Annual Report 2021

HOSTELWORLD Annual Report 2021

It's time to MEET THE WORLD®

(again!)

HOSTELWORLD

MEET THE WORLD

Three Little Pigs Hostel, Germany

Our Vision

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

Our Purpose

inspiring adventurous minds through travel

Our Mission

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

About Hostelworld Group

Hostelworld Group is a leading Online Travel Agent focused on the hostelling category, with a well-known trusted brand, 13.7 million reviews and a loyal customer base built up over 22 years. Our core business provides our customers with hostel accommodation options and hostel focused small group adventure tour products (*Roamies*) in over 180 countries worldwide via our website and native app platforms in 19 languages.

In parallel with helping millions of hostel focused travellers Meet The World®, we are also committed to building a better world in everything we do. In particular, we are increasing our focus on improving the sustainability of the hostelling industry, through our active involvement in the Global Tourism Plastics Initiative (GTPI), led by the UN Environment Programme and the World Tourism Organization (UNWTO); our membership of the Global Sustainable Tourism Council (GSTC); and our recent partnership with the South Pole to offset all our greenhouse gas emissions in 2021.

2021 Summary

“While 2021 was a challenging year both for Hostelworld and the global travel industry, I am pleased to say we saw a consistent recovery throughout the year in both bookings and revenue versus 2019 save for the last few weeks where we saw travel concerns over the Omicron variant.

I am also pleased to report that we made solid progress on all elements of our strategy during the year whilst continuing to significantly reduce our operating expenses versus 2020 levels.

Overall, I remain confident that our loyal customer base has more desire than ever to travel and meet other like-minded travellers once restrictions are eased. The improvements we continue to make to our platform and our differentiated growth strategy mean we are well-positioned to capitalise on those opportunities as demand continues to return.”

Gary Morrison, CEO

Financial Review

Net Revenue
€16.9m
2020: €15.4m

Net Bookings
1.5m
2020: 1.5m

Net Average Booking Value “ABV”*
€12.11
2020: €9.33

Profitability

Adjusted EBITDA Loss*
€17.3m
2020: €17.3m

Loss for the Year
€36.0m
2020: €48.9m

Adjusted Loss after Tax*
€25.7m
2020: €22.2m

Balance Sheet

Net Asset Position
€67.2m
2020: €97.9m

Cash

Cash and Cash Equivalents
€25.3m
2020: €18.2m

* The Group uses Alternative Performance Measures (‘APMs’) which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the APMs section on pages 208 to 209.

Viajero Tayrona Hostel & Ecohabs, Colombia

Contents

never@home, South Africa

Overview

Our journey

Our journey

1999

Launched
the Hostelworld website providing an online booking platform and back-end property management system

2003

Acquired
the Hostels.com business and brand

2006

Opened
office in Shanghai

2009

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

2013

Acquired
the Hostelbookers business, based in the UK

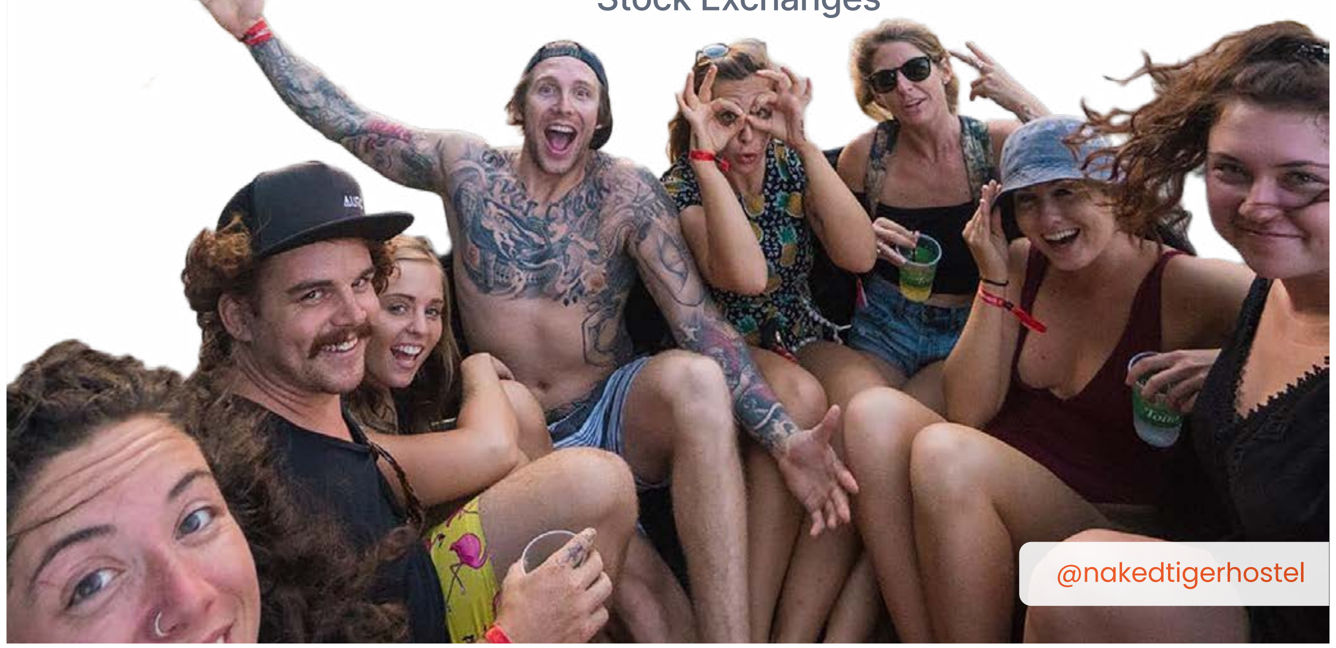
2014

Released
new suite of Hostelworld booking apps for iOS and Android

2015

Listed
on the London and Euronext Dublin Stock Exchanges

Rebranding
of Hostelworld with 'Meet The World®'



Our journey continued

2017

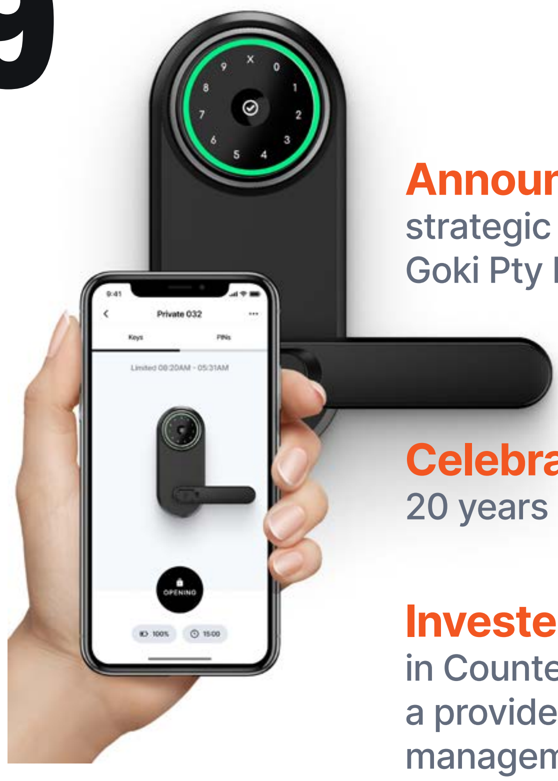
Opened
technology development centre in Porto, Portugal

2018

Developed
the "Roadmap to Growth" programme

Appointed
new management team

2019



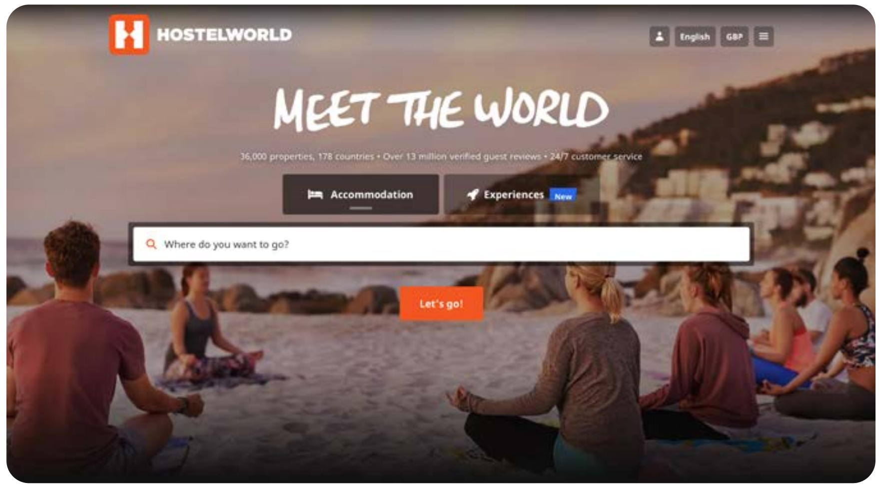
Announced
strategic investment in Goki Pty Limited

Celebrated
20 years of Hostelworld

Invested
in Counter App Limited, a provider of tailored management solutions for the hostel industry

Innovative
hardware and consumer app solution to fully automate check-in and door access control

2020



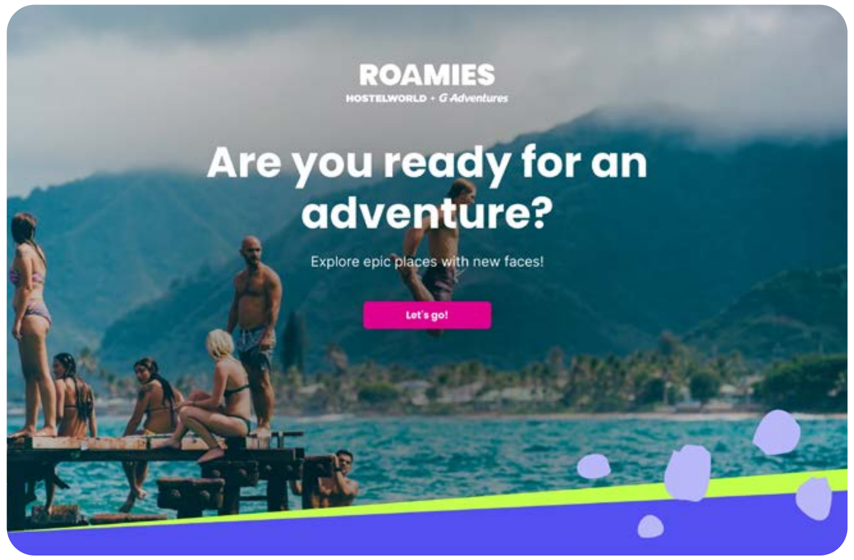
Became
a signatory of the Global Tourism Plastics Initiative (GTPI)

Switched
to Progressive Web Application – a website that feels just like our App

Launched
Beds 4 Backpackers to help stranded travellers during the COVID-19 global pandemic

2021

Launched
Roamies – a partnership with G Adventures



Improved
technology platform including migration to the cloud

Completed
a redesign of website with exciting new look and feel

Tested
new social features confirming strong desire for more

Added
additional payment options for tech-savvy customers

Progressed
our environmental, social and governance ('ESG') strategy

“Our mission is to help hostellers meet other travellers they want to hang out with while travelling, so partnering with G Adventures to offer a combination of hostelling and adventure travel made absolute sense. When young people travel, they want to do more than just see places – they want to make meaningful connections and have new experiences that positively change their perspective on themselves and the world”

Gary Morrison, CEO

ROAMIES

HOSTELWORLD + G Adventures

We announced the launch of *Roamies* in December 2021.

Roamies offer small-group tours for 18 to 35-year-olds travellers to have a backpacking experience, stay in sociable hostels and get to the heart of everywhere Hostelworld travel. *Roamies* mix the freedom of travelling solo with the peace of mind of going with an organised group.

The collaboration launched with a collection of 38 trips in 15 countries staying across more than 50 hostels with departures starting from Q2 2022.

The *Roamies* collection is the start of a longer-term partnership that will see more trips being added across further locations.

Local Guides

Our customers get to travel with a knowledgeable local expert who takes care of the planning, the transport, and the hostels.

Sociable Hostels

We want to show our customers how welcoming, sociable, and travel game-changing hostels can be.

Budget Friendly

We have kept costs as low as they can go, while paying people fairly.

Stayokay Amsterdam Oost, Netherlands

Strategic Report

Chairman's Statement: Michael Cawley

2021 has been another year of unprecedented challenge for our business, our hostel partners and for the wider travel industry. Whilst the COVID-19 pandemic continued to have a material impact on the financial performance of the business, 2021 was a year of solid progress in delivering against our Meet the World® growth strategy. We are very encouraged by the strong return in demand in destinations where travel restrictions have eased.

The team, led by CEO Gary Morrison, continued to work on three key areas that are fundamental to our strategy, ensuring the business is competitively placed when demand returns. This work focussed on competitive enhancements to the core online travel agent ("OTA") business, broadening our customer offering and core platform enhancements.

The on-going improvements the team continue to make in hostel inventory, marketing capabilities and end-user experience, all contribute toward the competitiveness of the core OTA business. Following the successful testing of social features on our platform, we look forward to the launch of this element of the strategy in 2022.

We were pleased to announce our partnership with G Adventures with the launch of *Roamies*, a new hostel focused adventure tour product. This partnership is a significant milestone in the execution of our Meet The World® growth strategy and broadens our customer offering beyond hostel accommodation.

Our underlying platform underwent a complete modernisation earlier this year with the migration of our platform to the cloud. This enabled the teams to replace the legacy backend platform resulting in faster execution times as well as generating cost savings for the Group.

COVID-19 response

This year was another difficult year for the travel sector with the industry having to adapt to changing Government guidelines, travel bans and continued travel restrictions. Throughout this challenging time, our priority has been our employees, who have continued to show dedication and resilience in these unprecedented times.

2021 started with encouraging levels of domestic demand, particularly in US and Australian markets. Throughout the year we have seen a strong correlation between the easing of restrictions and demand recovery. This correlation was particularly evident in Central American markets where booking volumes have steadily grown and in the second half of the year surpassed 2019 levels. Pandemic mitigation measures and the roll-out of the vaccine programme has helped to bolster consumer confidence. Several southern European destinations experienced strong growth following the reopening of borders in late spring. This steady growth continued until the latter part of November when the Omicron variant saw a resumption of restrictions across many destinations.

Despite the subdued performance in markets outside of these geographies, the response we have seen to-date in reopened destinations demonstrates the strong desire our customers have to travel and to Meet The World®.

Dividends and capital structure

In order to conserve our cash resources, the Board believes the continued suspension of cash dividends remains in the best interests of the business for the foreseeable future.

Throughout the year, management conserved cash and implemented measures to reduce fixed and variable costs. The business continued to access government supports where available. A €30 million five-year term loan facility was agreed in February 2021 with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof) which further materially strengthened our financial position.

Board composition

The composition of the Board is fully compliant with the 2018 UK Corporate Governance Code. The Board has undertaken an appraisal of the Directors, as well as an evaluation of the performance of the Board and each sub-committee, which concluded that the Board is functioning effectively.

Chairman's Statement continued

Climate change

Reflecting our commitment to a sustainable future, and in keeping with our UK listing and financial disclosure requirements, the business adopted the requirements of the Taskforce for Climate related Financial Disclosures ("TCFD"). In adherence with TCFD we will disclose information across the four key areas of: Governance, Strategy, Risk Management, and Metrics and Targets which are covered further on pages 49 to 52.

Environmental, Social and Governance ("ESG")

The business has worked extensively this year to advance its ESG strategy. We recognise the importance of ESG in our corporate culture and more broadly, the role that we play in driving sustainability within the industry. We were therefore pleased to announce our membership of the Global Sustainable Tourism Council ("GSTC") and look forward to seeing the work the business will do with GSTC to drive sustainable travel initiatives. The business performed a detailed assessment involving key stakeholder groups, employees, customers and hostel partners in the development of its ESG strategy. The output of this assessment was mapped to the United Nation's Sustainable Development Goals ("SDG") which helped identify strategic focus areas and a vision for sustainability within Hostelworld, more details of which can be found on page 48.

Colleagues, customers and shareholders

I wish to thank our management team and my Board colleagues who worked tirelessly throughout another difficult year for their enthusiasm and commitment.

While the outlook remains uncertain, we have successfully put in place business improvements that allows us to be optimistic for the future. There is huge pent-up demand for travel and the investment we have made leaves us well placed to capitalise on this, as and when conditions allow.

Finally, I would like to thank you, our shareholders, for your ongoing support.

Michael Cawley
Chairman
30 March 2022

The Upcycled Hostel, Peru

Stay Open Venice Beach, USA

Chief Executive's Review: Gary Morrison

While 2021 was a challenging year both for Hostelworld and the global travel industry, I am pleased to say we saw a consistent recovery throughout the year in both bookings and revenue versus 2019 save for the last few weeks where we saw travel concerns over the Omicron variant. I am also pleased to report that we made solid progress on all elements of our strategy during the year whilst continuing to significantly reduce our operating expenses versus 2020 levels. Overall, I remain confident that our loyal customer base has more desire than ever to travel and meet other like-minded travellers once restrictions are eased. The improvements we continue to make to our platform and our differentiated growth strategy mean we are well-positioned to capitalise on those opportunities as demand continues to return.

Actions in the light of the continued COVID-19 pandemic

As the pandemic continued throughout 2021, we have remained focused on supporting our stakeholders, increasing our liquidity and progressing our strategy.

In particular, we continued to support our hostel partners through various communication channels including hosting 40 webinars with more than 1,000 hostels and showcasing hostels across our key marketing channels. We have also carried out numerous feedback surveys on key topics, leading to changes to our review processes, our partner facing platform, and significant enhancements in the automated reporting tools we provide to hostels. During the year we also continued with our hostel industry recognition programme, the HOSCARs, to celebrate the world's most extraordinary hostels and the incredible impact they have had supporting their local communities. Overall, we have continued to invest heavily in supporting the Hostel industry throughout the pandemic, with our (Hostel) Net Promoter Score increasing 4 points to +47 in 2021.

Similarly, we have been supporting our employees throughout the pandemic, and recently launched more programmes to facilitate agile working policies, working from abroad policy and paid wellness and parental leave days help to promote flexibility and work-life balance when working from home.

In parallel with these activities, we also took further steps to strengthen our liquidity position through a combination of ongoing operating cost reductions and the successful negotiation of a new five-year €30 million term loan facility which we drew down in February 2021. These actions ensure that as things currently stand, we have sufficient cash in reserve even with a prolonged period of depressed demand.

Finally, I am also pleased with the progress we have made with regards to strengthening our core business competitiveness throughout the year, and in particular the progress we have made with regards to our Meet The World® growth strategy.

Throughout the pandemic we have sought to proactively engage with our shareholders given the fast-moving environment we find ourselves operating in and I would like to thank all of them for their continued support through these challenging times.

Key operational highlights and results

Similar to the initial recovery in Q3 2020, we saw swift increases in demand in those destinations where travel restrictions have eased. In particular, 2021 started with a strong recovery in Central America, and domestic demand in the US and Australia. In May and June, several southern European destinations opened their borders with strong growth over the summer months. During the second half of the year Central America surpassed 2019 levels, with southern European destinations continuing growth to 60-80% of 2019 levels, until the latter part of November/December where the Omicron variant saw a resumption of restrictions in many destinations. Overall, we continue to see net bookings growth mirroring changes in individual markets both positively and negatively. Outside of these geographies, demand continued to remain depressed.

As the recovery progressed we have seen several factors impact our trading economics versus 2019. In particular, average net booking values have steadily recovered to 2019 levels driven by a favourable geographic mix, a recovery of underlying bed prices and longer length of stay bookings; which has been partially offset by higher cancellation rates (in part driven by a higher proportion of free cancellation bookings), a reduction in blended commission rates (driven by the removal of *Elevate* in 2020) and slightly adverse FX movements. Marketing costs per net booking however have remained elevated versus 2019

Chief Executive's Review continued

driven by lower conversion rates in destinations where some level of restrictions persist, higher cancellation rates (in part driven by a higher proportion of free cancellation bookings) and higher average cost per clicks ("CPCs") driven by geographic mix. Consequently, direct marketing costs as a percentage of net revenue remain significantly higher than 2019 levels, although we expect these to gradually normalise as historic travel patterns resume.

On the supply side, despite the continuing depressed demand during 2021 we have only seen a very modest net reduction (3.5%) in the number of hostels on our platform compared to levels at the end of 2020, driven by continual sign ups to our platform. In addition, I am also encouraged to see our customers are continuing to book dorms in the majority of cases, with a steady recovery towards dorm versus private booking levels versus 2019.

Despite our significantly reduced cost base, we have continued to strengthen all areas of our business during 2021. Throughout the year we delivered a significant number of core business improvements designed to improve marketing capabilities, user experience and inventory competitiveness. These improvements included rewriting our core iOS and Android Apps to enable specific features of our Meet The World® growth strategy, replacing our legacy payments stack with Stripe, and migrating our overall platform to the cloud. We also made significant progress on our Meet The World® growth strategy with the launch of *Roamies* in partnership with G Adventures to broaden our product range, together with several social feature experiments that confirmed the strong desire for these features from our customer base, which we expect to launch in 2022.

In 2022 we will continue our platform modernisation program with our main focus on transitioning our legacy backend to a new operating platform which will leverage several "off the shelf" services available from our selected cloud services provider. This will further strengthen our Core business, enable faster execution of our growth strategy and reduce cost over the medium term.

Our strategy

As outlined in our Interim results presentation in August 2021, our long-term growth strategy is focused on three pillars; relating to improving the competitiveness of our core OTA business, executing our Meet The World® growth strategy, and continued investments in platform modernisation. Overall, I am very pleased with the progress we have made across all three pillars during 2021.

1. Improving the competitiveness of our core OTA business

Our first strategic pillar is focused on continuing to improve our inventory competitiveness through user experience enhancements, improved marketing capabilities and strengthening our position in the hostel software market. This pillar essentially builds on the initial roadmap for growth programme launched in late 2018. I am confident that our core business is now materially stronger than Q4 2019 when we returned the business to growth.

Following our strategic investments in Counter App Limited ("Counter"), a low-cost property management system designed for the hostel market, and Goki PTY Limited ("Goki"), an innovative digital lock and smartphone app based key system in 2019, I am pleased to report we have now successfully transitioned more than 85% of all Backpack Online customers ("BPO", Hostelworld's legacy property management system ("PMS")) to Counter. Counter also continues to add more hostels to its platform at an impressive rate.

Goki has also seen increased interest in their products, especially from the hotel sector, as travel has resumed and the demand for contactless solutions has grown. The Goki management team expect this trend to continue, with hotels accounting for the majority of sales over the coming years. As this sits outside the scope of Hostelworld's business, we have restructured our relationship with Goki; reducing our shareholding from 49% to 31.5% and removing our right to acquire the remaining shares of the company we do not own in 2023.

2. Meet The World® growth strategy

Our second strategic pillar is focused on executing our Meet The World® growth strategy. First outlined in our full year results presentation in March 2020, this strategy will deliver growth by providing a broader catalogue of relevant experiences beyond hostel accommodation to our core business customer base. The addition of pioneering social features enables our customers to explore the world together with other likeminded travellers.

Consistent with our strategy, we announced the launch of *Roamies* in December 2021. *Roamies* is a new hostel focused adventure tour product developed with G Adventures, the world's largest small group adventure tour provider. This new collaboration

Hosho Paris Sud Porte D'Italie, France

Chief Executive's Review continued

launched with a collection of 38 tours across 50 hostels in 15 countries; with departure dates starting in May 2022. The product is unique in combining the spontaneous social experience provided by hostel accommodation and guided adventure tours fulfilled by G Adventures. *Roamies* will also benefit from a wide distribution strategy, with tours available through Hostelworld and G Adventures online channels, and approximately 60,000 offline travel agents worldwide.

In parallel with broadening out our product catalogue, we also conducted several social feature experiments during 2021 designed to help hostellers meet other travellers they want to hang out with while travelling. Overall, we are very pleased with the results of these experiments, which confirmed our customer's strong desire for these types of features which we expect to launch throughout 2022.

3. Platform modernisation

Our third strategic pillar relates to the ongoing modernisation of our underlying platform to enable us to support faster execution across both our core Hostelworld platform and Meet The World® growth strategies; as well as reducing overall development and technology costs in the medium term. To that end, earlier this year we embarked on an ambitious plan to migrate our entire company to the cloud; and in the second half we started a second initiative to replace our legacy backend platform.

I am pleased to report that we have substantially completed the cloud migration project and begun decommissioning our data centres. We are also executing the new platform build plan to schedule and expect to start migrating our PWA, iOS and Android Apps to the new platform in early Q3 next year.

Business model

We are a leading global OTA focused on the hostel market. Our core online platform provides the opportunity for predominately hostel owners, as well as other low-cost accommodation providers, to advertise their accommodation to independent travellers looking for unique and social experiences.

We use data science and AI to effectively target our key customer segments. Our differentiated social features connect like-minded travellers, positioning us as the go to OTA for hostellers and our extended product offering builds customer loyalty by enhancing their travel experience.

Most of our revenue is generated through taking a commission from bookings made through our technology platform, including the Hostelworld website, and via our Apps. This efficient business model has very favourable working capital attributes and strong cash conversion.

In parallel with helping millions of hostel focused travellers find and book hostel accommodation, we are also committed to building a better world in everything we do. We are increasing our focus on improving the sustainability of the hosteling industry, and in January 2022, became a member of the Global Sustainable Tourism Council (GSTC). In addition, we also partnered with South Pole a global climate solutions provider to offset our 2021 greenhouse gas emissions.

Investing in people

Over the last 12 months we continued to take steps to strengthen our execution capability through the implementation of a simpler and more efficient growth orientated organisational structure. In particular this new structure organises the company's marketing, product, development and analytics resources into autonomous growth teams; who are responsible for driving the most important KPI's of the Company. Overall, I am very pleased with the benefits that the new organisation model has delivered – including increased focus and improved speed of execution on our growth strategy which I expect to continue during 2022 and beyond.

We have also continued to work remotely for the majority of the year in response to government guidelines and increased our support for our employees through the launch of a holistic employee well-being strategy during these very challenging times. In particular, the program focuses on maintaining our employee's physical, mental, social, and financial well-being through webinars with outside professionals, the extension of flexible and remote working policies, the provision of online social events, and additional well-being leave days and paid parental leave. We also introduced a new and enhanced Employee Assistance Programme (EAP) which offers global support across all our locations.

Overall, our team has worked incredibly hard through an extended period of ongoing uncertainty, and I would like to take this opportunity to thank all our employees for their enduring commitment and loyalty.

Dividends and capital allocation

In light of the significant uncertainty presented by COVID-19 the Board took the decision in March 2020 to suspend the final 2019 cash dividend, and in June 2020 we suspended cash dividends for the foreseeable future.

Given the continued lack of medium term visibility and the necessity to conserve our cash resources, the Board and I believe that the continued suspension of cash dividends is in the best interests of the business and our shareholders for the foreseeable future.

The Board and I continue to believe the appropriate allocation of capital resources is critical to ensuring the long-term growth of the business and optimisation of our shareholder returns.

Outlook

While the short to mid-term outlook for the travel industry remains challenging and uncertain, we continue to expect the pace of recovery to be driven by the easing of travel restrictions in individual markets, which we hope to see accelerated with the continued rollout of vaccination programs worldwide.

Whilst this recovery is likely to progress throughout 2022 the Board remains confident in the resilience of our business model, and the growth potential of our Meet The World® strategy as demand recovers. In the light of continued market uncertainty, the Group will not provide full year guidance until such time as the overall impact of COVID-19 on the Group becomes clearer.

The Board will continue to evaluate internal and external opportunities that will deliver value for shareholders, in particular the significant potential to enhance future growth through our Meet The World® strategy.

I remain confident that Hostelworld will emerge from the COVID-19 crisis stronger than before and be able to seize market opportunities when normal travel patterns resume.

Gary Morrison
Chief Executive
30 March 2022

Cozybaze, Indonesia

Financial Review: Caroline Sherry

Net bookings
1.5m
2020: 1.5m

Net revenue
€16.9m
2020: €15.4m

Net average booking value "ABV"*
€12.11
2020: €9.33

Marketing costs per net booking*
€8.77
2020: €5.20

Operating expenses
€49.4m
2020: €50.2m

Operating loss for the year
€33.1m
2020: €50.3m

Loss for the year
€36.0m
2020: €46.9m

Basic loss per share
30.96c
2020: 45.68c

Adjusted EBITDA loss*
€17.3m
2020: €17.3m

Adjusted EBITDA margin*
-102%
2020: -113%

Adjusted loss per share*
22.12c
2020: 20.76c

Cash and cash equivalents
€25.3m
2020: €18.2m

Net asset position
€67.2m
2020: €97.9m

*The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix "Alternate Performance Measures" which form part of the Annual Report.

Revenue and operating loss

Revenue for the period was €16.9m, an increase of 10% compared to 2020 (2020: €15.4m). Adjusted EBITDA loss of €17.3m (2020: €17.3m) and an operating loss of €33.1m (2020: €50.3m).

The continuation of COVID-19 travel restrictions throughout the year resulted in curtailed bookings and revenue recovery. We are however pleased to report a consistent recovery in booking demand in destinations when and where restrictions eased.

Net bookings at 31 December 2021 totalled 1.5m, consistent year on year and represents 21% of 2019 booking volumes. Europe, excluding United Kingdom, had the largest booking volume in 2021 (770k) and recorded a strong recovery in the second half of 2021 (47% of second half of 2019 compared to 7% of the first half of 2019). Overall Central America was the strongest recovering market on a full year basis where bookings averaged 75% of 2019 volumes, exceeding 2019 levels in second half of 2021.

Cancellations, for bookings cancelled under the free cancellation policy, amounted to 0.2m (€3.6m) (2020: cancellations of 0.3m (€6.2m)) representing a year on year decline of 43% in value. However, our cancellation rate as a portion of revenue remains elevated versus normalised levels.

At 31 December 2021, we held €3.0m of customer deposits relating to bookings made under the free cancellation policy (2020: €3.1m), of this €2.0m relates to bookings already cancelled (2020: €2.9m). Deferred revenue increased by €0.8m (2020: reduction of €2.6m).

Net Average Booking Value ("ABV"), the average value paid by a customer for a net booking, increased by 30% in 2021 (2020: 22% decline) to €12.11 (2020: €9.33). ABV benefited from favourable geographical mix, as a higher proportion of bookings came from higher-value destinations such as Europe and North America, and also from the recovery of underlying bed prices and longer length of stay bookings. These benefits were partially offset by higher cancellation rates, a reduction in blended commission rates and foreign exchange movements.

The uncertain travel landscape was the primary driver of weaker conversion levels across all source markets. In addition, costs have also been impacted by higher cancellation rates, a combination of a higher proportion of free cancellation bookings, increased cancellation rates and higher average cost per click ("CPC") driven by geographical mix. Overall, the cost per net booking for the year was €8.77 (+€3.57 over prior year cost €5.20). Marketing as a percentage of revenue amounted to 72% (2020: 59%). It is our expectation that marketing costs will normalise as normal travel patterns resume. 2021 direct marketing costs totalled €12.8m (2020: €7.6m).

Excluding the impact of direct marketing costs, administration expenses have reduced year on year by 15% compared to 2020 as we tightly manage our cost base (2021: €24.2m, 2020: €28.6m).

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes since February 2020. We continue to monitor and comply with the appropriate Revenue guidelines applicable to this scheme. We availed of assistance under the Coronavirus Job Retention Scheme in the UK until May 2021 and continue to avail of the temporary COVID-19 Wage Subsidy Scheme in Ireland.

Exceptional items

Exceptional items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading. The Group incurred €0.6m of exceptional cost items (2020: €3.0m),

Restructuring costs of €0.7m (2020: €1.7m) primarily relate to staff costs incurred as part of a growth orientated organisational redesign. The new structure organises the Company's marketing, product, development and analytics employees into autonomous growth teams. The structure was initiated in the prior year.

Share based payment

In 2021 the Group recognised an expense of €2.2m (2020: €0.4m) relating to equity settled share-based payment transactions.

During 2021 the Company granted a restricted share award ("RSU") to selected employees, including the executive directors and members of the management team. Total cost amounted to €1.4m.

Financial Review continued

The balance relates to 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.

Loss per share

Basic loss per share for the Group was €30.96 cent (2020 basic loss per share: €45.68 cent).

Adjusted loss per share was €22.12 cent per share (2020 loss per share: €20.76 cent per share).
The weighted average number of shares in the period was 116.3m (2020: 106.9m) and the total number of shares issued at the balance sheet date was 116.3m (2020: 116.3m).

Intangible asset

Carrying value of intangible assets at 31 December 2021 totals €79.4m, a decrease of €6.9m from the prior year. The Group capitalised development costs of €4.4m in the year, (2020: €3.7m) and had an amortisation charge for the year of €10.9m (2020: €11.7m). The Group recorded an impairment charge of €0.4m in the current year for a specific project following a management decision to cease ongoing investment. In 2020 the Group recorded an impairment of €15.0m on its intangible assets associated with Hostelbookers and Hostelworld.com.

Deferred tax

The Group is carrying a deferred tax asset of €8.4m (2020: €7.6m). Current year deferred tax credit €756k (2020: €1,013k) relates to a deferred tax asset created in the current year for capital allowances not utilised and available for future offset.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits for recoverability of the deferred tax asset have been estimated using the Board approved five-year plan and management expect to utilise the deferred tax asset over a five year period.

Lease liability

At the balance sheet date, the carrying value of the lease liability totalled €0.1m (2020 €4.3m). Current year lease liability relates to the Group's lease commitments for office space in Portugal and China.

On 20 August 2021 the Group signed a lease assignment on its Dublin office exiting its long-term commitment. On 1 August 2021 the Group exited its existing lease commitment in London. The Group entered agreements for smaller spaces in both locations as part of its hybrid working strategy.

Net debt and financing

At the balance sheet date cash and cash equivalents totalled €25.3m (2020: €18.2m).

The Group has borrowings of €28.2m (2020: €1.2m). Current year amount relates to a €30m debt facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). An amount of €28.8m, net of original issue discount, was received on 23 February 2021.

The prior year amount related to a short-term invoice financing facility. The Group also had a €7m revolving credit facility in place at 31 December 2020 which was undrawn. In January 2021 amounts owing on the short-term invoice financing facility were repaid in full and the Group signed a deed of release on the revolving credit facility.

In January 2021 the Group agreed revised covenant terms with AIB on a rental guarantee for the Central Park office, Dublin, the Group's headquarters where financial covenants and parent company guarantee were waived. In August 2021 as part of the lease assignment the Group agreed a revised rental guarantee on One Central Park with AIB, which is in turn guaranteed by the US Parent company of the lease assignees.

At 31 December 2021 the Group was in compliance with all financial covenants which applied at that date.

Corporation tax

The Group recorded a corporation tax charge of €0.1m (2020: €0.6m credit). Current year corporation tax charge relates primarily to our UK and Portuguese operations where tax losses from our Irish operations cannot be utilised. Prior year trading losses arising in 2020 had been carried back to 2019 and set against taxable profits arising in that year resulting in a refund owing to the Group in respect of tax paid in 2020.

Related party transactions

Related party transactions are disclosed in note 22 to the Group financial statements.

Dividend

The Board does not expect to pay a cash dividend under its current policy in respect of the 2021 financial year. Any payment of cash dividends will be subject to the Group generating profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

Caroline Sherry
Chief Financial Officer
30 March 2022


The Space, Nicaragua

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. Emerging risks are identified from areas of uncertainty, which may not have a significant impact on the business currently but may have the potential to adversely affect the Group in the future.

The Group's risk register process is based upon a standardised approach to risk identification, assessment and review with a focus on mitigation. Each risk identified is subject to an assessment incorporating likelihood of occurrence and potential impact on the Group. The Group's risk register is subject to review by the Executive Leadership Team ('ELT') prior to reporting to the Audit Committee and Board.

The Board has reviewed the principal risks and uncertainties against the on-going impact of the COVID-19 pandemic. The Board has ensured that all relevant risks were updated accordingly to incorporate the adverse effect the pandemic has had on the business and results of operations. The Board also recognises the continuing levels of uncertainty and risk of further pandemics and together with management continues to closely monitor and assess the Group's risks. In their review the Board have also taken into account inflationary pressures which contribute to a rising cost base.

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

The Board also considered its obligations in relation to providing both the annual viability and going concern statements and its conclusions can be found on pages 137 and 138 and note 1 to the consolidated financial statements respectively.

No	Category	Description and Impact	Management and Mitigation	Direction of change
1	**Macro-Economic Conditions**	Revenue is derived from the wider leisure travel sector. The COVID-19 pandemic and the resulting measures, including travel restrictions, implemented by governments around the world to reduce the spread of COVID-19 has resulted in an unprecedented decline in consumer spending, travel and related activities. This pandemic has adversely affected our business and the outlook for the future remains uncertain at present with the extent of the pandemic and the effect on our business still unknown. The impact is dependent on future developments such as the resurgence of the COVID-19 virus, impact of vaccines and the duration and severity of travel bans, and lockdowns put in place by governments. It is not yet known when international travel will return to normal levels. Our business has always been impacted significantly by perceived or actual economic conditions outside of our direct control including slowing or negative economic growth, rising inflation rates, rising unemployment rates, weakening currencies, higher taxes or tariffs which all can impair customer spending and adversely affect travel demand. In addition, events such as unusual or extreme weather, travel related health concerns including the COVID-19 pandemic mentioned above 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. The above and other macroeconomic conditions can also cause significant volatility in foreign exchange rates between the US dollar and the euro, the British pound sterling and other currencies. Such volatility can have a material impact on travel demand and travel patterns therefore impacting revenue.	In circumstances where events cause a material decline in consumer travel behaviours and patterns on a global scale, such as the COVID-19 pandemic, management will take necessary actions to conserve cash. There has been an increased and on-going focus by the Group on liquidity management. New sources of debt financing were received in February 2021 which provides additional flexibility to support the Group as it recovers from the impact of the COVID-19 pandemic. 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 helps to mitigate this with c.50% of destination markets in Europe and c.50% in rest of world. Our target 18-34 year old population tend to be both flexible as to destination and are less risk adverse. 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 dollar denominated suppliers such as Google. Rising inflation rates can impact customer discretionary spending and reduce their ability to travel. We feel this is offset in the near future by a pent-up demand from a lack of travel through 2020 and 2021. 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.	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
2	**Working Capital Investment and Going Concern**	COVID-19 has had a detrimental impact on the travel sector and a very significant impact on working capital resources. Our ability to access liquidity is constrained by our trading volumes in a COVID-19 environment and the availability of funding. With low revenue volumes there is a risk that the Group does not have the financial resources to pay its liabilities as they fall due. Liabilities have also increased due to rising inflation rates. This also directly impacts our ability to invest and grow which is constrained by our financial resources. When COVID-19 commenced the Group implemented a number of key controls to address any working capital concerns including rolling weekly cash forecasting and took measures to secure additional debt and equity financing in 2020. In February 2021 the Group received €28.8m, net of original issue discount, on a €30m term loan facility. Nevertheless, the extent of the effects of the COVID-19 pandemic on our business, results of operations, cash flows and growth prospects are uncertain. Our term loan facility creates repayment obligations and covenants, reporting to the involved brokers and lenders and requires constant monitoring of the Group's leverage position and liquidity metrics. Without a return to growth it is not certain that the Group can meet the covenants set out under the term loan facility agreement.	When COVID-19 began there was a robust assessment taken by the Directors of principal risks facing the Group including those that threaten its business model, future performance, solvency or liquidity. New funding was received through an equity raise and debt financing. The Group has performed weekly forecasting of cash resources and monitored closely the covenants and obligations caused by the term loan facility agreement in place. Monthly reporting has been put in place to ensure the terms of the term loan facility and related reporting requirements are adhered to. Key metrics and reporting are reviewed regularly in the Group's management accounts and at management meetings. Procedures and monitoring controls are in place to ensure timely reporting to involved brokers and lenders regarding compliance obligations.	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
3	**Data Security**	We are an innovative technology company dependent on sophisticated software applications and computing infrastructure. The security of the confidential business information we generate when engaging in e-commerce and the personal data we capture from customers and employees is essential to maintaining consumer and travel service provider confidence in our services. As an online platform, we are constantly exposed to cyber security-related threats in the form of internal and external attacks or disruption on our systems or those of our third-party suppliers. The shift to remote working during COVID-19 changed the risk profile of data security and gives rise to ongoing data security challenges and a widening threat landscape. In particular, cyberattacks (including ransomware) on organisations have increased significantly during the COVID-19 pandemic. As the Group reopens offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The General Data Protection Regulation ("GDPR") places significant data security and regulatory compliance obligations on us when processing such data.	The Group takes the protection of our customer and employee personal data very seriously and has a series of controls and monitoring in place to ensure compliance. We continue to maintain, policies and a governance information security framework to comply with laws that apply to our business, meet evolving stakeholder expectations, and support business innovation and growth. We have a robust and comprehensive data privacy, security and protection compliance programme in place which includes a supplier onboarding process involving our information security and data protection compliance teams. Our information security controls are aligned to leading industry standards, ISO27001:2017 and NIST Cyber Security Frameworks. We are PCI compliant with the guidelines of the payment card industry. We work closely with internal audit functions, and external consultants where relevant, to ensure that our system architectures, work processes and policies are in place to provide as much protection as possible. We have a data protection compliance framework in place that is aligned to our on-going obligations under the GDPR, ePrivacy Directive and other applicable laws. We have invested and continue to invest in our own data protection compliance resources to monitor and ensure compliance including a bespoke data privacy management software tool. Our Data Protection Officer ("DPO") is responsible for informing, advising and monitoring compliance on all matters relating to the protection of personal data in the Group. Our DPO is supported by designated data protection champions through our core business units including information security, HR, customer services, marketing and product. We regularly review our employee information security policy and we continue to invest in information security training for all staff so that they remain vigilant and alert to the possibility of cybercrime	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
3	**Data Security** continued	In 2021, we migrated parts of our e-commerce platform to the Cloud. Whilst risk is minimal, there still is risk that security gaps may manifest during the migration. Our IT platforms must be scalable, robust and reliable. If our systems can't keep up with growing demand, this could affect our ability to deliver growth.	We reviewed the impact on servers of increased remote access loads with teams working from home. We issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working along with enhanced procedures for accessing company data while working remotely. We have engaged with an expert solution provider in the architecture and provisioning of cloud services, as well as a certified security company for independent vulnerability and security scanning. We provide data security training for all staff. We perform due diligence of our third-party suppliers who process our personal data including heightened information security due diligence.	▲
4	**Cyber**	The Group like other companies is susceptible to cyberattacks which could compromise the integrity of our systems and the security of our data. Cyberattacks by individuals, groups of hackers and state-sponsored organisations are increasing in frequency and sophistication and are constantly evolving. The Group expects these issues to become more difficult to manage as the tools and techniques used in such attacks become ever more sophisticated. There is a risk that the Group's current technical, administrative and physical IT security framework may not be successful in safeguarding our information assets against cybersecurity attacks, past, present and in the future, which may result in bad actors stealing customer information or transaction data or other Group proprietary information. There is a risk that the Group's insurance policies will have coverage limits and may not be adequate to reimburse us for all losses caused by a cybersecurity breach.	The Group expend significant resources to protect against cybersecurity breaches, and regularly increase our security-related expenditures to maintain or increase our systems' security. The Group have an arrangement in place with a specialist third party firm to monitor network activity and to detect, neutralise and report any unusual activity to corporate IT. IT policies, procedures and cyber security initiatives are reviewed and updated regularly to address the changing regulatory environment, including data privacy regulations and to mitigate the evolving cyber security threat. Dedicated IT personnel with appropriate expertise and qualifications in information security are employed by the Group.	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
5	**Competition**	The risks posed by competition could adversely impact our market share and future growth of the business. While we face a number of key risks under competition, in each the competitor we reference is likely to have more resources than we do to enable them to compete more effectively. Key areas are as follows: • Supply: competition from direct competitors, alternative accommodation operators and disruptive new entrants leading to a loss of key accommodation suppliers. • Customers: changes in customer behaviour leading to a loss in customer traffic and demand for our services and/or increase in customer acquisition costs. Consumer preferences could change as a result of the COVID-19 pandemic which may be disadvantageous to our business and may benefit existing and new competitors. With global travel restrictions, there may be a shift towards domestic travel and alternative accommodations. • There has been a rise in cancellations and vouchers issued in lieu of cash refunds for the Group and with our competitors. This increases competition for the Group as it locks customers into those companies issuing the vouchers, thereby potentially reducing the demand for the Group's offering.	Our primary mitigation is the execution of our strategy and to capitalise on our unique market position. This involves: • Targeting new customer acquisition and growing the most profitable customer cohorts (with focus on Customer Lifetime Value / Customer Acquisition Cost) by optimising overall marketing investment; • Strengthening the Group's core platform in order to improve its flexibility and the experience of our customers; • Upgrading our third-party platform connectivity in order to defend our competitive position; • Focus on expanding our global footprint, meeting emerging demand while also strengthening our overall product offering; • Leveraging the capabilities of our partnerships to ensure we are delivering best in class and most advanced tech-based solutions for our customers and hostel partners; • Evaluating strategic opportunities to diversify away from exclusive dependence on OTA business and develop a broader experiential based travel offering to our customers; and • Roll out commercial agreements to secure competitive rates and inventory across our property base.	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
6	**People**	The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives. Due to the impact of the COVID-19 pandemic, the Group took actions to reduce headcount in 2020. The Group also undertook several organisational change programmes in the last 12 months to ensure the organisation is designed to optimally deliver our strategic priorities. In addition, the 2021 global increase in attrition because of COVID-19 has the potential to further disrupt the business. All of this presents several significant risks, including increased attrition and difficulty retaining valuable key employees, weakening of our employer brand and ability to attract high caliber talent, potential negative impact on employee morale, productivity and overall engagement, an adverse impact on our culture, and resource constraints; any of which could adversely impact our business and reputation. We have a key dependency on attracting and retaining technical employees in development, quality assurance, product management and engineering to facilitate delivery of projects and maintain site and infrastructure stability. Due to increased packages in the technology sector, there is a risk that attrition will continue to rise unless we continue to keep pace with the market and ensure our total reward offering for new and existing hires is on-par with the industry standard.	The Group is taking meaningful action to retain employees and has implemented HR policies and people processes to enable retention of key talent; namely the introduction of an agile working policy, a working from abroad policy and paid wellness and parental leave days to promote flexibility and work-life blending. In Q4 2021, the Group also brought contractual annual leave entitlements in line with market to remain competitive and to drive engagement among the team. As the Group re-open offices, the lease on the Dublin premises in Leopardstown has been relinquished, in favour of a WeWork co-working space in the city centre. A blended approach to remote/office working has been established across all locations to allow for further flexibility on an ongoing basis for employees – teams can decide what approach works best for them. The Group has further increased focus on understanding the drivers of employee engagement, through regular engagement surveys and are committed to taking action to improve employee engagement levels. We have recognised that an increased investment in career development and training of our people is key to employee engagement and in 2022 we will be recruiting a dedicated learning and development specialist within our HR team. Robust external benchmarking has ensured there is better understanding of the competitiveness of the reward offering. Employees identified as key talent/critical skills were awarded various retention plans in a bid to retain key talent. In H2 2021, the Group brought forward their planned 2022 compensation review in response to attrition rates and external market factors. The Group currently operates from five global offices, which provides flexibility for location of key talent, thereby opening up a larger talent pool to select from. Our location and resourcing strategy remains under review on an ongoing basis to optimize the talent pool. A non-executive director fulfils a workforce engagement role as set out in the 2018 UK Corporate Governance Code.	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
7	**Search Engine Algorithms**	A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel related keywords (paid search). We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. Google algorithms have become very sophisticated and able to determine better quality driven by machine learning capabilities. We risk being significantly behind in our marketing strategy and unable to be competitive in the current environment. Furthermore, in respect of paid search, our costs to improve or maintain our placement in search results can increase. This could result in a decrease in bookings and thus revenue and an increase in costs. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins. Continued investment is needed to remain competitive.	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. The search marketing team works closely with Google to understand any changes in functionality to the AdWords platform so that we can avail of any efficiencies in our search traffic. The Group participates in alpha and beta feature tests that give Hostelworld first mover advantage with new functionality that can help drive efficiency. We continue to enhance our skillsets in house and capabilities by partnering with third party vendors to enhance our search engine optimisation.	◀▶

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
8	**Third Party Reliance**	Supply: We rely on hostel accommodation providers to provide us with our inventory. Any limitations put in place by accommodation providers limit the inventory that we sell. The COVID-19 pandemic and its resulting impact on travel demand, the travel industry and the economy, has increased the risk of insolvency or disruption to the ability of our travel service provider partners to provide services. With our hostel partners in particular, there is increased risk of properties going out of business, no longer operating in the hostel category, or removing significant hostel elements from their properties. Systems and service providers: We rely on a number of key third-party providers. Any interruption in service from any of these providers may lead to a loss in revenue, loss in site and app functionality, increased input from customer services and engineer time and ultimately if we experience multiple failures we risk reputational and brand damage. COVID-19 has increased the risk of supplier failures, a risk that would be exacerbated if there are further global travel restrictions in response to new waves (such as the Delta and Omicron variants in 2021). The Group relies on payment processors and payment card schemes to execute certain components of the payments process. We generally pay these third parties interchange fees and other processing and gateway fees to help facilitate payments from customers to our travel service provider partners. There is a risk that the Group may not maintain its relationships with these third parties on favourable terms or that these transaction fees imposed by these providers are increased.	Supply: We work closely with partners and hostel associations to monitor developments in the market. Our current focus is on measures taken by hostels for managing social distancing and ensuring appropriate hygiene measures are in place. We continue to communicate actions we are taking to support any changes properties may be forced to make. For our systems and service providers we focussed on maintaining good relationships with vendors and ensuring contractual obligations dictate minimum functionality and speedy resolution of issues. We put alerts in place to immediately capture any downtime and replicate as much functionality as possible in-house. We worked to ensure there are tight service level agreements in place and there is oversight of product roadmaps. COVID-19 has highlighted that sudden changes in workload can have a negative impact on platform availability with third party suppliers but also that quick intervention can be taken to mitigate any issues. The Group has made preparations in the event hostel partners and/or key service providers fail. The Group closely monitors the financial health of key suppliers and taking steps to mitigate risks.	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
9	**IT Platforms and technological innovation**	Over recent years the ever-increasing pace of change of new technology, new infrastructure and new software offerings have changed how customer's research, purchase and experience travel. Notable shift changes include mobile networks, mobile applications, meta-search providers, display advertising and social communities. Unless we continue to stay abreast of technology innovation and change, we risk becoming irrelevant to the modern customer. Technology evolves rapidly, and updates can become quickly obsolete.	We focus on staying current with new trends in technology development and customer behaviour. We invest a significant amount of our product and user experience functions on research and development and interacting with similar companies both within and external to travel. The Group has continued with the ongoing modernisation of our underlying platform to enable us to support faster execution across our core platform. We also leverage the capabilities of partnerships to ensure we are delivering best in class and most advanced tech-based solutions for our customers and hostel partners.	▲
10	**Climate Change, Sustainability and Corporate Social Responsibility**	Climate change and sustainability continue to be areas of increased focus for the Group and are further evolving as areas of heightened concern with consumers and stakeholders. Physical climate change risks such as extreme weather events could affect our inventory competitiveness and results of operations. In addition, transitional climate change risks such as changes in stakeholder expectations, travel patterns, technologies, policy and regulation may affect the Group and results of operations. There is a request for more accountability from our customers, employees, other stakeholders as to what the Group is doing to limit its direct and indirect impact on climate change. There is a risk that we do not meet shareholder expectations regarding our target setting and performance against creating a more sustainable operating environment.	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. As an ecommerce business based in five office locations around the world and under 300 employees, whilst our carbon footprint is relatively small, we recognise that the Group has a role to play in protecting our environment. For this reason, we have continued to make a concerted effort to offset our carbon footprint through various initiatives across our business, including: (i) reducing our reliance on printing by promoting a paperless office environment; (ii) encouraging third parties to do everything electronically, including invoicing and contracting (using DocuSign); (iii) putting provisions in place to promote recycling across all our office locations; (iv) focusing on energy and natural resource conservation e.g., our offices have stop taps for water consumption and controlled lighting and air conditioning; (v) encouraging employees to use more sustainable modes of public transport (including the LUAS and the Cycle2Work Scheme); (vi) becoming a signatory in 2020 of the Global Tourism Plastics Initiative led by the UN Environment programme and the World Tourism Organisation; and (vii) Joining the Global Sustainable Tourism Council ('GSTC') whom we will partner and collaborate with to drive sustainable travel initiatives across the travel industry.	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
10	**Climate Change, Sustainability and Corporate Social Responsibility** continued	Customers demand and expect the humane treatment of animals and the respect for animal welfare. As an industry leader, we have a responsibility to take the lead on ensuring that when we empower our customers to Meet The World®, that this experience is done with respect, humility and awareness for the world's people, animals, communities and the environment. We are opposed to any experience that promotes and involves intentional direct contact with wild animals in their natural habitat, including, petting, feeding, riding animals or similar practices. We take our lead on animal welfare from the Five Freedoms of Animal Welfare and are committed to ensuring that all our accommodation and experience partners work to ensure the highest quality of life for any animals involved.	Our goal is to encourage our hostel partners to sign up with the aim of reducing their single use plastics consumption. We have also taken steps to reduce our plastic consumption as a Group. Prior to COVID-19, we made efforts to reduce our plastic consumption through initiatives such as purchasing reusable water bottles for the office, ordering fresh fruit and other perishables from suppliers who use fully recyclable packaging. Our contracts with accommodation and experience partners contain contractual commitments (developed by reference to the Five Freedoms of Animal Welfare) on the part of properties and experience providers to comply with all applicable animal welfare laws and ensure that no animals shall be harmed as a result of any experiences, activities or events promoted, managed, arranged or organised by them. Any properties or experiences that are found to be in violation of these requirements or that otherwise directly or indirectly threaten the welfare and/or conservation of animals will be removed from our platform. Well before COVID-19 we were already using video conferencing platform technology to help reduce the impact of working across our various office locations. When the world went into lockdown following the outbreak of the pandemic, we invested further in our technologies to enable our employees to continue communicating with each other and keep our business in operation during lock-down.	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
11	**Regulation**	Regulatory and legal requirements and uncertainties around these could subject the Group to business constraints, increased regulatory and compliance costs and complexities or otherwise harm our business. Our business is global and highly regulated and is exposed to issues regarding competition, licensing of local accommodation and experiences, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data protection and information security and commercial disputes in multiple jurisdictions. COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focused companies and may have an impact on the Group's brand if the Group's sales practices were investigated and assessed to be non-compliant. COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace. The GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority. Our position on customer refunds may give rise to customer complaints to consumer regulators such as the Irish Competition and Consumer Protection Commission or UK Competition and Markets Authority who have a range of enforcement powers including fines. Payment Services Directive Two ("PSD2") is an EU Directive that applies to payment services in the EU. The deadline for the Group to incorporate and be compliant with this Directive was 31 December 2020. PSD2 further regulates the authentication process for accepting credit cards and which we expect to result in increased compliance costs and complexities, including those associated with the implementation of new or advanced internal controls. The Group is also subject to payment card association rules and obligations under our contracts with the card schemes and our payment card processors, including the Payment Card Industry Data Security Standard ("PCI DSS").	The Group has an internal legal team and external legal advisors to advise the Group on current and anticipated legal requirements. Our legal advisors monitor and advise on regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations. Suitable experienced resources have been engaged to ensure consumer compliance requirements, compliance with the Listing Rules, the Financial Reporting Council Corporate Governance Code and the Market Abuse Regulations. A detailed analysis of the Group's approach to offering vouchers to certain customers concluded that the Group's approach was aligned with the principles reflected in the EU Commission recommendations on vouchers for cancelled package travel and transport services published on 13 May 2020. In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment. We have rolled out an effective refund management and risk policy and procedure to deal with individual consumer complaints and those from consumer regulators. Our response to requests and complaints is informed by a cross-departmental risk assessment.	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
11	**Regulation** continued	The EU Package Travel Directive (the "PTD") sets out broad requirements such as local registration, certain mandatory financial guarantees, disclosure requirements and other rules regulating the provision of travel packages and linked travel arrangements. The PTD also creates additional liability for a provider of travel packages for performance of the travel services within a packaged trip under certain circumstances. Conditions in the insurance market are difficult at present and, in line with general market trends, we have seen an increase in insurance costs. Changes to the rules regarding the use of "cookies" on our website and mobile applications have the potential to impact on our ability to serve our customers. Cookies are small text files that are stored on a user's computer or mobile device that are used to store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website or opening an app) and market to customers. Cookies are valuable tools for the Group that we use to enhance our customers' experiences and increase conversion. The GDPR and ePrivacy Directive require "opt-in" consent before certain cookies can be placed on a user's computer or mobile device. The Group is also subject to new sign-up regulations. Our Global Markets Team ("GMT") currently maintain a list of cities that require a hostel licence to be provided before we add a property to our site. The city list can change depending on the local in country regulations. Any addition of new licence or regulatory material that needs to be collated upon sign up, will slow down the operations of GMT and could impact the number of properties added to the site each year. If there is a reclassification of what is a 'hostel' in any locality, this could impact how we choose to display property categorisations on our site. Also, even if a licence is collated upon sign up, the laws within each city can change, resulting in a closure of properties and removal of beds from Hostelworld.	The Group have been working with the Central Bank of Ireland to ensure the Group is complaint with the PSD2 EU Directive. We have appointed external insurance brokers to help us ensure we have the appropriate Group insurance in place on the best possible terms. We have expanded our ability to offer customers their preferred method of payment in the most efficient manner on all our platforms. We process more of our transactions on a merchant basis where we facilitate payments through the use of credit cards and other alternative payment methods (such as PayPal, Alipay, ApplePay and Google Pay).	▲

No	Category	Description and Impact	Management and Mitigation	Direction of change
12	**Brand and Reputation**	Hostelworld is the world's leading OTA focused on the hostel market. We rely on the strength of our brand in the market to attract customers to our platform and to secure bookings. Consumer trust and confidence in our brand is therefore essential to ongoing revenue stability and growth. Brand marketing spend was a cost line impacted by COVID-19 cost cutting measures. As travel restrictions lift we must be competitive with our marketing spend and focus on brand recognition with consumers as a key priority. As COVID-19 continues to evolve into different strains, there is a risk of further global lockdowns which could lead to a rise in customer cancellations. COVID-19 and the uncertainty around the ability of our customers to travel and operational issues connected with the restart of global travel (including flight cancellations and hostel closures) could lead to us being overwhelmed with customer service queries and complaints.	We are focused on investing in our core products, platform and technological capabilities to support our brand proposition and awareness as well as actively managing our brand portfolio through social media channels. We have internal and external PR advisors to support us to manage any PR incidents. Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us. The Group has a Crisis Management Policy in place which includes appropriate escalation. In relation to COVID-19, we took the decision to offer refunds and credits for cancellations due to COVID-19. During 2020 we rolled out an effective refund management and risk policy and procedure to deal with individual consumer complaints and those from consumer regulators. Our response to requests and complaints is informed by a cross-departmental risk assessment. We have continued this approach into 2021.	▲
13	**Business Continuity**	Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations.	As an e-commerce organisation, the Group's business continuity plan ("BCP") focusses on the continued operation of consumer facing products and related services to ensure our e-commerce trading systems can continue to process bookings. The Group has worked with external advisors to produce robust documented business continuity and disaster recovery capabilities. The ongoing modernisation programme of both Corporate IT and the website to cloud based services increases resilience to business interruption. We updated our standard supplier terms to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/ pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time). The Group's BCP and disaster recovery plan was successfully implemented to support the business in its response to COVID-19. Both this plan and the supporting backup and failover facilities are regularly reviewed to ensure their continued validity.	▲

Principal Risks and Uncertainties continued

No	Category	Description and Impact	Management and Mitigation	Direction of change
14	**Taxation**	Due to the global nature of our business, tax authorities in other jurisdictions may consider that certain taxes are due in their jurisdiction. Such a scenario may arise for example because the customer is resident in that jurisdiction or the travel service is deemed to be supplied in that jurisdiction. In other situations, a charge to tax may arise where the tax authorities consider an establishment to exist in that country by virtue of some activity being carried on there. 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. Furthermore, the ever-changing tax landscape (i.e. 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 2.0 ("BEPS") or national governments) may result in additional material tax being suffered by the Group. Certain countries have taken steps to introduce a digital services tax to address the issue of multinational businesses carrying on business in their jurisdiction without a physical presence and therefore generally not subject to income tax in those jurisdictions. These digital services taxes are calculated as a percentage of revenue rather than income or profits. We are currently monitoring the introduction of the digital services taxes, and its impact on our Group as trade and revenue (on which the tax is levied) continues to pick up.	In collaboration with our tax advisors, 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. Our tax risk is managed by the employment of suitably qualified personnel and close engagement with big four tax advisors. We receive briefings to Board by our tax advisors, where required, on tax risks and any changes in tax legislation which impacts on current tax structure of the Group.	▲
15	**Impact of terrorism threat on leisure travel**	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. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.	Our target 18-34-year-old population tend to be both flexible as to destination and are less risk adverse.	◀▶

Selina Kalu Yala, Panama

Viability Statement

The objective of the viability statement is for the Directors to report on their assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the Group's available financing facilities, principal risks and uncertainties outlined above, recent financial performance, outlook, and current financial position. The financial position of the Group, its cash flows, liquidity position and debt facilities are outlined in the Financial Review on pages 26 to 29.

Two forecasts have been maintained throughout COVID-19, a base-case and a worst-case scenario analysis. These forecasts have evolved over time to reflect booking recovery assumptions, projected revenue flows, cost cutting measures taken and projected net cash flows from operations. The forecasts included available sources of funding including a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof).

In December 2021 the Board approved a base and stress case budget to the end of March 2023 and a five-year outlook based on the best information available at that time. The base assumptions of these budgets are conservative: bed prices are capped at 2019 prices and booking recovery is built on a regional destination basis flexed for timing of borders reopening to International travel as they were at the time. The budget did not assume any increase in commission rates and cancellation rates were forecast to be elevated versus normal rates. In addition, no incremental revenue was included for any existing or future partnerships.

The Board approved an additional scenario in January 2022 which modelled the impact of a sustained period of muted trading. We have utilised this worst-case trading scenario within our viability review.

To make the assessment of viability additional scenarios have been modelled, based upon a number of the Group's principal risks and uncertainties which are documented on pages 30 to 44. These scenarios represent severe but plausible circumstances that the Group could experience. In its determination of viability, the Directors have also reported on the Group's ability to abide by the term loan facility covenants in place as disclosed within Note 1 to the financial statements.

The Directors have determined that a five-year period to 31 December 2026 is an appropriate period over which to provide its viability statement as this is the period reviewed by the Board in the budgeting and forecasting process.

Scenario 1	Extended travel disruption as a result of COVID-19
Link to Risk	Macroeconomic risk
Consequences	The Group has considered the impact to cash of operating with a further 10% decline in revenue and direct marketing costs but carrying the current level of operating costs for a 12-month period. As this scenario is modelled off the worst-case trading scenario, the Group considers this to be an unlikely outcome. In reality the impact of such a scenario would be managed through a combination of reduced direct marketing spend and further operational cost cutting measures. Nonetheless from review of this scenario the Group continues to have sufficient cash reserves to continue in operation.

Scenario 2	GDPR fine, cyber security breach or other major one-off cost
Link to Risk	Data security, cyber, regulation
Consequences	There are two significant consequences for a GDPR breach: 1. Tier 1 can attract a fine of €10m or 2% of global turnover, whichever is greater 2. A tier 2 data breach is a serious GDPR breach and it can attract a fine of €20m or 4% of global turnover, whichever is greater For the Group, the max exposure for a GDPR breach is €20m. The likelihood of this event is remote. The Group takes data protection very seriously and has a designated Data Protection Officer and a series of controls and monitoring is in place to ensure compliance. The Group has considered the fine within its cashflows in 2024 (assuming that an investigation for a major breach would take approximately two years) and is comfortable that such a fine would not jeopardise the viability of the Group over the next five years.

Scenario 3	Losing key talent
Link to Risk	People
Consequences	Our Group is very dependent on its people. The loss of a group of our committed and skilled workforce would likely impact our revenue projections, increase our marketing spend if we lose talent with requisite skills and capabilities in paid search bidding, and also increase our overall operating expenses as we cover recruitment fees for additional resources. Our budget assumes an increased recruitment budget in 2022, as we look to grow resources in some key areas. To address this risk further we have tripled our recruitment and training budget in 2022 and 2023. We have also included the impact of a 2% decline in our gross margin. With these projections the Group remains viable over the next five years.

Having considered these stressed scenarios and based on their assessment of prospects and viability above, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. In their assessment the Board also reviewed adherence to financial covenants connected with the term loan facility.

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.

Sustainability

Environmental, social and governance ('ESG') principles are an integral part of the Group's corporate philosophy. We are committed to conducting our business in the right way and driving meaningful change. With the support and oversight of the Board, we significantly progressed our ESG strategy in 2021 by (1) conducting a thorough review of sustainability in the business and identifying relevant environment, social and governance issues that the Group will focus on; and (2) completing the following actions and putting in place a roadmap for ESG implementation and reporting:

- **Completed a current state assessment** of existing sustainability policies, practices and procedures within the Group through a desktop review and assessment of the Group's performance against the ISO 26000 Guidance on Social Responsibility Standard;
- **Completed a stakeholder mapping exercise** to ensure the identification of key internal and external stakeholders to involve and engage with on the Group's sustainability agenda;
- **Conducted a materiality assessment** to identify the most material topics of importance to the Group and its key stakeholders. Material topics were scored according to agreed criteria with appropriate weightings applied and ranked according to level of interest and importance to both internal and external stakeholders;
- **Identified strategic focus areas and a vision for sustainability within Hostelworld.** Our ESG strategy focusses on three key areas, as identified through the materiality assessment exercise: our customers, our people and our partners;
- **Mapped strategic focus areas and key topics of importance to UN Sustainable Development Goals** ('SDG') to ensure alignment. Future sustainability performance, KPIs and future targets established by the business will align with these SDGs where possible;
- **Engagement of our Executive Leadership Team ('ELT') and Board** to align and approve the Group's ESG strategy;
- **Established a roadmap** for the Group's ESG strategy implementation and reporting plan and governance structure. The execution of this roadmap will be supported by a cross-functional ESG working group; and
- **Joined the Global Sustainable Tourism Council ('GSTC')** whom we will partner and collaborate with to drive sustainable travel initiatives across the travel industry.

The next chapter on our sustainability journey

We are committed to progressing our ESG roadmap, implementing our ESG strategy and establishing reporting mechanisms for suitable metrics and targets. We will endeavour to communicate more transparency to our stakeholders as we progress our sustainability journey.

Task Force on Climate-related Financial Disclosures

Hostelworld Group plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations with two exceptions. Firstly, within metrics and targets whilst we have made significant progress in 2021 and have disclosed our Greenhouse Gas ('GHG') Emissions on pages 60 and 61 in accordance with the EU Emissions Trading Scheme, we have not included all metrics that the Group will ultimately use to assess climate-related risks and opportunities in accordance with its strategy and risk management process. Secondly, and related to this point, we have not disclosed the specific targets that the Group will use to manage climate related risks. Our targets will be used to assess our performance and progress. We want to build upon our existing data and set meaningful metrics and targets for the Group that are suitable to assess and manage relevant climate-related risks and opportunities. This is not an exercise we take lightly, and we will continue to engage with our customers, hostel partners and other stakeholders during 2022, as we ultimately work towards the EU target of net zero emissions by 2050, the EU goal to reduce carbon dioxide emissions by 55% by 2030 and the UK target of net zero emissions by 2050. We are committed to publishing the related metrics and targets set for the Group as soon as practicable.

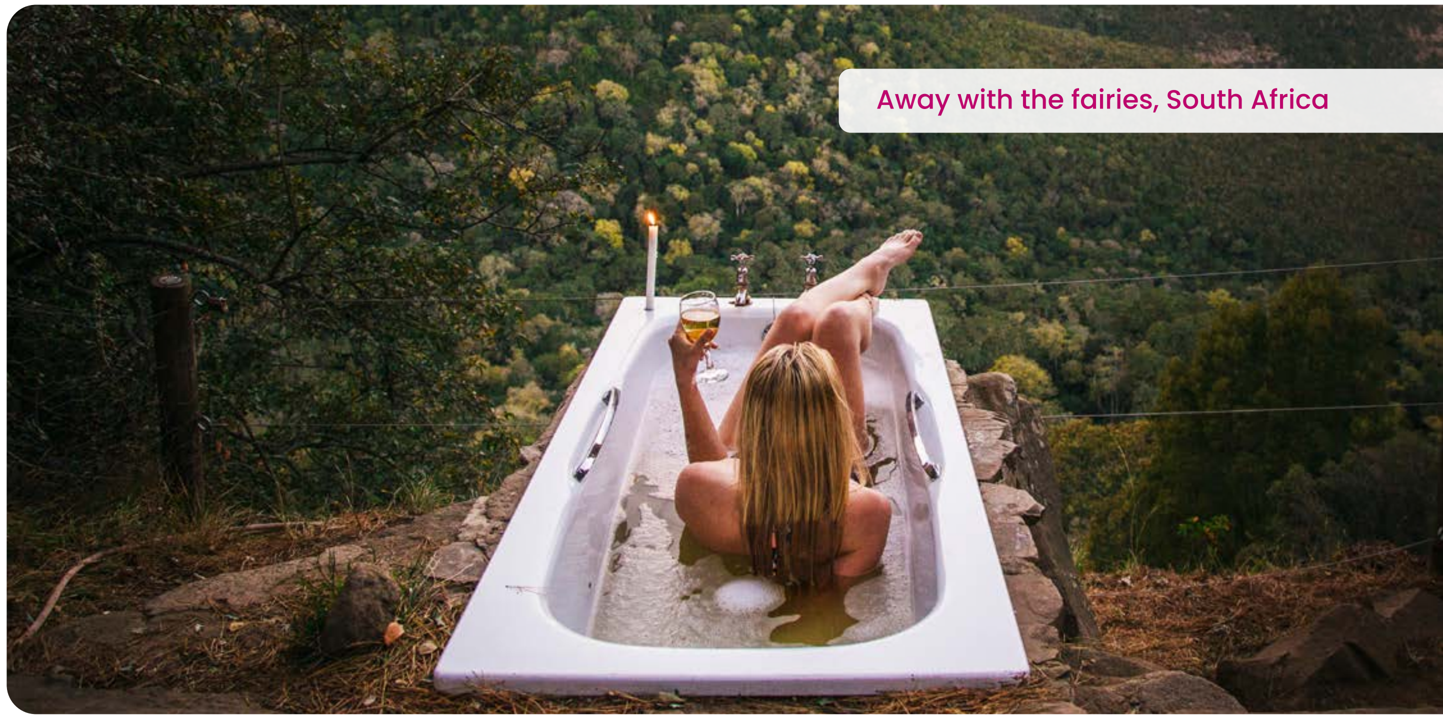
Investment in a carbon offset portfolio:

In 2022 we are delighted to report that Hostelworld engaged with South Pole, a global climate solutions provider, to offset our 2021 greenhouse gas emissions from travel and offices. In total we have offset 104 tCO_2e. We have invested in a project focussed on conserving the Southwestern Amazon from deforestation under a sustainable forest management plan ("SFMP"). Certified by the Forest Stewardship Council, the SFMP is a tool for conservation and forest carbon stock maintenance to reduce deforestation rates. The project is registered under the Verified Carbon Standard which is the largest and most notable standard for nature-based solutions. In addition, the project is registered under the Social Carbon Standard which was developed by the Ecológica Institute (Brazil) in 1998 to certify positive community and environmental impacts.

TCFD Reporting framework:

A review was undertaken during the year of the TCFD reporting framework to assess our alignment with its disclosure requirements across the areas of governance, strategy, risk management, and metrics and targets. We identified actions from this review to further integrate climate-related matters into our business processes.

The steps taken to disclose and report in accordance with the TCFD recommendations and recommended disclosures are outlined below.


Away with the fairies, South Africa

Task Force on Climate-related Financial Disclosures continued

1. Governance

The Board's oversight

The Board of Directors is responsible for the oversight of climate-related risks and opportunities impacting the Group. They in turn delegate some elements of their responsibility, as set out in the diagram below.

Board of Directors: There has been an increased focus on climate-related matters at Board level as the landscape continues to evolve with further regulatory developments and changes in stakeholder expectations. The expertise of the Board on climate risk and ESG-related matters continues to be enhanced through regular interactions with management and through membership of Board members on boards of other large companies with significant internal ESG-related subject matter expertise. In 2021 the Board approved an amendment to its Terms of Reference to specify that the review of the effectiveness of the risk management and controls processes in the Group as they related to climate change was a matter reserved to the Board. In 2021 the Board also approved an amendment to its Board Charter to specify that the Board will consider climate-change related risks when reviewing and guiding strategy, major plans of action, risk management policies and business plans and when overseeing major capital expenditure, acquisitions, and divestitures.

The Board and Audit Committee received and considered updates on climate-related issues on two occasions during 2021.

The Audit Committee is responsible for reviewing and approving the content of our TCFD disclosures and for reviewing the Group's Climate Risks and Opportunities Register twice yearly. The Audit Committee is also responsible for monitoring the development of metrics and achievement of targets that will be set by the Groupon an on-going basis. In 2021 the Audit Committee and the Board approved an update to the Audit Committee's Terms of Reference to specify the Audit Committee's responsibilities in respect of TCFD compliance.

See Audit Committee report pages 96 to 102.

The Nomination Committee is responsible for Board appointments and succession planning. In 2021, the Nomination Committee approved a director skills matrix which included climate risk and sustainability experience and expertise as matters current non-executive Board members and prospective non-executive Board candidates will be assessed on.

The Nomination Committee and the Board approved an update to the Nomination Committee's Terms of Reference during 2021 to provide that the Nomination Committee will, in identifying suitable Board candidates, consider candidates with experience in the areas of risks and opportunities which are climate-change related.
See Nomination Committee report pages 90 to 95.

Management's role

Management is responsible for managing on a day-to-day basis the climate-related risks and opportunities faced by the Group and for delivering the roadmap to achieve the climate risk management strategy set by the Board.

Our functions are responsible for supporting the business in achieving their climate risk and sustainability targets:

- Public Relations is responsible for external communications in regard to our climate risk and sustainability strategy; and
- Group Finance is responsible for supporting the business to understand the financial impacts of climate risk plans and producing external ESG metric reporting and disclosures.

A **TCFD steering group** comprised of representatives from Group Finance, Global Markets, Legal and Investor Relations oversees progress against the TCFD recommendations and the publication of our annual disclosure, and reports to the Chief Financial Officer.

The TCFD steering group will also keep up to date with regulatory requirements through access to external advisors and external briefings.

2. Strategy

The Group's TCFD Steering Group worked with Ernst and Young Ireland Climate Change Sustainability Services and carried out extensive stakeholder interviews to facilitate a climate-related risk and opportunities assessment to understand where and how climate-related matters may affect our business strategy and financial planning over the short (1-2 years), medium (3-5 years) and long term (6 years plus). The TCFD Steering Group performed scenario planning sessions with our global markets and analytics teams, to review potential risks over different time horizons. The analysis covered geographic areas/countries which were currently or likely to be most affected by climate change based upon external published data and reviewed our 2019 booking numbers to identify any material risk areas and potential financial implications. It was appropriate to take a pre-pandemic view as it is more representative of regular trading patterns. Our analysis incorporated acute and chronic physical risks, including hurricanes, flooding, wildfires, rising sea levels and heat waves, as well as transition risks, such as changes in stakeholder expectations, travel patterns, policy and regulation.

The results and findings were presented to the Audit Committee (which in turn updated the Board) and climate-related matters were discussed, and priorities identified for TCFD alignment, which included implementation of the TCFD governance structure and steering group, finalisation of the climate-related risk and opportunities register and identification of key areas for further scenario analysis.

We identify, assess and manage climate-related risks through the inclusion of different business functions in our process to ensure all business activities are captured. The basis of our process is captured in our climate-related risk and opportunities register and the Group's Audit Committee reviews the register twice yearly.

Climate-related risks and opportunities affect our business model in a positive way. Such examples include resource efficiency which has led to cost savings and benefits to our workforce through a hybrid working model, the ability to promote sustainable hostels through the annual HOSCAR awards and by joining the Global Sustainable Tourism Council ('GSTC') whom we will partner and collaborate with to drive sustainable travel initiatives across the travel industry. From a climate risk perspective, our initial assessment has not identified any immediate material risks that could significantly impact our business model.

Task Force on Climate-related Financial Disclosures continued

The Group's business model is resilient with regards to climate change in that our business is global, with a dispersed population of users, and a geographically dispersed set of destinations. We also have the agility to change and/or target customer relationship management ('CRM') capabilities, marketing spend and evolve our inventory pipeline in line with current and emerging climate risk trends.

With continued focus on climate-related matters, we plan to set out more in-depth climate scenario analysis for key territories going forward and as we continue to refine our understanding of climate-related risks and opportunities, we will consider the potential impacts and opportunities on our business, strategy and financial planning.

3. Risk management

During the year, we assessed and evaluated our climate-related risks and opportunities identified over the short, medium and long-term (including physical and transitional risks and opportunities). The Group's climate risk and opportunities register was presented to and discussed by the Audit Committee. The identification and management of climate-related risks follow our existing risk-management process. In addition, as a principal risk, 'climate change and sustainability' is monitored by the Board, Audit Committee and Executive Leadership Team to ensure it is embedded within strategic decision-making. See 'Principal Risks and Uncertainties' section pages 30 to 44 and 'Corporate Responsibility' section, pages 54 to 61, for management of climate-risks identified through waste and energy reduction initiatives and minimising business travel.

The TCFD Steering Group will consider and incorporate actions required to comply with mandatory requirements and reporting obligations will be monitored on an on-going basis. As referenced in the Governance section above, the TCFD Steering Group will keep up to date with regulatory requirements through access to external advisors and external briefings and will complete a regulatory review annually.

4. Metrics and targets

As outlined in the Corporate Social Responsibility section on pages 60 and 61, the Greenhouse Gas ('GHG') Emission statement outlines our management of GHG emissions and energy consumption and discloses scope 1, scope 2 and scope 3 emissions. We have made progress during 2021 by moving to a WeWork office and an agile way of working which has helped reduce our GHG emission and energy consumption. In 2022 Hostelworld engaged with South Pole, a global climate solutions provider, to offset our GHG emissions from travel and offices. We will continue to review and identify metrics and set meaningful targets that are suitable for the Group to assess and monitor climate-related risks and opportunities.


The Twizt Lifestyle Hostel, Cambodia

Our People

Our people make everything possible

In what has been, and remains a challenging time, our people have risen to the challenge with their exceptional knowledge, skills and talent. Our culture is one which supports our people in growing, developing, and performing at their best in a fast-paced and empowering environment.

Employees per location

Total **215**	Shanghai **15**	Average age **35 years**
Dublin **126**	Sydney **3**	Average Length of service **3.5 years**
Porto **46**	Germany **3**	No. of Nationalities **31**
London **21**	Italy **1**	Non-Executive Directors: **4**

Corporate Social Responsibility

Breakdown of gender split across Executive Directors, Non-Executive Directors & Executive Leadership Team ("ELT")

	Male	Female	Number Total	% Male	% Female
Chairman and Executive Directors ("EDs")	2	1	3	66.7%	33.3%
Non-Executive Directors ("NEDS")	2	1	3	66.7%	33.3%
Executive Leadership Team (Includes EDs)	5	2	7	71.4%	28.6%
Direct Reports of Executive Leadership Team	29	19	48	60.4%	39.6%
Other Staff	78	82	160	48.8%	51.3%

The COVID-19 pandemic continued to have an impact on our people, our communities, our hostel partners and our business in 2021.

People

Our people are fundamental to our success and the creation and development of amazing products and services. To ensure a "people first" approach we set specific organisational objectives and key results ('OKRs') around employee engagement and attrition in 2021.

Employee engagement

Employee engagement is a key priority and an indicator of our future growth and performance. As part of our ongoing listening strategy, we continued to measure employee engagement throughout 2021 and conducted one full engagement survey and two pulse engagement surveys. 89% of employees participated in our full engagement survey. We saw positive improvements across all factors in the survey with the highest improvements achieved in action, company confidence and leadership. While strengths were identified in areas around remote working, work and life blend, engagement management and teamwork and ownership, there is opportunity to improve our scores on learning and development and this is likely to have the highest positive impact on our overall engagement score.

The results of each survey were shared company-wide and then communicated in greater depth at functional and team level. Actions were taken at a local and organisational level to improve on low scoring areas.

To put a greater focus on learning and development, our mid-year review process was centred around development conversations and employees were encouraged to discuss their development needs and set development focused objectives as part of their performance development conversations. We also completed a training needs analysis with each of our functions to better understand the development and training needs within each function and how best to address them.

The need for more clarity around career progression was another area highlighted by employees and the development of our behavioural competency framework will act as the foundation to creating career paths and career progression frameworks.

Throughout 2021 we continued to enhance our overall employee value proposition through our various people initiatives.

Looking to 2022 we will continue to take action to positively impact employee engagement and further strengthen our employee value proposition.

COVID-19 and office working

Recognising the challenges that the COVID-19 pandemic continued to pose in 2021, it was important to us that we continued to enable people to be at their best and foster a supportive culture for all.

In line with public health guidelines, remote/home working remained the norm in 2021. Location dependent, and as and when restrictions allowed, we facilitated a safe and COVID-19 compliant gradual return to office working where this was the preferred approach by our employees. For the first time in eighteen months a small number of our people were able to attend the office in person. For some of our newer team members this meant being able to meet their teammates in person for the first time, for others it was an opportunity to properly reconnect with their teams and internal stakeholders after eighteen months.

Agile approach to working

In 2021 we communicated our hybrid approach to working longer term (once local restrictions allow). We will remain remote as the default option from day to day. However, we believe it's important we spend time working together in person when we need to. This means people will attend the office where they need to collaborate or where it makes sense to see each other face to face e.g. for strategic planning, team meetings/events, project work and more formalised employee/manager one to one meetings such as performance development conversations. Our people can choose where they work for the remainder of the time, with most opting for remote/home working. Our hybrid approach to working further strengthens our employee value proposition and gives our people the flexibility they need to work at their best. Given our plan to adopt a hybrid working approach, in 2021 we downsized both our Dublin and London offices to smaller premises which better suit our evolving needs.

We maintained our agile approach to working in 2021, whereby our people could take a flexible approach to their working hours to get the right work-life blend. We continued to encourage the practice of "quiet Wednesdays", allowing everyone uninterrupted time to focus on tasks without the distraction of internal meetings where possible.

Under our working from abroad policy, some people availed of the opportunity to work from abroad in 2021. This policy was introduced in 2020 as part of our agile working approach and gives our people the opportunity to work remotely from another country for a small period of time, where it was possible to facilitate.

Recognising the importance of an appropriate home office setup, we continued to provide our home office financial support. This provides an allowance towards kitting out a home office. We also asked our people to complete a working from home ergonomic self-assessment to understand and alleviate any risks.

Health and well-being

Being mindful of the various challenges that COVID-19 can pose to our people, their well-being and their family life, we introduced additional leave days in 2021. Separate to their annual leave entitlement, our people could avail of five paid well-being days throughout the year for times when they needed some headspace to disconnect, relax and recharge themselves. In addition, parents were offered ten paid parental leave days to take throughout the year to help with childcare and home schooling in the midst of the pandemic. This initiative was very well received by our people with a total of 733 well-being days taken and a total of 327 paid parental leave days taken throughout 2021, highlighting this was an important feature within our employee value proposition.

In 2021 we launched our new well-being strategy focusing on four key pillars; physical, mental and emotional, social, and financial health. Under the strategy, we developed a monthly well-being calendar providing regular advice, support, reading materials and virtual events to attend under each of the four pillars as well as creating awareness under each of the four pillars to support our people in maintaining their emotional and physical health and well-being.

In 2021 we also introduced a new employee assistance programme ('EAP') partner which offers global support across all of our locations. Our EAP is a free, confidential counselling and well-being support service that is available to our people, their partner/spouse and dependent children over 16 still living at home. The EAP is available 24/7, 365 days per year.

Communication

Understanding the importance of maintaining enhanced communication during remote/home working, in 2021 we continued to host our virtual townhalls on a bi-weekly basis. This enables us to connect as a company on a regular basis and ensures everyone is kept up to date on business performance, key priorities and progress made throughout each quarter. We continued to use our townhalls to celebrate achievements and celebrate our formal recognition programme high flyer award winners. Our townhall also provides our people a chance to share what is on their minds and pose a question to our executive leadership team ('ELT') through our question forum.

Corporate Social Responsibility continued

We also continued to issue our employee newsletter on a regular basis and our "Remote Community Hub" channel through Microsoft Teams - a dedicated channel to connect with each other while we could not physically be together in our offices continued to play a key role in 2021. Some key initiatives of the Remote Community Hub in 2021 included virtual themed quizzes, monthly virtual tearooms where all our people are invited to join for a friendly chat, a walking challenge and the launch of Hostelworld's book club. The Remote Community Hub continued to share tips and advice on work/life balance, keeping fit and looking after one's mental health.

In 2021 we continued to host virtual fireside chats. Fireside chats give our people insights into the experiences and careers of individuals from a variety of backgrounds and industries. 2021 saw Evan Cohen and Carl G. Shepherd, two of our Non-Executive Directors each attended a fireside chat along with subject matter experts across a range of industries.

People manager effectiveness

We continued to deliver people manager effectiveness webinars and workshops in 2021 as part of our people manager framework which defines the attributes of a great people manager and encourages our people managers to bring the framework to life in their day-to-day interactions with their teams. We hosted a number of virtual sessions on topics such as objective setting, giving great feedback and understanding the Group's employee value proposition when hiring.

Attracting and retaining talent

Attracting amazing talent has been a key priority for 2021. Taking a strategic approach to where we hire our people, we explored the option of hiring future employees in countries outside of where the Group was located.

To support us in hiring the best talent, we introduced psychometric and ability assessments as part of our hiring process. Using the data gathered, it helps us determine if a candidate is a suitable fit for the role they are being considered for and also identifies development areas that we can assess further at the interview stage.

To remain competitive in attracting and retaining the best talent we continued to benchmark our total reward offering against the market. We reviewed and enhanced several key policies to ensure they are competitive across all our locations, further increasing our employee value proposition. Our maternity leave policy was improved and all female employees with one year's service are now entitled to Company maternity pay during their maternity leave (previously employees needed to have two years' service to be eligible for Company maternity pay). Our annual leave policy was standardised and leave entitlement was enhanced across all locations. Our sick leave policy was also enhanced and standardised across all locations. Our people are now eligible for up to 26 weeks paid sick leave within a rolling twelve-month period, providing them with peace of mind and additional support should an unexpected illness occur.

Performance and development

In 2021 we redesigned our performance management approach putting more focus on employee development and high-quality feedback conversations. We introduced 360 feedback and stopped assigning overall performance ratings. The improved process is now more focused on ensuring that our people receive specific, relevant and actionable feedback around their performance and development areas and are supported in achieving their development goals.

In 2021 we also developed our behavioural competency framework which articulates the behaviours we value at Hostelworld. The framework allows us to be clear on what great looks like and where to focus our efforts. It gives guidance on how we can perform at our best, both as individuals and as a team. To help define and co-create our behaviours, we held a series of interviews and focus groups across the employee and management population, allowing us to better define a set of behaviours that we believe will enable us to successfully and collectively deliver our strategy. In December 2021 we launched our five behaviours as follows:

Own it

We take ownership of our OKRs, our day-to-day, and our progression too. We're independent, accountable and comfortable receiving feedback. We put our hands up for new projects and challenges, anything to help us and the business grow

Master it

We are obsessed with our area of expertise and enjoy developing our skills. We rarely take things at face value; we investigate, interrogate and always look for 'the why', and wherever possible we use data to find the best solution

Collaborate

We are in it together; for the tough stuff and the celebrations too. To achieve the best results, we need expertise from all areas of the organisation, and we wholeheartedly welcome diverse thinking.

Adapt

We work fluidly, adapting to new information and the evolving environment while staying committed to our goals. Innovation and experimentation fuel our projects and we're never afraid to pivot.

Deliver

Our focus is always on the end result; we value outcomes over activity. We collaborate to deliver work at speed without dropping any of our other behaviours.

Our behavioural competency framework sets out clear behavioural indicators for all levels in the organisation, providing guidance for managers on how the behaviours show up when leading people and clearly outlines what they are not. The behaviours will underpin our performance development processes, our recruitment process, enable our people to identify learning opportunities, set clear objectives and plan professional development together with their manager.

Bambuda Lodge, Panama

Corporate Social Responsibility continued

Diversity and inclusion

Our diversity and inclusion ('D&I') group continued to make great progress in 2021 under the four pillars:

- Internal change – ensure that Hostelworld is representative of the diverse society we live in and that our culture is inclusive and provides equal opportunities for all;
- Education – create a culture of learning about differences and understanding the issues that minority groups face in society and the workplace;
- Celebrate differences – ensure Hostelworld is a workplace where our differences are celebrated and employees feel comfortable sharing their unique perspectives; and
- External change – where possible ensuring all Hostelworld's externally focused activities reflect the diverse society we live in.

Acting on feedback received from an employee D&I survey, our D&I group reviewed our anti-bullying and harassment and equal opportunities policies to ensure they were inclusive, easily understood and that our people were aware of their existence. Our D&I group also developed D&I recruitment guidelines to ensure a fair process is followed for all candidates and to help maintain a culture and environment at Hostelworld that is supportive of diversity, inclusion and encourages a sense belonging for all.

Our D&I group organised two fantastic virtual events, one for International Women's Day and one for Pride Month. The International Women's Day event saw our ELT participate in a panel discussion about what gender equality means to them and sparked a conversation about how we can create a more equal world. The Pride panel was made up of a LGBTQIA+ panel of hostel owners and international travellers who shared stories of their personal experiences travelling the world as an LGBTQIA+ traveller. Both events were well received by our people and created an enhanced awareness across the business on both topics. Our D&I newsletter continued to be issued monthly and covered topical issues as well as including thought provoking personal stories, known as the "In My Shoes" series which were submitted by our own employees.

Employee engagement forum

Éimear Moloney remained 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 met with Éimear at various dates throughout the year to ensure that the Board and Hostelworld employees mutually understand each other's views and that employee's views are considered as part of the Board's decision-making processes. In late 2021 the format of the meetings was amended to drive better engagement.

In what remained a difficult year we saw our people embrace all challenges presented, recover quickly from any setbacks and continue to do great things to deliver our strategic priorities.

Our communities

We continued to support our communities and charity parties in 2021. We contributed to the St. Vincent de Paul Food Appeal, supported Children's Health Foundation and encouraged our people to join Aware's Christmas 5k and raise funds to provide support services to people impacted by depression or bipolar disorder.

Our hostel partners and our customers

In addition to working closely with our hostel partners on the Global Tourism Plastics Initiative, we completely revamped our annual hostel awards, the HOSCARs. From a practical point of view, we had to rethink their execution given the low number of customer reviews in 2020 – the reviews were traditionally used to determine the eventual annual winners. Taking the feedback of our hostels on board, we introduced completely new award categories to reflect the outstanding work our hostel partners had carried out in the midst of very challenging circumstances. This saw the introduction of award categories including community and social impact, sustainability, inclusivity and hostel heroes – those hostels who went above and beyond to support their local communities as well as the wider travel community or helped to inspire their customers and staff to adopt a more responsible and sustainable lifestyle. These awards were informed by survey feedback from our hostel partners and were warmly received by both hostels and consumers alike. We plan to continue with this format for the 2021 awards.

Global Tourism Plastics Initiative

One of our core Company values is to 'Build a Better World' to inspire our people to try to improve our world in all they do. One step we've taken towards creating a better world, is uniting to protect our natural environment. Our research has shown the growing demand by consumers for more sustainable travel options, as nine in ten (92%) hostel travellers now consider themselves to be 'green travellers'. However, the research also revealed the majority (63%) of travellers think travel companies should be doing more to help customers travel sustainably.

With this in mind, in July 2020 we became the first OTA signatory of the Global Tourism Plastics Initiative (GTPI), led by the UN Environment Programme and the World Tourism Organization (UNWTO), in collaboration with the Ellen MacArthur Foundation. We are leveraging our position in the hostel industry to unite our hostel partners to tackle the root causes of plastic pollution and help Build a Better World.

Hostelworld Group's commitments to the GTPI are as follows:

- Contacting our global hostel partners by September 2020 to encourage them to sign up to the initiative. The objective is to encourage 500 hostels to commit within the framework of the GTPI by 2025, and to make their participation visible on the Hostelworld website;
- Acting as the facilitator to advise and guide hostels to better manage plastics in their operations. Hostelworld Group will keep those who sign up to the initiative informed on the latest best practice guidance;
- Communicating successes to our corporate partners (investors), and consumer audience (travellers) when meaningful updates are available and when milestones are reached. These updates will be published on our corporate website and shared on our database and blogs/social channels; and
- Reporting progress of the implementation of our commitments to the GTPI publicly within our Annual Report each March, as well as at any appropriate public forum including conferences and investor presentations.

Currently, 18 of our hostel partners have signed up to the GTPI with a further 30 halfway through the sign-up process. Their commitments revolve around removing unnecessary and problematic plastic items from their operations, introducing reusable solutions and taking action to increase the amount of recycled content across all plastic packaging and items used by 2025. Participating hostels now have a link to their commitments visible on their Hostelworld microsite, so eco-conscious travellers can read about their sustainability efforts when choosing which hostel to book.

Throughout the year we have continued to send regular updates to our hostel partners via email and our corporate social channels, including new hostels that have signed up.

In December 2021, we published an article on LinkedIn 'Tips to help reduce plastic – by hostels, for hostels' with advice to help hostels to reduce their plastic consumption. We gathered these tips by speaking to some of our hostel partners and hearing directly from them about actions they have taken. The article is very much 'by hostels, for hostels' to show other hostels that even some simple steps can make a significant difference to the fight against plastic. We shared the article with our hostel partners to encourage as many as possible to take any action, no matter how small, to reduce their plastic consumption.

Global Sustainable Tourism Council (GSTC) membership

Hostelworld became a member of the GSTC in January 2022.

The GSTC establishes and manages global sustainable standards that any tourism business or destination should aspire to reach in order to protect and sustain the world's natural and cultural resources while ensuring tourism meets its potential as a tool for conservation and poverty alleviation. GSTC is the global accreditation body for certification programs that certify hotels/accommodations, tour operators, and destinations as having sustainable policies and practices in place.

We will collaborate with GSTC to help us drive our sustainable travel initiatives across the hostelling industry.

Corporate Social Responsibility continued

Our shareholders

We continue to foster 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.

Key policies

Our people 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.

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 6 December 2021 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 2021 have been measured as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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

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

We are reporting on the emissions of CO2 generated by the business and the energy consumed by the business. The carbon gas emissions generated by Hostelworld customers travelling to destinations is not included in this report. The below table shows the total tonnes of carbon emissions generated by Hostelworld.

	2021	2020	2019
Scope 1 – Emissions from operations	Nil	Nil	Nil
Scope 2 – Emissions from energy usage	78.9	126.7	134.2
Scope 3 – Emissions from employee travel	24.6	62.1	781.6
Total	**103.5**	**188.8**	**915.8**
Intensity Ratio (tCO_2e/€m)	6.1	12.3	11.4

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

The below table demonstrates the overall energy consumed in Kilowatt-hours (kWh) by the business and shows the portion of this consumption that the UK corporate office has consumed on the overall total. This table is based on the energy consumed in the purchase of electricity and gas for the corporate offices and does not include the consumption of energy used for employee travel.

Energy Consumption:

	2021	2020	2019
Energy usage – UK	36,296	192,434	177,365
Energy usage – Other locations	189,412	247,721	323,587
Total energy usage	225,709	440,155	500,952
Proportion consumed in the UK	16%	44%	35%

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

The energy consumption in the Group's Sydney office 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.

In 2021 and 2020, there was a significant reduction in the emissions produced due to the COVID-19 pandemic. Our energy consumption has declined as a result of staff working from home since March 2020. Emissions generated from travel have also substantially fallen. Additionally, during 2021, our emissions have decreased as we exited our long term lease commitments for our Dublin office and moved to a service office from August 2021.

In 2022 we are delighted to report that Hostelworld engaged with South Pole, a global climate solutions provider, to offset our 2021 greenhouse gas emissions from travel and offices. In total we have offset 103.5 tCO_2e. Further detail is included on page 49.

Section 172 – Statement of Compliance – S172 (1) of the Companies Act, 2006

Building strong relationships with our stakeholders

The Directors believe that they have acted to promote the success of the Company for the benefit of its members as a whole. In doing so the Board has considered the interests of a range of stakeholders and has had 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.

Open and honest engagement

The Directors appreciate the importance of considering the views of stakeholders and the impact of the Group's activities on them. We aim to maintain open and honest conversations with our stakeholders, considering their interests and communicating with them on an ongoing basis through a number of channels.

Our People

Why we engage

The expertise and capability of our workforce (including contractors and temporary staff) will always be crucial to our business. We aim to build an open and inclusive culture where diversity is held in high regard and different perspectives contribute to more informed decision making. We want our people across all of our locations to be fully engaged and motivated to help the business achieve its strategic goals and we are committed to providing a respectful working environment where career development and continuous learning is supported and encouraged.

How we engage

- Employee engagement surveys;
- Meetings between employees and the non-executive director responsible for workforce engagement and other non-executive board members;
- A consistent performance management approach;
- Bi-weekly virtual townhalls for all employees where the CEO and management team update on trading and employee welfare initiatives, and facilitate an open forum question and answer session on issues raised by employees;
- Recognition and reward programmes; and
- Informative and up-to-date employee communication channels.

What our people told us was important to them during 2021

- Investment in career development and training;
- Ways of working, culture and fair compensation;
- Diversity and inclusion; and
- Hostelworld being a successful company they are proud to work for.

Outcome of engagement in FY 2021

- Tailored survey conducted to assess employee preferences for how they wanted to work into the future which framed our approach to adopting a hybrid working model;
- Adoption of a new performance management programme and on-going development of our Diversity and Inclusion strategy;
- Rollout of new flexible work programme and employee well-being policies; and
- Acceleration of 2022 pay review to Q3 2021 to address pay competitiveness concerns and extended participation in the Group's equity benefits schemes to 76 employees (including Executive Leadership Team members and the Executive Directors).

How the Board engages with our people and considers their interests in key Board decisions

HR and people updates are a standing agenda item at each scheduled Board meeting. Through this medium, the results of the Group's employee engagement surveys are reviewed, and the Chief HR Officer provides an update on people strategy. Éimear Moloney, in her capacity as designated director for workforce engagement, has continued to engage with a diverse representative of employees. Our Workforce Engagement Statement is set out on page 84.

Customers

Why we engage

Customers are central to everything we do. Decisions that the Board take need to ensure Hostelworld continues to deliver a competitively priced high-quality offering to our customers. Accordingly, it's imperative that we engage with our customers to make sure we are providing the travel products and experiences they want.

How we engage

- Focus groups, investment in proactive and reactive social media and customer satisfaction surveys sent to customers following their trip;
- Use of a number of digital tools that assesses customers online experience with Hostelworld to ensure that no user interface or user experience issues adversely impact customers;
- Monthly direct interviews with customer focus groups to develop insights into customer preferences and concerns and how these can be addressed effectively;
- Dedicated customer support team; and
- Joint hostel partner survey with customers.

What our customers told us during 2021 that was important to them

- Hostelworld having local payment methods available;
- COVID-19 related travel restrictions will make it difficult for them to reach their booked destinations;
- Innovative and engaging travel products; and
- Customer support for when things go wrong.

Outcome of engagement in FY 2021

- Development of local payment methods in a number of key territories in our near-term technology strategy roadmap;
- Reinforcement in customer communications of the flexibility of our free cancellation booking products which allows customers, in most cases, to cancel up to 2 days prior to their arrival date; and
- Increased Trust Pilot scores in 2021 through investment in the Group's Customer Support.

How the Board considered customer interests in 2021

- Oversaw spend and approved strategy execution plans designed to ensure that customer focused social features were developed and that customers travel preferences could be met in an optimum manner by improving the competitiveness of the Group's core OTA business;
- Approved a commercial partnership with G Adventures to deliver hostel focused adventure tour products for our customers;
- Approved a capital reduction transaction with the third-party shareholders in Goki to ensure the Group's strategy and resource focus was on improving core OTA competitiveness and delivering broader travel experiences to customers; and
- Oversaw increased investment in Customer Support.

Section 172 – Statement of Compliance – S172 (1) of the Companies Act, 2006 continued

Key Suppliers (including Hostel Partners)

Why we engage

Maintaining a trusted relationship with our key suppliers and hostel partners is key to the success of Hostelworld and allows the Group to provide high quality travel products and services to our customers. Through engagement with suppliers the Group aims to reduce risks in key areas such as privacy compliance, ethics, services quality and ESG risks and ensure the smooth running of operations. Through engagement with hostel partners the Group supports emerging needs and requirements with a solution focused approach.

How we engage

- Effective supplier relationship management (regular performance review and strategy alignment meetings);
- Executive sponsorship of key supplier relationships;
- 40 webinars for hostel partners hosted in 2021 with over 1,100 hostels represented;
- Participation in World Hostels Group and working with hostels in key territories to support lobbying efforts; and
- Multiple hostel surveys and direct meetings conducted to establish hostel views on product enhancements, ESG and COVID-19 safety measures.

What our suppliers and hostel partners told us was important to them during 2021

- Strategic alignment and growth opportunities;
- Simplified contracts and fair payment terms;
- Mutually beneficial partnerships with an emphasis on collaboration;
- Reduced distribution costs and a mobile friendly property management system for hostel partners; and
- Support of hostel partners in promoting COVID-19 safety measures they had adopted.

Outcome of engagement in FY 2021

- Improved alignment between the Group and its key IT vendors on the Hostelworld strategy roadmap, vendor requirements and KPI's;
- Distribution costs for hostel partners reduced by removing the Group's *Elevate* commission feature;
- Features added to the platform to enable hostel partners promote steps taken at their properties to ensure COVID-19 safety precautions;
- Ongoing investment and promotion of Counter as a hostel focused and mobile friendly property management system; and
- Development of the Group's ESG strategy and roadmap

How the Board considered suppliers and hostel partners interests in 2021

- The Chief Technology Officer and Chief Supply Officer provide the Board with updates in relation to key suppliers and hostel partners as part of their attendance at each scheduled Board meeting;
- Board oversight and approval of the Group's ESG roadmap and strategy to take account of hostel partners interests;
- Oversaw spend and approved strategy execution plans designed to ensure the ongoing successful adoption of Counter as a hostel focused and mobile friendly property management system ("PMS");
- Board review and approval of managements hostel partner engagement proposals designed to ensure the Group's partnership-based approach to its relationships with hostels was effectively maintained; and
- Board approval of cash conservation measures achieved through negotiating and agreeing reasonable amendments to existing payment terms in supplier contracts.

Shareholders

Why we engage

We believe that shareholders having an informed understanding of our strategy and financial performance helps ensure they can assess the value of their investment and the investment opportunity that Hostelworld represents.

How we engage

- Attendance by the CEO and CFO at investor conferences and roadshows (held virtually);
- AGM and General Meetings (meetings were held on a closed basis in accordance with COVID-19 related restrictions but AGM and GM engagement channels were made available to shareholders);
- Chairman and Remuneration Committee Chair/ Senior Independent Director engaged directly with shareholders on executive remuneration, as further described on pages 105 and 106;
- Chairman met directly with representatives of over 60% of the share register during 2021; and
- Publishing of trading updates and direct engagement between the CFO and our main shareholders on achievement against the Group's strategic plans.

What shareholders told us was important during 2021

- Liquidity, cash conservation and financial performance;
- Effective and transparent engagement with the Group;
- ESG and sustainability reporting;
- Long term growth and performance against strategic objectives; and
- Succession planning.

Outcome of engagement in FY 2021

- Shareholder support at a General Meeting convened to approve an amendment to the borrowing limit specified in the Company's Articles of Association;
- Shareholder support at a General Meeting convened to approve amendments to the Company's Remuneration Policy;
- Negotiation of a five-year €30 million term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof), and continued reductions in monthly operating cash outflow;
- Extensive engagement with shareholders throughout 2021 on the Group's liquidity, financial and strategic performance, and executive compensation;
- Development of the Group's ESG strategy and implementation of TCFD reporting processes; and
- On-going succession planning and development of a Non-Executive Director skills matrix, as further described on pages 91 and 92.

How the Board considered shareholder's interests in 2021

- The Board's main contact with shareholders is through the Chairman, the Senior Independent Director, CEO and CFO, who are in regular contact with shareholders. The Chairman and other members of the Board are available to meet with shareholders as required;
- The Board is provided with investor relations reports as part of the CFO report which is presented at each scheduled Board meeting;
- Prior to recommending to shareholders the approval of an amendment to the borrowing limit specified in the Company's Articles of Association, the Board was updated on shareholders views expressed in connection with a related consultation exercise conducted with the Group's major shareholders by the CEO and CFO;
- Prior to recommending to shareholders the approval of executive remuneration related proposals, the Remuneration Committee Chairperson wrote to shareholders holding approximately 70% of the issued share capital in the Company to explain the rationale for the proposals and invite comments;
- Following the AGM and General Meetings held on 26 April 2021[1], the Board consulted with the major shareholders on the resolutions which were passed with less than 80% shareholder support; and
- The Board approved the Group's ESG strategy roadmap and provided oversight on the programme of activities implemented to ensure the Group's compliance with its TCFD reporting requirements.

(1) Further details of the resolutions which were passed with less than 80% shareholder support are set out in the Corporate Governance Report ('Chairman's Introduction – AGM and General Meeting Votes').

Section 172 – Statement of Compliance – S172 (1) of the Companies Act, 2006 continued

Society

Why we engage

Our approach to social responsibility is to ensure we make a positive contribution to the communities we operate in and where our people live. By supporting diversity and inclusion in our business, reducing our environmental impact, and conducting our operations in a conscientious and compliant way, we can help build a more tolerant society, contribute to addressing climate change risks and strengthen our business.

How we engage

- Partnering with local charities; and
- We are engaging with a number of stakeholders as part of developing our ESG strategy, as further described on page 48.

What community stakeholders told us was important during 2021

- That Hostelworld acts in a responsible and compliant manner;
- That we engage with our communities in a transparent way; and
- Environment and sustainability.

Outcome of engagement in FY 2021

- Reduced our physical footprint by assigning our Leopardstown, Dublin lease to a third party and moving to a hybrid working model;
- Continued our participation in the Global Tourism Plastics Initiative and promoted GTPI participation to our hostel partners; and
- Diversity and Inclusion further embedded into how we operate as a business.

How the Board considered these interests in 2021

- Environment and sustainability issues have been a key focus area for the Board over 2021 with the Board providing oversight and approval of the Group"s ESG roadmap and strategy and the adoption of procedures to ensure the Group complies with its TCFD reporting obligations; and
- Board approval of an updated Diversity and Inclusion Policy and approval of the assignment of our Leopardstown, Dublin lease to a third party.

Palmar Beach Lodge, Panama

Section 172 – Statement of Compliance – S172 (1) of the Companies Act, 2006 continued

Board Decisions

The following table sets out the Board's principal decisions taken during 2021 from a section 172(1) point of view in addition to the annual cycle of matters the Board reviews and describes how the Directors took stakeholders interests into consideration.

Term loan facility

Principal stakeholders: Shareholders, staff and hostel partners

s. 172 considerations:
Long term consequences, interests of employees and business relationship with hostel partners

In February 2021 the Board approved the terms of a €30 million five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof), for general corporate purposes and to strengthen the Group's liquidity position. The Company engaged with major shareholders who were supportive of the Group securing debt and the Board had regard to the feedback of the Group's staff regarding their concerns about the long-term viability of Hostelworld and the security of their employment should the COVID-19 pandemic continue for an indeterminate period. The Board considered the likely consequences of the decision to complete the loan transaction in the long-term and agreed that failing to secure the loan facility would have increased the liquidity and solvency risks of the Group to an unacceptable level in circumstances where the expected return to normal travel and trading patterns was materially uncertain. The Board further agreed that failing to secure the loan facility would have compounded the concerns expressed by staff about the security of their employment in the long-term and was likely to contribute to staff departures. Such departures would, consequently, impact the ability of the Group to execute against its key strategic objectives and impact on the ability of the business to be fully prepared for when normal travel and trading patterns resumed. The Board also agreed that securing the loan facility would demonstrate effective risk management by the Group and ensure confidence in the long-term viability of Hostelworld as a key strategic partner of hostels was maintained.

Casa Oro, Nicaragua

Goki capital reduction

Principal stakeholders: Shareholders, hostel partners, customers

s. 172 considerations:
Long term consequences, Group's business relationship with suppliers, customers and others

During the year the Board approved a capital reduction in Goki PTY Limited, the digital lock and smartphone app business which the Group invested in, in 2019. The rationale for amending the Group's relationship with the third-party shareholders in Goki was the increasing demand from the hotel sector for Goki's product offering and the strategic decision of the Goki management team to focus on this commercial opportunity. In making this decision the Board considered the following stakeholders:

Hostel Partners: The Board considered whether the decision would have a negative impact on hostel partners and, reflecting on the issues which the Group's hostel partners had confirmed to Hostelworld were important to them during 2021, concluded that the proposed Goki strategy focus on commercial opportunities in the hotel sector would not have a material impact on hostels in circumstances where the Goki product offering was still available to hostels.

Customers: The Board received assurances that the product features would remain available for the Group's customers.

Shareholders: The Board assessed the consequent cash savings which would be achieved and agreed that such benefits were in the interests of shareholders who had confirmed to the Group during the year that cash conservation and effective management of liquidity risks were key shareholder concerns.

Remuneration

Principal stakeholders: Shareholders, employees

s. 172 considerations:
Long-term consequences

In early 2021 the Remuneration Committee agreed that, in the interests of cash conservation, no cash bonus scheme would operate for 2021, and that shareholders would be asked to approve an amendment to the Directors' Remuneration Policy to permit the grant of an award of restricted shares (the "2021 Restricted Share Award") in place of the bonus. The purpose of the 2021 Restricted Share Award was to ensure the ongoing retention and motivation of a large number of staff, including the CEO and CFO. Following an extensive consultation exercise conducted with shareholders and taking into account the views of staff on the need for fair compensation in the Group, the Company held a General Meeting in April 2021 to approve an amendment to the Directors' Remuneration Policy to allow the Executive Directors to participate in the 2021 Restricted Share Award. Following a successful shareholder vote, the 2021 Restricted Share Award was granted shortly afterwards.

In making its assessment the Remuneration Committee noted the long-term risks to the business if concerns expressed by the Group's staff about fair compensation were not carefully considered and appropriate steps not taken to manage the staff retention risks faced by the Group. The Remuneration Committee also noted that the majority of Hostelworld's major shareholders, who the Remuneration Committee Chairperson and Chairman of the Board had consulted with directly, understood and accepted the rationale for the compensation proposals and agreed to support the proposed awards. Further details in respect of the rationale for the proposed awards are set out in the Chairman of the Remuneration Committee's Annual Statement ('Executive Remuneration in 2021').

Section 172 – Statement of Compliance – S172 (1) of the Companies Act, 2006 continued

Capital allocation

Stakeholders: Shareholders

s. 172 considerations:
Long term consequences

One of the principal issues considered by the Board over the year has been in relation to returning value to shareholders and assessing the decision made by the Board in June 2020 to suspend cash dividends. From feedback received over many years from shareholders, the Board is acutely aware of the importance of returning value to shareholders. The Board is, however, also aware that there are various other factors which need to be considered and balanced this against shareholder returns (including the Group's liquidity position and need to conserve cash). Following its deliberation on this important issue and after balancing the interests and views of shareholders and other stakeholders with the need to protect the Group's liquidity position in the interests of ensuring the long-term viability of the business, the Board reaffirmed its position that the payment of cash dividends remain suspended for the foreseeable future.

Strategy focus on social features and Meet The World® growth strategy

Principal stakeholders: Shareholders, employees and customers

s. 172 considerations:
Long term consequences, interests of employees, relationship with customers

The Board approved investments and resource allocation to develop compelling social features and execute against the Group's Meet The World® growth strategy. Aligned to this strategy, the Board approved the terms of a commercial partnership with G Adventures to launch *Roamies*, a hostel focused adventure tour product.

The Board was aware from its direct engagements with major shareholders that the pace of the Group's strategy execution and the development of features that differentiated the Group from larger OTAs was important to ensure long-term business growth and deliver investment returns. Customer and employee feedback provided during 2021 had established that compelling product features were expected by customers and investment in the Group's strategy would enhance employee engagement. The Board considered the interests and expectations of shareholders, customers and employees and concluded that the interests of each stakeholder would be positively served by approving the investments and resource allocation necessary to develop the social features and execute against the Meet The World® growth strategy. The overwhelmingly positive shareholder, staff and media reaction to the launch of the *Roamies* collaboration demonstrated the value of Board decision making having regard to stakeholder interests.

Assignment of lease and move to hybrid working model

Stakeholders: Staff, community

s. 172 considerations:
Long term consequences, interests of employees

In June 2021 the Board approved the assignment of the Group's lease to its Leopardstown, Dublin headquarters to a third party and the move to a hybrid working model for Ireland based staff. Having consulted extensively with employees regarding future ways of working it was apparent that the majority of staff based in Ireland had a strong preference to working from home for the majority of the working week. The Board also reflected on the feedback provided by other key stakeholders during the year on the issue of climate change and sustainability and agreed that a reduction in the Group's physical footprint in Dublin was a positive step for the Group to make in adopting measures designed to reduce carbon emissions and promote a more sustainable working model.

Hostel Terra Vista, Turkey

The Secret Garden, Ecuador

Governance

Directors' Biographies

Michael Cawley

Chair of the Board; Chair of the Nomination Committee; Member of the Remuneration Committee.

Independent: Yes*.

Tenure: 6 year 5 months
(appointed to the Board 14 October 2015).

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.

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

Current External Appointments: Non-executive director of Ryanair Holdings plc, directorships in Flutter Entertainment PLC, Kingspan Group plc, Winthrop Engineering and Contracting Limited, Mazine Limited, Prepaypower Holdings Limited, GMS Professional Imaging Limited, Gowan Group Limited, Linked P2P Limited and Meadowbrook Heights Unlimited.

Previous Relevant Experience: Positions of Deputy Chief Executive Officer, Chief Operating Officer and Commercial Director of Ryanair at various stages in the period 1997 to 2014. Group Finance Director of Gowan Group Limited.

Gary Morrison

**Chief Executive Officer;
Chair of the Disclosure Committee.**

Independent: No.

Tenure: 3 years 9 months
(appointed to the Board 11 June 2018).

Nationality: British.

Qualifications: Gary has a Master's degree in engineering from Leeds University UK and holds an MBA from INSEAD.

Sector Experience: Online travel industry; technology; telecommunications.

Current External Appointments: None.

Previous Relevant Experience: Senior Vice President and Head of Retail for Expedia, Director of Despegar (NYSE DESP), AirAsiaExpedia and Voyages SNCF, 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. Corporate development/M&A, consulting and engineering roles at General Electric, Booz Allen and Hamilton and Schlumberger France.

* Independent on appointment

Caroline Sherry

**Chief Financial Officer;
Member of the Disclosure Committee.**

Independent: No.

Tenure: 1 year 3 months
(appointed to the Board 1 December 2020).

Nationality: Irish.

Qualifications: Caroline has a BSc (Hons) in Food Science and an MBS(Hons) in eBusiness and is a fellow of the Institute of Chartered Accountants in Ireland.

Sector Experience: FMCG; banking.

Current External Appointments: None.

Previous Relevant Experience: Director of Financial Planning and Analysis for Glanbia plc's Performance Nutrition division, numerous strategic and commercial finance roles at Ulster Bank Group, a subsidiary of NatWest Group.

Éimear Moloney

Non-Executive Director; Chair of the Audit Committee; Member of the Remuneration Committee; Member of the Nomination Committee.

Independent: Yes.

Tenure: 4 years 4 months
(appointed to the Board 27 November 2017).

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.

Sector Experience: Financial services; real estate, pharmaceutical.

Current External Appointments: Directorships with Chanelle Pharmaceutical Group and Non-Executive Director of Kingspan Group plc.

Previous Relevant Experience: Director of Yew Grove REIT plc (directorship ended 7 February 2022), senior investment manager roles in Zurich Life Assurance (Ireland) plc, senior positions with Bankers Trust Funds Management Ltd in Australia and also with Crowe Horwath, Chartered Accountants in Ireland.

Directors' Biographies continued

Evan Cohen

Non-Executive Director; Member of the Audit Committee; Member of the Remuneration Committee; Member of the Nomination Committee.

Independent: Yes.

Tenure: 2 years 7 months
(appointed to the Board 14 August 2019).

Nationality: American.

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

Sector Experience: Technology; media.

Current External Appointments: Owner of EVCO Advisory Services.

Previous Relevant Experience: Operational responsibility for Lyft's US East Coast business, Chief Operating Officer at Foursquare, senior strategic consulting and operational roles at Bebo, Jupiter and MTM.

Carl G. Shepherd

Non-Executive Director; Chair of the Remuneration Committee; Member of the Audit Committee; Member of the Nomination Committee.

Independent: Yes.

Tenure: 4 years 5 months
(appointed to the Board 1 October 2017).

Nationality: American.

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

Sector Experience: Online travel industry.

Current External Appointments: Board member of OnceThere, Inc., RVshare, LLC. and Edge Retreats.

Previous Relevant Experience: Co-founder, founding Chief Operating Officer and Chief Strategic and Development Officer of HomeAway Inc. Previous board member of Turnkey Vacation Rentals, Inc., and previous Chief Operating Officer and Chief Development Officer of Hoover's Online.

Board tenure

1 to 4 years: 50%

4 to 7 years: 50%

Board composition

Executives: 2 (33%)

Non-Executives: 4 (67%)

Corporate Governance Report

Chairman's Introduction

It is my pleasure to present the corporate governance report for the year ended 31 December 2021. The report provides a summary of the leadership role played by the Board in promoting the long-term sustainable success of Hostelworld for the benefit of its shareholders, employees and other key stakeholders. 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").

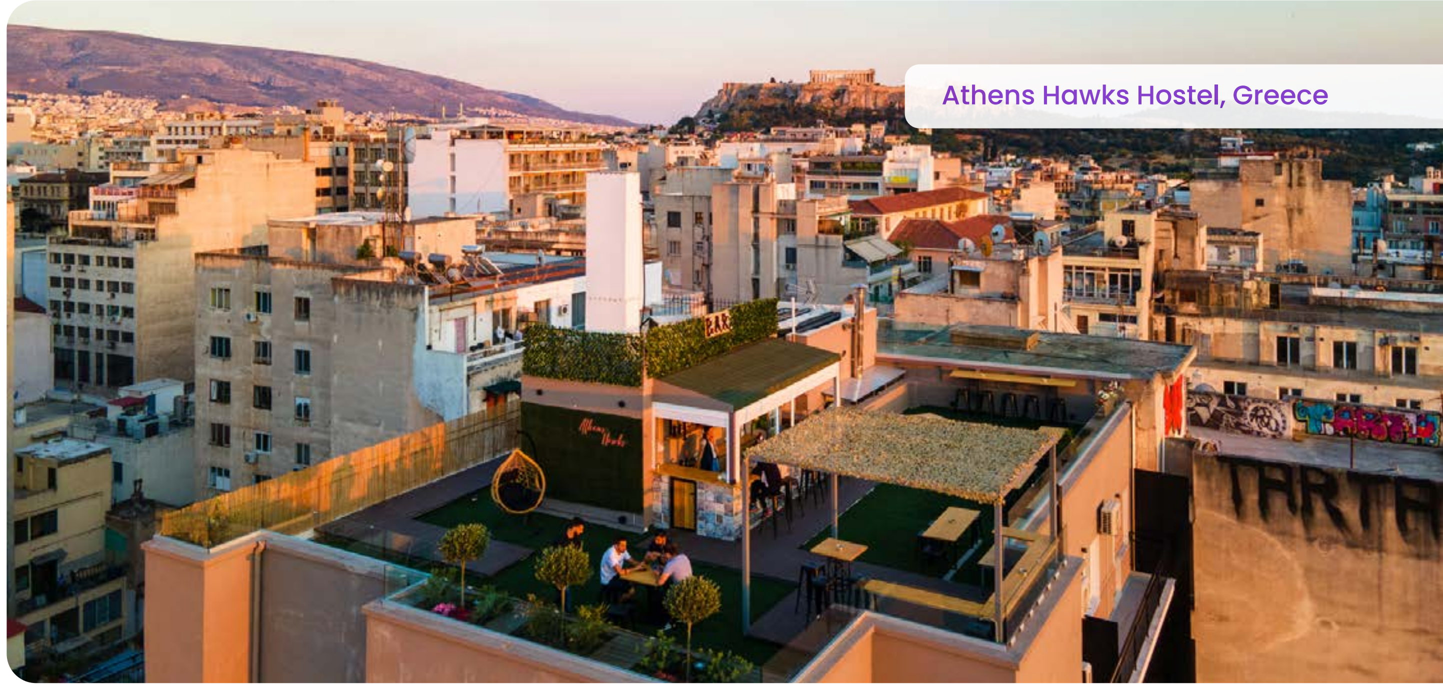
Compliance with 2018 Corporate Governance Code

I am pleased to report that the Company has complied with the 2018 UK Corporate Governance Code (the 2018 Code") throughout the reporting period, with two exceptions. Both exceptions applied for the duration of 2021 and are continuing. Firstly, the Remuneration Committee has not developed a formal policy on post-employment shareholding requirements in accordance with Provision 36 of the 2018 Code. The Remuneration Committee continues to keep under review whether such requirements should be introduced but consider that the current framework provides for sufficient alignment between management and the long-term interests of shareholders. This takes into account 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 in the LTIP. Secondly, the 10% of salary pension contribution rate for the Chief Executive Officer is above the 6% rate applicable to the wider workforce and represents non-compliance with Provision 38 of the 2018 Code. The Chief Executive Officer's pension was agreed at the time of his recruitment in 2018 and remains in line with the level of pension provision for CEOs of companies similar in size to Hostelworld. As part of the shareholder consultation exercise conducted by the Remuneration Committee in respect of the proposed Directors' Remuneration Policy for which we intend to seek shareholder approval at the AGM in May 2022, the Remuneration Committee has confirmed that the above matters will be reviewed in two years' time in advance of putting in place a new remuneration policy with effect from January 2024. In circumstances where the above matters will be specifically consulted on with shareholders at a future date, at this time it is not possible to provide a definite timeline for compliance with the related 2018 Code provisions.

In keeping with prior years, details of our governance practices are available in this Corporate Governance Report and the Committee Reports which follow.

On-going Board Oversight of the Impact of COVID-19

Since the onset of the pandemic in early 2020 the Board's focus has been on the well-being of our staff, overseeing the support the Group has been providing to our hostel partners and on securing our financial position. Like all other companies in the broader travel and tourism industry, the Board and its Committees have had to adapt to COVID-19 related new challenges and changing circumstances. Throughout the reporting period the Board has provided effective support and prudent oversight of the executive teams on-going management of the impact of the pandemic. The Board was kept updated on employee well-being matters, operational and financial matters, and delivery on strategic objectives by receiving regular reports (both at and between meetings), with the majority of Board and Committee meetings being conducted by video conference. I am pleased that the Board and Committee structures operated effectively throughout the year in a way that ensured that effective and informed decision-making and good governance underpinned the Group's management of the challenges presented by the COVID-19 pandemic.



Athens Hawks Hostel, Greece

Board Composition and Chairman Renewal

Of the six Board members, two are female, four are resident in Europe and two are resident in the United States of America. At the date of publication, we have 33% 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 both challenging and robust debate at boardroom level and well-informed decision making.

During the year the Nomination Committee recommended the renewal, for a further three-year term, of my appointment as Chairman and non-executive director of the Company, Chairperson of the Nomination Committee and member of the Remuneration Committee. The Board accepted the recommendation of the Nomination Committee and approved the renewal of my appointment for a further three-year term. As a matter of course and pursuant to the Company's Conflicts of Interest policy, I removed myself from the Nomination Committee and Board processes which related to the renewal of my appointment.

Board Effectiveness

The Board undertook a thorough internal review of its effectiveness during 2021 with the Board and its Committees continuing to function effectively. Details of the evaluation process and its findings are included on pages 94 and 95.

Stakeholder Engagement

The Board is fully supportive of the focus in the 2018 Code on boards demonstrating how the views of stakeholders are captured and taken into account when making key decisions. We are committed to ensuring meaningful engagement with our shareholders and other key stakeholders (which include our people, customers, hostel partners and our key suppliers) and ensuring that the Board has careful regard to their interests when assessing issues and making decisions. However, it is not practicable to meet the expectations of all stakeholders all of the time and a key part of the Board process is to carefully balance and consider sometimes conflicting expectations of our stakeholders to ensure each stakeholder is treated equally and fairly. How we have taken the interests of key stakeholders into account when making key decisions on behalf of the Company is set out in our section 172(1) Statement on pages 62 to 71.

AGM and General Meeting Votes

At the General Meeting of the Company held on 4 February 2021 an ordinary resolution to change the borrowing limit for the purposes of the Articles of Association to a fixed amount of €40 million was passed with 99.9% support from shareholders who voted. We are grateful for the support provided by shareholders at this General Meeting which facilitated the subsequent signing of a €30 million five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof).

Corporate Governance Report continued

At the Annual General Meeting and General Meeting of the Company held on 26 April 2021 all resolutions were passed with the requisite majority of votes. However, more than 20% of the votes cast in respect of (a) the authority to allot ordinary shares; (b) the authority to make political donations; (c) the amendments to the directors' remuneration policy; and (d) the amendments to the Company's Long-Term Incentive Plan were cast against these resolutions. We wrote to many of those shareholders who voted against these proposals to understand their reasons for doing so, and carefully considered the reports issued by proxy advisers. We assessed the points raised and, while we will always be disappointed when more than 20% of the votes cast by shareholders are contrary to our recommendations, we remain of the view that the proposals were in the interests of shareholders in general.

Summary of the Impact of Shareholder Feedback

(a) **The authority to allot ordinary shares** – the Board continues to consider that the level of authority proposed and approved by the majority of shareholders is appropriate to maintain flexibility for the Company and intends to seek a similar authority at the 2022 AGM. The Board notes that the authority requested from shareholders was in accordance with current UK best practice guidance and will keep best practice in this area under review.

(b) **The authority to make political donations** – the Board noted that the votes against this proposed resolution reflects certain personal shareholder views and reaffirms its position that although the Company has no intention of making donations to political parties (or any other political donations), the purpose of the proposed resolution was to avoid inadvertent infringement of provisions within the Companies Act, 2006. Accordingly, the Board intends to propose a similar resolution at the 2022 AGM to ensure the Company avoids inadvertent non-compliance.

(c) **The amendments to the directors' remuneration policy and amendments to the Company's Long-Term Incentive Plan** – the Remuneration Committee considered the points raised by shareholders and remains of the view that the amended Directors' Remuneration Policy and the LTIP amendment were in the interests of shareholders in general given the importance of the proposals to ensuring the retention of the Executive Directors and other key members of the senior management team. The Remuneration Committee is particularly aware of shareholders' views on companies not exceeding dilution limits and will ensure that the Company remains within current shareholder approved limits.

Culture

The Board is fully supportive of the strong emphasis in the 2018 Code on the importance of culture and welcomes its responsibility to continuously assess and ensure that the Group's values and expected behaviours are aligned with its purpose. The key traits of a healthy culture are assessed on an on-going basis with each scheduled Board meeting including a detailed update and presentation from the Group's Chief HR Officer on target HR metrics. These include key employee engagement and attrition metrics, further details of which are set out on page 54. In 2021 the Board approved a set of employee values and behaviours which are set out on pages 56 and 57, and also a recommendation of the Nomination Committee to approve a Diversity and Inclusion Policy aimed at firmly embedding a more inclusive culture within our business, further details of which are set out on pages 92 and 93.

ESG, TCFD and Sustainability

ESG considerations continue to be an increasing area of focus for many of the Group's stakeholders. During 2021 we commenced work on developing an ESG strategy that will create a more resilient and sustainable business and retain the confidence of our key stakeholders and the communities in which we operate. Details of our evolving ESG strategy are set out on page 48. How we have established substantial compliance with TCFD related requirements are set out on pages 49 to 52.

Our governance framework at Board level and throughout the Group contributes significantly to our ability to achieve our strategic goals for the benefit of all our stakeholders. We continuously keep under review developments in corporate governance best practice to ensure that our processes are aligned to the needs of the business, help us manage risk and provide assurance and accountability in a transparent way.

Michael Cawley
Chairman
30 March 2022

How governance supported our strategy during 2021

Strategic Objective	Board's governance role	Link to principal risk	2021 Board Activity
Supporting our people	Governance to ensure our people were supported effectively during COVID-19	People risks (page 36)	Oversight and approval of the Group's employee well-being strategy and enhanced Employee Assistance Programme which provides support to all our people in all our locations.
Investing in our people	Consultation with shareholders and informed decision making to help ensure the on-going retention and motivation of a large number of our people (including the CEO and CFO)	People risks (page 36)	Agreed that, in the interests of cash conservation, no cash bonus scheme would operate for 2021, and that shareholders would be asked to approve an amendment to the Directors' Remuneration Policy to permit the grant of an award of restricted shares in place of the bonus.
Protecting our financial position	Governance to ensure our financial stability	Macro-economic conditions (page 31)	Oversight and approval of a loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof) and oversight of cash conservation actions to ensure the financial stability of the Group.
Platform modernisation and improving competitiveness	Board assessment and approval of investments in platform modernisation programme and improving the competitiveness of our core business	Competition risks (page 35)	Board consideration and approval of investments in platform modernisation programme and targeted expenditure designed to improve the Group's core OTA business. Read more about the modernisation of our platform and competitive improvements in our core OTA business on pages 22 to 24.
Meet the World® growth strategy	Board oversight and approval of investments in developing social features and the launch of *Roamies* in collaboration with G Adventures	Competition risks (page 35)	Consideration and approval of collaboration with G Adventures, and development of social features strategy. Read more about our collaboration with G Adventures, and our evolving social features strategy on pages 22 to 24.

Corporate Governance Report continued

1. Board Leadership and Company Purpose – Principles A-E of the 2018 Code

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 relevant parts of the Annual Report where we explain how we have applied the principles of the 2018 Code. Our aim is to reduce repetition, ensure transparency and demonstrate the integrated application of the 2018 Code. The 2018 Code is publicly available at https://www.frc.org.uk/UK-Corporate-Governance-Code-FINAL.pdf.

Approach to Governance

The primary objective of the Board is to create and deliver long term sustainable growth, generate value for our shareholders and contribute to the wider community. We set out on page 81 how governance has supported the delivery of our strategy during 2021 and how this is linked to our principal risks.

Long Term Sustainable Success

The Board is responsible for the long-term success of the Group, is focused on long-term strategic plans and reviews and assesses performance against strategic goals at each scheduled Board meeting. The Board has a detailed programme that ensures financial performance, strategy, risk, stakeholder engagement and governance matters are discussed and assessed frequently.

Effective and Entrepreneurial

We set out on pages 94 and 95 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 Nomination Committee report (pages 91 to 93) describes how we ensure we have the right skills and experience on our Board. Biographies of the Directors are provided on pages 74 to 76.

(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 2021, on-going training included presentations and updates on (1) Market Abuse Regulation compliance requirements; (2) compliance requirements specific to the Company's listed status; and (3) Director obligations pursuant to s.172(1) of the Companies Act, 2006.

(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. In accordance with this policy, Michael Cawley did not take part in the Nomination Committee and Board processes which dealt with his re-appointment for a further three-year term. During 2021 no additional conflicts of interest arose.

(c) Chairman and Non-Executive Directors

The Board considers Carl G. Shepherd, Éimear Moloney and Evan Cohen to be independent. Accordingly, the Company meets the requirement of the 2018 Code that at least half of the Board (excluding the Chairman) comprises independent Non-Executive Directors. Michael Cawley, Chairman of the Board, was also considered independent on his appointment to that role in December 2017. Éimear Moloney and Michael Cawley are each considered independent notwithstanding that they share a cross directorship on the board of directors of Kingspan Group plc.

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. During the year the Non-Executive Directors are expected to commit approximately 15 – 20 days 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 Behaviours and Purpose

During the year the Board reviewed and affirmed the Group's purpose and behaviours. Details of the behaviours are set out on pages 56 and 57. Our behaviours 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 on-going. Oversight of risk management, establishing reporting mechanisms within the governance framework, direct engagement with our people, on-going oversight of employee retention statistics, approving and overseeing the embedding a new set of employee values and behaviours, investing in our workforce and ensuring remuneration is aligned with culture are central 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 periodically reviews the key risks and emerging risks in the business. The Board is committed to respecting the privacy rights of our customers and partners and is provided with updates from the Audit Committee on the results of annual privacy audits undertaken by the Group's Data Protection Officer.

Whistle Blowing and Anti Bribery

The Board is committed to promoting a culture that ensures employees can report suspicions 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 Navex Global, for reporting such matters. No incidents were reported to the helpline during 2021. 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 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 forums 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. Further details are set out in our Workforce Engagement Statement below.

Employee Retention

The Board receives regular updates on HR matters with a particular focus on retention statistics. Retaining our employees is a key element of our strategy and a strong indicator of an engaged workforce and an inclusive culture in the Group. The rate of attrition is an area of on-going focus for the Board.

Remuneration and culture

We set out on page 108 how we have addressed the issue of ensuring remuneration is aligned with culture. We explain on page 122 the Group's approach to investing in and rewarding its workforce.

Corporate Governance Report continued

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, while having due regard and taking into account the factors set out in section 172(1) of the Companies Act, 2006. Details of how effective engagement with stakeholders was conducted during 2021 and how the Directors have promoted the success of the Group in accordance with the requirements of section 172(1) of the Companies Act, 2006 are set out on pages 62 to 71.

Workforce Engagement Statement

The Board takes a broad view of who the Group's staff are and considers the workforce comprises 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).

The Board is committed to ensuring that it is aware of the opinions and concerns of the Group's workforce and that it has regard to their interests as part of the Board's decision-making process. Through formal and informal engagement channels the Board seeks to understand staff's views on what it's like to work in Hostelworld. The feedback we get from employees helps to develop our understanding of the culture and policies that are appropriate for the business and how we continue to ensure that Hostelworld is a great place to work.

Éimear Moloney is 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. Éimear performs this role under a Board approved framework established in 2019 to ensure meaningful and regular dialogue with the Group's workforce would be delivered.

As part of the programme of employee engagement activities conducted during 2021, Éimear hosted a number of engagement forums with colleagues from different departments and each of the Group's operating territories, provided detailed updates on Board activities and sought the views of the forum members on a number of topics. The workforce engagement sessions held during 2021 are critical formal engagement channels that allow us to develop insights on employees' views.

The key themes emerging from these workforce discussions are:

- Developing an established programme of sustainability initiatives which align with other stakeholders' interests and our responsibilities to the communities we operate in is important to enhance employee engagement levels across the Group;
- That diversity and inclusion was well established in the business but there was an on-going need to embed these principles further;
- Strong support from staff for a move to a hybrid working model but caution needed to be exercised on the correct balance with concerns about new joiners needing to be fully integrated into the business;
- Employees felt well supported by the Group's HR function in their mental and physical well-being and the introduction of a number of progressive employee policies was well received;
- Employees felt that there was a positive level of engagement with the Executive Leadership Team on company strategy and trading performance with bi-weekly townhalls chaired by the CEO being particularly welcomed;
- A strong focus on career progression and learning and development opportunities was articulated by staff; and
- The 2022 strategy focus on developing social features and executing on the Company's Meet the World® growth strategy was a source of optimism for staff.

Feedback from these sessions was discussed at Board meetings during 2021 and the insights and feedback helped to inform broader Board and management decisions. How the views of our people have been used to shape Board decisions during the year are set out in the s. 172(1) statement on pages 62 to 71.

In the coming year Éimear will continue to hold these sessions with a particular focus on assessing progress made on areas identified for improvement. The Board will also continue with its programme of receiving regular reports on the results of employee surveys and arranging direct meetings between Non-Executive Directors and the Group's staff to ensure the Board has an in-depth understanding of employees' concerns and issues.

Annual General Meeting

The AGM is an important forum for shareholders to hear more about the general development of the business. The 2022 Annual General Meeting will be held on 11 May 2022. 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.

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.

Luk Hostel, Thailand

Corporate Governance Report 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. During 2021 the Board accepted the recommendation of the Nomination Committee and approved the renewal of Michael's appointment as Chairman, non-executive director, Chair of the Nomination Committee and member of the Remuneration Committee for a further three-year term. The Chairman is responsible for the overall effectiveness of the Board and maintaining a culture of openness and transparency at Board meetings. The Chairman is also responsible for ensuring all Directors contribute effectively to Board discussions and provide constructive challenge on key issues under consideration. The Chairman's responsibilities are outlined in the table on page 87.

A Balanced Board

Our Board comprises two Executive and four Non-Executive Directors. As required by the 2018 Code, at least 50% of the Board (excluding the Chairman) are independent Non-Executive Directors. The Nomination Committee regularly reviews Board composition, including the balance of skills and experience on the Board and conducts succession planning for Non-Executive Directors and Executive Directors.

Director Performance

Following a performance evaluation exercise conducted during 2021, each Director's performance continues to be effective, and each Director demonstrates commitment to the role.

Non-Executive Directors

Our Non-Executive Directors bring insight and experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors and carefully reviewing management's performance in achieving the Company's goals and objectives. The Non-Executive Directors also play a primary role in the effective functioning of the Board's committees. The Board assessed and confirmed during the year that the Non-Executive Directors have adequate time to meet their Board responsibilities (including during periods of corporate stress where additional demands on Non-Executive Directors time may be made). External appointments held by our Non-Executive Directors are set out on pages 74 to 76. At the date of publication of this Annual Report, no external appointments are held by our Executive Directors.

Senior Independent Director

Carl G. Shepherd serves as the Board's Senior Independent Director. Carl provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors, where necessary, and is available to shareholders should they have concerns where communications through normal channels have not been successful or where such channels are inappropriate. With significant public listed company 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

The Company Secretary is responsible for ensuring the Board has the time and necessary information required to discharge its duties and function effectively and provides the Board with briefings and guidance on governance, legal and regulatory matters. Both the appointment and removal of the Company Secretary is a matter for the Board. The remuneration of the Company Secretary is determined by the Remuneration Committee.

Division of Responsibilities		
Chair	• Leadership of the Board • Responsible for overall effectiveness in directing the Group • Constructive relationships between the Executive and Non-Executive Directors • Effective contribution of all Non-Executive Directors	• Directors receive accurate, timely, information • Meetings with Non-Executive Directors, without Executive Directors present • Ensures Board is aware of the views of major shareholders
Board (key matters)	• Company's values and standards • Group's strategic aims and business plans • Annual and interim results • Annual report and accounts • Dividend policy • Internal control and risk management • Major changes to the Group's corporate structure including but not limited to major acquisitions/disposals	• Capital purchases > €250k outside budget • Communication with shareholders • Changes in structure, size and composition of the Board • Material litigation • Remuneration Policy for Directors and Senior Executives • Governance structure
Senior Independent Director	• Sounding board to the Chair • Intermediary for the other Directors and shareholders	• Annual meeting of Non-Executive Directors to appraise Chair's performance
Non-Executive Directors	• Constructive challenge, strategic guidance and specialist advice	• Scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives
Company Secretary	• Compliance with all corporate governance matters, monitors the Group's disclosure requirements under the 2018 Code and UK Listing Rules	• Ensure Board procedures are followed • Compliance by the Company with its legal and regulatory responsibilities
Executive leadership	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.	

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 to account against targets and standards. The Board approves long-term corporate and strategic plans after an assessment of business trends and risks.

The formal schedule of matters reserved for the Board's decision is available on the Group's website, 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 policy was reviewed and updated by the Board on two occasions during 2021.

Corporate Governance Report continued

Board Meetings

There were nine Board meetings held during the year, with additional Board conference calls held between Board meetings as and when circumstances required it to meet at short notice. The Board also met frequently in the early part of 2021 to consider and agree the entering into of a term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). Certain Board decisions are addressed through written resolutions signed by each member of the Board. Decisions taken by the Board during the year have included the following key matters:

- Requested shareholder approval to amend the borrowing limits of the Company's Articles of Association;
- Approved a 5-year €30 million term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof) on terms communicated to and approved by the Company's shareholders;
- Following the end of the transition period on 31 December 2020 after the United Kingdom's departure from the European Union, the election of Ireland as the Company's 'Home Member State' for the purposes of the Transparency Directive;
- Agreed that, in the interests of cash conservation, no cash bonus scheme would operate for 2021, and that shareholders would be asked to approve an amendment to the Directors' Remuneration Policy to permit the grant of an award of restricted shares in place of the bonus;
- Approved the reduction of the Group's 49% shareholding in Goki to 31.5% via a capital reduction (including a reduction in the Group's share subscription obligations of USD$1.1m);
- Approved a programme of activities to develop the Company's ESG strategy and implement the requirements of TCFD;
- Approved the establishment of an Employee Benefit Trust for the purposes of facilitating the holding of shares in the capital of the Company for the benefit of the Group's employees and certain former employees;
- Approved the renewal for a further three-year term of Michael Cawley as the Company's Chairman, Non-Executive Director, Nomination Committee Chairperson and member of the Remuneration Committee (Michael Cawley was not involved in the process);
- Approved the assignment of the Group's lease to its Dublin, Ireland headquarters to a third party and the transition to a hybrid working model;
- Approved the on-going suspension of paying cash dividends to shareholders;
- Approval of a number of employee initiatives in the areas of employee well-being and employee assistance;
- Approved the statement of steps taken to prevent modern slavery and human trafficking as contained in the Company's Modern Slavery Statement;
- Reviewed and approved the Group's strategy and investment and resource allocation to developing social features and executing the Meet the World® growth strategy;
- Reviewed and approved the annual budget;
- Approved the preliminary results and interim results;
- Reviewed and approved the 2020 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; and
- Considered the Board, Board Committees 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);
- Report from the Chief Financial Officer (including an update on cash conservation actions taken); and
- Reports from the Chief Product Officer, Chief HR Officer, Chief Supply Officer and Chief Technical Officer on departmental developments and initiatives and progress against strategic objectives.

There may be 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 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 of their specific area(s) of responsibility against Group objectives.

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 nine occasions without the presence of the Executive Directors. These meetings were conducted at the end of scheduled 2021 Board meeting and provided 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 scheduled meetings/total no. of scheduled meetings held when the Director was a member[1]	Attendance %
Michael Cawley (Chair)	9/9	100%
Carl G. Shepherd	9/9	100%
Éimear Moloney	9/9	100%
Evan Cohen	9/9	100%
Gary Morrison	9/9	100%
Caroline Sherry	7/9[2]	78%

(1) Certain Board matters relating to the €30 million five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof) and the establishment of an Employee Benefit Trust for the purposes of facilitating the holding of shares in the capital of the Company for the benefit of the Group's employees and certain former employees were conducted by specifically constituted Board sub-committees' during 2021. In addition to the nine Board meetings conducted during 2021, there was a further five Board sub-committee meetings held during the year to conduct relevant Board matters. Attendance percentage at each such Board sub-committee meeting was 100%. Board approval of the renewal of Michael Cawley's appointment as Chairman, Non-Executive Director, Nomination Committee Chairperson and member of the Remuneration Committee was conducted separately via written resolution.

(2) Caroline Sherry was absent from two Board meetings during 2021 due to unforeseen personal circumstances.

Disclosure Committee

The Board has also established a Disclosure Committee which is responsible for overseeing the Company's compliance with the Market Abuse Regulation and making decisions (with support of the Group's capital markets advisers) on when information must be disclosed to the market. Membership of the Disclosure Committee is comprised of the CEO and CFO.

Corporate Governance Report continued

3. Composition, succession and evaluation – Principles J-L of the 2018 Code

Nomination Committee Members

Membership	No. of scheduled meetings/total no. of scheduled meetings held when the Director was a member[1]	Attendance %
Michael Cawley (Chair)	3/3	100%
Carl G. Shepherd	3/3	100%
Éimear Moloney	3/3	100%
Evan Cohen	3/3	100%

[1] The Nomination Committee separately recommended the renewal of Michael Cawley's appointment as Chairman, Non-Executive Director, Nomination Committee Chairperson and member of the Remuneration Committee via written resolution.

The Nomination Committee's composition complies with the requirements of the 2018 Code. The Company Secretary acts as Secretary to the Nomination Committee.

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 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 will be made, lead a formal, rigorous and transparent selection process; and
- Regularly review 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 and updated in 2021, are available on the Company's website at www.hostelworldgroup.com. Details of the changes to the Terms of Reference agreed in 2021 are set out below in the Chairs Review of 2021 ('Key Activities of the Nomination Committee in 2021').

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.

Chair's Review of 2021

Key Activities of the Nomination Committee in 2021

The Nomination Committee met on three occasions during 2021. All re-appointments of Non-Executive Directors are subject to a rigorous review after each three-year term and the Nomination Committee separately dealt with recommending the re-appointment, for a further three-year term, of me as Chairman, Non-Executive Director, Chairperson of the Nomination Committee and member of the Remuneration Committee of the Company via a written resolution. I did not participate in the Nomination Committee process which dealt with my re-appointment.

The principal activities of the Nomination Committee during the year are detailed below:

- The Nomination Committee considered the Group's policies and objectives in respect of diversity and inclusion, its linkage to strategy, how it was implemented and progress to-date on achieving its objectives.
- The Nomination Committee led a rigorous process for considering my reappointment as Chairman, Non-Executive Director, Chairperson of the Nomination Committee and member of the Remuneration Committee of the Company, resulting in the Board approving my reappointment for a further three-year term. The process involved an assessment of the provisions of the 2018 Code on the attributes required of a Chairperson, consideration of the FRC's Guidance on Board Effectiveness as it relates to the required skills of a Chairperson and also had regard to the purpose and objectives of the Board Diversity Policy which provides that all Board appointments are made on merit in the context of the skills, experience, independence and knowledge which the Board (as a whole) requires to be effective. In assessing the time commitments required of me as Chairman, Non-Executive Director, Chairperson of the Nomination Committee and member of the Remuneration Committee of the Company, the Nomination Committee had particular regard to my external commitments as a non-executive director of Ryanair Holdings plc, Kingspan Group plc and Flutter Entertainment plc. The Nomination Committee recognised the views expressed by some shareholders in this area and, noting that I had attended all Board and Committee meetings since my appointment as Chairman in 2017, the Nomination Committee was satisfied that I continued to devote sufficient time to my Board duties.
- The Nomination Committee developed a Non-Executive Director skills matrix which each Non-Exeutive Director has completed and will complete on an annual basis going forward and considered Board composition and succession planning for Executive Directors and members of the Group's management team.
- The Nomination Committee reviewed its Terms of Reference to ensure it continued to be fit for purpose. The Nomination Committee agreed to amend its Terms of Reference such that the Nomination Committee, in identifying any suitable candidate for appointment to the Board, will specifically consider candidates with experience of (1) sustainability, especially on material environmental, social, and governance (ESG) trends; and (2) risks and opportunities which are climate-change related.

Board Composition and Succession

During the reporting period the Nomination Committee reviewed and assessed the structure, size, composition and overall balance of the Board. As part of the Nomination Committee's succession planning work during 2021, the individual and collective skills, experience and knowledge of the Non-Executive Directors was agreed to be assessed by reference to a Non-Executive Director skills matrix recommended by the Nomination Committee and approved by the Board. On an annual basis going forward, each Non-Executive Director will complete a self-assessment of their perceived skill level and experience against the skills matrix to produce a non-executive director skills map. The Nomination Committee will then assess the skills and experience, personal attributes and Board leadership potential of continuing Non-Executive Directors to highlight areas of strength and identify gaps to be addressed through either the appointment of new Non-Executive Directors or supported through continuing development of existing Non-Executive Directors. As part of the Board composition assessment conducted during 2021, the Nomination Committee recommended to the Board that no additional non-executive appointments to the Board were currently necessary. The on-going review and assessment of Board composition will continue to have particular regard to the objectives of the Board Diversity Policy.

Corporate Governance Report continued

The Nomination Committee also focused on succession planning for the Executive Directors and the Group's other senior executives to ensure appropriate management development and comprehensive succession planning for the executive leadership team and other key executives was in place on both a contingency and long-term basis. This focus on succession planning will continue for the coming year to ensure the Group has an adequate talent pool available and ensure the risks to the business if key personnel left the Group are effectively managed.

Board and Committee Evaluation and Re-Election of Directors

The results of the Board evaluation and Director appraisal process are set out on pages 94 and 95. The Nomination Committee recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that all Directors 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 are satisfied that the Nomination Committee is performing effectively.

Diversity and Inclusion

Diversity is fundamental to the future success and long-term prospects of the Group. As at the date of this Annual Report, 33% of the Board and 28.5% of the Group's Executive Leadership Team are female.

Diversity in terms of Board composition is considered in a broad 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 2021 to ensure it remains fit for purpose. The Board will always seek to appoint the most suitable and skilled candidates on merit against objective criteria, gender and diversity. While we do not, as such, set any particular diversity targets in respect of Board appointments, we will continue to give careful consideration to diversity as part of the process of Board refreshment and renewal.

The objectives of the Board 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 is 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 decision to reappoint me as Chairman, Non-Executive Director, Chairperson of the Nomination Committee and member of the Remuneration Committee of the Company.

The Nomination Committee will continue its existing stated policy of using the services of recruitment consultants, where appropriate, who have demonstrated a commitment to ensuring that hiring processes encourage diverse candidate recruitment.

The Nomination Committee is firmly of the view that the Group's policy, practices and behaviours in the important area of diversity and inclusion are indicative of the status of the Group's overall culture and values and should be closely aligned. The Nomination Committee conducted an extensive review of the Group's practices in the area of diversity and inclusion and recommended to the Board the adoption of an updated Diversity and Inclusion policy. The adoption of an updated Diversity and Inclusion policy that emphasises the need for the Group to be representative of the diverse societies we operate in, where difference is celebrated in the workplace and where education and training on the challenges that minority groups face in society and the workplace is promoted is fully aligned to Hostelworld's Vision, Purpose and Behaviours.

Summer House Cairns, Australia

Through this review exercise we believe there are certain areas where we are making meaningful progress and other areas where we need to improve. The progress we have made and continue to make in this area demonstrates a culture of openness and engagement between management and employees. The adoption of clear principles of diversity and inclusion on the Group's hiring and recruitment practices is particularly important as it sets the correct benchmark in terms of the Group's values and expected behaviours from new employees. The Nomination Committee considers that the use of an employee survey to establish employees' views on the issue of diversity and inclusion was vital as insights from different sources ensure the adoption of diversity and inclusion practices is based on complete information and data. The improvements we continue to make in this area will ensure a broader diversity of candidates in terms of gender, age, disability, ethnicity, education and social background.

Michael Cawley
Chairman, Nomination Committee
30 March 2022

Corporate Governance Report continued

Board Effectiveness and Evaluation

Progress against 2020 Board evaluation actions

Set out below is the progress made in 2021 against actions identified as part of the 2020 Board effectiveness review:

Action	Progress
Where practicable, Committee meetings to be held prior to Board meetings to ensure Board meetings had sufficient time to focus on strategy matters in an in-depth manner	During the year the majority of Committee meetings were held (via video conference) in advance of Board meetings
Committee updates to the Board to be allocated increased time to ensure comprehensive updates are provided to the Board on Committee matters	Additional time was allocated at scheduled Board meetings to Committee updates
A two-day in person Board strategy session to be held during 2021 (subject to travel guidelines allowing)	This did not take place during 2021 owing to the ongoing uncertainty in respect of travel guidelines
Senior management participation in Board meetings during 2020 had been particularly beneficial and should be continued during 2021	The Group's Chief HR Officer, Chief Product Officer, Chief Supply Officer and Chief Technical Officer attend each scheduled Board meeting and provide updates on their departmental initiatives and achievement of strategic objectives within their respective areas
Succession planning for senior executives was to remain an area of key focus for 2021	Succession planning was considered by the Nomination Committee and Board during 2021 and will remain a key focus area for 2022
A detailed assessment of training and development needs for Board members who did not have executive experience in online travel companies was to be completed and actioned in 2021	A skills matrix for Non-Executive Directors has been established and each Non-Executive Director will have a tailored development plan for gaps in experience and skills identified

Internal Evaluation

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

- The Board's role and operation;
- Effectiveness of the Board and its Committees;
- Managing the Group's management function; and
- Finance, risk management and controls.

The Board evaluation process continued its previously adopted practice of requesting separate feedback on the effectiveness of the Board and its Committees from senior executives who had attended Board meetings, from the Group's internal audit partner in PwC, the Group's audit partner in Deloitte and from the Remuneration Committee's executive compensation consultants (Korn Ferry).

The evaluation results were assessed 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 were satisfied that they were kept well informed of material matters occurring between meetings, that the Board had in place a sufficient system to provide assurance to it on the effectiveness of the Group's internal controls, that Board members had an appropriate level of input into shaping the Group's strategy, and that Board members understood what was expected of them as board members in the context of their fiduciary duties. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM on 11 May 2022. 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

Sufficient diversity on the Board in terms of gender, experience and Non-Executive Director/Executive Director balance and Board members strongly consider themselves independent of management (and also exercise independent judgment and voice their own opinions);

- Board members consider there to be the correct balance between challenging and supporting management;
- Board members consider that the Chairman and CEO engage constructively with shareholders and provide reports to the Board on the outcomes of these discussions; and
- Board has in place a sufficient 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:

- Continuing professional development for Board members over the course of 2022 would be beneficial (this issue was separately raised as part of the 2021 Audit Committee and Remuneration Committee evaluations);
- Focus of Board meetings during 2021 was principally managing the impact of COVID-19 on the Group and more Board focus during 2022 on longer term strategy/strategy execution would be beneficial;
- Attendance of senior executives at Board meetings improves the quality of discussions and generally seen as beneficial;
- An enhanced process for evaluating the performance of the CEO with input from all Non-Executive Director's would be beneficial; and
- More open communications and engagement between Board members and management would be beneficial.

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 internal and external audit partners and executive remuneration consultants will be put in place in 2022. The continuing professional development requirements for Board members will be aligned to the Non-Executive Director skills matrix developed by the Nomination Committee in 2021.

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 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.

An assessment of the Chairman's performance was also carried out in 2021 by the Non-Executive Directors, led by the Senior Independent Director, who confirmed that the Chairman continues to perform effectively in his role.

External Evaluation Assessment

The Board considered the benefits of having a Board evaluation facilitated by an external third-party consultant but decided not to make use of the services of an external consultant in circumstances where the evaluation process proposed by the Company Secretary was well structured and comprehensive. 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.

Corporate Governance Report continued

4. Audit, Risk and Internal Control – Principles M-O of the 2018 Code

The function of the Audit Committee is to support the Board in discharging its oversight responsibilities in relation to the Company's internal controls and management of risk, the performance and effectiveness of the audit process, systems and controls to ensure compliance and review of the financial reporting process.

The Terms of Reference require the Audit Committee to maintain oversight of key business areas while focusing on emerging risks in addition to receiving updates on remedial action steps to address internal audit findings and recommendations relating to improvements in controls.

Audit Committee Membership

Membership	No. of scheduled meetings/total no. of scheduled meetings held when the Director was a member	Attendance %
Éimear Moloney (Chair)	3/3	100%
Carl G. Shepherd	3/3	100%
Evan Cohen	3/3	100%

The Audit Committee's composition complies with the requirements of the 2018 Code. The Company Secretary acts as Secretary to the Audit Committee.

Éimear Moloney continues to chair the Audit Committee, who along with other members Carl G. Shepherd and Evan Cohen are independent, Non-Executive Directors of the Company. Éimear is considered by the Board to have recent and relevant financial experience being a qualified accountant who has previously held senior investment manager roles in Zurich Life Assurance (Ireland) plc, and the Audit Committee as a whole has competence and broad experience relevant to the online travel sector, facilitating robust and insightful contributions to the Audit Committee throughout FY2021. Further detail in relation to the background, knowledge and experience of the Audit Committee members is set out on pages 75 and 76 of this Annual Report.

Meetings

Audit Committee meetings are held to coincide with key dates in the Company's financial reporting and audit cycles. In line with its Terms of Reference, the Audit Committee met three times in FY2021 and on one of these occasions, as a safeguard, the Audit Committee had discussions with the external audit partner from Deloitte Ireland LLP and senior representatives from the outsourced internal audit team of PricewaterhouseCoopers ("PwC"), without management being present. During the reporting period the Audit Committee remained particularly focused on the financial and liquidity risks and business continuity challenges the Group was presented with, when dealing with the on-going impact of COVID-19.

Both the Chief Financial Officer and the Company Secretary attend Audit Committee meetings, and as required, at the request of the Audit Committee, other members of the senior management team, senior members of the Group's Finance department, the Deloitte Ireland LLP audit partner and representatives from PwC are also invited to attend meetings.

Audit Committee Role and Responsibilities

During the financial year ended 31 December 2021, in line with its Terms of Reference (full details of which are available at www.hostelworldgroup.com), the Audit Committee:

- Reviewed the integrity of the financial statements of the Company, including underlying accounting assessments and judgements, the rationale relating to the preparation of those documents and the information supporting the statements in relation to going concern and disclosure of information to the external auditor, as well as any formal announcements relating to the Company's performance;
- Monitored application of accounting policies, methodology for accounting 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;
- Assessed whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, facilitating shareholders assessment of Group's position and performance, business model and strategy;
- Reviewed the adequacy and effectiveness of the Company's internal financial controls and the Company's statements on these matters;
- Received presentations and assessed the Company's compliance programme designed to ensure compliance with the new Taskforce on Climate-related Financial Disclosures reporting requirements;
- Reviewed a GDPR Audit report from the Group's DPO;
- Assessed the Company's compliance with the requirements of the 2018 Code;
- Assessed the internal controls and risk management systems and procedures within the Group;
- Continued to review whether there was a requirement to establish an internal audit function in light of sector and Group developments;
- Reviewed the Audit Committee's Terms of Reference and approved related amendments to ensure the on-going oversight by the Audit Committee of the Group's register of climate risks and opportunities (to be reviewed twice annually going forward), and require the approval of Audit Committee to the content of disclosures related to the recommendations of the Taskforce on Climate-related Financial Disclosures; and
- Reviewed the performance of the external auditor in the context of auditor effectiveness, independence and all appropriate guidelines.

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Corporate Governance Report continued

Chair's Review of 2021

Fair, Balanced and Understandable

To ensure shareholders have all requisite information to assess the Company's performance, at the request of the Board and prior to final approval, the Audit Committee reviewed the content of the Annual Report to ensure it represented a fair, balanced and understandable assessment of the Company's position.

In carrying out this assessment, the Audit Committee had regard to the following:

- 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;
- whether the links between discussions of performance, financial position and cash flows, including the use of appropriate performance measures and the financial statements, are clear;
- whether the information provided on the Company, the environment in which it operates and the risks it faces are specific to the Group and are not explained in general terms;
- Removing immaterial items; and
- Explaining the links between information in the Annual Report, such as objectives, KPIs and risks.

The Audit Committee, on completion of its review, considered this Annual Report and financial statements 2021, taken as a whole, and concluded that the disclosures, processes and controls were appropriate and recommended to the Board that the Annual Report and financial statements 2021 is fair, balanced and understandable facilitating assessment of the Company's position and performance.

Significant Issues

In respect of the year ended 31 December 2021, the Audit Committee considered the below significant issues. The Audit Committee focused on areas of critical accounting judgment, with management and auditor providing detailed information and explanations as to the adequacy and appropriateness of provisions in the areas detailed below:

Significant Issue	Description and resolution
Going concern and viability statement	The Audit Committee reviewed the Group's assessment of going concern over a period of not less than 12 months from date of signing. Management presented forecasted cashflows to the Audit Committee detailing trading and expenditure plans with associated potential impact of uncertainties across three scenarios. These uncertainties included the impact of COVID-19 on the business along with the Group's own mitigating actions on costs and cashflows. The Audit Committee also considered the Group's financing facilities and future funding plans. For the most stressed scenario the Audit Committee also reviewed an assessment of the principal risks and uncertainties facing the Group and the impact on the Group's financials should they occur. This included the Group's compliance with covenants and the Group's liquidity over the assessment period. The Group's viability statement is included on pages 46 and 47. Following review and challenge of forecasts and risk factors the Audit Committee concluded that it was appropriate to recommend the adoption of the going concern basis in preparing the financial statements and were satisfied that the Group remained viable under the stressed scenarios.
Carrying value of goodwill and intangible assets	Goodwill and intangible asset impairment reviews involve a range of judgemental decisions largely related to the assumptions used to assess the value-in-use of the assets being tested. These assumptions typically include short and long-term business and macroeconomic projections, cash flow forecasts and associated discount rates. The Audit Committee reviewed valuations prepared on the Group's goodwill and domain names carrying value. The Audit Committee reviewed the methodology applied including ensuring that the discount rates used were appropriate and assessing the output from the sensitivity analysis performed at the 2021 year-end on key assumptions including the Group's growth and discount rates. The Audit Committee were satisfied that the assumptions used were appropriate. Following these discussions, the Audit Committee is satisfied with the headroom included in the valuation models and the carrying value of goodwill and intangible assets at 31 December 2021.
Deferred tax asset recognition and recoverability of deferred tax assets	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. The extent to which it is probable that taxable profits will be available in future periods has been assessed by management based on the Board approved five-year forecasts which include a forecasted return to full recovery in 2023. The Audit Committee have reviewed the initial recognition and the group's ability to recover deferred tax assets recognised over a five-year period. As a result of their review, the Audit Committee are satisfied with the carrying value at 31 December 2021 of €8.4m (2020: €7.6m).
Capitalisation of development costs	The Group incurs significant internal costs in respect of the ongoing development of its IT systems and core technology and product platforms. The accounting for these costs as either development costs (which are capitalised as intangibles) or expensed as incurred involves judgement. In the year ended 31 December 2021 €1.7m (2020: €2.3m) of internally generated development costs were capitalised in accordance with the criteria as set out in IAS 38 Intangible Assets. Overall, capitalised development costs carried in the balance sheet amounted to €5.1m at 31 December 2021 (2020: €4.0m). The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment as to whether current projects meet the criteria required for costs to be capitalised (including feasibility of completion, intention to complete, probable economic benefits, availability of resources to complete, and ability to measure expenditure). The Audit Committee considers the approach taken and the application of the policy to be appropriate.
Exceptional items	The Audit Committee considered the presentation of the Group's financial statements and, in particular, the appropriateness of the presentation of exceptional items. The Audit Committee considered if exceptional items were in line with the Group policy and also if the reported results represented a true and fair view of the underlying performance during the year. The Audit Committee are satisfied with the presentation of exceptional items in the financial statements, and that there is sufficient detail to allow users of the financial statements to understand the nature and extent of the exceptional items and how they arose.
Other matters	The Audit Committee has also considered a number of other judgements which have been made by management including those relating to corporate governance, revenue recognition, recoverability of assets, transaction costs relating to borrowings, accruals and estimates and considers the judgements which have been made are reasonable. The Audit Committee considered the recommendations of the Taskforce on Climate Related Financial Disclosures ("TCFD") on the Group's financial reporting and financial statements. The Audit Committee concluded that the disclosures on pages 49 to 52 made in response to the requirements of TCFD are appropriate and relevant. The Audit Committee also referenced the Group risk for climate change included on pages 39 and 40. The Audit Committee duly noted appropriate disclosure was made in this regard.

Corporate Governance Report continued

External Auditors

Deloitte Ireland LLP continued as the external auditor for the FY2021 with Daniel Murray acting as audit partner for his fifth and final year prior to the mandatory rotation of audit partner.

In accordance with mandatory applicable audit tendering requirements requiring auditor rotation every ten years and in light of Public Interest Entities requiring rotation at least every twenty years, transitional arrangements require the Company to tender for external auditing services by June 2023. The Audit Committee regularly reviews the role of the external auditor and the scope of its audit while considering its effectiveness on an ongoing basis during the year.

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.

The Audit Committee oversees the process for approving material non-audit work provided by external auditors to safeguard the objectivity and independence of the auditor and to ensure compliance with regulatory and ethical guidance. 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 2021, Deloitte Ireland LLP were engaged to provide non-audit services to the Group totalling €13.0k (2020: €56.7k). The Audit Committee will continue to monitor the type and level of non-audit services provided by the external auditor to prevent any perceived or actual impact on the auditor independence.

The Audit Committee assesses the ongoing effectiveness and quality of the external auditor and audit process through a number of methods:

- Commencing with identification of appropriate risks by Deloitte Ireland LLP as part of its detailed audit plan presented to the Audit Committee at the start of the audit cycle;
- Interactions with Deloitte Ireland LLP during committee meetings;
- Quality of reporting, presentations and approach to materiality;
- Technical insight in relation to judgement and complex areas;
- Understanding of the Group's business, industry knowledge and its key risks; and
- Feedback from management on the audit process.

In assessing independence and objectivity, the Audit Committee considers the level and nature of services provided by the external auditor as well as the confirmation from the external auditor that it has remained independent within the meaning of the FRC's 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 auditor has open and unrestricted access to the Chairperson of the Audit Committee.

Following a review of the effectiveness and quality of Deloitte Ireland LLP, in addition to assessing its independence, the Audit Committee was satisfied that Deloitte Ireland LLP has carried out its duties properly and the Audit Committee recommended to the Board the re-appointment of Deloitte Ireland LLP for the FY2022.

Internal Controls and Risk Management

The Audit Committee in conjunction with the Board continually review the effectiveness of the Company's internal controls and risk management throughout FY2021 and carried out a detailed assessment of the principal risks faced by the Company and relevant emerging risks in addition to relevant measures to mitigate such risks. The Board and Audit Committee carried out its assessments in August 2021 and December 2021. 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.

During FY2021, each function of the Company was responsible for identifying existing principal risks impacting their area and emerging risks in light of the Company's activity and relevant economic and geopolitical factors.

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 30 to 44.

The focus and design of the Group's internal control environment is to identify, evaluate, mitigate and monitor the principal and emerging risks faced by the business, and report to the Board in a timely manner acknowledging that elimination of all risk is not feasible. Key elements of the Group's ongoing controls include:

- An organisational structure with clearly defined lines of responsibility, delegation of authority and a formal schedule of matters specifically reserved for decisions by the Board is maintained;
- A comprehensive annual planning and budgeting process reported for all operational units, which are reviewed and approved by the Board;
- Internal control systems and procedures to implement and monitor the use of these delegated authorities and capital expenditure controlled by budgetary processes in line with authorisation levels;
- 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 is well documented and understood.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal control and considered the significant risks affecting the business and the way in which these risks are managed as part of its responsibility to monitor the Company's risk management and internal control systems. The risks identified on pages 30 to 44 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 and the Board. The reviews are based on the current structure within each function including any significant changes from an operational, resourcing or 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 30 to 44, and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems in conjunction with the Board, 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, it was concluded that through a combination of the work of the Board and the Audit Committee, there are appropriate ongoing processes and procedures to identify, evaluate and manage material risks. The Company's risk management and internal controls were effectively monitored throughout the year and that no material control deficiencies were identified during the year.

Corporate Governance Report continued

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the independence, operation and effectiveness of the internal audit function including its plans, activities and resources. The internal audit function is outsourced to PwC and the Audit Committee considers that PwC continue to be independent and effective, and the Audit Committee is satisfied with the quality, experience and expertise of PwC as its internal auditor. 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 the Board on the effectiveness of the organisation's internal controls and the independence of PwC as the Group's internal auditor.

At the three Audit Committee meetings during 2021, the Audit Committee assessed findings arising from PwC's internal auditor's reports or received updates in connection with previous internal audit reports presented to the Audit Committee. On an on-going basis the Audit Committee considers any control weaknesses identified and the remedial action to be taken.

The 2021 internal audit plan, setting out areas of internal audit focus, was agreed by the Audit Committee with PwC following extensive engagement between PwC and the Company's management. In 2021, the Audit Committee received three reports from PwC covering (a) Business continuity management follow up review; (b) Third party engagement review; and (c) Google cloud platform/IT General Controls review. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management.

The Audit Committee reviewed and agreed the internal audit plan for 2022 with PwC following consultation between PwC and the Company's senior management which the Audit Committee believes is appropriate to the scope and nature of the Group's activities. The 2022 internal audit plan is risk based and focusses on (a) Phishing review; (b) Review of TCFD ("Task Force on Climate-Related Financial Disclosures"); (c) IT General Controls review; and (d) Findings follow up review.

Annual Evaluation of Performance

The performance and effectiveness of the Audit Committee was considered as part of the Board evaluation process and results concluded that the Audit Committee continues to operate effectively and that the role and remit of the Audit Committee remains appropriate in the current economic and risk climate and the needs of the Company.

I will ensure the Audit Committee areas highlighted for improvement and enhancement are actioned and are on the Audit Committee agenda over the course of 2022.

Éimear Moloney
Chairperson, Audit Committee
30 March 2022

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Corporate Governance Report continued

5. Remuneration – Principles P-R of the 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 ended 31 December 2021.

Membership	No. of meetings/total no. of meetings held when the Director was a member[1]	Attendance %
Carl G. Shepherd (Chair)	6/6	100%
Michael Cawley	6/6	100%
Éimear Moloney	6/6	100%
Evan Cohen	6/6	100%

(1) The Remuneration Committee separately approved the severance arrangements for a senior executive pursuant to a written resolution signed by each Remuneration Committee member.

The Remuneration Committee's composition complies with the requirements of the 2018 Code. The Company Secretary acts as Secretary to the Remuneration Committee.

Key Activities of the Remuneration Committee in 2021

The Remuneration Committee held 6 meetings during 2021 and, among other things, undertook the following activities:

- Finalised the 2020 Directors' Remuneration Report;
- Agreed that, in the interests of cash conservation, no cash bonus scheme would operate for 2021, and that shareholders would be asked to approve an amendment to the Directors' Remuneration Policy to permit the grant of an award of restricted shares (the "2021 Restricted Share Award") in place of the bonus;
- Discussed and agreed the approach to be taken to the Long-Term Incentive Plan ("LTIP") award granted in 2021, including the quantum, metrics, targets and award population;
- Consulted with major shareholders on the above matters and, having received a generally positive response, approved an amendment to the Directors' Remuneration Policy which was subsequently approved by shareholders at a General Meeting in April 2021;
- Considered and discussed the views of shareholders who had voted against the resolutions proposed at the General Meeting in April 2021 as to why they had voted against the proposals;
- Reviewed in detail the Directors' Remuneration Policy in advance of being required to seek approval for a new Policy in 2022, considering in particular different alternatives for long-term incentive provision;
- Considered the remuneration issues raised in Provisions 32 – 41 of the UK Corporate Governance Code and assessed the Company's compliance with the respective Code Provisions;
- Reviewed overall workforce remuneration and related policies and considered the alignment of Executive Director pay with wider Company practices;
- Engaged with the wider workforce on matters relating to executive remuneration;
- Consulted again with major shareholders on the proposed approach for 2022, in particular replacing LTIP awards in 2022 and 2023 with a further grant of restricted shares (the "2022 Restricted Share Award"); and
- Reviewed the salaries of the Executive Directors and the Executive Leadership Team for 2022.

Subsequent to the financial year end, the Remuneration Committee met to formally assess the extent of vesting under the LTIP award granted in 2019 as well as approve the contents of this Directors' Remuneration Report.

Executive Remuneration in 2021

At the time of writing of my Annual Statement introducing last year's Directors' Remuneration Report, Hostelworld was continuing to face extraordinary challenges during a period of ongoing uncertainty as activity in the travel industry remained subdued. With a focus on cash conservation, the Remuneration Committee agreed that for the second year running there would be no cash bonus scheme for the Executive Directors or other employees. In its place, the Committee decided to make a special award of restricted shares (the "2021 Restricted Share Award") to help ensure the ongoing retention and motivation of a large number of staff, including the Executive Directors. The Board Chairman and I had a number of discussions with major Hostelworld shareholders and were pleased that the majority of those consulted understood the rationale for our proposal and committed to supporting the award. As a result, the Company held a special General Meeting after the AGM in April 2021 to approve an amendment to the Directors' Remuneration Policy to allow the Executive Directors to participate in the 2021 Restricted Share Award. We were pleased to receive the support of a majority of shareholders for the amendment, and the award was granted shortly afterwards.

The 2021 Restricted Share Award was granted at a level of two times each participant's target annual cash bonus, reflecting the cancellation of the 2021 bonus scheme and the likely absence of such a scheme for 2022. For the Executive Directors, the target annual cash bonus is 56% of basic salary, resulting in a grant of restricted shares equivalent to 112% of basic salary. These shares vest in two equal tranches: the first tranche in February 2022, and the second in February 2023, in order to mirror the payment timeframe of the normal annual cash bonus. Vesting is subject to continued employment and satisfactory personal performance as determined through the annual performance appraisal process.

The Committee believes that the 2021 Restricted Share Award, although relatively unusual in the context of UK executive remuneration, is a strong retention tool at a time when employees have seen no value emerge from performance-related incentives. It benefits a large number of employees (c. 70 members of staff received an award) and so aligns a significant proportion of the population directly with shareholders. In February 2022, the Committee formally approved the vesting of the first tranche of the award for those employees who had met the underlying personal performance test. This included the Executive Directors.

In addition to the 2021 Restricted Share Award, we also approved a grant of performance shares under the LTIP to the Executive Directors and other key employees in April 2021. For this award, we used different performance measures than those in place for prior awards. Performance is measured over the three-year period ending 31 December 2023. Half of the award is subject to challenging Adjusted EBITDA performance targets; the other half is based on the achievement of key strategic objectives. There are two elements to this. The first involves assessing the improvement in new customer value compared to customer acquisition cost for paid channels; the second is based on the successful adoption of Hostelworld's Counter technology by a targeted number of hostel accommodation partners. We have set specific quantifiable targets for both of these strategic measures.

In the circular published ahead of the April 2021 General Meeting, we explained that the specific targets for the Adjusted EBITDA and strategic measures were considered commercially confidential. This is still the case, although we again commit to publishing the Adjusted EBITDA targets once normal trading conditions resume and the Group is in a position to provide general guidance to the market. The targets for the strategic measures will be published in full in the 2023 Directors' Remuneration Report at the time we report on the extent of achievement against the targets and the consequent level of vesting.

At the April 2021 General Meeting, shareholder approval was also received for an amendment to the LTIP rules to remove the "5% in 10 years" inner dilution limit. This change was sought to give the Committee greater flexibility to manage potential dilution, recognising the relatively large number of participants receiving LTIP grants and the 2021 Restricted Share Award.

The Committee was very grateful for the support of shareholders for the decisions we took early in 2021. We appreciated the fact that most large investors recognised the exceptional circumstances facing Hostelworld at the time and understood the importance of putting in place critical retention measures. We do, however, note that a significant minority of shareholders opposed both the amendment to the Directors' Remuneration Policy and the change to the LTIP rules. We wrote to many of those who voted against these proposals to understand their reasons for doing so, and also considered the reports issued by proxy advisers. The Committee considered the points raised and remains of the view that the proposals were in the

Corporate Governance Report continued

interests of shareholders in general. As a result, no changes were made to the amended Remuneration Policy following this subsequent engagement.

A New Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the AGM in 2019 and, as a result, we are seeking approval for a new Policy at the AGM to be held on 11 May 2022.

During 2021, the Committee undertook an extensive review of the existing Policy with the support of its external advisers. Among other things, we considered the ongoing challenges facing the travel industry, the difficulties of forward-forecasting, the recruitment market for our key people, general trends in executive remuneration and the views of institutional investors. The Committee believes that Hostelworld is in a particularly challenging position. The Group has continued to be impacted by pandemic-related international travel restrictions, with trading levels remaining depressed and with limited visibility over the precise shape of the post-pandemic recovery. At the same time, there is an exceptional level of demand for talented executives and e-commerce/technology professionals. Throughout the organisation, our reasonable focus on cash conservation has meant we have not been able to offer cash compensation at competitive levels and have suffered some attrition as a result. The need to retain our key leaders remains paramount if we are to successfully complete our turnaround strategy and maximise the growth opportunities available to the business.

With this in mind, the Committee concluded that the most appropriate approach for the near-term was to retain the Directors' Remuneration Policy in its existing format and defer most material changes to a time when there is greater visibility over the prospects for the business. We hope that this will come within the next two years. As a result, our intention is to revert to shareholders with a new Policy in 2024, i.e. one year earlier than would normally be required after approval of our renewed Policy in 2022.

In retaining the existing Policy in 2022, we are making only minor changes (as explained on pages 106 and 107) with the exception of our proposed approach to long-term incentives. Setting appropriate targets for awards under the LTIP has been a challenge for the Committee since the start of the pandemic, made particularly difficult given considerable forward-looking uncertainty. To lock in our key people (including the Executive Directors), we determined the best approach for the two-year Policy will be an award of restricted shares (the "2022 Restricted Share Award"). Subject to shareholder approval of the new Policy, we will make one grant of restricted shares to cover both 2022 and 2023. These shares will vest after three years, subject to continued employment and an underpin mechanism being met which requires the Committee to be satisfied with individual and Company performance over the vesting period. For the Executive Directors, there will then be a two-year post-vesting holding period.

The 2022 Restricted Share Award will be made at a level of 150% of basic salary for the Chief Executive Officer. This is the value of two awards at 75% of basic salary, each calculated as half of the maximum 150% of salary which can be awarded under the LTIP. The award size for the Chief Financial Officer will be 125% of basic salary, i.e. two awards each worth 62.5% of basic salary. We appreciate that these award levels are higher than would apply if the LTIP grant size in 2021 (125% of basic salary for the Chief Executive Officer and 100% of basic salary for the Chief Financial Officer) was taken into account. However, we believe strongly that the approach chosen is required to secure the retention and motivation of the current team while also strongly aligning with the interests of shareholders. Awards will also be made to c. 40 other employees. The 2022 Restricted Share Award will be granted under the rules of the LTIP and we will remain within the "10% in 10 years" dilution limit in the rules.

I wrote to major shareholders to explain our intended approach in late 2021 and was pleased to receive a continued strong level of support. Most of our large investors recognise the position Hostelworld is in, the quality of our management team and the need to put in place effective remuneration packages. We look forward to further productive engagement with shareholders when we come to review the Policy again ahead of the 2024 AGM.

Implementation of the Policy in 2022

As explained above, the key feature of the new Policy is the 2022 Restricted Share Award, which we intend to grant shortly after the AGM.

The Committee has reviewed the salaries of the Executive Directors and agreed that a 5% increase should be implemented for the Chief Executive Officer with effect from 1 January 2022. This increase is consistent with current levels of inflation in Ireland and is lower than the 7% average increase agreed for the wider workforce. The Committee further agreed that a 10.5% increase should be implemented for the Chief Financial Officer with effect from 1 January 2022. This was a result of the further salary review that was highlighted in last year's Remuneration Report and reflects her significant contribution to the business and her performance since her appointment at the end of 2020. The increase brings her salary in line with market and is now consistent with the salary level of her predecessor. The Committee anticipates that increases in future years will be aligned with increases for the wider workforce.

In light of exceptional recruitment and retention pressures throughout the organisation, the workforce salary review for 2022 (excluding that for the Executive Directors and other members of the Executive Leadership Team) was brought forward to September 2021, at which time increases were applied throughout the Group. As noted above, the average increase was 7%. A further review of salaries was undertaken in February 2022 to provide merit increases for those excluded from the review in September 2021, to address promotions identified as part of the year-end review process and in exceptional circumstances to realign salaries to the market where market movement has occurred. The average increase applied in February 2022 was 8%. In the context of inflationary pressures and the increases to others within the organisation, the Committee believes the increases for the Directors are appropriate.

At the time of writing, the Committee does not expect to be in a position to offer an annual cash bonus scheme for 2022 for the Executive Directors or any other employee. However, we intend to keep this under review as the year progresses and we may, if circumstances permit, provide a bonus opportunity for a portion of the year. Any bonus offered will be consistent with the terms of the Directors' Remuneration Policy and full details of the measures and specific targets will be included in next year's report.

UK Corporate Governance Code ("the Code")

As indicated in this Annual Statement and in the additional disclosures throughout the Directors' Remuneration Report, the Committee has applied the principles set out in the Code. The Directors' Remuneration Policy is designed to support strategy and promote the long-term sustainable success of the business. The Committee operates a formal and transparent procedure for setting the Policy and for agreeing payments under the framework set out in the Policy. Discretion is applied where relevant, although the Committee did not do so in respect of 2021 pay outcomes.

Hostelworld is compliant with the remuneration provisions set out in the Code, with two exceptions. First, the Committee has not developed a formal policy on post-employment shareholding requirements. We have continued to review whether such requirements should be introduced but consider that the current framework provides for sufficient alignment between management and the long-term interests of shareholders. This takes into account 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 in the LTIP (which will also apply to the 2022 Restricted Share Award). Second, the 10% of salary pension contribution rate for the Chief Executive Officer is above the 6% rate applicable to the wider workforce. The Chief Executive Officer's pension was agreed at the time of his recruitment in 2018 and, although not aligned with the workforce average, is not considered excessive by the Committee.

As part of the review of the Directors' Remuneration Policy during 2021, the Committee considered these two matters in detail and concluded that no changes should be made to the current approach as the new Policy to be approved in 2022 is essentially a rollover of the 2019 Policy (with the exception of the approach to long-term incentives). When reviewing the Policy again ahead of the 2024 AGM, we will consider whether a different approach to these matters is required.

The Committee believes that this Annual Statement, the Directors' Remuneration Policy 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 Code and the expectations of the Company's major shareholders.

The Committee is of the view that the Directors' Remuneration Policy and its implementation is fully consistent with the factors set out in Provision 40 of the 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;

Corporate Governance Report continued

- **Simplicity:** We have adopted a simple and straightforward Remuneration Policy which, for 2022 and 2023, is focused on a shareholder-aligned retention tool, the 2022 Restricted Share Award. This involves an award of shares which will vest after three years. In two years' time we will review whether a return to our previous approach will be appropriate, taking into account circumstances at the time;

- **Risk:** The new Policy represents a balanced response to the current business environment in which the Company operates. The use of restricted shares ensures that there is no risk of participants being potentially incentivised in a manner which is inconsistent with Hostelworld's risk profile. The underpin mechanism in the 2022 Restricted Share Award is designed to ensure that vesting levels are consistent with overall performance; 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 pay schemes. A summary of potential reward outcomes is included in the "scenario charts" in the Policy. Any discretion exercised by the Committee in implementing the Policy has been fully disclosed;

- **Proportionality:** The link between the delivery of strategy, long-term performance and alignment and the remuneration of the Executive Directors is set out in this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration. The underpin to the 2022 Restricted Share Award will ensure that poor performance is not rewarded; and

- **Alignment to culture:** The approach to Directors' remuneration is consistent with key Group cultural tenets of transparency, inclusion and performance. While we cannot offer conventional performance-related incentives at the current time, we have closely aligned the pay structures for Directors with those in place elsewhere in the Company as we seek to retain and motivate key talent at all levels.

Dialogue with shareholders on remuneration matters is important to the Committee. As discussed above, we proactively consulted twice with major investors in 2021, receiving useful feedback, and separately wrote to many of those shareholders who voted against the resolutions at the General Meeting in April. Consistent with the 2018 Code, we also engaged with employees on remuneration matters during the year as part of the Board's broader engagement strategy with employees. Éimear Moloney, in her capacity as the designated Non-Executive Director with responsibility for managing effective engagement between the Board and the Group's employees, conducted an employee engagement forum during the reporting period and, as part of this exercise, explained in detail how executive pay aligns with wider company pay policy.

Structure of this Report

This report has been prepared in accordance with the relevant UK reporting regulations, the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement;
- The Directors' Remuneration Policy, for which shareholder approval will be sought by way of a binding resolution at the AGM on 11 May 2022; 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 2021 financial year. The Annual Report on Remuneration together with this Annual Statement is subject to the usual 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.

On behalf of the Board

Carl G. Shepherd
Chairman, Remuneration Committee
30 March 2022

The Northshore Hostel, Hawaii

Corporate Governance Report continued

Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 31 May 2019. An amendment to the Policy was approved by shareholders at a General Meeting held on 26 April 2021. Set out below is the Policy which will apply with effect from the AGM on 11 May 2022, subject to shareholder approval at the meeting. Any payments to the Directors and any payments for loss of office can only be made if they are consistent with the terms of the approved Policy. If the Committee wishes to make a payment to Directors which is not consistent with the Policy, it will be required to seek shareholder approval for an amendment to the Policy at a General Meeting.

The Policy has been prepared in line with the relevant UK regulations. In designing the Policy, the Remuneration Committee considered developments since the Policy was approved in 2019 and amended in 2021, taking into account the business environment in which Hostelworld operates, the specific retention and recruitment challenges facing the Company, the opinion of internal stakeholders on the Policy and the views of major shareholders. The Executive Directors provided input into this process but, to avoid conflicts of interest, no individual was present when the Committee agreed the final terms of the Policy or when his or her own remuneration was discussed.

The Chairman of the Remuneration Committee wrote to major shareholders and the main proxy advisory services to seek their views on the terms of the new Policy. Many of those consulted recognised the exceptional circumstances within which the Company continues to operate and expressed support for the Policy proposals. Accordingly, the Committee agreed to submit the Policy to a formal binding shareholder vote at the forthcoming AGM.

As explained in the Annual Statement from the Chairman of the Remuneration Committee, the Committee intends the Policy to apply for a period of two years from the date of approval. Decisions around operating the Policy will be made by the Committee each year and explained in the relevant Directors' Remuneration Report.

Changes to the Policy

With the exception of the approach to long-term incentives, the Remuneration Committee has decided not to make material changes to the Directors' Remuneration Policy when compared with the Policy approved in 2019 (and amended in 2021). The main changes are summarised below:

- Standard performance-related awards under the LTIP will be replaced with the 2022 Restricted Share Award. The involves the grant of a single award of restricted shares in 2022 which will vest after three years (with the shares then subject to a two-year post-vesting holding period). This approach has been taken to ensure retention of the Executive Directors and other key individuals within Hostelworld against the backdrop of the ongoing uncertainty facing the travel industry and the competitive recruitment environment for technology talent.
- The standard LTIP has been retained within the Policy to ensure that the Committee has the ability to grant an LTIP during the Policy period in exceptional circumstances (e.g. in the event of appointment of a new Director). To give the Committee an appropriate level of flexibility in line with standard practice elsewhere, the Policy has been amended to remove the requirement for the Committee to consult with major shareholders in the event of deciding to use different performance conditions for LTIP grants than those previously in place.
- A provision has been included giving the Remuneration Committee the flexibility to settle any annual bonus payment in shares. This change will ensure that the Committee has the ability to award bonuses in equity in a situation where a cash payment would not be considered appropriate.
- The 2021 Restricted Share Award has been removed from the Policy table given that this was a one-off arrangement specific to 2021. The awards that were granted will vest or lapse depending on the satisfaction of the vesting conditions attached to the awards.
- The section on good leavers has been amended to clarify the Remuneration Committee's position that, in the event of death, the post-vesting holding period for LTIP awards (inclusive of the 2021 Restricted Share Award and the 2022 Restricted Share Award) will not apply.

In addition, a number of minor edits have been made to the wording of the Policy to ensure that it is aligned with common market practice.

Policy Table

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 strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Base Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and • the economic environment.	Base salaries will be set at an appropriate level within a comparator group of comparably sized listed companies and will normally increase in line with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None

Corporate Governance Report continued

Element and link to strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Benefits			
Provides a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors receive benefits which include, but are not limited to, private medical insurance (family cover), income protection and life assurance cover (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensures it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors.	The maximum will be set at the cost of providing the benefits described.	None
Pensions			
Provide retirement benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Remuneration Committee maintains the ability to provide pension funding in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	For the current CEO, the maximum pension contribution as a percentage of basic salary is 10%. For the current CFO and for any new Executive Director, the maximum pension contribution will be in line with the contribution level provided to the majority of the workforce.	None

Element and link to strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Annual Bonus Plan			
The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. **In particular, the Plan supports the Company's objectives allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wide range of performance metrics can be used.**	The Remuneration Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are normally paid in cash after the end of the financial year to which they relate although the Remuneration Committee will have the flexibility to settle any bonus in shares. On a change of control, the Remuneration Committee may pay bonuses on a pro rata basis measured on performance up to the date of change of control. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.	The maximum bonus opportunity as a % of base salary is 100%.	Bonus payouts are determined on the satisfaction of a range of key financial and non-financial objectives set by the Remuneration Committee. In addition, the payment of any bonus will require the Remuneration Committee to determine that the Company has delivered an acceptable level of performance during the year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.

Corporate Governance Report continued

Element and link to strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP")			
Applicable to all LTIP Awards other than the 2021 and 2022 Restricted Share Award			
The Committee has no current intention to grant LTIP awards to the current Executive Directors during the two-year period covered by the Remuneration Policy			
Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term.	Awards are granted annually to Executive Directors under the LTIP. These vest at the end of a three-year period, normally subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that they vest. Awards which vest after the end of the three-year performance period will be subject to an additional two-year holding period. During this period the shares cannot be sold (other than as required for tax purposes). The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares. Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.	Awards may be made up to 150% of base salary. If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 200% of a participant's annual basic salary. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	LTIP awards will vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. These will be determined by the Committee each year taking into account the specific strategic priorities of the business at the time. The Committee may change the balance of the measures, or use different measures for subsequent awards during the Policy period, as appropriate. 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 an event occurs which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

Element and link to strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP")			
Applicable to the 2022 Restricted Share Award			
The 2022 Restricted Share Award will operate as a retention mechanism.	The 2022 Restricted Share Award will be granted following shareholder approval of the new Remuneration Policy under the LTIP rules. The award will vest three years after grant. Vesting will be dependent on continued employment at the date of vesting and an underpin mechanism (see right). The 2022 Restricted Share Award will be subject to an additional two-year holding period following the end of the vesting period. During this period the shares cannot be sold (other than as required for tax purposes). The Remuneration Committee may award dividend equivalents on awards to the extent that they vest. The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares. Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.	The 2022 Restricted Share Award will be granted at a maximum level of 150% of base salary for the Chief Executive Officer and 125% of base salary for the Chief Financial Officer.	Vesting of the 2022 Restricted Share Award is not subject to the satisfaction of headline performance conditions. However, the underpin mechanism requires the Remuneration Committee to be satisfied with individual and Company performance over the vesting period.
Save As You Earn ("SAYE") plan			
To encourage share ownership among Hostelworld employees and increase the alignment with shareholders.	The plan permits employees to purchase shares at the end of a three-year period at a discount of up to 20% of the market value of the shares at grant.	The maximum participation limit is as set out in the relevant legislation.	None (as is the norm for approved all-employee plans).

Corporate Governance Report continued

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

Choice of Performance Measures

Each year, the Remuneration Committee will choose the appropriate performance measures and targets to apply to the annual bonus plan and the LTIP. The measures will be closely aligned with Hostelworld's strategy and business priorities at the time and will include targets which are challenging and yet realistic. Full details of the measures and the targets will be included in the Annual Report on Remuneration for the relevant year. In line with standard practice for restricted shares, the vesting of the 2022 Restricted Share Award is not dependent on the achievement of performance conditions (although an underpin mechanism applies, as set out in the Policy table above).

Given the ongoing focus on cash conservation, there is currently no expectation that an annual bonus scheme will operate for 2022 and therefore no decisions have been taken regarding performance conditions for the plan. Furthermore, as there is no intention to make a standard LTIP grant to the Executive Directors during the two-year period covered by the Remuneration Policy, the Committee has not agreed any performance conditions to apply for LTIP awards.

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.

As stated in the Policy table above, for the annual bonus plan, malus applies up the date of bonus determination and clawback for a period of two years from the date of bonus determination. For the LTIP – including the 2022 Restricted Share Award – malus will apply for the three-year period from grant to vesting, with clawback applying for the two-year period post vesting.

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. These include (but are not limited to) the choice of participants, the size of awards in any year (subject to the limits set out in the Policy table above), the determination of good and bad leavers and the treatment of outstanding awards in the event of a change of control.

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.

Corporate Governance Report continued

Recruitment Policy

The approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the Executive Directors, as set out above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding enhanced short term or long term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award. Subject to the paragraph below, the incentive awards that can be received in any one year will not exceed the maximum individual limits as set out in the Policy Table. The Remuneration Committee would have the flexibility, if considered appropriate, to grant a 2022 Restricted Share Award to a new Director, up to a maximum grant level of 150% of base salary. The level of any such grant would take into account the timing of appointment of the Director during the Remuneration Policy period.

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

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

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

Legacy Arrangements

The Remuneration Committee has the authority to honour any commitments entered into with the existing Executive Directors prior to the approval of this Remuneration Policy. For the avoidance of doubt, this includes the 2021 Restricted Share Award that does not form part of this forward-looking Policy.

Service Agreements and Letters of Appointment

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company. Each Executive Director is subject to re-election at the AGM.

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
Caroline Sherry	Chief Financial Officer	1 December 2020	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 date 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

Payment for Loss of Office

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

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

Corporate Governance Report continued

Remuneration element	Treatment on exit
Salary, Benefits and Pension	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Annual Bonus Plan	Good leaver reason – pro-rated to time and performance for year of cessation. Other reason – no bonus payable for year of cessation.
LTIP	Good leaver reason – Pro-rated to time and performance (where applicable) in respect of each subsisting LTIP award. Other reason – Lapse of any unvested LTIP award. The Remuneration Committee has the following elements of discretion: • to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to measure performance (where applicable) over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • The Remuneration Committee's policy is generally to pro-rate to time from the date of grant to the date of cessation. It is the Remuneration Committee's intention to only use its discretion to adopt a different approach to pro-rating in circumstances where there is an appropriate business case which will be explained in full to shareholders; and • to determine the extent to which the post-vesting holding period will apply for a good leaver. The Committee has agreed that the holding period will not apply in the event of death.

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

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

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

Change of Control

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

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

Illustrations of the Application of the Remuneration Policy

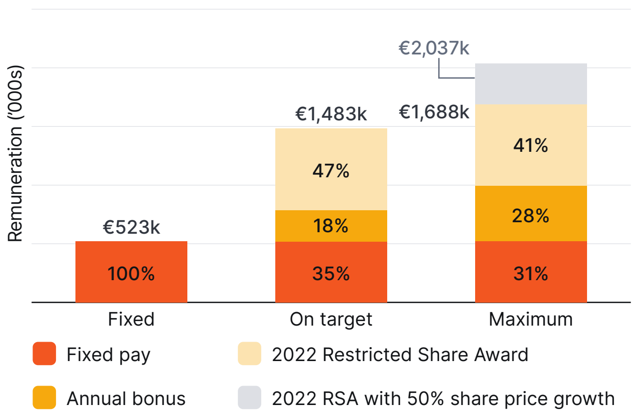
The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on current salaries, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual bonus; and (iii) 2022 Restricted Share Award, with the assumptions set out below:

Element	Minimum	On-Target	Maximum
Salary, benefits and pension	Included	Included	Included
Annual bonus	No bonus payment	CEO: 56% of salary CFO: 56% of salary	CEO: 100% of salary CFO: 100% of salary
2022 Restricted Share Award	No vesting(1)	CEO: 150% of salary CFO: 125% of salary	CEO: 150% of salary CFO: 125% of salary

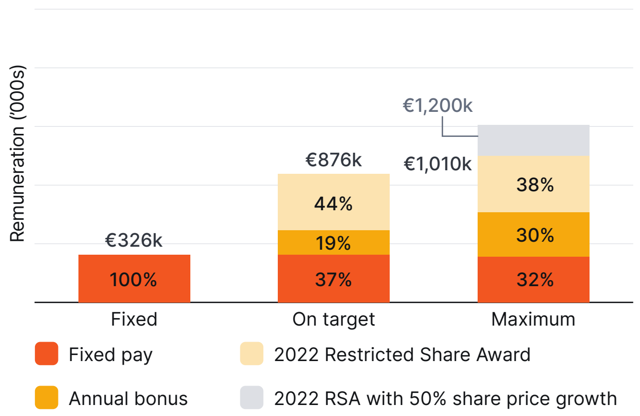
(1) As a result of the Remuneration Committee not being satisfied with individual and Company performance over the vesting period.

Corporate Governance Report continued

Chief Executive Officer



Chief Financial Officer



As noted in the Chairman of the Remuneration Committee's Annual Statement on page 104, there is no current intention to operate an annual bonus for 2022 although the Committee may review this later in the year, depending on the circumstances at the time.

Dividend equivalents have not been added to the 2022 Restricted Share Award. In line with UK reporting regulations, the maximum column has been extended to reflect the potential impact of 50% share price appreciation on 2022 Restricted Share Award shares which vest.

Remuneration in the Wider Hostelworld Group

The Remuneration Committee considers pay and employment conditions across the Group as a whole when reviewing the Directors' Remuneration Policy and the remuneration of the Executive Directors and other senior employees. Among other things, the Committee considers remuneration and recruitment trends across the wider workforce, the salary and incentive opportunities in place across the Group and the range of base pay increases which have been agreed for employees.

The Group's general approach is to provide a remuneration package for all employees that is market competitive, and the same reward and performance philosophy operates throughout the business. At a time when the Company has been unable to offer cash bonuses, it has sought to retain key staff through participation in the 2021 Restricted Share Award and the LTIP, with performance conditions (where relevant) the same as those in place for the Executive Directors. The 2022 Restricted Share Award will also be extended to certain other employees in the business.

A summary of remuneration practices across the Company is included in the Annual Report on Remuneration each year.

Consideration of Shareholder Views

The Remuneration Committee takes the views of shareholders seriously and these views are taken into account in shaping the Remuneration Policy and its operation. During 2021 the Remuneration Committee consulted extensively with major shareholders on the terms of the amendment to the Remuneration Policy which was ultimately presented for shareholder approval at the General Meeting on 26 April 2021. Later in the year the Committee held a further consultation exercise on the proposed Remuneration Policy set out in this report, ahead of it being presented for formal shareholder approval at the forthcoming AGM. There was a strong level of support from many major shareholders in both instances, which was central to the Committee's decisions to proceed with taking the proposals forward to formal shareholder votes.

The Remuneration Committee commits to further consultation and engagement prior to any significant changes to the Remuneration Policy in the future.

Annual Report on Remuneration

Single Total Figure of Remuneration (Audited)

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2021 financial year. Comparative figures for the 2020 financial year have also been provided. Figures provided have been calculated in accordance with the relevant UK reporting regulations.

Director		Salary (€'000)	Taxable Benefits (€'000)[1]	Bonus (€'000)	LTIP (€'000)	Pension (€'000)[2]	Other (€'000)[3]	Total (€'000)	Total Fixed (€'000)	Total Variable (€'000)
Gary Morrison	2021	443.6	10.9	–	–	44.4	496.8	995.7	995.7	–
	2020	443.6	10.4	–	–	44.4	–	498.4	498.4	–
Caroline Sherry[4]	2021	271.3	4.0	–	–	16.3	308.0	599.6	599.6	–
	2020	19.1	0.1	–	–	1.2	–	20.4	20.4	–

[1] Benefits represent payments for health insurance and life assurance policies.
[2] Pension contributions were made at a level of 10% of basic salary for Gary Morrison and 6% of basic salary for Caroline Sherry.
[3] Represents the face value at grant of the 2021 Restricted Share Award granted to the Executive Directors on 27 April 2021. For further information regarding this award, please see page 105.
[4] Caroline Sherry was appointed to the Board on 1 December 2020. Figures in the table above for 2020 relate to her period of service as a Director from this date to the end of the 2020 financial year.

Non-Executive Directors

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

Director	Fees (€'000) 2021	Fees (€'000) 2020	Taxable Benefits (€'000)[1] 2021	Taxable Benefits (€'000)[1] 2020	Other (€'000) 2021	Other (€'000) 2020	Total (€'000) 2021	Total (€'000) 2020	Total Fixed (€'000) 2021	Total Fixed (€'000) 2020	Total Variable (€'000) 2021	Total Variable (€'000) 2020
Michael Cawley[1]	145.0	145.0	–	–	–	–	145.0	145.0	145.0	145.0	–	–
Carl G. Shepherd[2]	74.0	74.0	–	–	–	–	74.0	74.0	74.0	74.0	–	–
Éimear Moloney[3]	67.0	67.0	–	–	–	–	67.0	67.0	67.0	67.0	–	–
Evan Cohen	60.0	60.0	–	–	–	–	60.0	60.0	60.0	60.0	–	–

[1] Chairman of the Board and Chair of the Nominations Committee.
[2] Chair of the Remuneration Committee and Senior Independent Director.
[3] Chair of the Audit Committee.

Additional Information regarding Single Figure Table (Audited)

Basic Salary and Fee Deferral

As disclosed in last year's Directors' Remuneration Report, during 2020 there was a programme of salary and fee deferrals in place for the Executive Directors and Non-Executive Directors as a response to the COVID-19 pandemic. All deferred salaries and fees were paid to the Directors in January 2021 and the amounts deferred are included in the 2020 financial year disclosures in the Single Figure Tables above.

Annual Bonus

In light of the ongoing uncertainty caused by the pandemic and the need for continued cash conservation measures, no annual cash bonus scheme operated for 2021. As a result, no cash bonuses were payable to either Executive Director for 2021.

Corporate Governance Report continued

Long Term Incentives Vesting Subject to Performance Period ending in 2021

In 2019, LTIP awards were granted to Gary Morrison 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).

The performance conditions for the award were tested after the 2021 financial year end, leading to a nil vesting level, as set out below.

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% and 11.0% p.a.	Straight-line vesting between 25% and 100%
Outcome:	**(202%) p.a.**	**0%**

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%
Outcome:	**(20.2%) p.a.**	**0%**

The table below sets out the details of the LTIP awards granted to Gary Morrison in 2019. The awards were granted as nil-cost options.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting[1]	Number of shares lapsing	Total value of vested awards (€)
Gary Morrison	3 Apr 2019	125% of salary	538.4	251,135[2]	Nil[3]	25%	31 December 2021	Adjusted EPS (70%) Absolute TSR (30%)	251,134	Nil

(1) The specific performance targets for this award are set out above.
(2) 247,594 shares were awarded on 3 April 2019, calculated using the closing share price on 2 April 2019, which was 187.0p. As disclosed in last year's Directors' Remuneration Report, the Remuneration Committee agreed to apply a technical adjustment to the number of shares comprising LTIP awards granted in 2019 to reflect the impact of the bonus issue which took place in September 2020. The purpose of this adjustment was to ensure that award holders were no better or worse off following the bonus issue than they were beforehand. The adjustment took place on 27 April 2021, resulting in an increase in Gary Morrison's award from 247,594 to 251,135 shares.
(3) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnote above.

2021 Restricted Share Award (Audited)

Following approval by Hostelworld shareholders of an amendment to the Directors' Remuneration Policy at a General Meeting held on 26 April 2021, the Executive Directors were each granted a Restricted Share Award (the "2021 Restricted Share Award") in place of an annual cash bonus. The rationale for this award was explained in the circular issued to shareholders ahead of the General Meeting, and also in the annual statement from the Chairman of the Remuneration Committee on pages 104 to 108 of this report.

Each Executive Director was granted a 2021 Restricted Share Award over shares equivalent at grant to 112% of basic salary, being two times their target annual cash bonus. This reflected the cancellation of the cash bonus scheme for 2021 and the likely absence of such a scheme for 2022. Each 2021 Restricted Share Award vests in two tranches, subject in both cases to the participant being employed by Hostelworld as of the vesting date and satisfactory personal performance. The first tranche (representing the first 50% of the award) vested on 28 February 2022 following completion of the 2021 performance appraisal process. The Remuneration Committee confirmed that the individual performance of both of the Executive Directors throughout 2021 had been judged as excellent, and sufficient to warrant the full vesting of this tranche of the award. The second tranche (representing the second 50% of the award) will vest following completion of the 2022 performance appraisal process, by 28 February 2023 at the latest.

Details of the 2021 Restricted Share Award are set out in the table below.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded[1]	Exercise Price (€)[2]	Vesting date	Number of shares vesting[3]	Total value of vested awards (€)[4]
Gary Morrison	27 Apr 2021	112% of salary	496.8	430,398	n/a	28 February 2022 (tranche 1) 28 February 2023 (tranche 2)	215,199	193,177
Caroline Sherry	27 Apr 2021	112% of salary	308.0	266,815	n/a	28 February 2022 (tranche 1) 28 February 2023 (tranche 2)	133,407	119,755

(1) The number of shares awarded was calculated using the closing share price on 26 April 2021, which was 100.4p.
(2) The awards were granted as conditional share awards and do not have an exercise price.
(3) Represents the number of tranche 1 shares vesting following the Remuneration Committee's confirmation that each Director had demonstrated satisfactory personal performance during the vesting period.
(4) Represents the value of the vested shares based on the share price on the vesting date, 28 February 2022.

Corporate Governance Report continued

Scheme Interests Awarded During the Financial Year (Audited)

Long Term Incentives Awards in 2021

The table below sets out the details of the LTIP awards granted to the Executive Directors in the 2021 financial year. All awards were granted as nil cost options.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded[1]	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting[2]
Gary Morrison	27 Apr 2021	125% of salary	554.5	480,354	Nil[3]	25%	31 December 2023	Adjusted EBITDA (50%) Strategic objectives (50%)
Caroline Sherry	27 Apr 2021	100% of salary	275.0	238,228	Nil[3]	25%	31 December 2023	Adjusted EBITDA (50%) Strategic objectives (50%)

(1) The number of shares awarded was calculated using the closing share price on 26 April 2021, which was 100.4p.
(2) Information on the specific performance targets for these awards is set out below.
(3) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnotes above.
(4) To the extent that awards vest, a dividend equivalent award will be made at the end of the vesting period.

As explained in the circular issued to shareholders ahead of the General Meeting on 26 April 2021, vesting of the LTIP awards granted in 2021 is subject to achievement of an adjusted EBITDA performance condition (applying to 50% of the awards) and the satisfaction of critical strategic objectives (applying to the remaining 50%). Performance will be measured over the three years to 31 December 2023.

Adjusted EBITDA condition (50%)

The specific Adjusted EBITDA targets are currently considered commercially confidential by the Board given that the Group is not providing forward-looking guidance to the market. However, the targets will be published once normal trading conditions resume and the Group is again in a position to provide general guidance to the market. We expect to publish the details before the performance conditions are tested after the end of the 2023 financial year.

Strategic objectives (50%)

For the half of the award which will vest subject to the achievement of critical strategic objectives, targets have been set based around two key areas of focus. The first area involves assessing the improvement in new customer value compared to customer acquisition cost for paid channels (on a constant currency basis). This is linked to the Group's stated goal of optimising paid spend based on predicted new customer value versus acquisition cost. The second area is based around the successful adoption of Hostelworld's Counter technology by a targeted number of our hostel accommodation partners. This is in line with the longer-term growth strategy of increasing adoption of the Group's hostel management software technology and integrating the Group's technology into our core platform offering for hostel partners. The precise details of the targets which have been set for measuring these objectives are currently considered commercially confidential but will be set out in full in the 2023 Directors' Remuneration Report when the level of vesting of the award will be disclosed.

Long Term Incentives Awarded in 2020

The table below sets out the details of the LTIP awards granted to the Executive Directors in the 2020 financial year. All awards were granted as nil cost options.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting[1]
Gary Morrison	2 May 2020	150% of salary	665.4	782,938[2]	Nil[4]	25%	31 December 2022 (EPS) 1 May 2023 (TSR)	Adjusted EPS (25%) Absolute TSR (75%)
Caroline Sherry	2 May 2020	50% of salary	72.5	85,303[2][3]	Nil[4]	25%	31 December 2022 (EPS) 1 May 2023 (TSR)	Adjusted EPS (25%) Absolute TSR (75%)

(1) The specific performance targets for these awards are set out below.
(2) The number of shares originally awarded was calculated using the closing share price on 1 May 2020, which was 75.0p. As disclosed in last year's Directors' Remuneration Report, the Remuneration Committee agreed to apply a technical adjustment to the number of shares comprising LTIP awards granted in 2020 to reflect the impact of the bonus issue which took place in September 2020. The purpose of this adjustment was to ensure that awardholders were no better or worse off following the bonus issue than they were beforehand. The adjustment took place on 27 April 2021, resulting in an increase in Gary Morrison's award from 771,900 to 782,938 shares and in Caroline Sherry's award from 84,100 to 85,303 shares.
(3) This award was granted prior to Caroline Sherry's appointment to the Board and does not include a post-vesting holding period.
(4) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnotes above.
(5) To the extent that awards vest, a dividend equivalent award will be made at the end of the vesting period.

Vesting of the awards granted in 2020 is subject to achievement of an adjusted EPS performance condition (applying to 25% of the awards) and an absolute TSR performance condition (applying to 75% of the awards). The specific targets are set out below:

Adjusted EPS condition (25%)

Adjusted EPS for the financial year ending 31 December 2022[1]	Vesting
Less than 0c	0%
0c	25%
8.87c	100%
Between 0c and 8.87c	Straight-line vesting between 25% and 100%

(1) As disclosed in last year's Directors' Remuneration Report, the Remuneration Committee agreed to apply a technical adjustment to the EPS performance conditions for this award to reflect the impact of the bonus issue which took place in September 2020. This adjustment resulted in the level of EPS being required for full vesting being amended from 9c to 8.87c, to reflect the increase in the share capital following the bonus issue. This adjustment maintains the same level of stretch in the performance condition allowing for the bonus issue and will not make the performance condition any easier to achieve.

Absolute TSR condition (75%)

Annualised TSR of the Company over the three-year period to 1 May 2023	Vesting
Less than 5.0% p.a.	0%
5.0% p.a.	25%
15.0% p.a. or above	100%
Between 5.0% and 15.0% p.a.	Straight-line vesting between 25% and 100%

Payments for Loss of Office/Payments to Past Directors (Audited)

There were no payments for loss of office or payments to past Directors made during the 2021 financial year.

Corporate Governance Report continued

Statement of Directors' Shareholdings and Share Interests (Audited)

The number of shares of the Company in which the Executive Directors had a beneficial interest and details of long-term incentive interests as at 31 December 2021 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)	Shareholding (% of salary)	Shareholding requirement met?	Unvested LTIP interests subject to performance conditions	Unvested Restricted Share Award interests
Gary Morrison	19,082	200%	4%	No	1,514,426	430,398
Caroline Sherry	–	200%	–	No	323,530	266,815

Details of the interests held in shares by Non-Executive Directors as at 31 December 2021 are set out below. Non-Executive Directors are not subject to a shareholding requirement.

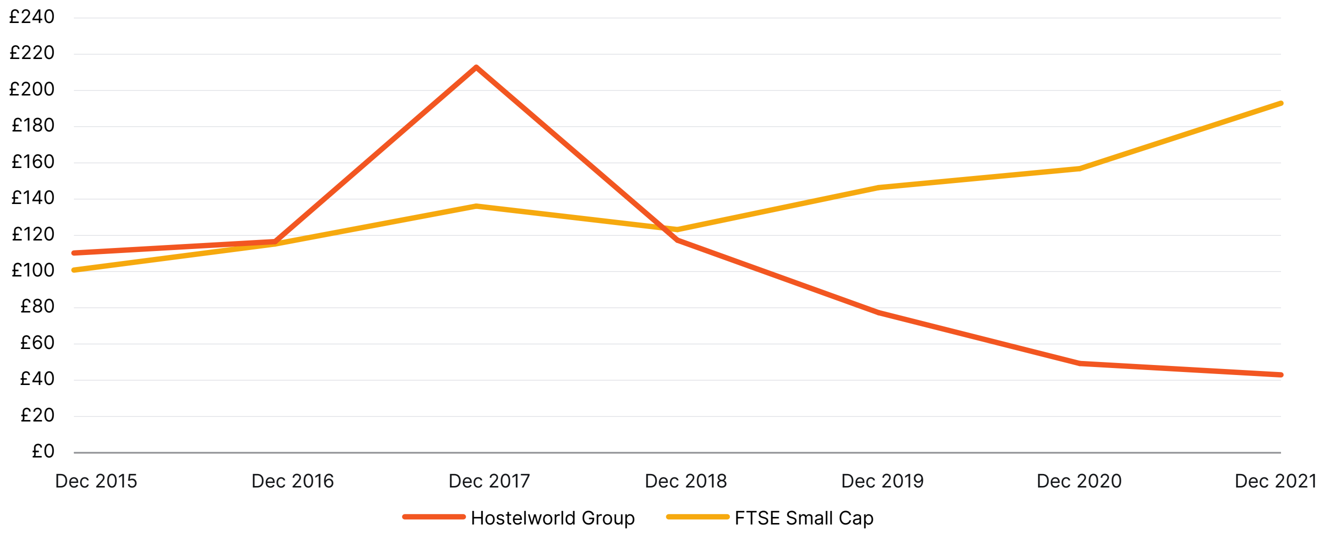
Director	Beneficially owned shares
Michael Cawley	127,797
Carl G. Shepherd	20,285
Éimear Moloney	72,376
Evan Cohen	15,214

Carl G. Shepherd purchased 15,000 shares in the Company in January 2022. There have been no other changes to the Directors' shareholdings from 31 December 2021 to the date of this report.

Comparison of Overall Performance and Pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE SmallCap index. The graph shows the Total Shareholder Return (TSR) 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 an appropriate index for comparison as Hostelworld is a member of this index and it includes other companies with a similar market capitalisation and scope of operations. The graph has been calculated in accordance with the Regulations. 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 2021.

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 eight 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 eight most recent financial years (reflecting the disclosures made in previous reports):

	2014	2015	2016	2017	2018		2019	2020	2021
Chief Executive Officer	Feargal Mooney	Feargal Mooney	Feargal Mooney	Feargal Mooney	Feargal Mooney	Gary Morrison	Gary Morrison	Gary Morrison	Gary Morrison
Total Single Figure (€'000)	413.1	395.0	1,298.7	768.8	209.5	307.2	485.8	498.4	995.7
Annual bonus payment level achieved (% of maximum opportunity)	14.9%	0%	0%	73.4%	0%	19.3%	0%	n/a	n/a
LTIP vesting level achieved (% of maximum opportunity	n/a	n/a	n/a	n/a	0%	n/a	n/a	0%	0%

Change in Directors' Remuneration Compared with Employees

The following table sets out the change in the remuneration paid to each of the Directors since 2019, compared with the average percentage change for employees, as required by the reporting regulations. For the Directors, the percentage change in remuneration reflects the disclosures in the Single Total Figure table of remuneration.

	2021 vs 2020			2020 vs 2019		
	Salary/Fees	Taxable benefits	Bonus	Salary/Fees	Taxable benefits	Bonus
Executive Directors						
Gary Morrison	0%	4.8%	–	3.0%	(13.3)%	–
Caroline Sherry[1]	–	–	–	–	–	–
Non-Executive Directors						
Michael Cawley	0%	–	–	0%	–	–
Carl G. Shepherd	0%	–	–	8.5%	–	–
Éimear Moloney	0%	–	–	0%	–	–
Evan Cohen[2]	0%	–	–	–	–	–
Employee pay						
Average per employee – parent company[3]	–	–	–	–	–	–
Average per employee – group	3.3%	(2.3)%	–	5.5%	93%	–

[1] Appointed to the Board on 1 December 2020. Comparatives for 2021 vs 2020 not shown as Caroline served for only one month of 2020.
[2] Appointed to the Board on 14 August 2019. Comparatives for 2020 vs 2019 not shown as Evan served for only four and a half months of 2019.
[3] The only employees of the parent company are the Directors of the Company.

Remuneration Practices Across the Company

Hostelworld does not have more than 250 UK employees (the current number of UK employees is 21) 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 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 participate in which incentive arrangements.

Corporate Governance Report continued

Hostelworld has traditionally had a strong emphasis on the principle of paying for performance. While this remains central to the remuneration philosophy throughout the organisation, it has been severely tested given the impact of the pandemic on the ability of the Group to be able to pay cash bonuses and the lack of vesting of LTIP awards.

Hostelworld's normal approach is that senior managers within the Company participate in a bonus scheme which is structured in a similar manner to the standard Executive Director bonus scheme, albeit in some cases with an element also based on personal performance. Separate incentive arrangements are in place for certain key roles (e.g. sales and customer support staff) and for other colleagues not otherwise in a bonus scheme. For 2020 and 2021, however, in light of the impact of the pandemic, it was agreed that other than quarterly incentive programmes for the sales and customer support roles, no bonus schemes would operate and therefore the vast majority of employees did not receive a bonus for either year.

Participation in the LTIP has traditionally extended throughout the organisation down to the level of managers or other individual expert contributors. In addition to the Executive Directors, the 2021 LTIP grant was made to c. 30 other employees. 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. The two-year post-vesting holding period applies to the Executive Directors only.

The 2021 Restricted Share Award granted in April 2021 to the Executive Directors was extended to approximately c. 70 other employees in recognition of the critical need for retention of a large group of employees who would not be able to participate in a cash bonus scheme for 2021. The vesting of the 2021 Restricted Share Award depends on the same conditions as for the Directors, namely continued employment and the individual's performance being rated as satisfactory or above.

It is the Committee's intention that the proposed 2022 Restricted Share Award will be extended to c. 40 other employees in addition to the Executive Directors. The vesting conditions for this award will be the same as for the Executive Directors, although the two-year post-vesting holding period applies to the Executive Directors only.

Basic salary levels for all employees are reviewed annually against appropriate external benchmarks and taking into account the wider employment environment. In light of extremely competitive recruitment markets in 2021, the Company decided to bring forward the January 2022 salary review for the organisation to September 2021, with the Executive Directors and the other members of the Executive Leadership Team excluded from this review. The average salary increase applied to eligible employees in September 2021 was 7%. A further review of salaries was undertaken in February 2022 to provide merit increases for those excluded from review in September 2021, to address promotions identified as part of the year-end review process and in exceptional circumstances to re-align salaries to the market where market movement occurred. The average increase applied in February 2022 was 8%.

The Group makes pension contributions on behalf of eligible employees. For the majority of the workforce, the Group contribution rate is 6% of salary. As set out in the Directors' Remuneration Policy, any new Executive Director will be appointed on a rate in line with the contribution level provided to the majority of the workforce. This approach was taken with the appointment of the Chief Financial Officer in 2020. The Chief Executive Officer's contribution rate of 10% was determined at the time of his appointment in 2018. As noted earlier in this report, this will be reviewed again at the time of the next Remuneration Policy renewal ahead of the 2024 AGM.

Other benefits are broadly aligned across the Company. The SAYE scheme is open to all employees in Ireland and the UK.

Éimear Moloney, the designated Non-Executive Director responsible for engaging with the workforce, and a member of the Remuneration Committee, engaged directly with employees on executive remuneration matters in late 2021 and explained the basis on which executive remuneration aligns with broader Company pay policy. This involved a discussion of the process for setting the remuneration of the Executive Directors by the Committee and the Committee's approach in reviewing wider workforce remuneration policies and practices. In addition, there was a discussion of the way in which executive remuneration aligns with wider Group policies, as summarised in the section above, covering fixed pay as well as incentives.

Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2020 and 2021 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

Director	Disbursements from profit in 2021 financial year (€m)	Disbursements from profit in 2020 financial year (€m)	% change
Profit distributed by way of dividends/share buybacks	–	–	0%
Overall spend on pay including Executive Directors	17.3	19.1	(9%)

Shareholder Voting at General Meeting

The table below sets out the results of voting on the resolutions (1) to approve the Directors' Remuneration Report at the AGM held on 26 April 2021, (2) to approve the amendment to the Directors' Remuneration Policy at the General Meeting held on 26 April 2021, and (3) to approve the amendment to the LTIP rules at the General Meeting held on 26 April 2021.

Resolution	For	Against	Withheld
Ordinary Resolution to Approve the Directors' Remuneration Report for the Year Ended 31 December 2020 (2021 AGM)	76,257,907 (80.92%)	17,981,537 (19.08%)	307,498
Ordinary Resolution to Approve an Amendment to the Directors' Remuneration Policy (2021 General Meeting)	66,612,983 (70.83%)	27,427,315 (29.17%)	49,166
Ordinary Resolution to Approve an Amendment to the LTIP Rules (2021 General Meeting)	66,763,626 (70.98%)	27,302,038 (29.02%)	23,800

The Remuneration Committee notes that the resolutions to approve the amendment to the Directors' Remuneration Policy and the amendment to the LTIP rules received less than 80% support. As stated in the announcement published on the date of the General Meeting, the Committee had, prior to presenting these resolutions to a shareholder vote, written to shareholders holding approximately 70% of the issued share capital (as well as the major proxy advisers and institutional investor representative bodies) to explain the rationale for the proposals and invite comments. The majority of those consulted engaged productively with the Company, understood the specific circumstances faced by Hostelworld and expressed their support for the proposals.

Following the General Meeting, the Company wrote to a significant majority of those shareholders which had voted against the proposals to understand their reasons for doing so. The Remuneration Committee also considered the reports and voting recommendations issued by proxy advisers prior to the General Meeting. The Company understands that a key reason for the votes against the amendment to the Directors' Remuneration Policy was a concern around the absence of a TSR element in the incentive schemes. In addition, some shareholders voted against the LTIP amendment because the removal of the "5% in 10 years" inner dilution limit from the LTIP rules was not consistent with their voting guidelines.

The Remuneration Committee considered the points raised and remains of the view that the amended Directors' Remuneration Policy and the LTIP amendment were in the interests of shareholders in general given the importance of the proposals to ensuring the retention of the Executive Directors and other key members of the senior management team. The Committee was pleased to have the support of many of the Company's major shareholders for its decisions and the subsequent engagement with those who were not supportive did not result in any change to the Committee's approach. As noted in the Annual Statement from the Chairman of the Remuneration Committee, later in 2021 the Committee undertook a further detailed review of the Directors' Remuneration Policy and developed a set of proposals for the Policy period beginning in 2022. The Committee engaged again with major shareholders on the terms of the proposals and took into account feedback received when finalising the Policy.

Corporate Governance Report continued

Implementation of Remuneration Policy in Financial Year 2022

Shareholders will be asked to approve a new Directors' Remuneration Policy at the AGM to be held on 11 May 2022. The Remuneration Committee proposes to implement the new Policy in 2022 as set out below:

Basic salary

The Committee has reviewed the salaries of the Executive Directors and agreed that a 5% increase should be implemented for the Chief Executive Officer with effect from 1 January 2022. This increase is consistent with current levels of inflation in Ireland and is lower than the average increase agreed for the wider workforce. The Committee further agreed that a 10.5% increase should be implemented for the Chief Financial Officer with effect from 1 January 2022. This was as a result of the further salary review that was highlighted in last year's Remuneration Report and reflects her significant contribution to the business and her performance since her appointment at the end of 2020. The increase brings her salary in line with market and is now consistent with the salary level of her predecessor. The Committee anticipates that increases in future years will be aligned with increases for the wider workforce. The 2022 salary review for the wider workforce (excluding the Executive Directors and other members of the Executive Leadership Team) was brought forward to September 2021 as a retention measure in light of extremely competitive recruitment markets.

The salary levels for the year will therefore be:

Director	2022 (€)	2021 (€)	Salary Percentage change
Gary Morrison	465,800	443,600	5%
Caroline Sherry	304,000	275,000[1]	10.5%

(1) Salary with effect from 1 February 2021.

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 Caroline Sherry.

Annual bonus

At the time of writing, the Committee does not expect to be in a position to offer an annual cash bonus scheme for 2022 for the Executive Directors or any other employee. However, we intend to keep this under review as the year progresses and we may, if circumstances permit, provide a bonus opportunity for a portion of the year. Any bonus offered will be consistent with the terms of the Directors' Remuneration Policy and full details of the measures and specific targets will be included in next year's report.

2022 Restricted Share Award

Subject to shareholder approval of the new Directors' Remuneration Policy at the AGM, the Executive Directors will receive a grant of restricted shares under the terms of the 2022 Restricted Share Award. As set out in the Policy, this award will be made over shares with a value at grant of 150% of basic salary for the Chief Executive Officer and 125% of basic salary for the Chief Financial Officer. The shares will vest after three years. In line with standard practice for awards of this nature, there will be no headline performance conditions attached to this award. However, the underpin mechanism requires the Remuneration Committee to be satisfied with individual and Company performance over the vesting period.

The 2022 Restricted Share Award will be subject to a two-year post-vesting holding period.

Non-Executive Directors' Fees

No changes are proposed to the current fee components in place. Fees will therefore continue to be paid as set out below:

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

Composition and Terms of Reference of the Remuneration Committee

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

The Remuneration Committee is comprised of 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 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 six times during 2021. Meeting attendance is shown on page 104 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 €111,769 for their advice during the year (2020: €109,487). 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
30 March 2022

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 2021.

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 Guidance and Transparency Rules ("DTRs"), the Transparency Directive and the Listing Rules ("Listing Rules") of the Financial Conduct Authority.

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

- The Strategic Report, which can be found on pages 17 to 71, 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 78 to 133, 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 96 to 102; and
- The Directors' Remuneration Report on pages 104 to 133.

This Directors' Report, on pages 134 to 140, together with the Strategic Report on pages 17 to 71, 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 104 to 133
4.	Waiver of future emoluments by a Director	Not applicable
5.	Non-pre-emptive issues of equity for cash	Not applicable
6.	Item (7) in relation to major subsidiary undertakings	Not applicable
7.	Parent participation in a placing by a listed subsidiary	Not applicable
8.	Contracts of significance	Not applicable
9.	Provision of services by a controlling shareholder	Not applicable
10.	Shareholder waivers of dividends	Not applicable
11.	Shareholder waivers of future dividends	Not applicable
12.	Agreements with controlling shareholders	Not applicable

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, up to and including the date of this report, are as follows:

- Michael Cawley (Non-Executive Chairman);
- Gary Morrison (Chief Executive Officer);
- Caroline Sherry (Chief Financial Officer)
- Éimear Moloney (Non-Executive Director);
- Carl G. Shepherd (Non-Executive Director); and
- Evan Cohen (Non-Executive Director).

Biographical details of the current Directors together with details of the membership of the various Committees are set out on pages 74 to 76.

Amendment of Articles of Association

The Company's Articles of Association may only be amended by way of shareholder approval at a general meeting of the shareholders. At a general meeting of shareholders held on 4 February 2021, an ordinary resolution to change the borrowing limit specified in the Company's Articles of Association to a fixed amount of €40 million was passed. At a general meeting of shareholders held on 26 April 2021, ordinary resolutions to amend the Directors' Remuneration Policy to permit the grant of a restricted share award and amend the Company's Long-Term Incentive Plan rules to remove the "5% in 10 years" inner dilution limit were passed. 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 3rd Floor, Charlemont Exchange, Charlemont Street, Dublin, D02 VN88, Ireland. The Company's registered office is at Floor 5, The Cursitor Building, 38 Chancery Lane, London, WC2A 1EN, United Kingdom.

As at 31 December 2021, the Company's issued share capital comprised 116,321,185 ordinary shares of €0.01. As at the date of this Directors' Report, the Company's issued share capital comprises 117,505,396 ordinary shares of €0.01. The ISIN of the shares is GB00BYYN4225. Further information on the Company's share capital is provided in note 17 to the Group's financial statements contained on pages 188 and 189. All the information detailed in note 17 on pages 188 and 189 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 11 May 2022 , the Directors will seek authority from shareholders to allot shares in the capital of the Company (i) up to a maximum nominal amount of €391,684.65 (39,168,465 shares of €0.01 each) being one-third of the Company's issued share capital and (ii) up to a further €391,684.65 (39,168,465 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 11 August 2023 and the conclusion of the Annual General Meeting of the Company held in 2023.

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 11 May 2023 and the conclusion of the Annual General Meeting of the Company held in 2023.

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.

Authority to Purchase Own Shares

At the Annual General Meeting held on 26 April 2021, the Company's shareholders authorised it to purchase, in the market, up to 11,632,118 ordinary shares of €0.01 each. The Company did not purchase any shares under this authority during the year. The Directors will again 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

Directors' Report continued

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.

On the occurrence of a change of control of the Company or the sale of all or substantially all of the business or assets of the Group to a third-party, the particular investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof) who are direct lenders to the Group may cancel their loan commitments to the Group and, where this is the case, all amounts due and owing (including accrued interest) will be immediately due and payable.

2022 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 12 noon on 11 May 2022 at Hostelworld Group plc, Charlemont Exchange, Charlemont Street, Dublin 2, Ireland.

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

Substantial Shareholders

At 31 December 2021, the Company had been notified, in accordance with chapter 5 of the Financial Conduct Authority's Disclosure Guidance 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
Aberforth Partners LP	18,627,362	16.01% (indirect)
Charles Jobson	17,255,148	14.83% (direct)
Premier Miton Group plc	13,149,810	11.30% (indirect)
Gresham House Asset Management Limited	6,738,653	5.79% (indirect)
Unicorn Asset Management Limited	5,410,000	4.65% (indirect)
Burgundy Asset Management Limited	4,430,860	3.81% (indirect)
Allianz Global Investors GmbH	4,046,400	3.48% (direct - 0.02%; indirect – 3.46%)
The Diverse Income Trust plc	3,019,504	2.60% (indirect)

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

- Unicorn Asset Management Limited notified the Company on 17 January 2022 of a decrease in their holding to 0 ordinary shares.
- Aberforth Partners LLP notified the Company on 17 January 2022 of an increase in their holding to 20,387,240 ordinary shares representing 17.53% of the issued share capital in the Company (17.53% – indirect holding).
- Premier Miton Group plc notified the Company on 10 January 2022 of an increase in their holding to 14,249,810 ordinary shares representing 12.25% of the issued share capital of the Company (12.25% – indirect holding).
- Lombard Odier Asset Management (Europe) Limited notified the Company on 1 March 2022 that their total voting rights attaching to shares in the Company was 6,659,967 (2,233,667 indirect and 4,426,300 via CFD instruments).
- Investmentaktiengesellschaft für langfristige Investoren TGV notified the Company on 14 March 2022 that it held 3,531,346 ordinary shares representing 3.005% of the issued share capital of the Company (3.005% – direct holding).

Transactions with Related Parties

Please refer to note 22 to the Consolidated financial statements on pages 195 and 196.

Events Post Year End

There are no significant events after the balance sheet date.

Future Developments

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. Further details are set out in the Strategic Report on pages 17 to 71.

Going Concern

The Directors, after making enquiries, have a reasonable expectation that the Group and Company has adequate resources to continue operating as a going concern for the foreseeable future.

Since the beginning of the COVID-19 pandemic, the Group has maintained strong discipline over its cost base and cash reserves, with trading and cash forecasts being prepared on a weekly basis. Throughout COVID-19 two outlooks have been maintained: a base case scenario based on expected trading and a stress case scenario, which is a further deterioration of the base case scenario. These scenarios evolved over time to take into account regional recovery assumptions, projected revenue and margin flows, cost cutting measures taken, projected net cash flows from operations and available sources of funding including our €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). Actions taken by the Directors to preserve the Group's cash position include the decision to suspend any cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, organisational redesigns and associated headcount reductions, negotiation of credit terms with key vendors and Government COVID-19 supports in both Ireland and the UK, including the debt warehousing of Irish employer and employee taxes.

Directors' Report continued

In December 2021 the Board approved a base case budget and a stress case budget, both of which covered the period to March 2023, a period of twelve-months from annual report signing. In addition, a five-year outlook was approved. The base assumptions of these budgets are conservative: bed prices are capped at 2019 prices and booking recovery is built on a regional destination basis flexed for timing of borders reopening to International travel as they were at the time. The budget did not assume any increase in commission rates and cancellation rates were forecast to be elevated versus normal rates. In addition, no incremental revenue was included for any existing or future partnerships. Under both scenarios full recovery is not expected to happen until 2023 with the stress case scenario assuming more depressed volumes versus base case scenario and assumes minimal recovery in 2022.

Subsequent to our December Board meeting, the Board approved a further additional scenario. This additional scenario reflected the impact that the emergence of the Omicron variant was having on travel demand. This scenario assumed that tougher travel restrictions would be implemented, and demand would soften. Under this scenario 2022 trading levels would be below the budget stress case scenario; this scenario is very unlikely but it demonstrates a worst-case trading outlook. Neither the stress case scenario nor worst-case scenario include any additional cost cutting measures; such cost cutting measures would be implemented should trading deteriorate to these levels for a prolonged period.

Under all three scenarios, the Group has sufficient cash reserves available and remains compliant with financial covenants under the term loan facility agreement. During January 2022 the Group's trading recovered, despite higher than normal cancellation rates in the first two weeks of the month, and the Group's January trading results closed in line with budgeted base case projections. February 2022 trading results were also in line with our budgeted base case projections.

The Directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. Following the completion of a Placing, and the securing of a revolving credit facility in 2020, on 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). An amount of €28.8m was received on 23 February 2021. The key features of the facility are as follows:

- The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum).
- Financial covenants as follows (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).
- Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property.

We were in compliance with our minimum liquidity covenants at 31 December 2021.

At this point in time, the consequences of the current unrest in Eastern Europe is uncertain. The Group has no operations in either Russia or Ukraine and total forecasted revenues for 2022 in these regions are less than 0.01% of the Group's net revenue. The Directors will continue to closely monitor any developments in the conflict, and the impact to the Group.

Having considered the Group's five year P&L outlook, cash flow forecasts prepared for 12 months from date of signing, current and anticipated trading volumes, together with current and anticipated levels of cash and debt, the Directors are satisfied that the Group and Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

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.

Disabilities

The Group maintains an Equal Opportunities policy which ensures that employees and job applicants are not discriminated against on the grounds of disability in respect of recruitment, promotion, training and general career development. The Group also maintains a grievance procedure and a whistleblowing service that enables complaints to be made in a confidential manner should any employee have concerns that any employee or job applicant has been discriminated against on the grounds of disability.

Stakeholder Engagement

During the reporting period the Directors considered and agreed that the Company's shareholders, people, hostel partners, customers and key suppliers were the Group's main stakeholders. How the Company engaged with these stakeholders during 2021 is set out in pages 62 to 66. How their interests were considered in Board decisions are set out on pages 68 to 71. Further details of the resolutions which were passed with less than 80% shareholder support are set out in the Corporate Governance Report on page 80.

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 60 and 61 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 197 and 198 in note 24 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 U.K. 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 158 to 205.

For 2020 and 2021 cash dividends have been suspended due to COVID-19 uncertainty. The Directors, therefore, do not recommend the payment of a final dividend for the year ended 31 December 2021. Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

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 Auditor 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.

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 UK-adopted international accounting standards and applicable law. The Directors have also elected to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and 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 assets, liabilities and financial position 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 30 March 2022 and is signed on its behalf by:

John Duggan
Company Secretary
30 March 2022

Zostel Jaisalmer, India

Independent Auditor's Report to the Members of Hostelworld Group PLC

Report on the audit of the financial statements

1. 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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.

We have audited the financial statements which 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 34, including a summary of significant accounting policies as set out in notes 1 and 28 to the financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

2. 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. The non-audit services provided to the group and parent company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern; • Carrying value of intangible assets; and • Capitalisation of development costs. Within this report, key audit matters are identified as follows: ■ Newly identified ▲ Increased level of risk ◆ Similar level of risk ▼ Decreased level of risk
Materiality	The materiality that we used for the group financial statements was €680,000 which was determined on the basis of expenditure excluding depreciation, amortisation, impairment and exceptional costs. Parent company materiality was determined to be €136,000 based on the value of net investments capped at 20% of group materiality.
Scoping	The structure of the group's finance function is such that the central group finance team in Dublin provides support to group entities for the accounting of the majority of transactions and balances. The audit work covering 100% of the group's revenue and net assets and 99% of the group's loss before tax was undertaken and performed by an audit team based in Ireland.
Significant changes in our approach	Information Technology Specialists ("IT Specialists") were engaged to assess the GITCs (General Information Technology Controls) and the IT environment. Based on the testing performed by the IT Specialists, it was concluded that a control reliance approach be adopted for the year-end audit of the group including the following business cycles: • Revenue; and • Payroll costs.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. 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.

5.1 Going concern

Key audit matter description	As stated in note 1 to the financial statements, the directors have formed the judgement that the going concern basis of accounting is appropriate in preparing the financial statements. This judgement is based on the steps taken to ensure adequate liquidity is available to the group and parent company for the likely duration of the crisis and recovery period associated with COVID-19 and the impact that it has had on the travel industry. Owing to the continued uncertainty of the COVID-19 pandemic and the potential emergence of new variants or strains that could lead to further country lockdowns and travel disruptions and the consequences this would have for the group, we have identified a key audit matter related to going concern. This is a key area of management estimate. Future cash flow projections are based on key judgements including future revenue generation, the pace of recovery for the wider travel and tourism sector and the ability to comply with debt covenants. Deloitte also note the potential impact on the travel industry of the ongoing conflict in Ukraine. Actions taken by the Directors to preserve the group's cash position include the decision to suspend any cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, organisational redesigns and associated headcount reductions, negotiation of credit terms with key vendors and Government COVID-19 supports in both Ireland and the UK, including the debt warehousing of Irish employer taxes. As stated in note 19 to the financial statements, the group entered into a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC or subsidiaries or affiliates thereof during the year which raised funding of €28.8m net of issue costs and was drawn down on 23 February 2021. The Audit Committee has included their assessment of this risk on page 98.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the group's controls over the preparation of cash flow forecasts, approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and determined the implementation of the key relevant controls. • We performed an assessment of the historical accuracy of forecasts prepared by management/ the directors. • We tested the clerical accuracy of the cash flow forecast model. • We read and assessed the group's financing arrangements. We reviewed the nature of the facilities and assessed whether management have appropriately considered the repayment terms and financial covenants in place and incorporated them into the cash flow forecasts over the going concern period. • We assessed any contradictory evidence as part of our audit work and the impact on management's conclusion. • We engaged our internal financial advisory specialists to assist in challenging the key assumptions, including the timing of future revenue generation, used in the cash flow forecasts based on their industry knowledge, the environment the group is operating in, liquidity and working capital requirements and financial covenants. • We performed a sensitivity analysis on the cash flow forecasts, including applying alternative reasonable downside scenarios, to assess the impact of a change in underlying assumptions on the group and parent company's ability to continue as a going concern. • We assessed the results of the group for the period after the reporting date, comparing to budget, in order to assess if there are any early indicators that management have been too optimistic in their forecasting for the current year or whether there are any other indicators that the business may not be able to continue as a going concern. • We evaluated the completeness and accuracy of the disclosures made in the financial statements by reference to the understanding we had obtained of the group's financial performance during the year, our assessment of the directors' cash flow forecasts and our reading of the group's financing arrangements.
Key observations	We have concluded that the adoption of the going concern basis of accounting and the related disclosures are appropriate. Please refer to our conclusions in the going concern section of our report.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued

5.2 Carrying value of intangible assets

Key audit matter description	At 31 December 2021, intangible assets (including goodwill) had a carrying value of €79,390k representing 68% of the group's total assets. Group management have allocated goodwill to Cash Generating Units (CGUs) and have developed a model to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment. There is a risk that certain incorrect inputs or inappropriate assumptions, in particular projected cash flows, growth rate and discount rate could be included in the impairment assessment model calculated by management leading to an impairment charge that has not been included in the group's financial statements. Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly. Refer to notes 2 and 10 to the financial statements. The Audit Committee has included their assessment of this risk on page 99.
How the scope of our audit responded to the key audit matter	• We evaluated the design and determined the implementation of the controls in place for determining when an impairment review is required for intangible assets. • We obtained management's impairment assessment for intangible assets. We challenged the underlying assumptions and obtained audit evidence to test those assumptions used 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 are any scenarios whereby it is reasonably possible that the carrying value could be further impaired beyond any impairment charge recognised in the current year. In light of the continued impact of COVID-19 on the group, we also engaged our internal financial advisory specialists to assist in challenging the key assumptions used in the cash flow forecasts based on their industry knowledge and the environment the group is operating in. • We assessed whether the disclosures in relation to goodwill and intangibles are appropriate and meet the requirements of the financial reporting framework.
Key observations	We have no observations that impact on our audit in respect of the carrying value of intangible assets.

5.3 Capitalisation of development costs

Key audit matter description	For the year ended 31 December 2021, additions to capitalised development costs amounted to €4,397k. Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met. There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and in determining the amount to be capitalised, directors make judgements regarding expected future cash generation of the asset. Refer to Notes 2 and 10 to the financial statements. The Audit Committee has included their assessment of this risk on page 99.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs. • We evaluated the design and determined the implementation of the controls in place for the capitalisation of development costs. • We reviewed the capitalised project register and completed procedures to determine whether, on a sample basis, the expenditure was recorded accurately and whether it meets the required capitalisation criteria in accordance with IAS 38. • We agreed the amount of development costs capitalised to underlying documentation detailing cost per project, including timesheet data.
Key observations	We have no observations that impact on our audit in respect of the capitalisation of development costs.

6. Our application of materiality

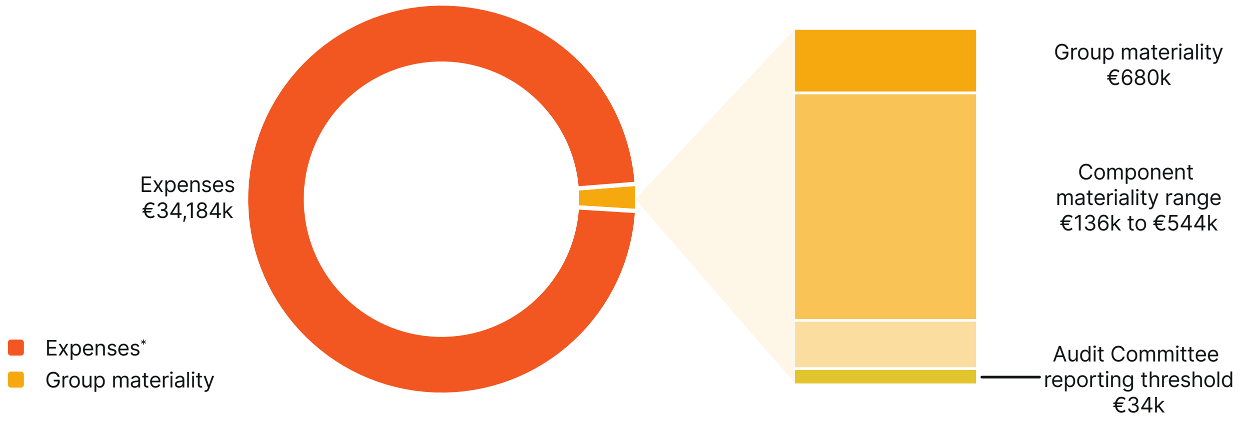
6.1 Materiality

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
Materiality	€680,000 (2020: €668,300)	€136,000 (2020: €133,700)
Basis for determining materiality	2% of expenses for the year excluding depreciation, amortisation, impairment and exceptional costs. This is consistent with the approach taken in the previous year.	Parent company materiality equates to 0.5% of investments which is capped at 20% of group materiality. This is consistent with the approach taken in the previous year.
Rationale for the benchmark applied	We believe that the benchmark as outlined above is an appropriate benchmark as it is the key focus of users of the financial statements in line with the group's current objective of cash conservation measures to reduce variable and fixed costs and minimise cash burn. We have used expenses less depreciation, amortisation and impairment as these are non-cash items and we have determined the focus of users will be on cash expenses due to the focus on cash conservation. We have also excluded exceptional costs as these are once off expenses and are not expected to reoccur.	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.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued



* Expenses for the year excluding depreciation, amortisation, impairment and exceptional costs.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We have incorporated a number of factors in determining what level to set performance materiality at for the current year. The nature of the business has remained consistent to that of the prior year. However, there remains a significant element of uncertainty in the market as a result of worldwide travel restrictions in place due to COVID-19. This has severely impacted the trading environment in which the group and parent company operates. The potential unknown impact of COVID-19 including potential new variants and the unknown efficacy of COVID-19 vaccinations could lead to widespread travel disruption that could severely impact the future earning potential of the group and ability to generate cash. This could heavily impact the carrying value of intangible assets, the capitalisation of development costs and the ability of the group to continue as going concern given the inherent judgements these areas require. This uncertainty will impact our ability to forecast misstatements. We have been the group and parent company auditors for a number of years and thus have factored in our experience with and understanding of the group's control environment including entity-level controls and any turnover of key personnel. We have also noted that there is a high degree of centralisation and common processes within the group's finance function. As a result of the points noted above, we determined it was appropriate to set performance materiality at a level consistent with the previous year. The amount determined is 70% of materiality.	

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €34,000 (2020: €33,400), 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.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

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 working remotely in the current year due to COVID-19 restrictions.

We determined the scope of our group audit on an entity level basis, assessing components against the risks of material misstatement at the group level. Based on this assessment, we focused our work on three legal entities covering 100% of revenue, 99% of loss before tax and 100% of net assets. The 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, Hostelworld Business Consulting (Shanghai) Co. Limited and Goki Pty Limited.

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

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued

9. 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.

10. Auditor's responsibilities for the audit of the financial statements

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

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. We include an explanation in our report of the extent to which the audit was capable of detecting irregularities, including fraud.
- 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 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 ability to continue as a going concern. If we conclude that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, we report these conclusions in our report. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 our report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).
- Where we are required to report on consolidated financial statements, obtain 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. As group auditor we are responsible for the direction, supervision and performance of the group audit. As group auditor we remain 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 we identify during the audit.

For listed entities and public interest entities, we also provide those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicate 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 our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For public interest entities, other listed entities, entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, and other entities subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018, we are required to include in our report an explanation of how we evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 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:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, others within the entity 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;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including financial advisory, valuations, transfer pricing and IT 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 with respect to the completeness of revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing 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, the Euronext Rule Book 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 ability to operate or to avoid a material penalty. These included the UK General Data Protection Regulation (GDPR), Payment Services Directive (PSD2), Payment Card Industry Data Security Standard (PCI DSS) and the EU Package Travel Directive.

11.2 Audit response to risks identified

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

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with 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;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities;
- in addressing the risk of fraud in revenue recognition, tracing booking revenues and booking numbers to third party statements and assessing any material reconciling items to ensure completeness; 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

12. 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.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 137 and 138;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate as set out in the going concern section on pages 137 and 138;
- the directors' statement on fair, balanced and understandable set out on page 98;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 to 44 and on page 83;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 100 and 101; and
- the section describing the work of the audit committee set out on pages 96 and 97.

Independent Auditor's Report to the Members of Hostelworld Group PLC continued

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required 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 these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report 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.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

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 7 years, covering the years ending 31 December 2015 to 31 December 2021.

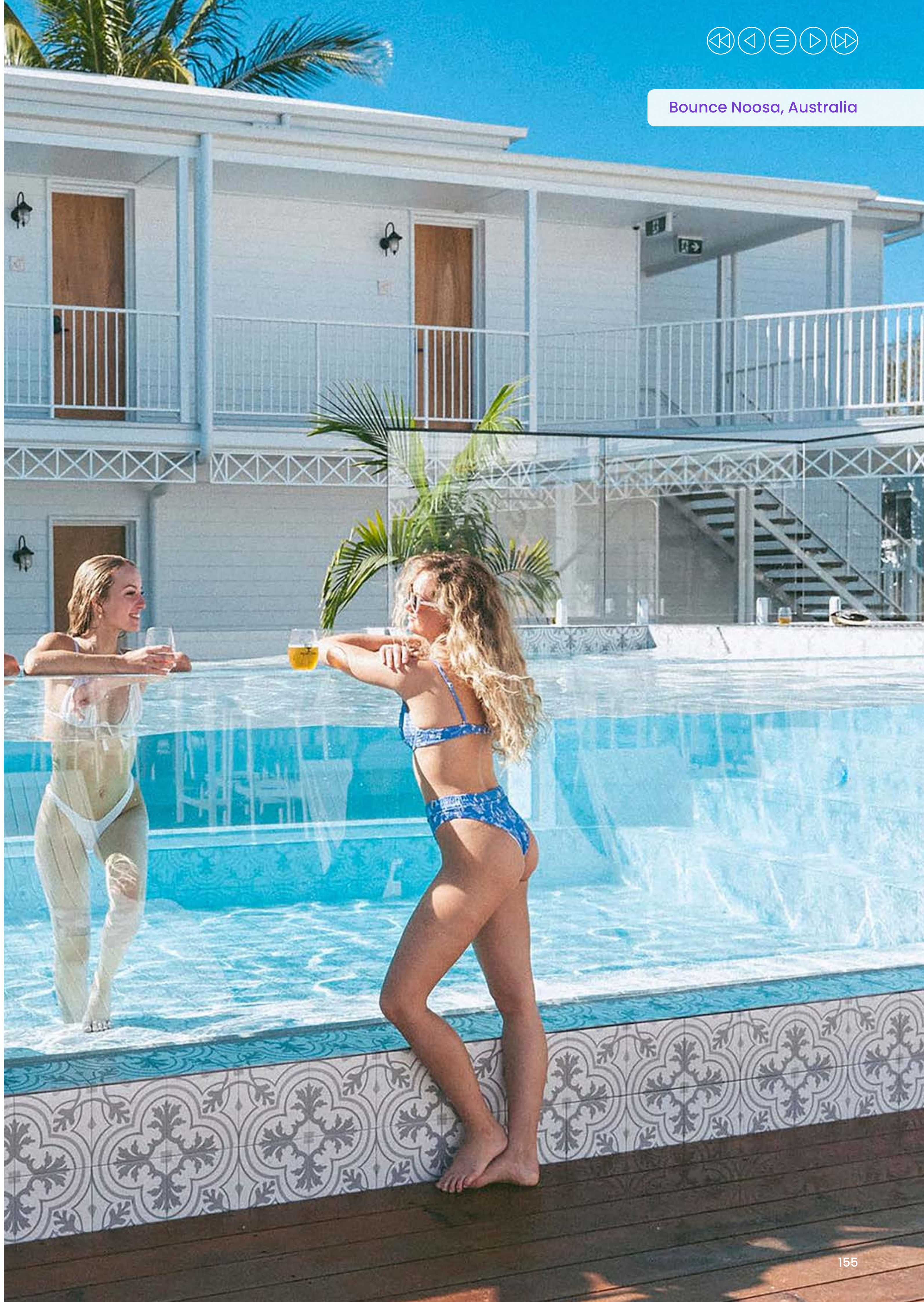
15.2 Consistency of the audit report with the additional report to the audit committee

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

16. 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 Accountants and Statutory Auditors
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
30 March 2022



Bounce Noosa, Australia

Che Tulum Hostel & Bar, Mexico

Financial Statements

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Revenue	3	16,901	15,364
Operating expenses before impairment	4	(49,386)	(50,251)
Impairment of intangible assets	10	(367)	(14,996)
Share of results of associate	13	(225)	(374)
Operating loss		(33,077)	(50,257)
Finance income		–	8
Finance costs	7	(3,501)	(246)
Loss before taxation		**(36,578)**	**(50,495)**
Taxation credit	8	562	1,638
Loss for the year attributable to the equity owners of the parent Company		**(36,016)**	**(48,857)**
Basic and diluted loss per share (euro cent)	9	(30.96)	(45.68)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 €'000	2020 €'000
Loss for the year	**(36,016)**	**(48,857)**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	32	(7)
Total comprehensive income for the year attributable to equity owners of the parent Company	**(35,984)**	**(48,864)**

Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	2021 €'000	2020 €'000
Non-current assets			
Intangible assets	10	79,390	86,252
Property, plant and equipment	11	293	4,480
Deferred tax assets	12	8,352	7,596
Investment in associate	13	1,186	2,349
		89,221	100,677
Current assets			
Trade and other receivables	15	2,002	1,681
Corporation tax		18	54
Cash and cash equivalents	16	25,267	18,189
		27,287	19,924
Total assets		**116,508**	**120,601**
Issued capital and reserves attributable to equity owners of the parent			
Share capital	17	1,163	1,163
Share premium	17	14,328	14,328
Other reserves	17	6,475	1,218
Retained earnings		45,140	81,156
Total equity attributable to equity holders of the parent Company		**67,106**	**97,865**
Non-current liabilities			
Trade and other payables	18	8,049	–
Borrowings	19	28,209	–
Lease liabilities	14	–	2,492
		36,258	2,492
Current liabilities			
Trade and other payables	18	12,795	17,036
Borrowings	19	–	1,164
Lease liabilities	14	86	1,803
Corporation tax		263	241
		13,144	20,244
Total liabilities		**49,402**	**22,736**
Total equity and liabilities		**116,508**	**120,601**

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

Caroline Sherry
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Total €'000
Balance at 1 January 2020		956	–	130,013	803	131,772
Total comprehensive income for the year		–	–	(48,857)	(7)	(48,864)
Issue of ordinary shares for cash	17	191	15,042	–	–	15,233
Share issue cost	17	–	(698)	–	–	(698)
Bonus Issue shares	17	16	(16)	–	–	–
Credit to equity for equity settled share based payments		–	–	–	422	422
Balance at 31 December 2020		**1,163**	**14,328**	**81,156**	**1,218**	**97,865**
Total comprehensive income for the year		–	–	(36,016)	32	(35,984)
Issue of warrants	19	–	–	–	3,073	3,073
Credit to equity for equity settled share based payments		–	–	–	2,152	2,152
Balance at 31 December 2021		**1,163**	**14,328**	**45,140**	**6,475**	**67,106**

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Cash flows from operating activities			
Loss before tax		(36,578)	(50,495)
Amortisation and depreciation		12,411	14,132
Impairment of intangible assets	4	367	14,996
Share of results of associate	13	225	374
Net profit on disposal of leases	4	(793)	–
Net loss/(profit) on disposal property, plant and equipment	4	492	(55)
Finance income		–	(8)
Finance expense	7	3,501	246
Employee equity settled share-based payment expense	21	2,162	428
Changes in working capital items:			
Increase in trade and other payables		5,074	5,586
(Increase)/decrease in trade and other receivables		(321)	3,299
Cash generated from operations		(13,460)	(11,497)
Interest paid		(155)	(246)
Interest received		–	8
Income tax (paid)/refund		(136)	698
Net cash used in operating activities		**(13,751)**	**(11,037)**
Cash flows from investing activities			
Acquisition / development of intangible assets	10	(4,397)	(3,802)
Purchases of property, plant and equipment	11	(75)	(64)
Net cash used in investing activities		**(4,472)**	**(3,866)**
Cash flows from financing activities			
Deferred consideration		(345)	(503)
Proceeds from issue of share capital	17	–	15,233
Issue costs paid	17	–	(698)
Proceeds from borrowings	19	28,800	3,454
Transaction costs relating to borrowings	19	(862)	–
Repayment of borrowings	19	(1,164)	(2,290)
Repayments of obligations under lease liabilities	14	(1,160)	(1,462)
Net cash from financing activities		**25,269**	**13,734**
Net increase/(decrease) in cash and cash equivalents		7,046	(1,169)
Cash and cash equivalents at the beginning of the year		18,189	19,365
Effect of foreign exchange rate changes		32	(7)
Cash and cash equivalents at the end of the year	16	**25,267**	**18,189**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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 under the Companies Act and is registered in England and Wales. The registered office of the Company is Floor 5, 38 Chancery Lane, The Cursitor, London, WC2A 1EN, 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 Euronext Dublin and the London Stock Exchange.

The Company and consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2022.

Going concern

The Directors, after making enquiries, have a reasonable expectation that the Group and Company has adequate resources to continue operating as a going concern for the foreseeable future.

Since the beginning of the COVID-19 pandemic, the Group has maintained strong discipline over its cost base and cash reserves, with trading and cash forecasts being prepared on a weekly basis. Throughout COVID-19 two outlooks have been maintained: a base case scenario based on expected trading and a stress case scenario, which is a further deterioration of the base case scenario. These scenarios evolved over time to take into account regional recovery assumptions, projected revenue and margin flows, cost cutting measures taken, projected net cash flows from operations and available sources of funding including our €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). Actions taken by the Directors to preserve the Group's cash position include the decision to suspend any cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, organisational redesigns and associated headcount reductions, negotiation of credit terms with key vendors and Government COVID-19 supports in both Ireland and the UK, including the debt warehousing of Irish employer and employee taxes.

In December 2021 the Board approved a base case budget and a stress case budget, both of which covered the period to March 2023, a period of twelve-months from annual report signing. In addition, a five-year outlook was approved. The base assumptions of these budgets are conservative: bed prices are capped at 2019 prices and booking recovery is built on a regional destination basis flexed for timing of borders reopening to International travel as they were at the time. The budget did not assume any increase in commission rates and cancellation rates were forecast to be elevated versus normal rates. In addition, no incremental revenue was included for any existing or future partnerships. Under both scenarios full recovery is not expected to happen until 2023 with the stress case scenario assuming more depressed volumes versus base case scenario and assumes minimal recovery in 2022.

Subsequent to our December Board meeting, the Board approved a further additional scenario. This additional scenario reflected the impact that the emergence of the Omicron variant was having on travel demand. This scenario assumed that tougher travel restrictions would be implemented, and demand would soften. Under this scenario 2022 trading levels would be below the budget stress case scenario; this scenario is very unlikely but it demonstrates a worst-case trading outlook. Neither the stress case scenario nor worst-case scenario include any additional cost cutting measures; such cost cutting measures would be implemented should trading deteriorate to these levels for a prolonged period.

Under all three scenarios, the Group has sufficient cash reserves available and remains compliant with financial covenants under the term loan facility agreement. During January 2022 the Group's trading recovered, despite higher than normal cancellation rates in the first two weeks of the month, and the Group's January trading results closed in line with budgeted base case projections. February 2022 trading results were also in line with our budgeted base case projections.

The Directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. Following the completion of a Placing, and the securing of a revolving credit facility in 2020, on 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). An amount of €28.8m was received on 23 February 2021. The key features of the facility are as follows:

- The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum).
- Financial covenants as follows (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).
- Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property.

We were in compliance with our minimum liquidity covenants at 31 December 2021.

At this point in time, the consequences of the current unrest in Eastern Europe is uncertain. The Group has no operations in either Russia or Ukraine and total forecasted revenues for 2022 in these regions are less than 0.01% of the Groups net revenue. The Directors will continue to closely monitor any developments in the conflict, and the impact to the Group.

Having considered the Group's five year P&L outlook, cash flow forecasts prepared for 12 months from date of signing, current and anticipated trading volumes, together with current and anticipated levels of cash and debt, the Directors are satisfied that the Group and Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Basis of Preparation

The financial statements have been prepared in conformity with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards ("IFRS") and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements also comply with Article 4 of the EU IAS Regulation. References to IFRS hereafter refer to UK adopted IFRS and 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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

Previously line items for administrative expenses, and depreciation and amortisation were shown on the face of the income statement and the share of associate profit / loss was shown after operating profit. This year administrative expenses and depreciation and amortisation are presented within one-line item for operating expenses and share of associate profit / loss is now taken into account in arriving at operating profit.

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. Unrealised losses are also eliminated, except where they provide evidence of impairment.

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.

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 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 and adopted by the group in 2021:

The following changes to IFRS became effective for the Group during the year but did not result in material changes to the Group's consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Leases COVID-19 – Related Rent Concessions (Amendment to IFRS 16)
- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

New and amended standards and interpretations not yet mandatorily effective

The Group has not applied certain new standards, amendments and interpretations to existing standards which are not yet mandatorily effective and have not yet been endorsed by the UK or by the EU, in some instances:

- Leases COVID-19- Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Amendments to IFRS 17
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements 2018-2020 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
  - IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
  - IFRS 16 Leases – Lease incentives
  - IAS 41 Agriculture – Taxation in fair value measurements

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 having provided the technology and data processing service 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, such revenue is deferred, until such time as the related check-in date has passed or for a six-month period from the date of cancellation, at which time the credit expires.

Where credits are granted to customers for utilisation on future bookings, a provision is recorded against revenue based on the probability that a credit offering will be used by a customer.

Ancillary advertising revenues 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 rebates, 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.

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 implicit interest rate in the lease, or where this cannot readily be determined the Group use the Group's incremental borrowing rate. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment and a credit risk adjustment based on bond yields. 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 and 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 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 period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 balance sheet 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement and consolidated statement of comprehensive income for the period. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's 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 charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

The cost of a leasehold improvement is depreciated over the shorter of:

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

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.

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 profit or loss 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 development costs.

Other intangible are capitalised at their fair value and amortised to the consolidated income statement on a straight-line basis over their estimated useful lives except for the Hostelbookers domain name which was amortised on a reducing balance basis until fully impaired at 31 December 2021 (see note 10):

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

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure in relation to internally-generated intangible assets is capitalised when all of the following have been demonstrated; the technical feasibility of completing the intangible asset so that it will be available for use; the intention to complete the project to which the intangible asset relates and to use it or sell it; the ability to use or sell the intangible asset, 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 to profit or loss 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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

Recoverable amount is the higher of fair value less costs of disposal 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 profit or loss, 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

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 transaction price 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 credit 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.

(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.

Loans and borrowings

All loans and borrowings are initially recognised at fair value of the proceeds received less any directly attributable transaction costs. Transaction costs include fees and commission paid to agents, advisers brokers and dealers. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method being the amount at which the financial liability is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. Borrowings are de-recognised when the Group's obligations specified in the contracts expire, are discharged or cancelled. Borrowings 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 financial position date.

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. Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group.

Recognition of warrants

Warrant reserve is recorded at the fair value of warrants issued. Warrants have been recognised as equity instruments as each warrant issued entitles the holder to a fixed number of ordinary shares in exchange for a fixed exchange price of €0.01 per ordinary equity share.

Dividends

Final dividends are recorded in the Group's financial statements 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.

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 21.

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.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Amounts are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Notes to the Consolidated Financial Statements continued

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 (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

(a) Critical judgements in applying the Group's accounting policies:

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Capitalisation of development costs

Development costs are capitalised when the criteria set out in paragraph 57 of IAS 38 Intangible assets have been demonstrated as disclosed in our accounting policy disclosed on page 171. Determining the amount to be capitalised requires the Directors to make judgements about each asset to ensure that they meet the requirements. The most critical judgement is regarding the expected future cash generation of the asset.

Accounting for exceptional items

Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. Judgement is used in assessing the particular items which by virtue of their scale and nature should be disclosed as exceptional items. Circumstances that the Group believe would give rise to exceptional items for separate disclosure are outlined in the exceptional accounting policy on page 167.

(b) Key sources of estimation uncertainty:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future. Management estimation is required in forecasting cashflow projections incorporating the impact of COVID-19. The details of the going concern scenarios, key assumptions and mitigating actions are outlined in the going concern statement within note 1.

The most significant factor impacting our projections for going concern relates to COVID-19 and what impact COVID-19 will have on trading volumes. As outlined within note 1 we had three scenarios – a base case, a stress case and a worst case which reflected an Omicron run rate at the end of December 2021. We have utilised the worst-case Omicron trading scenario and we have further stressed the scenario. The Group has considered the impact to cash of operating with a further 10% decline in revenue and direct marketing costs but carrying the current level of operating costs for a 12-month period. Under this scenario the Group continues to have sufficient cash resources to operate as a going concern.

Deferred tax asset recognition and recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future periods. The extent to which it is probable that taxable profits will be available in future periods is an estimate assessed based on the approved five-year budget and long-term forecasts upon initial recognition and at each reporting date. At 31 December 2021 the carrying value of deferred tax assets amounted to €8.4m (2020: €7.6m). Based on the Board approved five-year outlook there are sufficient taxable profits to demonstrate the asset could be substantially utilised over a five-year period to 31 December 2026. The group has made a loss in 2020 and 2021 as a direct impact of COVID-19. The 5-year outlook includes an assumption regarding return to profit as we assume a recovery of bookings and revenue with full trading recovery included in 2023, and a modest growth rate applied to profits from 2023. A decline in taxable profits from amounts included in our five-year budgeted projections would impact the amount of the deferred tax asset which would be recovered over the next five years. Should taxable profits decline 5% over the next 5 years the deferred tax asset would still be recoverable.

Carrying value 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 the higher of fair value less costs of disposal or value in use calculations. Management estimation is required in forecasting future cash flows of cash-generating units including incorporating the impact of COVID-19, the discount rates applied to these cashflows, the expected long-term growth rate of the applicable business and terminal values. The carrying amount of goodwill at 31 December 2021 amounted to €17.8m (2020: €17.8m) and the carrying amount of domain names amounted to €56.4m (2020: €64.2m). Based on work performed and the headroom identified in the models no impairment was necessary in 2021 for goodwill or domain names. Current year impairment charge of €367k relates to an impairment of a specific project following a management decision to cease ongoing investment. In 2020 the Group recognised an impairment charge of €15.0m. Further details on the assumptions used and sensitivity analysis 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 loss after tax of the Group for the year. This measure excludes the effects of certain income and expense items, which are unusual by virtue of their size and incidence, in the context of the Group's ongoing core operations, such as the impairment of intangible assets and one-off items of expenditure.

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

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

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

Revenue split by continent is presented as follows:

	2021 €'000	2020 €'000
Europe	10,713	7,354
Americas	5,213	3,779
Asia, Africa and Oceania	975	4,231
Total revenue	**16,901**	**15,364**

Notes to the Consolidated Financial Statements continued

3. Revenue & segmental analysis continued

Revenue arising within the country of domicile Ireland amounted to €492k (2020: €418k).

As at 31 December 2021, €1,020k of revenue relating to free cancellation bookings has been deferred (2020: €197k).

Disaggregation of revenue is presented as follows:

	2021 €'000	2020 €'000
Technology and data processing fees	16,849	14,251
Advertising revenue and ancillary services	52	1,113
Total revenue	**16,901**	**15,364**

In the year ended 31 December 2021, the Group generated 100% (2020: 93%) 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, Australia, the United Kingdom, Portugal, and China. Non-current assets are disaggregated as follows:

	Notes	2021 €'000	2020 €'000
Total non-current assets		89,221	100,677
Broken out as:			
Ireland		87,799	96,951
Australia		1,186	2,349
United Kingdom		32	922
Portugal		165	430
China		39	25

4. Operating expenses excluding impairment

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

	Notes	2021 €'000	2020 €'000
Marketing expenses		13,792	9,260
Staff costs	6	15,546	16,759
Credit card processing fees		573	571
Loss on disposal plant, property and equipment		492	12
Profit on disposal plant, property and equipment		–	(67)
Net profit on disposal of leases		(793)	–
Movement in expected credit loss	15	129	18
Exceptional items	5	588	2,989
FX loss/(gain)		419	(152)
Other administrative costs		6,229	6,729
Total administrative expenses		**36,975**	**36,119**
Depreciation of tangible fixed assets	11	1,519	2,458
Amortisation of intangible fixed assets	10	10,892	11,674
Total operating expenses excluding impairment		**49,386**	**50,251**

Included in staff costs are government assistance amounts totalling €1,771k (2020: €1,085k) for furloughed employees under the Coronavirus Job Retention Scheme in the UK and subsidy received under the Employment Wage Subsidy Scheme in Ireland.

Included within marketing expenses are direct marketing costs of €12,763k (2020: €7,551k). Other administration costs include rent and rates, legal and professional, training and recruitment, information technology website and security, ecommerce and data analytics.

Auditor's remuneration

During the year, the Group obtained the following services from its auditor - Deloitte Ireland LLP:

	2021 €'000	2020 €'000
Fees payable for the statutory audit of the Company and consolidated financial statements	42	42
Fees payable for other services:		
– statutory audit of subsidiary undertakings	96	135
– tax advisory services	–	–
– audit related assurance services	8	194
– corporate finance services	–	–
– other non–audit services	13	57
Total	**159**	**428**

Notes to the Consolidated Financial Statements continued

5. Exceptional items

	2021 €'000	2020 €'000
Merger and acquisition costs	(127)	1,332
Restructuring costs	715	1,657
Total	**588**	**2,989**

Merger and acquisition credit of €127k (2020: costs of €1,332k) relates to a release of costs previously accrued for due to a revision of estimate. 2020 merger and acquisition costs relates to professional fees incurred.

Restructuring costs of €715k (2020: €1,657k) primarily relate to staff costs incurred as part of an implementation of a simpler and more efficient growth orientated organisational structure. The new structure organises the Company's marketing, product, development and analytics employees into autonomous growth teams. The structure was initiated in the prior year where costs were incurred relating to an initial internal realignment of our technology and product departments. In 2020 we also incurred professional fees incurred on review of funding options for the Group.

6. Staff costs

The average monthly number of people employed (including Executive Directors) was as follows:

	2021	2020
Average number of persons employed:		
Administration and sales	110	137
Development and information technology	116	152
Total	**226**	**289**

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

	Notes	2021 €'000	2020 €'000
Staff costs comprise:			
Wages and salaries		12,823	15,550
Social security costs		1,367	1,935
Pensions costs		460	447
Other benefits		442	734
Share option charge	21	2,162	428
Capitalised development labour		(1,708)	(2,335)
Total		**15,546**	**16,759**

In addition to staff costs disclosed above termination benefits disclosed within note 5 exceptional items restructuring costs totalled €672k (2020: €935k).

7. Finance costs

	Notes	2021 €'000	2020 €'000
Interest on lease liabilities	14	102	182
Finance costs – HPS facility	19	3,344	–
Finance costs – prompt pay facility		55	64
Total		**3,501**	**246**

8. Taxation

	Notes	2021 €'000	2020 €'000
Corporation tax:			
Current year charge/(credit)		372	(395)
Adjustments in respect of prior years		(178)	(230)
Total		**194**	**(625)**
Origination and reversal of temporary differences	12	(756)	(1,013)
Total tax credit for the year		**(562)**	**(1,638)**

Corporation tax is calculated at 12.5% (2020: 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 corporation tax charge relates primarily to our UK and Portuguese operations where tax losses from our Irish operations cannot be utilised. The charge for the year can be reconciled to the consolidated income statement as follows:

	2021 €'000	2020 €'000
Loss before tax on continuing operations	(36,578)	(50,495)
Tax at the Irish corporation tax rate of 12.5% (2020: 12.5%)	(4,572)	(6,312)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	1,556	3,831
Tax effect of losses not utilised	3,173	2,789
Tax effect of losses carried back	–	(578)
Tax effect of income taxed at different rates	50	(49)
Depreciation less than capital allowances	(130)	(167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	295	91
Recognition of deferred tax asset	(756)	(1,013)
Adjustments in respect of prior years	(178)	(230)
Total	**(562)**	**(1,638)**

Notes to the Consolidated Financial Statements continued

8. Taxation continued

The Group has unused trading tax losses of €25,384k (2020: €17,689k) available for offset against future profits arising. A deferred tax asset has not been recognised in respect of such losses as it is not considered probable that there will be future trading profits available against which the deferred tax asset can be unwound, beyond those used to assess the recoverability of the existing deferred tax asset at 31 December 2021. All tax losses available may be carried forward indefinitely. In addition, in the prior year the Group had an unrecognised deferred tax asset of €1,871k as a result of an impairment of intellectual property in 2020. The balance is still unrecognised in the current year.

In 2020 as a result of the impact of COVID-19 Irish Revenue introduced a temporary acceleration of corporation tax loss relief under section 396D TCA 1997 which provides for a temporary acceleration of corporation tax loss relief for accounting periods affected by COVID-19. The measure allowed companies to estimate their trading losses for certain accounting periods and carry back up to 50% of those losses estimated against chargeable profits in the preceding account period. The Group availed of this measure with regard to the period ended 31 December 2020. An estimate of the corporation tax loss for the period ended 31 December 2020 was calculated and an amount of available trading losses was used to partially offset trading profits in the period ended 31 December 2019. As a result of this relief, the Group was entitled to a refund from the Irish tax authorities for corporation tax paid in 2019.

9. Loss per share

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

	2021	2020
Weighted average number of shares in issue ('000s)	116,321	106,947
Loss for the year (€'000s)	(36,016)	(48,857)
Basic loss per share (euro cent)	**(30.96)**	**(45.68)**

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The issue of warrants (note 19) and share options and share awards (note 21) are the Company's only potential dilutive ordinary shares. Ordinary shares potentially issuable from share-based payment arrangements and warrants are anti-dilutive due to the loss in the financial period meaning there is no difference between basic and diluted earnings per share.

	2021	2020
Weighted average number of ordinary shares in issue ('000s)	116,321	106,947
Effect of dilutive potential ordinary shares:		
Share options ('000s)	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)	116,321	106,947
Diluted loss per share (euro cent)	**(30.96)**	**(45.68)**

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
Cost						
Balance at 1 January 2020	47,274	214,708	14,068	5,500	14,372	295,922
Additions	–	–	153	–	3,649	3,802
Disposals for the year	–	–	(121)	–	–	(121)
Balance at 31 December 2020	47,274	214,708	14,100	5,500	18,021	299,603
Additions	–	–	–	–	4,397	4,397
Disposals for the year	–	–	(52)	–	–	(52)
Balance at 31 December 2021	**47,274**	**214,708**	**14,048**	**5,500**	**22,418**	**303,948**
Accumulated amortisation and impairment						
Balance at 1 January 2020	(29,426)	(126,374)	(13,911)	(5,500)	(11,591)	(186,802)
Charge for year	–	(9,118)	(132)	–	(2,424)	(11,674)
Disposals for the year	–	–	121	–	–	121
Impairment recognised	–	(14,996)	–	–	–	(14,996)
Balance at 31 December 2020	(29,426)	(150,488)	(13,922)	(5,500)	(14,015)	(213,351)
Charge for year	–	(7,810)	(119)	–	(2,963)	(10,892)
Disposals for the year	–	–	52	–	–	52
Impairment recognised	–	–	–	–	(367)	(367)
Balance at 31 December 2021	**(29,426)**	**(158,298)**	**(13,989)**	**(5,500)**	**(17,345)**	**(224,558)**
Carrying amount						
At 31 December 2020	17,848	64,220	178	–	4,006	86,252
At 31 December 2021	**17,848**	**56,410**	**59**	**–**	**5,073**	**79,390**

Capitalised development cost additions during the year comprised of internally generated additions of €1,708k (2020: €2,335k) and other separately acquired additions of €2,689k (2020: €1,314k). Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss. Hostelworld continue to utilise affiliate contracts to generate revenue and continue to pay affiliate partner commissions.

Impairments

The carrying value of the capitalised development costs balance at 31 December 2021 is €5,073k (2020: €4,006k. Current year impairment charge of €367k relates to an impairment of a specific project following a management decision to cease ongoing investment.

The carrying value of the goodwill balance at 31 December 2021 is €17,848k (2020: €17,848k) and relates to an investment in Hostelworld.com Limited by the Group 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. Following impairment testing based on the assumptions below, no impairment was recognised for goodwill in the current or prior year.

Notes to the Consolidated Financial Statements continued

10. Intangible assets continued

The carrying value of the Group's intellectual property at 31 December 2021 is €56,410k (2020: €64,220k). Following impairment testing based on the assumptions below, no impairment was recognised for the Group's intellectual property in 2021. In 2020, as a result of a strategic review of the business by the Directors, it was determined to cease actively marketing our Hostelbookers brand name. An impairment loss of €494k was recognised based on the carrying value at 31 December 2020. The recoverable amount was €nil based on value in use calculations. Also, in 2020 following a review of COVID trading performance and booking performance, the Directors reassessed the estimated cash flows associated with the Hostelworld.com intellectual property assets. This led to the recognition of an impairment charge of €14,502k in relation to the value of the Hostelworld.com domain name.

Cash generating units ("CGUs") to which goodwill and intellectual property have been allocated represent the lowest level at which the assets are monitored for internal reporting purposes. Goodwill has not been allocated across CGUs as it is not possible to identify separate CGUs. The recoverable amount of goodwill and intellectual property allocated to a CGU is determined based on a value in use computation. The key assumptions for calculating value in use of the CGUs are discount rates, growth rates and cash flows. They are described as follows:

Discount rates

	2021	2020
Pre-tax discount rate; Goodwill	14.9%	13.2%
Pre-tax discount rate: Intellectual Property	15.57%	14.69%

The pre-tax discount rates are based on the Group's weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the Group's specific beta coefficient together with a country risk premium to take account of the countries from where the CGU derives its cash flows.

Cash flows

The cash flow projections are based on a five-year budget formally approved by the Board of Directors.

In preparing the five-year budget, management have based projections on travel news at the time of preparing including government announcements on the reopening and closure of borders and key assumptions on the return to growth of the market, consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates.

Management have also considered the Group's history of earnings and core strategic initiatives including improving the competitiveness of our core OTA business and platform modernisation. Management have also considered capital expenditure requirements to maintain the CGU's performance and profitability. Working capital requirements are forecast to move in line with activity.

Growth rates

Growth rates are assessed based on the Board approved five-year 2021 budget. For goodwill a terminal value of 2% (2020: 2%) growth into perpetuity was used to extrapolate cash flows beyond the five-year budget period. This growth rate does not exceed the long-term average growth rate for the industry in which each CGU operates. For intellectual property growth rates included beyond the five-year budget period ranged from 6% to 3% (2020: 8% to 3%).

Sensitivity analysis

The key assumptions underlying the impairment reviews are set out above. Sensitivity analysis has been conducted in respect of each of the CGUs using the following sensitivity assumptions: a 2% increase in the discount rate; 10% decline in revenue in each of the Board approved five-year numbers and nil terminal value growth. Under each scenario no impairment was identified.

Sensitivity analysis has been completed on key assumptions in isolation and in combination, and the headroom included is significant. The key assumptions are discount factor, long term growth rates and growth rates for each of the Board approved five-year numbers. Sensitivities have been applied on all of these assumptions.

From our sensitivity analysis we identified that Goodwill would need to have nil terminal value growth and an increase in discount rate of 4% to be considered impaired. This is not a likely scenario. In addition, for our intellectual property management considers that no reasonably possible changes in assumptions would reduce a CGU's headroom to nil.

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
Cost					
Balance at 1 January 2020	4,333	1,877	823	3,659	10,692
Additions	1,681	23	–	41	1,745
Remeasurement	129	–	–	–	129
Disposals	(769)	(334)	(169)	(214)	(1,486)
Balance at 31 December 2020	5,374	1,566	654	3,486	11,080
Additions	116	–	–	75	191
Disposals	(5,036)	(1,034)	(470)	(3,309)	(9,849)
Balance at 31 December 2021	**454**	**532**	**184**	**252**	**1,422**
Accumulated depreciation					
Balance at 1 January 2020	(1,061)	(969)	(560)	(2,749)	(5,339)
Charge for year	(1,518)	(258)	(102)	(580)	(2,458)
Disposals	492	334	158	213	1,197
Balance at 31 December 2020	(2,087)	(893)	(504)	(3,116)	(6,600)
Charge for year	(960)	(186)	(60)	(313)	(1,519)
Disposals	2,665	612	413	3,296	6,986
Foreign exchange	4	–	–	-	4
Balance at 31 December 2021	**(378)**	**(467)**	**(151)**	**(133)**	**(1,129)**
Carrying amount					
At 31 December 2020	3,287	673	150	370	4,480
At 31 December 2021	**76**	**65**	**33**	**119**	**293**

Right-of-use assets relate to the Group's lease commitments for office space in Ireland, UK, Portugal and China. In August 2021 the Group exited their long term lease commitments for its Dublin and London offices. Further detail is included in note 14.

For the remaining leases the average lease term of leases entered at 31 December 2021 is less than 1 year. The maturity analysis of lease liabilities is presented in note 14.

Notes to the Consolidated Financial Statements continued

12. Deferred taxation

The following are the major deferred taxation assets recognised by the Group and movements thereon during the current and prior reporting year. Deferred tax assets primarily relating to temporary differences between the carrying value of intangible and tangible assets and their tax base. The Group does not have any deferred tax liabilities (2020: €nil).

	2021 €'000	2020 €'000
Opening balance	7,596	6,583
Credited to the consolidated income statement	756	1,013
Closing balance	**8,352**	**7,596**

The deferred tax credit for the year ended 31 December 2021 of €756k (2020: €1,013k) relates to a deferred tax asset created in the current year for capital allowances not utilised and available for future offset. Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Further detail is included within note 2 to the financial statements.

13. Investment in associate

	2021 €'000	2020 €'000
Opening balance	2,349	2,723
Share of results of associate	(225)	(374)
Capital reduction	(938)	–
Closing balance	**1,186**	**2,349**

The Group holds an investment in Goki Pty Limited, an Australian resident company. Goki Pty Limited's principal activity is software development and principal place of business is Australia. The investment in an associate is accounted for using the equity method.

When the initial investment was made the Group had significant influence but not control over the entity, due to the nature of its voting rights. The Group controlled 49% of the voting rights and was entitled to appoint 50% or more of the total number of Directors to the Board.

On 7 July 2021 the directors of Goki PTY Limited approved a reduction in the investment held by Hostelworld.com Limited in the company. The shareholding was reduced from 49% to 31.5% through means of a capital reduction. Hostelworld.com Limited retains one Board seat, out of four, and continues to exert significant influence over the company. Hostelworld.com Limited will continue to account for Goki PTY Limited as an associate.

The original purchase consideration for the investment in Goki PTY Limited was USD 3,000k. Following the completion of the reduction in investment total purchase consideration reduced to USD 1,890k.

Deferred consideration of €nil (2020: €1,266k) exists at the balance sheet date.

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 2021:

	2021 €'000	2020 €'000
Non-current assets	7	9
Current assets	354	1,829
Current liabilities	(70)	(200)
Equity attributable to owners of the company	291	1,638

Income statement of Goki Pty Limited for the year ended 31 December 2021:

	2021 €'000	2020 €'000
Revenue	430	28
Loss after tax	(502)	(764)
Other comprehensive income attributable to the owners of the company	–	–
Total comprehensive loss	(502)	(764)
Group share of results of associate	(225)*	(374)

* Relates to group share of results of associate of 49% from 1 Jan until 7 July 2021 and 31.5% from 7 July 2021 to 31 December 2021.

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:

	2021 €'000	2020 €'000
Net assets of Goki Pty Limited	291	1,638
Proportion of the Group's ownership interest in the associate	31.5%	49%
Group share of net assets	92	803
Goodwill and transaction costs	1,930	2,868
Other adjustments	(836)	(1,322)
Carrying amount of the group's interest in associate	**1,186**	**2,349**

Other adjustments relate to the elimination of the Group's 31.5% (2020: 49%) equity investment within the net assets of Goki Pty Limited and amounts to 31.5% (2020: 49%) of the share capital of Goki PTY Limited.

Commitment to extend loan to associate

Under the terms of the original shareholder purchase agreement, there was a USD 500k loan facility option available to Goki Pty Limited by the Group until July 2022. The loan facility was not extended and on 7 July 2021 was not included as part of the revised shareholder's agreement.

Notes to the Consolidated Financial Statements continued

14. Lease liabilities

Lease liabilities relate to the Group's lease commitments for office space in Ireland, Portugal, UK and China.

The movement in the Group's right-of-use assets during the period is set out in note 11. The movement in the Group's lease liabilities during the period is as follows:

	2021 €'000	2020 €'000
Opening lease liability	4,295	4,291
Additions	82	1,681
Modification	33	–
Disposals	(3,164)	(344)
Lease term remeasurement	–	129
Payments	(1,340)	(1,555)
Lease interest	102	182
Foreign exchange differences on lease payments	78	(89)
Closing lease liability	**86**	**4,295**

The maturity analysis of these lease liabilities is as follows:

	2021 €'000	2020 €'000
Maturity analysis		
Within one year	85	1,940
Between one and five years	–	2,660
Over 5 years	–	–
Less unearned interest	1	(305)
Total	**86**	**4,295**

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

	2021 €'000	2020 €'000
Non-current lease liabilities	–	2,492
Current lease liabilities	86	1,803
Total	**86**	**4,295**

The Group has used the following practical expedients permitted by the standard on transition and at each reporting date – 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 2020 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.

Lease payments included in the consolidated statement of cashflows relate to lease payments, lease interest and foreign exchange differences on lease payments included in the table above.

At 31 December 2021, the Group is committed to €103k (2020: €19k) for short term leases. Including short term lease payments, the total cash outflow for leases amount to €1,889k during 2021 (2020: €1,607k).

There is a clear payment schedule associated with our lease liabilities and based on our cash flow forecasts the Group does not face any significant liquidity risk with regards to its lease liabilities.

Amounts recognised in consolidated income statement:

	2021 €'000	2020 €'000
Net profit on disposal of leases	(793)	–
Depreciation expense on right-of-use assets	958	1,518
Interest expense on lease liabilities	102	182
Expense relating to short term leases	429	52
Total	**696**	**1,752**

15. Trade and other receivables

	2021 €'000	2020 €'000
Amounts falling due within one year		
Trade receivables	220	188
Prepayments and other receivables	978	1,191
Value added tax	804	302
Total	**2,002**	**1,681**

Due to their short term nature, the carrying value of trade and other receivables is deemed to be their fair value. Trade receivables are non-interest bearing and trade receivable days are 5 days (2020: 4 days).

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. The historical loss rates are adjusted to reflect current and forward economic factors if there is evidence to suggest these factors will affect the ability of the customer to settle receivables under COVID-19.

Movement in the expected credit loss for trade receivables is as follows:

	2021 €'000	2020 €'000
At the beginning of the year	194	212
Decrease in loss allowance recognised during the year	(129)	(18)
At the end of the year	**65**	**194**

The net movement in the expected credit loss has been included in note 4.

16. Cash and cash equivalents

	2021 €'000	2020 €'000
Cash and cash equivalents	25,267	18,189
Total	**25,267**	**18,189**

Included within cash and cash equivalents number is an amount not available for use by the Group €750k (2020: €1,500k) relating to a rental guarantee in place. Balance of cash and cash equivalents comprise cash and short-term bank deposits only.

Notes to the Consolidated Financial Statements continued

17. Share capital and reserves

	No of shares of €0.01 each (Thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 1 January 2020	95,571	956	–	956
Share issue – 29 June 2020	19,114	191	14,344	14,535
Bonus issue – 17 September 2020	1,636	16	(16)	–
At 31 December 2020 and 2021	**116,321**	**1,163**	**14,328**	**15,491**

The Group has one class of ordinary shares which carries no right to fixed income. The share capital of the Group is represented by the share capital of the parent Company, Hostelworld Group plc. All the Company's shares are allotted, called up, fully paid and quoted on the London Stock Exchange and Euronext Dublin.

On 29 June 2020, the Company issued 19,114,155 Ordinary Shares at €0.79695 per share by way of a Placing, raising gross proceeds of €15,233k. €698k of directly attributable share issue costs have been recognised as a deduction from share premium.

On 17 September 2020, the Company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share.

On 19 February 2021, the group agreed to issue warrants of 3,315,153 ordinary shares of €0.01 Each in the capital of hostelworld (equivalent to 2.85% Of hostelworld's current issued share capital). Detail is included within note 19.

Reconciliation and movement in reserves during the year as follows:

	Notes	Foreign currency translation reserve (a) €'000	Share based payment reserve (b) €'000	Warrant reserve (c) €'000	Total other reserves €'000
Balance at 1 January 2020		15	788	–	803
Exchange differences on translation of foreign operations		(7)	–	–	(7)
Credit to equity for equity settled share based payments		–	422	–	422
Balance at 31 December 2020		8	1,210	–	1,218
Exchange differences on translation of foreign operations		32	–	–	32
Issue of warrants	19	–	–	3,073	3,073
Credit to equity for equity settled share based payments		–	2,152	–	2,152
Balance at 31 December 2021		**40**	**3,362**	**3,073**	**6,475**

(a) Foreign currency translation reserve

The foreign currency reserve reflects the foreign exchange gains and losses arising from the translation of the Group's net investment in foreign operations.

(b) Share-based payment reserve

The share-based payment reserve reflects the equity settled share-based payment plans in operation by the Group (note 21).

(c) Warrant reserve

The warrant reserve relates to the warrants exercisable with HPS Investment Partners LLC (or subsidiaries or affiliates thereof) (note 19).

18. Trade and other payables

	2021 €'000	2020 €'000
Non-current liabilities		
Payroll taxes	8,049	–
Total	**8,049**	**–**

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes from February 2021. Total amount warehoused at 31 December 2021 amounted to €8,049k (2020: €4,140k included within current liabilities). The Group continues to liaise with Irish Revenue on the matter and comply with all appropriate guidelines applicable. At 31 December 2021 amounts warehoused are recognised as non-current reflecting the intention and unconditional right not to repay balance within 12 months.

	2021 €'000	2020 €'000
Current liabilities		
Trade payables	5,425	2,258
Accruals and other payables	6,113	9,003
Deferred revenue	1,036	207
Deferred consideration (note 13)	–	1,266
Payroll taxes	221	4,302
Total	**12,795**	**17,036**

At 31 December 2021, €1,020k of revenue was deferred relating to free cancellation bookings (2020: €197k) and €16k was deferred relating to featured listings (2020: €10k).

Included in accruals and other payables is a credit provision amounting to €1,300k (2020: €1,528k) for vouchers and incentives to customers for use on future bookings, and an amount of €2,017k (2020: €2,889k) relating to customers who have cancelled their free cancellation booking but have not yet been refunded.

The average credit period for the Group in respect of trade payables is 54 days (2020: 23 days). The Directors consider that the carrying amount of trade and other payables is deemed to be to their fair value.

Notes to the Consolidated Financial Statements continued

19. Borrowings

	2021 €'000	2020 €'000
Opening Balance	1,164	–
Received on Drawdown	28,800	3,454
Repayments	(1,164)	(2,290)
Loan issuance costs – issue of warrants	(3,073)	–
Transaction costs relating to borrowings	(862)	–
Finance costs	3,344	–
Total	**28,209**	**1,164**

The Group had the following borrowing facilities in place during 2021:

1. A 'Prompt Pay' which was a short-term invoice financing facility with Allied Irish Banks PLC. An amount of €3,454k was drawn down in 2020. Terms attached to the facility was that Hostelworld.com Limited must ensure it maintains a cash balance of no less than €8.67m for the period ending 30th September 2020, €5.75m for the period ending 31 December 2020 and €1.42m for the period ending 31 March 2021. On 26 January 2021 the amount owing on the facility was repaid in full and the facility is no longer available to the Group.
2. A three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. No amounts were ever drawn down on this facility. On 10 February 2021 the Group signed a deed of release exiting the undrawn facility in place. Covenants attached to the facility as follows: Hostelworld.com Limited was to retain minimum cash balances of 20% of drawn facilities and the revolving credit facility was required to return to credit 20 days per annum. Hostelworld.com Limited were also required to maintain a minimum tangible net worth of not less than €90m.
3. On 19 February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). Until the first anniversary of drawdown all interest rolls up and capitalises. Between the first and third anniversaries of drawdown, Hostelworld has an option to capitalise up to 4.0% per annum of the accruing interest with the balance of the interest during that period (and all interest accruing after the third anniversary of drawdown) being cash pay.

The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million).

The lenders have the right to require repayment of the facility if Hostelworld is subject to a change in control and Hostelworld has the option to repay the facility early. If the facility is repaid for any reason within the first four years of its term a prepayment fee is payable as follows: if repayment is made (1) in the first two years after drawdown then all interest from the date of repayment to the second anniversary of drawdown is due, plus a 2% fee of the amount repaid, (2) between the second and the third anniversary of drawdown the fee is 2% of the amount repaid and (3) between the third and fourth anniversary of drawdown the fee is 1% of the amount repaid.

Hostelworld and its principal trading subsidiaries will guarantee repayment of the facility and amounts payable under it and provide the lenders with a customary security package over their assets. Cash dividends to shareholders are permitted provided total net debt is below 2.0 x adjusted EBITDA, no events of default are ongoing and the above stated minimum liquidity covenant will be complied with after taking into account the proposed dividends. The Group is required to fund any new acquisitions through new equity and/or through a maximum of 50% of retained excess cashflow. Any acquisition by the Group of the remaining shareholdings in Goki PTY Limited and Counter App Limited is required to be funded from cash on the balance sheet.

An amount of €28.8m was received on 23 February 2021, net of original issue discount.

Issue of warrants:

In connection with the facility, Hostelworld has agreed to issue warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's issued share capital) to the lender. The warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares. An amount of €3,073k was recorded for the initial recognition of the warrants calculated on the basis of the market price of the shares on the date of the agreement 19 February 2021 of €3,106,538 minus the subscription price of €33,152 (3,315,153 X €0.01).

Borrowings are classified in the consolidated statement of financial position as:

	2021 €'000	2020 €'000
Non-current borrowings	28,209	–
Current borrowings	–	1,164
Total	**28,209**	**1,164**

Change in liabilities arising from financing activities:

	Lease liabilities (note 14) €'000	Borrowings €'000	Deferred consideration (note 13) €'000	Total net debt €'000
At 1 January 2020	(4,291)	–	(1,763)	(6,054)
Financing cashflows	1,462	(1,164)	503	801
Other non-cash movements	(1,466)	–	(6)	(1,472)
Balance at 31 December 2020	**(4,295)**	**(1,164)**	**(1,266)**	**(6,725)**
Financing cashflows	1,160	(26,774)	345	(26,053)
Other non-cash movements	3,049	(271)	921	4,483
Balance at 31 December 2021	**(86)**	**(28,209)**	**–**	**(28,295)**

Other non-cash movements for lease liabilities in 2021 and 2020 relate to additions, disposals, a modification and a lease term remeasurement as included in note 14. Other non-cash movements in 2021 for borrowings relate to net amount of non-cash finance costs incurred and the issuance costs for warrants (2020: €nil). Other non-cash movements for deferred consideration relate to capital reduction as detailed in note 13 and foreign exchange differences on revaluation of deferred consideration owing (2020: revaluation of deferred consideration).

20. 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 continued

21. Share based payments

Overall, the Group recognised an expense of €2,162k (2020: €428k) relating to equity settled share-based payment transactions in the consolidated income statement during the year.

€719k (2020: €356k) relates to Long Term Incentive Plan ("LTIP") scheme, €1,392k (2020: €nil) is in relation to the Group's Restricted Share awards ("RSU") scheme, and €51k (2020: €72k) in relation to the Save As You Earn ("SAYE") scheme. All schemes are accounted for as equity settled in the financial statements.

Long Term Incentive Plan ("LTIP") scheme

The Group operate a Long Term Incentive Plan for executive Directors and selected management.

In 2021, there was one invitation made to executive directors and selected management to participate in the Group's long-term incentive plan ("LTIP"). 2,336,885 nil cost options were granted, and these options will vest on 26 April 2024 subject to meeting performance conditions based on the Company's adjusted EBITDA over a three-year period, Counter App revenue generated based on a target in 2023 and customer acquisition value targets to be met in 2023.

For the 2020 scheme vesting conditions are dependent 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 25% 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 75% 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.

For the 2019 scheme 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.

For all schemes 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.

In 2021, €719k was expensed in the consolidated income statement in relation to the Group's LTIP schemes (2020: €356k).

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

	2021 No. of share options	2020 No. of share options
Outstanding at beginning of year	3,864,472	1,501,647
Adjustment factor applied	55,262*	–
Revised balance outstanding at beginning of period	3,919,734	1,501,647
Granted during the year	2,336,885	3,793,200
Forfeited during the year	(1,515,144)	(1,430,375)
Exercised during the year	–	–
Expired during the year	–	–
Outstanding at the end of the year	**4,741,475**	**3,864,472**
Exercisable at the end of the year	**–**	

* On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. An adjustment was made to the LTIP schemes in 2021, when approved by the Remuneration Committee, to ensure that award holders are no better or worse off following the bonus issue than they were beforehand.

Included in the number of options forfeited in 2021, are 745,199 of the 2019 awards which did not meet the vesting conditions based on performance conditions from 1 January 2019 to 31 December 2021. Included in the number of options forfeited in 2020, are 282,500 of the 2018 awards which did not meet the vesting conditions based on performance conditions from 1 January 2018 to 31 December 2020.

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 2019, 2020 and 2021 awards for performance conditions is over 3 years from 1 January 2019 to 31 December 2021, from 2 May 2020 to 1 May 2023 and from 27 April 2021 to 26 April 2024 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.

Fair value of options granted during the year:

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

	April 2021	May 2020	November 2019	August 2019	June 2019	April 2019
Year of potential vesting	2024	2023	2022	2022	2022	2022
Number of share options granted	2,336,885	3,793,200	69,422	187,842	76,204	933,995
Share price at grant date	£1.00	£0.74	£1.32	£1.50	£2.07	£1.95
Exercise price per share option	£nil	£nil	£nil	£nil	£nil	£nil
Expected volatility of Company share price	n/a	51.86%	40.1%	40.0%	42.1%	46.1%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	n/a	6.06%	6.0%	4.9%	4.9%	4.3%
Risk free interest rate	n/a	0.08%	0.51%	0.43%	0.56%	0.71%
Weighted average fair value at grant date	£1.00	£0.49	£1.16	£1.27	£1.97	£1.93
Remaining weighted average life of options (years)	2.32	1.33	0.87	0.64	0.42	0.25

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 2020 and 2019 awards.

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 are expected to vest.

Restricted Share awards ("RSU") scheme

In lieu of a cash bonus in 2021 the Directors approved the grant of a restricted share award scheme. Total cost in 2021 amounted to €1,392k (prior year: €nil).

Notes to the Consolidated Financial Statements continued

21. Share based payments continued

During 2021 the Company granted a restricted share award ("RSU") to selected employees, including the executive directors and members of the management team. In total 2,642,212 nil cost options were granted. Each award will vest in two tranches on 28 February 2022 in respect of 50% of the plan shares and 28 February 2023 in respect of the remaining 50% of the plan shares. Vesting will be dependent upon the participant being employed by Hostelworld as of the vesting date and satisfactory personal performance.

	2021	2020
Outstanding at the beginning of the period	–	–
Granted during the year	2,642,212	–
Forfeited	(312,402)	–
Total	**2,329,810**	**–**

Save As You Earn ("SAYE") scheme

During the year ended 31 December 2021, the Group did not approve the granting of any new SAYE scheme following the withdrawal of Ulster Bank from the Irish market who were the only bank with an Irish banking licence that accepted new accounts for Save As You Earn schemes.

Prior to 2021, a scheme was approved in 2019 and 2020. The schemes 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.

	Number of SAYE share options granted	
	2021	2020
Outstanding at beginning of year	440,791	290,592
Adjustment factor applied	6,303*	–
Revised balance outstanding at beginning of period	447,094	–
Granted during the year	11,541	358,305
Forfeited during the year	(181,011)	(208,106)
Outstanding share options granted at end of year	**277,624**	**440,791**

* On 17 September 2020, the Company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. An adjustment was made to the Save As You Earn schemes in 2021, when approved by the Remuneration Committee, to ensure that award holders are no better or worse off following the bonus issue than they were beforehand.

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	UK office	Irish office
Grant date	August 2020	August 2020	October 2019	October 2019
Year of potential vesting	2023	2023	2022	2022
Share price at grant date	£0.63	€0.70	£1.30	€1.52
Exercise price per share option	£0.50	€0.56	£1.17	€1.30
Expected volatility of company share price	54.2%	54.2%	39.5%	39.5%
Expected life	3 years	3 years	3 years	3 years
Expected dividend yield	6.13%	6.13%	9.3%	9.3%
Risk free interest rate	−0.03%	−0.03%	0.51%	0.51%
Weighted average fair value at grant date	£0.20	€0.22	£0.21	€0.24
Valuation model	Black Scholes	Black Scholes	Black Scholes	Black Scholes

Expected volatility was determined in line with market performance of the Company for the 2020 and 2019 schemes. For the 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

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 €26k and a corresponding expense of €26k in relation to these SARs as at 31 December 2021 (2020: €7k). Where relevant the fair value of these SARs was determined by using a Black Scholes model.

22. 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.

Directors' remuneration

	2021 €'000	2020 €'000
Salaries, fees, bonuses and benefits in kind	1,076	1,101
Amounts receivable under long-term incentive schemes	257	102
Termination benefits	–	–
Other remuneration	402	–
Pension contributions	61	62
Total	**1,796**	**1,265**

Retirement benefit charges arise from pension payments relating to 2 Executive Directors (2020: 2). Other remuneration €402k relates to share-based payment expense in respect of the Restricted Share awards ("RSU") scheme operated in 2021 (2020: €nil).

Notes to the Consolidated Financial Statements continued

22. Related party transactions continued

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.

	2021 €'000	2020 €'000
Short term benefits	2,608	2,899
Share based payments charge	1,450	271
Termination benefits	593	289
Post-employment benefits	152	133
Total	**4,803**	**3,592**

23. Subsidiaries and associates

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 3 Charlemont Exchange Charlemont St Dublin D02 VN88 Ireland
Hostelworld Services Portugal LDA 500 Ordinary shares @ €1	100%	Marketing and research and development services company	Rua Antònio Nicolau D'Almeid 45, 5th Floor 4100-320 Oporto Portugal
Hostelworld Business Consulting (Shanghai) Co., Limited**	100%	Business information consulting and marketing planning	Suite 304 Block 2 No.425 Yanping Road Jing'an District Shanghai China 200042 延平路425号2幢304室 上海，中国
Hostelworld Services Limited 104123 Ordinary shares @ £0.001	100%*	Marketing services and technology trading company	Floor 5 38 Chancery Lane The Cursitor London WC2A 1EN United Kingdom
Counter App Limited 51 Ordinary shares @ €1	51%	Technology company	Floor 3 Charlemont Exchange Charlemont St Dublin D02 VN88 Ireland

* held directly by the Company
** 3 Million RMB contributed by Hostelworld.com Limited for 100% ownership of subsidiary

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

On 19 June 2020, "Project Hydra Funding Limited" was incorporated as a 100% subsidiary of Hostelworld Group plc. The company was a Jersey registered company and the company was involved in the transfer of funds from the equity raise to Hostelworld Group PLC which raised gross proceeds of €15.2m. The entity was subsequently liquidated on 10 July 2020.

On 4 June 2020 a new subsidiary was incorporated "Hostelworld Business Consulting (Shanghai) Co., Limited" and became a 100% owned subsidiary of Hostelworld.com Limited. The principal activity of this subsidiary is business information consulting and marketing planning.

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%/31.5%*	Technology company	477 Kent St Sydney NSW 2000 Australia

* 49% up until 7 July 2021

On 21 June 2020, Hostelworld.com Limited signed an agreement to purchase 7,645,554 shares in Goki Pty Limited, an Australian incorporated proprietary company limited by shares. The purchase consideration for this transaction was USD 3m. This transaction was completed on 22 July 2020 and on this date, an investment in associate was recognised in the consolidated financial statements. On 7 July 2021 the directors of Goki PTY Limited approved a reduction in the investment held by Hostelworld.com Limited in the company. The shareholding was reduced from 49% to 31.5% through means of a capital reduction.

24. Financial risk management

24.1 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 not breaching any covenants that the Group adheres to. Such forecasting takes into consideration the Group's debt financing plans.

The Group's policy is to ensure that it has sufficient long-term funding in place to meet its payment obligations and complies with covenants. The risk is managed centrally by the group and reviewed by the Board on a regular basis.

Notes to the Consolidated Financial Statements continued

24. Financial risk management continued

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.

	2021 €'000	2020 €'000
Up to 1 year		
Borrowings	–	1,164
Trade and other payables	11,274	11,205
Total up to 1 year	**11,274**	**12,369**
Between 2 and 5 years		
Borrowings	32,453	–
Total between 2 and 5 years	**32,453**	**–**
Total	**43,760**	**12,369**

Interest rate risk

The principal aim of managing interest rate risk is to limit the adverse impact on cash flows of movements in interest rates. Cash requirements are managed centrally by the Group. The Group only has one debt facility in place with HPS where the Group is charged 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). EURIOR rates were negative in 2021 and therefore there was no impact on the cashflows of the group.

There is a floor on our facility EURIBOR 0.25% and therefore for our sensitivity analysis we have considered a 1% increase in Euribor rates which would result in a €1.8m impact on the Income Statement, over the duration of the tenure, with respect to the interest charge on HPS debt facility.

Credit risk and foreign exchange risk

The Directors monitor the credit risk 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 2021 and 2020, all material cash balances are held with banks with a minimum 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.

The Board considers capital to comprise of long-term debt as disclosed in note 19 and equity as disclosed in note 17. The Directors' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. In 2020 and 2021 cash dividends were suspended due to COVID-19 uncertainty.

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.

25. Dividends

There are no cash dividends in 2020 or 2021 as the Board took the decision to suspend cash dividends in 2020.

Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

26. 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.

27. Events after the balance sheet date

There are no significant events after the balance sheet date.

Company Statement of Financial Position

as at 31 December 2021

	Notes	2021 €'000	2020 €'000
Non-current assets			
Investments	31	48,523	57,026
Trade and other receivables	32	112,202	112,984
		160,725	170,010
Current assets			
Trade and other receivables	32	292	224
Cash and cash equivalents		1,154	953
		1,446	1,177
Total assets		**162,171**	**171,187**
Equity			
Share capital	17	1,163	1,163
Share premium account	17	14,328	14,328
Other reserves		6,449	1,227
Retained earnings		139,166	153,258
Total equity attributable to equity holders of the parent		**161,106**	**169,976**
Current liabilities			
Trade and other payables	33	1,065	1,211
Total liabilities		**1,065**	**1,211**
Total equity and liabilities		**162,171**	**171,187**

The Company reported a loss for the financial year ended 31 December 2021 of €14,092k (2020: €11,468k loss).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 30 March 2022 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

Caroline Sherry
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Share capital €'000	Share premium account €'000	Retained earnings €'000	Other reserves €'000	Total €'000
As at 1 January 2020		956	–	164,726	795	166,477
Total comprehensive income for the year		–	–	(11,468)	–	(11,468)
Issue of ordinary shares for cash	17	191	15,042	–	–	15,233
Share issue cost	17	–	(698)	–	–	(698)
Bonus Issue shares	17	16	(16)	–	–	–
Credit to equity for equity settled share based payments		–	–	–	432	432
As at 31 December 2020		1,163	14,328	153,258	1,227	169,976
Total comprehensive income for the year		–	–	(14,092)	–	(14,092)
Issue of warrants	19	–	–	–	3,073	3,073
Credit to equity for equity settled share based payments		–	–	–	2,149	2,149
As at 31 December 2021		**1,163**	**14,328**	**139,166**	**6,449**	**161,106**

Notes to the Company Financial Statements

for the year ended 31 December 2021

28. 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) Application of Financial Reporting Requirements 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, share based payments, business combinations, 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.

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. 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.

Dividends

Final dividends are recorded in the Group's financial statements 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 24 to the consolidated financial statements.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 (as issued by the FRC) requires management to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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. 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.

There were no critical judgements applied in the preparation of the Company financial statements apart from those involving estimations.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of investments in subsidiaries

Investments in subsidiaries are held at cost less any allowance for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. An impairment review was performed in the current year following review of the Company balance sheet where the carrying amount of the net assets of the Company (€161,106k, 2020: €169,976k) exceeded its market capitalisation on the last day of the year (2021: €95,518k, 2020: €102,214k), in accordance with the requirements of IAS 36 paragraph 12(d). As a result, the Company has reviewed the recoverable amount of its investment in subsidiaries. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. At 31 December 2021 the carrying value of investment in subsidiaries amounted to €48.5m (2020: €57.0m). During 2021 an impairment of €13.1m was recognised (2020: €2.0m). Further detail is included in note 31 to the financial statements.

Recoverability amounts due from subsidiary undertakings

Each year the Directors assess the credit risk of amounts due from subsidiary undertakings and determine the quantum of the expected credit loss to be recognised on these assets. In the current year 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. The directors also took into account a review of the Company balance sheet where the carrying amount of the net assets of the Company (€161,106k, 2020: €169,976k) exceeded its market capitalisation on the last day of the year (2021: €95,518k, 2020: €102,214k). As a result, the Company has reviewed the recoverable amount of its investment in subsidiaries. At 31 December 2021 the carrying value of the amounts due from subsidiary undertakings amounted to €112.2m (2020: €113.0m). Given a repayment plan in place until 31 December 2030 the Directors have concluded that any expected credit loss allowance required would be immaterial. Sensitivity analysis has been performed on the cashflows included within the projections. Should cashflows decline by 10% in each year the amount due from subsidiary undertaking would still be paid.

29. 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 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.

Notes to the Company Financial Statements continued

30. Staff costs

The average monthly number of full time people employed by the Company (including Executive Directors) during the year was 3 (2020: 3).

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

	2021 €'000	2020 €'000
Staff costs comprise:		
Wages and salaries	798	938
Social security costs	83	111
Pensions costs	61	72
Other benefits	15	19
Share option charge	667	121
Total	**1,624**	**1,261**

In addition to staff costs disclosed above termination benefits disclosed within note 5 exceptional items restructuring costs totalled €nil (2020: €289k).

31. Investments

The carrying value of the Company's subsidiaries at 31 December 2021 is as follows:

	2021 €'000	2020 €'000
At 1 January	57,026	44,187
Additions	4,555	14,875
Impairment	(13,058)	(2,036)
At 31 December	**48,523**	**57,026**

The Company's subsidiaries directly owned by the Company, are disclosed in note 22.

In 2021 additions of €3,073k relate to a capital contribution from Hostelworld Group PLC to Hostelworld.com Limited during the period. The remaining additions (€1,482k) are capital contributions arising from the administration of the Group's share option schemes.

In 2020 additions of €14,564k relate to a capital contribution from Hostelworld Group PLC to Hostelworld.com Limited during the period. The remaining additions (€311k) are capital contributions arising from the administration of the Group's share option schemes.

In 2021 an impairment of €13,058k (2020: €nil) was recognised for Hostelworld Group PLC's investment in Hostelworld.com Limited following a review by management. An impairment review was performed in the current year following review of the Company balance sheet where the carrying amount of the net assets of the Company (€161,106k, 2020: €169,976k) exceeded its market capitalisation on the last day of the year (2021: €95,518k, 2020: €102,214k), in accordance with the requirements of IAS 36 paragraph 12(d). The recoverable amount of the investment was assessed utilising value in use calculations which were prepared using cash flow projections based on five-year budgets approved by the directors, and a terminal value was included with a long-term growth rate of 2%. The cash flow projections for the five-year period 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 13.62% (2020: 12.88%). 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. The resulting enterprise value was adjusted for net debt of the company. As a result of the review an impairment charge was recognised to reduce the carrying value of the investment to its recoverable amount €44,902k based on a value in use calculations.

No impairment was deemed necessary by the Directors in 2021 following a review of the carrying value of the investment by Hostelworld Group PLC in Hostelworld Services Limited. In 2020 an impairment of €2,036k was recognised, as a result of a strategic review of the business by the Directors, it was determined to cease actively marketing our Hostelbookers brand name.

32. Trade and other receivables

	2021 €'000	2020 €'000
Non-current assets		
Amount due from subsidiary undertakings	112,202	112,984
	112,202	**112,984**
Current assets		
Prepayments	229	165
Value Added Tax	30	36
Amount due from subsidiary undertakings	33	23
Total	**292**	**224**

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 2020. This amount is carried at amortised cost. The Directors assessed the credit risk of these amounts and determined that an expected credit loss on these assets would be immaterial. There is a repayment plan in place until 31 December 2030. 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.

In 2020 the repayment term of the loan was extended to 31 December 2030. In line with IFRS 9 derecognition criteria, the Group assessed the guidance with respect to modification and potential derecognition of a liability based on whether the modification is deemed to be substantial or non-substantial. Based on 'the 10% test" referred to in IFRS 9 the change was not deemed to be a substantial change and we recorded a modification loss in the income statement of €8,813k in 2020.

33. Trade and other payables

	2021 €'000	2020 €'000
Current liabilities		
Trade payables	665	444
Accruals	400	767
Total	**1,065**	**1,211**

34. Events after the balance sheet date

There are no significant events after the balance sheet date.

Banana's Adventure, Peru

Additional Information

Appendix: Alternative performance measures

The Group uses the following alternative performance measures ('APMs') which are non–IFRS measures to monitor the performance of its operations and of the Group as a whole: loss / earnings before interest, tax, depreciation and amortisation, excluding exceptional and non-cash items ("adjusted EBITDA"), adjusted loss / profit after taxation; adjusted loss or earnings per share.

In the prior year the group also presented adjusted free cash flow and adjusted free cash flow conversion. In the current year the group have focused on cash as a key performance indicator and have moved away from the related non-IFRS measures free cash flow and adjusted free cash flow conversion to simplify the performance indicators.

Adjusted EBITDA loss:

The Group uses loss / 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 from one period to the next, and against budget. 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.

Reconciliation between loss for the year and adjusted EBITDA loss:

	2021 €'000	2020 €'000
Loss for the year	(36,016)	(48,857)
Taxation	(562)	(1,638)
Net finance costs	3,501	238
Operating loss	**(33,077)**	**(50,257)**
Depreciation	1,519	2,458
Amortisation of development costs	2,963	2,424
Amortisation of acquired intangible assets	7,929	9,250
Impairment of intangibles	367	14,996
Exceptional items	588	2,989
Share based payment expense	2,162	428
Share of result of associate	225	374
Adjusted EBITDA loss	**(17,324)**	**(17,338)**

Adjusted loss after taxation ("Adjusted PAT"):

Adjusted profit after taxation is an alternative performance measure that the Group uses to calculate the dividend pay-out for the year, subject to Company Law requirements regarding distributable profits and the dividend policy within the Group. It 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.

Reconciliation between Adjusted EBITDA loss and loss for the Year:

	2021 €'000	2020 €'000
Adjusted EBITDA loss	**(17,324)**	**(17,338)**
Depreciation	(1,519)	(2,458)
Amortisation of development costs	(2,963)	(2,424)
Net finance costs	(3,501)	(238)
Share of result of associate	(225)	(374)
Corporation tax	(194)	625
Adjusted loss after taxation	**(25,726)**	**(22,207)**
Exceptional items	(588)	(2,989)
Amortisation of acquired intangible assets	(7,929)	(9,250)
Share based payment expense	(2,162)	(428)
Impairment charges	(367)	(14,996)
Deferred taxation	756	1,013
Loss for the year	**(36,016)**	**(48,856)**

Adjusted loss 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.

	2021	2020
Adjusted loss after taxation	**(25,726)**	**(22,207)**
Weighted average shares in issue ('m)	116.3	106.9
Adjusted loss per share	(22.12)	(20.76)

Net average booking value ("ABV"):

	2021	2020
Net revenue	16,901	15,365
Booking engine	–	82
Deferred revenue movement	821	(2,580)
Adjustments to revenue*	(144)	1,290
Advertising income	(52)	(1,113)
Volume incentive rebates	94	500
Net general booking revenue	17,620	13,544

* primarily relates to recognition of refunds, chargebacks and voucher provisioning.

	2021	2020
Net general booking revenue (GBR) (€'000)	17,620	13,544
Net bookings (#'000)	1,455	1,452
Net ABV generated	**12.11**	**9.33**

Shareholder Information

Financial Calendar

AGM	11 May 2022
Announcement of 2021 Interim results	10 August 2022

Share Price

During the year ended 31 December 2021, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price at 31 December 2021:	£0.69
Lowest price during the year:	£0.64
Highest price during the year:	£1.15

Daily information on the Company's share price can be obtained on our website: www.hostelworldgroup.com.

Shareholder's Enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrars:

UK Registrar

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BS99 6ZZ
United Kingdom

Irish Registrar

Computershare Investor Services (Ireland) Ltd
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Ireland

Company Secretary and Registered Office

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Company Registration Number

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