Committee and Nomination Committee during the year.

**Colleagues, Customers and Shareholders**

Following the completion of his strategic review, Gary Morrison further strengthened the executive team with senior external hires in the following areas: Marketing, Supply, Product and Human Resources. With a refreshed and greatly strengthened management team now in place, the Group is well positioned to capitalise on the growth opportunities.

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 who have been critical to our plans to return the business to growth.

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. We look forward to building on the positive momentum of Q4 2019 and continuing to create value for our shareholders.

**Michael Cawley**

Chairman  
3 March 2020

***"I WOULD LIKE TO THANK ALL MEMBERS OF THE HOSTELWORLD TEAM FOR THEIR COMMITMENT AND HARD WORK DURING THE YEAR."***



 **NOMADS HOTEL HOSTEL CANCUN**

📍 **LUK HOSTEL BANGKOK**



## HOW WE CREATE VALUE

### GREAT EXPERIENCES FOR THE TRAVELLER



- 'Best' inventory of hostels
- Improved search experience – right hotel, right customer, right time
- High quality booking experience
- Best in class app
- Flexible and convenient platform
- Increased number of payment options available

### GREAT TOOLS & TRAVEL KNOW-HOW



Native App Development team

Analytics and Insights

Data-driven bespoke recommendations for travellers

### GREAT GUESTS FOR THE HOSTEL PROVIDER



- Relevant and trusted brand
- Targeted customer acquisition
- Customer lifetime value management
- Driving ancillary spend
- Global locations

## COMMISSION BASED REVENUE

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.

 **SOMOS ANTIGUA**

**Intrepid explorers are back:**  
33% decrease in tomorrow's  
travellers taking the tried and  
tested routes compared to  
past generations.\*

## **CHIEF EXECUTIVE'S REVIEW**

# **IMPLEMENTING OUR ROADMAP FOR GROWTH**

2019 was a very significant milestone in Hostelworld Group's history, marking 20 years since the company was formed. Since the company's inception in 1999, Hostelworld has grown into a global business with more than 13 million traveller reviews and a very relevant brand which is trusted by a loyal and engaged customer base. We are focussed on facilitating a social experience for young independent travellers through showcasing our hostel owner partners' inventory. We have always understood that our customers are not just average tourists; they are seeking a sense of adventure, community and interaction with other like-minded people.



Gary Morrison | CEO

After joining the Group in mid 2018, I announced the results of my strategic review in late November 2018 and outlined a "Roadmap for Growth" for the next 3 years. At that time, I described how growth in EBITDA had been mainly achieved through an increase in commission rates and an increase in the proportion of bookings through Hostelworld App, rather than booking volumes growing. I also described how prolonged underinvestment in technology had led to competitive gaps in the core platform, and that increased "category" based advertising had failed to deliver a satisfactory return. Consequently, I outlined a "Roadmap for Growth" program to address these issues and to reposition the business for a return to growth in 2020 and beyond.

During 2019 our focus has been on implementing the key elements of the programme with delivery expected throughout 2019 and into 2020. This involved capping our commission rates at competitive levels and redeploying our non-productive marketing expenditure into closing out the core competitive gaps that we had previously identified. At the time we anticipated that the benefits of these actions would result in a return to growth in 2020, aligned with our roadmap delivery expectations. It is therefore particularly pleasing that this has been achieved during the final quarter of 2019.

#### **Key Operational Highlights and Results**

2019 was a challenging and competitive year, with customer sentiment softening over key summer months. As a result, net Hostelworld brand bookings declined 5% year-on-year, impacted by the full year roll-out of our free cancellation booking option. Although the macro-environment remained largely unchanged during the remainder of 2019, performance strengthened in the second half of the year, with a return to growth in September, that continued for the remainder of the year, ahead of expectation. The profile of cancelled bookings has performed in line with our expectation.

In addition to competition for customers, there was a marked increase in cost-per-click inflation, throughout 2019. This rising cost base was managed through a reduction in brand marketing spend and disciplined control of operating expenses.

During 2019, we started to implement several initiatives outlined in our "Roadmap for Growth". We have rebuilt the core sort order ranking algorithm from a largely static ranking to a more dynamic, granular ranking algorithm that takes into account more variables such as differing search characteristics observed on desktop versus mobile web demand. Overall, we are pleased with the improvements to date, and will continue to optimise our core search algorithms into 2020. We have also added many features to enable our hostel partners to load their inventory with more flexible rate configurations than ever before, with the net result that more hostels are now offering their lowest non-refundable rate plans to our customers alongside their standard and free-cancellation options. This has led to growth in non-refundable rate plan bookings throughout the year, and we will continue to invest in this area during 2020. During 2019 we also commenced work on migrating our legacy payments platform to a specialist 3<sup>rd</sup> party payments provider, and re-platforming our website to a progressive web app. These are significant work items that will launch in H1 2020, and will provide our customers with more settlement currencies, more payment options and a much faster and richer user experience on mobile web.

Finally, we also made investments in two companies, Australia-based Goki Pty Limited ("Goki") and Counter App Limited ("Counter") who provide respectively tailored guest management and property management and payments solutions for the hostel industry. Through our work with

## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

the hostel industry over the years we have developed an understanding of the unique operational needs of the hostel industry, and we are excited to partner with these two companies to develop and deploy their solutions to hostel owners worldwide.

### Our Strategy

Today, our core business is focussed on serving travellers who want to stay in hostel accommodation for the social experience and the ability to meet people at an affordable price point. The hostel market itself is expected to remain highly fragmented with a growing supply base of high-quality accommodation, particularly in Europe and Asia. Overall, the underlying annual global growth rate for the category is expected to be around 5% through to 2022\*. Within this market, online distribution will remain key for hostel owners; with the share of bookings made through OTAs such as Hostelworld expected to grow and account for 68%\* of all bookings by the end of 2020.

During 2019, we have started to implement our "Roadmap for Growth" to strengthen our core business. Overall, we are pleased with our progress to date, and we remain committed to rolling out the remaining elements of our "Roadmap for Growth" during 2020. As we look forward to 2020 and beyond, we now see additional opportunities to grow faster than the core hostel OTA market by providing our existing customers and hostel owners with a more comprehensive product offering.

As noted earlier, we invested in Goki and Counter respectively to provide solutions to help hostel owners drive up ancillary revenues, reduce operating costs and improve the guest experience. In particular, Goki provides a unique hostel focussed guest management solution to hostels to allow their customers to check in online and use their smartphone as a digital key to their room via the Goki smart lock and App solution. The solution connects to a wide range of third party property management systems and removes the need for plastic key cards and paper based check in processes. The same platform also provides hostels with the ability to create a bookable catalogue

of activities that are published within the App, and the ability to broadcast messages to/from groups or individual customers.

Counter is a new, flexible "all in one" workspace for smaller chains and independent hostel owners. This product has been designed from the ground up for the unique requirements of the hostel industry; covering the functions of a typical property management system with an integrated payments solution. This product will also enable Hostelworld to offer a free upgrade path to a much stronger product for our Backpacker Online customers and opportunity for Extranet only customers to upgrade to a modern PMS/payments management platform at minimal cost. Over time, we expect to launch additional hostel focussed products and services over the Counter platform.

Taken together, Goki and Counter will help Hostelworld re-establish itself not only as an OTA/distributor with hostels, but also as a leading provider of low cost hostel focussed technology solutions to the hostel industry. We see these investments as supporting the evolution of the hostel industry's transition to technology enabled operations and guest management, and strengthening our overall business relationship with hostel owners.

Just as we see opportunities to expand our product portfolio to hostel owners, we also see significant opportunities to build a broader catalogue of experiential travel products beyond hostel accommodation. These types of experiences may include opportunities to study, work or volunteer abroad, with hostel stays featuring as part of an extended itinerary. Our research would also suggest that this market is very fragmented, with many different marketplaces and business models. With the Group's deep knowledge of experiential travellers built up over 20 years, our trusted brand, and a loyal and relevant customer base, we believe we are uniquely positioned to help both our existing customers and new experiential travellers Meet the World® together with other like-minded travellers. To execute this strategy, the Group has increased its focus on potential M&A opportunities in the past six months and built an extensive pipeline of potential targets to further accelerate our growth.

\* Source: Phocuswright's The Global Hostel Marketplace Third Edition. Draft. Unpublished.

 **KLOEM HOSTEL BANGKOK****Décor domination:**

The importance of a hostel's décor has risen by 44% for today's travellers when choosing where to book.\*

## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

### Business Model

We are a well-established global OTA focussed on the hostel market. We provide an online platform that allows hostel owners and to a lesser extent low-cost accommodation providers the ability to showcase their facilities to young and independent travellers. Most of our revenue is generated through facilitating bookings between these accommodation providers and travellers online via our website or, increasingly, via our App. This efficient business model has very favourable working capital attributes and strong cash conversion.

Since 2018, we have offered our customers a free cancellation option, provided that the booking lead time is greater than 7 days and that the booking is cancelled within the specified time period. Revenues from free cancellation bookings that have been collected from customers are deferred and only recognised in future periods when the cancellation date has passed.

### Investing in People

In the last 18 months we have taken a number of significant steps to strengthen our executive team, which will help to address the challenges and opportunities that have been identified for the business.

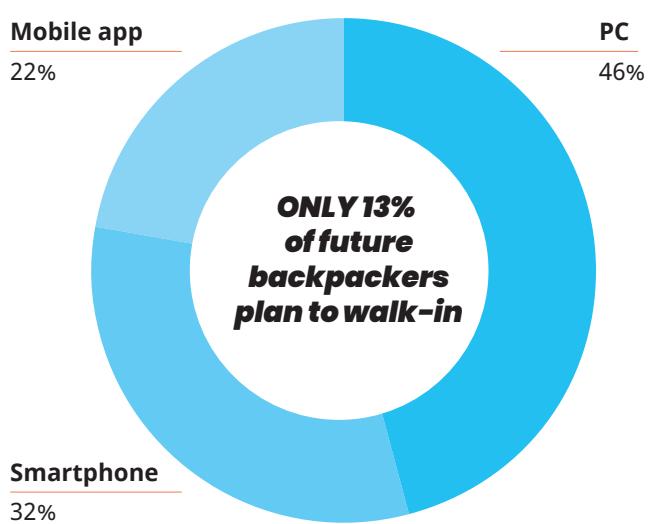
During 2019 we made several significant external hires in key areas. In April, Fabrizio Giulio joined as Chief Supply Officer. Fabrizio has a wealth of experience in the industry, having worked for over a decade with one of our competitors. In August, Yale Varty joined as Chief Marketing Officer, having previously led the marketing organisation at the online retailer ASOS. Jody Jordan joined us in November as Chief Human Resources Officer, having held similar positions at Kerry Group and Paddy Power. In February 2020, Johnny Quach joined us as Chief Product Officer from AirHelp.

With these important roles now filled, I believe that Hostelworld has a world-class management team to build on the positive momentum that is being generated across our business.



**Free hostel experiences:**  
almost one in five (19%) backpackers say they're attracted to hostels offering free activities, over those that don't.\*

### Backpackers planning a trip in the next three years preferred options for reserving a hostel bed\*



### Dividends and Capital Allocation

2019 was a year of investment for Hostelworld, with both organic and inorganic growth drivers, funded from existing cash resources. The appropriate allocation of our capital resources is critical to ensuring the long-term growth of the business and optimisation of our shareholder return. The board and I have therefore decided that the annual dividend will be reduced to a range of 20% to 40% of the Group's Adjusted Profit After Taxation. This change in dividend policy will enable the Group to target complimentary acquisitions, to expand our portfolio and to offer our customers a unique proposition.

### Outlook

I am pleased with the progress of our roadmap for growth strategy to date, and the steps we have taken to strengthen our management team. During 2020 we will continue to implement the remaining elements of our roadmap for growth strategy and build a broader catalogue of experiences beyond providing hostel accommodation to enable our target customer base to explore more of the world together with other like-minded travellers.

Consistent with our strategy, I am therefore pleased to announce we have a very active pipeline of potential acquisition opportunities, some of which are at advanced stages. The nature and scale of any potential acquisitions is such that they would likely be part funded through our existing cash reserves and bank debt.

The susceptibility of the travel industry to a broad range of macro-economic factors, coupled with highly competitive environment we operate in can make the prediction of future operations difficult.

### Gary Morrison

Chief Executive  
3 March 2020



## FINANCIAL REVIEW

# CONTINUED INVESTMENT IN OUR CORE PLATFORM

### Introduction\*

- Hostelworld brand net bookings decline of 5% reflecting an improved performance in the second half of the year (H1 2019: -8%; H2 2019: -1%); total Group net bookings decline of 6%;
- Net Average Booking Value ("ABV") of €11.97, 3% growth versus 2018;
- Revenue decreased by 2% due to a contraction in booking volumes and an increase in cancelled bookings with positive net revenue growth of 6% in the second half of the year (H1 19: -9%; H2 19: +6%);
- Marketing expenses represented 41% of net revenue excluding deferred revenue (2018: 37%);
- Adjusted EBITDA decreased by 9%; this decline increased to 11% on a constant currency basis;
- Adjusted EBITDA margin 25% (2018: 27%);
- 53% Cash conversion and final proposed dividend of 2.1 euro cent per share (2018: 9.0 euro cent per share); adjusting for impact of timing items, underlying cash conversion was 64%; and
- A deferred tax asset of €6.9m was recognised due to a temporary difference between the carrying value and the tax base of intangible assets which were transferred as part of a group reorganisation.



TJ Kelly | Chief Financial Officer

## 2019 Key Performance Indicators

### GROWTH

#### Net Bookings – Hostelworld Brand

**6.63M** ▼ 5%

#### Net Revenue

**€80.7M** ▼ 2%

#### Net Average Booking Value (“ABV”)

**€11.97** ▲ 3%

#### Adjusted EBITDA<sup>(1)</sup>

**€20.5M** ▼ 9%

#### Adjusted EBITDA Margin<sup>(1)</sup>

**25%** ▼ 2%

### RETURN

#### Return on Capital Employed

**11%** ▼ 2%

#### Adjusted Free Cash Flow Conversion<sup>(1)</sup>

**53%** ▼ 48%

#### Adjusted EPS<sup>(1)</sup>

**15.5 EURO CENT** ▼ 15%

#### Total Dividend per share

**6.3 EURO CENT** ▼ 54%

#### Dividend payout ratio

**41%** ▼ 35%

(1) 2018 Adjusted EBITDA has been adjusted for the impact of the Group adopting IFRS 16 Leases. Refer to Note 1 to the Consolidated Financial Statements for further details.

2019, the 20<sup>th</sup> anniversary of the business, was a year of substantial change for the Group. Our customers' experience became our principle focus and we addressed previous technology and experiential deficiencies by prioritising investment in our core platform, focussing on our inventory, search algorithms, booking and payment

experiences. In addition, we invested in two complementary businesses Goki Pty Limited and Counter App Limited, both of which will provide our customers and hostel-owners with high quality unique tools, facilitating bookings and enhancing the experience between hostel and traveller.

## FINANCIAL REVIEW (CONTINUED)

Despite a challenging first half to the year, where Group net bookings were down 10% versus H1 18; the business saw a turn-around in performance in H2 19, with net bookings down -2% versus H2 18. Net bookings returned to growth in September and throughout the final quarter of 2019. This growth resulted in our full year 2019 results delivering in-line with our market guidance.

EBITDA margins remain strong at 25% (2018: 27%) despite significant direct cost inflation and we are pleased to report adjusted EPS of 15.5 euro cent per share (2018: 18.2 euro cent per share). Cash conversion of 53% (2018: 101%) is impacted by timing of cash receipts and increased strategic investments, excluding the impact of the deferral of revenue related to free cancellation bookings and one off timing impacts, underlying cash conversion was 64%. Return on Capital Employed ("ROCE") also remains strong at 11% (2018: 13%). The decrease was primarily driven by the effect of the reduction in net bookings during 2019.

### Bookings and Revenue

The Group's net booking volumes declined by 6% in 2019 (2018: 4% decline) which was driven by a decline in performance in our core Hostelworld brand in the period which fell by 5% compared to the same period last year (2018: 1% decline).

Net Average Booking Value ("ABV") is the average value paid by a customer for a net booking. ABV increased by 3% during the year (2018: 1%). The average commission rate in 2019 increased to 16.0% (2018: 15.4%), primarily driven by the effects of base commission increases in February 2018 and January 2019. These commission increases and the positive impact of exchange rates were partially offset by the continued decline in the number of bed nights per booking with the continued shift to mobile bookings.

In 2018 in response to customer demand, the Group rolled out a free cancellation booking option, to further broaden our product offering. This led to a deferral of revenue recognition, which has had a positive impact of €0.1m on reported earnings in 2019 (2018: €2.9m negative impact), however this has not had an impact on cash receipts.

At 31 December 2019, €2.8m represents the total deferred revenue balance (2018: €2.9m) from free cancellation bookings that has been collected from customers and will be recognised in future periods, net of any future cancellations, in 2020 when the last cancellation date has passed. Any cancellations that were processed by customers up to and including 31 December 2019 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. Total Group bookings, net of any cancellations processed by 31 December 2019, have declined by 6% in 2019 (2018: 4% decline), with Hostelworld brand net bookings declining by 5% (2018: 1% decline). Underlying cancellation rates continue to perform in line with our expectations.

Group revenue decreased by 2% during the year to €80.7m (2018: €82.1m), which corresponds to a 4% decrease on a constant currency basis. This is partially as a result of the impact of the free cancellation booking option with cancelled bookings increasing to 0.5m bookings (2018: 0.3m bookings). The increase in cancellation numbers is driven by the timing of the full global rollout which was in July 2018. All of the marketing costs in relation to these bookings have been recognised in the year.

The Group continues to actively manage its marketing mix with marketing investment as a percentage of net revenue excluding deferred revenue of 41% in 2019 (2018: 37%). This increase is driven by higher than anticipated cost inflation in performance marketing channels, increased cancellations in 2019 relative to 2018 due to the phased launch of the free cancellation product in 2018 and partly offset by a planned reduction in category advertising.

### 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.

The Group has adopted IFRS 16 Leases from 1 January 2019, as disclosed in note 1 to the consolidated financial statements. The Group has applied the modified retrospective approach, and as a result it has not restated prior periods on adoption in its financial statements. For comparative purposes Adjusted EBITDA for prior periods has been restated to reflect the impact of adopting IFRS 16, in order to give a true and fair comparative of underlying performance.

Restated Comparatives (€m)	2018
<b>Adjusted EBITDA- as previously reported</b>	21.4
Impact of IFRS 16 Leases if applied retrospectively <sup>(2)</sup>	1.1
<b>Adjusted EBITDA - including the impact of IFRS 16 Leases</b>	<b>22.5</b>

(2) Refer to Note 1 to the Consolidated Financial Statements for further details.

Adjusted EBITDA of €20.5m (2018: €22.5m) has decreased by €2.0m (9%) in the year and by 11% on a constant currency basis. Adjusted EBITDA as a percentage of revenue declined to 25% (2018: 27%). Adjusted EBITDA has been impacted by the reduction in bookings during the period and by the rollout of the free cancellation product, which has resulted in increased cancellation numbers in 2019.

Administration expenses, excluding the impact of exceptional and IFRS16, were flat to PY 2018 (€60.4m, 2018: €60.3m). This was primarily as a result of an increase in marketing costs offset by a reduction in staff and other administration costs. There was a marked increase in cost per click inflation throughout 2019 and this rising cost base was managed through a reduction in brand marketing spend and disciplined control of operating expenses.

Excluding the impact of the level of development labour capitalised in accordance with IFRS standards (2019: €2.3m; 2018: €1.7m), share based payment expense and the impact of a bonus accrual, staff costs increased by 4% on a constant currency basis.

Staff costs decreased from €17.2m to €16.9m. The average number of persons employed increased by 7% from 294 in 2018 to 314 in 2019, as the Group continues to invest in a technology development centre in Portugal which will further increase the development capacity of the Group.

## FINANCIAL REVIEW (CONTINUED)

### Reconciliation between Operating Profit and Adjusted EBITDA:

€m	2019	Adjusted 2018 <sup>(3)</sup>	Reported 2018
Operating profit	3.3	6.8	6.7
Depreciation	2.4	2.3	1.2
Amortisation of development costs	1.7	1.9	1.9
Amortisation of acquired intangible assets	9.8	10.3	10.3
Exceptional items	3.1	1.6	1.6
Share based payment expense / (credit)	0.2	(0.3)	(0.3)
<b>Adjusted EBITDA</b>	<b>20.5</b>	<b>22.5</b>	<b>21.4</b>

(3) 2018 Operating Profit and Adjusted EBITDA have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 1 to the Consolidated Financial Statements for further details.

The exceptional costs for the year of €3.1m were primarily restructuring and merger and acquisition related costs (2018: €1.6m).

The share based payment expense of €0.2m (2018: €0.3m credit) 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	2019	Adjusted 2018 <sup>(4)</sup>	Reported 2018
<b>Adjusted EBITDA</b>	<b>20.5</b>	<b>22.5</b>	<b>21.4</b>
Depreciation	(2.4)	(2.3)	(1.2)
Amortisation of development costs	(1.7)	(1.9)	(1.9)
Net finance costs	(0.2)	(0.2)	-
Share of results of associate	(0.1)	-	-
Corporation tax	(1.2)	(0.8)	(0.8)
<b>Adjusted Profit after Taxation</b>	<b>14.8</b>	<b>17.4</b>	<b>17.5</b>
Exceptional items	(3.1)	(1.6)	(1.5)
Amortisation of acquired intangibles	(9.8)	(10.3)	(10.3)
Share based payment expense / (credit)	(0.2)	0.3	0.3
Deferred taxation	6.6	(0.2)	(0.2)
<b>Profit for the period</b>	<b>8.4</b>	<b>5.6</b>	<b>5.7</b>

(4) 2018 Adjusted EBITDA and Adjusted Profit after Taxation have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 1 to the Consolidated Financial Statements for further details.

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 (apart from interest on lease liabilities), 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 15% from €17.4m to €14.8m (2018: 19% decrease) and 18% on a constant currency basis reflecting the marginal impact of the reduction in Net Bookings during the period.

Based on the weighted average number of shares in issue during 2019, reported Earnings per Share ("EPS"), as set out in Note 9 to the financial statements, is 8.78 euro cent per share for the financial year (2018: earnings per share 5.84 euro cent). Using Adjusted PAT as the measure of earnings would result in an adjusted EPS of 15.46 euro cent per share for the year. The corresponding EPS for 2018 calculated on the same basis, using the weighted average number of shares in issue as at 31 December 2018 and adjusting for the impact of IFRS 16 is 18.21 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 2019 apart from finance charges for leased assets (€0.2m) which arise due to the impact of IFRS16 (2018: €0.2m).

### Taxation

The Group corporation tax charge of €1.2m (2018: €0.8m) results in an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 6.0% (2018: 3.4%) and 40.6% of reported profit before taxation, which is after amortisation of acquired intangible assets of €9.8m and exceptional costs of €3.1m (2018: 11.8% of reported profit before taxation of €6.5m, which is adjusted for the impact of IFRS 16).

The Group's deferred tax credit for the year ended 31 December 2019 of €6.6m (2018: €0.2m charge) primarily relates to a group reorganisation that is referred to in note 12 and note 20 to the consolidated financial statements.

### Adjusted Free Cash Flow Conversion

€m	2019	Adjusted 2018 <sup>(5)</sup>	Reported 2018
<b>Adjusted EBITDA</b>	<b>20.5</b>	<b>22.5</b>	<b>21.4</b>
Capitalised development spend	(2.9)	(1.8)	(1.8)
Capital expenditure	(0.2)	(0.7)	(0.7)
Acquisition of associate	(1.1)	-	-
Interest and tax paid	(1.7)	(0.8)	(0.8)
Net movement in working capital <sup>(6)</sup>	(3.7)	3.6	2.6
<b>Adjusted Free Cash flow</b>	<b>10.9</b>	<b>22.8</b>	<b>20.7</b>
<i>Adjusted Free Cash flow conversion</i>	53%	101%	97%

(5) 2018 Adjusted EBITDA and Adjusted Free Cash Flow have been adjusted for the impact of the Group adopting IFRS 16. Refer to Note 1 to the Consolidated Financial Statements for further details.

(6) Changes in working capital excludes the effects of exceptional costs and cash outflow relating to investments.

## **FINANCIAL REVIEW (CONTINUED)**

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 2019 was at a lower level than 2018 and includes the impact of a debtor related to a group reorganisation in 2019. Adjusted free cash flow conversion of 53% in 2019 (2018: 101%) includes the impact of €2.8m (2018: €2.9m) of revenue related to free cancellation bookings that was received but deferred, increased investment and restructuring activity related costs. Excluding the impact of the deferral of revenue related to free cancellation bookings and the timing of specific one off cash receipts, adjusted free cash flow conversion would have been a normalised 64% (2018: 90%).

Total cash at 31 December 2019 was €19.4m (2018: €26.0m) of which €nil is restricted (2018: €nil). There were no borrowings at 31 December 2019 (2018: €nil).

### **Foreign Exchange Risk**

The Group's primary operating currency is euro. The Group also has significant sterling and US dollar cash flows. In 2019 the average US dollar to euro exchange rate strengthened by 5% and the average sterling to euro exchange rate strengthened by 1% in comparison to 2018. Restated on a constant currency basis, ABV has increased by 2%, revenue has decreased by 4% (€3.6m) and Adjusted EBITDA has decreased by 11% (€2.6m) in 2019. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2019 to the financial results for the year ended 31 December 2018 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 €2.0m equating to 2.1 euro cent per share. This is in addition to the interim dividend of €4.0m or 4.2 euro cent per share paid in September 2019. This payout of €6.0m or 6.3 euro cent per share (2018: 13.8 euro cent per share) reflects a distribution of 41% of the Adjusted PAT for the year ended 31 December 2019 and is in line with the updated dividend policy.

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.

The Board reviewed the Group's dividend policy and have approved a revision of the payout range, from 70% to 80%, to 20% to 40% of the Group's Adjusted Profit After Tax. This change in capital allocation will provide the Group with the flexibility needed for capital and other investment growth opportunities, both organic and inorganic, to optimise shareholder return.

The final dividend of 2.1 euro cent per share is to be approved by shareholders at the 2020 AGM on 27 April 2020. If approved, the dividend will be paid on 8 May 2020 to members appearing on the register at close of business on 17 April 2020. After payment of the proposed final dividend for 2019 the Group will have returned €62.7m to shareholders in dividends since IPO in November 2015.

**TJ Kelly**  
Chief Financial Officer  
3 March 2020

## 📍 JUCY SNOOZE CHRISTCHURCH



### Slow Travel is a thing:

Backpackers are choosing to explore fewer countries in a single trip to get more out of each destination. Down from an average of 3-4 in the past to just 1-2 countries per trip in the future.\*

## 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 Group's risk register identifies key risks including any emerging risks and monitors progress in managing and mitigating these risks and is reviewed regularly during the year by the Audit Committee and at least annually by the Board. There was significant focus on emerging risks as part of the risk assessment review and the Board is satisfied that there has been a thorough process carried out to identify emerging risks and put in place remedial actions to manage or mitigate those risks. The most material risks facing the Group including any emerging

risks 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 and emerging 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 37 and note 1 to the Consolidated Financial Statements respectively.

**Direction of change**  
 □ Unchanged  
 ▲ Increased  
 ▼ Decreased

### Material risks:

No.	Category	Description and Impact	Management and Mitigation	Direction of change
1.	<b>Macroeconomic conditions</b>	<p>Revenue is derived from the wider leisure travel sector. Perceived or actual economic conditions, including slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs could impair customer spending and adversely affect travel demand. In addition, events beyond our control such as unusual or extreme weather, travel related health concerns including pandemics and epidemics or travel-related accidents can disrupt travel and result in declines in travel demand. Because these events or concerns are largely unpredictable, influencing customer demand and behaviour, they can adversely affect our business and results of operations.</p> <p>Significant movements in FX rates can have a dramatic impact on travel volumes, revenues and travel patterns.</p>	<p>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 rest of world.</p> <p>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.</p> <p>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.</p>	▲

No.	Category	Description and Impact	Management and Mitigation	Direction of change
2.	<b>Impact of terrorism threat on leisure travel</b>	<p>The continued 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.</p> <p>Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.</p>	<p>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.</p> <p>The dispersed nature of our business also acts as a mitigant, with c.50% of destination markets in Europe and c.50% in rest of world.</p>	■
3.	<b>Competition</b>	<p>The business operates in a highly 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.</p> <p>Increased competition from other online travel agents ("OTAs") or from the alternative accommodation sector via websites, 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 and/or could increase traffic and therefore customer acquisition costs. Demand for our services could suffer, reducing revenue and margins.</p>	<p>We continue to execute on our roadmap for growth and capitalise on our unique market position, this involves:</p> <ul style="list-style-type: none"> <li>Investing in leveraging the Group's unique data assets allowing it to target and grow the most profitable customer segments by optimising its overall marketing investment;</li> <li>Continue to strengthen the Group's 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; and</li> <li>Continue to focus on expanding our global footprint, meeting emerging demand and also strengthening our overall product offering.</li> </ul>	▲
4.	<b>Search Engine Algorithms</b>	<p>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</p>	<p>The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in paid and non paid search. This in-house expertise is supplemented by the deployment of leading technology tools.</p>	▲
5.	<b>Brand</b>	<p>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.</p>	<p>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.</p>	■
			<p>Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us.</p>	
			<p>The Group has a Crisis Management Policy in place which includes appropriate escalation.</p>	

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
6.	<b>Data Security</b>	<p>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.</p> <p>Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial and/or other penalties.</p>	<p>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.</p> <p>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.</p> <p>We have implemented a comprehensive privacy compliance programme to align with our on-going obligations under GDPR and have invested in our own data protection resources to monitor compliance. Our Data Protection Officer is responsible for informing, advising and monitoring compliance on all matters relating to the protection of personal data in the Company. 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.</p> <p>For 2020, Hostelworld plan to migrate parts of the e-commerce platform to the Cloud. Whilst risk is minimal, there still is risk that security gaps may manifest during the migration.</p>	
7.	<b>Regulation</b>	<p>The global nature of our business means we are exposed to 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.</p> <p>The recent investigation by UK Competition and Markets Authority (CMA) into clarity, accuracy and presentation of information on OTA sites could impact revenue.</p> <p>In addition, as a listed company on the London and Euronext Irish Stock Exchanges, adherence to the Listing Rules is required.</p> <p>Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage.</p> <p>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.</p>	<p>We monitor regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations.</p> <p>Suitable experienced resources have been engaged to ensure consumer compliance requirements, compliance with the Listing Rules, the FRC Corporate Governance Code and the Market Abuse Regulations.</p> <p>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.</p> <p>A detailed analysis of the Group's practices by a number of senior executives in the Company's Legal, Marketing and Product departments concluded that a limited number of amendments to the Group's online sales practices was required in order to achieve substantial compliance with the CMA's written guidelines.</p>	

No.	Category	Description and Impact	Management and Mitigation	Direction of change
8.	<b>Tax</b>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p>	■
9.	<b>Business Continuity</b>	<p>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 an adverse impact to our customer service.</p>	<p>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 eCommerce Business Continuity Plans ("BCP") to include our corporate offices.</p>	■
10.	<b>People</b>	<p>The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.</p>	<p>The Group has developed stronger 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 attracting the right calibre of talent, driving levels of motivation, retention and 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.</p> <p>A non-executive director has been designated to fulfil the workforce engagement role as set out in the 2018 UK Corporate Governance Code.</p>	▲

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
11.	<b>Brexit</b>	<p>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 and from UK nationals which could impact on Group revenue. In the year ended 31 December 2019, the UK as a destination represented 6% of total Group bookings (2018: 6%) and 14% of Group bookings were from UK nationals (2018: 14%).</p> <p>Overall a decline in macroeconomic conditions in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider leisure travel sector.</p>	<p>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 the impacts of Brexit and implement any necessary remediation steps to mitigate its impact on the Group.</p>	▲

### Emerging risks:

No.	Category	Description and Impact	Management and Mitigation	Direction of change
1.	<b>Payment Processor</b>	Reliance on single payments processor (Worldpay) for the Group and exposure to their downtime, service etc.	Payments is a part of the product roadmap. The Group is investing in a payment team to enhance the functionality in this space.	■
2.	<b>Climate Change</b>	Changing consumer demand as a result of increased awareness of issues related to climate change adversely impacting financial performance.	Climate change issues may impact travel decisions and travel patterns by customers, but is mitigated to the extent that our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations	▲
3.	<b>Mergers and Acquisition</b>	Anticipated benefits of mergers and acquisitions may not materialise due to inaccurate evaluation of business targets, over estimation of synergies or poor management and or integration of acquisition target.	Suitable experienced resources have been engaged internally and external professional advisers are engaged to ensure expertise in identifying, evaluating and conducting due diligence and subsequent transaction execution and integration. In addition Board approval is required for all transactions and regular updates are presented to the Board on potential targets, including strategic evaluations of any proposed significant investments.	▲

## Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a five-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 24 to 30.

The Directors have determined that a five year period to 31 December 2024 is an appropriate period over which to provide its viability statement as 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 Board considers annually a 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 32 to 36 represent severe but plausible circumstances that the Group could experience.

The scenarios tested on principal risks included:

- Macroeconomic/Terrorism/Brand damage: A shortfall in the number of bookings forecasted;
- Macroeconomic Shock/FX/ Brand Damage to Hostels as Accommodation Category: A continual decline in the average booking value ("ABV"); and
- Increased Competition or Change in Search Engine Algorithms: An increase in the cost per paid booking and number of cancellations and execution risks in developing and rolling out strategic initiatives.

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 Board 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 five year period ended 31 December 2024.

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 consolidated financial statements.



**MASAYA** SANTA MARTA

# STATEMENT OF COMPLIANCE – S172(1) OF THE COMPANIES ACT, 2006

The Directors are aware that they are each required to act in a way that they consider, in good faith, would be most likely to promote the success of Hostelworld for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decisions in the long-term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and environment;
- The desirability of the Group maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders.

## Compliance briefing on directors' duties under section 172(1)/ Directors induction training

During the year, the Directors were provided with a detailed compliance briefing on their obligations under section 172(1) of the Companies Act, 2006 ("Section 172(1)") and the Company Secretary was instructed to ensure that the induction training for any new directors appointed to the Board emphasised directors duties under Section 172(1). As part of his induction, Evan Cohen, who joined the Board as a Non-Executive Director in August 2019, was provided with tailored training on his duties in connection with complying with Section 172(1).

## Relevant stakeholders

As part of the compliance briefing, the Directors considered and assessed who the Group's relevant stakeholders were for the purposes of complying with Section 172(1). The Directors agreed that the Group's shareholders, workforce, traveller customers, hostel partners and strategic suppliers were its key stakeholders on the basis that a positive and engaged relationship between the Group and each of these stakeholders was required in order for the Group to deliver its strategy effectively and contribute to the wider economy. Information about how the Group has engaged with its key stakeholders is set out below.

## Understanding the views of stakeholders

We set out on pages 59 to 61 the methods used to ensure the Directors understand the views of the Group's key stakeholders.

## Principal Decisions

The following decisions were the Board's principal decisions for 2019 from a Section 172(1) perspective. Further information about each of these is set out below:

- The acquisition of 49% of the share capital in Goki Pty Limited;
- The investment into a commercial partnership, Counter App Limited "Counter"; and
- The establishment of a new payment processing partnership.

## Section 172(1) Considerations

### (a) The likely consequences of any decision in the long term

During the year, the Directors provided oversight and approved the acquisition of 49% of the share capital in Goki Pty Limited. The details of this transaction are set out in note 13 to the consolidated financial statements on pages 142 and 143. As part of their oversight and assessment of the investment decision, the Directors had particular regard to the fact that the making of the investment (and execution of the commercial strategy underpinning the investment decision) was a key element of the Group's long-term strategy to differentiate Hostelworld from its OTA competitors.

In connection with the Directors' oversight and approval of the strategic investment made to establish "Counter" (a commercial partnership with a property management software developer) during 2019, the Directors agreed that failing to establish the commercial partnership would leave the Group reliant on legacy technology which would require substantial investment and diminish the Group's product offering to its hostel partners. This would, in turn, limit the Group's commercial appeal to its hostel partners in the long-term. The details of the launch of Counter, the new Property Management System (PMS) for the Group's hostel partners are set out on page 20 (Chief Executive's Review).

**STATEMENT OF COMPLIANCE – S172(1)  
OF THE COMPANIES ACT, 2006 (CONTINUED)**

In 2019, the Directors provided oversight and approved the establishment of a new payment processing partnership with a key supplier which would supplement the Group's existing partnership with a separate payments partner. In approving the transaction, the Directors had specific regard to the negative long-term commercial impact if the Group did not have an additional payments partner with a technology roadmap which was aligned to the long-term payments strategy of the Group and to the need to effectively manage the risk of the Group being reliant on a single payments partner.

**(b) The interests of the Group's employees**

In approving the investment decision in Goki Pty Limited and the approval of the commercial partnership established in connection with launching Counter, the Directors had regard to the positive impact on employee engagement of announcing the transactions internally in the Group on the basis that the transactions demonstrated the ability of the Group's management to delivery against the Group's strategy.

As part of the Directors' assessment and approval of the new payment processing partnership with a key supplier, the Directors had regard to the engagement that had taken place with representatives of the Group's Technology and Product departments who had provided detailed input into the partner selection process. To ensure meaningful engagement took place between the Board and the Group's employees involved in the partner selection process, the Directors ensured that the representatives who had inputted into the process were informed that their requirements and preferences were taken account of by the Directors in the context of their approval of the transaction.

The Board recognises the importance of a highly engaged workforce which it considers to be crucial in ensuring the Group is appropriately resourced for the purposes of delivering its key strategic goals. During 2019, the Directors considered the feedback provided by employees through a number of employee engagement mechanisms and approved the implementation of a number of employee initiatives. These initiatives were designed to address issues raised by

the employees, ensure that the Group rewards its employees in a fair and competitive manner, and provide employees with opportunities to continue to develop successful careers with the Group. Details of the key initiatives implemented are as follows:

- Access to digital e-learning tools for all members of the workforce;
- Salary and benefits benchmarking project implemented;
- Career break policy implemented;
- Remote working policy implemented;
- Employer pension contributions increased; and
- Increased availability of life insurance benefits.

The Directors considered their obligations under part (b) of Section 172(1) in the context of their review of the decisions and proposals made by the Nomination Committee in connection with succession planning. The Directors agreed that effective succession planning was required both to ensure the Group's employees were supported in their career development goals and to manage short-term and long-term resourcing risks to the Group's ability to deliver its strategy. Accordingly, the Directors approved the decision of the Nomination Committee to re-examine the scope and comprehensiveness of the Group's succession plans for senior and middle management to ensure they remained 'fit for purpose'.

**(c) The need to foster the Company's business relationships with suppliers, customers and others**

In connection with the Directors' oversight and approval of the commercial partnership established in connection with launching Counter during 2019, the Directors considered part (c) of Section 172(1). In this regard, the Directors agreed that the commercial execution of the business plan which underpinned the collaboration and the making available by the Group of hostel focussed technology solutions would enable the Group's hostel partners to run their businesses more efficiently and assist the Group in maintaining its strong collaborative partnership with its hostel partners.

As part of the Directors' assessment and approval of the new payment processing partnership, the Directors further considered part (c) of Section 172(1) and agreed that the proposed partnership

would also enhance the Group's commercial relationship with its hostel partners by broadening the range of products that could be made available to hostels and assist them in growing their businesses and competing successfully in the hostel market.

**(d) The impact of the Company's operations on the community and the environment**

In connection with the Directors' review and revision of the Group's purpose and values during 2019, the Directors considered part (d) of Section 172(1) and were provided with an update on the charitable work undertaken by the Group during the year. The Board agreed that the charitable work undertaken by the Group during the year evidenced strong engagement by the Group with local communities and further agreed that maintaining charitable partnerships in the community going forward was important in the context of the Group's role in contributing to wider society.

As part of the Directors' assessment of the greenhouse gas emissions resulting from employee travel during the year, the Directors considered part (d) of Section 172(1) and agreed that the increased level of emissions (substantially attributable to an employee conference held in Barcelona and attended by the majority of the Group's employees) was a cause of concern in the context of the Group's impact on the environment and would be monitored closely going forward.

**(e) The desirability of the Company maintaining a reputation for high standards of business conduct**

As part of the Directors' assessment and approval of a payment processing partnership with a key supplier, the Directors considered part (e) of Section 172(1). The Directors agreed that the selection of an appropriately licensed and well established payments partner was required to ensure the Group maintained its reputation for high compliance standards and business conduct and would assist in maintaining customer confidence in the Group's focus on information security and data compliance

in connection with the use of customer data and credit card information.

The Directors considered part (e) of Section 172(1) in the context of the Directors review of the Group's GDPR compliance framework. The Directors noted that the Group applied considerable resources and focus to privacy compliance issues and agreed that this was both correct and consistent with the requirement that the Group maintain a reputation for high standards of business conduct.

**(f) The need to act fairly as between members of the Company**

The Directors considered their obligations under part (f) of Section 172(1) in the context of the Remuneration Committee Chairman corresponding with the limited number of shareholders who voted against the Directors' Remuneration Policy resolution proposed at the Company's Annual General Meeting held on 31 May 2019. The Directors agreed that seeking the views of the shareholders who had voted against the Directors' Remuneration Policy resolution was appropriate in the context of the Directors ensuring that they acted fairly between members of the Company.

**Effect of Section 172(1) on Board decisions**

The Board welcomes the requirement for each Director to have regard to a number of matters which are beyond strict financial performance considerations when they are assessing Board matters. The Board considers the requirements of Section 172(1) will ensure that each Director will continue to develop their appreciation of how both financial and intangible value in the Group is created over time and enable each individual Director and the Board to be well positioned to oversee a sustainable future for the Group.



📍 **SELINA SECRET GARDEN LISBON**

## **CORPORATE SOCIAL RESPONSIBILITY**

At Hostelworld Group, we place great importance on managing our business in an ethical and conscientious way worldwide. The way we interact with our people, our suppliers, our customers, our shareholders and the global communities in which we operate demonstrates this.

In 2019 having reviewed our key priorities, we launched our Vision, Mission, Purpose and Values.

Our Vision is to shape people's lives and attitudes through travel and build a better world.

Our Mission is to enable travellers to experience new places and meet new people in a fun, memorable and safe way.

Our Purpose is to inspire adventurous minds through travel.

Our Company values are:

---

**Think Customer** - Think customer first, we're on their side in everything we do. We always aim to delight and surprise anticipating and fulfilling their needs, deepening our engagement at every opportunity.

---

**Be Bold, Be Brave, Be Adventurous** - Allow our passion to drive our ambition. Be fearless to embrace change as a path to success and adventurous in our thinking.

---

**Building a Better World** - We use our collective energy every day to promote understanding in our world by enabling individual journeys of discovery, adventure and meaning. We value and promote equality, respect and diversity to help inspire a better world.

---

**Keep it Simple** - Use simplicity and smart thinking to be agile and improve everything we do. Let's make complexity our enemy and simplicity our mantra.

---

**Community Spirit** - We bring people together from all over the globe, inspiring energy, passion and curiosity. Our unique community spirit empowers us to help build collaboration, openness and honesty.

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Our People

Our diverse workforce is located across five offices globally; Dublin, London, Porto, Shanghai and Sydney.

In 2019 colleagues from around the world came together in Barcelona for our first Hostelworld Employee Conference. This was a great opportunity to engage colleagues around our Strategy and to bring to life our new Vision, Mission, Purpose and Values.

We believe that having a diverse team is essential in our role as a promoter and facilitator of global travel. We strongly 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, race, religious belief or political opinion. The importance we place on "Community Spirit" is demonstrated by the fact that our 327 colleagues come from a variety of backgrounds, cultures and age groups, and represent 30 nationalities. Our unique "Community Spirit" empowers us to help build collaboration, openness and honesty with one another.

Recognising the importance of establishing and maintaining a highly engaged workforce, we continued to gather employee feedback and to measure employee engagement. In 2019, colleagues completed two pulse-check surveys focused on topics such as work life balance, collaboration and communication, innovation, learning and development and alignment and involvement. We continue to see improvements in our scores and will continue to take action to drive positive change in our engagement levels and the overall Employee Value Proposition. The results of each survey were shared at a companywide level, department level and individual team level.

In 2019 the Board appointed Éimear Moloney as the designated Non-Executive Director with responsibility for understanding the views of the Group's employees and for managing effective engagement between the Board and the Group's workforce. Our Colleague Engagement Forum was then established and is made up of a small number of employees from across the business. These employees meet with Éimear

at various dates throughout each year to ensure that the Board and Hostelworld employees mutually understand each other's views and remain informed on topical issues. Éimear will then represent the views and voice of Hostelworld employees at Board Meetings.

Learning and Development was a particular area of improvement identified in 2019. In order to provide our people with opportunities to develop both personally and professionally we rolled out LinkedIn Learning across the business. LinkedIn Learning provides access to high quality, written and visual content with over 15,000 online courses. Introducing LinkedIn Learning was positively received by our people thus strengthening our Employee Value Proposition. As of 31 December 2019 our people have an average learning time of six hours each.

We reviewed our Compensation and Benefits offering to ensure that we are competitive versus market and are providing our people with fair rewards for their commitment and achievements as well attracting new talent. In line with feedback received through the engagement surveys we undertook a benchmarking exercise, increased both our employer pension contributions and the life assurance offering.

In 2019 we launched a third Save as You Earn ("SAYE") 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 shares at a discounted price, set at the start of the savings period. If employees decide not to exercise their option, their savings will be returned to them.

In 2019 we also launched a Colleague Bonus Plan. Colleagues are now eligible to participate in a bonus plan, subject to a threshold level of profit being achieved. Amounts payable are based on both personal performance and Company performance.

The wellbeing of our people is significantly important. Recognising that many people no longer follow a strict daily routine and the importance of work life balance, we continue to build a better world by offering flexible working hours and the option to work from home or a hostel. Recognising the importance of rest, relaxation and fun, we offer in-office massages and regular social events. We have an Employee Assistance Programme should our people need support with issues at work, relationships, worries, family pressures or financial stresses. This service is available 365 days a year. Our people also have access to an onsite dental service once a quarter in Dublin, giving them a more flexible approach to their work-life balance.

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

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.

## Gender

A breakdown of our Board, Executive Leadership Team and all employees by gender as at 31 December 2019 is set out below:

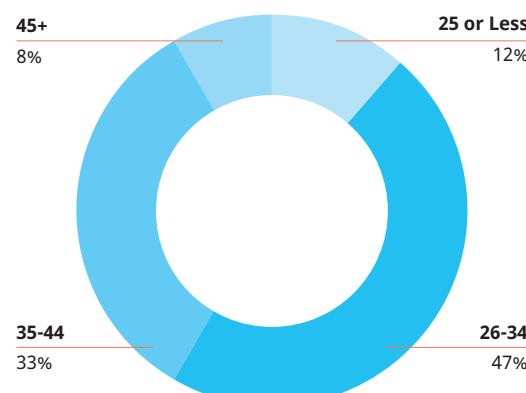
	Number		%	
	Male	Female	Male	Female
Chairman and Executive Directors <sup>(1)</sup>	3	0	100%	0%
Non-Executive Directors	2	1	66.7%	33.3%
Executive Leadership Team <sup>(1)</sup>	6	2	75.0%	25.0%
Direct reports of Executive Leadership Team	19	18	51.4%	48.6%
Other staff	142	136	51.1%	48.9%

1. Executive Directors are included in each of Directors and Executive Leadership Team

## Age

Age	Employees
25 or Less	38
26-34	153
35-44	109
45+	27

## Age Profile



## **CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)**

### **Our Hostel Partners**

In 2019 we rolled out a series of product enhancements to our hostel partners. One of these enhancements was to create our Stop Sell feature which allows our hostel partners to stop selling rooms on individual rate plans for a time of the property's choosing.

Another enhancement is our offering of Minimum/Maximum Length of Stay. This allows our hostel partners to set up minimum and maximum length of stays for guests.

We also launched our App-Only Rates, which allows our hostel partners to opt-in to display a 10% discount on all rooms and rates which is displayed exclusively on the Hostelworld App to our customers as these customers tend to be more engaged, loyal and have a higher booking value.

Bringing to life our value of "Keep it Simple", we also have an online Hostel Knowledge Base which our hostel partners can access to view content and training guides specifically created for them. The Knowledge Base provides our hostel partners with information on promotional tools and services, reviews and ratings, pricing and availability, bookings, payment details and also has an FAQ section.

Inspiring "Community Spirit", this year we hosted four conferences for our hostel partners to attend depending on their location. Understanding that it can be difficult for our hostel partners to attend conferences depending on their geographic location and busy seasons we held conferences in Dublin, Santiago, Chicago and Bali, encouraging our hostel partners to attend to meet our people, gain valuable insights into the industry and understand our focus for the year ahead.

Thinking customer, the safety of our customers is of paramount importance 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**

"Think Customer" is at the forefront of our minds during planning and projects. We continue to anticipate their needs by providing 24/7 global customer service. We 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.

Ensuring we "Keep it Simple" we offer our 24/7 Customer Service in 19 languages via Live Chat, email, phone and the Hostelworld Help Centre – helping our customers to Meet the World with ease.

Our mission is to enable travellers to experience new places and meet new people in a fun, memorable and safe way. Thinking customer, we understand that there may be times our customers have to cancel their bookings in advance, we offer our Free Cancellation option. This allows customers to cancel their bookings free of charge online through their Hostelworld account and have their deposit refunded in line with each hostel's cancellation policy.

**"ENSURING WE "KEEP IT SIMPLE"  
WE OFFER OUR 24/7 CUSTOMER  
SERVICE IN 19 LANGUAGES VIA  
LIVE CHAT, EMAIL, PHONE AND  
THE HOSTELWORLD HELP CENTRE –  
HELPING OUR CUSTOMERS TO  
MEET THE WORLD WITH EASE."**

Focussing on "Think Customer" we also launched our App-Only Rates, which provides our customers with a 10% discount on all rooms and rates which is displayed exclusively on the Hostelworld App once the hostel has opted in.

#### **Our Shareholders**

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

#### **Our Communities**

With our passion for "Building a Better World", we want to inspire our people to help improve our world in all they do. We encourage our people to engage with the communities we both work in, and travel to. In 2019, Hostelworld again participated in the Techies4TempleStreet Irish charity event for the fifth year in a row which brings together the technology community based in Ireland to fundraise over €250,000 for Temple Street Children's Hospital, Dublin.

Other charitable initiatives during 2019 for "Building a Better World" included the Christmas Shoebox Appeal with Team Hope, partaking in the St. Vincent de Paul Christmas Food Appeal, and a charity coffee morning in aid of Harold's Cross Hospice, Dublin. Our office in Shanghai also aided an orphanage in Indonesia by providing clothing, toys and schoolbags to each of the children residing there. We also continue to encourage employees to become regular blood donors by arranging local donation clinics.

This year in order to build a better world we also liaised with a number of our lunch providers to ask that they use compostable or recyclable packaging when providing us lunch.

While at our hostel conference in Bali some of our people volunteered to clean the local beach and attended a recycling workshop, highlighting how "Building a Better World" is at the forefront of our people's thoughts, even when travelling.

#### **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 an updated statement on our website on 29 March 2019 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 2019 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. In 2019, Radiative forcing (RF) has been included for air travel emissions to capture the maximum climate change impact. The 2018 data has been restated to include the effect of radiative forcing also.

## **CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)**

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.

	2019 tCO <sub>2</sub> e	2018 tCO <sub>2</sub> e
Scope 1 – Emissions from operations	Nil	Nil
Scope 2 – Emissions from energy usage	134.2	161.0
Scope 3 – Emissions from employee travel	781.6	297.4
<b>Total</b>	<b>915.8</b>	<b>458.4</b>
<b>Intensity Ratio (tCO<sub>2</sub>e/€m)</b>	<b>11.4</b>	<b>5.6</b>

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 emissions caused by customers travelling to hostel destinations booked through Hostelworld are not included in these figures.

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 85% of its total carbon emissions in 2019 (2018: 65%). This increase is primarily driven by additional flights in 2019 to enable our colleagues from around the world to travel to Barcelona for our first Hostelworld Employee Conference.

**“THE GROUP IS COMMITTED TO MONITORING AND REVIEWING ITS CARBON EMISSIONS, AND IN PARTICULAR ITS EMPLOYEE BUSINESS TRAVEL”**



 **MAD MONKEY GILI TRAWANGAN**

# MEET NEW PEOPLE

 Rather than taking the path well-travelled, Gen Z explorers are looking to make their mark by venturing further into the unknown. For those planning trips in the next three years, taking the 'tried and tested routes' has declined by 33% over previous generations.\*

## BUILDING A BETTER WORLD

We use our collective energy everyday to promote understanding in our world by enabling individual journeys of discovery, adventure and meaning. We value and promote equality, respect and diversity to help inspire a better world.



## GOVERNANCE

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**CREATE  
NEW  
MEMORIES**

## DIRECTORS' BIOGRAPHIES



**Michael Cawley**

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

**Age:** 65

**Nationality:** Irish

**Qualifications:** Michael has 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.



**Gary Morrison**

**Role:** Chief Executive Officer; Chair of the Disclosure Committee

**Age:** 52

**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.



**TJ Kelly**

**Role:** Chief Financial Officer; member of the Disclosure Committee

**Age:** 45

**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.



**Evan Cohen**

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

**Age:** 49

**Nationality:** American

**Qualifications:** Evan has a B.A. Social Studies from Harvard University and holds an MBA, General Management from INSEAD.

**Joined Group:** August 2019

**Independent:** Yes

**Sector Experience:** Technology; media.

**Other Board and Management Experience:**

Evan is a management and strategy consultant. He is owner of his own strategic consulting business, EVCO Advisory Services. Previously he had operational responsibility for Lyft's US East Coast business. He was Chief Operating Officer at Foursquare from 2010 until 2014. Evan also held senior strategic consulting and operational roles at Bebo, Jupiter and MTM.



**Éimear Moloney**

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

**Age:** 49

**Nationality:** Irish

**Qualifications:** Éimear has a 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; pharmaceutical.

**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. Éimear also holds directorships with Yew Grove REIT plc and Chanelle Pharmaceutical Group.



**Carl G. Shepherd**

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

**Age:** 67

**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 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

## CHAIRMAN'S INTRODUCTION

The Board welcomes the publication of the shorter, sharper 2018 Corporate Governance Code (the "2018 Code"), its reinforcement of the importance of long-term thinking and the elevation of stakeholder engagement. The Board continues to be 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 of the Group evolve as necessary and remain appropriate for a Group of our size.

### Compliance with 2018 Corporate Governance Code

The Governance Report for 2019 sets out how the Company has applied the principles of good governance. I am pleased to report that the Company has complied with the 2018 UK Corporate Governance Code throughout the accounting period, with two minor exceptions. (1) The Remuneration Committee has at this stage decided not to develop a formal policy for post-employment shareholding requirements, and the reason for this is explained on page 77. (2) For engagement with the workforce prior to the appointment in May 2019 of Éimear Moloney as the designated non-executive director with responsibility for understanding the views of the Group's employees', the Board adopted the alternative arrangements which are explained on page 60.

### Section 172

The Directors have performed their duty under section 172(1) of the Companies Act, 2006 (duty to promote the success of the Company). The details of how this was achieved are set out in the Strategic Report on pages 39 to 41.

### Changes to the Board during the Year

Andy McCue stepped down as a Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee at the conclusion of the Annual General Meeting on 31 May 2019. Carl G. Shepherd was appointed Senior Independent Director and Chairman of the Remuneration Committee on the same day. Evan Cohen was appointed as a Non-Executive Director and member of the Audit, Remuneration and Nomination Committees with effect from 14 August 2019. Evan's wealth of experience in the technology sector and expertise in growing and developing online businesses will be of significant benefit to the further development of the Group.

### Board Composition and Diversity

Of the six board members, one is female, four are resident in Europe and two are resident in the United States of America. At the time of publication we have 17% female representation on our Board. Three Board members have travel/online executive experience and the remaining members come from other industry sectors. In my opinion, we have a diverse Board and an excellent mix of skills and styles which ensures challenging and robust debate at boardroom level and well considered decisions.

Diversity in the Group continued to be an important consideration for the Board during 2019. 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 or harassment. The Board provides oversight 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 workforce come from a variety of different cultures, age groups, educational and professional backgrounds and represent approximately 30 different nationalities. The Board is committed to ensuring 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 the area of ensuring gender equality in the Group is demonstrated by the fact that the male/female ratio of employees' as of 31 December 2019 was 51.7% male and 48.3% female.

#### **Board Evaluation**

We recognise that an evaluation of the Board, its Committees and individual Directors significantly enhances board effectiveness, maximises strengths and tackles weaknesses. In 2019, an evaluation of the Board, its Committees and individual Directors was undertaken. The evaluation established that the Board is sufficiently diverse and is operating effectively with members working well together to achieve objectives. A detailed overview of the evaluation process is included on pages 68 and 69.

#### **Stakeholder Engagement**

We are committed to ensuring effective engagement with all our stakeholders to ensure that the Group meets its responsibilities to our shareholders and other key stakeholders (which include our workforce, customers, hostel partners and our key suppliers) and that the Board has due regard to their interests when assessing issues and making decisions.

#### **Purpose and Values and Employee Engagement**

During 2019 we reviewed and revised the Group's purpose and values. Our commitment to satisfying ourselves that the Group's purpose and values are

aligned to its culture is demonstrated by engaging with the workforce through a number of different channels and receiving presentations and considering proposals from the Chief Executive Officer and the Group's Chief Human Resources Officer on issues that affect culture and employee engagement.

On 31 May 2019, the Board appointed Éimear Moloney as the designated Non-Executive Director with responsibility for understanding the views of the Group's employees and for managing effective engagement between the Board and the Group's workforce. Éimear provides detailed reports to the Board on this key issue on an on-going basis.

#### **Workforce Remuneration and Executive Director Compensation**

The 2018 Code emphasises that the Remuneration Committee should consider workforce remuneration and related policies when setting Executive Director remuneration. How the Remuneration Committee addressed this requirement is set out on page 91.

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 and support the delivery of our strategy.

#### **Michael Cawley**

Chairman  
3 March 2020

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### How governance supported our strategy during 2019

Strategic Objective	Board's governance role	Link to principal risk	2019 Board Activity
<b>Growth Opportunities</b>	Board oversight of strategic investment in Goki Pty Limited	Competition risks (page 33)	Oversight and approval of the acquisition of 49% of the share capital in Goki Pty Limited - ensuring value obtained and investment aligned with strategy.  <a href="#">Read more about strategic investments on page 20</a>
	Board oversight of strategic investment in Counter App Limited	Competition risks (page 33)	Oversight and approval of a strategic investment made in Counter App Limited – ensuring investment aligned with strategy  <a href="#">Read more about strategic investments on page 20</a>
<b>Platform Investment</b>	Governance to ensure our payment processing options for customers' and hostel partners is reliable and developed to meet our customers' and hostel partners increased expectations.	Brand risks (page 33)	Oversight to ensure a new commercial contract with a key strategic partner delivers payments services that supports multiple payment methods
<b>Improved Booking experience</b>	Board assessment of investments and implementation of strategy to present the right hostels to the right customers and increase the web speed of our web platform in key areas such as the home, landing and search pages.	Competition risks (page 33)	On-going Board oversight of Chief Executive Officer performance against KPI's for improved booking experience.  <a href="#">Read more about improvements in booking experience on page 19</a>
<b>Investing in people</b>	Board assessment and oversight of decision to relocate London office to alternate London location in early 2020.	People risks (page 35)	Oversight and approval of a property lease with a serviced property vendor that provides (a) a serviced office environment with sufficient capacity to sustain reasonable future employee growth; and (b) an upgrade in facilities and working environment in response to employee feedback.

We set out below how the 2018 Code has been applied and complied with during the reporting period. We have provided cross references in certain sections to direct readers to relevant parts of the Annual Report where we explain how we have applied some of the principles and provisions of the 2018 Code. Our aim is to reduce repetition and demonstrate the integrated application of the 2018 Code. The 2018 Code is publically available at <https://www.frc.org.uk/UK-Corporate-Governance-Code-FINAL.pdf>.

## **1. BOARD LEADERSHIP AND COMPANY PURPOSE – PRINCIPLES A – E OF THE 2018 CODE**

### **Approach to Governance**

Our governance framework, underpinned by the 2018 Code, continues to support our strategy and ensure our long-term success. We set out on page 56 how governance has supported the delivery of our strategy during 2019 and how this is linked to our principal risks.

### **Long Term Sustainable Success**

The Board is focussed on long-term strategic plans and reviews and assesses performance against strategic goals at each scheduled Board meeting. As part of this assessment the Board considers and approves (where appropriate) revisions to aspects of the Group's strategy to ensure that the Group's strategy addresses risks presented by changes in market forces and competitor activity.

### **Effective and Entrepreneurial**

We set out on pages 68 and 69 details of the Board's effectiveness and how our evaluation process assists in ensuring that the strengths of the Board are recognised and understood and areas that require improvement are identified and actioned. The details set out in (a), (b) and (c) below describe how our governance framework further ensures the effectiveness of the Board. The Nomination Committee report (pages 66 and 67) describes how we ensure we have the right skills and experience on our Board. Biographies of the Directors are provided on pages 52 and 53.

### **(a) Directors induction and on-going training**

On appointment to the Board, each Director takes part in a comprehensive induction programme. This induction is supplemented with on-going training throughout the year to ensure the Board is kept up to date with key legal and regulatory requirements and industry updates. During the year, on-going training included presentations and updates on (1) 2018 Code legal and governance requirements; (2) Market Abuse Regulation compliance requirements; and (3) compliance requirements specific to the Company's listed status. Evan Cohen, who joined the Board in 2019, underwent a tailored induction programme following his appointment and met with the Group's Chief Executive Officer, Chief Financial Officer, other Group executives and the General Counsel and Company Secretary. In addition, Evan held meetings with the statutory auditors and internal auditors and the Remuneration Committee's remuneration consultants. Evan's induction also included training on his duty as a Director to promote the success of the Company under section 172(1) of the Companies Act, 2006 and on the Board's obligation to understand the views of the Company's key stakeholders and consider their interests in Board discussions and decision making.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **(b) Conflicts of Interest**

Our Board has a Conflicts of Interest Policy and has put in place procedures for the disclosure and review of any potential or actual conflicts. During 2019, no conflicts of interest were raised by a Director.

### **(c) Chairman and Non-Executive Directors**

The Board considers each of its Non-Executive Directors (excluding the Chairman) to be independent. Accordingly, the Company meets the requirement of the 2018 Code that at least half of the Board (excluding the Chairman) is made-up of independent Non-Executive Directors. Michael Cawley, Chairman of the Board, was considered independent on his appointment to that role.

The Chairman and the Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. Non-Executive Directors are expected to commit approximately 15 - 20 days per annum to the business of the Group.

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

### **Company Values and Purpose**

During the year the Board reviewed and revised the Group's purpose and values. Details of the revised purpose and values are set out on page 43. Our values are the guiding principles that we use across the Group to underpin decision making, shape our conduct and define our culture.

### **Assessing and Monitoring Culture**

The Board's focus on culture is continuous. The refreshing of our values was designed to create a culture which clearly aligns our values with our strategy. Oversight of risk management, establishing reporting mechanisms within the governance framework, direct engagement, investing in our workforce and ensuring remuneration is aligned with culture are key to the Board's assessment and monitoring of the Group's culture.

### **Risk management**

The Group's approach to risk in the areas of IT security, data protection and regulatory compliance is conservative and it dedicates significant resources and focus to manage and monitor risks with the assistance

of its internal auditors and senior members of each division/function within the Group. The Board receives regular updates on risks and risk management and regularly reviews the key risks and emerging risks in the business.

### **Whistle Blowing and Anti Bribery**

The Board is committed to promoting a culture that ensures employees can report incidents of wrongdoing in confidence through both internal and external mechanisms. The Group previously adopted an Anti-Bribery Policy and a Whistle Blowing Policy and maintains a confidential whistle-blowing helpline, operated by Expolink, for reporting such matters. No incidents were reported to the helpline during 2019. The Anti-Bribery Policy and Whistle Blowing Policy are reviewed annually to ensure they are fit for purpose. The Board has been appraised of the arrangements in place for the investigation and follow up of any incident that may be reported and is satisfied that these are adequate.

### **Direct engagement**

Employee engagement is measured through a number of employee engagement surveys run by a specialist partner on behalf of the Group and through a number of targeted employee engagement mechanisms implemented by the Group.

Employee engagement mechanisms include the following:

- Colleague engagement forum established to enable on-going dialogue between the Board and the Company's workforce;
- Seeking the views on key issues from senior executives who attend scheduled Board and Committee meetings on an on-going basis;
- Meetings conducted between Non-Executive Directors and members of the workforce where the views of employees are sought on specific issues and general matters; and
- Using a digital polling platform to seek input from all members of the Group's workforce on issues that affect them

These mechanisms allow employees to share their views on key topics which provide valuable insight in respect of engagement and culture. From the overview of findings presented to the Board, improvement areas are identified and action plans are developed to address priority issues. With the appointment of Éimear Moloney as the designated Non-Executive Director

who will report to the Board on an on-going basis on workforce engagement matters, the Board will have the benefit of further employee engagement feedback. Further details of how we engage with employees are set out below.

#### **Remuneration and culture**

We set out on page 78 how we have addressed the issue of ensuring remuneration is aligned with culture. We explain on page 91 the Group's approach to investing in and rewarding its workforce.

#### **Using Stakeholder Views to shape Board Decision Making**

The Directors, when conducting Board business and taking decisions at the Board act in way that is most likely to promote the success of the Company for the benefit of its members as a whole, but having due regard and taking into account the factors set out in section 172(1) of the Companies Act, 2006. Details of how the Directors have discharged their duty to promote the success of the Group in accordance with the requirements of section 172(1) of the Companies Act, 2006 are set out on pages 39 to 41.

#### **Engaging with Stakeholders**

We set out below how we ensure effective engagement with the Group's stakeholders.

#### **Customer Engagement**

The Board recognises the critical value of its traveller customers and receives on-going updates on the results of the Group's engagement with its traveller customers through its marketing, online customer forum and customer support channels and was pleased to note the following improvements during 2019:

- The percentage of customer support chats answered within 30 seconds – improved by 27% year over year;
- Turnaround Time (all customer support channels) reduced by 71% year over year;
- First reply time (all customer support channels) reduced by 18% year over year; and
- Customer support satisfaction score improved by 15% year over year.

How we have used traveller customers' views to shape Board decisions during the year are set out in section (a) of the Section 172(1) statement (page 39).

#### **Hostel Partner Engagement**

During the year the Group hosted four hostel conferences in Dublin, Santiago, Chicago and Bali with Michael Cawley, the Chairman, attending the two-day hostel conference in Dublin. The Group also uses frequent surveys and on-site visits to hostel partners to better understand the nature of our hostel partners business and ensure that the product strategy of the Group and its overall commercial strategy is properly aligned with the requirements of the hostel industry. The Board receives detailed briefings on the hostel conferences and is updated regularly by the Executive Directors and other senior executives on the results of surveys and on-site visits to hostel partners. Action plans and Group strategy refinements to reflect the results of the direct engagement with hostel partners are considered and approved by the Board on an on-going basis.

How we have used hostel partners' views to shape Board decisions during the year are set out in section (c) of the Section 172(1) statement (pages 40 and 41).

#### **Key Supplier Engagement**

The Group's selection and engagement with its key suppliers is acknowledged by the Board as being central to its ability to deliver the Group's strategy and facilitates the Group contributing to the wider economy. The Board recognises the key commercial interest of suppliers is to have certainty of payment of fees in a timely manner from the Group and confirmed with the Executive Directors during the year as follows:

- The Group's standard payment terms for suppliers compared favourably with market standards in the territories in which the Group operates;
- There were no material payment disputes with key suppliers during the reporting period; and
- The average time it takes for the Group to pay a supplier was less than the Group's standard payments terms.

#### **Employee Engagement**

The Board remains fully focussed on ensuring that it is aware of the views and concerns of the Group's employees' and that it has regard to their interests as part of the Board's decision-making process. The Board assessed and considered the various categories of individuals employed by the Group and agreed that the workforce comprised those with formal contracts of employment (both permanent and fixed term) and atypical workers such as those employed as independent contractors, agency workers and remote workers (regardless of geographical location).

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

The Board has historically maintained a strong interest in ensuring it is aware of and considers the views of the Group's employees. In 2018 the Group conducted a global employee survey to capture feedback from employees and to ensure that there was an open and transparent dialogue between the Group and its employees about their experience of working for the Group. Employees gave detailed feedback on their engagement with Hostelworld, their understanding of the Group's strategy and their views on senior leadership and manager capability. Survey results and action plans were presented to the Board in late 2018 and the Board assessed and approved a series of positive employee initiatives that were implemented during 2019. These initiatives were designed to address key issues and concerns highlighted by employees in the survey responses, improve the working culture in the Group and increase levels of employee engagement. Details of the employee initiatives implemented during 2019 are set out in section (b) of the Section 172(1) statement (page 40).

To ensure that the Group's executive leadership team and the Board remained focussed on engaging with the workforce, the Board directed that further employee surveys were to be carried out in 2019. The results of these surveys were shared with the Board during the year.

In May 2019 the Board appointed Éimear Moloney as the designated Non-Executive Director with responsibility for understanding the views of the Group's employees' and for managing effective engagement between the Board and the Group's employees'. In order to support Éimear's work in this key area, a Board approved framework was established to ensure that meaningful and regular dialogue with the Group's workforce would be delivered.

As part of the initial programme of employee engagement activities conducted by Éimear during the year, the results of 2019 employee surveys were assessed by Éimear who also reviewed the details of the Board approved employee initiatives implemented by the Group in response to previous employee feedback. The Board was pleased to note that the employees had responded positively to the employee initiatives implemented during the year and that the results of the 2019 employee surveys showed an improvement on the results of the 2018 employee survey.

How we have further used employees' views to shape Board decisions during the year is set out in section (b) of the Section 172(1) statement (page 40).

In addition, during the year we launched our 'Colleague Engagement Forum' with eleven employee representatives from all departments and levels in the organisation participating in an open discussion with Éimear. Following feedback from the employee representatives at this meeting, the issues of gender balance and cultural diversity in the Group and management of career progression will be assessed by the Board in early 2020.

While our plans for employee engagement are evolving and continue to develop, we are committed to ensuring that the views of employees' are properly understood and that the Board has due regard in its decision-making process to employees' interests. A comprehensive schedule of communications and employee engagement activities involving Éimear has been established and shared with the employee representatives who participate on the 'Colleague Engagement Forum' and Éimear reports to the Board on an on-going basis on this issue. The effectiveness of the Board's employee engagement activities will be kept under constant review and will form part of the Board evaluation exercise in 2020.

### **Alternative arrangements for engaging with the workforce prior to Éimear Moloney's appointment**

As noted above, the Board has historically taken a strong interest in ensuring that it was aware of the views of the Group's employees and considers that the combination of the below activities prior to Éimear's appointment in May 2019 (as the designated Non-Executive Director with responsibility for understanding the views of the Group's employees' and for managing effective engagement between the Board and the Group's employees') established and maintained meaningful engagement between the Board and members of the Group's workforce from the start of the reporting period until the date of Éimear's appointment:

- Assessing feedback provided by employees' in response to employee surveys;
- Oversight of employee initiatives implemented in response to employee feedback to ensure employee concerns were meaningfully addressed;
- Availability of the Non-Executive Directors to meet with the Group's employees' following the Company's 2019 AGM;
- Board involvement and oversight of the development of the Group's revised purpose and values; and
- Product development and strategy workshops held between Carl G. Shepherd and members of the Group's technology and product departments.

## Shareholder Engagement

The Board is committed to maintaining open channels of communication with its shareholders and to continue to strengthen further dialogue with its main stakeholders. It is important that shareholders understand the Company strategy and objectives, and for the Company to receive shareholders feedback and consider the issues and questions raised.

Communication with shareholders, investors and analysts was an ongoing process throughout the year. This included regular scheduled investor relations events, results presentations and investor roadshows, one-to-one and group meetings with Executive Directors, as well as regular updates to the market.

Results and other news releases are published via the London Stock Exchange and Euronext Dublin Stock Exchange RNS and on the Company's website at [www.hostelworldgroup.com](http://www.hostelworldgroup.com).

The Executive Directors engaged with shareholders and prospective shareholders on a regular basis. Non-Executive Directors are also available to meet shareholders if they wish to raise issues without the Executive Directors present.

During 2019 the Executive Directors held meetings in Ireland, the UK and USA with both existing and potential institutional shareholders providing insight into the development of the business and its progress against its strategic plan.

Our annual shareholder communication strategy ensures that we maintain an open and regular dialogue with our shareholders to help them understand how we plan to grow the business and execute our strategy.

The Board receives regular updates on the views of our shareholders and analysts through briefings from the Chief Executive Officer, the Chief Financial Officer and the Company brokers, which include:

- Share price performance monitoring;
- Review of shareholder performance and sector analysis;
- Composition of the shareholder register;
- Peer group comparison; and
- Professional and external adviser feedback.

Carl G. Shepherd, the Remuneration Committee Chairman and Senior Independent Director, proactively engaged with the limited number of shareholders who voted against the Directors Remuneration Policy

resolution proposed at the Company's Annual General Meeting held on 31 May 2019. While a clear majority of shareholders were supportive of the resolution proposed, the Board fully acknowledges that it needs to understand the views of all shareholders and take account of their concerns as part of its decision-making process. The Board will continue to engage with shareholders and consider shareholder and proxy voting guidelines on an on-going basis.

## Annual General Meeting

The AGM is an important forum for shareholders, particularly private shareholders, to hear more about the general development of the business. The Chairman (in both his capacity as Chairman of the Board and Chairman of the Nomination Committee) and the Chairs of the Audit and Remuneration Committees were present at the 2019 Annual General Meeting providing shareholders with an opportunity to ask questions, engage with members of the Board and learn more about the Company.

The 2020 Annual General Meeting will be held on 27 April 2020. Full information is contained in the Notice of Annual General Meeting, which will be sent to shareholders with this Annual Report at least 20 working days prior to the date of the meeting, and is available on the Company's website at [www.hostelworldgroup.com](http://www.hostelworldgroup.com).

## Directors Concerns

During the year no Director had concerns about the operation of the Board or the management of the Group that could not be resolved.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## 2. DIVISION OF RESPONSIBILITIES - PRINCIPLES F - I OF THE 2018 CODE

### The Chairman

#### Responsibility

Michael Cawley was appointed as Chairman of the Board of Directors on 1 December 2017 and was considered independent on appointment. Michael's responsibilities are outlined in the table below.

### A Balanced Board

Our Board comprises two Executive and four Non-Executive Directors, which ensures that no one person or group of individuals dominates the Board's decision-making.

### Performance

The Chairman confirms that, following a Director performance evaluation during 2019, each Director's performance continues to be effective and each Director demonstrates commitment to the role.

### Non-Executive Directors

Our Non-Executive Directors provide independent challenge and review, bringing wide experience, specific expertise and a fresh objective perspective. The Board assessed and confirmed during the year that the Non-Executive Directors have adequate time to meet their Board responsibilities. External appointments

held by our Non-Executive Directors are set out on pages 52 to 53. Éimear Moloney accepted one additional external appointment during 2019 and this appointment received the prior approval of the Board. At the date of publication of this Annual Report, no external appointments are held by our Executive Directors.

### Senior Independent Director

Following Andy McCue's resignation on 31 May 2019, Carl G. Shepherd was appointed as the Board's Senior Independent Director (effective 31 May 2019). With significant board experience and online travel expertise, the Board is satisfied that Carl has the necessary qualities and expertise for this role.

### Division of Responsibilities

An overview of the division of responsibilities between the Board and the executive leadership of the Group is provided in the table below.

### Company Secretary

Both the appointment and removal of the Company Secretary is a matter for the whole Board. The remuneration of the Company Secretary is determined by the Remuneration Committee.

Division of Responsibilities			
<b>Chair</b>	<ul style="list-style-type: none"> <li>Leadership of the Board</li> <li>Responsible for overall effectiveness in directing the Group</li> <li>Constructive relationships between the Executive and Non-Executive Directors</li> <li>Effective contribution of all Non-Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>Directors receive accurate, timely, information</li> <li>Meetings with Non-Executive Directors, without Executive Directors present</li> <li>Ensures Board is aware of the views of major shareholders</li> </ul>	
<b>Board (key matters)</b>	<ul style="list-style-type: none"> <li>Company's values and standards</li> <li>Group's strategic aims and business plans</li> <li>Annual and interim results</li> <li>Annual report and accounts</li> <li>Dividend policy</li> <li>Internal control and risk management</li> <li>Major changes to the Group's corporate structure including but not limited to major acquisitions/disposals</li> </ul>	<ul style="list-style-type: none"> <li>Major capital expenditure</li> <li>Communication with shareholders</li> <li>Changes in structure, size and composition of the Board</li> <li>Material litigation</li> <li>Remuneration Policy for Directors and Senior Executives</li> <li>Governance structure</li> </ul>	

Division of Responsibilities		
<b>Senior Independent Director</b>	<ul style="list-style-type: none"> <li>• Sounding board to the Chair</li> <li>• Intermediary for the other Directors and shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual meeting of Non-Executive Directors to appraise Chair's performance</li> </ul>
<b>Non-Executive Directors</b>	<ul style="list-style-type: none"> <li>• Constructive challenge, strategic guidance and specialist advice</li> </ul>	<ul style="list-style-type: none"> <li>• Scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives</li> </ul>
<b>Company Secretary</b>	<ul style="list-style-type: none"> <li>• Compliance with all corporate governance matters, monitors the Group's disclosure requirements under the 2018 Code and UK Listing Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure Board procedures are followed</li> <li>• Compliance by the Company of its legal and regulatory matters</li> </ul>
<b>Executive leadership</b>	<p>There is a clear division of responsibilities between the Board and our executive leadership. The Board entrusts the ongoing management of the Group's business to the Chief Executive Officer. The Chief Executive Officer brings forward to the Board proposals for the development and strategy of the business. The Chief Executive Officer is responsible for the execution of agreed strategy and implementation of the decisions of the Board.</p>	

### The Board of Directors

The Non-Executive Directors delegate the day-to-day management of the business to the Chief Executive Officer within defined governance parameters and holds the Chief Executive Officer accountable against targets and standards. The Board approves long-term corporate and strategic plans after a full review and assessment of competitive forces and business trends and risks. Having a management team that can execute the strategic plans of the Group is a key on-going focus for the Board.

The formal schedule of matters reserved for the Board's decision is available on the Group's website, [www.hostelworldgroup.com](http://www.hostelworldgroup.com). The schedule of matters reserved to the Board and the Terms of Reference for each of its Committees are subject to regular review. The Board also has a Delegation of Authority Policy that sets out clearly the primary responsibilities, controls and authorisation limits on matters affecting the Group's business. This was reviewed and updated by the Board on two occasions during the year.

### Board Meetings

The Board has regular meetings. There were six scheduled Board meetings during the year, with additional Board meetings and conference calls held

between the scheduled Board meetings as and when circumstances required it to meet at short notice. Certain Board decisions are addressed through written resolutions signed by each member of the Board. Consideration and decisions taken by the Board during the year have included the following key matters:

- Approved the appointment of a new Non-Executive Director, a new Senior Independent Director and a new Chair of the Remuneration Committee;
- Approved the statement of steps taken to prevent modern slavery and human trafficking as contained in the Company's Modern Slavery Statement;
- Appointed Éimear Moloney as the designated Non-Executive Director with responsibility for engaging with the workforce;
- Reviewed and approved the Company's purpose and revised values;
- Reviewed and approved the Group's strategy;
- Reviewed and approved the equity investment in Goki Pty Limited and the establishment of a commercial partnership with a property management software partner;
- Reviewed and approved the interim and final dividend recommendations and the preliminary and interim results announcements;

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Reviewed and approved the 2020 budget;
- Approved the preliminary results and interim results roadshow presentation;
- Reviewed and approved the 2019 Annual Report and accounts and notice of Annual General Meeting;
- Reviewed and approved the schedule of matters reserved for the Board and the Terms of Reference of the Board Committees;
- Considered and provided oversight on several contracts and transactions which were material under the schedule of matters reserved to the Board; and
- Considered the Board, Board Committee's and Director evaluation questionnaires.

In addition to the above, at each Board meeting there are standing items, which include:

- Review and approval of the previous minutes;
- Board Committee updates to the Board;
- Status update on any matters outstanding from previous meetings;
- Report from the Chief Executive Officer (including an update on strategy development and delivery); and
- Report from the Chief Financial Officer.

There may be unforeseen circumstances which prevent a Director from attending a Board or Committee meeting. In such a case the Director is expected to review the meeting papers and provide comments to the Chairman, Committee Chair or Company Secretary to ensure that they are raised at the meeting.

The Directors' attendance records at the Board meetings held during the year are shown in the table below. Attendance records at Committee meetings are detailed in the respective Committee Reports. Directors are provided with appropriate documentation approximately one week in advance of each Board or Committee meeting. For each scheduled Board meeting the papers include a trading update, financial performance and strategy execution update. In addition, all Board and Committee members receive the minutes of meetings as a matter of course.

Non-Executive Directors are also encouraged to communicate directly with senior management between Board meetings. Members of the executive leadership team are invited on an on-going basis to

attend Board meetings to present updates on the performance and forward focus of their specific area(s) of responsibility. During the year, presentations in relation to the Group's product strategy were provided to the Board by the Chief Product Officer and Chief Technology Officer. In addition, the Chief Analytics Officer provided the Board with a presentation on the use of data and analytics as part of the Group's marketing strategy.

Should any Director judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense.

Meetings between the Non-Executive Directors, without the presence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met on six occasions without the presence of the Executive Directors. These meetings provide the Non-Executive Directors with a forum in which to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships between the Non-Executive Directors.

### Board Meeting Attendance

Membership	No. of meetings/ total no. of meetings held when the Director was a member	Attendance %
Michael Cawley (Chair)	6/6	100%
Carl G. Shepherd	6/6	100%
Éimear Moloney	6/6	100%
Andy McCue <sup>(i)</sup>	3/3	100%
Evan Cohen <sup>(ii)</sup>	3/3	100%
Gary Morrison	6/6	100%
TJ Kelly	6/6	100%

(i) Resigned 31 May 2019

(ii) Appointed 14 August 2019

### **3. COMPOSITION, SUCCESSION AND EVALUATION - PRINCIPLES J - L OF THE 2018 CODE**

#### **Members**

Membership of the Nomination Committee consists entirely of the following Non-Executive Directors:

Membership	No. of meetings/ total no. of meetings held when the Director was a member	Attendance %
Michael Cawley (Chair)	3/3	100%
Carl G. Shepherd	3/3	100%
Éimear Moloney	3/3	100%
Andy McCue <sup>(i)</sup>	1/1	100%
Evan Cohen <sup>(ii)</sup>	2/2	100%

(i) Resigned 31 May 2019

(ii) Appointed 14 August 2019

#### **Committee Role and responsibilities**

The role of the Nomination Committee is to:

- Ensure that appropriate procedures are adopted and followed in the nomination, selection, training, evaluation and re-election of Directors and for succession planning, with due regard in all cases to the benefits of diversity on the Board, including gender;
- Recommend any proposed changes to the Board and when it is agreed that an appointment to the Board be made, lead a formal, rigorous and transparent selection process; and
- Regularly reviewing the structure, size, composition, skills and experience of the Board and its Committees against current and future requirements of the Group.

The Terms of Reference of the Nomination Committee, which were reviewed in 2019, are available on the Company's website at [www.hostelworldgroup.com](http://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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### CHAIR'S REVIEW OF 2019

#### Key Activities of the Nomination Committee in 2019

The Nomination Committee met on three occasions during 2019 and separately dealt with recommending the appointment of Evan Cohen as a new independent Non-Executive Director of the Company through a written resolution. The principal activities of the Nomination Committee during the year are detailed below:

- The Nomination Committee led a formal, rigorous and transparent recruitment process for a Non-Executive Director resulting in the appointment of Evan Cohen as a Non-Executive Director of the Company (effective from 14 August 2019). The Up Group, an independent external search agency, assisted with this process. It was noted by the Nomination Committee that The Up Group is committed to present, where practicable, a minimum of 33% women during each search process and partners with its clients to ensure that clients hiring processes encourage diverse candidate recruitment.

A search process was conducted by The Up Group who conducted an extensive market mapping exercise focussed on digital community and social businesses. In order to identify a shortlist for this role, the areas of focus were digital experience, particularly two-sided marketplaces, operational, commercial, retail experience and improving Board diversity. Evan's biography is set out on page 53 of the Annual Report.

In the interests of diversity, consideration was given to international candidates with the ability to commit to the time and location requirements of the non-executive director role.

Furthermore, having regard to the provisions of the 2018 Code on the importance of diversity of personal attributes and the need to ensure the Board is comprised of individuals who display a range of softer skills, the Committee also agreed that Evan displayed a range of impressive personal attributes at the interview process such as tact and an ability to listen and forge relationships. As part of the Company's process in relation to appointments, the due diligence conducted prior to Evan's appointment confirmed that Evan did not have any conflicts of interest with the Group and was deemed independent in accordance with the 2018 Code. Following recommendation by the Nomination Committee, Evan was unanimously appointed by the Board.

During the year the Up Group separately provided recruitment services to the Group in connection with two executive hires.

- The Nomination Committee considered Board composition and succession planning on an on-going basis. Further details are set out below.
- The Nomination Committee recommended to the Board the appointment of Carl G. Shepherd to succeed Andy McCue as Senior Independent Director and Chairman of the Remuneration Committee. The Nomination Committee considered the requisite skills, knowledge and experience required to be the Board's Senior Independent Director and agreed that Carl was the most suitable candidate based on his skills, personal attributes and extensive executive and board experience.
- The Nomination Committee reviewed its Terms of Reference to ensure it continued to be fit for purpose.

#### Board Composition and Succession

Board composition and succession has been an important consideration during 2019. 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 regarding succession planning. As part of the Nomination Committee's succession planning work during 2019, 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 2020). The on-going review and assessment of Board composition will have particular regard to the objectives of the Board Diversity Policy (as set out below).

The Nomination Committee also assessed the internal employee capabilities in the Group to ensure appropriate management development and comprehensive succession planning for the executive leadership team and other key executives was in place. A number of succession planning reviews were conducted by the Nomination Committee during the year covering Executive Directors, senior management and middle management to assess capabilities and competencies and development needs for future potential successors to various executive and management roles in the Group. Noting the risks to the business if key personnel left the Group in the absence

of adequate succession plans, succession planning included an emphasis on contingency planning, medium-term planning and long-term planning.

This process of succession planning will continue throughout 2020 and onwards and will take account of the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company.

#### **Board and Committee Evaluation and Re-Election of Directors**

The results of the Board evaluation and Director appraisal process are set out on pages 68 and 69. The Nomination Committee recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that all Directors will seek re-election at the Company's forthcoming AGM.

The Nomination Committee's effectiveness was reviewed as part of the Board evaluation exercise. The Nomination Committee and the Board considered the outcome of the evaluation and is satisfied that the Nomination Committee is performing effectively.

#### **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 in line with the Company's Board Diversity Policy, which was reviewed in December 2019 to ensure it remains fit for purpose.

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. This assessment was made by the Nomination Committee who confirmed that the Board was sufficiently diverse. 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. The Nomination Committee confirms that this policy was followed during the year in the recruitment process for a Non-Executive Director, led by the Nomination Committee, which resulted in the appointment of Evan Cohen as a Non-Executive Director of the Company.

The Nomination Committee is committed to ensuring that its approach to succession planning for Board appointments supports developing a diverse pipeline of candidates and will, in this regard, (1) ensure that the aims and objectives of the Board Diversity Policy are fully reflected in its approach to Board succession planning; and (2) , where the use of search consultants is appropriate, continue to use the services of search consultants who have demonstrated a commitment to ensuring that clients hiring processes encourage diverse candidate recruitment. The Nomination Committee will continue to monitor diversity both on the Board, its Committees and across the business to ensure diversity and equal opportunities.

#### **Available at the 2020 AGM**

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

#### **Michael Cawley**

Chairman, Nomination Committee  
3 March 2020

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **Board Effectiveness and Evaluation**

An internal evaluation of the Board, its Committees and individual Directors was undertaken during the year. This included completion of a detailed questionnaire by each of the Directors covering the following:

- The Board's role and the Board members knowledge and skills;
- Effectiveness of the Board and its Committees;
- Board composition, diversity and succession planning;
- Risk management; and
- Key Board relationships and relations with shareholders.

Views were also sought on the Board's input into strategy discussions, governance and compliance, risk management, succession planning and induction of new directors. The Board specifically requested separate feedback on the effectiveness of the Board from senior executives who had presented operational briefings to the Board during the year and from the Group's audit partner.

The evaluation results were analysed by the Company Secretary who prepared a report for the Chairman. The report was reviewed by the Chairman and the principal findings were discussed with the Board. The Nomination Committee will have regard on an on-going basis to the findings of the evaluation process as a means to assist its work in assessing the structure, composition and diversity of the Board and in its development of effective succession plans.

The evaluation established that the Directors had worked well together, the Board and its Committees were sufficiently diverse, were operating effectively and efficiently with good leadership and accountability, that the Board has the appropriate depth and breadth of skills and experience to be effective and are able to devote sufficient time to their duties. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM on 27 April 2020. The specific reasons why each Director's contribution is important to the long-term sustainable success of the Company are set out in the Annual General Meeting documentation.

### **Board Evaluation Process - Board Strengths**

- The Board was viewed as having contributed actively and constructively to the development of the Group;
- There was diversity on the Board in terms of experience and Non-Executive and Executive Director balance with Non-Executive Board members considering themselves independent of management, exercising independent judgment and voicing their own opinions;
- Board members understand what is expected of them as members of the Board in terms of their fiduciary duties and have a clear understanding of the Group's business and the commercial challenges;
- The Board is satisfied that it can deal with appropriate matters in private sessions without the Executive Director present; and
- The Board believes it has in place a system to provide assurance to it on the effectiveness of the organisation's internal controls.

### **Board Evaluation Process - Recommendations for improving Board Effectiveness**

As part of the evaluation exercise, the following recommendations for improving the effectiveness of the Board were made:

- There should be additional time allocated to allow Non-Executive Directors and Executive Directors to collaborate on strategic issues and business reviews;
- Updates/brief commentary/monthly KPIs on key operational issues and financial performance should be circulated to the Non-Executive Directors between Board meetings;
- The existing range of financial and non-financial performance measures to assist the Board's monitoring of management's performance should be improved and there should be continued focus on evolving the quality of materials sent to the Board; and
- Updates on the evolving competitor landscape needed to be provided on an on-going basis.

These recommendations and the separate recommendations for improving Board effectiveness provided by the senior executives who had presented operational briefings to the Board during the year and the Group's audit partner will be put in place in 2020.

The Chairman also conducted an appraisal of the performance of each Director (considering 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 during 2020).

An assessment of the Chairman's performance was also carried out in 2019 by the Non-Executive Directors, led by the Senior Independent Director, who provided feedback to the Chairman individually that concluded that he performed his role effectively.

#### **External Evaluation Assessment**

The Chairman assessed and sought the views of the other Board members on the benefits of having an evaluation of the Board facilitated by an external third-party consultant. Having considered the matter and noting the confirmation provided by the Company Secretary that the Company's internal evaluation process was thorough and addressed each item included by the Financial Reporting Council in its published 'Guidance on Board Effectiveness' as areas that should be included in a board evaluation exercise, the Board unanimously agreed that the process for conducting the internal evaluation was rigorous and adequate in all material aspects. The merits of having a

board evaluation conducted by an external third-party consultant will be kept under review and assessed on an on-going basis.

#### **Adopting the recommendations of the 2018 Board Evaluation**

As part of the Board evaluation exercise in 2018, several items designed to improve the effectiveness of the Board were included on the Board's agenda for 2019. These items were addressed in 2019 and included the following:

- Updates and presentations to the Non-Executive Directors on developments and competitive challenges in the online travel industry;
- The Chief Executive Officer and Chairman arranged more direct engagement between the Non-Executive Directors and the Group's workforce; and
- Presentations and updates on the Group's strategy and execution against strategy were provided to the Board on an on-going basis by senior executives.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 4. AUDIT, RISK AND INTERNAL CONTROL - PRINCIPLES M-O OF THE 2018 CODE

#### Membership

Membership	No. of meetings/ total no. of meetings held when the Director was a member	Attendance %
Éimear Moloney	3/3	100%
Carl G. Shepherd	3/3	100%
Andy McCue <sup>(i)</sup>	1/1	100%
Evan Cohen <sup>(ii)</sup>	2/2	100%

(i) Resigned 31 May 2019

(ii) Appointed 14 August 2019

The Company Secretary acts as Secretary to the Audit Committee.

#### 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 2019. 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, the Chief Financial Officer, senior members of the Group's Finance department who attend by invitation and the Company Secretary (or his delegate). Members of the Group's executive leadership team and other senior executives are invited to attend as necessary to provide further insight and expertise in certain areas related to the Group's principal risks. The Deloitte Ireland LLP audit partner and senior representatives from PricewaterhouseCoopers ("PwC"), as the outsourced internal audit provider, are invited to attend certain meetings. During the year the Audit Committee met privately with the Deloitte Ireland LLP audit partner and with senior representatives from PwC.

#### Committee Role and Responsibilities

The role and primary responsibilities of the Audit Committee are summarised below:

- 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 2018 Code;
- 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 full schedule of roles and responsibilities are contained in the Audit Committee's Terms of Reference, which were reviewed in December 2019, and which are available on the Company's website [www.hostelworldgroup.com](http://www.hostelworldgroup.com).

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

## CHAIR'S REVIEW OF 2019

### Committee Competence

The Audit Committee is comprised of three independent Non-Executive Directors and is chaired by Éimear Moloney. The Chairman of the Board is not a member of the Audit Committee. The 2018 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.

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 2018 Code. Carl G. Shepherd is a former Chief Operating Officer and Chief Strategic and Development Officer with HomeAway, Inc., Evan Cohen is a management and strategy consultant and formerly had operational responsibility for Lyft's US East Coast business and was Chief Operating Officer at Foursquare. Carl and Evan each have a clear 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 year. 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 52 and 53 of this report.

### 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 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 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 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 shareholders to assess the Company's position and performance, business model and strategy. The ultimate responsibility for the preparation of accounts giving a true and fair view and an Annual Report that is fair balanced and understandable as set out in the Directors' Responsibility Statement on page 100, rests with the Board of Directors.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **Significant Issues**

In reviewing the financial statements with management and the auditors, the Audit Committee has discussed the critical accounting judgements. The significant issues considered by the Audit Committee in respect of the 2019 Annual Report are as follows:

Significant Issue	Description and Resolution
<b>Carrying value of Goodwill and Intangible Assets</b>	<p>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 2019 of €109.1m. This represented 74% 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.</p> <p>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 cashflow 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 also reviewed the carrying value of other intangibles and is satisfied that there was no indication of impairment at 31 December 2019. Following these discussions, the Audit Committee is satisfied that there was no impairment of goodwill and other intangibles as at 31 December 2019, and that the controls over management's impairment review process are adequate.</p>
<b>Capitalisation of Development Costs</b>	<p>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.</p> <p>In the year ended 31 December 2019 €2.5m (2018: €1.7m) of internally generated development costs were capitalised in accordance with the criteria as set out in IAS 38. Overall, capitalised development costs carried in the balance sheet amounted to €2.8m at 31 December 2019 (2018: €1.7m).</p> <p>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).</p> <p>The Audit Committee considers the approach taken and the application of the policy to be appropriate.</p>

Significant Issue	Description and Resolution
<b>Transfer Pricing and International Taxation Environment</b>	<p>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.</p>
	<p>The Group seeks regular updates from its tax advisors, 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").</p>
	<p>The Audit Committee considers that the tax provisions and related disclosures which have been made are reasonable.</p>
<b>Corporate Governance</b>	<p>The Group is required to comply with the provisions of the 2018 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.</p>
	<p>The Audit Committee has reviewed the disclosures in the Annual Report, and, having discussed them with management, is satisfied that the additional reporting and disclosure requirements have been met.</p>
<b>Other Matters</b>	<p>The Audit Committee has also considered a number of other judgements which have been made by management including those relating to revenue recognition, exceptional items, deferred tax, accruals and estimates and considers that the judgements which have been made are reasonable.</p>

### External Auditors

On behalf of the Board, the Audit Committee has primary responsibility for overseeing the relationship and assessing the 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 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 2019, his third 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 2019, Deloitte Ireland LLP were engaged to provide non-audit services to the Group totalling €10.0k (2018: €1.5k). The Audit Committee will continue to monitor the type and

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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 considered the quality and scope of the Audit Plan, in particular, its focus on the Group's significant risks and other areas of significant judgement and its approach to materiality. In addition, the Audit Committee assessed 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. As part of the Board Evaluation process the external auditors were requested to provide feedback on their interactions with the Audit Committee and in their feedback highlighted the strong level of understanding and challenge from the Audit Committee during the year which demonstrated the Committee's understanding of the Group's business and associated risks.

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.

The Audit Committee and in turn the Board have completed a robust assessment of the Company's principal and emerging risks on three occasions during the reporting period, in March, August and December

2019. There has been increased focus on emerging risks as part of the risk assessment review and the Board is satisfied that there has been a thorough process carried out to identify emerging risks and put in place action to manage or mitigate those risks. This process involved periodic meetings with members of the Group's executive leadership team on an individual and collective basis. These meetings were carried out following a functional review of the principal and emerging risks by each executive leadership team member with their teams. Each function/business unit was given guidance and specific questions to consider in order to ensure the process of identifying emerging risks was thorough. Business units were also directed to consider the underlying drivers or causes of emerging risks including market trends, customer behaviours and examples of external fraudulent activity. The results were discussed collectively by the Executive Leadership Team to identify any cross functional risks and to ensure each principal risk and emerging risk was included in the Company's Risk Register with explanations of how these risks are being managed or mitigated. The Principal Risks and emerging risks are set out on pages 32 to 36.

The Group's executive leadership note that risks cannot necessarily be eliminated. Accordingly, the Group's internal control environment is designed to identify, evaluate, mitigate and monitor the risks and emerging 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; and
- 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 32 to 36 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.

As part of the assessment of the Company's risks, emerging risks are identified and are kept under close review, managed and mitigated. The procedures in place to identify emerging risks include a twice yearly review of the Company's Risk Register by each member of the executive leadership team (who seek relevant input from their wider teams); a thorough in depth review by the collective executive leadership team and in turn by the Audit Committee. The reviews are based on the current structure within each function including any significant changes from an operational, resourcing, strategic perspective with consideration to ongoing or planned projects within each function which might give rise to new risks or challenges.

Taking into account the Principal Risks and Uncertainties set out on pages 32 to 36, and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board (and to whom the Committee provides regular updates) the Board:

- Is satisfied that it carried out a robust assessment of the principal risks facing the Company; and
- Has reviewed the effectiveness of the risk management and internal control systems including all material financial, operational and compliance controls and concluded that through a combination of the work of the Board and the Audit Committee, the Company's risk management and internal controls were effectively monitored throughout the year.

#### **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. The internal audit function continues to be outsourced to PwC as given the nature and size of the Group, the Audit Committee and the Board each

concluded that the internal auditor continues to be effective and continues to provide access to a significant level of expertise covering a broad range of risks. In addition, as part of the Board Evaluation carried out during the year the Board concluded that it was satisfied that the Group had in place a sufficient system to provide assurance to it on the effectiveness of the organisation's internal controls and recognised that PwC as providers of the internal audit function continued to play a significant role in providing these assurances.

At each scheduled meeting the Audit Committee assesses the findings arising from PwC's internal auditor's reports. In particular, the Audit Committee considers any control weaknesses identified and the remedial action to be taken.

The 2019 internal audit plan, setting out areas of internal audit focus, was agreed by the Audit Committee with PwC. In 2019, the Audit Committee received four reports from PwC covering a) Internal Audit Findings Follow Up Review; b) Product Development Governance Review; c) Porto Office Operations Review and d) Business Continuity Management Review. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management.

The internal audit plan for 2020 was agreed with PwC following consultation with the Audit Committee. The 2020 internal audit plan focusses on a) New Payments Key Controls Review; b) Cloud Computing Risk Assessment Framework Review; c) Data Governance; d) Porto Office Operations Review – Phase 2; e) Third Party Engagement Review and f) Internal Audit Findings Follow up Review.

#### **Annual Evaluation of Performance**

The Audit Committee's effectiveness was reviewed as part of an internal evaluation process during 2019. The Audit Committee and the Board considered the outcome of the evaluation and is satisfied that it is performing effectively.

#### **Éimear Moloney**

Chairperson, Audit Committee  
3 March 2020

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

# REMUNERATION – PRINCIPLES P-R OF THE 2018 CODE

## 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 2019.

### Membership

Membership	No. of meetings/ total no. of meetings held when the Director was a member	Attendance %
Carl G. Shepherd (Chair)	4/4	100%
Michael Cawley	4/4	100%
Éimear Moloney	4/4	100%
Andy McCue <sup>(i)</sup>	2/2	100%
Evan Cohen <sup>(ii)</sup>	2/2	100%

(i) Resigned 31 May 2019

(ii) Appointed 14 August 2019

### Key Activities of the Remuneration Committee in 2019

The Remuneration Committee held four scheduled meetings and one unscheduled meeting during 2019 to grant an award in accordance with the rules of the Company's Long Term Incentive Plan, and among other things, undertook the following activities:

- Completed a review of the Directors' Remuneration Policy, which was presented to shareholders for their approval at the AGM in May 2019;
- Finalised the 2018 Remuneration Report;
- Determined the salary increases for the Executive Directors that applied for 2019, as reported last year;
- Agreed the final outturn of the 2018 annual bonus scheme for the Executive Directors, as reported last year;
- Agreed the structure of the 2019 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 2019, including the quantum, metrics, targets and award population;

- Contacted those shareholders which voted against the Directors' Remuneration Policy at the AGM in May 2019;
- Continued to develop the new issues raised in the 2018 UK Corporate Governance Code;
- Reviewed overall workforce remuneration and related policies, and considered the alignment of Executive Director pay with wider Company practices; and
- Started to consider the implementation of the Directors' Remuneration Policy for 2020.

Subsequent to the financial year end, the Remuneration Committee met to review salaries for 2020, the final outturn of the 2019 annual bonus scheme and to determine the extent of vesting under the LTIP award granted in 2017.

### The Remuneration Policy

The Directors' Remuneration Policy is designed to support the Group'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. The approach to Directors' remuneration is transparently disclosed in this report.

The Policy was subject to significant review by the Committee (supported by its external advisers) during 2018 and early 2019, with the Committee conducting a consultation exercise with major shareholders before presenting the Policy for formal approval at the AGM in May 2019. Following such approval, the Policy applied for the 2019 financial year and will continue to apply for 2020.

### Remuneration Outcomes for 2019

In light of the Group'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 2019. The minimum target for Adjusted Profit Before Tax ("Adjusted PBT") was not met. Although the threshold level of performance for the separate Bednights measure was achieved, a payment under this element was subject to the PBT threshold being met. As a result no bonus was payable under any of the 2019 bonus plans.

The three-year performance period for the 2017 LTIP award ended in 2019. 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. As a result, none of these awards will vest.

The Committee recognises the importance of ensuring that reward outcomes are consistent with financial and market performance. The Committee continues to focus on ensuring that the Remuneration Policy is aligned to the short and long term strategic objectives of the business. As such the LTIP metrics for 2020 are being reviewed (see below) to ensure alignment with our evolving business model while also taking into account current market uncertainty. This exercise will help ensure that there is a clear alignment between Hostelworld's strategic priorities and incentive structures, which we hope will help drive growth in shareholder value over the coming years.

#### **How We Will Apply the Remuneration Policy in 2020**

The Remuneration Committee reviewed the salaries of the Executive Directors and determined that an increase of 3% with effect from 1 January 2020 was warranted. This was lower than the average increase across the organisation as a whole.

The Committee has reviewed the operation of the bonus scheme for 2020. The maximum bonus opportunity will remain at 100% of basic salary for both Executive Directors. The current intention is that bonuses will be payable based on performance against targets linked to net bookings (30% weighting), EBITDA (35% weighting) and a number of strategic objectives (35% weighting). Net bookings is an important measure of Hostelworld's operational performance, and EBITDA remains a core financial key performance indicator for the business. For the strategic objectives element, the Committee has selected a number of targets which are critically important for the future long-term growth of the business.

At the time of writing, the Committee is currently considering the metrics and targets in the light of the market volatility caused by the coronavirus outbreak, and reserves the right to take a different approach to that set out above. Appropriate levels of disclosure will be provided in next year's Annual Report on Remuneration of the chosen metrics and targets.

The Committee intends to make awards under the LTIP during 2020. At the time of writing, the Committee is continuing to review the appropriate

metrics and targets in line with Hostelworld's strategic development and plans for growth for the coming years, and to help ensure that the continued commitment and contributions of the management team are appropriately rewarded. Major shareholders will be consulted in the event that the Committee makes material changes to the performance conditions used for prior year awards. The specific performance targets which are chosen will be disclosed in the required regulatory announcement when the grants are made later this year, and full details will also be included in next year's Annual Report on Remuneration.

As prescribed under the Remuneration Policy, the 2020 awards will be granted with a requirement that any shares which vest after the end of the three-year performance period be held for a further two years before they can be sold (subject to any sales required for tax purposes).

#### **2018 UK Corporate Governance Code**

During 2019 the Remuneration Committee continued to review the extent of compliance with the remuneration principles and provisions of the 2018 UK Corporate Governance Code. As indicated in this Annual Statement and in the additional disclosures, the Committee has applied the principles set out in the 2018 Code. In particular, the current performance-based approach supports and promotes the long-term sustainable success of the business. The Committee operates a formal and transparent procedure for setting the Directors' Remuneration Policy and for agreeing payments under the framework set out in the Policy. Discretion is applied where relevant, although the Committee has not done so in respect of 2019 pay outcomes.

Hostelworld is compliant with the remuneration provisions set out in the 2018 Code, with the exception of the recommendation that Remuneration Committees develop a formal policy for post-employment shareholding requirements. The Remuneration Committee has continued to review whether such requirements should be introduced, but considers that the remuneration policy as it stands contains sufficient alignment between management and the long-term interests of shareholders. This includes the requirement for the Executive Directors to build a significant holding in Hostelworld shares during the period of their employment, and the two-year post-vesting holding period introduced last year into the LTIP. The Committee will, however, continue to keep this matter under review.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

The Committee also believes that this Annual Statement, the Directors' Remuneration Policy (as summarised) and the Annual Report on Remuneration together present a clear summary of the approach taken to rewarding Executive Directors at Hostelworld which is consistent with the disclosure expectations set out in the 2018 Code and the expectations of the Company's major shareholders.

The Committee is of the view that the Remuneration Policy and its implementation is fully consistent with the factors set out in Provision 40 of the 2018 Code:

- Clarity: The Policy and the way it is implemented is clearly disclosed in this Annual Statement and the supporting reports, with full transparency of all elements of Directors' remuneration;
- Simplicity: We have adopted a simple and straightforward Remuneration Policy, based on a mix of fixed and variable pay. The annual bonus and LTIP are conventional, easily understood incentive schemes which include performance conditions aligned to key strategic objectives and drivers of Hostelworld's growth;
- Risk: The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with Hostelworld's risk profile. For example, the maximum targets in the bonus scheme and the LTIP are not set at levels which are considered unattainable and which would risk incentivising inappropriate behaviour. Potential reward is aligned with market levels for companies of a similar size and the reputational risk from a perception of "excessive" payouts is limited;
- Predictability: The Policy includes full details of the individual limits in place for the incentive schemes as well as "scenario charts" which set out potential payouts in the event of different levels of performance, based on a number of reasonable assumptions (see page 83). Any discretion exercised by the Committee in implementing the Policy will be fully disclosed;
- Proportionality: The link between the delivery of strategy, long-term performance and the remuneration of the Executive Directors is set out in this Annual Statement, the summary of the Directors' Remuneration Policy and the Annual Report on Remuneration. For example, the incentive outcomes for 2019 reflect a difficult year for Hostelworld in a challenging external environment; and
- Alignment to culture: The approach to Directors' remuneration is consistent with key Group cultural tenets of transparency, inclusion and performance. Taking into account the changes to the metrics for

the 2020 annual bonus scheme, and our review of the LTIP measures (as discussed above), we believe that our incentive schemes will help drive appropriate behaviours which are aligned with the core purpose of the business and its evolving strategic priorities.

Dialogue with shareholders on remuneration matters is particularly important to the Committee and during 2019 the Committee engaged with a number of investors to discuss aspects of the Remuneration Policy and the incentive arrangements in place for the Directors. This engagement has provided the Committee with useful input into its decisions regarding the operation of the Policy and the most appropriate approach to take in 2020 and beyond. Furthermore, and consistent with the 2018 Code, in late 2019 the Board's designated Non-Executive Director for employee engagement, Éimear Moloney, who is also a member of the Committee, met with a number of Hostelworld employees. Part of this engagement involved an explanation of how executive remuneration aligns with wider company pay policy.

### **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 2018 UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement;
- A summary of the Directors' Remuneration Policy, as approved by shareholders at the AGM in 2019; and
- The Annual Report on Remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2019 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 remuneration at Hostelworld.

**Carl G. Shepherd**  
**Chairman, Remuneration Committee**  
3 March 2020

## DIRECTORS' REMUNERATION POLICY (SUMMARY)

### Introduction

The current Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting on 31 May 2019 and applies for the period of three years from the date of approval. Included below is a summary of the key provisions of the Remuneration Policy. The full Policy, and an explanation of how the Policy differs from that previously in place, is set out in the 2018 Annual Report.

### 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.

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
<b>Base Salary</b>			
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.	<p>Salaries are reviewed annually and any changes are effective from 1 January in the financial year.</p> <p>When determining an appropriate level of salary, the Remuneration Committee considers:</p> <ul style="list-style-type: none"> <li>• remuneration practices within the Company;</li> <li>• the performance of the individual Executive Director;</li> <li>• the individual Executive Director's experience and responsibilities;</li> <li>• the general performance of the Company;</li> <li>• salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and the economic environment.</li> </ul>	<p>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.</p> <p>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.</p>	None

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
<b>Benefits</b>			
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.	<p>The Executive Directors receive benefits which include, but are not limited to, family private health cover and life assurance cover (including tax if any).</p> <p>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.</p>	<p>The maximum will be set at the cost of providing the benefits described.</p>	None
<b>Pensions</b>			
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.	<p>For existing Executive Directors, the maximum pension contribution as a percentage of basic salary is 10%.</p> <p>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.</p>	None
<b>Annual Bonus Plan</b>			
<p>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.</p> <p>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.</p>	<p>The Remuneration Committee will determine the bonus payable after the year end based on performance against targets.</p> <p>Annual bonuses are paid in cash after the end of the financial year to which they relate.</p> <p>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.</p> <p>Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.</p>	<p>The maximum bonus opportunity as a % of base salary is 100%</p>	<p>Bonus payouts are determined on the satisfaction of a range of key financial and non-financial objectives set annually by the Remuneration Committee.</p> <p>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.</p> <p>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.</p>

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
<b>Long Term Incentive Plan ("LTIP")</b>			
<p>Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term.</p>	<p>Awards are granted annually to Executive Directors under the LTIP. These vest at the end of a three-year period, normally subject to:</p> <ul style="list-style-type: none"> <li>the Executive Director's continued employment at the date of vesting; and</li> <li>satisfaction of the performance conditions.</li> </ul> <p>The Remuneration Committee may award dividend equivalents on awards to the extent that they vest.</p> <p>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).</p> <p>The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares.</p> <p>Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.</p>	<p>Awards may be made up to 150% of base salary.</p> <p>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.</p> <p>No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.</p>	<p>LTIP awards vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. Awards granted in 2019 were subject to performance measures based on Adjusted EPS and absolute TSR performance.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<b>Save As You Earn ("SAYE") plan</b>			
<p>To encourage share ownership among Hostelworld employees and increase the alignment with shareholders.</p>	<p>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.</p>	<p>The maximum participation limit is as set out in the relevant legislation.</p>	<p>None (as is the norm for approved all-employee plans).</p>
<b>Shareholding Requirement</b>			
<p>To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.</p>	<p>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.</p>	<p>200% of salary</p>	<p>None</p>

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
<b>Non-Executive Director Fees</b>			
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.	<p>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.</p> <p>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).</p> <p>Non-Executive Directors do not participate in any of the Company's incentive arrangements.</p>	<p>The base fees for Non-Executive Directors are set at an appropriate rate.</p> <p>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.</p> <p>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).</p>	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.

### 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.

## 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	Chief Executive Officer	11 June 2018	12	12
TJ Kelly	Chief Financial Officer	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 period by Company (months)	Notice period by Director (months)
Michael Cawley	14 October 2015	1	1
Carl G. Shepherd	1 October 2017	1	1
Éimear Moloney	27 November 2017	1	1
Evan Cohen	14 August 2019	1	1

## 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 2020, 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	CEO: 6.9% of salary CFO: 6.9% of salary	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*

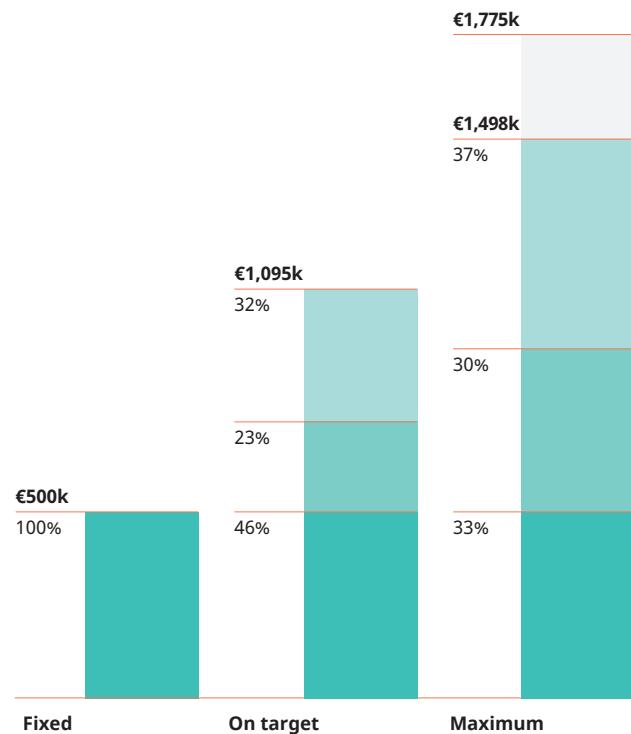
\*Illustration based on the level of LTIP awards for 2019.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

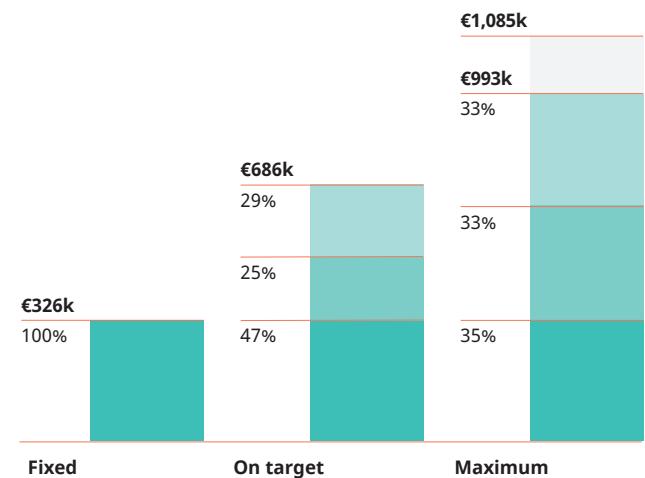
Dividend equivalents have not been added to LTIP share awards. In line with the new UK reporting regulations, the maximum column has been extended to reflect the potential impact of 50% share price appreciation on the shares which vest.

### CEO



- Fixed Pay
- Annual Bonus
- LTIP
- LTIP value with 50% share price growth

### CFO



## 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 2019 financial year. Comparative figures for the 2018 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 <sup>(1)</sup> (€'000)		Bonus (€'000)		LTIP (€'000)		Pension (€'000)		Total (€'000)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Gary Morrison <sup>(2)</sup>	430.7	233.2	12.0	5.7	-	45	-	-	43.1	23.3	485.8	307.2
TJ Kelly <sup>(3)</sup>	295.0	33.6	3.6	0.4	-	-	-	-	17.7	2.0	316.3	36.0

(1) Benefits represent payments for health insurance and life assurance policies.

(2) Gary Morrison was appointed to the Board on 11 June 2018.

(3) TJ Kelly was appointed to the Board on 21 November 2018.

#### Non-Executive Directors

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

Name	2019 (€'000)				2018(€'000)			
	Fees	Taxable benefits	Other payments	Total	Fees	Taxable benefits	Other payments	Total
Michael Cawley <sup>(1)</sup>	145.0	-	-	145.0	145.0	-	-	145.0
Carl G. Shepherd <sup>(2)</sup>	68.2	-	-	68.2	60.0	-	-	60.0
Éimear Moloney <sup>(3)</sup>	67.0	-	-	67.0	67.0	-	-	67.0
Evan Cohen <sup>(4)</sup>	21.7	-	-	21.7	-	-	-	-
Former Director								
Andy McCue <sup>(5)</sup>	30.8	-	-	30.8	74.0	-	-	74.0

(1) Chairman of the Board and Chair of the Nominations Committee.

(2) Chair of Remuneration Committee and Senior Independent Director from 31 May 2019.

(3) Chair of the Audit Committee.

(4) Appointed to the Board on 14 August 2019.

(5) Stepped down from the Board on 31 May 2019.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Additional Information regarding Single Figure Table

#### Annual Bonus

The Executive Directors were entitled to consideration for an annual bonus for 2019 of up to a maximum of 100% of basic salary subject to the satisfaction of performance targets based on Adjusted PBT (for 70% of the award) and total bednights (for 30% of the award). The targets were set at the start of 2019 taking into account the business environment at the time and internal expectations of Hostelworld's performance over the year. 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) <sup>(2)</sup>
Adjusted PBT <sup>(1)</sup>	70%	€19.6m	4.9%	€23.0m	100%	€15.5m	0%
Total Bednights	30%	25.2m	2.0%	27.9m	100%	25.9m	0%

(1) Adjusted PBT is calculated before any bonus payments for the 2019 financial year.

(2) For the 2019 financial year, any annual bonus payout was contingent on 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. In addition, the payment of a bonus against the total bednights target depended on the satisfaction of the threshold performance condition against the adjusted PBT measure.

Taking into account performance against the targets set at the start of the year, as set out in the table and footnotes above, the Committee determined that no bonuses would be payable to the Executive Directors for 2019.

#### Long Term Incentives Vesting Subject to Performance Period ending in 2019

In March 2017, LTIP awards were granted to the then Executive Directors and other members of senior management.

Vesting of these awards 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%
<b>Outcome:</b>	<b>(8.6%)</b>
	<b>0%</b>

### Absolute TSR condition (30%)

Annualised TSR of the Company over the three- year period to 31 December 2019		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%
<b>Outcome:</b>	<b>(11.7%)</b>	<b>0%</b>

The table below sets out the details of the 2017 LTIP award granted to the former Chief Executive Officer, Feargal Mooney, who stepped down from the Board in June 2018. As disclosed in last year's remuneration report, as part of Feargal's termination arrangements it was agreed that his subsisting LTIP awards would continue until the normal time of vesting, at which time they would vest subject to performance against the relevant targets. In light of the performance assessment as set out above, Feargal's 2017 LTIP award lapsed in full.

Director	LTIP	Value of award	Face value of award (€'000)	Number of shares awarded (1)	Number of shares following pro-rata reduction (2)	Exercise Price (€)	Percentage of award vesting at threshold	Performance period end date	Number of shares lapsing	Total value of vested awards (€)
<b>Feargal Mooney</b>	LTIP – nil cost option	125% of salary	512.5	194,121	140,198	Nil	25%	31 December 2019	Adjusted EPS (70%) Absolute TSR (30%)	140,198

(1) The number of shares awarded was calculated using the closing share price on 28 March 2017, which was 228.25p.

(2) This reflects the number of shares capable of vesting following a pro-rata reduction in light of Feargal's departure.

### Long Term Incentives Awarded in 2019

The table below sets out the details of the LTIP awards granted to the Executive Directors in the 2019 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 period end date	Weighting (1)
<b>Gary Morrison</b>	LTIP – nil cost option	125% of salary	538.4	247,594 (2)	Nil	25%	31 December 2021	Adjusted EPS (70%) Absolute TSR (30%)
<b>TJ Kelly</b>	LTIP – nil cost option	100% of salary	295.0	135,668 (2)	Nil	25%	31 December 2021	Adjusted EPS (70%) Absolute TSR (30%)

(1) The specific performance targets for these awards are set out below.

(2) This award was granted on 3 April 2019. The number of shares awarded was calculated using the closing share price on 2 April 2019, which was 187.0p.

(3) To the extent any of the above awards vest, a dividend equivalent award will be made at the end of the vesting period.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Similar to the previous LTIP awards, vesting of the 2019 awards is 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).

### Adjusted EPS condition (70%)

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%

### Absolute TSR condition (30%)

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% p.a. or above	100%
Between 10.0% and 15.0% p.a.	Straight line vesting between 25% and 100%

### Long Term Incentives Awarded in 2018

The table below sets out the details of the LTIP awards granted to the current Executive Directors 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 <sup>(1)</sup>
<b>Gary Morrison</b>	LTIP – nil cost option	150% of salary	627.3	175,723 <sup>(2)</sup>	Nil	25%	31 December 2020	Adjusted EPS (70%) Absolute TSR (30%)
<b>TJ Kelly</b>	LTIP – nil cost option	75% of salary	221.3	98,520 <sup>(3)</sup>	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 2017, as set out on pages 86 and 87.

(2) 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.

(3) 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.

(4) To the extent any of the above awards vest, a dividend equivalent award will be made at the end of the vesting period.

## Payments to Past Directors

### Feargal Mooney

Feargal Mooney stepped down as Chief Executive Officer and as a Director with effect from 11 June 2018. He remained employed by the Company until the expiry of his 12-month notice period on 11 June 2019. Full details of the remuneration arrangements for Feargal in light of his departure were disclosed in last year's remuneration report.

In addition to the payments disclosed last year, and in line with Feargal's contractual entitlements, an amount of €33,000 was paid in 2019 in relation to holiday pay accrued during his employment.

As disclosed last year, the Remuneration Committee determined that Feargal's LTIP awards which were outstanding at the time of his departure will continue until the normal time of vesting, at which point they will vest subject to performance against the relevant targets. As disclosed on page 87, the award granted to Feargal in 2017 will lapse in full due to the performance conditions not being met. The extent to which the LTIP award granted to him in 2018 will vest will be disclosed in next year's remuneration report.

### 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 2019 are set out in the table below. Under the Directors' 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.

Director	Beneficially owned shares	Shareholding requirement (% of salary)	Current shareholding (% of salary) <sup>(1)</sup>	Shareholding requirement met?	Unvested LTIP interests subject to performance conditions
Gary Morrison	-	200%	0%	No	423,317
TJ Kelly	-	200%	0%	No	234,188

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

Details of the interests held in shares by Non-Executive Directors as at 31 December 2019 are set out below. Non-Executive Directors are not subject to a shareholding requirement.

Director	Beneficially owned shares
Michael Cawley	81,000
Carl G. Shepherd	-
Éimear Moloney	-
Evan Cohen	-

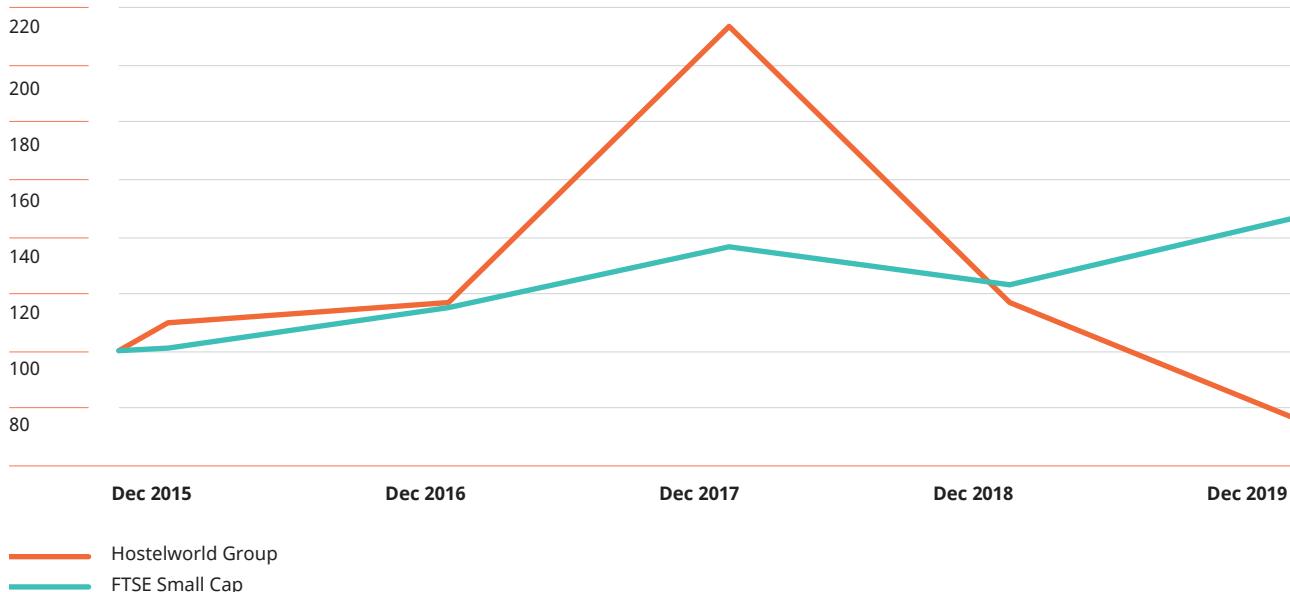
No changes in the above Directors' interests have taken place between 31 December 2019 and the date of this report.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 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 2019.

### Total Shareholder Return (£)



### Chief Executive Officer Historical Remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last six 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 six most recent financial years (reflecting the disclosures made in previous reports):

Chief Executive Officer	2014	2015	2016	2017	2018	2019	
	Feargal Mooney	Gary Morrison	Gary Morrison				
Total Single Figure (€'000)	413.1	395.0	1,298.7	768.8	209.5	307.2	485.8
Annual bonus payment level achieved (% of maximum opportunity)	14.9%	0%	0%	73.4%	0%	19.3%	0%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a	n/a	0%	n/a	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 2018 to 2019 compared with the average percentage change for all employees, as required by the reporting regulations.

	Salary			Taxable benefits			Bonus		
	2019 (€'000)	2018 (€'000)	% change	2019 (€'000)	2018 (€'000)	% change	2019 (€'000)	2018 (€'000)	% change
<b>Chief Executive Officer</b>	430.7	418.2	3.0%	12.0	10.2	17.6%	-	80.4	(100%)
Total pay	16,026	15,373	4.2%	419.2	362.9	15.5%	-	311.3	(100%)
Average number of employees	314	294	6.8%	314	294	6.8%	314	294	6.8%
<b>Average per employee</b>	51.0	52.3	(2.5%)	1.3	1.2	8.3%	-	1.1	(100%)

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. 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 2018 and 2019 which, for base salary, gives a reduction of 2.5%.

### Remuneration Practices Across the Company

Hostelworld does not have more than 250 UK employees (the current number of UK employees is 38) and as a result is not required to publish the ratio of the Chief Executive Officer's remuneration to the pay of UK employees. However, the Remuneration Committee remains cognisant of the importance of the relationship between Executive Director remuneration and the pay for Hostelworld employees more widely. In line with the provisions of the 2018 UK Corporate Governance Code, the Committee has reviewed workforce remuneration and related policies and has developed a full understanding of the cascade of remuneration throughout the organisation, including which employees are members of which incentive arrangements. A particularly important feature of the current approach is that the principle of paying for performance is enshrined throughout the whole company.

Senior managers within Hostelworld participate in a bonus scheme which is structured in a similar manner to the Executive Director bonus scheme, albeit (for 2019) with an element also payable based on personal performance. A separate quarterly incentive scheme is in place for certain key roles (e.g. sales and customer support staff), and during 2019 we rolled out a Colleague Bonus Pool for the benefit of all colleagues not otherwise in a bonus scheme. This bonus pool is generated when a threshold level of profit is met, and then individual payments are determined based on factors including individual performance during the year.

Participation in the LTIP extends through the organisation down to the level of managers or other individual expert contributors. The same performance conditions apply to all participants in the LTIP although, as is the norm, the award levels are higher for Executive Directors than for other participants, reflecting their seniority and responsibilities within the organisation. In addition, the SAYE scheme is open to all employees in Ireland and the UK.

The Group makes pension contributions on behalf of eligible employees. For the majority of the workforce, the Group contribution rate is 6% of salary. The arrangements for the Chief Financial Officer are aligned with this contribution, and it is stated in the Directors' Remuneration Policy that any new Executive Director will be appointed on a rate in line with the contribution level provided to the majority of the workforce. The Chief Executive Officer's contribution rate of 10% was determined at the time of his appointment in 2018 and is considered low in comparison with the market.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

In line with Hostelworld's culture of transparency and involvement, Éimear Moloney, a member of the Remuneration Committee who is also the Board's designated Non-Executive Director for employee engagement, met with an established colleague engagement forum during December 2019. The forum represents employees across all locations and functions in the business. As recommended by the 2018 Code, part of this engagement involved an explanation of how executive remuneration aligns with wider company pay policy. In addition, the Board's designated Non-Executive Director provided an overview of the responsibilities of the Board and its subcommittees, agreed ways of working and potential topics for discussion for future forum meetings.

### Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2018 and 2019 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2019 financial year (€m)	Disbursements from profit in 2018 financial year (€m)	% change
<b>Profit distributed by way of dividend/share buybacks</b>	12.6	16.1	(21.7%)
<b>Overall spend on pay including Executive Directors</b>	19.7	18.3	7.7%

### Shareholder Voting at General Meeting

The table below sets out the results of voting on the resolutions to approve the Directors' Remuneration Policy and the Directors' Remuneration Report at the AGM held on 31 May 2019:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' Remuneration Policy	62,810,003 (82.64%)	13,195,194 (17.36%)	750
Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 December 2018	70,326,483 (94.01%)	4,478,884 (5.99%)	1,200,580

Given the voting outcome on the Remuneration Policy, the Chairman of the Remuneration Committee wrote to those shareholders which voted against the resolution to understand their particular concerns and to offer a meeting or a call to discuss further. A number of responses were received although none of the shareholders requested a meeting or a call with the Committee Chairman.

### Implementation of Remuneration Policy in Financial Year 2020

The Remuneration Committee proposes to implement the remuneration policy in 2020 as set out below:

#### Salary

Executive Directors' salaries have been reviewed and the following increases agreed, with effect from 1 January 2020:

Name	Salary (€)		Percentage Change
	2020	2019	
Gary Morrison	443,600	430,700	3%
TJ Kelly	303,850	295,000	3%

The salary increases for the Executive Directors are lower than the average increase across the organisation as a whole.

## 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	145,000
Base Non-Executive Director	60,000
Senior Independent Director	7,000
Chair of Audit Committee	7,000
Chair of Remuneration Committee	7,000

## Annual Bonus Plan

The Remuneration Committee has reviewed the operation of the bonus scheme for 2020 and the current intention is that the following performance metrics will apply:

- Net bookings (30% weighting);
- EBITDA (35% weighting); and
- Strategic objectives (35% weighting)

Net bookings is an important measure of Hostelworld's operational performance, and EBITDA remains a core financial key performance indicator for the business. For the strategic objectives element, the Committee has selected a number of targets which are critically important for the future long-term growth of the business.

At the time of writing, the Committee is currently considering the metrics and targets in the light of the market volatility caused by the coronavirus outbreak, and reserves the right to take a different approach to that set out above. Appropriate levels of disclosure of the chosen metrics and targets will be provided on a retrospective basis in next year's remuneration report alongside an explanation of performance achieved and bonus payments made.

The maximum bonus opportunity will remain at 100% of basic salary for both Executive Directors.

## LTIP award

The Remuneration Committee intends to make awards under the LTIP during 2020. The Committee is continuing to review the appropriate metrics and targets for these awards in line with Hostelworld's strategic development and plans for growth for the coming years, and to help ensure that the continued commitment and contributions of the management team are appropriately rewarded. Major shareholders will be consulted in the event that the Committee makes material changes to the performance conditions used for prior year awards. The specific performance targets which are chosen will be disclosed in the required regulatory announcement when the grants are made later this year, and full details will also be included in next year's Annual Report on Remuneration.

The 2020 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).

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **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](http://www.hostelworldgroup.com), and from the Company Secretary at the registered office.

The Remuneration Committee is comprised of Carl G. Shepherd (Chairman of the Remuneration Committee since 31 May 2019), Éimear Moloney and Evan Cohen (all of whom are independent Non-Executive Directors) and Michael Cawley (who was independent upon his appointment as Chairman of the Board). Carl G. Shepherd has served as a member of the Committee since October 2017 and, as result, the Company is compliant with Provision 32 of the 2018 UK Corporate Governance Code which requires the Chairman of the Committee to have served on a remuneration committee for at least 12 months prior to appointment as chair.

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 four times during 2019. Meeting attendance is shown on page 76 of the Annual Report.

### **Advisors to the Remuneration Committee**

The Remuneration Committee's independent advisors are Korn Ferry, who were appointed by the Committee in 2017. Korn Ferry has advised the Remuneration Committee on all aspects of remuneration policy for Executive Directors and members of the Executive team. The Remuneration Committee exercises appropriate judgement and challenge when considering the work of its external advisers and is satisfied that the advice received during the year under review 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 €54,455 for their advice during the year (2018: €81,214). Fees were charged on a cost incurred basis. No other services were provided by Korn Ferry to the Company during the year and Korn Ferry have no other connection with the Company or the individual directors of the Company.

On behalf of the Board

**Carl G. Shepherd**

Chairman, Remuneration Committee

3 March 2020

# **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 2019.**

## **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 10 to 48, 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 54 to 94, 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 70 to 75;
- The Directors' Remuneration Report on pages 76 to 94; and
- This Directors' Report, on pages 95 to 100, together with the Strategic Report on pages 10 to 48, 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:

Section	Topic	Location
1.	Interest capitalised	Not applicable
2.	Publication of unaudited financial information	Not applicable
3.	Details of long-term incentive schemes	Directors' Remuneration Report, pages 76 to 94
4.	Waiver of emoluments by a Director	Not applicable
5.	Waiver of future emoluments by a Director	Not applicable
6.	Non pre-emptive issues of equity for cash	Not applicable
7.	Item (6) in relation to major subsidiary undertakings	Not applicable
8.	Parent participation in a placing by a listed subsidiary	Not applicable
9.	Contracts of significance	Not applicable
10	Provision of services by a controlling shareholder	Not applicable
11	Shareholder waivers of dividends	Not applicable
12.	Shareholder waivers of future dividends	Not applicable
13	Agreements with controlling shareholders	Not applicable

## **DIRECTORS' REPORT (CONTINUED)**

### **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);
- TJ Kelly (Chief Financial Officer);
- Éimear Moloney (Non-Executive Director);
- Carl G. Shepherd (Non-Executive Director);
- Evan Cohen (Non-Executive Director appointed on 14 August 2019); and
- Andy McCue (former Non-Executive Senior Independent Director resigned on 31 May 2019).

Biographical details of the current Directors together with membership of the various Committees are set out on pages 52 and 53.

### **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 Floor 2, 52 Bedford Row, London WC1R 4LR, United Kingdom.

As at 31 December 2019 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 is provided in note 16 to the Group's Financial Statements contained on page 145. All the information detailed in note 16 on page 145 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 27 April 2020, 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 27 July 2021 and the conclusion of the Annual General Meeting of the Company held in 2021.

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 27 July 2021 and the conclusion of the Annual General Meeting of the Company held in 2021.

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 27 July 2021 and the conclusion of the Annual General Meeting of the Company held in 2021.

### **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.

### **2020 Annual General Meeting**

The Annual General Meeting ("AGM") will be held at 12 noon on 27 April 2020 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.

## DIRECTORS' REPORT (CONTINUED)

### Substantial Shareholders

At 31 December 2019, 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
Premier Miton Group plc	13,284,425	13.90% (indirect)
LHC Capital	7,215,813	7.55% (indirect)
Unicorn Asset Management Limited	5,410,000	5.66% (indirect)
FIL Limited	4,955,570	5.18% (indirect)
Strategic Equity Capital plc	4,430,000	5.18% (direct)
Aberforth Partners LLP	4,927,940	5.16% (indirect)
Burgundy Asset Management Limited	4,430,860	4.64% (indirect)
Allianz Global Investors GmbH	4,046,400	4.23% (direct - 0.03%; indirect - 4.20%)
The Diverse Income Trust plc	3,019,504	3.16% (indirect)

As at the date of this report three further DTR5 Notifications had been received from the following:

LHC Capital notified the Company on 20 January 2020 of a decrease in their holding to 6,490,813 ordinary shares representing 6.79% of the issued share capital of the Company (6.79% - indirect holding)

Premier Miton Group plc notified the Company on 29 January 2020 of an increase in their holding to 13,384,425 ordinary shares representing 14% of the issued share capital of the Company (14% - indirect holding).

Premier Miton Group plc notified the Company on 3 February 2020 of a decrease in their holding to 12,425,326 ordinary shares representing 13.03% of the issued share capital of the Company (13.03% - indirect holding)

### Transactions with Related Parties

Please refer to note 20 to the Consolidated Financial Statements on pages 114 to 159.

### Events Post Year End

No significant events have occurred between 31 December 2019 and the date of the signing of this Directors' Report.

### Future Developments

In August, we announced a strategically important investment in an innovative hostel-focussed technology business, Goki Pty Limited ("Goki") based in Australia. More details about Goki are included in the Chief Executive's Review, a business that provides a unique and innovative guest management system for both hostel owners and their guests. The Group has invested with Goki in its ambitious growth plans over the next three years and their unique technology solutions will provide a significantly enhanced customer and hostel experience. More recently we have announced an investment in Counter App Limited ("Counter"), a provider of tailored property management solutions for the hostel industry. This product has been designed from ground-up providing flexible "all-in-one" workspaces for small chains and independent hostels.

Both Goki and Counter solutions allow Hostelworld to position itself in a more active and central role in the hostel ecosystem, thereby strengthening our competitive position as the partner of choice for hostel owners. The investments in Goki and Counter are consistent with our previously stated strategy to appraise complementary acquisitions and partnerships that can accelerate our growth or enhance our product offering to our customers or hostel partners.

The Group will continue to pursue new developments to enhance shareholder value, through a combination of organic growth, product delivery 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 pages 47 and 48 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 152 and 153 in note 21 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 114 to 159. In accordance with the Group's updated dividend policy, the Directors recommend the payment of a final dividend for the year ended 31 December 2019 of 2.1 euro cent per share amounting to €2.0m, to members appearing on the register at close of business on 17 April 2020. This is to be approved by the shareholders at the 2020 AGM. The recommended full year dividend of 2.1 euro cent per share together with the interim dividend of 4.2 euro cent per share paid in September 2019 brings the total dividend for the year ended 31 December 2019 to 6.3 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:

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

The Section 172(1) Companies Act 2006, Statement is set out on pages 39 to 41.

## DIRECTORS' REPORT (CONTINUED)

### 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.

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 3 March 2020 and is signed on its behalf by:

**John Duggan**  
Company Secretary  
3 March 2020

# 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 state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- The financial statements have been prepared in accordance 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 31, including a summary of significant accounting policies as set out in note 1 to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the financial statements"* section of our report.

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

**INDEPENDENT AUDITOR'S REPORT TO THE  
MEMBERS OF HOSTELWORLD GROUP PLC (CONTINUED)****Summary of our audit approach**

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were: Carrying value of intangible assets; Capitalisation of development costs; and Taxation provisions</p> <p>There have been no significant changes to the key audit matters since the prior financial year report.</p>
<b>Materiality</b>	<p>The materiality that we used for the Group financial statements was €799,000 which was determined on the basis of the adjusted profit before tax ("Adjusted PBT").</p>
<b>Scoping</b>	<p>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% of its net assets is undertaken and performed by an audit team based in Dublin.</p>
<b>Significant changes in our approach</b>	<p>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.</p>

### **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 32 to 36 that describe the principal risks, procedures to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' confirmation on page 37 that they have carried out a robust assessment of the principal and emerging risks facing the Group, 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 37 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 period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

**INDEPENDENT AUDITOR'S REPORT TO THE  
MEMBERS OF HOSTELWORLD GROUP PLC (CONTINUED)****Carrying Value of Intangible Assets**

<b>Key audit matter description</b>	<p>At 31 December 2019, intangible assets (including goodwill) had a carrying value of €109.1m representing 74% of the Group's total assets.</p> <p>Group management have allocated goodwill to Cash Generating Units ("CGU"s) 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.</p> <p>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.</p> <p>Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly.</p> <p><i>Refer to Notes 2 and 10 to the financial statements. The Audit Committee has included their assessment of this risk on page 72.</i></p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated the design and determined the implementation of the relevant controls in place for determining when an impairment review is required for intangible assets.</p> <p>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 cash flow projections and growth rates, which we compared to relevant industry data. We used our internal valuation specialists 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.</p> <p>We considered the adequacy of the disclosures in relation to goodwill and intangibles and whether they meet the requirements of the relevant accounting standards.</p>
<b>Key observations</b>	We have no observations that impact on our audit in respect of the carrying value of intangible assets.

### Capitalisation of Development Costs

<b>Key audit matter description</b>	<p>At 31 December 2019, internally generated capitalised development costs amounted to €2.5m. 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.</p> <p>There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met.</p> <p>Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and in determining the amount to be capitalised, management make judgements regarding expected future cash generation of the asset.</p> <p><i>Refer to Notes 3 and 10 to the financial statements.</i></p> <p><i>The Audit Committee has included their assessment of this risk on page 72.</i></p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>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 relevant controls in place to separately identify when development activities meet recognition criteria.</p> <p>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.</p> <p>We agreed the amount of development costs capitalised to underlying documentation detailing cost per project, including timesheet data.</p>
<b>Key observations</b>	No significant matters that impact on our audit arose from our work.

**INDEPENDENT AUDITOR'S REPORT TO THE  
MEMBERS OF HOSTELWORLD GROUP PLC (CONTINUED)****Taxation Provision**

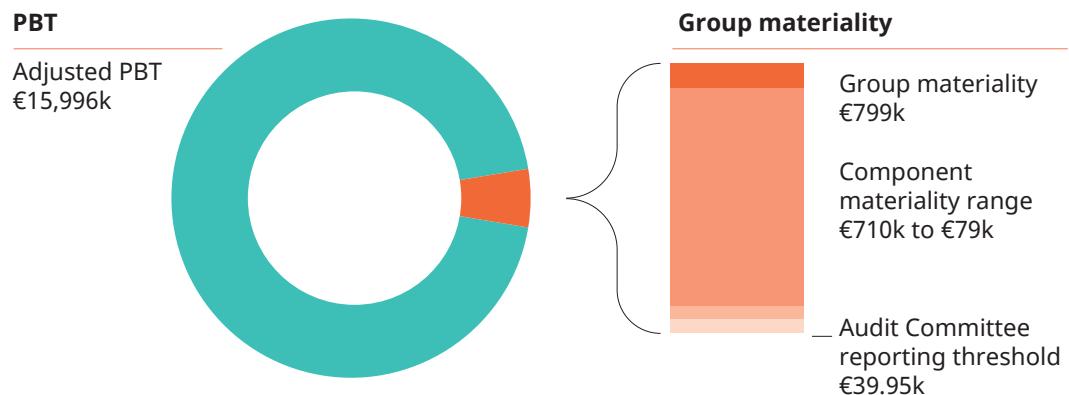
<b>Key audit matter description</b>	<p>The global nature of the Group's business means it is subject to taxation in numerous jurisdictions and cross-border transactions can be challenged by taxation authorities resulting in tax exposures.</p> <p>As a result of the interaction of tax laws in different jurisdictions, there is significant complexity in determining the most appropriate transfer pricing rates and thus the appropriate tax liabilities in each jurisdiction.</p> <p>There is a risk that tax authorities could have different interpretations to those of the management resulting in potential misstatement of taxation provisions.</p> <p><i>Refer to Note 2 and 8 to the financial statements.</i></p> <p><i>The Audit Committee has included their assessment of this risk on page 73.</i></p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Key observations</b>	We have no observations that impact on our audit in respect of the amounts and disclosures related to the taxation provisions.

**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 financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	€799,000 (2018: €975,000)	€159,000 (2018: €195,000)
<b>Basis for determining materiality</b>	5% of adjusted profit before tax The pre-tax profit was adjusted to account for the exceptional costs that are incurred, as well as the net finance costs, the share options costs and the amortisation of the intangible assets ("Adjusted PBT").	0.5% of investments Parent Company materiality is based on 0.5% of value of investments capped at 20% of Group materiality.
<b>Rationale for the benchmark applied</b>	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 have considered the value of investments to be the appropriate benchmark for determining materiality as the Parent Company is the Group investment holding entity.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €39,950 (2018: €48,750), 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSTELWORLD GROUP PLC (CONTINUED)**

### **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.

We determined the scope of our Group audit on an entity level basis, assessing components against the risk of material misstatement at the Group level. Based on this assessment, we focussed our work on three 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 and Hostelworld Services Limited. We also carried out specified audit procedures on Hostelworld Services Portugal and WRI Nominees DAC.

At the Parent Company 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **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'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.

We have nothing to report in respect of these matters.

### **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's and the 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 or the 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 the auditor's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) (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 and non-compliance with laws and regulations 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 Parent 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 Parent 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 and Parent Company 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 (i.e gives a true and fair view); and
- Where the auditor is required to report on consolidated financial statements, obtains sufficient appropriate audit evidence regarding the financial information of the entities or 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, we also provide those charged with governance with a statement that we have 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 our independence, and where applicable, related safeguards.

Where we are required to report on key audit matters, from the matters communicated with those charged with governance, we determine 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. We describe 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.

**INDEPENDENT AUDITOR'S REPORT TO THE  
MEMBERS OF HOSTELWORLD GROUP PLC (CONTINUED)****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, we considered the following:

- Results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- Any matters we identified having obtained and reviewed the Group's documentation of their 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; and
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- The matters discussed among the audit 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 a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: management override of controls and revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group and Parent Company operates in, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, London Stock Exchange Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's and Parent Company's ability to operate or to avoid a material penalty.

**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.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management, the audit committee and external legal counsel 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 the 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 that 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 5 years, covering the years ending 31 December 2015 to 31 December 2019.

We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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  
3 March 2020

# SEEK NEW THRILLS

**With a 27% increase compared to past generations, people who've recently travelled find themselves regaling others back home with their volunteering experiences. 1 in 4 of our Generation Z customers participate in volunteering activity during their trips.\***

## **KEEP IT SIMPLE**

Use simplicity and smart thinking to be agile and improve everything we do. Let's make complexity our enemy and simplicity our mantra.

## FINANCIAL STATEMENTS

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**114** Consolidated Income Statement

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**115** Consolidated Statement of Comprehensive Income

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**116** Consolidated Statement of Financial Position

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**117** Consolidated Statement of Changes in Equity

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**118** Consolidated Statement of Cash Flows

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**119** Notes to the Consolidated Financial Statements

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**154** Company Statement of Financial Position

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**155** Company Statement of Changes in Equity

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**156** Notes to the Company Financial Statements

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# SHARE NEW STORIES

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 €'000	2018 €'000
Revenue	3	<b>80,672</b>	82,087
Administrative expenses	4	<b>(63,434)</b>	(61,939)
Depreciation and amortisation	4	<b>(13,946)</b>	(13,453)
<b>Operating profit</b>		<b>3,292</b>	6,695
Financial income		<b>59</b>	20
Financial costs	7	<b>(224)</b>	(63)
Share of results of associate	13	<b>(116)</b>	-
<b>Profit before taxation</b>		<b>3,011</b>	6,652
Taxation	8	<b>5,383</b>	(961)
<b>Profit for the year attributable to the equity owners of the parent company</b>		<b>8,394</b>	5,691
Basic earnings per share (euro cent)	9	<b>8.78</b>	5.95
Diluted earnings per share (euro cent)	9	<b>8.78</b>	5.95

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	€'000	€'000
<b>Profit for the year</b>	<b>8,394</b>	5,691
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(1)	(2)
<b>Total comprehensive income for the year attributable to equity owners of the parent company</b>	<b>8,393</b>	5,689

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Notes	2019 €'000	2018 €'000
<b>Non-current assets</b>			
Intangible assets	10	<b>109,120</b>	117,726
Property, plant and equipment	11	<b>5,353</b>	3,256
Deferred tax assets	12	<b>6,727</b>	99
Investment in associate	13	<b>2,723</b>	-
		<b>123,923</b>	121,081
<b>Current assets</b>			
Trade and other receivables	15	<b>4,980</b>	2,814
Cash and cash equivalents		<b>19,365</b>	25,974
		<b>24,345</b>	28,788
<b>Total assets</b>		<b>148,268</b>	149,869
<b>Issued capital and reserves attributable to equity owners of the parent</b>			
Share capital	16	<b>956</b>	956
Foreign currency translation reserve		<b>15</b>	16
Share based payment reserve		<b>788</b>	630
Retained earnings		<b>130,013</b>	134,650
<b>Total equity attributable to equity holders of the parent company</b>		<b>131,772</b>	136,252
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	<b>144</b>	262
Deferred consideration	13	<b>873</b>	-
Lease liabilities	14	<b>3,422</b>	-
		<b>4,439</b>	262
<b>Current liabilities</b>			
Trade and other payables	17	<b>11,074</b>	12,946
Lease liabilities	14	<b>869</b>	-
Corporation tax		<b>114</b>	409
		<b>12,057</b>	13,355
<b>Total liabilities</b>		<b>16,496</b>	13,617
<b>Total equity and liabilities</b>		<b>148,268</b>	149,869

The financial statements were approved by the Board of Directors and authorised for issue on 3 March 2020 and signed on its behalf by:

**Gary Morrison**  
Chief Executive Officer

**TJ Kelly**  
Chief Financial Officer

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Share capital €'000	Retained earnings €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Total €'000
<b>Balance at 1 January 2018</b>		956	145,015	18	960	146,949
Total comprehensive income for the year		-	5,691	(2)	-	5,689
Dividends	22	-	(16,056)	-	-	(16,056)
Debit to equity for equity settled share based payments		-	-	-	(330)	(330)
<b>Balance at 31 December 2018</b>		956	134,650	16	630	136,252
Effect of initial application of IFRS 16	1	-	(416)	-	-	(416)
<b>Balance at 1 January 2019 – as restated</b>		956	134,234	16	630	135,836
Total comprehensive income for the year		-	8,394	(1)	-	8,393
Dividends	22	-	(12,615)	-	-	(12,615)
Credit to equity for equity settled share based payments		-	-	-	158	158
<b>Balance at 31 December 2019</b>		956	130,013	15	788	131,772

## **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 €'000	2018 €'000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>3,011</b>	6,652
Depreciation of property, plant and equipment	4	<b>2,425</b>	1,232
Amortisation of intangible assets	4	<b>11,521</b>	12,221
Share of results of associate	13	<b>116</b>	-
Financial income		<b>(59)</b>	(20)
Financial expense	7	<b>224</b>	63
Employee equity settled share based payment expense/ (credit)	19	<b>156</b>	(346)
<i>Changes in working capital items:</i>			
(Decrease)/ increase in trade and other payables		<b>(2,252)</b>	3,129
(Increase)/ decrease in trade and other receivables		<b>(2,166)</b>	1,152
<i>Cash generated from operations</i>		<b>12,976</b>	24,083
Interest paid		<b>(224)</b>	(63)
Interest received		<b>59</b>	20
Income tax paid		<b>(1,516)</b>	(749)
<b>Net cash from operating activities</b>		<b>11,295</b>	23,291
<b>Cash flows from investing activities</b>			
Acquisition/capitalisation of intangible assets	10	<b>(2,915)</b>	(1,839)
Purchases of property, plant and equipment	11	<b>(190)</b>	(714)
Acquisition of investment in associate	13	<b>(1,075)</b>	-
<b>Net cash used in investing activities</b>		<b>(4,180)</b>	(2,553)
<b>Cash flows from financing activities</b>			
Repayments of obligations under lease liabilities		<b>(1,109)</b>	-
Dividends paid	22	<b>(12,615)</b>	(16,056)
<b>Net cash used in financing activities</b>		<b>(13,724)</b>	(16,056)
Net (decrease)/ increase in cash and cash equivalents		<b>(6,609)</b>	4,682
Cash and cash equivalents at the beginning of the year		<b>25,974</b>	21,294
Effect of foreign exchange rate changes		-	(2)
<b>Cash and cash equivalents at the end of the year</b>		<b>19,365</b>	25,974

Cash and cash equivalents comprise cash and short term bank deposits only.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **General Information**

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 Floor 2, 52 Bedford Row, London, WC1R 4LR, 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.

The Company's shares are quoted on the Euronext Dublin and London Stock Exchange.

The Company and consolidated financial statements were approved and authorised for issue by the Board of Directors on 3 March 2020.

#### **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with the European Union ("the EU") adopted 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.

IFRS as adopted by the European Union ("the EU") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The consolidated financial statements have been prepared under the historical cost basis. The investment in associate is accounted for using the equity method.

In the preparation of these consolidated financial statements the accounting policies set out below have been applied consistently by all Group companies. The consolidated financial statements are presented in euro, which is the functional currency of all Group companies.

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 2.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Basis of consolidation***Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) all of which prepare financial statements up to 31 December.

Control is achieved when the Company has the power over 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

*Associates*

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognised in 'Share of results of associate' in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the associate is tested for impairment by comparing its recoverable amount with its carrying amount.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associate. The accounting policies of associates are amended where necessary to ensure consistency of accounting treatment at Group level.

When the Group ceases to have significant influence, any retained interest in the entity is re-measured to its fair value at the date when significant influence is lost with the change in carrying amount recognised in the consolidated income statement. The Group also reclassifies any movements previously recognised in other comprehensive income to the consolidated income statement.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (Continued)

#### *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 the consolidated income statement 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.

The fair value of the assets and liabilities are based on valuations using assumptions deemed by management to be appropriate. Professional valuers are engaged when it is deemed appropriate to do so.

Goodwill represents the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the net identifiable assets acquired.

#### *Non-controlling interests*

Non-controlling interests represent the portion of the equity of a subsidiary not attributable either directly or indirectly to the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, distinguished from shareholders' equity attributable to the owners of the parent Company.

### 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:

Amendments to IFRS 3 Business Combinations	Q1 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
IFRS 17 Insurance Contracts	Not yet endorsed
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Not yet endorsed
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in accounting policies**

*IFRS 16*

In the current year, the Group has applied IFRS 16 Leases which replaced IAS 17 Leases and related interpretations. IFRS 16 provides guidance on the classification, recognition and measurement of leases. The standard has primarily affected the accounting for the Group's operating leases relating to office premises. The Group has applied IFRS 16 from its effective date, 1 January 2019.

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 adopted the new standard by applying the modified retrospective approach and availed of the recognition exemption for short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has not restated the prior period on adoption, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On transition, the lease liability was based on the present value of remaining lease payments and the right of use asset was an amount equal to the lease liability adjusted for prepaid/accrued payments. The lease payments have been discounted using the Group's incremental borrowing rate of 3.3% which was applied to the lease liabilities on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The following reconciliation shows the difference between the operating lease commitments as disclosed in the 2018 Annual Report (under IAS 17) and the lease liability recognised in the consolidated statement of financial position on 1 January 2019, date of initial application of IFRS 16:

	€'000
Operating lease commitments disclosed as at 31 December 2018	4,502
Adjustments as a result of different treatment to extension/ termination options	1,470
Discounted using the Group's incremental borrowing rate	(611)
Lease liability recognised as at 1 January 2019	5,361

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policies (Continued)

#### IFRS 16 (Continued)

The adoption of the new standard had the following impact on the Group's consolidated financial statements from 1 January 2019 to 31 December 2019:

*Consolidated Income Statement* - Administrative expenses decreased by €1,135k as the Group previously recognised rental expenses therein. Depreciation and finance costs increased by €1,061k and €178k respectively, 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 is applied annually to the lease liability. As a result, operating profit, Adjusted EBITDA and Adjusted PAT (existing alternative performance measures as defined in the Financial Review) are 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 straight-line rent expense under IAS 17 Leases.

*Consolidated Statement of Financial Position* - At 1 January 2019, the Group calculated the lease commitments outstanding and applied the appropriate discount rate to calculate the present value of the lease commitment which are recognised as a liability and a right of use asset on the Group's statement of financial position.

The change in accounting policy had the following impact on the statement of financial position as at 1 January 2019 and 31 December 2019:

	31 December 2019	01 January 2019
	€'000	€'000
Property, plant and equipment	3,272	4,294
Lease liabilities	4,291	5,361

Lease incentives of €510k previously recognised with respect to operating leases have been derecognised and the amount was factored into the measurement of the right of use assets and lease liabilities.

The net impact on opening retained earnings of the Group on adoption of IFRS 16 was a decrease of €416k as detailed below:

	€'000
Retained earnings as at 31 December 2018	134,650
Initial application of IFRS 16	(1,067)
Lease incentives no longer recognised	510
Recognition of deferred tax asset on initial application of IFRS 16	141
Opening retained earnings as at 1 January 2019	134,234

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in accounting policies (Continued)**

*IFRS 16 (Continued)*

*Consolidated Statement of Cash Flows* – Under IFRS 16, lessees must present (i) short term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities; (ii) cash paid on the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of operating activities); and (iii) cash payments for the principal portion for a lease liability, as part of financing activities. Under IAS 17, all lease payments on operating activities were presented as part of cash flows from operating activities.

Consequently, the net cash generated by operating activities has increased by €1,109k, being the lease payments, and net cash used in financing activities has increased by the same amount. The adoption of IFRS 16 did not have an impact on net cash flows.

The impact of the application of IFRS 16 on basic and diluted earnings per share is disclosed in note 9.

Aside from the adoption of IFRS 16, since the last Annual Report there are a number of amendments to existing accounting standards and interpretations that have been adopted. These had no material impact on the disclosures or on the amounts reported in these consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments is effective for the financial year beginning on 1 January 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The directors have assessed that the Group's accounting tax position is consistent with the tax treatment used in its income tax filings.

**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.

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 discount, sales taxes and value added taxes.

**Leases**

The Group assesses whether a contract is or contains a lease, at inception of the contract. For contracts where the Group is a lessee, a right of use asset is recognised, representing the Group's right to use the underlying asset and a lease liability is also recognised for the Group's obligation to make lease payments during the lease term. The lease term of each contract is determined as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (break option), if it is reasonably certain not to exercise that option. For short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

The right of use asset is initially measured at cost and subsequently valued at cost less accumulated depreciation and impairment losses. It is adjusted where a lease modification results in a remeasurement of the lease liability.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Whenever the Group incurs an obligation to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

The carrying value of these assets are reviewed at the end of each reporting period to determine whether there is any indication that the assets have suffered an impairment loss. The Group applies IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Lease liabilities are measured at the present value of the future lease payments. The lease payments are discounted using the Group's incremental borrowing rate. Subsequently the lease liability is increased to reflect interest on the lease liability and reduced for payments made. The lease liability is remeasured for lease modifications or reassessments.

Lease payments included in the measurement of the lease liability comprise: (i) Fixed lease payments less any lease incentives receivable; (ii) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; (iii) The amount expected to be payable by the lessee under residual value guarantees; (iv) The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and (v) Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever: (i) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate. (ii) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (iii) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Cash paid on the interest portion of a lease liability is included as part of operating activities in the consolidated cash flow statement cash payments for the principal portion of a lease liability are included as part of financing activities.

### 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, material acquisition integration costs and profit or loss on disposal of investments. Judgement is used by the Group in assessing the particular items which by virtue of their scale and nature should be disclosed as exceptional items.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. 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*

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 and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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) carried 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement in the year in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a 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. Exchange differences arising are recognised in other comprehensive income.

### 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.

Depreciation is recognised 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.

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

Depreciation is provided on the following basis:

Leasehold property improvements:	5-10 years straight line
Computer equipment:	3-5 years straight line
Fixtures and equipment:	6-7 years straight line

In 2019, the estimated useful life of asset types within the computer equipment category was reduced from 5 years to 3 years. The change in useful life was made following a review of the useful lives of plant, property and equipment and reflects the speed of technological advances and usage of these assets. The additional depreciation in the current year due to the change in estimated useful life amounted to €181k. In future periods the depreciation charge will also be higher reflecting the change in useful life.

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:

- The remaining lease term, or
- The estimated useful life of the improvement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is recognised in the consolidated income statement when the asset is derecognised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment (Continued)**

In accordance with IAS 36 'Impairment of Assets', the carrying amounts of items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the consolidated income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount over the remaining useful life.

**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 of the acquired subsidiary or associate. Identifiable intangible assets, meeting either the contractual legal or separability criterion are recognised separately from goodwill.

Goodwill on acquisition of subsidiaries is included within intangible assets. Goodwill associated with the acquisition of associates is included within the interest in associates under the equity method of accounting.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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 gain or loss on disposal.

*(b) Other intangible assets*

The Group has four classes of intangible asset: domain names, technology assets, affiliate contracts and capitalised 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 10):

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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Intangible assets (Continued)

#### (b) Other intangible assets (Continued)

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.

An intangible asset is derecognised on disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. The gain or loss arising on the disposal of an asset is recognised in the consolidated income statement when the asset is derecognised.

#### 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value. The fair value of financial assets and liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

*(a) Classification of financial assets**Trade and other receivables*

Trade and other receivables are stated initially at their fair value and subsequently at amortised cost, less any expected credit loss provision. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

*(b) Expected credit loss of financial assets*

The Group always recognises lifetime expected credit losses ("ECLs") for trade receivables 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 an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. ECLs are reported in the consolidated income statement.

The directors assess the expected credit loss of the commitment to extend a loan to an associate based on the associate's historical credit loss experience, if any, adjusted for factors that are specific to the associate.

*(c) Classification of financial liabilities**Trade and other payables*

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost. Liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

*Other financial liabilities*

Financial liabilities are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. The effective interest method is a method for calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the amortised cost of a financial liability.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The directors determine the classification of the Group's financial liabilities at initial recognition.

*(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.

**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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 19.

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.

For cash settled share based payments, a liability is recognised for the services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the consolidated income statement for the year.

## 2. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation that have the most significant effect on the amounts recognised in the consolidated financial statements are described below and in the respective notes to the consolidated financial statements.

*(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:*

### Capitalisation of development costs

Development costs are capitalised in accordance with accounting policies in note 1. Determining the amount to be capitalised requires the directors to make assumptions regarding expected future cash generation of the asset.

### 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.

### Lease term of contracts with extension or break options

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (break option), if it is reasonably certain not to be exercised. The Group has a number of leases which contain break options and applies judgement in evaluating whether it is reasonably certain not to exercise the option. On commencement of a lease the directors consider all relevant factors that create an incentive for it to exercise the option. After the commencement date, the directors reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****Deferred tax asset recognition**

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future periods against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset exists. The directors have assessed that it is probable that the deferred tax asset will be utilised based on the approved five year budget and long term forecasts.

**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, material acquisition integration costs and profit or loss on disposal of investments. Judgement is used in assessing the particular items which by virtue of their scale and nature should be disclosed as exceptional items.

*(b) The key sources of estimation uncertainty 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 10. 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. These calculations are prepared using cash flow projections based on five year budgets approved by the directors and are discounted to net present value using an appropriate discount rate. The tests are dependent on estimates in particular in relation to the forecasting of future cash flows, the discount rates applied to these cash flows, the expected long term growth rate of the applicable business and terminal values. Such estimates are subject to change as a result of changing economic conditions.

Further details on the assumptions used are set out in note 10.

**3. 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 on-line 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.

### 3. REVENUE & SEGMENTAL ANALYSIS (CONTINUED)

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:

	2019 €'000	2018 €'000
Europe	<b>46,994</b>	49,060
Americas	<b>15,672</b>	15,149
Asia, Africa and Oceania	<b>18,006</b>	17,878
<b>Total revenue</b>	<b>80,672</b>	82,087

As at 31 December 2019, €2,777k of revenue relating to free cancellation bookings has been deferred (2018: €2,892k).

Disaggregation of revenue is presented as follows:

	2019 €'000	2018 €'000
Technology and data processing fees	<b>78,571</b>	79,696
Advertising revenue and ancillary services	<b>2,101</b>	2,391
<b>Total revenue</b>	<b>80,672</b>	82,087

In the year ended 31 December 2019, the Group generated 97% (2018: 97%) 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, the UK, Portugal and Australia. Out of the total non-current assets in the Group of €123,923k (2018: €121,081k), the non-current assets of the Group located in the UK are €947k (2018: €1,654k), in Portugal €483k (2018: €623k) and in Australia €2,723k (2018: €Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**4. OPERATING EXPENSES**

Profit for the year has been arrived at after charging the following operating costs:

	Notes	2019 €'000	2018 €'000
Marketing expenses		<b>32,712</b>	31,203
Staff costs	6	<b>16,881</b>	17,179
Credit card processing fees		<b>2,515</b>	2,379
Exceptional items	5	<b>3,066</b>	1,590
FX loss		<b>72</b>	64
Other administrative costs		<b>8,188</b>	9,524
<b>Total administrative expenses</b>		<b>63,434</b>	61,939
Depreciation of tangible fixed assets	11	<b>2,425</b>	1,232
Amortisation of intangible fixed assets	10	<b>11,521</b>	12,221
<b>Total depreciation and amortisation</b>		<b>13,946</b>	13,453
<b>Total operating expenses</b>		<b>77,380</b>	75,392

**Auditors' remuneration**

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

	2019 €'000	2018 €'000
Fees payable for the statutory audit of the Company and consolidated financial statements	<b>42</b>	41
Fees payable for other services:		
- statutory audit of subsidiary undertakings	<b>181</b>	96
- tax advisory services	-	-
- other assurance services	<b>10</b>	-
- corporate finance services	-	-
- other services	-	2
<b>Total</b>	<b>233</b>	139

## 5. EXCEPTIONAL ITEMS

	2019	2018
	€'000	€'000
Merger and acquisition costs	2,115	-
Restructuring costs	951	1,590
<b>Total</b>	<b>3,066</b>	1,590

Merger and acquisition costs of €2,115k relates to professional fees incurred in the year on related activity. Restructuring costs of €951k (2018: €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 20).

## 6. STAFF COSTS

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

	2019	2018
<b>Average number of persons employed</b>		
Administration and sales	189	188
Development and information technology	125	106
<b>Total</b>	<b>314</b>	294

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

	2019		2018
	Notes	€'000	€'000
<b>Staff costs comprise:</b>			
Wages and salaries		16,026	16,194
Social security costs		2,177	1,889
Pensions costs		466	389
Other benefits		347	711
Long-term employee incentive costs/ (credit)	19	156	(346)
Capitalised development labour		(2,291)	(1,658)
<b>Total</b>		<b>16,881</b>	17,179

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**7. FINANCIAL COSTS**

		2019	2018
		€'000	€'000
Interest on lease liabilities	11	178	-
Other finance costs		46	63
<b>Total</b>		<b>224</b>	63

**8. TAXATION**

	2019	2018
	Notes	€'000
	€'000	€'000
<b>Corporation tax:</b>		
Current year		1,184
Adjustments in respect of prior years		38
Total		1,222
Origination and reversal of temporary differences	12	(6,605)
<b>Total</b>		<b>(5,383)</b>
		961

Corporation tax is calculated at 12.5% (2018: 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:

	2019	2018
	€'000	€'000
Profit before tax on continuing operations	3,011	6,652
Tax at the Irish corporation tax rate of 12.5% (2018: 12.5%)	376	832
<b>Effects of :</b>		
Tax effect of expenses that are not deductible in determining taxable profit	371	622
Tax effect of utilisation of tax losses not previously recognised	-	(827)
Depreciation in excess of/ (less than) capital allowances	123	(283)
Effect of different tax rates of subsidiaries operating in other jurisdictions	261	201
Reversal of deferred tax asset on tax losses	-	417
Recognition of deferred tax asset due to group reorganisation	(6,552)	-
Adjustments in respect of prior years	38	(1)
<b>Total</b>	<b>(5,383)</b>	961

The tax losses utilised in 2018 arise primarily from the previous capital structure of the Group.

The Group has no unrecognised deferred tax asset as at 31 December 2019 as a result of the liquidation of WRI Nominees DAC during the year (31 December 2018: €3,476k).

## 9. 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.

	2019	2018
Weighted average number of shares in issue ('000s)	<b>95,571</b>	95,571
Profit for the year (€'000s)	<b>8,394</b>	5,691
<b>Basic earnings per share (euro cent)</b>	<b>8.78</b>	5.95

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.

	2019	2018
Weighted average number of ordinary shares in issue ('000s)	<b>95,571</b>	95,571
Effect of dilutive potential ordinary shares:		
Share options ('000s)	<b>5</b>	11
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)	<b>95,576</b>	95,582
<b>Diluted earnings per share (euro cent)</b>	<b>8.78</b>	5.95

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 2019, is 8.78 euro cent (2018: 5.95 euro cent).

### IFRS 16 Adoption

As a result of adopting IFRS 16 on 1 Jan 2019, the profit for the year was reduced by €104k to €8,394k in comparison to if IAS 17 had been effective. This impact of this new standard on basic earnings per share was a reduction from 8.89 euro cent to 8.78 euro cent. Diluted earnings per share reduced from 8.89 euro cent to 8.78 euro cent also.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**10. 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
<b>Cost</b>						
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
<b>Balance at 1 January 2019</b>	<b>47,274</b>	<b>214,640</b>	<b>14,068</b>	<b>5,500</b>	<b>11,525</b>	<b>293,007</b>
<b>Additions</b>	<b>-</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>2,847</b>	<b>2,915</b>
<b>Balance at 31 December 2019</b>	<b>47,274</b>	<b>214,708</b>	<b>14,068</b>	<b>5,500</b>	<b>14,372</b>	<b>295,922</b>
<b>Accumulated amortisation and impairment</b>						
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)
<b>Balance at 1 January 2019</b>	<b>(29,426)</b>	<b>(116,700)</b>	<b>(13,808)</b>	<b>(5,500)</b>	<b>(9,847)</b>	<b>(175,281)</b>
<b>Charge for year</b>	<b>-</b>	<b>(9,674)</b>	<b>(103)</b>	<b>-</b>	<b>(1,744)</b>	<b>(11,521)</b>
<b>Balance at 31 December 2019</b>	<b>(29,426)</b>	<b>(126,374)</b>	<b>(13,911)</b>	<b>(5,500)</b>	<b>(11,591)</b>	<b>(186,802)</b>
<b>Carrying amount</b>						
At 31 December 2018	17,848	97,940	260	-	1,678	117,726
At 31 December 2019	<b>17,848</b>	<b>88,334</b>	<b>157</b>	<b>-</b>	<b>2,781</b>	<b>109,120</b>

## 10. INTANGIBLE ASSETS (CONTINUED)

### Goodwill

The carrying value of the goodwill balance at 31 December 2019 is €17,848k (2018: €17,848k) and relates to an investment in Hostelworld.com Limited in 2009.

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 five year budgets approved by the directors and include future profitability, capital expenditure requirements and working capital investment. The cash flow projections also take into account historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies. Capital expenditure requirements to maintain the CGUs performance and profitability assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

The pre-tax discount rate which has been applied in determining value in use is 12.2% (2018: 10.8%). The pre-tax discount rate is based on the Group weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the business specific risk of the CGU. Growth rates are assessed based on the approved five year 2020 budget and they range from 3% to 10%. Cash flows beyond the 5 year period are extrapolated using the estimated long- term growth rate of 2.8% (2018: 2.8%). 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 2019.

### Other Intangible Assets

Additions during the year comprised of internally generated additions of €2,532k (2018: €1,658k) and other separately acquired additions of €383k (2018: €181k).

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**11. PROPERTY, PLANT AND EQUIPMENT**

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

	Right of Use Assets (Leasehold Property) €'000	Leasehold Property Improvements €'000	Fixtures & Equipment €'000	Computer Equipment €'000	Total €'000
<b>Cost</b>					
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
<b>Balance at 1 January 2019 – as restated</b>	<b>4,294</b>	<b>1,855</b>	<b>823</b>	<b>4,239</b>	<b>11,211</b>
<b>Additions</b>	<b>39</b>	<b>22</b>	<b>-</b>	<b>168</b>	<b>229</b>
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(748)</b>	<b>(748)</b>
<b>Balance at 31 December 2019</b>	<b>4,333</b>	<b>1,877</b>	<b>823</b>	<b>3,659</b>	<b>10,692</b>
<b>Accumulated depreciation</b>					
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)
<b>Balance at 1 January 2019 – as restated</b>	<b>-</b>	<b>(652)</b>	<b>(435)</b>	<b>(2,574)</b>	<b>(3,661)</b>
<b>Charge for year</b>	<b>(1,061)</b>	<b>(317)</b>	<b>(125)</b>	<b>(922)</b>	<b>(2,425)</b>
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>747</b>	<b>747</b>
<b>Balance at 31 December 2019</b>	<b>(1,061)</b>	<b>(969)</b>	<b>(560)</b>	<b>(2,749)</b>	<b>(5,339)</b>
<b>Carrying amount</b>					
At 31 December 2018	-	1,203	388	1,665	3,256
<b>At 31 December 2019</b>	<b>3,272</b>	<b>908</b>	<b>263</b>	<b>910</b>	<b>5,353</b>

The adoption of IFRS 16 on 1 January 2019, resulted in the Group recognising right of use assets of €4,294k on that date. These assets relate to the Group's lease commitments for office space in Ireland, UK and Portugal (see note 1). The average lease term is 7 years. The maturity analysis of lease liabilities is presented in note 14.

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Amounts recognised in consolidated income statement

	2019
	€'000
Depreciation expense on right of use assets	1,061
Interest expense on lease liabilities	178
Expense relating to short term leases	5
<b>Total</b>	<b>1,244</b>

At 31 December 2019, the Group is committed to €6k (2018: €11k) for short term leases. The total cash outflow for leases amount to €1,293k during 2019.

On 3 October 2019, Hostelworld Services Limited entered into a 2 year lease to rent property, which had not commenced by the year end and as a result, a lease liability and right of use asset has not been recognised at 31 December 2019. The aggregate future cash outflows to which the Group is exposed in respect of this contract is fixed payments of €596k in 2020, €926k in 2021 and €81k in 2022.

## 12. 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 year:

	Accelerated Taxation Depreciation €'000	Taxation Losses €'000	Total €'000
As at 1 January 2018	(394)	417	23
Credited/ (charged) to the income statement	231	(417)	(186)
As at 1 January 2019	(163)	-	(163)
Credited to retained earnings (IFRS 16 adoption)	141	-	141
Credited to the income statement	6,605	-	6,605
<b>As at 31 December 2019</b>	<b>6,583</b>	-	<b>6,583</b>

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

	2019	2018
	€'000	€'000
Deferred taxation assets	6,727	99
Deferred taxation liabilities	(144)	(262)
<b>Net deferred taxation assets/ (liabilities)</b>	<b>6,583</b>	<b>(163)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**12. DEFERRED TAXATION (CONTINUED)**

On 12 March 2019, a deferred tax asset of €6,862k was recognised due to a temporary difference between the carrying value and the tax base of intangible assets which were transferred as part of a group reorganisation (see note 20). The deferred tax credit of €6,605k primarily relates to this temporary difference.

The 2018 credit of €186k relates to the movement in deferred tax assets offset by the movement in deferred tax liabilities.

The Irish standard rate of corporation tax continued to be 12.5% through the year and comparative years. The tax rate ruling in the UK is 19%, and will reduce to 17% on 1 April 2020. The Portuguese standard rate of corporation tax continued to be 21% through the year and comparative years.

**13. INVESTMENT IN ASSOCIATE**

In July 2019, the Group purchased 7,645,554 shares (49% of the share capital) of Goki Pty Limited, an Australian resident company. Goki Pty Limited's principal activity is software development and principal place of business is Australia. The purchase consideration for the transaction was USD 3,000k (€2,653k) and the directly attributable costs €185k.

Subsequently, this investment in an associate was accounted for using the equity method as described in note 1 to the consolidated financial statements. The Group has significant influence but not control over the entity, due to the nature of its voting rights. The Group controls 49% of the voting rights and is not entitled to appoint 50% or more of the total number of directors to the Board.

The purchase consideration is to be paid in three equal instalments. The first was paid in July 2019 and the two subsequent payments will be made on the 1st and 2nd anniversary of this date. The present value of the amount due in 2021 (€873k) is recognised in non-current liabilities in the consolidated statement of financial position. This financial liability was recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. The amount due in 2020 (€890k) is recognised in current liabilities (note 17).

Summarised financial information in respect of Goki Pty Limited is set out below. This represents the amounts in Goki Pty Limited's financial statements prepared in accordance with IFRSs.

**Statement of financial position of Goki Pty Limited as at 31 December 2019**

	2019 €'000
Non-current assets	7
Current assets	2,441
Non-current liabilities	-
Current liabilities	(46)
Equity attributable to owners of the company	2,402

### 13. INVESTMENT IN ASSOCIATE (CONTINUED)

Income statement of Goki Pty Limited for the period from 22 July 2019 – 31 December 2019 (100%)

	2019
	€'000
Revenue	64
Loss after tax	(236)
Other comprehensive income attributable to the owners of the company	-
Total comprehensive loss	(236)
Group share of results of associate	(116)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Goki Pty Limited recognised in the consolidated financial statements:

	2019
	€'000
Net assets of Goki Pty Limited	2,402
Proportion of the Group's ownership interest in the associate	49%
Group share of net assets	1,177
Goodwill and transaction costs	2,868
Other adjustments	(1,322)
Carrying amount of the Group's interest in associate	2,723

Other adjustments relate to the elimination of the Group's 49% equity investment within the net assets of Goki Pty Limited.

#### Commitment to extend loan to associate

Under the terms of the shareholder purchase agreement, there is a USD 500k loan facility option available to Goki Pty Limited by the Group until July 2022. This loan is interest bearing and if drawn, repayable in full in July 2022. The Group treats this facility as a commitment to extend loan to associate until such time as it becomes probable that it will be required.

The directors assessed the credit risk of this commitment and determined there was no evidence to recognise an expected credit loss on it.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**14. LEASE LIABILITIES**

The adoption of IFRS 16 on 1 January 2019, resulted in the Group recognising right of use assets of €4,294k and corresponding lease liabilities of €5,361k on that date. These leases relate to the Group's lease commitments for office space in Ireland, UK and Portugal (see note 1). The maturity analysis of these lease liabilities is as follows:

	2019
	€'000
<b>Maturity analysis</b>	
Year 1	999
Year 2	916
Year 3	883
Year 4	838
Year 5	838
Onwards	243
	<b>4,717</b>
Less effect of discounting	426
<b>Total</b>	<b>4,291</b>

These liabilities are classified in the consolidated statement of financial position as:

Non-current lease liabilities	3,422
Current lease liabilities	869
<b>Total</b>	<b>4,291</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities.

**15. TRADE AND OTHER RECEIVABLES**

	2019	2018
	€'000	€'000
<b>Amounts falling due within one year</b>		
Trade receivables	873	1,067
Prepayments and other receivables	2,291	804
Value added tax	1,816	943
<b>Total</b>	<b>4,980</b>	2,814

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 4 days (2018: 5 days). Given the nature of the business, allowance for impairment of receivables is not material.

The Group always recognises lifetime expected credit losses ("ECLs") for trade receivables 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 an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. There has been no change in the estimation techniques or significant assumptions made during the current year.

In 2019, an amount of €1,214k is included in other receivables which relates to amounts due to the Group on completion of the liquidation of WRI Nominees DAC (referred to in note 20).

## 16. SHARE CAPITAL

	2019	2018
	€'000	€'000
<b>Allotted, Called-up and fully paid</b>		
95,570,778 ordinary shares of €0.01 each (2018: 95,570,778 ordinary shares of €0.01 each)	956	956
<b>Total</b>	<b>956</b>	<b>956</b>

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.

## 17. TRADE AND OTHER PAYABLES

	2019	2018
	€'000	€'000
<b>Amounts falling due within one year</b>		
Trade payables	2,493	2,361
Accruals and other payables	3,778	5,937
Deferred revenue	3,303	4,095
Deferred consideration (note 13)	890	-
Payroll taxes	610	553
<b>Total</b>	<b>11,074</b>	<b>12,946</b>

At 31 December 2019, €2,777k deferred revenue related to free cancellation bookings is included in deferred revenue (2018: €2,892k).

The average credit period for the Group in respect of trade payables is 18 days (2018: 21 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

## 18. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**19. 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 2019, the Remuneration Committee approved the grant of 1,267,463 share options pursuant to the terms and conditions of the Group's LTIP Rules (2018: 773,797 options). These were granted in four separate offerings.

In 2019, €77k was expensed in the consolidated income statement in relation to the Group's LTIP schemes (2018: €467k credit). During the year, there was a change in the estimate of shares that will vest under the EPS component of the 2018 and 2019 awards.

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

	2019	2018
	No. of share options	No. of share options
Outstanding at beginning of year	875,957	1,324,039
Granted during the year	1,267,463	773,797
Forfeited during the year	(641,773)	(1,221,879)
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	1,501,647	875,957
Exercisable at the end of the year	-	-

Included in the number of options forfeited in 2019, are 373,210 options of the 2017 awards which did not meet the vesting conditions based on performance conditions from 1 January 2017 to 31 December 2019. (2018: 562,626 options of the 2016 awards were forfeited as they did not meet their required vesting conditions).

If the conditions are met, 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 2018 and 2019 awards for performance conditions is over 3 years from 1 January 2018 to 31 December 2020 and from 1 January 2019 to 31 December 2021 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.

## 19. 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:

Year of potential vesting	April 2019 2022	June 2019 2022	August 2019 2022	November 2019 2022
Number of share options granted	933,995	76,204	187,842	69,422
Share price at grant date	£1.95	£2.07	£1.50	£1.32
Exercise price per share option	£nil	£nil	£nil	£nil
Expected volatility of Company share price	46.1%	42.1%	40.0%	40.1%
Expected life	3 years	3 years	3 years	3 years
Expected dividend yield	4.3%	4.9%	4.9%	6.0%
Risk free interest rate	0.71%	0.56%	0.43%	0.51%
Weighted average fair value at grant date	£1.93	£1.97	£1.27	£1.16
Remaining weighted average life of options (years)	2.26	2.42	2.64	2.88

Year of potential vesting	March 2017 2020	April 2018 2021	June 2018 2021	December 2018 2021
Number of share options granted	847,663	499,554	175,723	98,520
Share price at grant date	£2.33	£3.86	£3.15	£1.99
Exercise price per share option	£nil	£nil	£nil	£nil
Expected volatility of Company share price	46.0%	46.0%	47.0%	41.5%
Expected life	3 years	3 years	3 years	3 years
Expected dividend yield	5.7%	3.8%	4.8%	7.6%
Risk free interest rate	0.21%	0.88%	0.76%	0.75%
Weighted average fair value at grant date	£1.92	£3.35	£2.64	£1.48
Remaining weighted average life of options (years)	0.24	1.28	1.50	1.93

Expected volatility was determined based on the market performance of the Company over a period of 36 months prior to the date of grant for all the 2019 awards.

For all awards up to and including the June 2018 awards, 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. For the December 2018 awards, expected volatility 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**19. SHARE-BASED PAYMENTS (CONTINUED)**

**Save As You Earn ("SAYE") scheme**

During the year ended 31 December 2019, the Remuneration Committee approved the granting of share options under a SAYE scheme for all eligible employees across the Group. 31 employees availed of the scheme in 2019 (2018: 24 employees availed of the 2018 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 2019 SAYE scheme was estimated at €63k of which €11k has been recognised in the consolidated income statement for the year ended 31 December 2019. The remaining €52k 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 2018 SAYE scheme was estimated at €41k of which €34k (2018: €7k) has been recognised in the consolidated income statement to date.

	Number of SAYE share options granted	
	2019	2018
Outstanding at beginning of year	165,162	171,333
Granted during the year	258,757	90,819
Forfeited during the year	(133,327)	(96,990)
Outstanding share options granted at end of year	290,592	165,162

**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	UK office	Irish office
Grant date	October 2019	October 2019
Year of potential vesting	2022	2022
Share price at grant date	£1.30	€1.52
Exercise price per share option	£1.17	€1.30
Expected volatility of company share price	39.5%	39.5%
Expected life	3 years	3 years
Expected dividend yield	9.3%	9.3%
Risk free interest rate	0.51%	0.51%
Weighted average fair value at grant date	£0.21	€0.24
Valuation model	Black Scholes	Black Scholes

## 19. SHARE-BASED PAYMENTS (CONTINUED)

### Save As You Earn ("SAYE") scheme (Continued)

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

Expected volatility was determined in line with market performance of the Company for the 2019 schemes. For the 2017 and 2018 schemes, 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 €79k (2018: €121k) in relation to the SAYE schemes, together with the charge in respect of the long-term incentive plan for the year of €77k (2018: €467k credit) is the total charge in respect of share-based payments. The LTIP and SAYE schemes are accounted for as equity-settled in the financial statements.

Overall, the Group recognised an expense of €156k (2018: €346k credit) 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 €7k and a corresponding expense of €7k in relation to these SARs as at 31 December 2019 (2018: €3k). The fair value of these SARs was determined by using a Black Scholes model.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**20. RELATED PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

**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
Hostelworld.com Limited 196 Ordinary shares @ €1	100%*	Technology trading company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland
Hostelworld Services Portugal LDA 500 Ordinary shares @ €1	100%	Marketing and research and development services company	Rua António Nicolau D'Almeida, 45, 5th Floor, 4100-320 Oporto, Portugal
Hostelworld Services Limited 104123 Ordinary shares @ £0.001	100%*	Marketing services and technology trading company	Floor 2, 52 Bedford Row, London, WC1R 4LR, United Kingdom
Counter App Limited 51 Ordinary shares @ €1	51%	Technology company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland

\* held directly by the Company

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

On 12 March 2019, Hostelworld.com Limited acquired intangible assets from WRI Nominees DAC for a consideration of €151m. Both of these companies are 100% owned subsidiaries of Hostelworld Group plc. While this transaction had no impact on our underlying trade, the reorganisation resulted in the recognition of a deferred tax asset of €6.9m. On the same date, WRI Nominees DAC was liquidated by way of members' voluntary winding up.

On 1 August 2019, Hostelworld Technology Solutions Limited was incorporated in Ireland and became a 100% owned subsidiary of Hostelworld.com Limited. On 8 November 2019, following a share subscription, Hostelworld Technology Solutions became a 51% owned subsidiary of Hostelworld.com Limited. There has been no trading activity in this entity to date. On 7 February 2020, Hostelworld Technology Solutions Limited changed its name to Counter App Limited.

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

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### ASSOCIATES

The following details the Company's current investment in associates, including the name, country of incorporation, and proportion of ownership interest:

Company	Holding	Nature of Business	Registered Office
Goki Pty Limited	49%	Technology company	477 Kent St, Sydney NSW 2000, Australia

On 21 June 2019, Hostelworld.com Limited signed an agreement to purchase 7,645,554 shares in an Australian incorporated proprietary company limited by shares. The purchase consideration for this transaction was USD 3m. This transaction was completed on 22 July 2019 and on this date, an investment in associate was recognised in the consolidated financial statements.

Under the terms of the shareholder purchase agreement, there is a USD 500k loan facility option available to Goki Pty Limited by the Group until July 2022 (see note 13).

### Directors' remuneration

	2019	2018
	€'000	€'000
Salaries, fees, bonuses and benefits in kind	1,107	1,004
Amounts receivable under long-term incentive schemes	44	44
Termination benefits	-	467
Pension contributions	61	52
<b>Total</b>	<b>1,212</b>	<b>1,567</b>

Retirement benefit charges of €61k (2018: €52k) arise from pension payments relating to 2 executive directors (2018: 4).

### 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.

	2019	2018
	€'000	€'000
Short term benefits	2,607	2,892
Share based payments charge/ (credit)	72	(253)
Termination benefits	854	1,121
Post employment benefits	118	123
<b>Total</b>	<b>3,651</b>	<b>3,883</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**21. FINANCIAL RISK MANAGEMENT**

**21.1 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 covenants on any of its 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.

		2019	2018
	Notes	€'000	€'000
<b>Up to 1 year</b>			
Trade and other payables	17	9,938	11,190
<b>Total up to 1 year</b>		<b>9,938</b>	11,190

	2019	2018
	€'000	€'000
<b>Between 1 and 2 years</b>		
Deferred consideration	890	-
<b>Total between 1 and 2 years</b>	<b>890</b>	-
<b>Total</b>	<b>10,828</b>	11,190

*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 2019, 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.

**21.2 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.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

## 22. DIVIDENDS

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

	2019 €'000	2018 €'000
Final 2018 dividend of €0.09 per share (paid 5 June 2019)	8,601	
Interim 2019 dividend of €0.042 per share (paid 20 September 2019)	4,014	
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
	<b>12,615</b>	16,056
Proposed final dividend for the year ended 31 December 2019 of €0.021 per share (2018: €0.09 per share)	2,007	8,601

In accordance with the updated Group's dividend policy, the directors recommend the payment of a final dividend for 2019 of €0.021 per share amounting to €2.0m (2018: €0.09 per share amounting to €8.6m).

The proposed dividends are to be approved by the shareholders at the 2020 AGM on 27 April 2020.

## 23. 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.

## 24. EVENTS AFTER THE BALANCE SHEET DATE

The directors have recommended a final dividend of 2.1 euro cent per share to be paid on 8 May 2020 (see note 22).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

		Notes	2019 €'000	2018 €'000
<b>Non-current assets</b>				
Investments	28		<b>44,187</b>	205,630
			<b>44,187</b>	205,630
<b>Current assets</b>				
Trade and other receivables	29		<b>122,226</b>	225
Cash and cash equivalents			<b>353</b>	19
			<b>122,579</b>	244
<b>Total assets</b>			<b>166,766</b>	205,874
<b>Equity</b>				
Share capital	16		<b>956</b>	956
Share based payment reserve			<b>795</b>	639
Retained earnings			<b>164,726</b>	168,663
<b>Total equity attributable to equity holders of the parent</b>			<b>166,477</b>	170,258
<b>Current liabilities</b>				
Trade and other payables	30		<b>289</b>	35,616
			<b>289</b>	35,616
<b>Total liabilities</b>			<b>289</b>	35,616
<b>Total equity and liabilities</b>			<b>166,766</b>	205,874

The Company reported a profit for the financial year ended 31 December 2019 of €8,678k (2018: €1,847k loss).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 3 March 2020 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 2019**

	Share Capital	Retained Earnings	Share Based Payment Reserve	Total
	€'000	€'000	€'000	€'000
<b>As at 1 January 2018</b>	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)
<b>As at 31 December 2018</b>	<b>956</b>	<b>168,663</b>	<b>639</b>	<b>170,258</b>
Total comprehensive income for the year	-	8,678	-	8,678
Dividends	-	(12,615)	-	(12,615)
Credit to equity for equity-settled share based payments	-	-	156	156
<b>As at 31 December 2019</b>	<b>956</b>	<b>164,726</b>	<b>795</b>	<b>166,477</b>

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **25. 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 22 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.

The value-in-use calculations are prepared using cash flow projections based on a five year budget approved by the directors. 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.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

## 25. ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value. The fair value of financial assets and liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

#### Financial assets

Amounts due from subsidiary undertakings are stated initially at their fair value and subsequently at amortised cost, less any expected credit loss provision. The Company recognises expected credit losses ("ECLs") for amounts due from subsidiary undertakings estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## 26. PROFIT/ (LOSS) 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 profit/ loss 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 4 to the consolidated financial statements.

## 27. STAFF COSTS

The average monthly number of full time people employed by the Company (including executive directors) during the year was 3 (2018: 3).

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

	2019 €'000	2018 €'000
<b>Staff costs comprise:</b>		
Wages and salaries	863	820
Social security costs	110	98
Pensions costs	73	69
Other benefits	23	21
Long-term employee incentive costs/ (credit)	41	(189)
<b>Total</b>	<b>1,110</b>	819

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**28. INVESTMENTS**

The carrying value of the Company's subsidiaries at 31 December 2019 are as follows:

	2019 €'000	2018 €'000
At 1 January	<b>205,630</b>	206,306
Additions	<b>40,437</b>	-
Impairment	<b>(880)</b>	(520)
Disposals	<b>(201,000)</b>	(156)
At 31 December	<b>44,187</b>	205,630

The Company's subsidiaries directly owned by the Company, are disclosed in note 20.

Additions of €40,322k relate to an increase in the Company's direct shareholding in Hostelworld.com to 100% (2018: 51%). The Company purchased these shares from WRI Nominees DAC, a 100% subsidiary of the Company. The remaining additions (€115k) are capital contributions arising from the administration of the Group's share option schemes relate to capital contributions arising from the administration of the Group's share option schemes.

The disposal in 2019 relates to a subsidiary WRI Nominees DAC which was liquidated during the year. The 2018 disposal 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 19).

In 2019, 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 five year budgets approved by the directors. 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 15.81% (2018: 10.8%). The pre-tax discount rate is based on the Group weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the business specific risk of the CGU.

Following impairment testing, an impairment charge of €880k was recognised in relation to the Company's investment in Hostelworld Services Limited (2018: €520k). 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 2019.

## 29. TRADE AND OTHER RECEIVABLES

	2019	2018
	€'000	€'000
<b>Amounts falling due within one year</b>		
Prepayments	114	135
Value Added Tax	12	9
Amount due from subsidiary undertakings	<b>120,886</b>	81
Other debtors	1,214	-
<b>Total</b>	<b>122,226</b>	225

The amount due from subsidiary undertakings arose primarily as a result of a term loan issued between the Company and Hostelworld.com Limited as part of the group reorganisation in March 2019 (see note 20). This amount is carried at amortised cost. The directors assessed the credit risk of these amounts and determined there was no evidence to recognise an expected credit loss on these assets. The directors reviewed the related party's historical credit loss experience, adjusted for factors that are specific to that company, general economic conditions and carried out an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. There has been no change in the estimation techniques or significant assumptions made during the current year.

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.

The amount included in other debtors relates to amounts due to the Company on completion of the liquidation of WRI Nominees DAC (referred to in note 20).

## 30. TRADE AND OTHER PAYABLES

	2019	2018
	€'000	€'000
<b>Amounts falling due within one year</b>		
Trade payables	11	58
Accruals and other payables	278	423
Amount due to subsidiary undertakings	-	35,135
<b>Total</b>	<b>289</b>	35,616

The amounts due to subsidiary undertakings are unsecured loans that are repayable on demand.

## 31. EVENTS AFTER THE BALANCE SHEET DATE

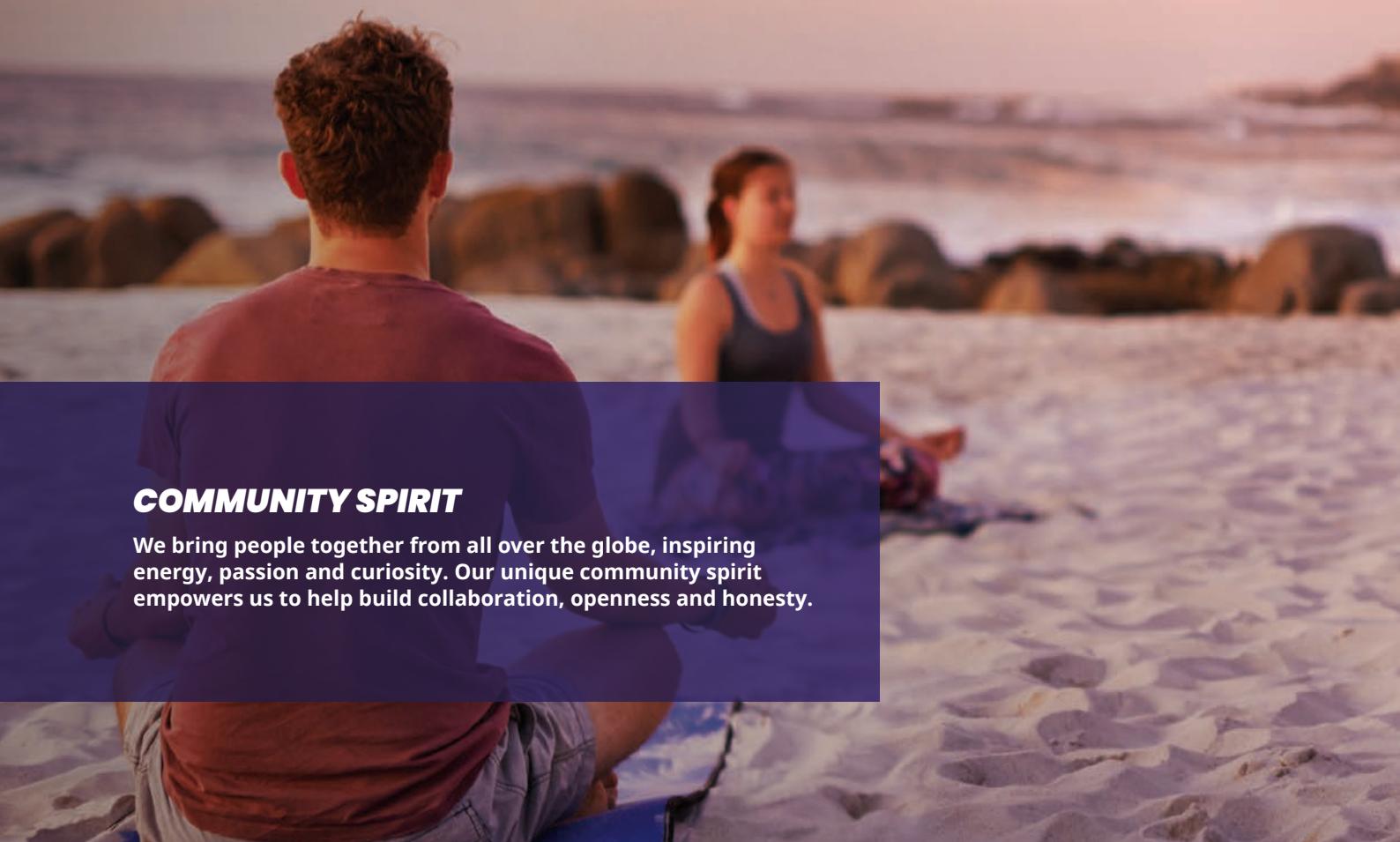
There were no significant events after the balance sheet date.

# FORGE NEW PATHS

**Whilst nightlife is still an important part of the backpacking experience, it's dropping down the priority list for future travellers. According to the global study, future travellers expect once-in-a-lifetime experiences (34%) and the culture (49%) to be more memorable than the nightlife (17%).\***

## **COMMUNITY SPIRIT**

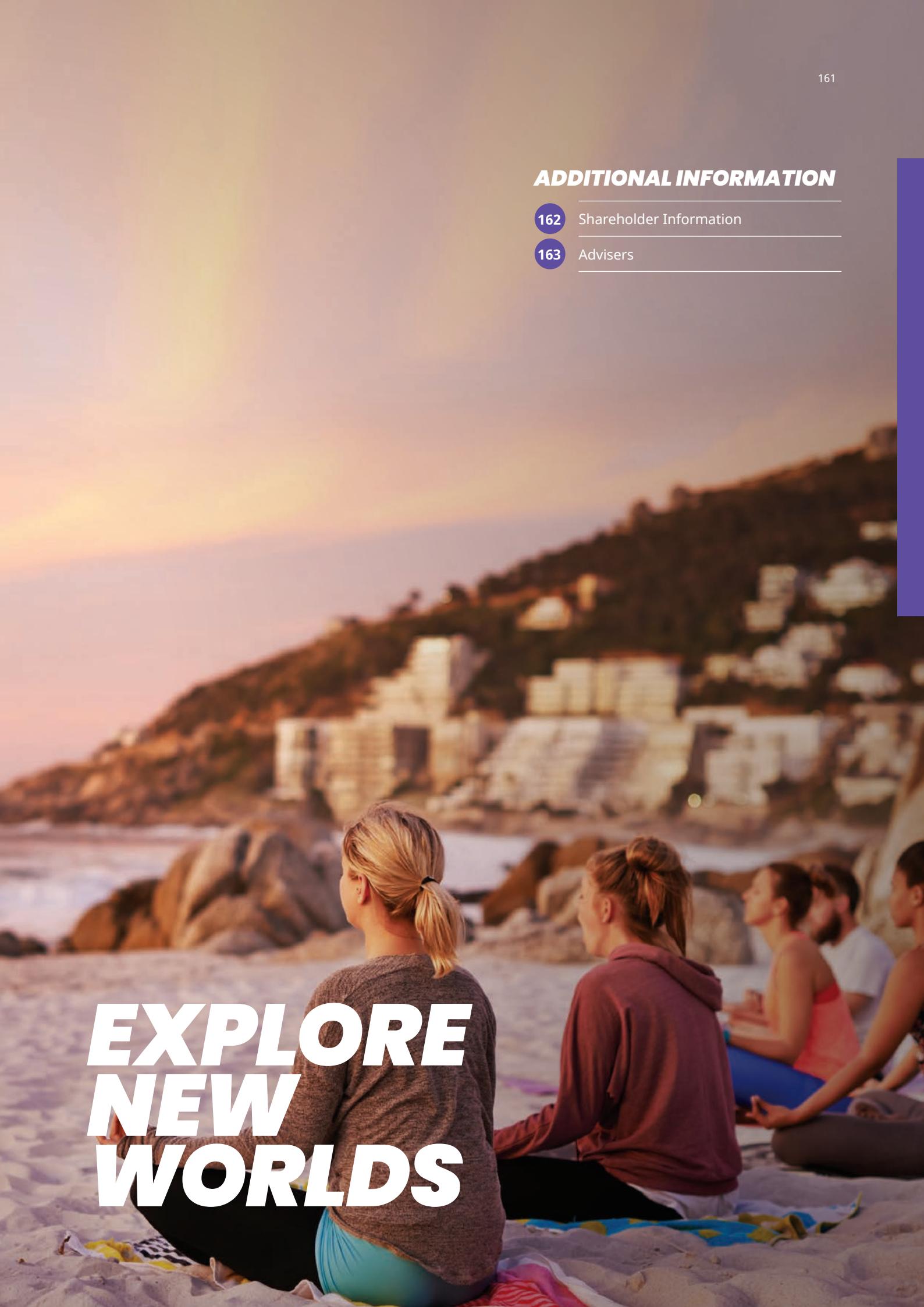
We bring people together from all over the globe, inspiring energy, passion and curiosity. Our unique community spirit empowers us to help build collaboration, openness and honesty.



**ADDITIONAL INFORMATION**

**162** Shareholder Information

**163** Advisers



**EXPLORE  
NEW  
WORLDS**

# SHAREHOLDER INFORMATION

## Financial Calendar

AGM	27 April 2020
Payment of 2019 Final Dividend	8 May 2020
Announcement of 2020 Interim Results	18 August 2020

## Share Price

During the year ended 31 December 2019, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price as at 31 December 2019	£1.25
Lowest price during the year	£1.09
Highest price during the year	£2.50

Daily information on the Company's share price can be obtained on our website: [www.hostelworldgroup.com](http://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  
Hostelworld Group plc  
Floor 2  
52 Bedford Row  
London WC1R 4LR  
United Kingdom

## Company Registration Number

9818705

# ADVISERS

## Solicitors

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Riverside One  
Sir John Rogerson's Quay  
Dublin D02 X576  
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Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL  
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## Financial Public Relations

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Dublin D02 XD77  
Ireland

## Banking

Allied Irish Banks plc  
1-4 Lower Baggot Street  
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Ireland

## Independent Auditors

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Chartered Accountants and Statutory Audit Firm  
Deloitte House  
29 Earlsfort Terrace  
Dublin D02 AY28  
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Ireland







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as we continue our mission to build a better world.

\* About the Evolution of the Hostel Traveller consumer research: Hostelworld worked with Censuswide to survey over 5,000 people aged 16 and over across the USA, UK, Australia, France, Germany, India and Brazil.

