



Connect with
travellers



Helping travellers to
MEET THE WORLD[®]

H O S T E L W O R L D A N N U A L R E P O R T 2 0 2 2

HOSTELWORLD
ANNUAL REPORT 2022



Our Mission

Help travellers find people to hang out with

About Hostelworld Group

Hostelworld Group Plc is a ground-breaking social network powered Online Travel Agent (OTA) focused on the hostelling category, with a clear mission to help travellers find people to hang out with. Our mission statement is founded on the insight that the vast majority of travellers go hostelling as a means to meet other people, which we facilitate through a series of social features on our platform that connect our travellers in hostels and cities based on their booking data. To date the strategy has been extraordinarily successful, generating significant word of mouth recommendations from our customers and strong endorsements from our Hostel partners.

Founded in 1999, Hostelworld is a well-known trusted brand with almost 250 employees across 11 countries; hostel partners in over 180 countries; and a strong commitment to building a better world in all that we do. In particular, our focus in the last few years has been on improving the sustainability of the hostelling industry, through our membership of the Global Sustainable Tourism Council (GSTC); our active involvement in the Global Tourism Plastics Initiative (GTPI); our partnerships with Bureau Veritas to establish emissions benchmarks for the hostelling industry; and our recent partnership with South Pole to be a Climate Neutral Group in 2021 and 2022.



Highlights

Net gross merchandise value (GMV)

€470.1m

2021: €116.7m

Unique customers

1.8m

2021: 0.7m

Total travellers (PAX)

7.7m

2021: 2.4m

Net revenue

€69.7m

2021: €16.9m

Net bookings

4.8m

2021: 1.5m

Net average booking value (ABV)

€14.90

2021: €12.11

Net bednights

17.4m

2021: 5.4m

Countries with properties

182

2021: 180

Property reviews

14.2m

2021: 13.7m

Adjusted EBITDA profit/(loss)

€1.3m

2021: €(17.3)m

Operating loss

€(13.6)m

2021: €(33.1)m

Cash and cash equivalents

€19.0m

2021: €25.3m

Net asset position

€52.2m

2021: €67.1m

Employees at 31 December

241

2021: 215



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Page 31: Casa Gracia, Barcelona, Spain; Page 32: TOC, Madrid, Spain; Page 47: Mad Monkey Koh Rong Samloem, Cambodia;
Page 50: Bambuda Lodge, Bocas del Toro, Panama; Page 53: Palmar Beach Lodge, Bocas del Toro, Panama;
Page 57: Distant Relatives Ecolodge Backpackers, Kilifi, Kenya; Page 77: Travellers Oasis, Cairns, Australia;
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Page 119: Penthouse on 34, Kuala Lumpur, Malaysia; Page 125: Wombats, London, England; Pages 166-67: Castle Rock Hostel, Edinburgh, Scotland;
Pages 220-21: PARS Teatro, Barcelona, Spain; Page 232/Inside back cover: Madpackers Pushkar, Pushkar, India



Overview

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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

H&F

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®'



2017

Opened
technology
development
centre in Porto,
Portugal



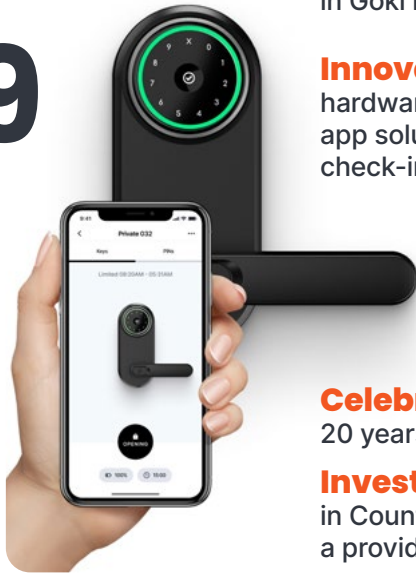
2018

Developed
the "Roadmap to
Growth" programme

Appointed
new management team

Our Journey continued

2019



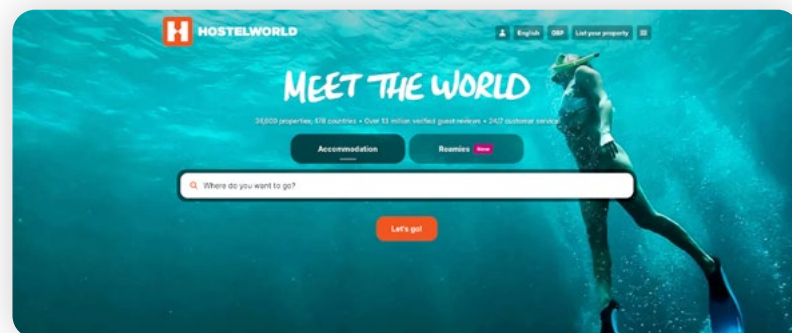
Announced
strategic investment
in Goki Pty Limited

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

Celebrated
20 years of Hostelworld

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

2020



First OTA
to become a signatory
of the Global Tourism
Plastics Initiative (GTPI)



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

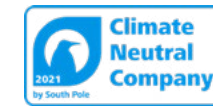
Launched
Beds 4 Backpackers to help
stranded travellers during the
COVID-19 global pandemic

2021

Became
a Climate Neutral
Company (awarded
July 2022 in
respect to 2021)

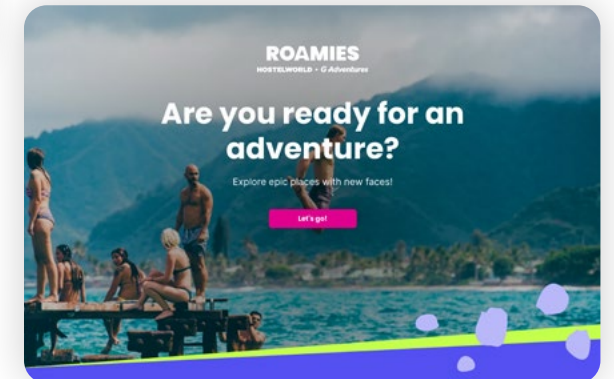
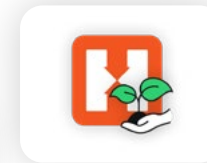
Commenced
ambitious platform
modernisation strategy

Migrated
to the cloud

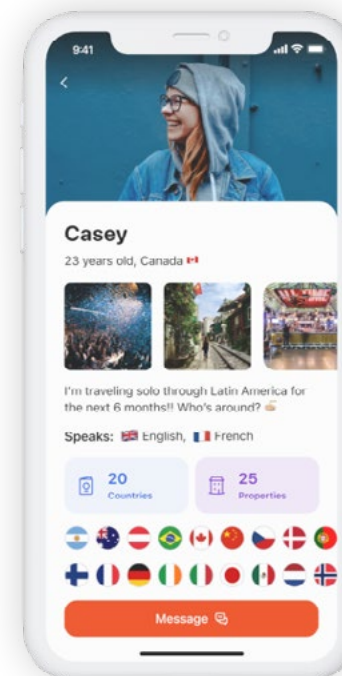


Redesigned
our website

Launched
Roamies – a partnership
with G Adventures



2022



Launched
social features on
iOS and Android

Commenced
'Staircase to Sustainability'
initiative with hostels
(working with GSTC)



Partnered
with Bureau Veritas to
validate that hostels
are a more sustainable
travel option to hotels



Accredited
with Investors in Diversity
bronze accreditation



Migrated
technical platform from
cloud hosted to cloud native

Our Mission: Help travellers find people to hang out with

This is the cornerstone of our strategy to deliver profitable growth and increased cash generation:

- Our unique 'customer need' led strategy drives new customer growth, strong retention rates of high value customers and revenue growth
- Our app centric delivery model lowers our unit marketing costs and expands margins
- Our operating model is asset light, scalable with increased operating leverage and highly cash generative
- Our hostels benefit by obtaining high value customers who understand the hostelling experience at a lower distribution cost. In return we receive market leading rate and availability competitiveness and exclusive inventory.

Hostelworld hostelling fundamentals:

Favourable demographics

Our key customer base, millennial and gen z, are now the largest (52%) global population cohort⁽¹⁾

Aligned with travel needs

Growing demand for experiential travel and solo travel among this cohort

The most sustainable travel option

Hostels produce only 25% of the CO₂ compared to a hotel on a per bed basis⁽²⁾

Investment in the category

Hostels deliver up to 1.4x the returns of hotels, due to higher revenue per m²⁽³⁾

⁽¹⁾ World Economic Forum and Bloomberg analysis of UN World Population Prospects, August 2018

⁽²⁾ Bureau Veritas Report "Understanding the carbon impact of hostels v hotels" 2022

⁽³⁾ Christie & Co. Research –The Hostel Market, Iberian Peninsula, February 2020



The Solo System Experience

Connecting travellers before they arrive



“We’ve always known that our customers choose to stay in hostels as a means to meet other people. By powering social connections through our platform before our customers even get to their destination, we are giving them an incredibly compelling reason to book with Hostelworld. We will continue to launch more social products in 2023 including LinkUps, a feature that encourages travellers to create gatherings and social activities.”

Gary Morrison, CEO

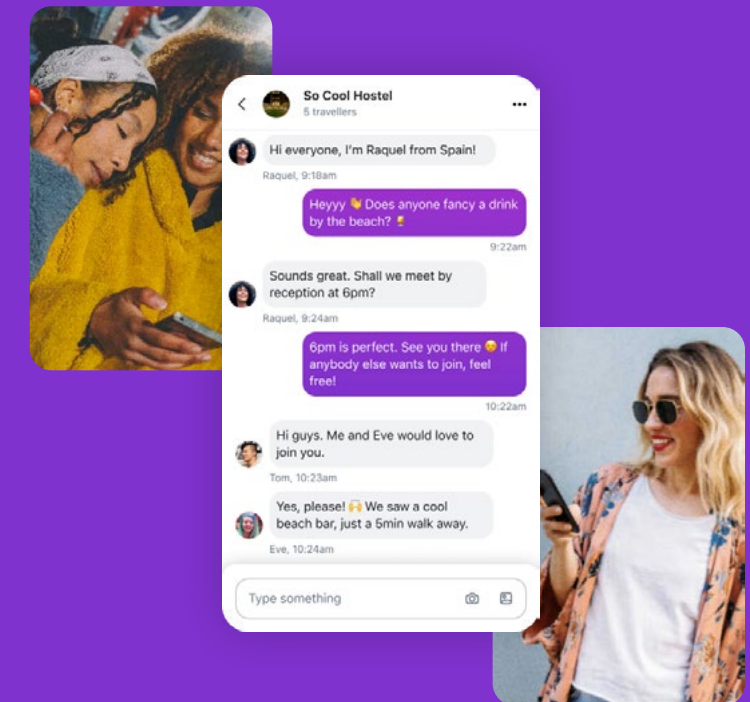
Say Hello (Before you go!)

Travellers Chat before they arrive

Travellers are using **Chat** in our app to start getting to know the people they’ll meet.

Available 14 days before check-in, they’re finding new friends to welcome them on arrival.

Chat makes solo travel less daunting and more accessible, broadening their pool of connections with City Chats, Hostel Chats and Travel Interest Chats. Travellers can use **Chat** up until 3 days after check-out.



Go from Solo to Social, on your own terms

Introducing Linkups, how travellers meet

Staying true to our mission, **Linkups** has been designed for travellers to connect and hang out.

Whether it’s joining them for a gig, a sightseeing trip, or a bite to eat, **Linkups** will bring travellers together to do the things they love. After a successful trial in London and Lisbon, **Linkups** will roll out globally in 2023.





Strategic Report

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Chairman’s Statement: Michael Cawley



Introduction

Despite the challenges which Omicron and travel restrictions presented, 2022 has been a year of recovery and growth for Hostelworld. It was a notable year for the business, marked by a renewal of booking demand, revenue growth and the delivery of a positive adjusted EBITDA in line with market guidance. Our innovative and differentiated ‘social’ strategy has enabled the Group to capitalise on the welcome return of travel demand. Since the launch in April 2022 of the social network features on our iOS and Android platforms we have seen a significant increase in the volume of bookings through our Apps. Our mission, to ‘enable travellers find people to hang out with’, has resonated strongly with our customers and our social network

features has helped begin the journey of building a community of like-minded travellers. This strategy is helping to drive increased revenues, lower direct marketing costs as a percentage of revenue and will deliver improved profitability.

Throughout the year we have seen a good recovery and growth in net bookings and net revenue as the impact of the Omicron variant receded and governments lifted restrictions on international travel. Some regions recovered earlier than others. Asia, in particular was weak but by year end after the easing of restrictions in China it too was firing on all cylinders. Such was the strength of demand that activity levels in some countries exceeded 2019 levels throughout 2022. This has given us confidence both in the continuing popularity of hostelling and in Hostelworld’s ability to grow its share in the sector.

This revival in demand has been achieved while maintaining excellent cost discipline. I am pleased to report that operating costs (excluding paid marketing, exceptional items and share option charges) are below 2019 levels (-13.4%), reflecting both cost management measures implemented in recent years to reduce fixed costs and operational efficiencies facilitated by our platform modernisation. We believe there is no conflict between our goal to be the leading OTA for hostellers while being exceptionally disciplined on cost.

Sustainability

Reflecting our commitment to a sustainable future, and in keeping with our UK listing and financial disclosure requirements, the business focused on its compliance with the requirements of the Taskforce for Climate related Financial Disclosures (“TCFD”). Complying with the TCFD recommendations, we have disclosed information across the following key areas: Governance, Strategy, Risk Management, and Metrics and Targets (further details are provided on pages 54 to 67).

I am pleased with the significant progress we have made in executing our ESG strategy in 2022. The Group welcomed the publication of a report by leading sustainability and compliance specialist Bureau Veritas, which confirmed that hostels are approximately three-quarters less carbon intensive than hotels, with hostels producing 75% less Scope 1 and Scope 2 carbon emissions than hotels on a per-bed basis. Further detail is included on page 52. Given the age profile of our customer cohort and the importance it justifiably attaches to sustainability we believe hostelling offers them the most sustainable option for their accommodation needs. Consequently, this affords Hostelworld, as the only OTA exclusively promoting hostels, a unique opportunity to create a distinct competitive advantage among sustainability conscious travellers.

As part of our commitment to focus hostels on the importance of sustainability, we partnered with Bureau Veritas to develop a bespoke sustainability measurement



Chairman’s Statement continued

and management system for hostels. This framework, ‘Staircase to Sustainability’, is the first of its kind and is based on the Global Sustainable Travel Council’s (GSTC’s) sustainability criteria. This innovative programme, tailored to the hostelling industry, will enable hostels to showcase their sustainability credentials, thereby advancing the category’s inherent competitive advantage.

In partnership with emission reduction experts South Pole, the Group made further progress on executing its ESG strategy by achieving climate neutral status in respect of 2021 and 2022.

Furthermore, the Group also remains committed to reducing its own carbon emissions and complies with the requirements of the Science Based Targets initiative. In 2022 the Group reduced our absolute Scope 1 and 2 emissions by over 42%, over base year 2021. Further detail is set out on pages 64 and 65.

Capital structure and dividend

Our principal objective is to deliver growth that drives long-term sustainable value creation for our shareholders. Overseen by the Board, the Group continues to work on a number of key capital allocation priorities to maximise shareholder returns: (1) re-financing the existing €30m term loan drawn down in February 2021 to reduce leverage and interest costs (current outstanding debt €34.3m)⁽¹⁾; (2) working with the Irish Revenue Commissioners to agree a schedule of repayments in respect of €9.4m warehoused payroll tax which was extended to companies by the Irish government as a COVID-19 financial support⁽²⁾; and (3) continued investment in the business to deliver long term growth.

The Board continues to believe that the payment of dividends would not be in the best interests of the business for the foreseeable future.

Your Board contributing effectively

As Chairman I am pleased to report that your Board continues to operate effectively in its ongoing assessment of strategy and business performance, overseeing the culture of Hostelworld and ensuring meaningful progress continues to be made in the important area of diversity and inclusion. Long-term succession planning for senior executive roles and Board members continued to be a core focus area in 2022. Details of the Board’s work in this important area is set out in the Corporate Governance Statement on pages 92 to 145. 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, both of which concluded that the Board is functioning effectively.

Colleagues, customers and shareholders:

I wish to thank my Board colleagues and the management team for their commitment, energy, and strategic insight in guiding the business back to profitable growth despite a very challenging operating environment. I also want to pay tribute to our excellent staff for the resilience, determination and creativity they have demonstrated throughout this most difficult time. Together with the management team, they have re-built the business on very strong foundations. Despite some macro-economic uncertainties, I am very confident that 2023 will be another year of strong growth for the business. Furthermore, I am encouraged by the Group’s long-term opportunities and prospects and believe that Hostelworld is well positioned to capitalise on strong demand for travel.

Finally, I would like to express my sincere thanks to our shareholders for your continued support.

Michael Cawley
Chairman
21 March 2023



⁽¹⁾ PIK interest due €4.3m
⁽²⁾ No balance is due on the facility until April 2024, when the Group will finalise a repayment schedule with Revenue Commissioners



Chief Executive’s Review: Gary Morrison



I am pleased to report we made solid progress on all elements of our strategy in 2022.

In particular we launched our App centric social strategy in April 2022, driven by the insight that the vast majority of travellers in our category choose to go hostelling as a means to meet other people, which we facilitate through our social features that connect our travellers in hostels and cities based on their booking data 14 days before their arrival date. To date, the strategy has been very successful, generating significant growth in App bookings, word of mouth recommendations by our customers, and strong endorsements from our hostel partners.

In parallel we also continued to invest in our marketing technology platform, which enables us to allocate marketing spend to maximise new customer acquisition, underpinned by our ability to predict the lifetime value of these new customers versus their acquisition cost in a very granular fashion. We also made solid progress on modernising our platform to enable us to support faster execution of our growth strategy. This included migrating our entire company to the cloud and exiting our on-premise data centres.

Finally, the Group continues to progress its Environmental, Social and Governance agenda; and in particular our partnership with South Pole on climate neutral accreditation and with our hostel partners to promote the inherent sustainability advantages of hostel accommodation.

Executing our growth strategy

During 2022 we continued to execute our highly differentiated growth strategy, which capitalises on the unique needs of the hostelling category. In particular, our growth strategy seeks to capitalise on three unique attributes of our customers and their needs as a category, relative to the mainstream leisure travel category.

Helping our customers find people to hang out with while travelling

One of the key differentiating features of our category is that the vast majority of our customers, 60% of which are travelling solo, choose to stay in hostels as means to meet other people in person (not because they are cheap). We also know from looking at reviews on our platform and posts by our customers on third party social networks that when our customers meet people to hang out with, the experience is magical.

Driven by this insight, we launched a series of social features in our iOS and Android apps in April and June 2022 respectively, using the data from our platform to help our travellers find people to hang out with. In essence, these features help our travellers understand what kinds of travellers will be staying at a hostel on the dates they are shopping for, and other chat room-based features that help them meet other travellers in both the hostel and the destination based on their shared interests.

Overall, I am very pleased with the take up of these features to date. By year end, 50% of our bookings were being made by customers who had opted in to the social network (social members); and more than 80% of our social members were using the features while travelling. Moreover, we observed that these social features were attracting more profitable customers. In the first six weeks post-acquisition (new customers acquired April – September 2022) social members were 4x more likely to be recruited via the App; make 1.6x the number of bookings; and twice as likely to make these bookings via the App.

Over the next 18 months, we plan to build more value into the social network through richer user profiles, richer messaging capabilities and recommendations type features to help our travellers find more people to hang out with, and more fun things to do together. Over time, I expect that these features will encourage more travellers in the hostelling category to use our platform, and eventually provide confidence for other youth/student travellers to meet new people to hang out with via solo travel in hostels.

Chief Executive's Review continued

Leveraging our customer's booking patterns to optimise marketing allocation

A second differentiating feature of our category is the nature of hosteller booking patterns compared to mainstream leisure travellers. The vast majority of mainstream leisure travellers tend to take a single destination trip, once a year or less. This is in sharp contrast to hostellers, the majority of whom go on a trip comprising multiple destinations, with some taking multiple trips per year, and with many coming back over several years.

The relatively high frequency of customer bookings over time post-acquisition, coupled with the characteristics of the bookings themselves has enabled us to build accurate customer booking models for our category that predict the future revenue of new customer cohorts after only 28 days of observation. This in turn, enables us to invest a greater proportion of revenue in new customer acquisition with a high degree of confidence in the future revenue of these new customers, and confidence in the return of those marketing investments over time.

Following the launch of our social strategy we now have additional valuable data points from our social network to power our new customer acquisition activities, given that new customers who sign up to the social network (social members) are significantly more profitable than non-social members. This distinction allows us to refine our new customer acquisition activities using the common attributes of more valuable social members as a targeting mechanic in addition to broad based targeting of the hostel traveller category.

Providing additional relevant travel products to our customer base

The third differentiating feature of our category is in the nature of the additional travel products purchased compared to mainstream leisure customers. In general, mainstream leisure customers will tend to purchase ancillary products such as ground transportation, car rentals, and things to do when they arrive in the destination.

Hostellers, on the other hand, are much more interested in other group orientated travel products which provide additional opportunities to find people to hang out with. These products would include opportunities to meet other hostellers staying in the same destination for walks, bike rides, eating out and pub crawls; and events that hostels create and operate themselves for their guests.

To that end, in August 2022 we launched Linkups in two pilot destinations on our social network which enables our customers to set up their own group events for others to join in that destination. We then publish these Linkups (group events) to all of our customers who will be in the same destination at the same time as the group event date. Similar to our hostel product, we also show our customers who else has signed up for each event, so that they can get an idea as to what kind of other travellers they will meet at the event. So far, the pilot results have been encouraging, and we plan to release a variant in 2023 that will enable Hostels to load their own group event catalogues in the same way onto our network.

Investing in our platform

Over the course of the year, we also made solid progress on modernising our platform. This included migrating our entire technology stack to the cloud in the first half of the year and exiting our on-premise data centres. During the second half of the year, we started the process of upgrading our key legacy backend applications to make them "cloud native".

Over the midterm, migrating from a cloud hosted stack to a series of cloud native applications will deliver many advantages, such as application level "on demand" scaling, a more flexible microservices based architecture, and more opportunities to use off the shelf features from our cloud services provider, such as artificial intelligence and machine learning optimisation engines. Collectively, these technology benefits will flow through into reduced hosting costs and enable faster execution of our growth strategy.

In parallel, we also completed the acquisition of the remaining shares in Counter App Limited in March 2022 and completed bringing the platform in house in early May 2022. Hostelworld first invested in Counter App Limited in November 2019 to create a next generation hostel Property Management System (PMS) platform to replace our legacy PMS platform Back Pack Online (BPO). At that time, we chose to partner with Counter's founders based on our belief in their vision of a mobile centric platform built specifically for the needs of the hostel industry. Over the last two plus years, the Counter team has made good progress towards their vision with Counter.app recently ranked 21st best PMS product out of 195 by Hotel Tech Report (a leading property technology review site).



Chief Executive's Review continued

As part of the original shareholders' agreement, we included an option for Hostelworld to take full ownership of Counter in accordance with an acquisition process which was to commence in November 2022. Earlier this year, we agreed with Counter's founders to accelerate the timeline by which we would acquire full share ownership and thus full operational control of the platform. This enabled us to more tightly integrate Counter into Hostelworld's ecosystem to accelerate its growth and align it more fully with our overall platform modernisation strategy.

Progressing our ESG agenda

In parallel with helping millions of travellers in our category Meet The World®, we are also committed to building a better world in everything we do.

Making sustainability a competitive advantage over time

Over the last 12 months, we have continued to see growing evidence of the importance of sustainability in travel across all stakeholders in the travel ecosystem. Within the hostelling category itself, more than half of our customers now report that "Sustainability plays a role in where I stay" and more than half of our hostel partners report that they are actively working on sustainability initiatives.

More broadly, we are continuing to see the evolution and broad adoption of sustainable travel "standards" maintained by third party bodies such as the UNWTO, GSTC and Travalyst; and the emergence of sustainability related disclosure filing requirements, driven by TCFD. All these developments point towards one outcome – companies operating in the travel industry will be expected to do more, and disclose more fully, their programmes to reduce the impact of travel on the environment. With this rapidly evolving context, we have organised our approach to Sustainability as three linked initiatives

The first initiative relates to developing a data driven fact base that we, and our hostel partners can use to promote hostelling as the most sustainable accommodation option available. To that end, earlier this year, we collaborated with Bureau Veritas to calculate the Scope 1 & 2 emissions of a representative group of hostels and compared these with the publicly available emissions data from a representative group of hotel chains. In September 2022, Bureau Veritas published its findings, indicating that the hostelling category emits approximately a third of the Scope 1 and Scope 2 emissions (tCO₂e) on a per bednight basis compared

to a one-night stay in a typical hotel chain. This type of data is invaluable for ourselves and our hostel partners to inform and educate young travellers that staying in Hostels is the most sustainable form of accommodation.

The second initiative takes the first initiative one step further, by investing in providing a common framework for our hostel partners to not only showcase their sustainability credentials on our platform, but also make progress to more sustainable operations. To that end, we have been working closely with our hostel partners, the Global Sustainable Tourism Council (GSTC) and a number of other relevant bodies to build out a set of relevant sustainability criteria based on GSTC standards; and exploring ways to capture a hostel's compliance with these criteria in a standardised low-cost way, appropriate to the size and means of the small businesses in our category. Eventually in Q4 2023 / Q1 2024, we plan to surface compliance to these criteria on our site, such that our customers can make more informed decisions as to where to stay.

Finally, our third initiative relates to reducing our own emissions, and I am pleased to report during 2022 we were awarded climate neutral status in partnership with South Pole, through our investment in various climate offset projects to fully offset our own emissions. Furthermore, we are also complying with the requirements of the Science Based Targets initiative and in 2022 reduced our Scope 1 & 2 emissions by over 42%, over base year 2021. Further detail is included on pages 64 and 65.

Investing in our employees and hostel partners and communities

This year saw us further enhance our agile approach to working, introducing a host of new policies and initiatives to support our employees. We launched the Hostelworld Mental Health Champions programme, to raise awareness on the importance of mental health, and offering our teams peer support across our global locations. In addition, Diversity, Equity and Inclusion became a key focus throughout the year, with 100% of our People Managers receiving Inclusive Leadership Training, and a variety of thought provoking and motivating events being hosted, celebrating periods such as International Women's Day, Pride Month, and Black History Month. We are also proud to have become supporters of the 30% Club Ireland in May of this year and having been awarded the Investors in Diversity Bronze Accreditation by the Irish Centre for Diversity.

More generally, the reduction in travel restrictions at the beginning of the year also paved the way for us to restart our regional hostel conferences and local hostel events. In April 2022 we held our first in person hostel conference since 2019 in Copenhagen, and hosted smaller events in Rome, Porto and Lisbon. These events provide a unique opportunity for us to promote our strategy, share industry trends and solicit feedback from our hostel partners. In parallel with these in person events, we continued to run webinars across all our geographies, and ran our Extraordinary HOSCARS once again this year introducing new categories such as The Eco Warrior and The Digital Nomad.

Finally, as we seek to Build a Better World and positively impact the communities we work and live within, we introduced volunteering days to enable our team to give back, while offering matched charity donations when our employees choose to give back by donating recognition awards or referral bonuses through company led charity initiatives.

Continuing to enhance our approach to corporate governance

During 2022, we continued to enhance our governance procedures to ensure sound and informed decision making in the business and at board level to ensure compliance with the recommendations of the TCFD framework. Following amendments made to the Board Charter in 2021 which established climate risk and sustainability issues as matters requiring on-going board oversight, an ESG Steering Committee led by the CFO met monthly and provided updates to the board at each scheduled board meeting during the year. The board reviews progress against the various elements of our ESG strategy and provides the right blend of oversight and leadership in making sure that the business is run in a socially responsible way.

Summary

Over the course of 2022, we have demonstrated the capacity of our business to capitalise on market demand as it returned, and through a combination of operational progress, disciplined cost control and the launch of our innovative 'social' strategy, we have returned the business to profitable growth. This is a significant milestone for our business, and I would like to thank each and every one of our employees for their commitment and hard work towards laying these strong foundations for a successful future. I also want to thank our shareholders for their continued support.

As I look to 2023, I am pleased to see that our social network growth strategy is continuing to gain traction with our customers and delivering as anticipated and will become even more valuable for customers and hostel partners as more members join the network. As outlined in our Capital Markets Day we expect continued growth of our social network to drive growth in revenue, margins and EBITDA, which coupled with an asset light operating model will drive increased operating leverage and strong cash conversion.

Overall, I continue to believe that our business is well positioned and firmly on track to deliver the medium-term targets presented at our Capital Markets Day in November 2022.

Gary Morrison
Chief Executive Officer
21 March 2023

Financial Highlights

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| <div>Net bookings</div> <div>4.8m</div> <div>2021: 1.5m</div> | <div>Net revenue</div> <div>€69.7m</div> <div>2021: €16.9m</div> | <div>Net average booking value (ABV)*</div> <div>€14.90</div> <div>2021: €12.11</div> |
| <div>Gross merchandise value (GMV)*</div> <div>€470.1m</div> <div>2021: €116.7m</div> | <div>Direct marketing costs per net booking*</div> <div>€8.63</div> <div>2021: €8.53</div> | <div>Direct marketing costs as a % of net revenue*</div> <div>59%</div> <div>2021: 76%</div> |
| <div>Operating expenses</div> <div>€83.1m</div> <div>2021: €49.5m</div> | <div>Operating loss for the year</div> <div>€13.6m</div> <div>2021: €33.1m</div> | <div>Loss for the year</div> <div>€17.3m</div> <div>2021: €36.0m</div> |
| <div>Basic loss per share</div> <div>(14.71) cent</div> <div>2021: (30.96) cent</div> | <div>Adjusted EBITDA profit/(loss)*</div> <div>€1.3m</div> <div>2021: €(17.3)m</div> | <div>Adjusted EBITDA margin*</div> <div>2%</div> <div>2021: (102)%</div> |
| <div>Adjusted loss per share*</div> <div>(5.97) cent</div> <div>2021: (22.12) cent</div> | <div>Cash and cash equivalents</div> <div>€19.0m</div> <div>2021: €25.3m</div> | <div>Adjusted free cash flow absorption*</div> <div>(521)%</div> <div>2021: (131)%</div> |
| <div>Net asset position</div> <div>€52.2m</div> <div>2021: €67.1m</div> | | |

* 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 1 which form part of the Annual Report.

Financial Review: Caroline Sherry



Revenue

Revenue for the period was €69.7m, an increase of 312% compared to 2021 (2021: €16.9m) driven by strong booking demand as key markets recovered and travel restrictions eased.

The Group's net bookings totalled 4.8m (2021: 1.5m). Net Average Booking Value (ABV), the average value paid by a customer for a net booking, increased by 23% in 2022 (2021: 30% increase) to €14.90 (2021: €12.11), driven predominantly by bed price inflation factors relating to destination specific recovery rates where a higher proportion of bookings came from higher-value destinations such as Europe and North America and longer length of stay bookings.

Net GMV, which is the gross transaction value of bookings on our platform less cancellations, totalled €470.1m in 2022 (2021: €116.7m).

The deferred revenue provision at year end totalled €3.0m (2021: €1.0m), and accounts for bookings with a free cancellation option, where the cancellation date has not yet passed. Cancellation rates have normalised post COVID-19 and we have noted a higher portion of customers opting for the flexibility of a free cancellation booking option, post COVID-19.

Operating expenses

Operating expenses before impairment totalled €83.1m (2021: €49.5m), with €28.6m of the €33.6m yearly increase driven by an increase in direct marketing spend, as a result of recovering booking demand. Total marketing spend was €42.2m in 2022 (2021: €13.8m) with direct marketing costs totalling €41.4m (2021: €12.8m). Direct marketing costs as a percentage of net revenue improved to 59% (2021: 76%) due to a decline in cancellation rates and an increase in conversion. H1 2022 marketing spend was elevated driven by Omicron where we experienced lower conversion rates in destinations where some level of restrictions persisted and higher cancellation rates. Marketing costs normalised in H2 2022 at circa 50-55%. This was due to a combination of normal travel patterns resuming in primary markets and the app-centric social strategy driving marketing efficiencies, with more customers booking in iOS and Android applications.

The Group's operating loss amounted to €13.6m (2021: €33.1m), a year on year decrease of €19.5m. This was primarily driven by a combination of an increase in net revenue of €52.8m, offset by an increase in direct marketing costs of €28.6m and in staff costs of €2.9m (excluding the impact of capitalised development labour). The remaining cost base remains largely consistent year on year as the Group continues its focus of maintaining our operating cost base and eliminating unnecessary spend.

The Group also incurred a foreign exchange loss of €0.7m (2021: loss €0.4m) which arose due to the strengthening of the US dollar against the Euro.

Adjusted EBITDA profit of €1.3m (2021: loss of €17.3m) was driven by strong booking recovery.

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 €0.8m of exceptional cost items in 2022. €0.5m related to a final settlement paid to the founder of Counter App Limited, in respect of an exit from their shareholders' agreement, and €0.3m in relation to settlement costs for the final stage of a group-wide reorganisation (2021: €0.6m). The new structure organises the Group's marketing, product, development and analytics employees into autonomous growth teams.

Share based payment

The Group has incurred a total share-based payment expense of €2.4m (2021: €2.2m) relating to equity settled share-based payment transactions.

€0.7m (2021: €0.7m) relates to costs incurred for the Group's Long-Term Incentive Plan ("LTIP") schemes. The 2019 LTIP grant which was due to vest in 2022, did not vest.

€1.7m (2021: €1.4m) has been recognised in relation to the Group's Restricted Share awards ("RSU") scheme. In February 2022 50% of the RSU share award granted in 2021, in lieu of a cash bonus, vested and the remaining 50% vested in February 2023 (February 2023: 1,027,653 shares vested, February 2022: 1,184,211 shares vested).

Financial Review continued

During 2022 the Company granted a new RSU award to selected employees, including the Executive Directors and members of the management team. A total of 3,339,084 nil cost awards were granted. These awards will vest after three years dependent upon the participant being employed by Hostelworld as of the vesting date and satisfactory personal performance.

The balance of the award expense is in relation to the Save As You Earn (“SAYE”) scheme.

€2.4m (2021: €nil) was transferred from the share-based payment reserve to retained earnings for expired and exercised share-based awards.

Earnings per share

Basic loss per share for the Group was 14.71 cent (2021: 30.96 cent).

Adjusted loss per share was 5.97 cent per share (2021 loss per share: 22.12 cent per share). During 2022, the company issued 1.2m shares to satisfy SAYE and restricted share awards granted by the Company at a value €0.01 per share. The weighted average number of shares in the period was 117.3m (2021: 116.3m) and the total number of shares at the balance sheet date was 117.5m (2021: 116.3m).

Finance costs

The Group incurred €4.3m of finance costs in 2022 (2021: €3.5m). Cash interest of €1.3m (2021: €nil) was paid to HPS Investment Partners LLC (or subsidiaries or affiliates thereof). Under the terms of the agreement the Group elected to capitalise all interest into the loan balance in year 1 of the facility. In year 2 the Group has elected to capitalise 4% and pay cash interest of a margin of 5% plus Euribor.

Taxation

The Group corporation tax charge for 2022 is €0.2m (2021: €0.2m) and primarily relates to our UK, Spanish and Portuguese operations where tax losses from our Irish operations cannot be utilised.

The Group is carrying a deferred tax asset of €9.2m (2021: €8.4m). The current year deferred tax credit of €0.8m (2021: €0.8m) relates to a deferred tax asset recognised 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 allowing recoverability of the deferred tax asset have been estimated using the Board approved 2023 budget and further four-year outlook. The Group has been loss making since 2020 as a direct consequence of COVID-19. The Group is budgeted to return to a profit before tax driven by a recovery to normal trading, which forms the basis of the recoverability of the deferred tax asset.

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment of all Irish employer taxes from February 2021 to March 2022. The total amount warehoused at 31 December 2022 was €9.4m (2021: €8.0m). The Group has agreed with the Irish Revenue Commissioners to not repay any balance due on the warehoused facility until April 2024. The Group will incur an interest charge of 3% from 01 May 2023 on the outstanding warehoused liability. The Group continues to monitor and comply with the appropriate Revenue guidelines applicable to this scheme.

Development labour

Total intangible asset additions amount to €4.5m (2021: €4.3m) relating to work performed on our social strategy, platform modernisation and a new app 2.0 rolled out in 2022. This balance includes €2.1m (2021: €1.7m) of staff costs capitalised during the year. The year on year increase is due to the volume of time spent in 2021 on experimentation and other non capitalisable work, such as migrating to the cloud.

Liquidity and financing

At the balance sheet date cash and cash equivalents totalled €19.0m (2021: €25.3m), including €750k (2021: €750k) of restricted cash relating to a rental guarantee in place. The Group has maintained strong discipline over its costs, and during peak trading in spring and summer 2022 the Group generated cash.

The Group has borrowings of €31.1m (2021: €28.2m). In February 2021 the Group signed a €30m 5-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, net of original issue discount, was drawn down on 23 February 2021. The facility bears interest at a margin of 9% per annum over EURIBOR. The Group will look to refinance the facility in 2023 to obtain lower margin interest rate costs.

Related parties

Related party transactions are disclosed in note 23 to the Group’s financial statements.

Dividend

The Board will not pay a cash dividend under its current policy in respect of the 2022 financial year. Any payment of cash dividends 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.

Caroline Sherry

Chief Financial Officer
21 March 2023





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 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 the Board.

The Board has reviewed the principal risks and uncertainties against the wider macroeconomic environment which Hostelworld operates in currently, taking into consideration inflationary and other financial related risks as well as consideration of the risks associated with continuing geopolitical conflicts, climate risk and COVID-19. We recognise, in particular, that climate change poses a number of physical (such as extreme weather events affecting customer willingness to travel or the availability of hostels) and transition-related (such as stakeholder perception) risks and opportunities for our business. We take a risk-based collaborative and strategic approach to climate change. We are aligning internal processes with the recommendations of the TCFD. The Group has a detailed climate related Risk and Opportunities Register which is included on pages 57 to 62.

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 the Group’s 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 the Group’s 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 46 to 49, within pages 150 to 151 to the Director’s Report and note 1 to the consolidated financial statements.

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|--|--|--|---------------------|
| 1 | Macro-economic Conditions | <p>The Group's financial performance is largely dependent on the wider availability of, and demand for, travel services.</p> <p>Travel services are enabled by the freedom of movement of people nationally and internationally without prohibitive restrictions. Moreover, it is supported by affordable air, ferry and train fares at significant scale, and similarly good access to accommodation.</p> <p>The demand for travel services is influenced by a range of macroeconomic circumstances and their impact on consumers discretionary spending levels. Economic activity, employment levels, inflation, interest rates, currency movements and access to credit are among the factors that can impact travel demand.</p> | <p>Management and the Board regularly monitor a range of trading, market and economic indicators to determine any risk to financial performance due to macroeconomic uncertainties, and any potential mitigating actions required.</p> <p>The Group's revenue and customer base is global, with a dispersed population of users, and a geographically dispersed set of destinations. While market conditions may decline in certain regions, the globally diversified nature of the business helps to mitigate this with circa 60% of destination markets in Europe and circa 40% in rest of world.</p> <p>Rising inflation rates can impact customer discretionary spending and reduce their ability to travel. However, this is potentially offset by the evidence of pent-up demand across the industry as a result of an inability to travel through COVID-19.</p> <p>In circumstances where events cause a material decline in consumer travel behaviours and patterns on a global scale, management will take necessary actions to conserve cash.</p> | ▲ |
| 2 | Impact of COVID-19, terrorism, geopolitical conflicts, and other uncontrollable events on leisure travel | <p>There remains a risk of travel restrictions relating to new strains or waves of COVID-19. This could adversely affect the Group's business in impacted regions. We are also exposed to the ability of other businesses within the travel industry to meet increased demands as restrictions ease. Employee staff shortages and flight cancellations negatively impact our business.</p> <p>The continued threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips, particularly to certain geographies, resulting in declining revenues.</p> <p>Geopolitical conflicts, climate change, natural disasters or other adverse events outside of the control of the Group may also reduce demand for or prevent the ability to travel to affected regions.</p> | <p>Our target 18-34-year-old population tend to be flexible as to destination and are less risk adverse. Their trips tend to be a 'rite of passage' rather than a more discretionary or optional vacation resulting in less aversion to these risks and more flexibility in configuring trips around restrictions.</p> | ▼ |
| 3 | People | <p>The Group is dependent on its 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 restructure the organisation which commenced in 2020 and concluded in 2022, to ensure the organisation is designed to optimally deliver our strategic priorities. Such restructures, which included reducing headcount, can impact employee morale and engagement levels.</p> <p>The Group had been feeling the effects of the global increase in attrition related to COVID-19 ("the great resignation"), and although attrition has slowed in 2022, the Group is finding it increasingly difficult to remain competitive to attract talent, which has the potential to further disrupt the business.</p> <p>The Group has a key dependency on attracting and retaining employees in engineering, quality assurance, product management and data roles to facilitate delivery of projects and maintain site and infrastructure stability. Identifying and securing top talent is becoming increasingly difficult in a competitive market. Due to the increased demands in terms of remuneration and benefits in the talent market, in addition to expectations around location and flexibility, particularly in the technology sector, there is a risk that attrition will rise again 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.</p> <p>All of this presents several significant risks, including increased attrition, difficulty retaining valuable key employees, increased time to hire, weakening of our employer brand and therefore ability to attract high calibre 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.</p> | <p>The Group is taking meaningful action to retain employees and has implemented HR policies and people processes to enable retention of key talent; namely moving permanently to a hybrid working model and the introduction of an Agile Working policy, a Working From Abroad policy, paid wellness days and volunteering days to promote engagement, flexibility and work-life blending.</p> <p>The Group have recognised that an increased investment in career development and training of our people is key to employee engagement and in 2022 recruited a dedicated learning and development specialist within our HR team, with robust plans to support the development of individuals as well as the people management population across 2023.</p> <p>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.</p> <p>Having completed a headcount reduction in response to COVID-19, the Group closely monitor headcount. While larger technology companies were making announcements relating to significant headcount cuts, we avoided this and will continue to assess headcount needs in 2023.</p> <p>The Group currently operates from five global offices, which provides flexibility for location of key talent, and has further increased its reach to attract talent by new locations in Germany, Spain and Italy. The Group also engages with a 3rd party 'Employer of Record' to be able to hire talent from countries where we don't have an entity.</p> <p>A Non-Executive Director fulfils a workforce engagement role as set out in the 2018 UK Corporate Governance Code.</p> | ▲ |

- ▲ risk increased
- ◀▶ risk unchanged
- ▼ risk decreased

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|---------------|---|---|---------------------|
| 4 | Data security | <p>We are an innovative technology company dependent on sophisticated software applications and computing infrastructure.</p> <p>The security of 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.</p> <p>Our flexible hybrid working model, our work from anywhere policy as well as our engagement of contractors dispersed in various jurisdictions, increases the data security challenges faced by the business.</p> <p>As the business pursues its social strategy and this strategy evolves, data security shifts into sharper focus with the extended categories of data shared.</p> <p>In 2022, the migration of the e-commerce platform to the cloud was completed. The security risks of cloud computing vary depending on the delivery model used, but many of the risks extend into every type of cloud solution.</p> <p>The Group's IT Platforms must comply with GDPR regulations and stay scalable, robust and reliable.</p> | <p>The Group takes the protection of our customer and employee personal data very seriously. We maintain controls and policies to comply with laws that apply to our business, address evolving security threats, and support business innovation and growth.</p> <p>All employees undertake comprehensive IT security and data protection training at induction and complete annual refresher training.</p> <p>We have a robust and comprehensive data privacy, security and protection compliance programme in place. We operate a supplier onboarding process that includes a detailed review of the data flows, GDPR considerations and interrogation of the integrity of the IT security of the supplier. We constantly risk assess our vendors, the personal data they process and the maturity of controls in relation to information security and data protection, and schedule periodic reviews of controls in place.</p> <p>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 and are audited to these standards.</p> <p>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. We employ a Data Protection Officer (DPO) who 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 throughout the business.</p> <p>Due to our hybrid working policy we continually assess the risks of remote access. We use Single Sign On and Multi Factor Authentication to ensure adequate protection.</p> <p>We work closely 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.</p> <p>We work closely with our product teams to review evolutions in our social strategy to ensure privacy by design in respect of all projects and iterations of existing projects.</p> | |
| 5 | Cyber | <p>The Group 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 this risk to become more difficult to manage as the tools and techniques used in such attacks become ever more sophisticated.</p> <p>The recent move of internal systems to the cloud brings further cybersecurity challenges. 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. This may result in bad actors stealing customer information, transaction data or other proprietary information. There is also a risk of infiltration of the Group's systems through cyberattacks carried out on third party vendors or contractors of the Group.</p> <p>There is a risk that internal resources will not have the necessary skills to ensure that data and systems hosted in the cloud will not be exposed due to inexperience or misconfiguration.</p> <p>There is a risk that insurance companies will impose limitations on cover to prevent adequate insurance protection in the event of a cybersecurity attack.</p> | <p>The Group expends significant resources to protect against cybersecurity breaches and regularly increase our security-related expenditures to maintain or increase our systems' security.</p> <p>Due diligence is performed on all third-party vendors to ensure that sufficient and appropriate security controls exist to protect Hostelworld data and systems.</p> <p>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 our corporate IT function.</p> <p>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.</p> <p>Procurement processes have been developed to ensure that third party onboarding includes thorough due diligence prior to the execution of agreements. Cloud-relevant training has been identified and internal resources continue to be upskilled in this area.</p> | |

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|---|--|---|---------------------|
| 6 | Financial | <p>The Group's activities expose it to a variety of financial risks. The Group's revenues and costs are impacted by rising inflation rates, which may also deter our customers from travelling.</p> <p>Foreign exchange movements may impact travel decisions and travel patterns by customers, as travel from one market into another (operating with a different currency) becomes more expensive. Furthermore, the Group is exposed to translation risk which occurs if the Group has a surplus or deficit in a foreign currency which changes in value over time.</p> <p>The Group has a €30m term loan facility in place with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The Group's term loan facility creates repayment obligations and covenants, reporting to the involved brokers and lenders, and requires constant monitoring of our leverage position and liquidity metrics. The facility bears an interest at a margin of 9.0% per annum over EURIBOR. Increases in interest rates increases the cost of the facility. Without a return to strong trading levels it is not certain that the Group can meet the covenants set out under the term loan facility agreement.</p> | <p>The Group proactively manages financial risk by seeking to minimise potential adverse effects on its financial performance.</p> <p>Foreign exchange movements may impact travel decisions and travel patterns by customers, but typically there is a degree of inherent hedging. In a normal trading environment, USD revenue receipts approximate related USD marketing outflows which mitigates FX translation risk. The Group minimises holdings of excess non-euro currency above anticipated outflow requirements.</p> <p>The Group has established a disciplined framework, including key ratios and KPIs, of forecasting and reporting which is regularly reviewed and challenged by management to ensure compliance with the loan facility's obligations and covenants, and affordability of repayment terms including interest.</p> | |
| 7 | Competition | <p>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.</p> <p>There is risk in relation to supply whereby competition from direct competitors, alternative accommodation operators, and disruptive new entrants may lead to a loss of key accommodation suppliers. They may achieve this through their ability to absorb revenue losses and/or additional costs in order to compete on price or bidding strategy, their ability to grow core inventory base (both in terms of property count and destination coverage), and their ability to enhance product features faster through depth of resources.</p> <p>There is risk posed by Google or other large market players broadening their offering and becoming a direct competitor.</p> <p>Changes in customer behaviour (for instance post COVID-19 a customer may prefer a private room to a public dorm) may lead to a loss in customer traffic and demand for our services and/or an increase in customer acquisition costs.</p> <p>There is a risk that the hostels on which we are reliant give their supply as exclusive inventory to our competitors.</p> | <p>Our primary mitigation is the execution of our strategy and to capitalise on our unique market position.</p> <p>We target new customer acquisition and grow the most profitable customer cohorts (with focus on Customer Lifetime Value/Customer Acquisition Cost) by optimising overall marketing investment.</p> <p>We strengthen the Group's core platform in order to improve its flexibility and the experience of our customers.</p> <p>We focus on expanding our global footprint, meeting emerging demand while also strengthening our overall product offering.</p> <p>We leverage the capabilities of our partnerships to ensure we are delivering best in class and the most advanced technology-based solutions for our customers and hostel partners.</p> <p>We evaluate strategic opportunities to diversify away from exclusive dependence on OTA business and develop a broader experiential based travel offering to our customers.</p> <p>We roll out commercial agreements to secure competitive rates and inventory across our property base. We make use of the "solo system" and "social cues" strategy to gain access to increased inventory and ward off other platforms from competing in this space.</p> | |
| 8 | IT Platforms and technological innovation | <p>Over recent years the ever-increasing pace of change of new technology, new infrastructure, and new software offerings have changed how customers research, purchase, and experience travel. Notable shift changes include mobile networks, mobile applications, meta-search providers, display advertising, and social communities.</p> <p>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.</p> <p>The Counter business currently sits outside the main Hostelworld.com development environment and needs to be consolidated which could mean a risk of disruption to service.</p> | <p>We focus on staying current with new trends in technology development and customer behaviour.</p> <p>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.</p> <p>We leverage the capabilities of partnerships to ensure we are delivering best in class and the most advanced tech-based solutions for our customers and hostel partners.</p> <p>The Group has continued with the ongoing modernisation of our underlying platform to enable us to support faster execution across our core platform. We will work on onboarding the Counter business into our Hostelworld development environment in 2023 so that it benefits from this modernisation and investment.</p> | |

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|--|--|--|---------------------|
| 9 | Third party reliance | <p>We rely on hostel accommodation providers to supply us with our inventory. The majority of our revenue is generated by hostels who are connected to third party channels. If these channels do not make required updates that allow hostels access our latest features, we may fall behind competitive offerings. If these parties suffer from an outage, it will lead to a potential loss in supply.</p> <p>Given COVID-19 and ongoing financial pressures, 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.</p> <p>We rely on a number of key third party providers in relation to systems and service 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.</p> <p>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.</p> | <p>We focus on maintaining good relationships with hostels and vendors.</p> <p>We work closely with hostel partners and hostel associations to monitor all key developments in the market. We regularly temperature check the sector both broadly through mass communications and surveys or using more focused means including face to face meetings or one on one calls to ensure that our recorded data is as up to date as possible.</p> <p>Risk assessment and due diligence controls are carried out in respect of each third-party provider. We try to identify alternative providers where possible which includes consideration of the effort of transferring services. Material vendors are subject to an annual business review, which is coordinated by the dedicated internal procurement function, where all key risk areas are reviewed. In addition, all vendor contracts and requests must be processed through the Group's purchasing & contract review process.</p> <p>For services providers we ensure 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.</p> <p>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.</p> | ◀▶ |
| 10 | Search engine algorithms | <p>A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches, and through the purchase of traffic from travel related user queries/searches (paid searches).</p> <p>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. We also use algorithms to determine the optimal bid (price) for each user acquisition.</p> <p>We risk being significantly behind in our marketing strategy. Particularly, in respect of paid searches, 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.</p> <p>Furthermore, the algorithms that determine our customer acquisition price are dependent on user level data that may not be provided where users do not consent. Since we are placing a bid for each relevant user query to be acquired, the granularity and precision is extremely important for efficient investment allocation.</p> <p>Changes and developments in the algorithms can happen in a rapid fashion and it is critical for Hostelworld to remain up to date.</p> | <p>The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in paid and non-paid searches.</p> <p>This in-house expertise is supplemented by the deployment of leading technology tools and their continuous development to align and match changes in search engine algorithms.</p> <p>The search marketing team works closely with Google to understand any changes in functionality to the Google Ads 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.</p> <p>We continue to enhance our skillsets in house and capabilities by partnering with third party vendors to enhance our search engine optimisation.</p> | ◀▶ |
| 11 | Climate change, sustainability and corporate social responsibility | <p>Climate change and sustainability continue to be areas of increased focus for the Group and are further evolving as areas of heightened concern with our internal and external stakeholders. There is a request for more accountability from our customers, employees, and other stakeholders as to what the Group is doing to limit its direct and indirect impact on climate change.</p> <p>Listing rule developments require tangible reporting on climate disclosures (by virtue of TCFD) including identified metrics and targets to measure the Group's progress on its sustainability journey. Other legal and regulatory requirements also impact reporting required from the Group and keeping abreast of all developments in the area is a key risk.</p> <p>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, and policy and regulation may affect the Group and results of operations.</p> <p>There is a risk that we do not meet shareholder expectations regarding our target setting and performance against creating a more sustainable operating environment.</p> <p>We also know that our consumer base feels strongly about making sustainable travel choices and our hostels look to us for guidance in the area of sustainability, requiring us to help to support this group of stakeholders.</p> | <p>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. We take climate risk into consideration in our forecasting and budgeting processes. Further detail is included on page 48 of the Viability Statement and page 63 within sustainability. For ESG and TCFD the related steerco's received specific training from a third-party provider. We also engage with third parties' specialists for additional support where required, including monitoring the environment for any changes in requirements that could affect the Group.</p> <p>As an e-commerce business based in five office locations around the world with 241 employees, whilst our Scope 1 and Scope 2 carbon footprint is relatively small, we recognise that the Group has a role to play in protecting our environment. We have set out the metrics and targets we use to monitor our footprint on pages 66 and 67.</p> <p>Our goal is to work with hostels on their own Staircase to Sustainability initiatives. We have begun to work on a hostel facing sustainability plan to address asks from both the consumer audience and the hostel partners. This work will see hostel efforts being showcased on the platform, allowing customers to see precisely what areas a hostel has made progress in. The first step in the execution of this work will be an educational programme for partner hostels to surface the bespoke framework we have created for the sector. We are also recognising efforts, in the areas of Community and Eco particularly, in our annual HOSCAR awards.</p> | ▲ |

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|---------------------|--|--|---------------------|
| 12 | Regulation | <p>Regulatory and legal requirements and uncertainties around these could subject the Group to business constraints, increased regulatory and compliance costs or otherwise harm our business.</p> <p>Our business is global and highly regulated. We are 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.</p> <p>The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) place an onus on the Group to disclose its compliance. The Group needs to stay aware of all future regulation and policy changes within sustainability.</p> <p>Payment Services Directive Two (PSD2) is an EU Directive that applies to payment services in the EU and regulates the authentication process for accepting credit cards, which the Group need to comply with. 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).</p> <p>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.</p> <p>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 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.</p> <p>The e-Commerce Directive currently means that the Group cannot be held liable for content merely published on its platform, however the Digital Services Act seeks to place greater obligations on companies in relation to content moderation as well as transparency reporting with the imposition of fines for non-compliance.</p> <p>As the Group’s social strategy evolves, the scope of content which may require moderation increases drastically. The development of social features also places greater focus on our GDPR compliance in relation to transparency, legitimacy of processing and data security and data retention.</p> <p>The Group is also subject to new sign-up regulations including the DAC 7 EU Tax directive. Any addition of new 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.</p> | <p>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. Suitably experienced resources have been engaged to ensure consumer compliance requirements, compliance with the Listing Rules, the UK Financial Reporting Council Corporate Governance Code and the Market Abuse Regulations.</p> <p>We have a clear TCFD governance structure in place, and we utilise third parties to monitor the landscape for any further climate and sustainability related changes which may impact the Group. The Group have been working with the Central Bank of Ireland to ensure the Group is compliant with the PSD2 EU Directive.</p> <p>We have appointed external insurance brokers to help us ensure we have the appropriate insurance in place on the best possible terms. In April 2022 we carried out an audit in conjunction with an independent insurance broker to ensure that our insurance policies and limits reflect the risk environment and reflect industry standard.</p> <p>We have expanded our ability to offer customers their preferred method of payment in the most efficient manner on all our platforms.</p> <p>The provisions of the Digital Services Act have been subject to a detailed review and the implications in relation to social functionality and customer review have been fully assessed and necessary processes are being updated in advance of statutory application.</p> <p>The wider legal framework is also kept under review pertaining to online safety and media regulation requirements.</p> | |
| 13 | Business continuity | <p>Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations.</p> <p>Failure of business continuity planning (BCP) could result in significant disruption to service.</p> | <p>As an e-commerce organisation, the Group’s BCP focuses 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.</p> <p>The ongoing modernisation programme of both Corporate IT and the website to cloud based services increases resilience to business interruption.</p> <p>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).</p> <p>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.</p> | |

Principal Risks and Uncertainties continued

| No | Category | Description and Impact | Management and Mitigation | Direction of change |
|----|----------------------|---|---|---------------------|
| 14 | Brand and reputation | <p>A central pillar of Hostelworld's strategy is the continued evolution of the app's social features which has functionality to fulfil the growing solo traveller market's need to meet other travellers. Given strict cost discipline in place, there has been reduced spend on brand marketing over the last two years. This has undoubtedly impacted both brand consideration within the existing audience and brand recognition for emerging audiences. The inability to quickly process customer refunds from the initial COVID-19 cancellations is also likely to have eroded existing customers' trust. Organic channels have declined in terms of reach and engagement since early 2020. The owned social media channels lost a huge audience and are seeing a slow rate of growth in terms of fans/followers.</p> <p>A successful cyberattack resulting in significant downtime or loss of data could cause reputational damage. If a cyberattack was realised there is a risk that the fallout both internally and externally could damage the reputation of the company causing customers to move to a competitor platform.</p> <p>Poor customer experiences can also impact brand damage. There are cases where a customer has a poor experience at the hostel, either through employee interactions or booking issues. It can be difficult for the customer to separate the experience in the hostel from the platform they booked with. With the expansion of our offerings, the scope for reputational impact from customer experiences increases, coupled with the ongoing trend of seeking redress in a public rather than a private forum.</p> <p>If Hostelworld is identified as an organisation that makes false claims about its Diversity and Inclusion or Sustainability activities, the reputational damage could be devastating. Greenwashing claims are a risk to any organisation that is reporting on its climate change and sustainability objectives and goals.</p> <p>Hostelworld may also face scrutiny in their response, as well as their speed of response, to developments in the greater geopolitical climate. Failure to respond in line with mainstream public opinion or a delayed response impacts companies brand and perceived integrity.</p> | <p>The paid marketing teams have continued to invest in promoting our app, specifically the new social features and encouraging targeted audiences to download the app. The brand marketing teams have worked to keep all owned channels functioning and active, ensuring that wherever possible we retain audiences. There has been a small investment in social media content creators who produce peer-to-peer video content. We are seeing a return on investment with increased engagement and a growing follower account across both TikTok and Instagram.</p> <p>An ongoing CRM strategy alerts the existing customer base to the social features at touchpoints throughout the customer journey.</p> <p>As an organisation we have communicated to customers via CRM and social media our stance on emotive issues such as the war in Ukraine, providing ways in which our customers can support hostels in impacted areas.</p> <p>We have external PR advisors supporting us to manage any corporate PR incidents. The crisis communications plan is being updated to reflect the use of external advisors.</p> <p>Hostelworld invest heavily in security controls to protect the platform and the network from malicious cyber activity. Regular reviews ensure that all controls are current and effective. The crisis communications plan has been updated to reflect the potential for a cyber security attack. We will use our external PR agency to minimise impact.</p> <p>We have put in place an ESG Steerco to oversee our sustainability agenda, and where needed we utilise third parties to mitigate against the risk of bad press including engaging with a reputable third-party South Pole on our climate neutral journey and using our public relation partner to review any sustainability material on our site, in press releases or in our annual report.</p> <p>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 which is regularly reviewed for relevance and requires input from senior management.</p> | ▲ |
| 15 | Taxation | <p>The Group can be subject to digital services tax (DST). Some countries have taken steps to introduce DST to address the issue of multinational businesses carrying on business in their jurisdiction without a physical presence and are therefore generally not subject to income tax in those jurisdictions.</p> <p>The Group can also be subject to new vat rules being implemented and new reporting requirements. Hostelworld currently operates a B2B (Hostelworld to Hostel) VAT model and are VAT registered in Ireland. Non-EU countries are introducing local rules in relation to electronically supplied services (ESS) whereby if a business does not have a VAT/GST number a B2C (Hostelworld to Traveller) relationship is assumed and VAT/GST should be charged on supply. The EU are introduced DAC 7 which increases the reporting requirement of digital platforms.</p> <p>There is an increase to the income and corporation tax risk profile of the Group due to the increasing global workforce footprint of the Group, the relocation of some executive leadership outside of Ireland, and the introduction of a 30-day work from abroad policy. A tax authority may consider a permanent establishment to exist in a country by virtue of some activity being carried on there. A tax authority may deem an employer to have a payroll withholding tax and social security obligation if an individual finds themselves personally tax resident in a country.</p> <p>The Hostelworld Group structure is driven by our Intellectual Property (IP). Ireland acts as the Group entrepreneur and directs the activities of the overseas service providers. Key functions, assets or risks undertaken/managed outside Ireland may cause tax leakage.</p> <p>If those tax authorities take a different view than the Group as to the basis on which the Group is subject to tax, it could result in the Group having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Group's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Group considers relevant.</p> <p>Changes to tax legislation or the interpretation of tax legislation, 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 made by national governments can result in additional material tax positions being suffered by the Group.</p> | <p>Our tax risk is managed by the employment of suitably qualified personnel and close engagement with big four tax advisors. 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. 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.</p> <p>A biannual review is performed with our tax advisors on DST and ESS, and their impact on our Group as trade and turnover (on which the tax is levied) continues to pick up.</p> <p>We are reviewing our internal processes and information gathered from the properties on our website to ensure compliance with local ESS regimes and the requirements of DAC 7 reporting.</p> <p>We closely monitor our global footprint and put the appropriate tax structures in place when applicable. We also monitor business travel and have in place a strict work from abroad policy.</p> <p>We approve where the key functions are located within the Group and align transfer pricing policies to reflect this.</p> | ◀▶ |

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, considering the Group's current financial position and the potential impact of the principal risks and uncertainties outlined on pages 33 to 45. The financial position of the Group, its cash flows, liquidity position and debt facilities are outlined in the Financial Review on pages 28 to 31.

The scenarios modelled represent severe but plausible circumstances that the Group could experience.

Preparation of 2023 budget and further four-year outlook:

The scenarios are modelled based on Board approved 2023 budget and further four-year outlook. Revenue and marketing cost projections have been developed by triangulating three different models, where each model output has helped to validate the others.

1. Regional level forecasting reflecting an easing of the remaining travel restrictions in place. From 2020 through 2022 we can evidence a correlated increase in revenue when borders reopen. We have assumed a full recovery to pre-pandemic booking levels in 2023 in our largest markets, with other markets taking longer. Forecasting at a regional level allows us to forecast specific bed prices, booking models, geographic mix and seasonality effectively in our modelling;
2. Channel mix between free and paid customers where assumptions are made based on volume of new customer acquisitions, cost of customer acquisitions and anticipated bookings based on marketing spend;
3. Modelling new and returning customers by using statistical models built using over 15 years of customer data. This rich customer cohort data set enables us to model recurring revenue streams, with a high degree of predictability. We layer in additional knowledge on new customer acquisition costs and expected economics between free and paid customers.

Forecasting at this regional and channel level also allows us to adjust for bed price inflation and cost of living pressures. These risks are somewhat mitigated as our target 18-34-year-old population typically have the means and the flexibility to travel, tending to view it as a 'rite of passage' rather than purely discretionary spend. Hostels are a cost-effective means to travel and our strategy focuses on customers connecting on a free platform that we provide.

We have assumed in Budget 2023 a modest contraction in our ABV year on year, provisioning for unit bed price deflation versus 2022 and increased volume from Asian markets where bed prices are lower. We have modelled modest price inflation in our operating costs.

Within our four-year outlook we unwind the recovery of the remaining travel restrictions in place. We have modelled our 2022 cancellation rate for each year (which we consider heightened due to the volume of flight cancellations and disruption in 2022 and the impact of the Omicron variant in Q1 2022). Over the four-year period we have assumed growth in revenue projections beyond 2019 volumes. This is underpinned by an improved modernised platform, a growth in return customer revenue volumes (which are statistically modelled), a growth in supply and the development of our social strategy.

We have not assumed any revenue from partnerships such as Roamies, Goki and Counter in our financial modelling.



Viability Statement continued



Consideration of climate related risks

Climate related risks can impact our business as a customer may not want to travel, a hostel may be forced to close, or an area is not accessible.

The budgeting process has incorporated all operating costs relating to our sustainability roadmap, as well as the cost of future emission reductions and offsets. Following an assessment completed by the Group, the budget does not contain any other liabilities, provisions or contingent liabilities relating to climate change. Revenue cashflows included in the budgeting process have captured, for example, the impacts of adverse weather conditions experienced by the Group in 2022 as we model based on historic run rates at a country and seasonal level. Any further decline in revenue growth rates which could impact the Group are represented by a specific viability scenario included below.

Within each viability scenario the Group have also considered the term loan facility covenants in place, relating to the Group's term loan facility with certain investment funds and accounts of HPS Investment Partners LLC (or subsidiaries or affiliates thereof), as disclosed within note 20 to the Financial Statements.

Assessment of viability period:

We initially assessed three years as an appropriate period of assessment, as evidence in respect of further years becomes less pervasive. As the repayment of the HPS debt facility occurs in early 2026 this period has been extended to four years in order to factor in this repayment. Therefore, for the current year, the Directors have determined a four-year period to 31 December 2026 as the appropriate period over which to provide its viability statement.

| | |
|--------------|--|
| Scenario 1 | Extended travel disruption resulting from of an event outside of the Group's control |
| Link to Risk | Macroeconomic risk |
| Consequences | <p>The Group has considered the impact to cash if an event were to occur that is outside of its control. This may include geopolitical conflicts and their associated impacts including further effects of the ongoing conflict in Ukraine, terrorist attacks, natural disasters or other adverse events outside the Group's control. Our scenario is based on such an event occurring involving a 25% decline in revenue and direct marketing costs but carrying the current level of operating costs for a 12-month period. The Group consider this an improbable scenario. In reality should demand decline we would cut our direct marketing spend and take additional cost cutting measures at our disposal for operating costs and development spend.</p> <p>Upon review of this scenario the group continues to have sufficient cash reserves to continue in operation.</p> |
| Scenario 2 | GDPR fine, cyber security breach or other major one-off cost |
| Link to Risk | Data security, cyber, regulation |
| Consequences | <p>There are two significant consequences for a GDPR breach:</p> <ol style="list-style-type: none">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 turnover, whichever is greater. <p>For the Group, the maximum exposure for a GDPR breach is €20m. The likelihood of this event is remote. The Group takes data protection very seriously and have 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 2025 (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 four years.</p> |
| Scenario 3 | Climate related disaster |
| Link to Risk | Climate Change, sustainability and corporate social responsibility |
| Consequences | <p>The Group has considered the impact of a climate related disaster. We have amended our cash flows to assess the impact of weather events which could realistically impact the Group.</p> <p>We focused our review upon our largest regional markets. In 2022 Europe accounted for 66% of our revenue (2021: 63%). Our scenario has been represented by a heatwave in Europe in the summer of 2023 resulting in the closure of all European hostels for the month of July. Furthermore, no corresponding reduction in marketing costs has been factored which would occur in practice. The Group consider a full month across the whole of Europe to be a very unlikely scenario with more sporadic and localised closures to occur in reality. However, the application of this extreme scenario shows that the Group continues to have sufficient cash reserves to continue in operation. There is significant headroom included in our models due to the disaggregated nature of our revenue.</p> |

Having considered these stressed scenarios and based on their assessment of prospects and viability above, the Board confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period ended 31 December 2026 while adhering to the 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 and on pages 149 to 152 within the Directors report.

Sustainability at Hostelworld



With over 60% of our target customers, Gen Z and Millennials, stating that they are likely to consider more sustainable travel options⁽¹⁾, sustainability is key to our strategy.

In June 2022 we commissioned research with Bureau Veritas which independently concluded that hostels are more sustainable than hotels⁽²⁾. In addition to this research, we worked with the Global Sustainable Travel Council ('GSTC') to adapt their sustainability criteria for the hostel category. We are currently working with Bureau Veritas to develop a sustainability measurement and management system which is tailored to the hostel sector which will be accessible for all hostels at differing points of their sustainability journeys. We want hostels, irrespective of their resources, to have access to straightforward criteria that enables them to make more sustainable choices in how they manage their properties. We will showcase the most sustainable hostels on our site and recognise their efforts through our 2023 HOSCARS programme.

Within the Group we focused on how best to identify and adopt ESG principles that are the best fit for our people and our culture. Our business model produces low carbon emissions by virtue of being an online marketplace. Changes in the business model in recent years have further reduced our carbon emissions as we introduced agile ways of working, exited our long-term lease arrangements and moved to smaller shared office locations and transitioned our platform from physical data centres to a cloud native infrastructure.

The first significant milestone in our ESG journey was achieved in July 2022 when we partnered with South Pole, industry leaders in developing projects around the world that reduce carbon emissions, protect biodiversity, and bring real benefits for local communities. Working

with South Pole we were certified as a climate neutral company⁽³⁾ in respect of 2021. This is a certification that we are proud of and demonstrates our commitment to reducing greenhouse gas emissions. In 2021 and 2022 we have offset our entire Scope 1, 2 and 3 emissions by working with South Pole, evidenced by obtaining a certificate of retirement from South Pole of the carbon credits. We have set an ongoing and enduring target of being certified as a climate neutral company on an annual basis.

Our increased focus on ESG has seen a fundamental shift in the way we evaluate business decisions and interact with our hostel partners and customers. A key goal for 2023 is to widen the involvement of our employees in our sustainability initiatives, and to continue to raise awareness internally as to the difference every colleague in Hostelworld can make in protecting our environment.

As we prepare to launch our 'Staircase to Sustainability' programme to assist hostels on their sustainability journey and further explore ways of working with our customers to help them travel more sustainably, we are excited about the real impact Hostelworld can make in this vital area.

Caroline Sherry

**Chief Financial Officer and
ESG Steering Committee Chair
21 March 2023**

⁽¹⁾ Expedia Group – 'Gen Z: The Key to Recovery and Rebuilding', October 2017

⁽²⁾ Bureau Veritas – 'Understanding the Carbon Impact of Hostels vs. Hotels' 2022

⁽³⁾ To be accredited with a climate neutral certification an organisation needs to measure their material emissions associated with their operations in line with GHG protocol, set a reduction target aligned with near-term science-based target requirements, finance climate action equivalent for any residual emissions through certified climate action credits, and disclosure of all details transparently. Hostelworlds climate neutral label for 2022 and 2021 was awarded by South Pole (www.southpole.com)

Sustainability continued

2022 milestones achieved:

Pioneering research

Given limited research in the area, in June 2022 we partnered with Bureau Veritas⁽⁴⁾ to perform a study to compare the carbon emissions of hostels compared to hotels. The research demonstrates that hostels are on average 75% less carbon intense (tCO₂e) on a per bed basis when compared to hotels⁽⁵⁾. These findings validate that hostels are the more sustainable accommodation choice compared with hotels for increasingly environmentally conscious travellers.

Our people

Our people are fundamental to our success, and we place great value on creating an engaging and inclusive culture, with a focus on health and employee wellbeing. We made significant progress across our social strategy in 2022, including being awarded bronze accreditation from Investors in Diversity, establishing mental health champions across our global locations and launching several new people policies including employee volunteering days. We have an ambitious roadmap of initiatives identified for 2023 which are included within Our People and Culture on pages 69 to 76.

Climate neutral

Hostelworld was certified as a Climate Neutral company by South Pole⁽⁶⁾ in July 2022 with respect to 2021, and again in January 2023 with respect to 2022. The certificate confirms and verifies that Hostelworld has met the necessary requirements to achieve climate neutrality, including measuring the material emissions associated with its operations in line with the GHG Protocol, setting a reduction target aligned with near-term science-based target requirements, financing climate action equivalent to its residual emissions through certified climate action credits and disclosing these details transparently. Detail on Hostelworlds total carbon footprint and offsets made by the Group for unavoidable emissions are included on pages 64 and 65.

Hostelworld is committed to maintaining its climate neutral status on an ongoing basis and we will engage a third party to assess and certify our status each year. In 2021 we set an absolute emissions reduction target to reduce our Scope 1 and 2 emissions by 42% by 2030 which we achieved in 2022⁽⁷⁾. Following work completed in recent years to reduce our emissions, we have set a target to maintain our current level of Scope 1 and 2 emissions which takes into account future growth of our organisation. We are cognisant that our Scope 3 emissions will increase as our organisation grows, primarily through purchased consumables and business travel. We have included further detail on our targets for Scope 1, Scope 2 and Scope 3 emissions on pages 66 and 67.

2023 sustainability initiatives:

Delivering on our 2023 initiatives is central to our strategy and the related costs to complete and adopt have been included in our budgets and forecasts.

Staircase to Sustainability

A key part of our future focus on sustainability will be to design and implement a programme to help our hostel partners make and monitor progress towards more sustainable operations. Some of our hostel partners are making sustainability a priority through their own projects, with 56% already working on sustainability initiatives and a further 37% confirming that they are interested in getting involved in sustainability programmes⁽⁸⁾.

A key initiative is the United Nations UNWTO sponsored Global Tourism Plastics Initiative (GTPI) focus on enabling key tourism stakeholders such as hostels to lead by example in the move towards a circular economy of plastics. We are working with our hostel partners to encourage them to subscribe to this initiative and guide them through reducing plastics throughout their operations. Our goal is to create a distinctive sustainability framework specifically for the hostel sector.



To further this goal, we have been working closely with our hostel partners, the Global Sustainable Tourism Council (GSTC), an independent body that establishes and manages global standards for sustainable travel and tourism, and a number of other relevant bodies to build out a set of relevant sustainability criteria based on the GSTC criteria which hostels will be encouraged to adopt. We are exploring ways to increase hostel adoption of the criteria within the framework and capture hostels compliance in a standardised, user-friendly and low-cost way, appropriate to the size and means of the small businesses that make up much of our hostel partner category. We have developed explanatory literature for hostels to clarify the purpose and outcome of the framework which will be followed by formal training. We are also launching a monthly sustainability newsletter to hostels to showcase, enhance engagement and promote sustainable hostel initiatives. Our efforts have been focused on ensuring simplicity from a hostel perspective by incorporating the GTPI principles in the sustainability criteria.

As part of our 2023 HOSCARs hostel awards programme we are including two additional categories focused specifically on ESG achievements.

Hostelworld product experiments

Embracing sustainability is a new challenge for us all. We are focused on experimenting in this area to explore which products can make a meaningful impact.

We are currently conducting customer travel emissions offset experiments to assess the adoption rate if we provided customers with the option to offset their own

hostel stay emissions on checkout from the Hostelworld website. As this is an experiment, Hostelworld will pay for all offsets where a customer opted to use the functionality. We look forward to reporting on the outcome of this work. Ultimately, where an experiment is successful, it will be added to future product roadmap offerings.

Our people

One of our key priorities for 2023 is to improve our overall employee engagement score by continuing to make progress across our social strategy pillars of D&I, health and wellbeing, career development and charity giving and volunteering. In addition, we are planning a series of fireside chats, educational workshops and guest speakers to inform our employees about the impact they can make on the environment, and the role that Hostelworld can play.

Following the securing of bronze accreditation from Investors in Diversity in 2022, we have set a target to achieve silver accreditation in 2023.

Charity giving and volunteering is a focus area and aligns closely with our core values to Build a Better World. We encourage our employees to take advantage of the five volunteering days available to all employees, and the Group will assess how it can further its work with local charity partners and communities. Further detail is out set within Our People and Culture report on pages 69 to 76.

⁽⁴⁾ Bureau Veritas is a world leader in laboratory testing, inspection and certification services. Website: www.bureauveritas.com
⁽⁵⁾ The data was compiled by independent laboratory testing, inspection and certification services provider, Bureau Veritas, including hostels with 27,509 beds across Europe and was benchmarked against a sample of the average emissions per bed in representative European hotel chains. Bureau Veritas examined data in 2019, 2020 and 2021, with 2019 figures represented as the benchmark given capacity constraints during ongoing periods of Covid-19 travel restrictions in 2020 and 2021. Findings show that average carbon emissions per bed in hotels averages at 1.18 tCO₂e, compared with 0.30 tCO₂e in the hostels surveyed as part of the study. tCO₂e measures in metric tons the carbon dioxide equivalent of Scope 1 and Scope 2 emissions of the hostels and hotels studied. Study source: www.bureauveritas.co.uk/hostelworld-carbon-impact-analysis
⁽⁶⁾ To be accredited with a climate neutral certification an organisation needs to measure their material emissions associated with their operations in line with GHG protocol, set a reduction target aligned with near-term science-based target requirements, finance climate action equivalent for any residual emissions through certified climate action credits, and disclosure all details transparently. Hostelworlds climate neutral label for 2022 and 2021 was awarded by South Pole. Website: www.southpole.com
⁽⁷⁾ The conformity of the reduction and offsetting strategy was completed using the GHG Protocol, the Science-Based Targets Initiative (SBTi) criteria, and PAS 2060 to ensure the highest climate standards were met. Hostelworld is defined as a Small to Medium Enterprise for the purposes of the SBTi criteria (<500 employees), a reduction target for Scope 3 emissions is not required.
⁽⁸⁾ Based on Hostelworld internal market research with hostels entitled "Hostel Sustainable Survey" in March 2022 which had 400 global hostel respondents

Sustainability continued

Task Force on Climate-related Financial Disclosures Statement

The following table summarises the elements of the TCFD framework, the work we have completed to date in relation to each TCFD recommendation, and future actions we are committed to taking. Further detail is included within this report.

| Governance | | |
|--|---|---|
| TCFD Focus Area | Recommended disclosure | Disclosure overview |
| Disclose the organisation's governance around climate-related risks and opportunities | <p>Describe the Board's oversight of climate-related risk and opportunities</p> <p>Describe management's role in assessing and managing climate-related risks and opportunities</p> | <ul style="list-style-type: none">Board and Audit Committee oversight and review of climate-related risks and opportunities biannually.Audit Committee responsibility to review and approve TCFD content in annual report.An ESG Steering Committee, led by the CFO, meets monthly and provides updates to the board at each scheduled board meeting.Roles and responsibilities and Terms of Reference of Board and applicable Committees were updated to reflect consideration of climate related risks in 2021 and reviewed annually.Sustainability training provided (including climate related risk training) at ESG Steering Committee level with a future training programme to be delivered.Further detail on governance is set out on page 56. |
| Strategy | | |
| TCFD Focus Area | Recommended disclosure | Disclosure overview |
| Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material | <p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term</p> <p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</p> <p>Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p> | <ul style="list-style-type: none">A summary of our Risk and Opportunity Register is set out on pages 57 to 62.The output of the Register has been integrated into our Hostelworld strategy, where the Group is committed to promoting hostels as a sustainable accommodation option, and to assist customers and hostels on their sustainability journeys. Please see references to sustainability and our strategy set out in our Chairman's Statement on pages 19 and 20, our CEO Statement on pages 26 and 27 and within this sustainability section on pages 52 and 53, and pages 63 to 67.Following completion of specific climate change related scenario reviews, we have not identified a material risk to the viability of the company. Detail is included on page 63. An annual reassessment of our scenario analysis will be performed, and a viability scenario has been included in our going concern assessment on page 49. |
| Risk Management | | |
| TCFD Focus Area | Recommended disclosure | Disclosure overview |
| Disclose how the organisation identifies, assesses, and manages climate-related risks | <p>Organisation's processes for identifying and assessing climate-related risks</p> <p>Organisation's processes for managing climate-related risks</p> <p>Processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</p> | <ul style="list-style-type: none">An assessment of climate-related risks over short, medium and long term was performed and linked to existing risk categories. See detail on pages 57 to 60.Climate related risks and opportunities were reviewed in the same manner as our main Risk Register, and the Group continue to look at ways of aligning internal processes with the recommendations of the TCFD. |
| Metrics and targets | | |
| TCFD Focus Area | Recommended disclosure | Disclosure overview |
| Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material | <p>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p> <p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p> | <ul style="list-style-type: none">South Pole engagement to calculate and verify emissions assessed by Hostelworld Group. Scope 1, 2 and 3 emissions are set out on pages 64 and 65.Science-based emissions reduction targets disclosed for the Group for Scope 1 and 2 emissions. Detail and additional metrics and targets are set out on pages 66 and 67.Targets set by the Group focus on what is controllable by the Group with an emphasis on our emissions, offsetting any residual emissions that cannot be reduced, employee engagement and providing sustainability focused products and services for our customers and hostel partners. |

Sustainability continued

Listing Rule 9.8.6R Compliance Statement

Hostelworld Group plc has complied under the ‘comply or explain’ requirements of LR 9.8.6R by including climate-related financial disclosures in this section (and in the information available at the locations referenced therein) consistent with the TCFD recommendations.

Governance structure:

The governance structure for TCFD was set out in the 2021 annual report. Following a review completed during 2022, no significant changes were required. The Remuneration Committee amended its Terms of Reference during 2022 to permit consideration by the Remuneration Committee of ESG related performance metrics and targets as part of remuneration and reward programmes in the Group.

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 related risks 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. The Board takes overall responsibility for identifying the nature and extent of the climate related risks and opportunities to be managed by the Group to ensure the successful delivery of its strategic and business priorities. The Board received and considered updates on climate-related issues at each scheduled meeting during 2022 (9 scheduled Board meetings held in 2022). The Audit Committee considered climate-related risk and opportunity issues at two of the three Audit Committee meetings held in 2022.

The Audit Committee is responsible for reviewing and approving the content of our TCFD disclosures and for reviewing the Group’s climate related Risks and Opportunities Register twice yearly. The Audit Committee is also responsible for monitoring the development of climate-related risk metrics and targets and performance against these targets that will be set by the Group on an on-going basis.

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 related risk and opportunity management strategy set by the Board.

Our functions support the business in achieving their climate related risks and sustainability targets. Public relations communicate our climate related risks and sustainability strategy to external stakeholders. Group finance educates the business on how to understand the financial impacts of climate related risks and opportunities, produces external ESG metric reporting and prepares annual report disclosures that align to the recommendations of TCFD.

A TCFD steering group, chaired by the CFO, 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. The TCFD steering group received specific training on ESG and TCFD from a leading consultancy in 2021 and 2022 and keeps up-to-date on regulatory requirements through access to external advisors and attendance at external briefings hosted by ESG and TCFD subject matter experts.

We have included TCFD and broader ESG compliance training for our employees, our hostel partners and for our Non-Executive Directors as part of our 2023 sustainability initiatives.

Identifying and managing climate related risks and opportunities:

Commencing in H2 2021, each half year a robust assessment is performed of the climate related risks and opportunities affecting the Group. The Group risk assessment process is set out on page 33.

Summary of risks identified:

| Increased weather events | |
|---|---|
| Risk/Opportunity | Risk |
| TCFD type | Physical acute |
| Financial impact to Hostelworld | Hostelworld would experience reduced revenue for increased weather events mainly because customers would be unable to travel and there may be an impact to supply for the hostels impacted in the location. |
| Description of risk | Extreme weather events (hurricanes, flooding) impacted travel in the impacted areas. |
| Time horizon* | Short to medium term (assuming that hostels would have the ability to reopen). |
| Likelihood of event occurring | We consider this a likely event with an increasing risk as evidenced by recent weather events. |
| Mitigation in place in Hostelworld | Hostelworld has a diverse customer base and operates across a wide number of geographical locations. Our target 18-34-year-old population tend to be flexible as to travel destination. Should an event occur, we will experience a short-term impact to revenue in the specific location as customers change their travel plans. We know that our customers are flexible and want to travel – if they are unable to travel to a particular country or place we have evidence from studying historic booking behaviours that demand moves elsewhere. Our largest costs relate to direct marketing. We have full flexibility over our cost base to match direct marketing costs to demand very quickly. |
| Potential financial impact taking into account likelihood and mitigation in place | Low driven by the disaggregation of our revenue and the high volume of bookings/customers. We have evidenced through our scenario analysis on page 63 the impact to our overall revenue if such weather events occurred. |



Sustainability continued

| Longer term shifts in climate patterns | |
|---|---|
| Risk/Opportunity | Risk |
| TCFD type | Physical chronic |
| Financial impact to Hostelworld | Hostelworld would experience reduced revenue for increased weather events mainly because customers would be unable to travel and there may be an impact to supply for the hostels impacted in the location. A location may change from being a desired destination by our customers. |
| Description of risk | Sustained higher temperatures that may cause sea levels to rise and/or chronic heat impacting travel in the impacted areas. |
| Time horizon* | Long term assuming this reoccurs for hostels in specific locations each year or hostels are permanently shut. |
| Likelihood of event occurring | We consider this a likely event with an increasing risk as evidenced by recent weather events. |
| Mitigation in place in Hostelworld | <p>Hostelworld has a diverse customer base and operates across a wide number of geographical locations. Our target 18-34-year-old population tend to be flexible as to travel destination. Should a shift in climate patterns occur we will experience an impact to revenue in the specific location as demand falls for the location impacted.</p> <p>To counter the risk, we know that our customers are flexible and want to travel – if they are unable to travel to a particular country or place we have evidence from studying historic booking behaviours that demand moves elsewhere. Where there is a severe weather event and demand does move to a new location, hostels have a relatively low set up cost from a physical structure and regulatory perspective compared to other accommodation solutions.</p> <p>Our largest costs relate to direct marketing. We have full flexibility over our cost base to match direct marketing costs to demand very quickly.</p> |
| Potential financial impact taking into account likelihood and mitigation in place | <p>Low driven by the disaggregation of our revenue and the high volume of bookings/customers.</p> <p>We have evidenced through our scenario analysis on page 63 the impact to our overall revenue if such weather events occurred. A number of locations would need to be impacted at the same time with 100% hostel closure for the financial impact to be considered as medium or high.</p> |

| External policy changes | |
|---|---|
| Risk/Opportunity | Risk |
| TCFD type | Transitional |
| Financial impact to Hostelworld | Increased compliance cost as the Group stay up to date with regulatory changes and resulting impacts on the Group. |
| Description of risk | Policy actions that attempt to constrain actions that contribute to adverse effects of climate change or policy can impact us. We may also be subject to climate related litigation claims. |
| Time horizon* | Short (covering upcoming potential climate-related regulatory changes which have immediate increased compliance for the Group), and medium and long term to capture future changes. |
| Likelihood of event occurring | Unlikely |
| Mitigation in place in Hostelworld | We utilise third parties to monitor the landscape for any regulatory changes which may impact the Group. To date no legal actions have been taken against corporates who operate the same model as we do. |
| Potential financial impact taking into account likelihood and mitigation in place | <p>We consider this low given the nature of the Group's operations.</p> <p>The financial impact of this risk is included within our existing advisory and consultancy fees budgeted within our operating costs.</p> |

| Demand change | |
|---|---|
| Risk/Opportunity | Risk |
| TCFD type | Transitional |
| Financial impact to Hostelworld | Hostellers typically go on trips comprising multiple destination and they can go on multiple trips each year. Customers may opt not to travel in order to be more sustainable. Fewer travelling customers would mean reduced bookings and lower ABVs (lower demand) which would impact Hostelworld revenue, products and services. |
| Description of risk | Shift in supply/consumer demand for certain commodities, products, services. |
| Time horizon* | Medium to long term |
| Likelihood of event occurring | Unlikely |
| Mitigation in place in Hostelworld | We have published research in 2022 with Bureau veritas to show that hostels are a more sustainable option than hotels. We consider that this risk evolves to an opportunity to establish credentials as a Group that is concerned with its broader responsibilities. We want to assist hostels on their own sustainability initiatives. We want to allow a customer to search for the most sustainable hostel options on our site. |
| Potential financial impact taking into account likelihood and mitigation in place | <p>Low – as one of the largest hostel OTAs in the world we have the means to target our message to customers. Our core product is more sustainable than alternatives.</p> <p>The financial impact of a change in customer demand is considered to be included within the scenario presented in our viability statement on page 49. The scenario sets out the impact to the Group of no revenue for a full month at high season in our largest market, Europe. This represents an extreme scenario of what a reduction in revenue due to climate change can have on the Group.</p> |

Sustainability continued

| Technology | |
|---|--|
| Risk/Opportunity | Risk |
| TCFD type | Transitional |
| Financial impact to Hostelworld | Increased operating cost associated with sustainability initiatives and tracking of metrics/targets may distract resources from revenue products. |
| Description of risk | Group may not stay ahead of technology improvements and innovations that support the transition to a lower-carbon, energy efficient economic system. |
| Time horizon* | Short term to capture immediate work needed by our technology team to deliver our “Staircase to Sustainability” initiative with hostels, and medium to long term as we stay ahead of pace of change in technology. |
| Likelihood of event occurring | Unlikely |
| Mitigation in place in Hostelworld | <p>Our core teams are in a structured process of developing and launching product features and enhancements. Given our core function as a technology company we are best placed to adopt our products to demand.</p> <p>We operate offices in a small number of locations in Dublin, Porto, China and Australia which allows us to track and measure emissions accurately. All reporting for these entities is performed centrally in Dublin and we do not need a robust technical solution.</p> |
| Potential financial impact taking into account likelihood and mitigation in place | <p>Low – as a technology company we can evolve products with our own development team.</p> <p>As such this risk has a negligible financial impact given existing development staff in place with allocated time on 2023 roadmaps.</p> |

| Reputation | |
|---|--|
| Risk/Opportunity | Risk |
| TCFD type | Transitional |
| Financial impact to Hostelworld | <p>If Hostelworld is identified as an organisation that makes false claims about its Sustainability activities, the reputational damage could be devastating and could impact revenue, supplier and employee relationships and investor relations.</p> <p>There is an increased regulatory and PR cost to Hostelworld to monitor this risk.</p> |
| Description of risk | Greenwashing claims, changing customer or community perceptions of organisations contribution to sustainability. |
| Time horizon* | Short, medium and long term |
| Likelihood of event occurring | Unlikely |
| Mitigation in place in Hostelworld | <p>We have used third parties to support work undertaken where possible. We have partnered with South Pole in relation to our climate neutral accreditations.</p> <p>We commissioned research on an assessment of whether hostels were a sustainable way to travel with independent company Bureau Veritas.</p> <p>Our sustainability framework is based on the principles set out by the GSTC.</p> |
| Potential financial impact taking into account likelihood and mitigation in place | We consider that the risk to our reputation would be low as we are not large Scope 1 and Scope 2 carbon emitters and we are uniquely positioned to assist customers and hostels on their own sustainability journeys. However, any brand damage in the area would easily exceed €1m, the nature of scope 3 emissions is constantly under review and our investors and employee could easily consider that we are not doing enough. With this in mind we have categorised the risk as high. |

* 0-3 years short term which aligns to our viability assessment on page 48, 4-10 years medium term, 10+ long term
** Low < €1m, Medium >€1m, High >€5m

Summary of climate related opportunities identified:

| Using resources efficiently and ways of working | |
|---|---|
| Risk/Opportunity | Opportunity |
| TCFD type | Technology/People |
| Financial impact to Hostelworld | Reduced cost base |
| Description of opportunity | Focus on reducing emissions of everyday activities and using resources more efficiently. Continuing to promote flexible non-office based ways of working. There is an opportunity for customer, hostel and employee training and education through townhalls, social media, hostel conferences and intranet pages shared with hostels. |
| Time horizon* | Short term |
| Likelihood of event occurring | Likely |
| Mitigation in place in Hostelworld | <p>We operate a low emissions environment and as such the opportunity has low impact on direct operations of the Group. Scope 1 and 2 emissions have been reduced in 2022 to nominal volumes.</p> <p>We utilise shared office locations across our office presence in Dublin, London and Australia. We are moving to a shared office space in Porto in Q1 2023.</p> <p>We have already taken practical steps to reduce our impact on the environment where possible where employees work in the office, including reducing our reliance on printing by promoting a paperless office environment, encouraging third parties to do everything electronically, including invoicing and contracting (using DocuSign), putting provisions in place to promote recycling across all our office locations, focusing on energy and natural resource conservation e.g., our offices have stop taps for water consumption and controlled lighting and air conditioning.</p> <p>We have HR policies in place to support flexible methods of working to allow people to work from home and avoid emissions of commuting.</p> <p>We will continue to monitor and make changes to maintain our low emissions. Maintaining our current level of Scope 1 and Scope 2 emissions will be central to future decision making.</p> <p>We also have an opportunity to further educate our employees on the positive impact that they can make by participating in ESG and sustainability initiatives.</p> |
| Potential financial impact taking into account likelihood and mitigation in place | <p>Medium. There is a challenge in particular to manage our Scope 3 emissions as the Group grows. Scope 3 understanding and reporting is evolving on a global basis. When the financial impact to HWG is understood better we will include this in future reporting.</p> <p>For scope 1 and Scope 2 the financial impact is negligible given the low direct emissions of the Group.</p> |

Sustainability continued

| Hostel support | |
|---|--|
| Risk/Opportunity | Opportunity |
| TCFD type | Market |
| Financial impact to Hostelworld | Wages and salaries commitment. Increase in revenue. |
| Description of opportunity | Support hostels on their sustainability initiatives regardless of what stage they are at on their journey – award and showcase, Stairway to Sustainability programme, ESG/sustainability badges. |
| Time horizon* | Short to medium term |
| Likelihood of event occurring | Likely |
| Mitigation in place in Hostelworld | High impact – We can promote sustainable hostels on our site and educate hostels on sustainable practices. Hostelworld is also uniquely positioned to assist hostels with the measurement of their emissions, assist them on their journeys to be audit ready and have the ability to apply to obtain formal certification. |
| Potential financial impact taking into account likelihood and mitigation in place | Medium (hostels more sustainable than hotels – unique proposition). Further detail on the financial impact set out on page 63. |
| Products offered | |
| Risk/Opportunity | Opportunity |
| TCFD type | Market |
| Financial impact to Hostelworld | Wages and salaries commitment for our technology development squad and PR team. Increase in revenue. |
| Description of opportunity | Development of low emission goods and services (or goods and services which are aligned to the goal of lower carbon emissions) to accommodate shift in consumer preference, possible increased revenue. |
| Time horizon* | Short to medium |
| Likelihood of event occurring | Likely |
| Mitigation in place in Hostelworld | Undertake experiments to understand the popularity of additional feature offerings. Examples include offering the ability for customer to offset at checkout, leveraging our new Linkups feature within our social platform for hostel ESG events, allowing eco chats and Hostelworld focused social media campaigns. |
| Potential financial impact taking into account likelihood and mitigation in place | Medium (our customers are sustainability conscious). Further detail on the financial impact for increase in revenue set out on page 63. Wages and salaries has a negligible financial impact given existing development staff in place with allocated time on 2023 roadmaps. |

* 0-3 years short term which aligns to our viability assessment on page 48, 4-10 years medium term, 10+ long term
** Low < €1m, Medium >€1m, High >€5m

Scenario analysis

Scenario analysis helps us to understand the potential impact of climate change on our business and to inform our business strategy and financial planning. Climate change has the potential to impact our business to varying degrees by impacting consumer behavior and supply of hostels.

An annual reassessment of our scenario analysis will be performed, and a viability scenario has been included on page 49.

The most difficult risks to analyse are the impact of physical risks relating to increased extreme weather events and longer shifts in climate change on our revenue streams. Hostelworld is diversified across a wide range of customers and geographies. To establish that we are not dependent on any individual market which if impacted would compromise the commercial viability of our business, we performed an assessment at country level of the physical impacts of climate related risks and what, in the absence of any mitigation, the impact would be on Hostelworld turnover for changes in consumer behaviour and hostel supply as a result of climate change. In performing the scenario analysis, we have utilised thirty party data sources - The International Energy Agency and The Intergovernmental Panel on Climate Change (data sources recommended by the TCFD published guidance) – to establish the four scenarios set out below. We have based our analysis on 2019 revenue data generated by hostel which is the last complete year of normal trading, not impacted by COVID-19. The scenarios described below are not considered realistic scenarios of how climate change would impact the Group. We assume in each scenario that a hostel will be closed for the referenced period reducing our revenue. There are no mitigation steps involved in our scenario analysis – for instance we have not considered that a customer may travel to an alternative location if their intended destination has been impacted or that only some hostels may be impacted.

We have also not included any upside from opportunities to increase revenue through our Staircase to Sustainability initiative with hostels or from our opportunities presented to work with sustainability conscious customers. As our sustainability programme evolves, we will collect data points on whether such a scenario would impact our revenue in a positive way and include the financial impact of these opportunities in future reporting.

We reviewed four scenarios as follows:

- 1. Global warming** – We considered 1 week, 5 week and 13-week closures of all hostels across all locations in Northern Hemisphere, Northern and Western South America and Central America. Total potential revenue loss if all hostels were impacted at the same time for the exact same duration ranged from 1.4% to 13.6%.
- 2. Flooding** – We considered revenue loss if hostels were closed and unable to open in locations across Brazil, China, Hungary, India, Indonesia, Mexico and Thailand. 8.9% of the Group's revenues would be impacted negatively based on the assumption that hostels were permanently shut in all impacted regions.
- 3. Drought** – We reviewed a scenario whereby hostels in the Mediterranean, Australia, India, South Africa and Thailand were impacted through hostel closures across different time horizons. To assume 100% of closures of all hostels in impacted regions, including cities and towns, on a two week to a ten-week timeframe would result in a loss to Group revenue of 1.2% to 5.8%.
- 4. Tropical cyclone** – We reviewed a scenario involving a hurricane, typhoon or cyclone impacting countries in East Asia, North America and India. To assume all hostels were destroyed and unable to open would negatively impact 8.7% of revenue.

On an overall basis we concluded that due to the diversified range of the Group's customers and geographies the Group is expected to remain viable in the scenarios considered. Trading performance is negatively impacted, and revenue is depleted, but not to a point where the Group is not viable. We also considered a specific scenario in our viability statement on page 49 where we assessed the impact to the Group if 25% of European (our top destination) revenue is impacted.

Evolution of strategy

We will continue to invest and market with third parties who can help the promotion of the hostel sector as a sustainable way to travel. We will work with hostels on their own sustainability journeys, showcasing their efforts and allowing customers to identify them easily on our site.

We will review our product offering and continue to conduct experiments to assess what further positive impact we can make in the sustainability space. We will include details on the outcomes of any experiments conducted in future reporting.

Sustainability continued

We will focus on internal measures to continue to reduce our own physical footprint and enhance our employees’ awareness of how they can have a positive impact on the environment. We are committed to ensuring that future decisions made on vendor selection, employee working arrangements, and product releases take account of the impact on the environment.

Greenhouse gas emissions statement

Greenhouse Gas (“GHG”) emissions for the financial year ended 31 December 2022 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, emission factors from Defra and UK Government conversion factors for Company Reporting (2018) to calculate the

disclosures, where they are not separately disclosed by a supplier. Our emissions are impacted by the size of our business, which is driven by our global headcount and office footprint. Accordingly, we have chosen to use an intensity ratio measured on emissions per €m of net revenue in order to put the GHG in appropriate context for the size of the business, and all related references to reductions are intensity-based emission reductions.

We are reporting on the emissions of CO2 generated by the business and the energy consumed by the business. Given that Hostelworld does not have operational control over the hostels on its platform and does not have access to data points on customers’ means of travel, emissions produced by hostels and customers travelling to hostel destinations are not included in the footprint.

The below table shows the total tonnes of carbon emissions generated by Hostelworld.

| | 2022* | 2021* | 2020 | 2019 |
|---|--------------|------------|------------|------------|
| Scope 1 – Direct emissions from operations | – | 1 | – | – |
| Scope 2 – Indirect emissions from energy usage | 15 | 72 | 127 | 134 |
| Scope 3 – Indirect emissions primarily from purchased consumables and employee travel | 1,576 | 542 | 62 | 782 |
| Total | 1,591 | 615 | 189 | 916 |
| Intensity Ratio (tCO ₂ e/€m) | 6.5 | 2.7 | 12.3 | 11.4 |

* Calculated and verified by South Pole. 2021 Scope 1, Scope 2 and Scope 3 emissions have been restated to reflect a review performed by South Pole. Following their review Hostelworld completed reclassifications for leased offices and recognised additional purchased consumables where we had previously just counted for employee travel. In the 2021 annual report, emissions were disclosed as follows: Scope 1 nil, Scope 2 78.9 tonnes and Scope 3 24.6 tonnes.

Scope 1 – All direct GHG emissions. Hostelworld has limited Scope 1 emissions. We do not have any company cars and we do not own any buildings.

Scope 2 – All indirect emissions due to consumption of purchased electricity, steam, light and heating. For Hostelworld Scope 2 emissions relate to rented locations in China and Portugal driven by market based purchased electricity.

Scope 3 – Hostelworld Scope 3 emissions are driven by purchased goods and services (primarily direct marketing costs and cloud costs), any capital goods purchased (laptops), employee business travel, employee commuting and upstream leased assets for our other locations.

The most significant contributor to Hostelworld’s total emissions is purchased goods which makes up 81% of total emissions (2021: 67%) of total emissions, primarily direct marketing services purchased from a third party.

We have excluded the investment made by the Group in Goki Pty Limited where the Group maintains a minority shareholding. Emissions attributable to Goki are outside Hostelworld’s limited operational control and, in any event, Goki’s has a limited impact on total emissions.

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.

| | 2022* | 2021* | 2020 | 2019 |
|--------------------------------|----------------|----------------|----------------|----------------|
| Energy usage – UK | 6,423 | 36,296 | 192,434 | 177,365 |
| Energy usage – other locations | 110,324 | 189,412 | 247,721 | 323,587 |
| Total energy usage | 116,747 | 225,708 | 440,155 | 500,952 |
| Proportion consumed in UK | 5% | 16% | 44% | 35% |

* Calculated and verified by South Pole

In respect of calculations made for 2022, South Pole extrapolated from 10 months of data (January to October 2022) to calculate 12 months of data (January to December 2022) where the information was not fully available.

In order to be climate neutral Hostelworld has offset the total Scope 1, 2, and 3 emissions from 2022 (1,591 tCO₂e) and 2021 (615 tCO₂e). Hostelworld has obtained a certificate of verified carbon unit reduction for all offsets made. The verified carbon standard (VCS)⁽⁹⁾ certificate provided to Hostelworld by South Pole is fully auditable with specific serial numbers for the particular offsets Hostelworld have purchased.

Carbon emissions reduction target:

Working with South Pole, Hostelworld committed to an absolute minimum reduction between the base year (2021) and target year (2030) of 42% for Scope 1 and Scope 2 emissions. Given that Hostelworld is considered an SME (<500 full-time employees) it was required to set an emissions target covering 95% of its scope 1 and 2 emissions as set out under the Science-Based Targets Initiative (SBTi) criteria.

When South Pole was engaged, Hostelworld used the most recent and representative GHG inventory, which established 2021 as the base year for ongoing calculation of target achievement. Emissions had reduced from 2020 to 2021 driven by the introduction of flexible ways of working where working remotely reduced commuting and office running costs, exiting our long-term lease for our Dublin headquarters to move to shared service space and moving from maintaining the Group’s data in a physical data centre to the cloud. COVID-19 also meant that business travel was significantly reduced.

When target setting work was completed in 2021, 2030 was established as the target year for achieving a 42% reduction in Scope 1 and Scope 2 emissions. The targets were set by using the GHG Protocol, the SBTi criteria, and PAS 2060 to ensure the highest climate standards were met. In 2022 scope 1 emissions have reduced by 66% from 0.07 tCO₂e to 0.02. Scope 2 emissions have reduced by 79% from 72 tCO₂e to 15 tCO₂e. We are delighted to report that the target of 42% reduction was obtained in 2022.

In circumstances where we are a SME for the purposes of the SBTi criteria (<500 employees), a reduction target for Scope 3 emissions is not required. Notwithstanding, Hostelworld has committed to measure Scope 3 emissions where possible and take other measures to minimise the impact of Scope 3 emissions (as set out on page 56). Targets established take into account future growth of the Group where Scope 3 emissions will increase for purchased consumable and employee travel, compared to when the Group had minimal activity through COVID-19.

⁽⁹⁾ The Verified Carbon Standard (VCS) Programme is one of the worlds most widely used GHG crediting programme.

Sustainability continued

Metrics and targets:

The following metrics will be utilised by the Group to assess the progress of our sustainability programme. We have also set out our related targets in relation to each metric and performance against that target. Where we discuss a newly implemented target it has not been possible to disclose performance against that target. We will report on these in future annual reports.

| Metric description | Target set | Detail |
|--|---|--|
| Scope 1 and 2 emissions as calculated and verified by a reputable third party. 2021 and 2022 emissions were calculated and verified by South Pole. Climate neutral badge accredited in line with SBTi criteria. 2021 and 2022 climate neutral badge accredited by South Pole. | Obtain climate neutral label accredited from a reputable third party annually. Maintain total Scope 1 and Scope 2 emissions below 30 tonnes annually. | We have set a target to be climate neutral each year as accredited by a reputable third party. To comply with SBTi requirement we were required to reduce our Scope 1 and 2 emissions by 42% from 2021 base year to 2030. We have exceeded this target in 2022. In 2022 scope 1 emissions have reduced by 66% from 0.02 tCO ₂ e to 0.07. Scope 2 emissions have reduced by 79% from 72 tCO ₂ e to 15 tCO ₂ e. In 2023 we want to further reduce our carbon emissions in China by purchasing Energy Attribute Certificates. Our target is to have minimal Scope 1 and 2 emissions, which we will maintain below 30 tonnes. Our target includes taking into account a recovery of the business post COVID-19 and future growth projections. Where we cannot eliminate what remains, we will offset the balance. |
| Volume of Scope 3 emissions as calculated and verified by a third party. 2021 and 2022 emissions were calculated and verified by South Pole. | By 2026 ensure over 90% of our purchased consumables will be with suppliers who are either climate neutral or who have established their own SBTi targets to be climate neutral by 2030. From 2023, ensure all hostel conferences and other large Hostelworld events are climate neutral. Maintain this target annually. | Our Scope 3 emissions considered are defined on page 64. They primarily relate to purchased consumables and employee travel. Both of these factors are likely to increase as our business grows as we will have increased purchased consumables, namely direct marketing costs, and increased business travel. We have set the following new targets which we will report against in future periods: <ul style="list-style-type: none">Over 90% of our purchased consumables by 2026 will be with suppliers who are either climate neutral or who have established their own SBTi targets set to be climate neutral by 2030. We will validate this through supplier reviews where we obtain independent verification from suppliers.Any significant corporate events or hostel conferences held will be carbon neutral events, with immediate effect. We will continue to offset 100% of all Scope 3 emissions calculated by a third party, until there is a way to validly exclude any Scope 3 emissions which have already been offset. Our Scope 3 emissions include the cost of employee commuting. We also have a work from abroad policy which allows employees to work from abroad for a certain number of days each year. We will evolve our reporting to also capture work from abroad emission data points, allowing us to offset the impact that our employees make from working from abroad. |

| Metric description | Target set | Detail |
|--|--|--|
| Volume of offsets required by Hostelworld | Offset 100% of Scope 1, 2 and 3 emissions which cannot be eliminated annually. | We have an annual target to offset any remaining emissions that we cannot eliminate and to obtain evidence that these are valid carbon reductions. Total 2022 offsets amounted to 1,591 tCO ₂ e and 2021 amounted to 615 tCO ₂ e. The cost of such offsets for Scope 1, 2 and 3 are included in future budgeting and forecasting. We will continue to offset 100% of all Scope 3 emissions calculated by a third party, until there is a way to validly exclude through auditable means any Scope 3 emissions which have already been offset from companies who publicise that they are climate neutral such as Google. |
| Sustainability badges on our website | In H2 2023 – (1) make available on our website a sustainability framework that hostel partners can use (2) Enable customers search for hostels promoted as sustainable on our website. | Our future target is to award a sustainability badge to hostels based on the success of their participation in the Staircase to Sustainability framework. The criteria underpinning the badge have been identified by working with both Bureau Veritas and partner hostels, and are based on GSTC standards. The following target is to develop related website functionality to allow customers to easily search for hostels who have a sustainability badge. We are not setting a target for the Group relating to the volume of sustainability badges awarded on our website. Our intention is to facilitate the distribution of sustainability badges in a responsible way. We are reliant on hostels co-operation and to set a target based on the volume of sustainability badges may negatively impact the credibility of the badge. |
| Volume of product offerings and experiments | A specific product and experiment roadmap focused on sustainability annually. | We have set a future target to either deliver a new product feature or, alternatively, to conduct a minimum of three experiments each year to assess the popularity of climate related offerings and to report the results annually in our annual report. Where an experiment with a product feature is successful it will be included as part of our product suite. In Q1 2023 we are conducting an experiment on customer offsets, which we will report on in future reporting. Successful experiments will result in products being included on future roadmaps. What we can control is the volume of time spent by Hostelworld employees on climate initiatives and there is a challenge to each team in setting their roadmaps for the year that product offerings include sustainability themes which we will measure through target set on the volume of new product offerings or experiments run each year. |

Our ultimate goal

Under the terms of the Paris Agreement adopted at the United Nations climate change conference (COP 21) on 12 November 2015, almost 200 countries agreed to achieve Net Zero⁽¹⁰⁾ by 2050. This means that the Group is required to play its part and ensure that it will release net-zero carbon Scope 1, Scope 2 and Scope 3 emissions into the atmosphere by or before 2050. Ultimately, we want to absorb more emissions than we emit to help limit global warming to 1.5°C and ensure a safe climate for generations of travellers to come. Accordingly, our strategic roadmap is focused on assisting hostel partners and customers on their own sustainability initiatives.

⁽¹⁰⁾ Net zero refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere. Source: netzeroclimate.org/what-is-net-zero/



Our People and Culture

Our people are key to our success. They are dedicated, smart and fun individuals who are passionate about helping millions of hostel-focused travellers Meet the World®. Our talented and diverse teams reflect the diversity of our customers and the communities in which we operate.

Employees per location

| | | |
|--|---------------------------|----------------------|
| Total employees at 31 December 2022 | London | Germany |
| 241 | 20 | 4 |
| Dublin | Shanghai | Spain |
| 146 | 13 | 4 |
| Porto | Sydney | Italy |
| 49 | 2 | 3 |
| Average age | Average length of service | No. of nationalities |
| 36 years | 3.5 years | 31 |

Our People and Culture continued

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

| | Number | | % | |
|---|--------|--------|-------|--------|
| | Male | Female | Male | Female |
| Chairman and Executive Directors (EDs) | 2 | 1 | 66.7% | 33.3% |
| Non-Executive Directors (NEDs) | 2 | 1 | 66.7% | 33.3% |
| Executive Leadership Team (ELT) (Including EDs) | 5 | 2 | 71.4% | 28.6% |
| Direct Reports of ELT | 14 | 10 | 58.3% | 41.7% |
| Other employees | 116 | 94 | 55.2% | 44.8% |

Our people and culture

Our renewed success as a business, as we emerged from the pandemic, can be largely attributed to our people. Thanks to their ingenuity, energy, and passion, they continue to make Hostelworld a unique and great place to work. We boast thirty-one nationalities across eight locations globally, and our diverse workforce is a genuine source of pride.

Employee engagement scores and attrition statistics are key indicators of employee satisfaction. We are proud that we significantly increased our engagement score in 2022 and substantially reduced our attrition year-on-year.

Our behaviours

Our Behaviours bring our values to life and enable us to live and breathe them through how we show up every day. We're a diverse team, with individual skills and personality traits, however, we have identified the common traits that define our winning team culture and make Hostelworld a great place to create pretty special products for our customers.

Our Behaviours give clarity on where to focus our efforts to be at our best. When showcased correctly and effectively, they help us thrive in each of our roles and succeed as a business. They are embedded in our recruitment, performance development and recognition processes, and they enable our people to identify learning opportunities, set clear objectives and plan professional development.



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.

Engaging our employees

We are proud to have a positive and engaging working environment, that we hope creates a sense of community and collective purpose. We always welcome feedback, as we seek to continually improve our working environment, and further enhance our employee experience. That is why we frequently conduct employee engagement surveys to identify what we are doing well, what people value, and what areas we can improve on.

One of our measures of engagement is participation in our annual Have Your Say Survey, and in the summer of 2022, 85% of our people shared their valuable insights with us, and we are pleased to have significantly improved our engagement score. The survey results showed we are making significant progress in areas such as Collaboration & Communication, Social Connection, Management, and overall Engagement. Key areas identified for further improvement are continually being re-evaluated and our teams have developed actionable changes to ensure we continue to strengthen our Employee Engagement scores.

A truly agile approach to working

The world of work has profoundly changed in recent years. In 2022 we continued to embed a truly agile approach to work, that further strengthens our employee value proposition and gives our people the flexibility they need to work at their best while ensuring teams are connected and effective, even across the globe. Our team members have the freedom to flex their working location and hours to best meet the business, team, customer, and life needs.

Work-life blend

While taking an agile approach to work, team effectiveness and delivering our strategic goals remain a priority. 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. We are acutely aware that flexible working hours and working remotely can mean the boundaries between work and personal time can blur. That is why we champion everyone's "Right to Disconnect" and have created an environment where team members can disconnect from work, outside of normal working hours and during leave. Our teams maintain our company culture, staying connected, energised, and driven towards collective success, all while supporting a healthy work-life blend.

Hybrid working

Throughout the COVID-19 pandemic, we implemented progressive remote working policies to help keep our team members around the world safe, while also enabling us to successfully continue our work. This led to our adoption of a remote first, hybrid approach to working as we moved into a post-pandemic era.

We believed it important to bring teams and working groups together and in-person more, to embed a sense of belonging and increase connection and engagement. However, the ability to work remotely was ranked the most favourable aspect of working in Hostelworld in our annual employee engagement survey, completed each summer. With this in mind, our hybrid approach does not mandate set days in our office environments but instead allows for remote working in the main and brings people together in person to collaborate where it's truly valuable. Examples are welcome days with a new team member, strategic planning sessions, project retrospective reviews, learning and development workshops, cross-functional team meetings, as well as performance development conversations and mentoring meetings, all of which are enhanced by being face-to-face.

Meeting the world and working from abroad

As part of our suite of agile working arrangements and to enable our team members to meet the world, our "Working From Abroad" policy, provides for up to 30 days, or 6 weeks full-time working, in a variety of countries across the globe. This policy was designed to complement our flexible approach to working, so working hours can be altered to suit different time zones. The 30 days can be availed of across multiple trips within the year and can coincide with annual leave to allow for a little extra exploring when travelling.

Currently emissions arising from any employees availing of our "Working From Abroad" policy or who avail of our voucher scheme to travel are not included in our emissions set out on pages 64 to 65. We have set a target to work with South Pole to capture emissions for our "Working From Abroad" policy within our employee commuting in 2023.

To further support our teams to meet the world, in 2022 we re-introduced Hostelworld credits, an employee benefits scheme that gives our team members a chance to book a stay with any of our hostel partners, at a reduced rate. Trips are unlimited, and bookings can even include family and friends joining the trip, making it cheaper and more accessible for everyone at Hostelworld to travel and embrace agile working.

Our People and Culture continued

Staying connected

We recognise the power of communication in enabling us to achieve our vision and we actively promote an open, transparent and collaborative culture. We continue to host bi-weekly virtual townhalls, ensuring everyone is kept up to date on business performance, share key priorities and provide a platform to share and celebrate successes across the business. Our Townhall also gives our people a chance to share what is on their minds and pose questions to our ELT through our open question forum, allowing them to have a clearer understanding of our people's views and perspectives.

We see true value in having open two-way communication between our Board and those working within the business. We commenced this year, by facilitating an in-person two-day strategic planning event with the Hostelworld Board and those reporting to our ELT. The event provided an opportunity to reflect on the progress made to date, and for an open discussion on the strategic priorities for the business going forward.

We also facilitated two Employee Engagement Forums, hosted by Éimear Moloney, Non-Executive Director responsible 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 on various dates throughout the year to ensure that the Board and Hostelworld employees mutually understand each other's views and that employees' views are considered as part of the Board's decision-making processes.

Our values

Our five company values guide how we work together and are an integral part of defining who we are as a business and team. Whether it's our travellers, our hostel partners, or our employees, our customers remain at the heart of everything we do, that's why our "Think Customer" value is always front of mind for our teams, alongside our commitment to "Building a Better World" by embracing inclusive and collaborative ways of working.

We believe that we can better achieve our company goals when we embrace our "Community Spirit" and avoid playing things safe for too long. We always encourage our team members to "Be bold, be brave, be adventurous" and to take appropriate risks, allowing us to learn much quicker and make simplicity our mantra in everything we do, to function at a faster and more effective speed. This is balanced with "keeping it simple" and not over-complicating things.

Rewarding and recognising our people

Across Hostelworld we have sought to build and nurture a culture of recognition and appreciation, celebrating achievements, whether they are big or small. Each of our team members plays a vital role in creating this culture by simply saying thank you for a job well done, celebrating key life events with teammates, and giving a shout-out to great performances or achievements as soon as we see it.

Our quarterly High Flyer awards are underpinned by our five key Behaviours of Own It, Master It, Collaborate, Adapt and Deliver, and recognise team members who deliver outstanding business results and who consistently demonstrate our Behaviours. Our people nominate the colleagues they believe to be deserving, and our Recognition Committee selects the 5 individuals or teams, to be presented with the accolades by the ELT at the company townhall.

Investing in our people's growth and development

In 2021 we identified a need to invest more in learning and development within the Group. 2022 has been about building solid foundations for the future, and our people are already benefiting from the improvements made in this space.

At Hostelworld we feel that supporting and championing ongoing career development for our people is fundamental to our success. We are committed to providing access to best-in-class learning and development initiatives that are tailored to the individual's needs. Growing together is a key component of our ethos, and through collaborative mentoring, ongoing feedback, coaching, and recognition programmes, we enable our team members to shine. Underpinning this, our performance development process enables constructive two-way conversations centring around goal setting, feedback, coaching, and career and development planning. We want our team members to feel supported and enabled to be their best throughout their Hostelworld journey.

Continuous learning

In 2022 we completed an in-depth company-wide learning needs analysis which enabled us to define and communicate a carefully considered learning and development strategy to meet the needs of our diverse workforce. The four pillars of the strategy centre around building and refining both personal and professional skills for our people managers, leadership team, and top talent as well as offering a focused core curriculum designed to be accessible to all team members. The strategy is then underpinned by company-wide initiatives to support continuous and on-the-job learning, including an internal mentoring programme and access to e-Learning through partnerships with external providers. At Hostelworld, we understand that having the time to concentrate on learning and development can be challenging, and as such, in 2022 we communicated a commitment to investing in our team members, enabling them to take the necessary time to learn, with a recommendation of 52 learning hours per year for each team member. As we continue to deliver, evolve and embed the strategy, we will focus on broadening each of the programmes and bolstering the offerings by providing additional practical resources to support our team members in the real world of work.

Career development planning

In the first half of 2022, we undertook a company-wide talent review, designed to enable us to assess the current skillsets within the business and to define our key talent. Once our top talent cohort was defined, we then dedicated resources to nurture and support the development of that talent through offering career concierge sessions with our learning and development talent partner, creating and implementing individual focused development plans, and offering access to specialist masterclasses and other tailored solutions.

Developing our leaders

Our newly created people manager effectiveness programme is built for managers and leaders at all levels across the business. Core modules developed to enhance fundamental people management knowledge and skills include accredited Situational Leadership: Building Leaders and Insights Discovery courses, as well as elective modules, delivered both internally and externally through partnerships with specialist providers, designed to broaden perspectives while providing practical tools and techniques. We are excited to continue the rollout of the people manager effectiveness programme and will continue to evolve the offering in line with business needs.

Think Customer

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

Whether it's our travellers our hostel partners or our employees, our customers will remain at the heart of everything we do.

Be bold, be brave, be adventurous

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

We will not move at the pace we need to if we don't take more risks. We've been playing it safe for too long, careful to not make the wrong choice. From now on we need to be brave – take the risks, make hard decisions and learn much quicker.

Keep it simple

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

The simpler we make our processes, the more quickly we can move. If we can make simplicity our mantra in everything we do, we will function at a much faster speed

Building a better world

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

We must always be inclusive and welcome everyone on our journey

Community spirit

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

We need to remember that at the heart of who we are and what we stand for is our Meet the World spirit.

Our People and Culture continued

Employee health and wellbeing

At Hostelworld, we have a community spirit like no other. We bring people together from around the globe and we always look out for each other. Our wellbeing strategy adopts a holistic approach, with many programmes and employee benefits aiming to promote healthy and balanced lifestyles across 4 key pillars; physical well-being, mental and emotional wellbeing, financial well-being, and social connection. We are committed to helping our team members build resilience against life stresses, providing them with -resources to plan for the future, and creating a culture of social inclusion and belonging.

Physical wellbeing

Throughout the year, we promote and educate our teams on how to take care of their physical health. In 2022, we hosted a variety of webinars and e-learning opportunities, as well as welcoming guest speakers specialising in particular areas of health. For example, our teams learned how to spot the signs of several types of cancer, raising awareness of the importance of early detection. Our team members are encouraged to make full use of the health and wellbeing benefit programmes with regular information sessions hosted to increase engagement and update of well-being benefits, such as financial remuneration for health costs, free access to health services, and wellbeing leave as needed.

Mental and emotional wellbeing

In 2022, we continued to support employees’ mental and emotional wellbeing, in a way that complimented our agile approach to working. We focused on ensuring that our people had fair and equitable access to support, no matter what country they were located in.

In this spirit we continued to share a monthly wellbeing calendar with our colleagues, providing regular advice, support, reading materials, and virtual events to attend, to equip our team members with the tools and knowledge needed to manage their mental health and build emotional resilience. Our Employee Assistance Programme offered to all our team members globally, also enables everyone to access counselling service which can help with a wide variety of issues team members might be facing, such as stress, anxiety, low mood, marital or relationship problems, worries about physical health, grief, and advice on practical, day to day issues.

We encouraged all our team members to make use of their three annual wellbeing days, launched in 2021, and saw an increased uptake of this in 2022. Our wellbeing days are there to support our team members when they just need to press pause and take time to disconnect, relax and recharge. Building upon the introduction of wellbeing leave, we enhanced our global annual leave policy, allowing individuals to take up to 27 days of leave. This allows everyone to take well-deserved periods of rest throughout the year.

Financial wellbeing

Financial wellbeing centres on providing the resources that enable our employees to manage their money and plan or the future. Across 2022 we held a number of workshops for employees to understand benefits that they were entitled to including meeting with external health insurance and pension advisors.

Social connection

As travel restrictions eased in 2022, our teams were provided with more opportunities for social connection through activities in and out of work time. Our social committee was re-established and organised several recreational gatherings throughout the year, ranging from our monthly pizza parties to immersive adventure gaming events. Our summer and end-of-year parties saw our European-based team members travel to Ireland and Portugal, to enjoy time together for the first time since 2019 and provided an opportunity for new team members to network, foster relationships with colleagues, and spend time with team members from other departments in a relaxed environment.

Our mental health champions

Across Hostelworld, we implemented our mental health champions initiative, whereby team members across a variety of locations globally, volunteered to complete a training and certification process, providing them with skills to safely provide mental health support and crisis intervention. This enables them to act as a confidential and accessible first port of call, for any individuals who may be suffering from mental health difficulties or who are experiencing mental health crises. Our mental health champions make themselves available to all, to listen compassionately and respectfully, and where appropriate signpost team members towards professional services, such as our employee assistance programme (EAP) which provides global support across all our locations.

Fostering diversity, inclusion, and belonging

Our social sustainability ambitions and commitments include our commitment to building a highly inclusive workplace culture that encourages and celebrates diverse voices; one where everyone feels empowered to share their experiences and ideas. We have made great progress across our Diversity and Inclusion agenda in 2022, making Hostelworld an even greater place to work.

We deliver our commitment to Diversity & Inclusion across 4 key pillars:

- Driving internal change: Ensuring our team is representative of the diverse society in which we live, and our culture is inclusive
- Celebrating differences: Ensuring everyone feels comfortable sharing their unique perspectives
- Education: Creating a culture of learning and a better understanding of the issues minority groups face
- External change: Ensuring, where possible, that Hostelworld’s external activities reflect our diverse society

Offering our team members, a variety of inclusive policies is fundamental to building a solid foundation for a diverse and inclusive workplace. This year we introduced a Diversity and Inclusion policy, outlining how Diversity Inclusion underpin all areas of our work. We refreshed our Compassionate Leave Policy, to include up to 15 days of leave for team members affected by pregnancy loss, allowing space and time to withdraw from work life when needed. We reviewed and enhanced other policies with a Diversity and Inclusion lens, such as Parental, Paternity, and Maternity leave, ensuring they truly align with our Diversity and Inclusion policy.

Building D&I awareness

From the onset of our D&I journey, we recognised that providing D&I training is key to fostering an inclusive culture. In 2022, we raised awareness by delivering an inclusive language learning series to all. This supported our people to understand and harness the power of inclusive language to reflect the values we hold – the respect for, acceptance of, and inclusion of the full range of diverse people in our community and our workplace.

Inclusive leadership

We deployed learning resources in 2022, to empower our people managers to better understand how we can stand together against inequity, inequality, and injustice. People managers throughout the organisation completed inclusive leadership training. The workshops, designed in partnership with the “Irish Centre for Diversity”, prompted participants to reflect on their leadership of teams, through a D&I lens. The workshops highlighted the characteristics of an inclusive leader and assisted all to understand how unconscious bias can impact organisational culture and the employee experience from the recruitment process through the employee journey. We are committed to supporting leaders to be positive role models and equipping everyone to reach their full potential.

D&I Events

We continue to mark annual D&I events throughout the year such as International Women’s Day, Pride Month, and Black History Month. We welcomed external guest speakers leading in this space, alongside members of our internal ESG steering committee who discussed topics such as race, diversity, and equality. Our people embraced each opportunity to develop their knowledge and understanding of the challenges these groups face and learn how to champion inclusivity within their teams.

Hostelworld pride

We marked the month of June as a time of celebration and solidarity for the LGBTQ+ community. Externally our website and mobile apps adopted pride-themed branding in support of the LGBTQ+ community worldwide. We also elevated the voices of LGBTQ+ travellers, sharing their lived experiences, and bringing to the fore both the joys and challenges of meeting the world as an LGBTQ+ individual. We also welcomed pride at work, Ireland’s largest LGBTQ+ focused diversity, equity, inclusion, and belonging (DEIB) training and partnership programme, who delivered an insightful and empowering workshop to our global workforce.

Gender diversity

Having a talented and diverse team with a truly inclusive culture is hugely important to us and focusing on and striving for gender balance is a key part of achieving this. We aspire to a gender balance across our workforce. At 31 December 44% of our employees identified as female.

Our People and Culture continued

In 2022 we were delighted to become supporters of the 30% Club Ireland which is a global campaign committed to achieving better gender balance at leadership levels and throughout organisations. We are immensely proud to make this pledge to the 30% Club as a commitment to making Hostelworld an even more diverse, equitable, and inclusive place to work.

Investing in diversity

Hostelworld has built a strong foundation to embed D&I across all our locations and we believe we are equipped for the journey toward becoming an even more equitable and inclusive place to work. This was validated this year when we were awarded the Investors in Diversity bronze accreditation by Irish Centre for Diversity. The receipt of this award, coupled with D&I ranking as the second highest scoring factor by our employees in our annual employee engagement survey, encourages us to confidently continue our D&I journey.

Building a better world

We are committed to building a better world by serving the communities in which we live and work. With that in mind, we provide volunteering opportunities for team members to support the causes that they hold close to their hearts. Team members can avail of our Volunteering Leave policy, allowing 5 paid days per year, to share their time and talents with recognised charities, causes, or not-for-profit organisations. Our team members can choose a cause that is important to them, or they can join our company's organised volunteer day, making a positive difference in their local communities.

In addition to enabling team members to support charities on an individual basis, our teams came together across the globe throughout the year to volunteer and raise funds for charities within their local communities. In Dublin, our teams conducted Beach Clean Up Days as well as volunteering their time with an Irish Charity called Team Hope, which runs an annual campaign that delivers gifts straight into the hands of children affected by poverty. Our Porto team volunteered with an Animal Welfare organisation by giving their time to support animals in need. Our Shanghai team volunteered and completed certified training to become health, wellbeing, and first aid champions, allowing them to volunteer with the elderly within their local community, in partnership with the local district bureau.

Charitable giving

Our people love a challenge, and when volunteering or fundraising for a worthy cause, they rise to the occasion. In 2022, Hostelworld teams raised funds and competed with other companies as part of two key campaigns. Clash of the Companies for Sick Children and Movember. The Hostelworld teams excelled and raised awareness and sizable charitable donations to support changing the face of health and wellbeing for many people across society. We were delighted to give our team's charitable giving an additional boost by matching the figures raised for these campaigns, doubling Hostelworld's overall donations.

Our team members are our best ambassadors when it comes to helping us attract talent, so we offer a referral scheme, allowing for a bonus payment of up to €5,000 when a team member refers a new joiner. As part of our Charitable giving initiatives, recipients have the option to donate part or all their referral bonus to a registered charity, with Hostelworld matching donations, again doubling the donation to their chosen charity.

Hostelworld supports those affected by Ukraine invasion

Like most, we were shocked and saddened, to see the events unfold involving Ukraine. We set about identifying how we could support our hostel partners in Ukraine, our customers travelling to and from Ukraine and neighbouring countries, as well as those fleeing Ukraine.

Firstly, to support our customers, we amended our policies to offer a full refund on booking deposits, for those directly impacted by the conflict. Secondly, we reached out to our hostel partners across Europe to create a directory of hostels that can provide accommodation for refugees fleeing Ukraine. On our site, we offered details to reserve a place with one of our many hostel partners. These properties offered rooms allocated to refugees alone, not to be shared with other travellers, so those in need had privacy and space to look after themselves and their families. Lastly, Hostelworld has donated 100% of the revenue generated from bookings in Ukrainian hostels since the date of the invasion and matched 100% of it, donating the sum to the United Nations High Commissioner for Refugees (UNHCR).

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

Building strong relationships with our stakeholders

Directors must act in accordance with a set of general duties which include a duty under Section 172 of the Companies Act 2006 to promote the success of the Company. In so doing, the Directors are required to have regard to certain stakeholders, and has had regard to:

- The likely consequences of any decisions in the long-term;
- The interests of the Group's workforce;
- 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 Company aims to have a two-way constructive relationship with the following five key stakeholder groups. By considering their perspectives and views, the Company seeks to ensure that the outcomes of business decisions are more informed and sustainable.



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

| Our People | |
|--|---|
| Why we engage | The capability of our people will always be critical to delivering on our strategy. We aim to build an inclusive culture where diversity is valued, and in which different perspectives contribute to more informed and robust decision making. We want all our people to be engaged and motivated to help the business achieve its strategic goals and we are committed to providing a safe and respectful working environment where career progression and professional development is supported and encouraged, and workforce rights are fully respected. |
| How we engage | <ul style="list-style-type: none">• Workforce engagement surveys• Targeted engagement interviews conducted by the CEO in December 2022 with twelve individuals previously identified in the context of succession planning as ‘future senior leaders’ of the business• Workforce engagement forums attended by Éimear Moloney in her capacity as Non-Executive Director with responsibility for workforce engagement• Attendance at a strategy-focused Board meeting in May 2022 by sixteen individuals previously identified in the context of succession planning as ‘future senior leaders’ of the business• Consistent performance management• Bi-weekly virtual townhalls for all our people where the CEO and management team update on trading and workforce welfare initiatives and facilitate an open forum questions and answers session• Recognition and reward programmes• Informative and up-to-date workforce communication channels |
| What our people told us was important to them during 2022 | <ul style="list-style-type: none">• Investment in career development and learning and development• In person engagement and workforce social events to reconnect after COVID-19• Workforce wellbeing and mental health support• Diversity and inclusion• Sustainability and ESG• Continuing the recently adopted practice of holding a strategy-focused Board meeting attended by future senior leaders of the business• Continued focus and oversight from the Board on the Group's culture |
| Outcome of engagement during 2022 | <ul style="list-style-type: none">• Action plan overseen by the Nomination Committee and endorsed by the Board focused on learning and development implemented across the organisation• In person meeting schedule agreed and implemented and summer and Christmas social events held in various locations (with Non-Executive Directors attending a number of social events)• Workforce wellbeing survey completed and reviewed by the Board, and a programme focused on supporting mental health implemented• Joined the ‘30% Club’ in Ireland (campaign to increase gender diversity at Board and Executive level) and completed D&I accreditation with Investors in Diversity• Focus on improving the sustainability of the hostelling category through involvement with Global Tourism Plastics Initiative, membership of Global Sustainable Tourism Council, and our partnership with South Pole⁽¹⁾ to offset the Group's 2021 greenhouse gas emissions• Board assessment and review of the Group's culture at a Board meeting in August 2022 |
| How the Board engages with our people and considers their interests in key Board decisions | A ‘People and Organisation/Culture’ update provided by the Chief HR Officer is a standing agenda item at each scheduled Board meeting with the results of the Group's workforce engagement surveys reviewed, and Board oversight provided on progress on all material workforce and culture related initiatives and programmes. Éimear Moloney, in her capacity as designated Non-Executive Director for workforce engagement, has continued to engage with our people during the relevant reporting period. Our workforce engagement statement is set out on pages 97 and 98. |

⁽¹⁾ South Pole, recognised by the World Economic Forum's Schwab Foundation, is a leading climate solutions provider and carbon project developer. South Pole advises thousands of leading companies on their sustainability journeys to achieve net-zero emissions. With its global Climate Solutions platform, South Pole develops and implements comprehensive strategies that turn climate action into long-term business opportunities for companies, governments and organisations around the world. Website: www.southpole.com

| Customers | |
|---|---|
| Why we engage | Customers will always be central to everything we do and to the long-term growth of the business. Decisions that the Board take need to ensure Hostelworld delivers a competitively priced high-quality offering to our customers. Accordingly, it is vital that we engage with our customers to make sure we are providing them with the products and services they need in a way that establishes and maintains brand loyalty. |
| How we engage | <ul style="list-style-type: none">• Investment in proactive and reactive social media and customer satisfaction surveys sent to customers following their trip• Use of digital tools that assess customers' online experience with Hostelworld• User interviews to test functionality of new product features to ensure we are delivering on customer requirements• Direct interviews with customers to develop insights into customer preferences and concerns and how these can be addressed effectively• A dedicated customer support team |
| What our customers told us during 2022 that was important to them | <ul style="list-style-type: none">• An easy and stable way to log-in to and use the Group's social network features• Being able to meet like-minded people while they are travelling• An improved check-out experience on the Group's platform• Improvements to the Group's digital platforms to enhance management of travel bookings and their Hostelworld account• Effective customer support when they need it |
| Outcome of engagement in FY 2022 | <ul style="list-style-type: none">• Development of social log-in features and an on-going test and learn approach to improve customer log-in experience• Built a suite of social features and launched a social network to enable customers meet fellow travellers• Redesign and technology upgrade of ‘My Account’ and user account features• Redesign and improvements of online checkout process focusing on clarity of actions required of customers• Increased Trust Pilot scores in 2022 through investment in the Group's customer support offering |
| How the Board considered customer interests in 2022 | <ul style="list-style-type: none">• Considered customer trends at the strategy-focused Board meeting in May 2022 with presentations provided by customer relationship-focused senior executives• Updates at each scheduled Board meeting on customer insights and alignment between the Group's product strategy and customer preferences and trends• Annual review of the results of surveys and engagements with customers• Capital allocation and strategic decisions informed by key business requirement to focus on launch of social network product suite to meet customer requirements• Review of inflationary pressures and ‘cost of living’ issues in key markets and related impact on customer trends• Review and oversight of the Group's platform modernisation programme to ensure service delivery for customers is improved |

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

| Key Suppliers (including Hostel Partners) | |
|--|--|
| Why we engage | Maintaining a positive and trusted relationship with our key suppliers and hostel partners is central 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 and services quality and ensure the well-ordered running of operations. Through engagement with hostel partners the Group supports emerging needs and requirements with a solution-focused approach. |
| How we engage | <ul style="list-style-type: none">Regular performance review and strategy alignment meetings with hostel partnersFlagship hostel conference in Copenhagen in April 2022 attended by each Non-Executive Director (~200 hostel representatives in attendance) as well as a number of regional hostel partner events and in-market visits~40 webinars for hostel partners hosted in 2022 (~1,300 hostels represented) with interactive question and answer sessions and follow up surveysKey focus on working with hostel partners to design a bespoke sustainability framework for the hostel sector (multiple surveys and direct interviews with hostel partners focusing on product enhancements, hostel sustainability and other ESG matters)Effective relationship management and governance with key suppliers through regular business reviews and consistent communicationProactive engagement with key suppliers on risk management to minimise business risk and ensure effective business continuity managementSustainability assessment completed for a number of key suppliersOnboarding of new suppliers through a formalised and robust procurement process |
| What our suppliers and hostel partners told us was important to them during 2022 | <ul style="list-style-type: none">Continued focus on strategic alignment and growth opportunitiesAbility to create hostel hosted social events as part of the social experience in hostelsSupporting hostel partners broader sustainability journeys including by showcasing the sustainable benefits of hostellingAn enhanced campaign management platform allowing increased flexibility and customisation for seasonal promotionsAbility to streamline a number of processes around customer cancellationsEnhancement of the Group's Counter property management system platformAlignment between key suppliers and the Group's strategic objectives and future supplier requirements and dependenciesHostelworld's ESG policies |

| Key Suppliers (including Hostel Partners) | |
|--|---|
| Outcome of engagement in FY 2022 | <ul style="list-style-type: none">Improved customer experience focused on providing the right hostel accommodation inventory to customers through an enhanced search experienceModernisation of the underlying technical infrastructure to improve the product offerings around hostel rates and hostel accommodation inventory managementOngoing promotion of Counter as a hostel-focused and mobile-friendly property management system with full integration of the Counter platform within the Hostelworld.com environment, gaining operational and cost benefitsContinued development of the Group's sustainability and ESG strategy and roadmap with a particular focus on building the 'Staircase to Sustainability' framework for hostel partners, and highlighting hostels already active in the sustainability space in the Group's annual hostel partner awardsIn partnership with 'Bureau Veritas', published a report based on research/modelling that was undertaken by Bureau Veritas establishing that hostels produce less carbon emissions than hotels and are a more sustainable way to travel⁽²⁾Partnered with consultancy firm South Pole to reach the Group's first major environmental milestone by becoming a certified climate neutral company⁽³⁾ in respect of 2021 and 2022Improved alignment between the Group and its key IT vendors on the Hostelworld strategy roadmap, vendor requirements and KPIsIntroduction of a new annual business review process for key suppliers |
| How the Board considered key suppliers and hostel partners interests in 2022 | <ul style="list-style-type: none">The Chief Supply Officer provides the Board with a detailed update on hostel inventory supply and projects related to hostel partners as a standing agenda item at each scheduled Board meetingReview of hostel partner engagement channels and feedback from hostel partners which informed related assessments and strategic decisions made by the Board in respect of hostel partnersBoard oversight and approval of the Group's sustainability and ESG strategic roadmap which focused on establishing that hostels were more sustainable than hotelsBoard oversight and approval of compliance with the recommendations of the TCFD frameworkApproved the acquisition of the remaining shares in Counter App Limited and the integration of the Counter property management system with the Group's technology platform |

⁽²⁾ Bureau Veritas is a certification body engaged by Hostelworld in 2022 to perform research on the carbon emissions of the hostelling sector. Study source: www.bureauveritas.co.uk/hostelworld-carbon-impact-analysis

⁽³⁾ To be accredited with a climate neutral certification an organisation needs to measure their material emissions associated with their operations in line with GHG protocol, set a reduction target aligned with near-term science-based target requirements, finance climate action equivalent for any residual emissions through certified climate action credits, and disclosure of all details transparently. Hostelworlds climate neutral label for 2022 and 2021 was awarded by South Pole. Website: www.southpole.com

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

| Shareholders | |
|---|---|
| Why we engage | We believe that shareholders having a clear understanding of our strategy and financial and operational performance helps ensure they can assess the value of their investment and the investment opportunity/risk that Hostelworld shares represent. |
| How we engage | <ul style="list-style-type: none">• Capital Markets Day in November 2022 attended by the Group's Executive Directors, the Chief Product Officer and the Chairman• Attendance by the CEO and CFO at investor conferences and roadshows throughout 2022• A physical AGM was held following the removal of COVID-19 related restrictions with AGM engagement channels also made available to shareholders to send advance questions to the Board• The Chairman and Remuneration Committee Chair/Senior Independent Director engaged directly with shareholders on executive remuneration, as further described on page 134• The Group commissioned h2glenfern to engage with institutional investors and other market participants to gain direct feedback and input on their perspectives and views of the Company and to ensure that the Company's investor relations communications were meaningful and effective• Publishing of trading updates and direct engagement at various stages during 2022 between the CFO and our main shareholders on achievement against the Group's strategic objectives |
| What shareholders told us was important during 2022 | <ul style="list-style-type: none">• Executive remuneration policy• Liquidity, cash conservation and financial performance (including operating expenditure)• Effective and transparent engagement with the Group• ESG and sustainability reporting• Disclosures required by the TCFD recommendations• Long-term growth and performance against strategic objectives• Talent management and succession planning at Board and Executive Leadership Team level• Diversity and inclusion |
| Outcome of engagement in FY 2022 | <ul style="list-style-type: none">• Shareholder approval of the new Directors' Remuneration Policy at the Company's AGM on 11 May 2022• Programme focused on reducing vendor costs implemented• Engagement with shareholders throughout 2022 on the Group's liquidity, financial and strategic performance, and executive compensation• Development of the Group's sustainability and ESG strategy as set out on pages 51 to 67• Ongoing oversight of a programme of activities implementing the Group's Diversity and Inclusion Policy, which is further described in the 'Our People and Culture' section set out on pages 75 and 76• Ongoing succession planning for Board and Executive Leadership Team and identifying future senior leaders of the business• Implementation of a Non-Executive Director skills matrix, as further described on page 107 and page 111 |

| Shareholders | |
|--|--|
| How the Board considered shareholder's interests in 2022 | <ul style="list-style-type: none">• The Board's primary contact with shareholders is through the CEO and CFO, who are in regular contact with shareholders with the support of the Group's Head of Investor Relations – the Chairman and other members of the Board are available to meet with shareholders as requested• The Board is provided with investor relations reports by the CFO at each scheduled Board meeting and reviewed the results of the h2glenfern direct engagement with investors and other market participants at its meeting in December 2022• Prior to recommending to shareholders the approval of the new Directors' Remuneration Policy at the Company AGM on 11 May 2022, the Remuneration Committee Chairperson wrote to shareholders holding approximately 70% of the issued share capital in the Company (including new shareholders who joined the share register in early 2022) and the main proxy advisers to explain the rationale for the proposals and invite comments• The Board was updated on shareholders views expressed in connection with the related remuneration policy consultation exercise by the Remuneration Committee Chairperson and Company Chairman• The Board considered the views of investors on long-term growth and liquidity as part of its assessment of the Company's policy on dividends and capital allocation• The Board provided oversight on achievement by the Group of its sustainability and ESG strategic objectives. Detail is included on pages 52 and 53 of Sustainability, as referenced on pages 19 and 20 of the Chairman's Statement and pages 26 and 27 of the Chief Executive's Review• The Board approved a proposed amendment to the Remuneration Committee's Terms of Reference to permit the Remuneration Committee consider the inclusion of ESG related performance metrics and targets as part of the Group's remuneration and reward programmes |

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

| Society | |
|---|---|
| Why we engage | We aim 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, implementing our sustainability and ESG strategic objectives, and running our business in a fair and compliant way that fully respects the rights of our staff, stakeholders and partners in society, we can help build a more tolerant society, create value for our partners in society and play our part in addressing climate-change risk. |
| How we engage | <ul style="list-style-type: none">• Creating partnerships with local charities, including with employee nominated charities (see page 76)• Engagement with a number of stakeholders as part of implementing our sustainability and ESG strategic objectives, as further described on pages 52 and 53 of the Sustainability Report, and our metrics and targets as set out on pages 66 and 67 |
| What community stakeholders told us was important during 2022 | <ul style="list-style-type: none">• Diversity and inclusion• Playing our part in promoting a broad ‘<i>fairness in society</i>’ agenda• Responsible use of natural resources and climate change |
| Outcome of engagement during FY 2022 | <ul style="list-style-type: none">• Partnered with charities and not-for-profit organisations with a particular emphasis on charities that support men’s mental health initiatives• Financial support for hostels located in Ukraine• Continued the implementation of our sustainability and ESG strategic objectives and published a report establishing the more sustainable nature of hostel accommodation⁽⁴⁾• Diversity and inclusion further embedded into how we run our business |
| How the Board considered these interests in 2022 | <ul style="list-style-type: none">• Sustainability and ESG issues have continued to be a key focus area for the Board during 2022 with the Board providing oversight and approval of the Group’s ongoing implementation of its sustainability and ESG programme, and review of compliance of the Group’s TCFD reporting requirements• Board oversight of the ongoing programme to ensure diversity and inclusion are key parts of the Group’s culture• Board consideration of the increases in inflation and energy costs and their impact on entry level and less senior colleagues living in cities where the Group operates. |

⁽⁴⁾ Study available at tinyurl.com/2pq74bj6



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

Board decision making in practice from a section 172(1) perspective

The Board considers principal decisions to be those decisions which involve significant long-term implications and consequences for the Company and/or its stakeholders. The following table sets out examples of some of the Board's principal decisions taken during 2022 and how the Directors took stakeholder views into account in accordance with their duties under section 172(1) of the Companies Act 2006.

Strategy focus on launch of social network features

Principal stakeholders: Shareholders, workforce and customers

s. 172 considerations: **Long-term consequences, interests of workforce, relationship with customers**

The Board approved investments and resource allocation to ensure the delivery and launch of the Group's pioneering social network, the cornerstone of the Group's growth strategy.

The Board was aware from engagements with major shareholders that execution of the Group's social network strategy and a continuing strategic emphasis on delivering features that differentiated the Group from larger online travel agencies was critical to ensure long-term business growth and the return of value to shareholders. Customer and workforce feedback provided during 2022 (similar to 2021) had established that compelling product features were expected by customers and investment in the Group's strategy would enhance workforce engagement. The Board considered the interests and expectations of shareholders, customers and our workforce and concluded that the interests of each stakeholder would be positively served by approving the investments and resource allocation necessary to launch the Group's social network product features.

Counter shareholder buyout

Principal stakeholders: Shareholders and hostel partners

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

During the year the Board approved the acquisition of the remaining shares in Counter App Limited, the business the Group invested in in 2019 to develop a mobile centric PMS platform. As part of the original shareholders' agreement with Counter's original founders, the Group included an option to take full ownership of Counter in accordance with an acquisition process which was to commence in November 2022. In early 2022 the Group agreed with Counter's founders to accelerate the timeline by which full share ownership would be acquired and full operational control of the platform would be assumed by the Group.

Shareholders: The Board considered the longer-term consequences and assessed that the accelerated acquisition of the minority shareholding and assumption of full operational platform control would enable the Group to integrate Counter more deeply into Hostelworld's technology environment which would accelerate its growth and support the achievement of the Group's strategic objectives.

Hostel Partners: The Board noted that Counter would become part of the Group's hostel partner facing product portfolio and agreed that hostel partners would benefit from the planned investment into the platform to enhance its performance and ensure its reliability.

New Remuneration Policy

Principal stakeholders: Shareholders, workforce

s. 172 considerations: **Long-term consequences**

Shareholders approved a new Directors' Remuneration Policy at the AGM in May 2022. The Remuneration Committee decided to effectively replicate the previous remuneration policy and defer most material changes to a later date. The key exception to this was the adoption of a different approach to long-term incentives, with the Remuneration Committee deciding to make a grant of restricted shares to the Executive Directors and other key colleagues in place of LTIP awards in 2022 and 2023. This award was granted in May 2022 following shareholder approval of the new Remuneration Policy. Further details in respect of the rationale for the awards and the details of the awards themselves are set out in the Chairman of the Remuneration Committee's Annual Statement (Executive Remuneration in 2022) on pages 121 and 122.

In making its assessment the Remuneration Committee noted the long-term risks to the business and to shareholder value if retention risks relating to the Executive Directors and other senior executives were not properly addressed at a time when the business was continuing to manage the implications of the COVID-19 pandemic and executing the Group's rebuild strategy. 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 new Directors' Remuneration Policy and agreed to support the proposed awards.

Capital allocation policy

Stakeholders: Shareholders, workforce

s. 172 considerations: **Long-term consequences**

The issue of returning value to shareholders and assessing the decision made by the Board in June 2020 to cease paying cash dividends was a key issue considered by the Board during 2022. From feedback received over many years from shareholders, the Board is particularly 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 including the Group's liquidity position and need to exercise caution as the Group stabilises its cash position. Following its assessment of this important issue, and after balancing the interests and views of shareholders and other stakeholders with the need to protect the Group's financial position in the interests of ensuring the long-term viability of the business, the Board reaffirmed its position that the payment of dividends would not be in the best interests of the business for the foreseeable future.



Governance

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Directors’ Biographies

Non-Executive Chairman

Michael Cawley

Ireland
Independent*

N R

Michael Cawley was appointed as a director of Hostelworld Group plc in October 2015, as Non-Executive Chairman in December 2017 and is Chair of the Nomination Committee.

Tenure: 7 years, 5 months.

Relevant skills and experience: Michael is the former Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Commercial Director of Ryanair and the former Group Finance Director of Gowan Group Limited. He has significant industry experience in the airline, motor, betting and gaming, and construction sectors, including significant leadership experience as a Non-Executive Director of other companies.

Qualifications: B.Comm., Fellow of the Institute of Chartered Accountants in Ireland.

External appointments: Non-Executive Director of Ryanair Holdings plc, Kingspan Group plc, Prepaypower Holdings Limited, GMS Professional Imaging Limited, Gowan Group Limited, Linked P2P Limited, Mazine Limited, Meadowbrook Heights Unlimited and Winthrop Engineering and Contracting Limited.

* Independent on appointment

Chief Executive Officer

Gary Morrison

UK

D

Gary Morrison is the Company's Chief Executive Officer and was appointed to the Board in June 2018.

Tenure: 4 years, 9 months.

Relevant skills and experience: Gary was previously the Senior Vice President and Head of Retail for Expedia, and prior to that he was the Director of Despegar (NYSE DESP), AirAsiaExpedia and Voyages SNCF. Gary has also held positions of 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 in addition to consulting and engineering roles at General Electric, Booz Allen and Hamilton and Schlumberger France. He has a deep knowledge of the online travel industry, and significant experience in technology and telecommunications.

Qualifications: Master's in engineering, MBA.

External appointments: None.

Chief Financial Officer

Caroline Sherry

Ireland

D

Caroline Sherry is the Company's Chief Financial Officer. She was appointed to the Board in December 2020.

Tenure: 2 years, 3 months.

Relevant skills and experience: Caroline was previously the Director of Financial Planning and Analysis for Glanbia plc's Performance Nutrition division. In addition, she has extensive financial management experience through numerous strategic and commercial finance roles she held at Ulster Bank Group.

Qualifications: BSc (Hons) in Food Science, MBS (Hons) in eBusiness, Fellow of the Institute of Chartered Accountants in Ireland.

External appointments: None.

Non-Executive Directors

Éimear Moloney

Ireland

A N R

Éimear Moloney was appointed to the Board in November 2017 and is the Chair of the Audit Committee and is the designated Workforce Engagement Director.

Tenure: 5 years, 3 months.

Relevant skills and experience: Éimear has extensive financial services experience through 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.

Qualifications: B.A. Accounting and Finance, MSc. Investment and Treasury, Fellow of the Institute of Chartered Accountants in Ireland.

External appointments: Non-Executive Director of Kingspan Group plc, Irish Continental Group plc (appointed 25 August 2022) and directorships with Chanelle Pharmaceutical Group.

Evan Cohen

USA

A N R

Evan Cohen was appointed to the Board in August 2019.

Tenure: 3 years, 7 months.

Relevant skills and experience: Evan has detailed knowledge of technology and media businesses through his previous appointment as Regional Director for Lyft's US East Coast business, Chief Operating Officer at Foursquare, and senior strategic consulting and operational roles at Bebo, Jupiter and MTM.

Qualifications: B.A. in Social Studies, MBA in General Management.

External appointments: Owner of EVCO Advisory Services.

Carl G. Shepherd

USA

A N R

Carl G. Shepherd was appointed to the Board in October 2017, is the Chair of the Remuneration Committee and is the Board's Senior Independent Director.

Tenure: 5 years, 5 months.

Relevant skills and experience: Carl was previously the co-founder, founding Chief Operating Officer and Chief Strategic and Development Officer of HomeAway Inc. He was also a Board member of Turnkey Vacation Rentals, Inc., and previous Chief Operating Officer and Chief Development Officer of Hoover's Online. He has significant experience in the online travel industry and brings relevant business and entrepreneurial experience to the Board as Senior Independent Non-Executive Director.

Qualifications: M.A. in Business Administration.

External appointments: Board member of Edge Retreats.

Board tenure (in aggregate)

- 1 to 3 years: 16.7%
- 3 to 6 years: 66.6%
- 6 to 9 years: 16.7%



Board tenure (Non-Executive Directors only)

- 1 to 3 years: 0.0%
- 3 to 6 years: 75.0%
- 6 to 9 years: 25.0%



Board composition

- Non-Executive Directors: 4 (67%)
Michael Cawley, Éimear Moloney, Evan Cohen, Carl G. Shepherd
- Executive Directors: 2 (33%)
Gary Morrison, Caroline Sherry



- A** member of the Audit Committee
- D** member of the Disclosure Committee
- N** member of the Nomination Committee
- R** member of the Remuneration Committee

Corporate Governance Report

Chairman’s Introduction

On behalf of the Board, I am pleased to introduce the corporate governance report for the year ended 31 December 2022. 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’s work this year has been defined by the on-going evolution of the travel and tourism recovery from COVID-19, returning Hostelworld to positive adjusted EBITDA growth, and a sharpened focus on progressing our sustainability and ESG strategic objectives. 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

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 2022 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 rate of pension contribution was agreed at the time of his recruitment in 2018, is not considered excessive by the Remuneration Committee, 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 Directors’ Remuneration Policy approved by shareholders at the AGM in May 2022, the Remuneration Committee confirmed that the above matters will be reviewed 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, it is not currently 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.

Board Composition

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 and aligning with a key recommendation of the FTSE Women Leaders Review (previously the Hampton Alexander Review), 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. We have, in my view, 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.

Board Effectiveness

The Board undertook an in-depth internal review of its effectiveness during 2022 and concluded that the Board and its Committees continue to function effectively. Details of the evaluation process and its findings are included on pages 110 and 111.

Legal and Compliance

The General Counsel and Company Secretary provides regular updates to the Board and its Committees on relevant legal and compliance matters and updates the Board on all Disclosure Committee activities.

Stakeholders

We remain committed to ensuring meaningful engagement with our shareholders and other key stakeholders (which include our people, customers, hostel partners and key suppliers, and the communities where we maintain operations) and ensuring that the Board has regard to their interests when assessing issues and making decisions. A key part of the Board process is to carefully balance and consider what are, on occasion, 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 77 to 87.

ESG Strategy

Enhanced focus on overseeing the implementation of our ESG strategic objectives has been a feature of the Board’s work over the course of 2022. I am acutely conscious of Hostelworld’s leadership responsibilities in the hostel sector and am particularly pleased with the Group’s ongoing programme to support our hostel partners in their sustainability journey. The significant progress made during the year and our plans for the future in this evolving and vital area for the business are set out in detail in the Sustainability section on pages 52 and 53, within the Chairman’s Statement on pages 19 and 20 and in the Chief Executive’s Statement on pages 26 and 27.

Culture

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 and people and culture related matters. In August 2022 the Board considered a detailed presentation on the Group’s culture, further details of which are set out on page 96. During the year the Board reaffirmed a set of employee behaviours and provided oversight on the on-going implementation of the Group’s Diversity and Inclusion Policy, further details of which are set out on pages 75 and 76.

Re-election of Directors

The biographies of the Directors on pages 90 and 91 set out the key skills and experience that each Director seeking re-election brings to the Board.

I have evaluated the performance of each Director and am satisfied that each bring commitment and expertise to their role and dedicates sufficient time to contribute effectively to the performance of the Board.

I strongly encourage shareholders to vote in favour of the re-election of each Director at the 2023 AGM.

Conclusion

While the persistence of the Omicron variant made the earlier part of the reporting year challenging for the travel and tourism industry, 2022 has been a year of recovery for Hostelworld, marked by booking and revenue growth. The year marked the return to positive EBITDA for the Group, and I am firmly of the view that our strong governance structures provide the appropriate decision-making framework to enable informed and sound decision making as we continue to deliver on our strategic objectives.

Michael Cawley
Chairman
21 March 2023

Corporate Governance Report continued

How Governance Supported our Strategy during 2022

| Strategic Objective | Board's Governance Role | Link to Principal Risk | 2022 Board Activity |
|--|--|---|--|
| Executing our growth strategy | Consider and assess the cost/benefit analysis of acquiring the remaining shares in Counter App Limited. | Competition risks (pages 38 and 39) | During the year the Board approved the acquisition of the remaining shares in Counter App Limited to ensure hostel partners would have an enhanced and more technically robust PMS solution. |
| | Board oversight and approval of investments to enable the launch of social features. | | Consideration and approval of investments and resource allocation to support the launch of our social features. Read more about our social features launch on pages 23 and 24. |
| Investing in our people | Consultation with shareholders and longer-term value-based 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 (pages 34 and 35) | In the interests of addressing retention risks for key employees in circumstances where the setting of longer-term targets was challenging, the Board agreed that shareholders would be asked to approve a new Directors' Remuneration Policy permitting the grant of restricted shares. |
| Delivering on our ESG strategic objectives | Governance and Board oversight to ensure achievement of 2022 milestones in respect of our ESG strategy. | Climate risks (pages 40 and 41), brand risk (pages 44 and 45) and competition risks (pages 38 and 39) | Review of compliance processes and procedures regarding the Company's Taskforce for Climate related Financial Disclosure obligations and approval of a programme to support our hostel partners on their sustainability journey. Read more about the progress of our ESG strategy during the reporting period on pages 26 and 27, and within our sustainability report on pages 51 to 67. |
| Protecting our financial position | Governance to ensure our costs structure was appropriate and our financial stability was maintained. | Macro-economic conditions (pages 34 and 35) and financial risks (pages 38 and 39) | Oversight of vendor costs reduction programme and assessed and confirmed that the payment of dividends would not be in the best interests of the business for the foreseeable future. |
| Platform modernisation and improving competitiveness | Board oversight of platform modernisation programme and improving the competitiveness of our core business. | Competition risks (pages 38 and 39) | Board oversight of on-going implementation of the platform modernisation programme designed to improve the Group's core OTA business. Read more about our platform modernisation programme on pages 24 to 26. |

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 www.frc.org.uk/document-library/corporate-governance/2018/uk-corporate-governance-code-2018

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

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 94 how governance has supported the delivery of our strategy during 2022 and how this is linked to our principal risks.

Long Term Sustainable Success

In accordance with the 2018 Code, 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. In May 2022, two Board meetings dedicated to considering the Group's long-term strategy and ESG matters affecting the Group were held and attended by sixteen future senior leaders of the business as well as the Group's Executive Leadership Team.

Effective and Entrepreneurial

The Board conducts a detailed annual review of strategy. The key issues discussed by the Board at its 2022 strategy review meeting included:

- Paid and unpaid marketing strategic plans to further differentiate the Group's value proposition
- Evolution of the Group's social network features and product enhancement plans
- Ensuring hostel accommodation inventory competitiveness post COVID-19
- Managing legacy technology debt and platform modernisation
- Aligning strategy execution with data engineering and software development processes

We set out on pages 110 and 111 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 105 to 111) describes how we ensure we have the right skills and experience on our Board. Biographies of the Directors are provided on pages 90 and 91.

(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 which is updated throughout the year to ensure the Board is kept informed of key legal and regulatory requirements and industry updates. During 2022, on-going training included presentations and updates on (1) Market Abuse Regulation compliance requirements; (2) new legislation relevant to the business in the areas of employment law, e-commerce, data privacy and corporate governance; (3) Director obligations pursuant to s.172(1) of the Companies Act 2006, (4) Stock Exchange Listing Rules in respect of board diversity and inclusion; (5) corporate governance from a climate-change perspective; and (6) investor guidelines in respect of remuneration practices in listed companies.

(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. Evan Cohen did not take part in the Nomination Committee and Board processes which dealt with his re-appointment for a further three-year term. During 2022 no additional conflicts of interest arose.

Corporate Governance Report continued

(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 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 independent judgement, knowledge, and experience to the Board's deliberations. During the year the Non-Executive Directors are expected, in accordance with related contractual terms set out in applicable non-executive director appointment letters, 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 are also available at the Annual General Meeting.

Company Values and Purpose

During the year the Board reviewed and approved the Group's purpose and considered the Group's values. Details of the Group's purpose and values are set out on pages 70 to 76. Given the criticality of values in underpinning decision making, shaping our conduct, and defining our culture, at the Board meeting in December 2022 it was agreed that the Group's values should be reassessed to ensure they remained relevant and fit for purpose. A programme of activity is currently being undertaken by the Chief HR Officer under the sponsorship of the Executive Directors to complete this assessment. The Board will continue its important work in this area and oversee any proposed enhancements or changes to the Group's values.

The Executive Directors have been delegated responsibility for ensuring that policies and behaviours set at Board level are effectively communicated and implemented across the business. If the Board is concerned with any behaviours or actions, it will seek assurance that corrective action is being taken. No such action was required during 2022.

Assessing and Monitoring Culture

Our culture is based on our purpose and behaviours and is a key strength of our business. Culture is established from the top down by leadership and example setting from members of the Board, the Executive Leadership Team and by people managers and is underpinned by appropriate policies and codes of conduct. The Board monitors and assesses the culture of the Group via the following mechanisms:

- Meeting with all members of the Executive Leadership Team at each scheduled Board meeting
- Inviting future senior leaders of the Group to present at Board and Committee meetings
- Receiving updates from Éimear Moloney (in her capacity as designated Non-Executive Director with responsibility for workforce engagement)
- Assessing key cultural indicators such as:
 - management's attitude to risk
 - employee survey results
 - training data
 - compliance with the Group's policies and procedures
 - reviewing details of employee exit interviews
 - key performance indicators, including employees retention
 - attitudes to regulators and internal audit
- Feedback from our wider stakeholders, including feedback provided by attendees at our hostel conference held in April 2022 in Copenhagen, at our Capital Markets Day in November 2022, and from hostel partner and customer surveys
- Messages received via the Group's whistleblowing system (there was no activity during the reporting period)
- Promptness of payments to suppliers and any legal proceedings issued by suppliers or employees' (no legal proceedings were issued by suppliers or other partners or any employees' during the reporting period)

Oversight of risk management, establishing reporting mechanisms within the governance framework, direct engagement with our people (through the processes described above), on-going oversight of employee retention statistics, 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 to ensure that it remains positive and inclusive.

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 to manage and monitor risks with the assistance of its internal auditors and senior members of each division/function within the Group. The Board and its Committees oversee and receive regular updates on risks and risk management, and periodically assesses the key risks and emerging risks in the business. The Board is committed to ensuring the privacy rights of our customers and partners is always respected and is provided with updates from the Audit Committee on the results of both annual privacy audits undertaken by the Group's Data Protection Officer and on-going cyber security reviews of the Group's platform and IT systems undertaken by the Group's Head of Information Security.

Risk management processes evolved in late 2021 and in 2022 to take into account risks and opportunities that impact the Group due to climate-change. Detail is included on pages 54 to 62.

Whistleblowing 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 Whistleblowing Policy and maintains a confidential whistle-blowing helpline, operated by Navex Global, for reporting such matters. No incidents were reported to the helpline during 2022. The Anti-Bribery Policy and Whistleblowing Policy are reviewed annually to ensure they are fit for purpose.

Employee Retention

The Board receives regular updates on HR matters with a particular focus on employee retention and attrition statistics. Retaining our employees is a key element of our strategy and a strong indicator of both an engaged workforce and an inclusive and positive culture in the Group. The Board was pleased to note an attrition rate of 22.9% in 2022 which represented a material improvement on the equivalent rate for 2021.

Remuneration and Culture

We set out on page 123 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 our workforce.

Using Stakeholder Views to shape Board Decision Making

We recognise the importance of proactive and two-way engagement with all stakeholders. Details of how engagement with stakeholders was conducted during 2022 and how the Directors 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 77 to 87.

Workforce Engagement Statement

The Board is committed to ensuring that it is aware of the views and concerns of the Group's workforce and that it has regard to their interests as part of the Board's decision-making process. The two-way dialogue between the Board and employees is enabled through a combination of formal and informal engagement channels, including face-to-face meetings, virtual meetings, attendance at hostel partner events and Hostelworld social events. During 2022, following the easing of COVID-19 restrictions, the Board and Éimear Moloney (in Éimear's capacity as the designated Non-Executive Director with responsibility for workforce engagement) took the opportunity to reconnect with colleagues in person, all Board members attended the hostel partner conference in Copenhagen in April 2022, and a social event organised for future senior leaders of the Group in May 2022. Éimear Moloney chaired two employee engagement forums, with one forum event conducted on a face-to-face basis at the Group's Dublin HQ in December 2022. The feedback we get from colleagues helps to enhance our understanding of the culture and behaviours that are appropriate for the business and how we continue to ensure that Hostelworld is a respectful and rewarding place to work for everyone.

Éimear Moloney has been 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, since the inception of the Board approved employee engagement framework in 2019.

As part of the programme of employee engagement activities conducted during 2022, 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.

Corporate Governance Report continued

Key themes emerging from engagements with the workforce during 2022:

- The Board strategy meeting in May 2022 attended by sixteen future senior leaders of the business and the Executive Leadership Team was viewed as a strong positive in terms of two-way access and engagement between Group employees and the Board.
- The alignment in focus between employees and the Board on implementing the sustainability and ESG strategy of the Group in a timely and effective manner with employee feedback highlighting the need for more frequent internal updates noted by the Board.
- The need for continued and sharpened focus at Board level on ensuring the Group's diversity and inclusion programme remained adequately resourced with Board oversight of the programme being maintained.
- The importance of ensuring a more comprehensive learning and development programme was implemented with appropriate oversight from the Board.
- Colleagues highlighted the success of previous Group-wide 'fireside chats' involving Non-Executive Directors and requested that the Chairman participate in the programme over the course of 2023.
- The Group and Board's focus over 2022 on launching social network features is seen as a firm positive with colleagues highlighting the need for constant test and learn and iteration of the social features strategy to ensure the Group continued to differentiate from larger OTA competitors.
- The lack of direct face-to-face engagement across the business in the earlier part of 2022 was highlighted as an area of concern.
- Employees viewed as a strong positive the level of engagement with the Executive Leadership Team on company strategy and trading performance with bi-weekly townhalls chaired by the CEO being particularly important in establishing and maintaining a clear understanding of strategy and strategy execution.

Feedback from the various engagement channels was discussed at Board meetings during 2022 and the insights and perspectives of employees assisted in informing broader Board and management decisions. How the Board engaged with the workforce and 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 (pages 77 to 87).

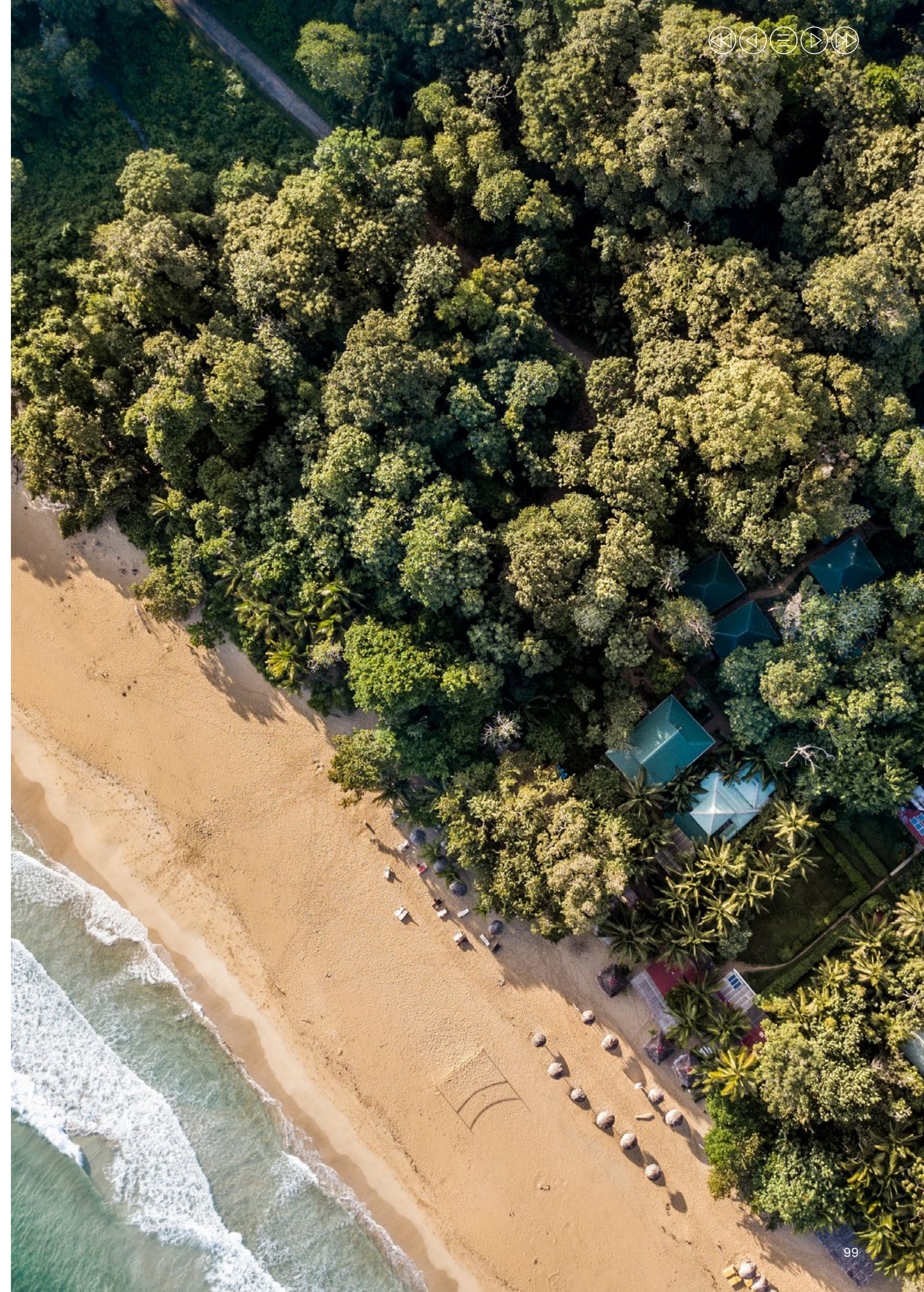
Over 2023, Éimear will continue to hold these employee forum sessions. Given the positive reaction to the exercise in 2022, the Board intends to hold a similar meeting over the course of 2023 dedicated to assessing strategy with the involvement and participation of future senior leaders of the business. 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 employees to ensure the Board have a clear understanding of employees' concerns and perspectives.

Annual General Meeting

The AGM is an important forum for shareholders to hear more about the general development of the business. The 2023 Annual General Meeting will be held on 09 May 2023. 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.



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 01 December 2017 and was considered independent on appointment. 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 101.

A Balanced Board

Our Board comprises two Executive Directors and four Non-Executive Directors. As required by the 2018 Code, at least fifty percent 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 2022, each Director's performance continues to be effective, and each Director demonstrates commitment to the role.

Non-Executive Directors

Our Non-Executive Directors have responsibility for constructively challenging the strategies proposed by the Executive Directors and holding management to account in respect of the achievement of Company goals and objectives. The Non-Executive Directors also play a primary role in the effective functioning of the Board's Committees (other than the Disclosure Committee which is comprised of the CEO and CFO).

Independence

The Board has identified on pages 90 and 91 which Directors it considers to be independent. The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationships which could materially interfere with the exercise of their judgement.

The Non-Executive Directors play an important role in ensuring that no individual or group dominates the Board's decision making. It is therefore of significant importance that their independence is maintained. To properly preserve their independence, Non-Executive Directors are not permitted to serve more than three three-year terms other than in exceptional circumstances.

Other External Appointments

The Board takes into account a Director's other external commitments when considering them for appointment to satisfy itself that the individual can allocate sufficient time to their Board duties and assess any potential conflicts of interest. Each Director is required to notify the Chairman of any changes to their external commitments that arise during the year with an indication of the time commitment involved. During the year under review, Éimear Moloney became a Non-Executive Director of Irish Continental Group plc with effect from 25 August 2022. Éimear notified the Chairman in advance of her appointment, and the Board confirmed that it does not believe that this additional directorship affected (or will affect) Éimear's commitment to her Company Board duties, nor did it give rise to a potential conflict of interest.

Executive Directors may accept a non-executive role at another company with the approval of the Board. If required to assess additional directorships, the Board will consider the number of directorships held by the individual already and their expected time commitment for those roles. The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently. As part of the Board evaluation exercise, each Non-Executive Director has confirmed (as they are required to do annually) that they have been able to allocate sufficient time to discharge their responsibilities effectively (see table on page 104 for Board meeting attendance).

External appointments held by our Non-Executive Directors are set out on pages 90 and 91. At the date of publication of this Annual Report, no external appointments are held by our Executive Directors.

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, functions 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. In accordance with the 2018 Code, the remuneration of the Company Secretary is determined by the Remuneration Committee.

| Division of Responsibilities | | |
|---|--|---|
| Chair Michael Cawley | <ul style="list-style-type: none">Leadership of the BoardResponsible for overall effectiveness in directing the GroupConstructive relationships between the Executive and Non-Executive DirectorsEffective contribution of all Non-Executive Directors | <ul style="list-style-type: none">Directors receive accurate and timely informationMeetings with Non-Executive Directors, without Executive Directors presentEnsures Board is aware of the views of major shareholders |
| Board (key matters) | <ul style="list-style-type: none">Group's purpose and valuesGroup's strategic aims and business plansAnnual and interim resultsAnnual report and financial statementsDividend policyInternal control and risk managementMajor changes to the Group's corporate structure including but not limited to major acquisitions/disposals | <ul style="list-style-type: none">Capital purchases > €250k outside budgetCommunication with shareholdersChanges in structure, size and composition of the BoardMaterial litigationRemuneration Policy for Directors and senior executivesGovernance structureOversees culture (including diversity and inclusion programmes) and climate-related risks and controls |
| Senior Independent Director Carl G. Shepherd | <ul style="list-style-type: none">Sounding board to the ChairIntermediary for the other Directors and shareholders | <ul style="list-style-type: none">Annual appraisal of Chair's performance |
| Non-Executive Directors | <ul style="list-style-type: none">Constructive challenge, strategic guidance and specialist advice | <ul style="list-style-type: none">Scrutinise and hold to account the performance of management and individual Executive Directors against performance and strategy objectives |
| Chief Executive Officer Gary Morrison | <ul style="list-style-type: none">Execute the Group's strategy and commercial objectives together with implementing the decisions of the Board and its CommitteesTo keep the Chairman and Board appraised of important issues and competitive challenges facing the GroupTo ensure that the Group's business is conducted with the highest standards of integrity, in keeping with our culture | <ul style="list-style-type: none">Manage the Group's risk profile and ensure actions are compliant with the Board's risk appetiteInvestor relations activities, including effective and ongoing communication with shareholders |

Corporate Governance Report continued

| Division of Responsibilities | | |
|---|---|---|
| Chief Financial Officer Caroline Sherry | <ul style="list-style-type: none">Support the CEO in developing and implementing strategyProvide financial leadership to the Group and align the Group's business and financial strategyResponsible for financial planning and analysis, treasury and tax functions | <ul style="list-style-type: none">Responsible for presenting and reporting accurate and timely historical financial informationManage the capital structure of the GroupInvestor relations activities, including communications with investors, alongside the CEOChairs Steering Committee on ESG and oversees TCFD reporting compliance |
| Designated Non-Executive Director for gathering the views of the workforce Éimear Moloney | <ul style="list-style-type: none">Attendance at employee engagement forum and business events, including Copenhagen hostel conference and social event for future senior leadersProvide regular updates to the Board on issues discussed at employee engagement forum meetings | <ul style="list-style-type: none">Review any messages received through the whistleblowing system from the Group's employeesMonitor the effectiveness of engagement programmes established for employees |
| Company Secretary John Duggan | <ul style="list-style-type: none">Compliance with all corporate governance matters, monitors the Group's disclosure requirements under the 2018 Code and UK Listing Rules | <ul style="list-style-type: none">Ensure Board procedures are followedCompliance by the Company with its legal and regulatory responsibilities |

The Board of Directors

The schedule of matters reserved for the Board's decision is available on the Group's website, www.hostelworldgroup.com. The schedule of matters reserved for 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 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 2022.

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. Certain Board decisions are addressed through written resolutions signed by each member of the Board. Key issues assessed, and material decisions taken by the Board and its Committees during the year included the following:

Strategy

- On-going updates and presentations from the Executive Directors and Executive Leadership Team on the implementation of strategy throughout the year
- Reviewed the Group's 5-year plan
- Oversight and approval of the Group's ESG roadmap and assessment of achievement of ESG strategy milestones
- Reviewed the Group's long term strategic objectives with a particular focus on the evolution and growth of the Group's social network, technology strategy and long-term paid marketing strategy
- In-depth review of the Group's debt refinancing strategy
- Approved the acquisition of the remaining shares in Counter App Limited and its subsequent liquidation
- Assessed and confirmed that the payment of dividends would not be in the best interests of the business for the foreseeable future

Commercial

- On-going updates and presentations from the Executive Directors on trading and financial performance (weekly trading emails communicated to the Non-Executive Directors by the CFO)
- Oversight of operating expense reduction programme
- Approved the annual budget
- Approved the full year results, half year results, and annual report

Risk Management and Internal Controls

- Reviewed the Group's principal and emerging risks
- Reviewed and confirmed the Group's viability statement and going concern status
- Received an update on Cyber and IT Security
- Received an update on compliance training completion rates
- Reviewed effectiveness of the Group's system of internal controls and risk management

People and Culture

- Approved a proposed new Directors' Remuneration Policy which was placed before shareholders at the Company's AGM in May 2022
- 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
- Received updates from Éimear Moloney in Éimear's capacity as Non-Executive Director responsible for employee engagement
- Received a presentation on culture and employee engagement from the CEO
- Received updates on key people and culture issues from the Chief HR Officer at each scheduled Board meeting
- Approved the renewal for a further three-year term of Evan Cohen as Non-Executive Director and member of the Remuneration Committee, Audit Committee and Nomination Committee
- Considered succession planning for the Board, Executive Leadership Team and middle management
- Approved a Board diversity policy

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

- Review and approval of the previous meeting minutes
- Committee updates to the Board
- Status update on any matters outstanding from previous meetings
- Report from the CEO (including an update on strategy development and execution)
- Report from the CFO (including an update on trading and progress on ESG strategy initiatives)
- Reports from the Chief Product Officer, Chief HR Officer, Chief Supply Officer and Chief Technology Officer on departmental developments and initiatives and progress against strategic objectives

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 attend each scheduled Board meeting to present updates on the performance of their specific area(s) of responsibility.

Should any Director judge it necessary to seek independent legal advice in respect of Company matters, 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, the Non-Executive Directors met on eight occasions without the presence of the Executive Directors. These meetings were conducted at the end of scheduled 2022 Board meetings and provided the Non-Executive Directors with a private forum to discuss wider business topics. These meetings are helpful in preserving the independence of Non-Executive Directors by providing them with the means to discuss Company issues in the absence of the Executive Directors.

Corporate Governance Report continued

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 | 9/9 | 100% |

⁽¹⁾ Certain Board matters relating to the operation 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 a specifically constituted Board sub-committee comprised of the CEO and CFO. Board approval of the renewal of Evan Cohen's appointment as Non-Executive Director, and member of the Remuneration Committee, Audit Committee and Nomination Committee was conducted separately via written resolution.

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 the 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. The Company Secretary acts as secretary to the Disclosure Committee.



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

Nomination Committee Report

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) | 5/5 | 100% |
| Carl G. Shepherd | 5/5 | 100% |
| Éimear Moloney | 5/5 | 100% |
| Evan Cohen | 5/5 | 100% |

⁽¹⁾ The Nomination Committee separately recommended the renewal of Evan Cohen's appointment as Non-Executive Director, and member of the Remuneration Committee, Audit Committee and Nomination 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 during 2022, are available on the Company's website at www.hostelworldgroup.com.

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

Corporate Governance Report continued

Chair’s Review of 2022

Key Activities of the Nomination Committee in 2022

The principal activities of the Nomination Committee during 2022 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.
- With the support of the Chief HR Officer, I completed a non-executive director skills assessment exercise to ensure that the Board is comprised of individuals that collectively possess the appropriate knowledge, skills, and expertise to lead the business. Further details are set forth below on page 107.
- The Nomination Committee led a rigorous process for considering the reappointment of Evan Cohen as Non-Executive Director and member of the Remuneration Committee, Audit Committee and Nomination Committee, resulting in the Board approving Evan’s reappointment for a further three-year term. The process involved an assessment of the provisions of the 2018 Code of the attributes required of a non-executive director, consideration of the FRC’s “Guidance on Board Effectiveness” as it relates to the required skills of a non-executive director 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. The Nomination Committee recommended the renewal of Evan Cohen’s Board and Committee appointments via written resolution (Evan Cohen did not take part in the process). The basis on which the assessment was positively made by the Nomination Committee that Evan has the necessary attributes required is specified in the related written resolutions dealing with the matter.

- The Nomination Committee reviewed the leadership talent pipeline and succession plans for the Board and Executive Leadership Team with an emphasis on managing any areas of vulnerability on the Executive Leadership Team. Given the importance of the position and the risks to strategy execution should the CEO unexpectedly leave the business, interim CEO arrangements were agreed by the Nomination Committee to address the related risks.
- The Nomination Committee also conducted a review of the Group’s long-term talent pipeline and succession plans, with particular focus on individuals with the potential to be future senior leaders of the business and provided oversight on the training and development programme devised and implemented for these individuals.
- In circumstances where Non-Executive Directors are not permitted to serve more than three terms of three years duration as a Director from their appointment date unless exceptional circumstances apply, the Nomination Committee continuously monitors the tenure of Non-Executive Directors’ and reviews potential departure dates. Details of the tenure of each Non-Executive Director is set out in the Directors Biographies section on pages 90 and 91.
- The Nomination Committee reviewed its Terms of Reference and the Company’s Board Diversity Policy to ensure they both continued to be fit for purpose.

Board Composition and Succession

With the support of the Chief HR Officer, I completed a non-executive director skills assessment exercise to ensure that the Board is comprised of individuals that collectively possess the appropriate knowledge, skills, and expertise to lead the business. A non-executive director skills matrix defining the optimum characteristics of the Board and recognising the Board’s current and future needs in the context of the Group’s strategy, risk profile, regulatory responsibilities and commitment to diversity was agreed with the Chief HR Officer and then completed by each Non-Executive Director over the latter part of 2021 and early 2022. The results of the self-assessment exercise were then reviewed with related skills gaps and training requirements discussed with each Non-Executive Director. This exercise is iterative in nature and will continue to be a focus area for the Nomination Committee over the course of 2023 (and beyond).

The Nomination Committee 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 and diverse talent pool available and ensure the risks to the business if key personnel left the Group are effectively managed. The Group’s talent pipeline has been strengthened through a number of appointments and internal promotions during the year (see page 106).

The Nomination Committee considers that by applying the principles of the Board Diversity Policy (with its requirement for the Committee to have regard to the benefits of diversity in the context of recommending appointments to the Board), it ensures that a diverse pipeline of board candidates is available to the Company. See heading below ‘Diversity and Inclusion’ for further details on the Board Diversity Policy.

Board and Committee Evaluation and Re-Election of Directors

The results of the Board evaluation and Director appraisal process are set out on pages 110 and 111. 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

As at the date of this Annual Report, 33% of the Board and 28.5% of the Group’s Executive Leadership Team are female (see page 70 for further information on the gender balance of those in senior management and their direct reports). Noting Caroline Sherry’s status as CFO and Executive Director, the Company has achieved partial compliance in advance of the mandatory application of the new Listing Rule regarding matters relating to board diversity and inclusion. There are currently no ethnic minority directors on the Board.

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 2022 to ensure it remains fit for purpose. There were no policy changes recommended in connection with this review.

The Board remains committed to appointing the most suitable and skilled candidates on merit against objective criteria, while having due regard to the benefits of gender and broader diversity. While we do not currently set any specific diversity targets in respect of Board appointments, we will continue to give careful consideration to the benefits of diversity as part of the process of Board refreshment and renewal. During the reporting period the Nomination Committee received an update from the Company Secretary in respect of the Financial Conduct Authority’s updates to the Stock Exchange Listing Rules (applicable for accounting periods starting from 01 April 2022) regarding matters relating to board diversity and inclusion. The Nomination Committee and the Board welcomes all recommendations which promote diversity and inclusion and seek to improve transparency. During 2023, the Nomination Committee will assess Board composition and any required updates to its Board Diversity Policy in the context of the now final recommendations and related updates to the Listing Rules.

Corporate Governance Report continued

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’. In addition, as part of the annual performance evaluation of the effectiveness of the 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 Evan Cohen as Non-Executive Director, and member of the Remuneration Committee, Audit Committee and Nomination Committee of the Company. The Board Diversity Policy will also be followed, as applicable, in circumstances where both Éimear Moloney and Carl G. Shepherd are subject to reappointment to their respective Board and Committee roles over the course of 2023.

The Nomination Committee views the Group’s diversity and inclusion policies, practices and behaviours in the area of diversity and inclusion as being barometers of the status of the Group’s overall culture and behaviours and should at all times be closely aligned. The Nomination Committee conducted an extensive review of the progress made by the Group over 2022 on its diversity and inclusion strategy and was pleased to note the Group received bronze accreditation from ‘Investors in Diversity’, affirming that the Group had built a strong foundation in this important area. The Nomination Committee was also pleased with the progress made on the objective of the Group becoming a more inclusive and equitable organisation with the introduction of a number of new and updated diversity and inclusion related people policies, the participation

of the Group in the ‘30% Club’ in Ireland, the continuation of diversity and inclusion events celebrating International Women’s Day, Pride at Work, and Black History Month, and the attendance at inclusive language training of a large number of colleagues (see Our People and Culture set out on pages 69 to 76). In circumstances where diversity fosters innovation, drives employee engagement and ensures that a company’s customers and commercial partners view it as a conscientious and reputable business, the Nomination Committee is firmly of the view that the ability of the Group to deliver on its strategic objectives is significantly enhanced by ensuring it has a diverse workforce.

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 in respect to the Group’s hiring and recruitment practices remains particularly important as it sets the correct benchmark in terms of the Group’s expected behaviours from new employees. The Nomination Committee considers that the use of different employee engagement channels to establish employees’ views on the issue of diversity and inclusion is vital as insights from different sources ensure that the adoption of diversity and inclusion practices is based on complete information and data (see Our People and Culture set out on pages 69 to 76).

The improvements we continue to make in this area will ensure a broader diversity of candidates in terms of gender, age, disability, ethnicity, sexual-orientation, education, professional or socio-economic background. The Nomination Committee is in agreement with the Group’s target to achieve silver accreditation with the ‘Investors in Diversity’ group over the course of 2023 and will provide on-going oversight on the programme of activities that are scheduled to ensure this target is achieved.

Michael Cawley
Chairperson, Nomination Committee
21 March 2023



Corporate Governance Report continued

Board Effectiveness and Evaluation
Progress against 2021 Board evaluation actions

Set out below is the progress made in 2022 against actions identified as part of the 2021 Board effectiveness review:

| Action | Progress |
|---|--|
| Continuing professional development for Board members for 2022 to be provided | Updates were provided to the Board and its Committees on the following areas during 2022: (1) market abuse regulation compliance requirements; (2) new legislation relevant to the business in the areas of employment law, e-commerce, data privacy and corporate governance; (3) director obligations pursuant to s.172(1) of the Companies Act 2006; (4) updates to the Stock Exchange Listing Rules in respect of board diversity and inclusion; (5) corporate governance from a climate-change perspective; and (6) updates to investor guidelines in respect of remuneration practices in listed companies |
| Increased focus at Board meetings on strategy and strategy execution (given the focus over 2020 and 2021 was managing the impact of COVID-19) | Additional time was allocated at scheduled Board meetings to strategy matters and an all-day Board meeting was held in May 2022 to assess long term strategy |
| Attendance of members of Executive Leadership Team and high potential individuals at Board meetings to be expanded and continued | <p>The Group's Chief HR Officer, Chief Product Officer, Chief Supply Officer and Chief Technology Officer attend each scheduled Board meeting and provide updates on their departmental initiatives and achievement of strategic objectives</p> <p>High potential individuals attended a strategy focused Board meeting in May 2022</p> |
| An enhanced process for evaluating the performance of the CEO with input from all Non-Executive Directors to be implemented | Review of achievement against strategic milestones is conducted at each scheduled Board meeting with input from all Non-Executive Directors |
| Enhanced trading data to be shared more frequently with Board members between scheduled Board meetings | A weekly trading update email is sent to the Non-Executive Directors by the CFO |

Internal Evaluation

A formal internal evaluation of the Board, its Committees and individual Directors was undertaken during 2022. The evaluation process was agreed by the Chairperson and the Company Secretary and involved the completion of a detailed questionnaire by each of the Directors covering the following areas:

- The Board's role and operation
- The effectiveness of the Board and its Committee's during COVID-19
- Relationships between the Board and its Committee's and key stakeholders
- 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 (PwC), the Group's audit partner (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 Chairperson. The report was reviewed by the Chairperson and the principal findings were discussed with the Board.

The evaluation established that the Directors were satisfied that they worked effectively together in managing the challenges and risks faced by the business during COVID-19 and displayed effective crisis management skills, that relationships with external Board stakeholders (shareholders, auditors,

advisers) were positive, that Board communication with colleagues through different engagement channels was effective, and that the Board was sufficiently diverse and had in place a system of effective internal controls. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM on 09 May 2023. 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

- Board worked together effectively in managing the challenges and risks faced by the Company during COVID-19 and demonstrated good “crisis management”
- Board relationships with investors, auditors and advisers are effective
- Board communication with employees is effective through various channels (employee forum, attendance at hostel conference in Copenhagen etc.)
- Sufficient Board and Committee meetings were held during 2022 (with meetings involving a high quality of robust debate and challenge to management representatives)
- Sufficient time is devoted by the Board to (i) reviewing the Company's performance and achievement against strategic objectives; and (ii) people related issues/monitoring culture
- Board is currently sufficiently diverse
- 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:

- Further research and discussion in respect of the Group's two core customer groups (i.e. customers and hostel partners) to support strategic discussions
- Replicate Board meeting strategy exercise conducted in May 2022 and invite a group of future senior leaders of the business to attend and present to the Board over the course of 2023

These recommendations and the separate recommendations for improving Board effectiveness provided by senior executives, auditors and advisers who had presented to the Board during the year will be put in place in 2023.

The Chairperson also conducted an appraisal of the performance of each Director (considering the views of the other Directors) and reported that each Director continues to perform effectively and demonstrates commitment to the role. As part of the appraisal exercise, the Chairperson assessed the individual and collective depth and breadth of skills, experience and knowledge of the Non-Executive Directors and concluded that these were adequate to enable the Board and its Committees to discharge their respective duties and responsibilities effectively.

Led by the Senior Independent Director, an assessment of the Chairman's performance was carried out in 2022 which confirmed that the Chairman continues to perform effectively in his role.

Board Evaluation and Succession Planning

The results of previous Board evaluations were considered by the Chairman and Chief HR Officer in the context of developing a related skills matrix for non-executive director Board appointments and are given due regard by the Nomination Committee when considering succession plans for both Executive Directors and Non-Executive Directors. This is to ensure that the Company at all times has a balanced Board with the appropriate combination of skills, knowledge, and experience for the needs of the business.

External Evaluation Assessment

Consistent with previous practice since the application of the 2018 Code, the Board considered the benefits of having a Board evaluation exercise performed by an external third-party consultant but decided not to do so in circumstances where the evaluation process proposed by the Company Secretary was comprehensive and was fully aligned with related published guidelines of the Financial Reporting Council (FRC). The benefits of having an evaluation performed by an external third-party 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

Audit Committee Report

As chair of the Audit Committee, I am pleased to present this report setting out the work of the Audit Committee for the year ended 31 December 2022.

During the year, the Audit Committee discharged its duties effectively and to a high standard and continued to support the Board in overseeing the management of the ongoing COVID-19 pandemic. The Audit Committee also supported the Board in assessing the principal and

emerging risks facing the Group, including performing a full risk and opportunity assessment for climate change and sustainability. The Audit Committee oversaw the performance and effectiveness of the internal and external audit processes and assessed the key audit judgements and estimates that arose during the year. The Audit Committee also oversaw a transition plan to appoint a new auditor for the 2023 financial year.

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 also independent Non-Executive Directors of the Company.

The Board is satisfied that the Audit Committee meets the requirements of the UK Corporate Governance Code with respect to recent and relevant financial experience. Éimear Moloney, as Chairperson of the Committee is a qualified accountant with relevant financial experience by virtue of her prior senior investment manager roles in Zurich Life Assurance (Ireland) plc.

The Board is also satisfied that all three Committee members have competence and broad experience relevant to the online travel sector in addition to a diverse range of skills, experience and expertise (as described in the Committee members’ biography details at pages 90 to 91) to ensure meaningful and effective contribution to the Audit Committee.

Audit Committee Role and Responsibilities

During the financial year ended 31 December 2022, in line with its Terms of Reference (the full version of which is available at www.hostelworldgroup.com), the Audit Committee:

- Reviewed the integrity of the financial statements of the Company, including critical judgements in applying the Group’s accounting policies, key sources of estimation uncertainty, and the information supporting the financial statements being prepared on a going concern basis;
- Assessed whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, facilitating shareholders assessment of the Group’s position and performance, business model and strategy;
- Reviewed the adequacy and effectiveness of the Company’s internal financial controls;
- Monitored the Group’s risk management systems and procedures, the identification of principal and emerging risks and completed an assessment of the climate related risks and opportunities impacting the Group;

- Assessed the Group’s compliance with the Taskforce on Climate-related Financial Disclosures reporting requirements;
- Reviewed a GDPR audit report from the Group’s Data Protection Officer;
- Completed an extensive, formal external audit tender process resulting in the appointment of KPMG as the Group’s auditor for financial year 2023;
- Assessed the Company’s compliance with the requirements of the 2018 Code;
- Continued to review whether there was a requirement to establish an internal audit function in light of sector and Group developments; and
- Continued to oversee the relationship with the Group external auditor.

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 FY2022. Each meeting followed a distinct agenda to reflect the financial reporting cycle and particular matters for the Committee’s consideration.

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, Deloitte Ireland LLP (external auditors) partner and director and representatives from PwC (internal auditors) are also invited to attend meetings.

Committee meetings are scheduled close to Board meetings to facilitate effective and timely reporting by the Chairperson of the Audit Committee to the Board on key issues discussed.

| Audit Committee activities: | March 2022 | August 2022 | December 2022 |
|---|------------|-------------|---------------|
| Financial Control | | | |
| Review and approve preliminary results | ● | ● | |
| Consider key matters affecting the financial statements and significant areas of judgement | ● | ● | ● |
| Review accounting regulator correspondence | | ● | |
| Review liquidity position of the Group, and monitor the impact of COVID-19 on the Group | ● | ● | ● |
| Approve to adopt going concern assumption in preparing financial statements | ● | ● | |
| Review and approve viability statements prepared relating to the Group | ● | | ● |
| Consider the impact of new accounting policies on the Group | ● | ● | ● |
| In review of the draft of the Annual Report, confirm if the report is fair, balanced and understandable | ● | | |
| Approve the annual report for signing by the Group’s executive directors | ● | | |

Corporate Governance Report continued

| Audit Committee activities: | March 2022 | August 2022 | December 2022 |
|--|------------|-------------|---------------|
| Risk Management | | | |
| Review principal and emerging risk register assessment prepared by the Hostelworld team, including processes to complete | | ● | ● |
| Review TCFD workplans and assessments completed by management, included a detailed risk and opportunity register and scenario analysis completed to assess the impact of climate change on the Group | ● | ● | ● |
| Receive and review security updates from the Group's Head of IT Security, and related risk dashboards to monitor threats on the Group environment | ● | ● | ● |
| Review business continuity plans in place | | | ● |
| Reviewed the effectiveness of the Group's antibribery and fraud procedures | | | ● |
| Review data protection officer work completed and risk horizon | ● | | ● |
| Complete a review of financial, IT and general controls impacting financial statement line items | ● | | |
| Monitor Group whistleblowing procedures and reports | | | ● |
| Internal Audit | | | |
| Review presentation of internal audits completed during the year, review findings and monitor progress on open actions | ● | ● | ● |
| Committee meeting with internal audit, without attendance of the senior management of the Group | ● | ● | ● |
| Approve internal audit plan for the upcoming financial year | | | ● |
| Complete evaluation of internal audit function | | | ● |
| External Audit | | | |
| Consider external audit plan presented by Deloitte Ireland LLP | | | ● |
| Review tender process and recommend the appointment of KPMG as external auditor for financial year 2023 | | ● | |
| Confirm auditor independence | | | ● |
| Complete evaluation of external audit function | | | ● |
| Approve auditor engagement fees for audit services provided | | | ● |
| Committee meeting with external audit, without attendance of the senior management of the Group | ● | | |
| Consider non-audit services engaged by the Group (debt covenant compliance) and materiality of related fees | | | ● |
| Receive a report from the external auditors on the results of the audit and consider any internal control recommendations arising | ● | | |
| Review management representation letter obtained from auditors containing representations about Hostelworld group, to be signed with the annual report and financial statements | ● | | |

Critical judgements in applying the Group's accounting policies, and key sources of estimation uncertainty

In respect of the year ended 31 December 2022, the Audit Committee considered the below significant issues. At each meeting during the year the Audit Committee received a paper from management assessing each critical judgement and key sources of estimation uncertainty impacting the Group.

| 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 the date of signing. |
| | Management presented forecasted cash flows to the Audit Committee detailing trading and expenditure plans with associated potential impact of uncertainties. These uncertainties included the continuing impact and recovery of the business from COVID-19. Four scenarios were considered by the Audit Committee – a base case to which January and February 2023 revenue is trending, an upside, a downside and a worst case. Under all scenarios the Group remains a going concern. In its assessment, the Audit Committee considered the Group's financing facilities and future funding plans in its review. |
| | 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 realise. This review 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 to 49. |
| | Furthermore, the Audit Committee also reviewed the impact that climate change has on assumptions included in the budget for 2023. The Audit Committee is satisfied that the carrying value of principal assets is not impacted and that no provisions or contingent liabilities should be recognised. The Audit Committee is also satisfied that cashflows include the cost of any work being completed relating to the Group's sustainability roadmap, including the cost of any carbon offsets, and that revenue trading volumes included in forecasts adequately reflect the impact of climate change. |
| Carrying value of goodwill and intangible assets | 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. |
| | 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 2022 year-end on key assumptions including the Group's growth and discount rates. The Audit Committee were satisfied that the assumptions used were appropriate. |
| Deferred tax asset recognition and recoverability of deferred tax assets | 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 2022. |
| | 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. |
| | The Audit Committee has 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 is satisfied with the carrying value at 31 December 2022 of €9.2m (2021: €8.4m). |

Corporate Governance Report continued

| Significant Issue | Description and resolution |
|-------------------------------------|---|
| Capitalisation of development costs | <p>The Group incurs significant internal costs in respect of the ongoing development of its IT systems and core technology and product platforms. The accounting for these costs as either development costs, which are capitalised as intangibles, or expenses as they are incurred involves judgement.</p> <p>Capitalised development cost additions during the year comprised of internal staff costs of €2.1m (2021: €1.7m) and other internally generated additions of €2.5m (2021: €2.7m) which were capitalised in accordance with the criteria as set out in IAS 38 Intangible Assets.</p> <p>The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment as to whether current projects meet the criteria required for costs to be capitalised (including feasibility of completion, intention to complete, probable economic benefits, availability of resources to complete, and ability to measure expenditure).</p> <p>The Audit Committee considers the approach taken and the application of the policy to be appropriate.</p> |
| Exceptional items | <p>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's policy and also if the reported results represented a true and fair view of the underlying performance during the year.</p> <p>The Audit Committee is 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.</p> |
| Sustainability | <p>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 reviewed the Group's climate risks and opportunities register twice in 2022. The Audit Committee also oversaw the development of metrics and achievement of targets that have been put in place by the Group to monitor on an on-going basis. The Audit Committee concluded that the disclosures on pages 54 to 67 were made in accordance with the recommendations of the TCFD framework and are appropriate and relevant.</p> |

Assessment of Annual Report and Financial Statements: Fair, Balanced and Understandable

The Audit Committee receives copies of the annual report and financial statements during the drafting stage and provided feedback to the Hostelworld team. The annual report and financial statements process is designed to give the Board enough time to assess whether it is fair, balanced and understandable, as required by the Code. The Audit Committee considered whether the annual report and financial statements contained the necessary information for shareholders to assess the Company's position and performance, business model and strategy. In particular, the Audit Committee considered if the narrative on the continuing impact of COVID-19 and the additional sustainability disclosures included this year were accurate and complete included on pages 51 to 67, and reflected with clarity both the results and the strategy of the Group.

The Audit Committee is satisfied that on balance, the annual report and financial statements represent a fair, balanced and understandable narrative of the key events of 2022, both positive and negative, and the strategy as approved by the Board. The Audit Committee is also satisfied that the narrative in the strategic report and governance sections of the annual report and financial statements are also consistent with the financial reporting contained in the financial statements.

External Auditors

Our external auditor for the financial year ended 31 December 2022 was Deloitte Ireland LLP, and John Kehoe was signing audit partner. The 2022 financial year was Deloitte Ireland LLP's final year as external audit firm, and John Kehoe's first year as signing audit partner. The Audit Committee oversaw the onboarding and reviewed the effectiveness of the new external audit partner. I met with John a number of times outside of the main Audit Committee meeting cycle during 2022 to review the most significant risk areas and areas of judgement affecting the Group, to assess the quality of output Deloitte Ireland LLP received from the Hostelworld team and to discuss any emerging risks or issues identified.

The Committee reviewed the performance and effectiveness of Deloitte Ireland LLP and concluded that it continues to provide an effective audit service. Deloitte Ireland LLP were first appointed external auditor to the Hostelworld Group in 2004 and they were appointed external auditor for the 2015 financial year, when Hostelworld Group plc was listed. In the UK, mandatory audit tendering is required every 10 years with mandatory rotation of auditors of public interest entities at least every 20 years. On this basis we are required to tender for external auditing services by June 2023 for financial year 2023. During 2022 we undertook a formal audit tender process. The Group extended a request for information with interested firms preparing proposals based on set criteria addressing their service team, audit approach, transition plan, relationship and independence, and fees. Following the completion of scorecard assessments by Hostelworld and a meeting with the Chair of the Audit Committee, KPMG were selected with Brian MacSweeney as lead audit partner.

To ensure no impact to audit independence and objectivity, 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 total amount of the audit fee for the current financial year. 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 2022, Deloitte Ireland LLP were engaged to provide non-audit services to the Group totalling €13.0k (2021: €13.0k).

Risk Management

Overall responsibility for risk management is with the Board. The Audit Committee assists the Board by taking delegated responsibility for risk identification and assessment, in addition to reviewing the Group's risk management and internal control systems and making recommendations to the Board thereon. In 2022 the Audit Committee performed two detailed assessments of the principal and emerging risks faced by the Group. Further detail on the risk identification process and the principal and emerging risks impacting the Group is set out on pages 33 to 45. These risks are those that could have a material adverse impact on the Group's prospects, business model, its financial condition, reputation and the results of its operations. The assessment included a review of the likelihood of a risk event occurring and

the costs to control. The Audit Committee also performed two assessments of the principal risks and opportunities relating to climate change impacting the Group, further detail is set out on pages 57 to 62.

The Audit Committee receive reports of reviews undertaken by the Group internal auditors, PwC, and the external auditors, Deloitte Ireland LLP, which include details of outcomes of tests performed on the effectiveness of the controls of the Group over significant risk areas and key financial reporting cycles.

Internal Control

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 to report such risks 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.

Corporate Governance Report continued

In March 2022 the Audit Committee completed a detailed review of the operation of each key control impacting financial statement disclosures. In conjunction with this detailed review and the specific reviews performed on the principal and emerging risks impacting the Group, the climate risk and opportunities register, the climate related metrics and targets put in place and the accuracy of the reporting to underpin the reporting against these, the Audit Committee concluded that the Group's risk management arrangements and controls are adequate to provide assurance and that they are suitable for the Group's size and strategy.

Internal Audit

The role of the internal audit function is to provide independent and objective assurance, advice and insight on governance, risk management and internal controls to the Board, Audit Committee and the Group. The internal audit function is outsourced to PwC, the Audit Committee considers that PwC continue to be independent and effective, and is satisfied with the quality, experience and expertise of PwC as its internal auditor. At each Audit Committee meeting during the year, the Audit Committee considered the results of the audits undertaken and the adequacy of management's response to matters raised, including the time taken to resolve such matters.

I met with the PwC internal audit partner and director several times during the year outside of the formal meetings to discuss the general environment in which the Group operates and emerging risks, the output of the internal audit function and aspects of the Group's risk management processes.

The 2022 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. The audit plan focused on the principal risk areas for the Group. In 2022, the Audit Committee received three reports from PwC covering:

- A. Phishing review delivered to all Hostelworld employees;
- B. IT general controls review of Hostelworld primary proprietary revenue database; and
- C. TCFD (Task Force on Climate-Related Financial Disclosures) review to ensure the Group had addressed each of the principals of the framework through their work in 2022.

The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management. There were no open findings at year end relating to prior internal audit reviews performed.

The Audit Committee reviewed and agreed the internal audit plan for 2023 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 2023 internal audit plan focuses on:

- A. Penetration test designed to assess our security controls;
- B. Review and benchmarking of our TCFD included in our annual report;
- C. An IT test aimed to review security access controls for remote working employees; and
- D. Findings follow up review for any open findings at year end.

Annual Evaluation of Performance

The performance of the Audit Committee was assessed as part of the broader Board evaluation process in relation to its Terms of Reference, composition, procedures, contribution and effectiveness. The results concluded that the Audit Committee continues to operate effectively in line with the requirements of its Terms of Reference and that the role and remit of the Audit Committee remains appropriate in the current economic and risk climate and with regards to the needs of the Company.

Éimear Moloney
Chairperson, Audit Committee
21 March 2023



Corporate Governance Report continued

5. Remuneration – Principles P–R of the Code

Remuneration Committee Report

Chairperson of the Remuneration Committee’s Annual Statement

Dear Shareholder,

As Chairperson of the Remuneration Committee, I am pleased to present the Company’s Remuneration Report for the year ended 31 December 2022.

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

The Company Secretary acts as Secretary to the Remuneration Committee.

Key Activities of the Remuneration Committee in 2022

The Remuneration Committee held 6 meetings during 2022 and, among other things, undertook the following activities:

- Finalised the 2021 Directors’ Remuneration Report;
- Confirmed the vesting of the first tranche of restricted share awards granted in lieu of a cash bonus in 2021 (the “2021 Restricted Share Award”);
- Completed a consultation process with major shareholders on the terms of the new Directors’ Remuneration Policy, for which shareholder approval was received at the AGM in May 2022;
- Approved the terms of a new grant of restricted shares to the Executive Directors and other senior executives (the “2022 Restricted Share Award”);
- Discussed and agreed that no cash bonus scheme would operate for 2022;
- Discussed and agreed a proposal to amend the performance conditions attached to the Long-Term Incentive Plan (LTIP) award granted in 2021;
- 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; and
- Agreed to the operation of a cash bonus scheme for 2023, and the metrics and targets to be used for such a scheme.

Subsequent to the financial year end, the Remuneration Committee met to formally assess the extent of vesting under the adjusted EPS performance condition for the LTIP award granted in 2020, confirmed the vesting of the second tranche of the 2021 Restricted Share Award, agreed the salary levels for the Executive Directors for 2023, approved an LTIP award for key colleagues (excluding the Executive Directors and other members of senior management who will not be granted an LTIP award for 2023), and approved the contents of this Directors’ Remuneration Report.

Executive Remuneration in 2022
Directors’ Remuneration Policy and 2022 Restricted Share Award

2022 proved to be another critically important year for Hostelworld. The emergence of the Omicron variant towards the end of 2021 meant a delay to the pace with which the business could embark on its post-pandemic recovery. As the year progressed, a more volatile external economic environment also presented some risks to growth. Despite these challenges, the Board believes that Hostelworld’s management team performed exceptionally well and took advantage of opportunities to ensure the business could grow over the coming years. Overall, the performance of the business over the year was strong, and the financial outturn was better than expected at the start of 2022. The outlook for 2023 is encouraging.

Shareholders approved a new Directors’ Remuneration Policy at the AGM in May 2022. As explained last year, given the limited visibility at the time of the likely shape and timing of the post-COVID-19 recovery, we decided to effectively duplicate the previous Policy and defer most material changes to a later date. The key exception to this was the adoption of a different approach to long-term incentives, with the Remuneration Committee deciding to make a grant of restricted shares to the Executive Directors and other key colleagues in place of LTIP awards in 2022 and 2023. This award (the “2022 Restricted Share Award”) was granted in May 2022 following shareholder approval of the new Remuneration Policy. Grants were made at levels of 150% of basic salary for the Chief Executive Officer and 125% of basic salary for the Chief Financial Officer, with vesting subject to continued employment and the Remuneration Committee being satisfied with individual and Company performance over the three-year vesting period. There is an additional two-year post-vesting holding period for the awards to the Executive Directors.

The Remuneration Committee continues to believe that the 2022 Restricted Share Award is a powerful retention tool and was an appropriate response to the challenges faced last year and the difficulties in setting meaningful longer-term targets at the time. We are grateful for the support of the vast majority of our leading shareholders for our approach.

As anticipated last year, no annual cash bonus scheme operated for 2022 for the Executive Directors or other employees. The 2021 Restricted Share Award – which was designed to replace bonuses for both 2021 and

2022 – has now vested in full for both Directors, with the second tranche of this award being released following the assessment of personal performance in early 2023.

2020 LTIP Award

The LTIP award granted in May 2020 had performance conditions based on adjusted EPS (25% weighting) and absolute TSR (75% weighting). The EPS element involved an assessment of adjusted EPS for the financial year ended 31 December 2022. Given the challenges of the last few years, the threshold performance level was not achieved and therefore no element of this portion of the award will vest.

The TSR element has a different performance period, with TSR measured over the three-year period ending 01 May 2023. A final assessment of performance against this metric will be undertaken at the appropriate time and we will disclose the level of vesting and the resulting value of the vested award in next year’s report.

Amendment to Performance Targets for the 2021 LTIP Award

During the year, the Remuneration Committee debated the performance targets which had been set for the LTIP award granted in 2021. These targets are based on Hostelworld’s performance over the period to 31 December 2023. After detailed consideration, the Committee agreed to exercise its discretion to amend these targets, for the reasons set out below.

The LTIP award was granted in April 2021 to the Executive Directors and a number of other key employees. As previously disclosed, the Committee agreed different performance metrics for this award than those used for prior year grants. It was determined that 50% of the award would be subject to adjusted EBITDA targets, and the other 50% on key strategic objectives linked to customer value and the successful adoption of Hostelworld’s Counter PMS SaaS solution. Challenging targets for each of these metrics were agreed at the time.

By late 2021, it was clear that the business environment had changed materially since the start of the year, when the targets for the 2021 award had originally been set. In particular, the emergence of the Omicron COVID-19 variant at the end of 2021 significantly increased the level of uncertainty around the pace of the post-pandemic recovery. New lockdown restrictions in certain key markets, particularly in Asia and Oceania,

Corporate Governance Report continued

dampened travel demand and had an immediate negative impact on bookings. It also proved very difficult to predict likely customer behaviour in such an environment.

The result of this was that the business projections we had used for setting the original LTIP targets were no longer relevant. Under revised projections, it was clear that the significantly altered trading environment was such, that the recovery of the business would take place over a longer timeframe. In this context, the targets that were originally set for the 2021 LTIP were no longer considered relevant and were not acting as an incentive to outperform. The Remuneration Committee therefore agreed a series of amendments to the targets to provide for a fairer measure of performance. The new targets are considered not materially less difficult to satisfy than the original targets, taking into account the current business environment. The amendments align with the interests of shareholders as the management team now has a set of achievable targets and thus an incentive to drive performance over the period covered by the LTIP.

Further details of the amendments are included on pages 139 and 140.

After the end of the performance period, the Remuneration Committee will review performance against the amended targets and will seek to ensure that the total vesting level is appropriate, taking into account overall business performance over the period and the experience of Hostelworld shareholders and other stakeholders. Full details of our conclusions will be provided in next year's Directors' Remuneration Report.

Remuneration for the Wider Group

During the year, the Committee considered remuneration for the Executive Directors in the context of the wider workforce experience, noting the impact on the entire colleague population of the lack of material incentives in recent years and the challenges presented by increases in the cost of living over 2022. We are confident that the approach to executive remuneration is appropriate in this context. For example, both the 2021 Restricted Share Award and the 2022 Restricted Share Award were granted to a large number of employees as well as the Executive Directors, demonstrating our desire to ensure that appropriate retention mechanisms were put in place for the wider team. In addition, after

bringing forward the 2022 salary review for most employees (excluding the Executive Directors and other members of the Executive Leadership Team) to September 2021, the Company undertook a further salary review in July 2022, with a minimum increase of an additional 2% agreed at that time.

The Committee will keep wider workforce remuneration under review for 2023.

Our Plans for 2023

As explained last year, the 2022 Restricted Share Award was designed to replace LTIP grants in both 2022 and 2023. As a result, there will be no new LTIP award in 2023 to the Executive Directors or the Executive Leadership Team. During the year, the Committee will embark on a review of the Directors' Remuneration Policy which, among other things, will cover the future approach to long-term incentives. We will consult with major shareholders on our conclusions before seeking shareholder approval for a new Policy at the AGM to be held in 2024.

Ahead of this, we have reviewed the basic salaries of the Executive Directors and Executive Leadership Team for 2023 and determined that a 3% salary increase is appropriate. The average salary increase for 2023 awarded to others in the organisation (excluding those in the organisation not receiving any salary increase on grounds of inadequate individual performance) is 3.7%. Including market adjustments and promotions, the total average salary increase for 2023 awarded (excluding those in the organisation not receiving any salary increase on grounds of inadequate individual performance) is 4.9%.

Given the more positive outlook for the business, we have agreed with management that the Company is now in a position to offer a cash bonus scheme to all employees for 2023. The potential bonus for the Executive Directors will be in line with the Directors' Remuneration Policy and will be limited to a maximum of 100% of basic salary. We have agreed performance measures linked to key performance indicators for the year, being adjusted EBITDA (70% weighting) and net revenue (30% weighting). Given the Board's focus on ensuring that the business maintains its positive momentum over the coming year, there is a requirement that threshold adjusted EBITDA performance must be delivered in order for any bonus to be paid.

UK Corporate Governance Code (the "Code")

The Company reports against the provisions of the UK Corporate Governance Code and the Committee is confident that the pay principles and philosophy set out are aligned with the Company's approach to pay in general, and the culture and values of the organisation. 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, for example in respect of the performance targets for the 2021 LTIP award as discussed above.

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. The current Directors' Remuneration Policy and equity framework is considered to provide for sufficient alignment between management and the long-term interests of shareholders. This reflects 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 for the 2022 Restricted Share Award and for awards granted under the LTIP. 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 rate of pension contribution 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.

The Committee will review these matters again when considering a new Directors' Remuneration Policy ahead of the 2024 AGM.

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 comply with full transparency of all elements of Directors' remuneration;
- **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. Ahead of the 2024 AGM, 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 and that reputational risk from a perception of "excessive" pay-outs is limited;
- **Predictability:** The Policy includes full details of the individual limits in place for the pay schemes. Any discretion exercised by the Committee in implementing the Policy has been fully disclosed;
- **Proportionality:** The link between the delivery of strategy and long-term performance 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;
- **Alignment to culture:** The approach to Directors' remuneration is consistent with key Group cultural tenets of transparency, inclusion and performance. 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. This is reflected, for example, in the structure of the cash bonus scheme which will operate for 2023.

Dialogue with shareholders on remuneration matters is important to the Committee. We engaged extensively with major investors in 2021 and early 2022 on the terms of specific proposals and we look forward to further interaction as we develop a new Remuneration Policy in late 2023 ahead of the vote at the 2024 AGM.

The Remuneration Committee engaged with the wider workforce during the financial year through Éimear Moloney, a member of the Committee and the designated Non-Executive Director responsible for employee engagement. This engagement covered a wide number of issues relating to pay practices across the Company, and also included a discussion of the way in which executive remuneration aligns with wider Group policies.

Corporate Governance Report continued

Structure of this Report

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

- This Annual Statement;
- A summary of the Directors’ Remuneration Policy, as approved by shareholders at the AGM held in 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 2022 financial year. The Annual Report on Remuneration together with this Annual Statement is subject to the standard advisory shareholder vote at the forthcoming AGM.

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

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

Carl G. Shepherd
Chairperson, Remuneration Committee
21 March 2023



Corporate Governance Report continued

Directors’ Remuneration Policy (Summary)

Introduction

The Directors’ Remuneration Policy was approved by shareholders at the AGM held on 11 May 2022. 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. No changes are currently proposed to the Policy.

A summary of the key features of the Policy is included below for informational purposes only. The full Policy is included in the 2021 Annual Report, available on the Hostelworld Group website at www.hostelworldgroup.com. If there is any discrepancy between the summary and the full Policy, the full Policy will prevail.

As explained in the Annual Statement from the Chairperson of the Remuneration Committee, the Committee currently intends to revert to shareholders with a new Policy at the AGM in 2024. The Committee will consult with major shareholders on the terms of any new Policy prior to it being presented for formal approval at the AGM.

Policy Table

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

| Base Salary | | |
|--|---|---|
| Link to strategic objectives: 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. | | |
| Operation | Opportunity | Performance metrics, weighting and assessment |
| Salaries are reviewed annually, and any changes are normally effective from 01 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: <ul style="list-style-type: none">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 companies in the comparator group used for remuneration benchmarking; andthe economic environment. | Base salaries will be set at an appropriate level within a comparator group of comparably sized listed companies and will normally increase in line with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved. | None |

Benefits

Link to strategic objectives: **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.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|--|---|
| 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 ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors. | The maximum will be set at the cost of providing the benefits described. | None |

Pensions

Link to strategic objectives: **Provide retirement benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company’s strategy.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|--|---|
| 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 |

Corporate Governance Report continued

Annual Bonus Plan

Link to strategic objectives: **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.

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|---|--|
| <p>The Remuneration Committee will determine the bonus payable after the year end based on performance against targets.</p> <p>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.</p> <p>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.</p> <p>Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.</p> | <p>The maximum bonus opportunity as a % of base salary is 100%.</p> | <p>Bonus payouts are determined on the satisfaction of a range of key financial and non-financial objectives set by the Remuneration Committee.</p> <p>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.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.</p> |

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

Link to strategic objectives: **Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|--|---|
| <p>Awards are granted annually to Executive Directors under the LTIP. These vest at the end of a three-year period, normally subject to:</p> <ul style="list-style-type: none">the Executive Director's continued employment at the date of vesting; andsatisfaction of the performance conditions. <p>The Remuneration Committee may award dividend equivalents on awards to the extent that they vest.</p> <p>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).</p> <p>The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares.</p> <p>Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.</p> | <p>Awards may be made up to 150% of base salary.</p> <p>If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 200% of a participant's annual basic salary.</p> <p>No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.</p> | <p>LTIP awards 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.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part way through a performance period if an event occurs which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate.</p> <p>Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.</p> |

Corporate Governance Report continued

Long Term Incentive Plan (LTIP)

Applicable to the 2022 Restricted Share Award

Link to strategic objectives: **The 2022 Restricted Share Award operates as a retention mechanism.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|---|---|
| <p>The 2022 Restricted Share Award was granted in May 2022 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).</p> <p>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).</p> <p>The Remuneration Committee may award dividend equivalents on awards to the extent that they vest.</p> <p>The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares.</p> <p>Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.</p> | <p>The 2022 Restricted Share Award was granted at a level of 150% of base salary for the Chief Executive Officer and 125% of base salary for the Chief Financial Officer.</p> | <p>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.</p> |

Save As You Earn (SAYE) plan

Link to strategic objectives: **To encourage share ownership among Hostelworld employees and increase the alignment with shareholders.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|---|---|---|
| <p>The plan permits employees to purchase shares at the end of a three-year period at a discount of up to 20% of the market value of the shares at grant.</p> | <p>The maximum participation limit is as set out in the relevant legislation.</p> | <p>None (as is the norm for approved all-employee plans).</p> |

Shareholding Requirement

Link to strategic objectives: **To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|-----------------------|---|
| <p>The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent of 200% of their base salary.</p> <p>Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.</p> | <p>200% of salary</p> | <p>None</p> |

Non-Executive Director Fees

Link to strategic objectives: **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.**

| Operation | Opportunity | Performance metrics, weighting and assessment |
|--|---|---|
| <p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board.</p> <p>Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and as Chairman of Board committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments).</p> <p>Non-Executive Directors do not participate in any of the Company's incentive arrangements.</p> | <p>The base fees for Non-Executive Directors are set at an appropriate rate.</p> <p>In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce.</p> <p>The Company will pay reasonable vouched expenses incurred by the Chairman and Non-Executive Directors, together with other benefits where considered necessary (and any related tax that may be payable).</p> | <p>None</p> |

Corporate Governance Report continued

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 to the date of bonus determination and clawback applies 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.

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 | 01 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 | 01 October 2017 | 1 | 1 |
| Éimear Moloney | 27 November 2017 | 1 | 1 |
| Evan Cohen | 14 August 2019 | 1 | 1 |

Payment for Loss of Office

| 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: <ul style="list-style-type: none">• 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;• 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.

Corporate Governance Report continued

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 | <p>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).</p> <p>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.</p> | <p>The Remuneration Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance (where applicable).</p> <p>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.</p> |

Consideration of Shareholder Views

The Remuneration Committee considered the views of shareholders in formulating the Remuneration Policy which was approved in May 2022. During 2021 and in the early part of 2022 the Committee conducted a consultation exercise with major shareholders and the major proxy advisers on the details of the proposed Remuneration Policy, ahead of it being presented for formal shareholder approval at the May 2022 AGM. The strong support for the Remuneration Policy received from a substantial number of major shareholders in connection with the consultation exercise formed the basis of the Committee’s decision to proceed with recommending the proposals be approved by shareholders at the May 2022 AGM.

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 2022 financial year. Comparative figures for the 2021 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 | 2022 | 465.8 | 9.6 | – | – | 46.6 | – | 522.0 | 522.0 | – |
| | 2021 | 443.6 | 10.9 | – | – | 44.4 | 496.8 | 995.7 | 995.7 | – |
| Caroline Sherry | 2022 | 304.0 | 4.6 | – | – | 18.2 | – | 326.8 | 326.8 | – |
| | 2021 | 271.3 | 4.0 | – | – | 16.3 | 308.0 | 599.6 | 599.6 | – |

⁽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⁾ The amounts in this column for 2021 represent 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 121.

Non-Executive Directors

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

| | | Fees (€'000) | Taxable Benefits (€'000) ⁽¹⁾ | | Other (€'000) | | Total (€'000) | | Total Fixed (€'000) | | Total Variable (€'000) | |
|---------------------------------|-------|-----------------|---|------|------------------|------|------------------|-------|---------------------------|-------|------------------------------|------|
| Director | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 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

As explained in last year’s Directors’ Remuneration Report, the basic salaries of the Executive Directors were increased by 5% for Gary Morrison and by 10.5% for Caroline Sherry with effect from 01 January 2022.

Annual Bonus

No annual cash bonus scheme operated for 2022 and therefore there were no bonuses payable to the Executive Directors for the year under review.

Corporate Governance Report continued

Long Term Incentives Vesting Subject to Performance Period ending in 2022

LTIP awards were granted to Gary Morrison, Caroline Sherry and other members of senior management in May 2020. There are two parts to the performance conditions for these awards. 25% of the awards were based on an adjusted EPS performance condition, measured for the financial year ended 31 December 2022. The remaining 75% of the awards are based on absolute TSR performance, measured up to 01 May 2023.

The adjusted EPS performance condition was tested after the 2022 financial year end. As the threshold performance condition was not met, this portion of the awards lapsed.

Adjusted EPS condition (25%)

| Adjusted EPS for the financial year ended 31 December 2022 | | Vesting |
|--|--|---------|
| Less than 0c | | 0% |
| 0c | | 25% |
| 8.87c | | 100% |
| Between 0c and 8.87c | Straight-line vesting between 25% and 100% | |
| Outcome: | (5.97)c | 0% |

Performance for the absolute TSR element will be tested after 01 May 2023, with the final performance outcome and the resulting vesting level reported in next year's Directors' Remuneration Report. The specific performance targets are as follows:

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% | |

The table below sets out the details of the LTIP awards granted to Gary Morrison and Caroline Sherry in 2020. 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⁾ | Number of shares lapsing ⁽²⁾ | Total value of vested awards (€) |
|-----------------|---------------|----------------|-----------------------------|--------------------------|--------------------|--|-----------------------------|--------------------------|---|----------------------------------|
| Gary Morrison | 2 May 2020 | 150% of salary | 665.4 | 782,938 ⁽³⁾ | Nil ⁽⁴⁾ | 25% | 31 December 2022 | Adjusted EPS (25%) | 195,735 | Nil |
| | | | | | | | 1 May 2023 (TSR) | Absolute TSR (75%) | – | – |
| Caroline Sherry | 2 May 2020 | 50% of salary | 72.5 | 85,303 ⁽³⁾⁽⁵⁾ | Nil ⁽⁴⁾ | 25% | 31 December 2022 (EPS) | Adjusted EPS (25%) | 21,326 | Nil |
| | | | | | | | 1 May 2023 (TSR) | Absolute TSR (75%) | – | – |

⁽¹⁾ The specific performance targets for these awards are set out above.
⁽²⁾ Represents the number of shares lapsing due to the EPS performance conditions not being met (25% of the overall award).
⁽³⁾ The number of shares originally awarded was calculated using the closing share price on 1 May 2020, which was 75.0p. As disclosed in the 2020 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 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 771,900 to 782,938 shares and in Caroline Sherry's award from 84,100 to 85,303 shares.
⁽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 at grant is explained in footnote 3 above.
⁽⁵⁾ This award was granted prior to Caroline Sherry's appointment to the Board and does not include a post-vesting holding period.

Scheme Interests Awarded During the Financial Year (Audited)
2022 Restricted Share Award

Following shareholder approval of the Directors' Remuneration Policy at the AGM in May 2022, a grant of restricted shares was made to the Executive Directors under the terms of the 2022 Restricted Share Award. The full rationale for this award was explained in last year's Directors' Remuneration Report, and is summarised again in the annual statement from the Chairperson of the Remuneration Committee on page 121 of this report.

Each Executive Director was granted a 2022 Restricted Share Award as set out in the table below. The shares will vest after three years subject to continued employment. An additional underpin mechanism requires the Remuneration Committee to be satisfied with individual and Company performance over the vesting period. The 2022 Restricted Share Award is subject to a two-year post-vesting holding period.

| Director | Date of grant | Value of award | Face value of award (€'000) | Number of shares awarded ⁽¹⁾ | Exercise Price (€) ⁽²⁾ | Vesting date ⁽³⁾ |
|-----------------|---------------|----------------|-----------------------------|---|-----------------------------------|-----------------------------|
| Gary Morrison | 12 May 2022 | 150% of salary | 698.7 | 719,770 | n/a | 12 May 2025 |
| Caroline Sherry | 12 May 2022 | 125% of salary | 380.0 | 391,459 | n/a | 12 May 2025 |

⁽¹⁾ The number of shares awarded was calculated using the closing share price on 12 May 2022, which was 82.9p.
⁽²⁾ The awards were granted as conditional share awards and do not have an exercise price.
⁽³⁾ As noted above, the vesting of the awards is subject to continued employment and the Remuneration Committee being satisfied with individual and Company performance over the vesting period.

Corporate Governance Report continued

Other Share Awards

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 for 2021 and 2022.

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. Each 2021 Restricted Share Award vested 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 second tranche (representing the second 50% of the award) vested on 28 February 2023 following completion of the 2022 performance appraisal process.

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) | 215,199 | 193,177 |
| | | | | | | 28 February 2023 (tranche 2) | 215,199 | 331,260 |
| Caroline Sherry | 27 Apr 2021 | 112% of salary | 308.0 | 266,815 | n/a | 28 February 2022 (tranche 1) | 133,407 | 119,755 |
| | | | | | | 28 February 2023 (tranche 2) | 133,408 | 205,358 |

⁽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 shares vesting following the Remuneration Committee's confirmation that each Director had demonstrated satisfactory personal performance during the vesting period for both tranches of the award.
⁽⁴⁾ Represents the value of the vested shares based on the share price on the vesting date, being 75.0p on 28 February 2022 for the first tranche and 135.0p on 28 February 2023 for the second tranche. The face value of the 2021 Restricted Share Award at the time of grant was reported in the Single Total Figure table for 2021 in the column headed “Other”.

Long Term Incentives Awarded in 2021

The table below sets out 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 footnote 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 is to be measured over the three years to 31 December 2023.

As stated in the Annual Statement from the Chairperson of the Remuneration Committee, during the year the Committee agreed a series of amendments to the targets which had originally been set, to reflect the changed business environment since early 2021 and the slower expected recovery from the pandemic. Further details of the specific amendments are set out below.

Adjusted EBITDA targets

The original adjusted EBITDA targets were amended to reflect the impact of the more severe and enduring adverse impact of the pandemic on trading performance, and the shortfall in net booking numbers against the original projections. The targets measure adjusted EBITDA on a cumulative basis over the financial years 2021, 2022 and 2023. The purpose of this is to capture the whole experience of the full three-year performance period, always recognising that 2021 would be a year of negative adjusted EBITDA. Notwithstanding this, it became clear to the Committee that adjusted EBITDA for 2021 would be materially lower than originally forecast, and that 2022 and 2023 would also be at reduced levels. The combination of this meant that, to maintain the principle of measuring performance on a cumulative basis over the period, changes to the targets would be required. The new targets as agreed by the Committee during 2022 took into account analyst consensus on expected performance for both 2022 and 2023 as well as the outturn for 2021.

The original adjusted EBITDA targets were not published at the time of grant for reasons of commercial confidentiality given Hostelworld was not providing forward-looking guidance to the market at the time. Given the resumption of such guidance in the second half of 2022, and in line with our previous commitments, we are now publishing the specific targets:

Cumulative adjusted EBITDA over the three financial years 2021-2023

| Original targets | Amended targets | Vesting |
|--|------------------|---------|
| Less than €4.2m | Less than -€3.1m | 0% |
| €4.2m | -€3.1m | 25% |
| €8.3m | -€2.0m | 62.5% |
| €9.2m or higher | -€1.8m or higher | 100% |
| Straight-line vesting between the above points | | |

The Committee is aware that the new targets are materially different to those which were originally agreed in 2021, and that there is the potential for LTIP awards to vest for negative adjusted EBITDA over the full three-year performance period. This is a product of the issues discussed above, with the post-pandemic recovery over the three years occurring at a more gradual pace than expected at the time the original targets were set. The Committee believes that the new targets are as challenging as those originally set.

Corporate Governance Report continued

Strategic objectives

The strategic portion of the 2021 LTIP award incorporates two elements. The first element is based on an assessment of improvements in new customer value compared to customer acquisition cost. This is linked to the objective of optimising paid spend based on predicted new customer value versus acquisition cost. The Committee has made a number of adjustments to these targets to reflect business headwinds, with an increase in expected customer acquisition costs over the period and pressures on new customer value. The adjustments are smaller than those which have been applied to the adjusted EBITDA targets.

The second strategic element relates to the successful adoption of Hostelworld’s Counter PMS SaaS solution by hostel accommodation partners, in line with the long-term strategy of increasing the adoption of technology into the core platform offering. Here, the Committee has amended the targets to reflect a focus on the number of hostel properties which sign up to the Counter solution by the end of 2023 rather than the revenue expected from Counter at the end of that year. This change is consistent with the wider business decision to focus on Counter as a free product for our hostel partners rather than a premium paid-for service.

The Committee continues to believe that the specific performance targets for both of these strategic elements remain commercially confidential. In line with the commitment made when the original targets were set, the targets will be disclosed in full in the Directors’ Remuneration Report for 2023, when the level of vesting for the award will also be disclosed.

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 2022 financial year.

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 2022 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 ⁽¹⁾ | Unvested Restricted Share Award interests |
|-----------------|---------------------------|--|----------------------------|-------------------------------|--|---|
| Gary Morrison | 120,226 | 200% | 34% | No | 1,263,292 | 934,969 |
| Caroline Sherry | 62,702 | 200% | 30% | No | 323,531 | 524,867 |

⁽¹⁾ Position as at 31 December 2022. As noted on page 136, subsequent to the year end the Committee determined that 25% of the LTIP award made in 2020 had lapsed. This was equivalent to 195,735 shares in the case of Gary Morrison and 21,326 shares in the case of Caroline Sherry.

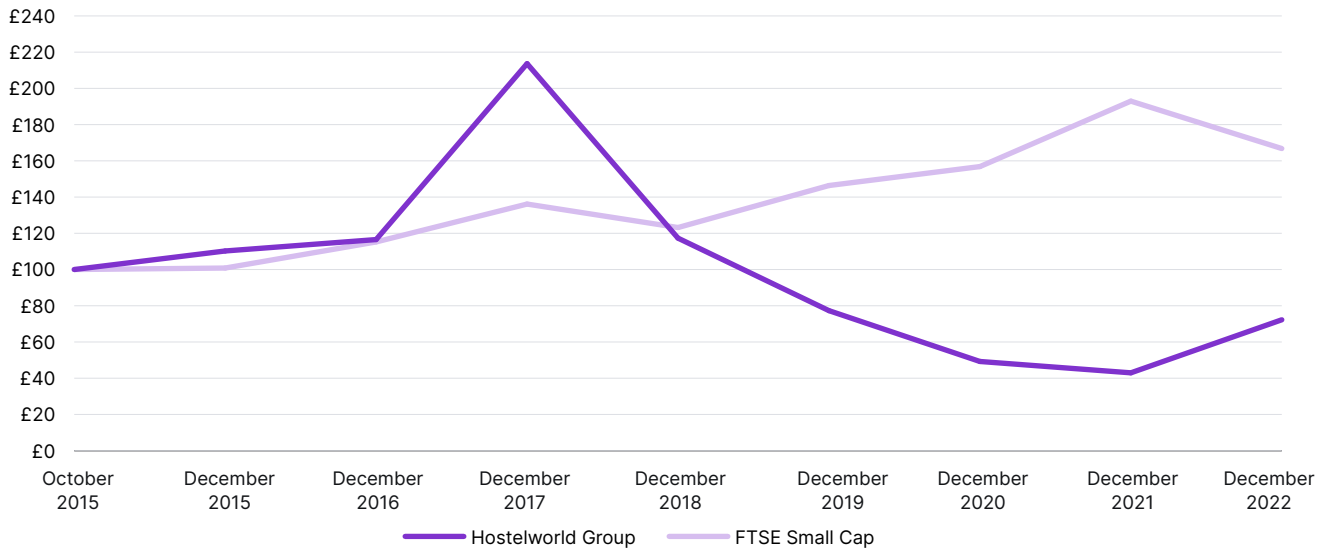
Details of the interests held in shares by Non-Executive Directors as at 31 December 2022 are set out below. Non-Executive Directors are not subject to a shareholding requirement.

| Director | Beneficially owned shares |
|------------------|---------------------------|
| Michael Cawley | 302,797 |
| Carl G. Shepherd | 35,285 |
| Éimear Moloney | 122,376 |
| Evan Cohen | 15,214 |

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 2022.

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 nine years valued using the methodology applied to the single total figure of remuneration:

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| 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% |

⁽¹⁾ Represents the nil vesting level for the adjusted EPS portion of the 2020 LTIP award (which accounted for 25% of the overall award). Performance for the absolute TSR portion will be assessed and disclosed next year.

Corporate Governance Report continued

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.

| | 2022 vs 2021 | | | 2021 vs 2020 | | | 2020 vs 2019 | | |
|--|-----------------|---------------------|-------|-----------------|---------------------|-------|-----------------|---------------------|-------|
| | Salary/ Fees | Taxable benefits | Bonus | Salary/ Fees | Taxable benefits | Bonus | Salary/ Fees | Taxable benefits | Bonus |
| Executive Directors | | | | | | | | | |
| Gary Morrison | 5% | (12)% | – | 0% | 4.8% | – | 3.0% | (13.3)% | – |
| Caroline Sherry ⁽¹⁾ | 12% | 14% | – | – | – | – | – | – | – |
| Non-Executive Directors | | | | | | | | | |
| Michael Cawley | 0% | – | – | 0% | – | – | 0% | – | – |
| Carl G. Shepherd | 0% | – | – | 0% | – | – | 8.5% | – | – |
| Éimear Moloney | 0% | – | – | 0% | – | – | 0% | – | – |
| Evan Cohen ⁽²⁾ | 0% | – | – | 0% | – | – | – | – | – |
| Employee pay | | | | | | | | | |
| Average per employee – parent company ⁽³⁾ | – | – | – | – | – | – | – | – | – |
| Average per employee – group | 15% | 19% | – | 3.3% | (2.3)% | – | 5.5% | 93% | – |

⁽¹⁾ Appointed to the Board on 01 December 2020. Comparatives prior to 2022 vs 2021 not shown given part-year service. Change in salary shown for 2022 vs 2021 reflects salary increase agreed for 2022, as explained in last year's Directors' Remuneration Report.
⁽²⁾ Appointed to the Board on 14 August 2019. Comparatives prior to 2021 vs 2020 not shown given part-year service.
⁽³⁾ Prior to 2022 the only employees of the parent company were the Directors of the Company. In 2022 four additional employees were employed. No comparatives vs 2021 are shown given no prior year service for these employees

Remuneration Practices Across the Company

Hostelworld does not have more than 250 UK employees (the current number of UK employees is 20) and as a result is not required to publish the ratio of the Chief Executive Officer's remuneration to the pay of UK employees. Nevertheless, in line with the expectations set out in the UK Corporate Governance Code, each year the Remuneration Committee reviews workforce remuneration and related policies. This includes a detailed assessment of pay levels and structures throughout the organisation, including fixed pay elements, and the extent to which participation in incentive schemes (including equity incentives) extends below Board level. The remuneration of the Executive Directors is considered in this context.

Taking into account the challenges of recent years, the Company has proactively sought to address pay issues within the wider workforce. Basic salary levels for all employees are reviewed annually against appropriate external benchmarks and in the context of the wider employment environment. As reported last year, very competitive recruitment markets in 2021 led the Company to bring forward the January 2022 salary review to September 2021, with the Executive Directors and the other members of the Executive Leadership Team excluded from the review. An average salary increase of 7% was applied at the time, with a further review undertaken in February 2022 to provide merit increases to those excluded from the September 2021 review, 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 had occurred. Reflecting growing cost-of-living pressures, a further salary review took place in July 2022, with a minimum increase of an additional 2% agreed at the time.

Salary increases for the Chief Executive Officer and other members of the Executive Leadership Team were set at 5% with effect from January 2022. A higher increase of 10.5% was agreed for the Chief Financial Officer, as explained in last year's report. For 2023, the Committee has agreed to increase the basic salaries of the Executive Directors and Executive Leadership Team members by 3%. The average salary increase for 2023 awarded to others in the organisation (excluding those in the organisation not receiving any salary increase on grounds of inadequate individual performance) is 3.7%. Including market adjustments and promotions, the total average salary increase for 2023 awarded (excluding those in the organisation not receiving any salary increase on grounds of inadequate individual performance) is 4.9%.

The Group makes pension contributions on behalf of eligible employees. For the majority of the workforce, the Group contribution rate is 6% of salary. This is the same rate which applies to the Chief Financial Officer and which will apply to any new Executive Director appointed in the future. The Chief Executive Officer's contribution rate of 10% was determined at the time of his appointment in 2018. Other benefits are broadly aligned across the Company.

As noted in previous Directors' Remuneration Reports, Hostelworld's pay-for-performance philosophy has been severely tested in recent years by the impact of the COVID-19 pandemic on the business. For example, other than specific quarterly incentive arrangements for sales and customer support employees, the Company was unable to operate its normal annual cash bonus scheme in 2020, 2021 and 2022.

The 2021 Restricted Share Award granted in April 2021 to the Executive Directors in lieu of a cash bonus was extended to approximately 70 other employees in recognition of the critical need for retention of a large group of employees. The vesting of the 2021 Restricted Share Award was subject to the same conditions as for the Directors, namely continued employment and the individual's performance being rated as satisfactory or above.

As a more positive outlook has returned, for 2023 we will be providing all employees (other than those participating in a quarterly plan) with the opportunity to earn a cash bonus. The overall structure of this plan will be in line with the approach for the Executive Directors, albeit there will be a minority weighting on personal performance.

Historically, long-term incentives have been granted to managers and other individual expert contributors in addition to the Executive Directors and other members of the Executive Leadership Team. No standard performance-related grant has been made under the LTIP since 2021. The 2022 Restricted Share Award was extended to a number of other employees in addition to the Executive Directors. Vesting of this award takes place after three years, subject to continued employment and satisfactory personal performance. A two-year post-vesting holding period applies to the Executive Directors only, in line with common practice.

The Company has an SAYE scheme which is available to all employees in Ireland and the UK, but the scheme did not operate in 2021 or 2022 due to the exit of the appointed savings carrier from the Irish market. We are currently reviewing our options for this scheme going forward.

The Remuneration Committee engaged with the wider workforce during the financial year through Éimear Moloney, a member of the Committee and the designated Non-Executive Director responsible for employee engagement. This engagement covered a wide number of issues relating to pay practices across the Company, and also included a discussion of the way in which executive remuneration aligns with wider Group policies.

Corporate Governance Report continued

Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2022 and 2021 financial years compared with other distributions to shareholders. All figures provided are taken from the relevant Company Accounts.

| Director | Disbursements from profit in 2022 financial year (€m) | Disbursements from profit in 2021 financial year (€m) | % change |
|--|---|---|----------|
| Distributions by way of dividends/share buybacks | – | – | 0% |
| Overall spend on pay including Executive Directors | 20.4 | 17.5 | 21% |

Shareholder Voting at General Meeting

The table below sets out the results of voting on the resolutions (1) to approve the Directors’ Remuneration Report and (2) to approve the Directors’ Remuneration Policy at the AGM held on 11 May 2022.

| Resolution | For | Against | Withheld |
|--|---------------------|---------------------|----------|
| Approve the Directors’ Remuneration Report for the Year Ended 31 December 2021 | 72,837,695 (95.42%) | 3,497,907 (4.58%) | 1,014 |
| Approve the Directors’ Remuneration Policy | 61,225,024 (80.20%) | 15,111,592 (19.80%) | – |

Implementation of Remuneration Policy in Financial Year 2023

Basic salary

The Committee has reviewed the salaries of the Executive Directors and, taking into account levels of inflation, agreed to award a salary increase of 3% for 2023. As explained on page 122, the salary increase awarded is less than the average salary increase awarded to the rest of the organisation.

The salary levels for 2023 are as follows:

| Director | Salary | | |
|-----------------|----------|----------|-------------------|
| | 2023 (€) | 2022 (€) | Percentage change |
| Gary Morrison | 479,800 | 465,800 | 3% |
| Caroline Sherry | 313,100 | 304,000 | 3% |

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

We will resume offering an annual bonus in 2023. The Executive Directors will be eligible for a bonus subject to the achievement of targets linked to adjusted EBITDA (70% weighting) and net revenue (30%). The precise targets are currently considered commercially sensitive but will be disclosed retrospectively in next year’s Directors’ Remuneration Report, along with an assessment of performance and the resulting payout.

The maximum annual bonus opportunity for the year is 100% of basic salary. It is the Committee’s intention that bonuses will be paid in cash, although in line with the Remuneration Policy it has the flexibility to settle any bonus in shares.

Long-term incentives

The Committee has no plans to grant a new LTIP award to the Executive Directors in 2023. As explained in last year’s Directors’ Remuneration Report, the 2022 Restricted Share Award was granted to cover the years 2022 and 2023, reflecting the challenges of operating the LTIP as Hostelworld emerged from the impact of the pandemic.

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 Committee also has oversight of wider workforce remuneration and policies for the Group as a whole. 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 (Chairperson 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 6 times during 2022. Meeting attendance is shown on page 120 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 the Directors’ Remuneration Policy and its implementation in respect of the Executive Directors and other 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 €87,743 for their advice during the year (2021: €111,769). 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.

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 2022.

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 including:

- The Strategic Report, which can be found on pages 18 to 87, 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, a description of the principal risks and uncertainties (including the financial risk management position) and a summary of the Group’s ESG strategy and TCFD;
- The Corporate Governance Statement on pages 92 to 145, 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 112 to 118;
- The Directors’ Remuneration Report on pages 120 to 145; and
- This Directors’ Report, on pages 146 to 154, together with the Strategic Report on pages 18 to 87, form the Management Report for the purposes of DTR 4.1.5R.

The information required to be included in the Directors’ Report and which is located elsewhere in this Annual Report is incorporated by reference.

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 120 to 145 |
| 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 90 and 91.

Subject to the Articles of Association, the Companies Act 2006 and related legislation, any directions given by special resolution and any relevant statutes and regulations, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

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.

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 Charlemont Exchange, Charlemont Street, Dublin, D02 VN88, Ireland. The Company’s registered office is at One Chamberlain Square, Birmingham, B3 3AX, United Kingdom.

As at 31 December 2022, the Company’s issued share capital comprised 117,511,466 ordinary shares of €0.01. As at the date of this Directors’ Report, the Company’s issued share capital comprises 118,539,121 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. All the information detailed in note 17 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 09 May 2023, the Directors will seek authority from shareholders to allot shares in the capital of the Company (i) up to a maximum nominal amount of €395,130.40 (39,513,040 shares of €0.01 each) being one-third of the Company’s issued share capital and (ii) up to a further €395,130.40 (39,514,040 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 09 August 2024 or the conclusion of the Annual General Meeting of the Company held in 2024.

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 is aligned with the Pre-Emption Group guidelines published on 04 November 2022 and seeks authority to disapply pre-emption rights over 10% of the Company’s issued ordinary share capital for a general authority (and over a further 10% of the Company’s issued share capital for acquisitions and specified capital investments). The power will expire at the earlier of 09 August 2024 or the conclusion of the Annual General Meeting of the Company held in 2024.

Directors’ Report continued

Authority to Purchase Own Shares

At the Annual General Meeting held on 11 May 2022, the Company’s shareholders authorised it to purchase, in the market, up to 11,751,147 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 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.

2023 Annual General Meeting

The Annual General Meeting (AGM) will be held at 12 noon on 09 May 2023 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 2022, 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 ⁽¹⁾ of voting rights over ordinary shares of €0.01 each and nature of holding |
|--|--|--|
| Aberforth Partners LP | 20,031,270 | 16.90% (indirect) |
| Charles Jobson | 17,255,148 | 14.56% (direct) |
| Premier Miton Group plc | 15,437,192 | 13.02% (indirect) |
| Gresham House Asset Management Limited | 6,738,653 | 5.68% (direct) |
| Lombard Odier Investment Managers | 5,886,799 | 4.97% (direct – 2.58%; indirect – 2.39%) |
| Burgundy Asset Management Limited | 4,430,860 | 3.74% (indirect) |
| Hamblin Watsa Investment Counsel Limited | 4,079,178 | 3.44% (indirect) |
| Allianz Global Investors GmbH | 4,046,400 | 3.41% (direct – 0.02%; indirect – 3.39%) |
| The Diverse Income Trust plc | 3,019,504 | 2.55% (indirect) |
| Langfristige Investoren TGV | 3,531,346 | 2.98% (direct) |

⁽¹⁾ Expressed as a percentage of issued share capital as at 21 March 2023

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

- Lombard Odier Investment Managers notified the Company on 12 January 2023 of a decrease in their holding to 5,775,364 ordinary shares representing 4.87% of the issued share capital of the Company (2.04% direct; 2.83% indirect)
- Gresham House Asset Management Limited notified the Company on 24 February 2023 of an increase in their holding to 11,980,014 ordinary shares representing 10.19% of the issued share capital of the Company (10.19% direct).

Transactions with Related Parties

Please refer to note 23 to the Consolidated financial statements on pages 208 and 209.

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. Any future developments considered by the Group will also include a review of the impact that development would have on the climate and the sustainability agenda set by the Group. Further details are set out in the Strategic Report on pages 51 to 67.

Directors' Report continued

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. Actions taken in the current period by the Directors to preserve the Group's cash position include the non-payment of cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, the employment of a procurement manager to closely monitor and challenge contract spend in place, the non-payment of cash bonuses and the issuance of a restricted stock option in lieu of a cash bonus to employees, exiting our long term lease commitment facilities in favour of smaller office spaces across our locations, organisational redesigns and associated headcount reductions, and Government COVID-19 supports in Ireland which were availed of until February 2022, as well as warehousing of Irish employer and employee taxes incurred to March 2022.

The 2023 budget has been prepared on a 12-month calendar basis, with the Board also approving a further four-year outlook, which has also been considered within going concern to capture a period of one year from date of signing.

Revenue and marketing cost projections within Budget 2023 have been developed by triangulating three different models, where each model output has helped to validate the others.

1. Regional level forecasting reflecting an easing of the remaining travel restrictions in place. From 2020 through 2022 we can evidence a correlated increase in revenue when borders reopen. We have assumed a full recovery to pre-pandemic booking levels in 2023 in our largest markets, with other markets taking longer. Forecasting at a regional level allows us to forecast specific bed prices, booking models, geographic mix and seasonality effectively in our modelling;
2. Channel mix between free and paid customers where assumptions are made based on volume of new customer acquisitions, cost of customer acquisitions and anticipated bookings based on marketing spend;

3. Modelling new and returning customers by using statistical models built using over 15 years of customer data. This rich customer cohort data set enables us to model recurring revenue streams, with a high degree of predictability. We layer in additional knowledge on new customer acquisition costs and expected economics between free and paid customers.

Forecasting at this regional and channel level also allows us to adjust for bed price inflation and cost of living pressures. These risks are somewhat mitigated as our target 18-34-year-old population typically have the means and the flexibility to travel, tending to view it as a 'rite of passage' rather than purely discretionary spend. Hostels are a cost-effective means to travel and our strategy focuses on customers connecting on a free platform that we provide.

We have assumed in Budget 2023 a modest contraction in our ABV year on year, provisioning for unit bed price deflation versus 2022 and increased volume from Asian markets, where bed prices are lower. We have modelled modest price inflation in our operating costs.

We have not assumed any revenue from partnerships such as Roamies, Goki and Counter in our financial modelling.

Climate related risks can impact our business as a customer may not want to travel, a hostel may be forced to close, or an area is not accessible. The budgeting process has incorporated all operating costs relating to our sustainability roadmap, as well as the cost of future emission reductions and offsets. Following an assessment completed by the Group, the budget does not contain any other liabilities, provisions or contingent liabilities relating to climate change. Revenue cashflows included in the budgeting process have captured for example the impacts of adverse weather conditions experienced by the Group in 2022 as we model based on historic run rates at a country and seasonal level.

In addition to our base budget for 2023, we have prepared three additional scenarios that depict different recovery levels and trading volumes. An upside scenario tracks an increase in revenue and operating expenses. A downside scenario includes reduced revenue while maintaining the same level of operating spend. A worst-case includes further reduced revenue with a reduction in operating cost spend to mitigate. Under all scenarios, the Group has sufficient cash reserves available and remains compliant with financial covenants under its

current term loan facility agreement with HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The Group has also set out in its viability statement on pages 46 to 49 additional scenarios considered by the Group in its assessment of going concern.

The directors took steps to ensure adequate liquidity is available to the Group for the duration of the pandemic and recovery period. 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 comprise (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 2022.

At this point in time, the consequences of the current unrest in Ukraine are uncertain. We have not experienced a significant impact to our revenue during 2022, and we continue to monitor any development in the conflict, and the impact to the Group closely. The Group has no operations in either Russia or Ukraine and total forecasted revenues for 2022 in these regions was less than 0.01% of the Group's net revenue. No revenue has been budgeted for these countries in 2023.

Having considered the Group's Board approved 2023 budget, cash flow forecasts prepared for 12 months from 21 March 2023, current and anticipated trading volumes, current and anticipated levels of cash and debt, together with mitigating actions available, 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. 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 against any liabilities they may incur in the execution of their duties as directors of the Company or its subsidiaries, and such indemnities were in force during the year. 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. Current year research and development expenditure has been driven by the Group's launch and development of social features. In addition, the Group have also committed development expenditure to develop the Group's platform modernisation programme.

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 2022 is set out in pages 77 to 84 and how their interests were considered in Board decisions are set out on pages 86 and 87, which are both incorporated into this report by reference.

Directors’ Report continued

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. The average credit period for the Group’s suppliers is 20 days (2021: 54 days), with the average creditor terms being 30 days. Average 2021 credit days were inflated due to specific payment terms agreed with suppliers as part of cash conservation measures adopted to address COVID-19 related liquidity risks.

Sustainability

Our sustainability report, including information on the Group’s greenhouse gas emissions is set out on pages 51 to 67 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 liquidity risk, interest rate risk, credit risk and foreign exchange risk are given in note 25 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 (Australian registered body number 613076556).

Hostelworld.com Limited, an Irish subsidiary of the Company, is registered as a branch in Italy with effect from 29 December 2022 (Italian registered body number 12691550961).

Results and Dividends

The Group’s and Company’s audited financial statements for the year are set out on pages 168 to 219.

In 2020, 2021 and 2022 the Group did not pay a cash dividend. The Board continues to believe that the payment of dividends would not be in the best interests of the business for the foreseeable future. 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

Following a tender process carried out during 2022, KPMG will be appointed as external Auditor for the 2023 financial year with effect from the end of the Company’s AGM in May 2023 (subject to shareholder approval at the AGM). Deloitte Ireland LLP will accordingly retire as the Company’s Auditors with effect from the 2023 AGM.

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’ 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. 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.



Directors’ Report continued

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 21 March 2023 and is signed on its behalf by:

John Duggan
Company Secretary
21 March 2023

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 2022 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS) 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 35, including a summary of significant accounting policies as set out in notes 1 and 29 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 Financial Reporting Standards (IFRS) and IFRSs 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.

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

3. Summary of our audit approach

| | |
|-------------------------------------|--|
| Key audit matters | <p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• Going concern;• Carrying value of intangible assets; and• Capitalisation of development costs. <p>Within this report, key audit matters are identified as follows:</p> <div><div><div>■</div>Newly identified</div><div><div>◀▶</div>Similar level of risk</div><div><div>▲</div>Increased level of risk</div><div><div>▼</div>Decreased level of risk</div></div> |
| Materiality | <p>The materiality that we determined for the Group financial statements was €750,000 which was determined on the basis of revenue. Parent company materiality was determined to be €187,500 based on the value of investments and capped at 25% of group materiality.</p> |
| Scoping | <p>The structure of the Group's finance function is such that the central Group finance team in Dublin provides support to Group entities for the accounting of the majority of transactions and balances. The audit work covering 100% of the Group's revenue and loss before tax and 99% of the Group's net assets was undertaken and performed by an audit team based in Ireland.</p> |
| Significant changes in our approach | <p>In the current year, revenue has been chosen as the basis for determining materiality. It is a significant indicator of how the Group is recovering in the current economic climate following the removal of COVID-19 restrictions at various stages through the financial year. In the prior year, expenditure (excluding depreciation, amortisation, impairment, and exceptional costs) was chosen as the key focus of the group was cost containment given reduced trading during the COVID-19 pandemic.</p> |

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 uncewrtainties 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 | <p>As stated in note 1 to the financial statements, the directors have assessed that the going concern basis of accounting is appropriate in preparing the financial statements. This assessment is based on the steps taken to ensure adequate liquidity is available to the group and parent company as the Group recovers from the COVID-19 pandemic.</p> <p>The Group is operating within the travel industry which while emerging from the COVID-19 pandemic, remains impacted by challenging macroeconomic factors and the timing of unwinding of the remaining travel restrictions. We have identified a key audit matter related to going concern as this is a key area of management estimate and involved a significant allocation of resources and directing efforts of engagement team.</p> <p>Future cashflow projections are based on key judgements including revenue and marketing cost projections, climate related risks and the ability to comply with debt covenants. Actions taken by the directors in the current year to preserve the Group's cash position are set out in in note 1 to the financial statements. The directors’ assessment going forward focusses on regional level forecasting reflecting an unwind of the remaining travel restrictions in place.</p> <p>The Audit Committee has included their assessment of this risk on page 115.</p> |
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none">• We obtained an understanding of the Group's relevant 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 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 the directors’ conclusion.• 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 | <p>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.</p> |

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

5.2 Carrying value of intangible assets ▼

| | |
|--|--|
| Key audit matter description | <p>At 31 December 2022, intangible assets (including goodwill) had a carrying value of €73,358k representing 69% of the Group's total assets.</p> <p>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.</p> <p>There is a risk that certain incorrect inputs or inappropriate assumptions, in particular projected cash flows, growth rate and discount rate could be included in the impairment assessment model calculated by management leading to an impairment charge that has not been included in the Group's financial statements. Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly.</p> <p>We have identified a key audit matter related to the carrying value of intangible assets as this is a key area of management estimate and involved a significant allocation of resources and directing efforts of engagement team.</p> <p>Refer to notes 2 and 10 to the financial statements.</p> <p>The Audit Committee has included their assessment of this risk on page 115.</p> |
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none">• We evaluated the design and determined the implementation of the key relevant 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, growth rates and model used which were compared to our range and 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.• We assessed whether the disclosures in relation to goodwill and intangibles are appropriate and meet the requirements of the financial reporting framework. |
| Key observations | <p>We have no observations that impact on our audit in respect of the amounts and disclosures related to the carrying value of intangible assets.</p> |

5.3 Capitalisation of development costs ◀▶

| | |
|--|---|
| Key audit matter description | <p>For the year ended 31 December 2022, additions to capitalised development costs amounted to €4,511k.</p> <p>Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met.</p> <p>There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and in determining the amount to be capitalised, the directors make judgements regarding expected future cash generation of the asset.</p> <p>We have identified a key audit matter related to the capitalisation of development costs as this is a key area of judgement and involved a significant allocation of resources and directing efforts of engagement team.</p> <p>Refer to Notes 2 and 10 to the financial statements.</p> <p>The Audit Committee has included their assessment of this risk on page 116.</p> |
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none">• We obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs and evaluated the design and determined the implementation of the key relevant controls in place.• 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.• We assessed whether the disclosures in relation to capitalisation of development costs were appropriate and met the requirements of the financial reporting framework. |
| Key observations | <p>We have no observations that impact on our audit in respect of the amounts and disclosures related to the capitalisation of development costs.</p> |

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

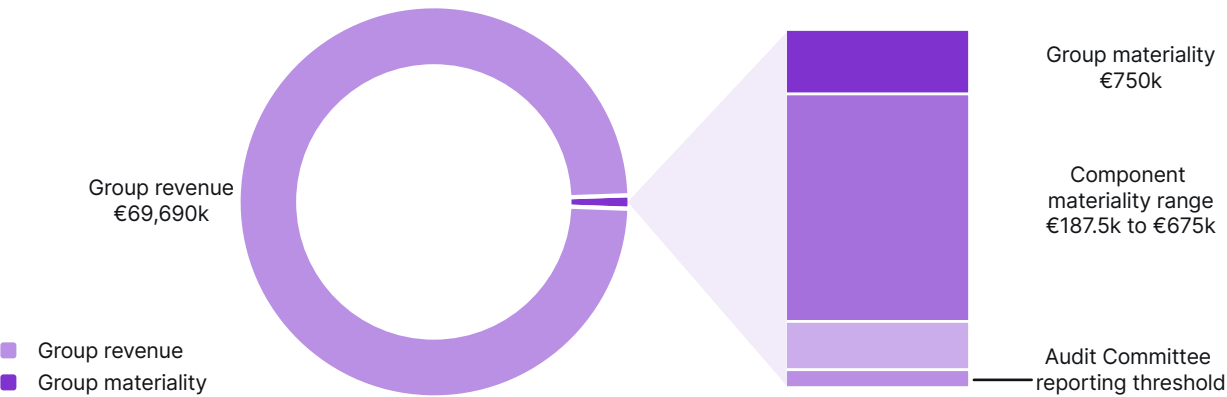
6. Our application of materiality

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 | €750,000 (2021: €680,000) | €187,500 (2021: €136,000) |
| Basis for determining materiality | 1.1% of Group revenue. | Parent company materiality equates to 0.5% of investments which is capped at 25% of Group materiality. |
| 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 as revenue is now a significant indicator of how the Group is recovering in the current economic climate following removal of COVID-19 restrictions at various stages through the financial year. In the prior year expenditure (excluding depreciation, amortisation, impairment and exceptional costs) was chosen as the basis for determining materiality as the key focus of the Group was cost containment given reduced trading during the COVID-19 pandemic. | 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. |



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% (2021: 70%) of Group materiality | 70% (2021: 70%) of parent company materiality |
| Basis and rationale for determining 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. In determining performance materiality, we considered the following factors: a) our understanding of the entity and its environment and the impact of various macro-economic factors, including those arising from the Russia-Ukraine conflict; b) the improvements in the financial performance of the Group and parent company since the prior year; c) the nature of the business has remained consistent to that of the prior year however, there remains an element of uncertainty in the market owing to the impact of the COVID-19 pandemic and the potential for there to be a downturn in the economy or current economic factors that affect the travel industry; d) the quality of the control environment, including the high degree of centralisation and common processes within the group’s finance function; e) the nature, volume and size of corrected and uncorrected misstatements in the prior year audit; and f) the likelihood of the prior year misstatements to reoccur in the current year audit. As a result of the factors 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. | |

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €37,500 (2021: €34,000), 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.

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, 100% of loss before tax and 99% 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. There has been no change in scope from the prior year.

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.

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.



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

7.2 Our consideration of the control environment

Information Technology Specialists (“IT Specialists”) were engaged as part of our engagement team to assess the General Information Technology Controls (“GITCs”) and the IT environment. The key systems identified related to the general ledger accounting system, and systems used in recording of transactions, specifically related to revenue recognition. We determined that it was appropriate to rely on GITCs for the systems noted above.

We developed an understanding of key relevant controls for the following business cycles:

- Revenue; and
- Payroll costs.

For each business cycle the operating effectiveness of controls was tested through inquiries of management and staff responsible for the controls and a combination of inspection of documentation, reperformance of the control or observation of the control operating. Without providing an opinion on the effectiveness of the controls, we determined that it was appropriate to rely on the controls for the above business cycles.

7.3 Our consideration of climate-related risks

The Audit Committee is responsible for reviewing and approving the Group’s climate risks and opportunities register twice yearly following a robust assessment process. The Group has set out assessment of climate-related risks and opportunities in the sustainability report on pages 57 to 62.

As part of our audit risk assessment we performed the following procedures:

- obtaining an understanding of management’s process and controls in considering the impact of climate risks; and
- assessing whether the risks identified by management within their climate-related risk assessment and related documentation were complete and consistent with our understanding of the entity.

The Group considered the impact of climate change on assumptions used in disclosing critical judgements and key estimates recorded in the financial statements as part of their assessment of future cash flows as stated in notes 2 and 10 to the financial statements.

We have obtained management’s climate-related risk assessment and made inquiries of management to understand their process for considering the impact of climate-related risks. We have also read the Group’s disclosure of climate-related information in the front half of the annual report.

7.4 Working with other auditors

The component group engagement team is the same as that of the group engagement team as the client’s finance function for all entities is based in Dublin.

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.

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.

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

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, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group’s sector;
- 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 valuations, transfer pricing, IT and sustainability specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud 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 and parent company operate 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 and parent company’s ability to operate or to avoid a material penalty. These included Climate related Financial Disclosures (“TCFD”), the UK General Data Protection Regulation (GDPR), ePrivacy Directive, 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, in-house 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 within the completeness of revenue, engaging IT Specialists in connection with the GITC’s pertaining to flow of data from the booking systems to the general ledger, combined with 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 150 and 151;
- the directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on pages 150 and 151;
- the directors’ statement on fair, balanced and understandable set out on page 116;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33 to 45 and on page 97;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 117 and 118; and
- the section describing the work of the audit committee set out on pages 112 to 114.

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 8 years, covering the years ending 31 December 2015 to 31 December 2022. As set out in the Audit Committee report on pages 116 and 117 this is the final year of our audit tenure.

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.

John Kehoe (Senior statutory auditor)
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Auditors
Deloitte & Touche House, Earlsfort Terrace,
Dublin 2
21 March 2023



Financial Statements

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Consolidated Income Statement

for the year ended 31 December 2022

| | Notes | 2022 €'000 | 2021 €'000 |
|--|-------|-----------------|-----------------|
| Revenue | 3 | 69,690 | 16,901 |
| Operating expenses before impairment | 4 | (83,113) | (49,515) |
| Impairment of intangible assets | 10 | – | (367) |
| Reversal of impairment of trade receivables | 15 | 18 | 129 |
| Share of results of associate | 13 | (206) | (225) |
| Operating loss | | (13,611) | (33,077) |
| Finance costs | 7 | (4,301) | (3,501) |
| Loss before taxation | | (17,912) | (36,578) |
| Taxation credit | 8 | 649 | 562 |
| Loss for the year attributable to the equity owners of the parent Company | | (17,263) | (36,016) |
| Basic and diluted loss per share (euro cent) | 9 | (14.71) | (30.96) |

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

| | 2022 €'000 | 2021 €'000 |
|--|-----------------|-----------------|
| Loss for the year | (17,263) | (36,016) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | (11) | 32 |
| Total comprehensive income for the year attributable to equity owners of the parent Company | (17,274) | (35,984) |

Consolidated Statement of Financial Position

as at 31 December 2022

| | Notes | 2022 €'000 | 2021 €'000 |
|--|-------|----------------|----------------|
| Non-current assets | | | |
| Intangible assets | 10 | 73,358 | 79,390 |
| Property, plant and equipment | 11 | 735 | 293 |
| Deferred tax assets | 12 | 9,174 | 8,352 |
| Investment in associate | 13 | 980 | 1,186 |
| Cash and cash equivalents | 16 | 750 | 750 |
| | | 84,997 | 89,971 |
| Current assets | | | |
| Trade and other receivables | 15 | 3,246 | 2,002 |
| Corporation tax | | 22 | 18 |
| Cash and cash equivalents | 16 | 18,212 | 24,517 |
| | | 21,480 | 26,537 |
| Total assets | | 106,477 | 116,508 |
| Issued capital and reserves attributable to equity owners of the parent | | | |
| Share capital | 17 | 1,175 | 1,163 |
| Share premium | 17 | 14,328 | 14,328 |
| Other reserves | 18 | 6,432 | 6,475 |
| Retained earnings | | 30,308 | 45,140 |
| Total equity attributable to equity holders of the parent Company | | 52,243 | 67,106 |
| Non-current liabilities | | | |
| Trade and other payables | 19 | 9,438 | 8,049 |
| Borrowings | 20 | 30,869 | 28,209 |
| | | 40,307 | 36,258 |
| Current liabilities | | | |
| Trade and other payables | 19 | 12,863 | 12,795 |
| Lease liabilities | 14 | 547 | 86 |
| Borrowings | 20 | 244 | – |
| Corporation tax | | 273 | 263 |
| | | 13,927 | 13,144 |
| Total liabilities | | 54,234 | 49,402 |
| Total equity and liabilities | | 106,477 | 116,508 |

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2023 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 2022

| | Notes | Share capital €'000 | Share premium €'000 | Retained earnings €'000 | Other reserves €'000 | Total €'000 |
|--|-------|------------------------|------------------------|----------------------------|-------------------------|----------------|
| Balance at 1 January 2021 | | 1,163 | 14,328 | 81,156 | 1,218 | 97,865 |
| Total comprehensive income for the year | | – | – | (36,016) | 32 | (35,984) |
| Issue of warrants | 20 | – | – | – | 3,073 | 3,073 |
| Credit to equity for equity settled share based payments | 18 | – | – | – | 2,152 | 2,152 |
| Balance at 31 December 2021 | | 1,163 | 14,328 | 45,140 | 6,475 | 67,106 |
| Issue of shares | 17 | 12 | – | – | – | 12 |
| Total comprehensive income for the year | | – | – | (17,263) | (11) | (17,274) |
| Credit to equity for equity settled share based payments | | – | – | – | 2,399 | 2,399 |
| Transfer of exercised and expired share based awards | 18 | – | – | 2,431 | (2,431) | – |
| Balance at 31 December 2022 | | 1,175 | 14,328 | 30,308 | 6,432 | 52,243 |

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

| | Notes | 2022 €'000 | 2021 €'000 |
|---|-------|----------------|-----------------|
| Cash flows from operating activities | | | |
| Loss before tax | | (17,912) | (36,578) |
| Amortisation and depreciation | | 11,597 | 12,411 |
| Impairment of intangible assets | 10 | – | 367 |
| Share of results of associate | 13 | 206 | 225 |
| Net profit on disposal of leases | 4 | (1) | (793) |
| Net loss on disposal property, plant and equipment | 4 | 1 | 492 |
| Finance expense | 7 | 4,301 | 3,501 |
| Employee equity settled share-based payment expense | 22 | 2,396 | 2,162 |
| Changes in working capital items: | | | |
| Increase in trade and other payables | | 1,457 | 5,074 |
| Increase in trade and other receivables | | (1,244) | (321) |
| Cash generated from/(used by) operations | | 801 | (13,460) |
| Interest paid (including lease interest) | | (1,370) | (155) |
| Income tax paid | | (180) | (136) |
| Net cash used in operating activities | | (749) | (13,751) |
| Cash flows from investing activities | | | |
| Acquisition/development of intangible assets | 10 | (4,597) | (4,397) |
| Purchases of property, plant and equipment | 11 | (196) | (75) |
| Net cash used in investing activities | | (4,793) | (4,472) |
| Cash flows from financing activities | | | |
| Deferred consideration | 13 | – | (345) |
| Proceeds from borrowings | 20 | – | 28,800 |
| Transaction costs relating to borrowings | 20 | – | (862) |
| Repayment of borrowings | 20 | – | (1,164) |
| Repayments of obligations under lease liabilities | 14 | (752) | (1,160) |
| Net cash (used in)/from financing activities | | (752) | 25,269 |
| Net (decrease)/increase in cash and cash equivalents | | (6,294) | 7,046 |
| Cash and cash equivalents at the beginning of the year | | 25,267 | 18,189 |
| Effect of foreign exchange rate changes | | (11) | 32 |
| Cash and cash equivalents at the end of the year | 16 | 18,962 | 25,267 |

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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 2006 and is registered in England and Wales. The registered office of the Company is One Chamberlain Square, Birmingham, B3 3AX, 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 21 March 2023.

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. Actions taken in the current period by the Directors to preserve the Group’s cash position include the non-payment of cash dividends, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, the employment of a procurement manager to closely monitor and challenge contract spend in place, the non-payment of cash bonuses and the issuance of a restricted stock option in lieu of a cash bonus to employees, exiting our long term lease commitment facilities in favour of smaller office spaces across our locations, organisational redesigns and associated headcount reductions, and Government COVID-19 supports in Ireland which were availed of until February 2022, as well as warehousing of Irish employer and employee taxes incurred to March 2022.

The 2023 budget has been prepared on a 12-month calendar basis, with the Board also approving a further four-year outlook, which has also been considered within going concern to capture a period of one year from date of signing.

Revenue and marketing cost projections within Budget 2023 have been developed by triangulating three different models, where each model output has helped to validate the others.

1. Regional level forecasting reflecting an easing of the remaining travel restrictions in place. From 2020 through 2022 we can evidence a correlated increase in revenue when borders reopen. We have assumed a full recovery to pre-pandemic booking levels in 2023 in our largest markets, with other markets taking longer. Forecasting at a regional level allows us to forecast specific bed prices, booking models, geographic mix and seasonality effectively in our modelling;
2. Channel mix between free and paid customers where assumptions are made based on volume of new customer acquisitions, cost of customer acquisitions and anticipated bookings based on marketing spend;
3. Modelling new and returning customers by using statistical models built using over 15 years of customer data. This rich customer cohort data set enables us to model recurring revenue streams, with a high degree of predictability. We layer in additional knowledge on new customer acquisition costs and expected economics between free and paid customers.

Forecasting at this regional and channel level also allows us to adjust for bed price inflation and cost of living pressures. These risks are somewhat mitigated as our target 18-34-year-old population typically have the means and the flexibility to travel, tending to view it as a ‘rite of passage’ rather than purely discretionary spend. Hostels are a cost-effective means to travel and our strategy focuses on customers connecting on a free platform that we provide.

We have assumed in Budget 2023 a modest contraction in our ABV year on year, provisioning for unit bed price deflation versus 2022 and increased volume from Asian markets, where bed prices are lower. We have modelled modest price inflation in our operating costs.

We have not assumed any revenue from partnerships such as Roamies, Goki and Counter in our financial modelling.

Climate related risks can impact our business as a customer may not want to travel, a hostel may be forced to close, or an area is not accessible. The budgeting process has incorporated all operating costs relating to our sustainability roadmap, as well as the cost of future emission reductions and offsets. Following an assessment completed by the Group, the budget does not contain any other liabilities, provisions or contingent liabilities relating to climate change. Revenue cashflows included in the budgeting process have captured for example the impacts of adverse weather conditions experienced by the Group in 2022 as we model based on historic run rates at a country and seasonal level.

In addition to our base budget for 2023, we have prepared three additional scenarios that depict different recovery levels and trading volumes. An upside scenario tracks an increase in revenue and operating expenses. A downside scenario includes reduced revenue while maintaining the same level of operating spend. A worst-case includes further reduced revenue with a reduction in operating cost spend to mitigate. Under all scenarios, the Group has sufficient cash reserves available and remains compliant with financial covenants under its current term loan facility agreement with HPS Investment Partners LLC (or subsidiaries or affiliates thereof). The Group has also set out in its viability statement on pages 46 to 49 additional scenarios considered by the Group in its assessment of going concern.

The directors took steps to ensure adequate liquidity is available to the Group for the duration of the pandemic and recovery period. 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 comprise (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 2022.

At this point in time, the consequences of the current unrest in Ukraine are uncertain. We have not experienced a significant impact to our revenue during 2022, and we continue to monitor any development in the conflict, and the impact to the Group closely. The Group has no operations in either Russia or Ukraine and total forecasted revenues for 2022 in these regions was less than 0.01% of the Group’s net revenue. No revenue has been budgeted for these countries in 2023.

Having considered the Group’s Board approved 2023 budget, cash flow forecasts prepared for 12 months from 21 March 2023, current and anticipated trading volumes, current and anticipated levels of cash and debt, together with mitigating actions available, 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. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

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 currency of the primary economic environment in which the Group operates.

Re-presentation

Certain comparative amounts in note 4 operating expenses and note 6 staff costs have been re-presented to exclude third party contractor costs, on a basis consistent with the current year. Comparative amounts in the Income Statement and note 4 operating expenses have been re-presented to disclose any reversals of impairment of trade receivables on the face of the Income Statement. For both items, there is no impact on net assets, or the Group's loss for the period ended 31 December 2021.

In addition, upon review of the April 2022 IFRIC Agenda item "Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows) – Agenda Paper 3" the Group has changed the presentation of cash and cash equivalents which are not available for use for the period ended 31 December 2021. The amount of €750k, which relates to a rental guarantee in place, has been classified in non-current assets as the guarantee was in place for a period of longer than 12 months after balance sheet date. This has no impact on net assets, net debt or the Group's loss for the period ended 31 December 2021.

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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

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 2022:

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:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020

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)*
- Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (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)
- Insurance Contracts – Amendments to IFRS 17
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

* Not yet endorsed by the EU and/or UK

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, at which point the Group will have met its performance obligation.

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 and property management technology revenues (Counter) are recognised over the period when the service is performed as the Group's performance obligation is met over time. Royalties and commission amounts earned from the "Roamies" revenue streams are recognised on the trip's start date, when the Group's performance obligations are met. 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 leases properties across a number of locations. Rental contracts are typically made for fixed periods but may have an option to extend. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At inception of a contract, 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 (defined as leases with an underlying asset value of €10,000 or less), 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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

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. Payments in relation to short term leases and leases of low value assets that do not meet the criteria to be capitalised under IFRS 16 are included as part of operating activities in the consolidated cash flow statement.

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. Where an item that has been classified as exceptional spans more than one reporting period such as a multi-year restructuring programme, it will also be presented as exceptional in the following period for consistency of presentation.

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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

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

The Group operates a defined contribution pension scheme. 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.

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

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.

Other intangible assets

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

Other intangible assets are capitalised at cost and amortised to operating expenses before impairment in the consolidated income statement on a straight-line basis over their estimated useful lives:

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

Domain names relate to certain domain names, trademarks and technology assets which are carried at cost less accumulated amortisation and are amortised over their useful life. Technology assets here include the website, App interfaces, application programming interfaces (APIs) that allow applications to interface and databases which collectively form the underlying integrated Hostelworld Platform.

Affiliate contracts refers to contracts established with certain affiliate partners whose function is to promote the website and App. These contracts were identified as a separately identifiable asset in line with IAS 38 ‘Intangible Assets’ which allow affiliates to get real time access to property, pricing and availability function through affiliate APIs.

Technology assets relates to certain computer software applications stated at cost less accumulated amortisation. Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes for internal use, if they meet the recognition criteria of IAS 38 ‘Intangible Assets’.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

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.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Directly attributable costs that are capitalised as part of the software product, website or system include employee costs. Other development expenditures that do not meet these criteria as well as ongoing maintenance are recognised as an expense as 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.

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.

Impairment of tangible and intangible assets other than goodwill

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

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

Recoverable amount is the higher of fair value less costs 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. An event of default occurs where there is failure by a debtor to fulfil an obligation and there is no likely recourse available. For example, if a hostel has gone out of business.

(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.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(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 22.

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.

In assessing any modification of employee share-based payment transactions, the Group assesses if the change in the terms and conditions has an effect on the amount recognised which depends on whether the fair value of the new instruments is greater than the fair value of the original instruments. Modifications that increase the fair value of the grant result in recognition of the incremental fair value measured at the date of modification.

Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. 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.

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.

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 182. Total additions amounted to €4,511k (2021: €4,397k) and carrying value at the balance sheet date totalled €6,800k (2021: €5,073k).

Determining the amount to be capitalised requires management to make judgements about each asset to ensure that they meet the requirements. The most critical judgement relates to the projects ability to generate future economic benefits. Business cases have been prepared in line with our Board approved 2023 budget and five-year outlook. The main projects capitalised in the current year relate to the 'Social' strategy and platform modernisation which form both form a key part of the Group's growth strategy. Should trading deteriorate to COVID-19 volumes it is reasonably possible within the next financial year that development costs may require a material adjustment to their carrying amount.

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 178. Current year exceptional costs amounted to €835k (2021: €588k).

(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.

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. Recognition of deferred tax assets is reliant on detailed forecast information regarding the future performance of business. The extent to which it is probable that taxable profits will be available in future periods is an estimate assessed based on the budgets and forecasts prepared by the Group. At 31 December 2022 the carrying value of deferred tax assets amounted to €9,174k (2021: €8,352k).

Notes to the Consolidated Financial Statements continued

2. Critical accounting judgements and key sources of estimation uncertainty continued

At 31 December 2022 the directors performed a review of the recoverability of the asset based on the Board approved 2023 budget and further four-year outlook which covers a period to 31 December 2027. The Group does not have any binding fixed term contracts in place which guarantee profitability. The Group has made a loss in 2021 and 2022 as a direct impact of COVID-19 and are projected to do so in 2023 as the Group continues to recover as final borders reopen in Asia. The budget and further four-year outlook includes an assumption of returning to profit in 2024. The recognition and recoverability of the deferred tax asset is based on the Group's ability to generate sufficient taxable profits in future financial years. The board approved budget for 2021 set out a loss before tax of €22,525k for 2022 compared to an actual loss of €17,912k as set out in the Income Statement. Improved performance was driven by accelerated recovery levels by market and the success of our social strategy which resulted in a higher volume of bookings from low cost channels.

As part of our recoverability analysis, the Group has performed a sensitivity analysis on taxable profits growth over the next five years. The Group's forecasted taxable profits would have to decline by over 10% over the next five years before there is a risk that the deferred tax asset is not fully recovered in that period.

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. The carrying amount of goodwill at 31 December 2022 amounted to €17,848k (2021: €17,848k) and the carrying amount of domain names amounted to €48,668k (2021: €56,410k). Based on work performed and the headroom identified in the models no impairment was necessary in 2022 for goodwill or domain names.

Management estimation is required in forecasting future cash flows of cash-generating units including incorporating the impact of recovery of the business from COVID-19, the discount rates applied to these cashflows, the expected long-term growth rate of the applicable business and terminal values. The area of estimation of most risk relates to certainty of delivering the growth rates forecasted from the recovery of the business and from our strategy.

Further details on the assumptions used, the impact of climate change 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 country, is dependent on the location of the hostel or property. No single country, year on year, contributes 10% or more of total revenue. Our top five countries year on year account for 38% of overall revenue (2021: 43%) relating to USA and key European destinations. Revenue split by continent is presented as follows:

| | 2022 €'000 | 2021 €'000 |
|--------------------------|---------------|---------------|
| Europe | 45,936 | 10,713 |
| Americas | 15,719 | 5,213 |
| Asia, Africa and Oceania | 8,035 | 975 |
| Total revenue | 69,690 | 16,901 |

Revenue arising within Ireland, the country of domicile, amounted to €1,795k (2021: €492k).

Disaggregation of revenue is presented as follows:

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Technology and data processing fees | 69,363 | 16,849 |
| Advertising revenue and ancillary services | 327 | 52 |
| Total revenue | 69,690 | 16,901 |

In the year ended 31 December 2022, the Group generated 100% (2021: 100%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

As at 31 December 2022, €3,005k of revenue relating to free cancellation bookings has been deferred (2021: €1,020k).

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:

| | 2022 €'000 | 2021 €'000 |
|--------------------------|---------------|---------------|
| Total non-current assets | 84,997 | 89,221 |
| Analysed as: | | |
| Ireland | 83,825 | 87,799 |
| Australia | 980 | 1,186 |
| United Kingdom | 20 | 32 |
| Portugal | 156 | 165 |
| China | 16 | 39 |

Notes to the Consolidated Financial Statements continued

4. Operating expenses excluding impairment

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

| | Notes | 2022 €'000 | 2021 €'000 |
|--|-------|---------------|---------------|
| Marketing expenses | | 42,233 | 13,792 |
| Staff costs | | 18,078 | 15,101* |
| Credit card processing fees | | 2,047 | 573 |
| Loss on disposal plant, property and equipment | | 1 | 492 |
| Net profit on disposal of leases | 14 | (1) | (793) |
| Exceptional items | 5 | 835 | 588 |
| FX loss | | 714 | 419 |
| Other administrative costs | | 7,609 | 6,932* |
| Total administrative expenses | | 71,516 | 37,104 |
| Depreciation of tangible fixed assets | 11 | 968 | 1,519 |
| Amortisation of intangible fixed assets | 10 | 10,629 | 10,892 |
| Total operating expenses excluding impairment | | 83,113 | 49,515 |

* An amount of €445k has been re-presented in the prior year between staff costs and other administrative costs relating to third party contractors engaged by the Group to assist on development labour projects for a period of time.

Included in staff costs are government assistance amounts totalling €376k (2021: €1,771k) for a subsidy received under the Employment Wage Subsidy Scheme in Ireland. Prior year amounts also include €15.9k received for furloughed employees under the Coronavirus Job Retention Scheme in the UK.

Included within marketing expenses are direct marketing costs of €41,393k (2021: €12,763k). Other administration costs include rent and rates, legal and professional, training and recruitment, website maintenance and security, ecommerce and data analytics.

Included within operating expenses is a total credit of €184k (2021: €nil) in relation to an R&D tax credit claimed in respect of projects completed in 2021.

Auditor's remuneration

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

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| Fees payable for the statutory audit of the Company and consolidated financial statements | 48 | 42 |
| Fees payable for other services: | | |
| – statutory audit of subsidiary undertakings | 120 | 96 |
| – tax advisory services | – | – |
| – audit related assurance services | 34 | 8 |
| – corporate finance services | – | – |
| – other non-audit services | 13 | 13 |
| Total | 215 | 159 |

5. Exceptional items

| | 2022 €'000 | 2021 €'000 |
|------------------------------|---------------|---------------|
| Merger and acquisition costs | – | (127) |
| Litigation settlements | 519 | – |
| Restructuring costs | 316 | 715 |
| Total | 835 | 588 |

In the current year, exceptional items relate to a final settlement amount paid to the founder of Counter App Limited, on their exit from the company and associated legal costs. Current and prior year restructuring costs primarily relate to staff costs incurred as part of a restructure to a simpler and more efficient growth orientated organisational structure. The new structure organises the Group's marketing, product, development and analytics employees into autonomous growth teams. The restructure concluded in 2022. Prior year merger and acquisition credit of €127k relates to a release of costs previously accrued for due to a revision of estimate for professional fees incurred on related service.

6. Staff costs

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

| | 2022 | 2021 |
|--|------------|------------|
| Average number of persons employed: | | |
| Administration and sales | 130 | 110 |
| Development and information technology | 109 | 116 |
| Total | 239 | 226 |

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

| | Notes | 2022 €'000 | 2021 €'000 |
|--|-------|---------------|---------------|
| Staff costs comprise: | | | |
| Wages and salaries | | 14,638 | 12,378 |
| Termination benefits – exceptional items | | 218 | 672 |
| Social security costs | | 1,987 | 1,367 |
| Pensions costs | | 432 | 460 |
| Other benefits | | 687 | 442 |
| Share option charge | 22 | 2,396 | 2,162 |
| | | 20,358 | 17,481 |
| Capitalised development labour | 10 | (2,062) | (1,708) |
| Total | | 18,296 | 15,773 |

Termination benefits above are also disclosed within note 5 exceptional items and relate to termination payments made as part of a group restructure. Capitalised development labour includes €2,062k (2021: €1,708k) of employee costs capitalised.

Notes to the Consolidated Financial Statements continued

7. Finance costs

| | Notes | 2022 €'000 | 2021 €'000 |
|-------------------------------|-------|---------------|---------------|
| Interest on lease liabilities | 14 | 31 | 102 |
| Finance costs – HPS facility | 20 | 4,243 | 3,344 |
| Finance costs – other | | 27 | 55 |
| Total | | 4,301 | 3,501 |

8. Taxation

| | Notes | 2022 €'000 | 2021 €'000 |
|---|-------|---------------|---------------|
| Corporation tax: | | | |
| Current year charge | | 183 | 372 |
| Adjustments in respect of prior years | | (10) | (178) |
| Total | | 173 | 194 |
| Origination and reversal of temporary differences | 12 | (822) | (756) |
| Total tax credit for the year | | (649) | (562) |

Corporation tax is calculated at 12.5% (2021: 12.5%) of the estimated taxable profit for the year. The Irish 12.5% corporation tax rate has been used as this is the rate at which most of the Group's profits will be taxed. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The corporation tax charge relates primarily to our UK, Portuguese and Spanish 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:

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Loss before tax on continuing operations | (17,912) | (36,578) |
| Tax at the Irish corporation tax rate of 12.5% (2021: 12.5%) | (2,239) | (4,572) |
| Effects of: | | |
| Tax effect of expenses that are not deductible in determining taxable profit | 1,672 | 1,556 |
| Tax effect of losses not utilised | 480 | 3,173 |
| Tax effect of losses utilised | (34) | – |
| Tax effect of income taxed at different rates | 201 | 50 |
| Depreciation less than capital allowances | (53) | (130) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 156 | 295 |
| Recognition of deferred tax asset | (822) | (756) |
| Adjustments in respect of prior years | (10) | (178) |
| Total | (649) | (562) |

In 2022 the Group had an unrecognised deferred tax asset of €4,607k (2021: €4,127k). No deferred tax asset was recognised in the current or prior year for unused trading tax losses as it was not considered probable that the Group will be able to utilise the deferred tax asset for these losses over a five-year period based on the profit or loss set out within the Group's 2023 budget and further four-year outlook. Unrecognised deferred tax assets relate to Irish trading losses and have no expiry date.

9. Loss per share

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

| | 2022 | 2021 |
|--|----------------|----------------|
| Weighted average number of shares in issue ('000s) | 117,338 | 116,321 |
| Loss for the year (€'000s) | (17,263) | (36,016) |
| Basic loss per share (euro cent) | (14.71) | (30.96) |

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 20) and share options and share awards (note 22) 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.

| | 2022 | 2021 |
|--|----------------|----------------|
| Weighted average number of ordinary shares in issue ('000s) | 117,338 | 116,321 |
| Effect of dilutive potential ordinary shares: | | |
| Share options ('000s) | – | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s) | 117,338 | 116,321 |
| Diluted loss per share (euro cent) | (14.71) | (30.96) |

Notes to the Consolidated Financial Statements continued

10. Intangible assets

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

| | Goodwill €'000 | Domain Names €'000 | Technology €'000 | Affiliates Contracts €'000 | Capitalised Development Costs €'000 | Total €'000 |
|--|-------------------|--------------------------|---------------------|----------------------------------|--|------------------|
| Cost | | | | | | |
| Balance at 1 January 2021 | 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 |
| Additions | – | 71 | 15 | – | 4,511 | 4,597 |
| Balance at 31 December 2022 | 47,274 | 214,779 | 14,063 | 5,500 | 26,929 | 308,545 |
| Accumulated amortisation and impairment | | | | | | |
| Balance at 1 January 2021 | (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) |
| Charge for year | – | (7,813) | (32) | – | (2,784) | (10,629) |
| Balance at 31 December 2022 | (29,426) | (166,111) | (14,021) | (5,500) | (20,129) | 235,187 |
| Carrying amount | | | | | | |
| At 31 December 2021 | 17,848 | 56,410 | 59 | – | 5,073 | 79,390 |
| At 31 December 2022 | 17,848 | 48,668 | 42 | – | 6,800 | 73,358 |

Capitalised development cost additions during the year comprised of internal staff costs of €2,062k (2021: €1,708k) and other internally generated additions of €2,449k (2021: €2,689k). 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.

Impairment review

The carrying value of the capitalised development costs balance at 31 December 2022 is €6,800k (2021: €5,073k). Prior 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 2022 is €17,848k (2021: €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.

The carrying value of the Group's domain names and certain technology assets, referred to henceforth as 'intellectual property' at 31 December 2022 is €48,668k (2021: €56,410k). Following impairment testing based on the assumptions below, no impairment was recognised for the Group's intellectual property in the current or prior year.

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, which represents the highest value attributed to the assets. The key assumptions for calculating value in use of the CGUs are discount rates, growth rates and cash flows. All three assumptions are based on the Group's budgeting and forecasting process which we describe in detail.

Group budgeting and forecasting assumptions used within impairment analysis

Our impairment reviews are based on the 2023 budget which has been prepared on a 12-month calendar basis, and a further Board approved four-year outlook. Revenue and marketing costs projections, within Budget 2023, have been developed by triangulating three different models, where each model output has helped to validate the others.

1. Regional level forecasting reflecting an easing of the remaining travel restrictions in place. From 2020 through 2022 we can evidence a correlated increase in revenue when borders reopen. We have assumed a full recovery to pre-pandemic booking levels in 2023 in our largest markets, with other markets taking longer. Forecasting at a regional level allows us to forecast specific bed prices, booking models, geo mix and seasonality effectively in our modelling;
2. Channel mix between free and paid customers where assumptions are made based on volume of new customer acquisitions, cost of customer acquisitions and anticipated bookings based on marketing spend;
3. Modelling new and returning customers by using statistical models built using over 15 years of customer data. This rich customer cohort data set enables us to model recurring revenue streams, with a high degree of predictability. We layer in additional knowledge on new customer acquisition costs and expected economics between free and paid customers.

Forecasting at this regional and channel level also allows us to adjust for bed price inflation and cost of living pressures. These risks are somewhat mitigated as our target 18-34-year-old population typically have the means and the flexibility to travel, tending to view it as a 'rite of passage' rather than purely discretionary spend. Our strategy focuses on customers connecting on a free platform that we provide, and hostels are a budget friendly option to travel.

We have assumed in Budget 2023 a modest contraction in our ABV year on year, provisioning for unit bed price deflation versus 2022 and increased volume from Asian markets, where bed prices are lower. We have modelled modest price inflation in our operating costs.

Within our four-year outlook we unwind the recovery of the remaining travel restrictions in place. We have modelled our 2022 cancellation rate for each year (which we consider heightened due to the volume of flight cancellations and disruption in 2022 and the impact of the Omicron variant in Q1 2022). Over the four-year period we have assumed growth in revenue projections, beyond 2019 volumes. This is underpinned by an improved modernised platform, a growth in return customer revenue volumes (which are statistically modelled), a growth in supply and the development of our social strategy.

Notes to the Consolidated Financial Statements continued

10. Intangible assets continued

Consideration of climate related risks

Climate related risks can impact our business as a customer may not want to travel, a hostel may be forced to close, or an area is not accessible. Revenue cashflows included in the budgeting process have captured, for example, the impacts of adverse weather conditions experienced by the Group in 2022 as we model based on historic run rates at a country and seasonal level. Any further decline in revenue growth rates which could impact the Group are represented by a decline in revenue growth rates included in the sensitivity analysis below.

Discount rate applied

| | 2022 | 2021 |
|--|--------|--------|
| Pre-tax discount rate: Goodwill | 16.89% | 14.9% |
| Pre-tax discount rate: Intellectual Property | 17.85% | 15.57% |

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.

Discount rates have increased year on year primarily driven by movement in government bond yields in 2022 which reflects market movements such as rising inflation and energy costs and global macro-economic factors including the war in Ukraine.

Cash flows

The cash flow projections are based on a Board approved 2023 budget and further four-year outlook described previously. In preparing the Board approved 2023 budget and further four-year outlook, management have based projections on historical performance and recovery of regions from COVID-19, together with management's expectation of future trends, primarily the social strategy. 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.

Within cash flows 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 2023 budget and further four-year outlook. For goodwill growth rates included in the 2023 budget and further four-year outlook ranged from 26% to 8% (2021: 220% to 8%). The high growth rate in earlier years reflects the Group's continuing recovery from COVID-19 as the remaining travel restrictions ease, with the Budget assuming 2023 is the first full year of recovery for our largest market Europe. A terminal value of 2% (2021: 2%) growth into perpetuity was used to extrapolate cash flows beyond the 2023 budget and further four-year outlook. 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 2023 budget and further four-year outlook ranged from 6% to 2% (2021: 6% to 3%), as the Group expects growth in revenues beyond 2019 volumes underpinned by an improved modernised platform, a growth in return customer revenue volumes (which we can statistically model), a growth in supply and the development of our social strategy.

Sensitivity analysis

The key assumptions underlying the impairment reviews are set out above. Sensitivity analysis has been conducted in respect of goodwill and intellectual property using the following sensitivity assumptions: a 2% increase in the discount rate; 10% decline in revenue in each year of the Board approved 2023 budget and further four-year outlook 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 2023 budget and further four-year outlook.

From our sensitivity analysis we identified that goodwill would need to have nil terminal value growth and an increase in discount rate of 8% to be considered impaired. In addition, for our intellectual property to be considered impaired, cashflows would need to stay at 2023 levels (no growth rates apply from 2023 over the remaining useful life to 2033) and the discount rate would need to increase by 1% to be considered impaired. Management consider both of these scenarios unlikely.

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 2021 | 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 |
| Additions | 1,396 | – | – | 196 | 1,592 |
| Disposals | (573) | – | (26) | (3) | (602) |
| Balance at 31 December 2022 | 1,277 | 532 | 158 | 445 | 2,412 |
| Accumulated depreciation | | | | | |
| Balance at 1 January 2021 | (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) |
| Charge for year | (791) | (62) | (20) | (95) | (968) |
| Disposals | 390 | – | 26 | 2 | 418 |
| Foreign exchange | 2 | – | – | – | 2 |
| Balance at 31 December 2022 | (777) | (529) | (145) | (226) | (1,677) |
| Carrying amount | | | | | |
| At 31 December 2021 | 76 | 65 | 33 | 119 | 293 |
| At 31 December 2022 | 500 | 3 | 13 | 219 | 735 |

Right-of-use assets relate to the Group's lease commitments for office space in Ireland, Portugal and China. In August 2021 the Group exited their long-term lease commitments for its Dublin and London offices. In the current year the Group entered into new lease agreements in Dublin, London, Portugal and China. Further detail is included in note 14. For the remaining leases the average lease term of leases entered at 31 December 2022 is less than 1 year (2021: less than one 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 assets and their tax base. The Group does not have any deferred tax liabilities (2021: €nil).

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| Opening balance | 8,352 | 7,596 |
| Credited to the consolidated income statement | 822 | 756 |
| Closing balance | 9,174 | 8,352 |

The deferred tax credit for the year ended 31 December 2022 of €822k (2021: €756k) 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

| | 2022 €'000 | 2021 €'000 |
|-------------------------------|---------------|---------------|
| Opening balance | 1,186 | 2,349 |
| Share of results of associate | (206) | (225) |
| Capital reduction | – | (938) |
| Closing balance | 980 | 1,186 |

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. Final payment of €345k deferred consideration was made in 2021.

In 2022 and 2021 the Group share of results of the associate was a loss as Goki PTY Limited is a start-up company. An impairment review was performed by management and no impairment was identified.

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 2022:

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Non-current assets | 8 | 7 |
| Current assets | 825 | 354 |
| Current liabilities | (1,197) | (70) |
| Equity attributable to owners of the company | (364) | 291 |

Income statement of Goki Pty Limited for the year ended 31 December 2022:

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Revenue | 942 | 430 |
| Loss after tax | (654) | (502) |
| Other comprehensive income attributable to the owners of the company | – | – |
| Total comprehensive loss | (654) | (502) |
| Group share of results of associate | (206) | (225)* |

* 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:

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| Net assets of Goki Pty Limited | (364) | 291 |
| Proportion of the Group's ownership interest in the associate | 31.5% | 31.5% |
| Group share of net assets | (114) | 92 |
| Goodwill and transaction costs | 1,930 | 1,930 |
| Other adjustments | (836) | (836) |
| Carrying amount of the Group's interest in associate | 980 | 1,186 |

Other adjustments relate to the elimination of the Group's 31.5% (2021: 31.5%) equity investment within the net assets of Goki Pty Limited and amounts to 31.5% (2021: 31.5%) 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.

Convertible loan note

On 31 May 2022 Goki Pty Limited entered into a USD\$ 1m convertible note subscription deed with an Australian special purpose vehicle (SPV). It is unsecured, has a 2-year maturity date, and does not bear interest. It is convertible to 10% of the ordinary shareholding of Goki Pty Limited any time until its maturity, at the discretion of either party. If the noteholder converts to ordinary share of Goki Pty Limited, it would result in the Group's shareholding reducing to 28.6%.

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:

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Opening lease liability | 86 | 4,295 |
| Additions | 1,215 | 82 |
| Remeasurement | (46) | – |
| Modification | 227 | 33 |
| Disposals | (183) | (3,164) |
| Payments | (751) | (1,238) |
| Lease interest expense | 31 | 102 |
| Payment of lease interest expense | (31) | (102) |
| Foreign exchange differences on lease payments | (1) | 78 |
| Closing lease liability | 547 | 86 |

Total lease payments included in the cash flow amount to €752k (2021: €1,160k) relating to lease payments and related foreign exchange differences on lease payments. 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.

The maturity analysis of these lease liabilities is as follows:

| | 2022 €'000 | 2021 €'000 |
|----------------------------|---------------|---------------|
| Maturity analysis | | |
| Within one year | 558 | 85 |
| Between one and five years | – | – |
| Over 5 years | – | – |
| Less unearned interest | (11) | 1 |
| Total | 547 | 86 |

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

| | 2022 €'000 | 2021 €'000 |
|-------------------------------|---------------|---------------|
| Non-current lease liabilities | – | – |
| Current lease liabilities | 547 | 86 |
| Total | 547 | 86 |

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'.

Amounts recognised in consolidated income statement:

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| Net profit on disposal of leases | (1) | (793) |
| Depreciation expense on right-of-use assets | 791 | 958 |
| Interest expense on lease liabilities | 31 | 102 |
| Expense relating to short term leases | 321 | 429 |
| Total | 1,142 | 696 |

At 31 December 2022, the Group is not committed to any short-term leases (2021: €103k). Total cash outflow for short term amounted to €134k during 2022 (2021: €549k) and are included within operating cashflows.

15. Trade and other receivables

| | 2022 €'000 | 2021 €'000 |
|-------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Trade receivables | 611 | 220 |
| Prepayments and other receivables | 1,265 | 978 |
| Value added tax | 1,370 | 804 |
| Total | 3,246 | 2,002 |

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 (2021: 5 days).

Trade receivables primarily relates to VAT to be recovered from Irish hostels and amounts due from the Group's payment processing agents, which are due for maturity within 5 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 including an assessment of the volume of debt recovered from aged COVID-19 volumes, 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.

Movement in the expected credit loss for trade receivables is as follows:

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| At the beginning of the year | 65 | 194 |
| Decrease in loss allowance recognised during the year | (18) | (129) |
| At the end of the year | 47 | 65 |

The net movement in the expected credit loss has been disclosed in the consolidated income statement.

Notes to the Consolidated Financial Statements continued

16. Cash and cash equivalents

| | 2022 €'000 | 2021 €'000 |
|---------------------------|---------------|---------------|
| Non-current assets | | |
| Cash and cash equivalents | 750 | 750* |
| Total | 750 | 750 |
| Current assets | | |
| Cash and cash equivalents | 18,212 | 24,517* |
| Total | 18,212 | 24,517 |

* Upon review of the April 2022 IFRIC Agenda item "Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)—Agenda Paper 3" the Group has changed the presentation of cash and cash equivalents which are not available for use for the period ended 31 December 2022. The amount of €750k, which relates to a rental guarantee in place, has been classified in non-current assets as the guarantee is in place for a period of longer than 12 months after balance sheet date. As the amount is held in a bank account which can be accessed by the Group the amount has been disclosed as a cash and cash equivalent.

Balance of cash and cash equivalents comprise cash and short-term bank deposits only.

17. Share capital

| | No of shares of €0.01 each (Thousands) | Ordinary shares €'000 | Share premium €'000 | Total €'000 |
|--|--|-----------------------------|---------------------------|----------------|
| At 1 January 2021 and 31 December 2021 | 116,321 | 1,163 | 14,328 | 15,491 |
| Share issue – 22 February 2022 | 1,184 | 12 | – | 12 |
| Share issue – 30 September 2022 | 6 | – | – | – |
| At 31 December 2022 | 117,511 | 1,175 | 14,328 | 15,503 |

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 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 issued share capital at the time of warrants issue). As at 31 December 2022 no warrants had been exercised. Further detail is included within note 20.

On 22 February 2022, the company issued 1,184,211 shares to satisfy restricted share awards granted by the Company at a value €0.01 per share.

On 30 September 2022, the company issued 6,070 shares in relation to the 2019 SAYE at a value of €0.01 per share.

18. Other reserves

The analysis of movement in reserves is shown in the statement of changes in equity.

Reconciliation and movement of amounts included in other reserves are set out below:

| 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 2021 | 8 | 1,210 | – | 1,218 |
| Exchange differences on translation of foreign operations | 32 | – | – | 32 |
| Issue of warrants | 20 | – | 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 |
| Exchange differences on translation of foreign operations | (11) | – | – | (11) |
| Transfer of exercised and expired share-based awards | – | (2,431) | – | (2,431) |
| Credit to equity for equity settled share-based payments | – | 2,399 | – | 2,399 |
| Balance at 31 December 2022 | 29 | 3,330 | 3,073 | 6,432 |

(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 22).

(c) Warrant reserve

The warrant reserve relates to the warrants exercisable with HPS Investment Partners LLC (or subsidiaries or affiliates thereof) (note 20).

Notes to the Consolidated Financial Statements continued

19. Trade and other payables

| | 2022 €'000 | 2021 €'000 |
|--------------------------------|---------------|---------------|
| Non-current liabilities | | |
| Payroll taxes | 9,438 | 8,049 |
| Total | 9,438 | 8,049 |

The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes arising during the period from February 2021 to March 2022. Total amount warehoused at 31 December 2022 amounted to €9,438k (2021: €8,049k). The Group continues to liaise with Irish Revenue on the matter and comply with all appropriate guidelines applicable. At 31 December 2022 amounts warehoused are recognised as non-current reflecting the intention and unconditional right not to repay balance within 12 months. The Group have agreed with the Irish Revenue to commence a repayment schedule in April 2024.

| | 2022 €'000 | 2021 €'000 |
|-----------------------------|---------------|---------------|
| Current liabilities | | |
| Trade payables | 3,944 | 5,425 |
| Accruals and other payables | 5,136 | 6,113 |
| Deferred revenue | 3,201 | 1,036 |
| Payroll taxes | 582 | 221 |
| Total | 12,863 | 12,795 |

At 31 December 2022, €3,005k of revenue was deferred relating to free cancellation bookings (2021: €1,020k), €178k was deferred relating to featured listings (2021: €16k) and €18k was deferred relating to Roamies (2021: €nil).

Included in accruals and other payables is a credit provision amounting to €150k (2021: €1,300k) for vouchers and incentives to customers for use on future bookings reflecting the expected value attached to vouchers. Reduction year on year relates to utilisation rates which materialised during 2022 where a reduced cohort of customers used their vouchers than what the Group have historically experienced and takes account of a large volume of vouchers expiring in Q1 2023 for customers who obtained a voucher instead of a refund during COVID-19. There is uncertainty on the value of the credit provision given it is based on the probability that a customer will use their voucher. The provision has not been discounted.

Also included in accruals and other payables is an amount of €1,778k (2021: €2,017k) 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 20 days (2021: 54 days). The Directors consider that the carrying amount of trade and other payables is deemed to be to their fair value.

Unpaid pension contributions at 31 December 2022 amounted to €64k (2021: Nil), which were paid in full in January 2023.

20. Borrowings

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Opening Balance | 28,209 | 1,164 |
| Received on Drawdown | – | 28,800 |
| Repayments | – | (1,164) |
| Loan issuance costs – issue of warrants | – | (3,073) |
| Transaction costs relating to borrowings | – | (862) |
| Finance costs | 4,243 | 3,344 |
| Finance interest paid | (1,339) | – |
| Total | 31,113 | 28,209 |

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). In the first year following drawdown, all interest was rolled up and capitalised. Between the first and third anniversaries of drawdown, Hostelworld elected to capitalise 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 current issued share capital at the time of issue of the warrants) 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). No warrants have been exercised as at 31 December 2022.

Notes to the Consolidated Financial Statements continued

20. Borrowings continued

The Group had the following borrowing facilities in place in 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 30 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.

Borrowings are classified in the consolidated statement of financial position as:

| | 2022 €'000 | 2021 €'000 |
|------------------------|---------------|---------------|
| Non-current borrowings | 30,869 | 28,209 |
| Current borrowings | 244 | – |
| Total | 31,113 | 28,209 |

Change in liabilities arising from financing activities:

| | Lease liabilities (note 14) €'000 | Borrowings €'000 | Deferred consideration (note 13) €'000 | Total debt €'000 |
|--------------------------------------|---|---------------------|---|---------------------|
| At 1 January 2021 | (4,295) | (1,164) | (1,266) | (6,725) |
| Financing cash flows | 1,262 | (26,774) | 345 | (25,167) |
| Interest paid (operating activities) | 102 | – | – | 102 |
| Other non-cash movements | 2,845 | (271) | 921 | 3,495 |
| Balance at 31 December 2021 | (86) | (28,209) | – | (28,295) |
| Financing cash flows | 783 | – | – | 783 |
| Interest paid (operating activities) | 31 | 1,339 | – | 1,370 |
| Other non-cash movements | (1,275) | (4,243) | – | (5,518) |
| Balance at 31 December 2022 | (547) | (31,113) | – | (31,660) |

Other non-cash movements for lease liabilities in 2022 and 2021 relate to additions, disposals, a modification and a lease term remeasurement as included in note 14. Other non-cash movements for borrowings relate to finance costs incurred and capitalised on the term loan facility (2021: the issuance costs for warrants related to borrowings).

Other non-cash movements for deferred consideration is nil in the current year (2021: relates to capital reduction as detailed in note 13 and revaluation of deferred consideration).

21. 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.

22. Share based payments

Overall, the Group recognised an expense of €2,396k (2021: €2,162k) relating to equity settled share-based payment transactions in the consolidated income statement during the year. €678k (2021: €719k) relates to Long Term Incentive Plan (LTIP) scheme, €1,697k (2021: €1,392k) is in relation to the Group's Restricted Share awards (RSU) scheme, and €21k (2021: €51k) 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. There were no LTIP schemes created in 2022.

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. No amendments were made to the performance conditions in 2021, but the target for each performance condition was amended. By late 2021, it was clear that the business environment had changed materially since the start of the year, when the targets for the 2021 award had originally been set. In particular the emergence of the Omicron COVID-19 variant at the end of 2021 significantly increased the level of uncertainty around the pace of the post-pandemic recovery. It also proved very difficult to predict likely customer behaviour in such an environment. Based on the revised company projections, the targets were amended to align to what was originally set as being achieved in 2021. As such we have deemed no additional benefit was given to employees and therefore we have not adjusted the fair value of the shares following the amendment. Further detail is set out within the Remuneration Committee report on pages 121 and 122.

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. There have been no amendments made to the 2020 scheme. Based on a review of the LTIP 2020 performance conditions as at 31 December 2022 the EPS condition accounting for 25% will not vest. The TSR condition will be assessed based on the performance period in 2023.

The 2019 LTIP scheme did not vest.

Notes to the Consolidated Financial Statements continued

22. Share based payments continued

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

| | 2022 No. of share options | 2021 No. of share options |
|---|---------------------------------|---------------------------------|
| Outstanding at beginning of year | 4,741,475 | 3,919,734 |
| Granted during the year | – | 2,336,885 |
| Forfeited or expired during the year | (494,129) | (1,515,144) |
| Exercised during the year | – | – |
| Vested during the year | – | – |
| Outstanding at the end of the year | 4,247,346 | 4,741,475 |
| Exercisable at the end of the year | 2,421,646 | – |

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.

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.

If the conditions are met, the remaining awards will vest on the later of the 3 anniversary of the grant and the determination of the performance condition and will then remain exercisable until the 7 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 2020 and 2021 awards for performance conditions is over 3 years 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 calculations are as follows:

| | April 2021 | May 2020 |
|--|------------|-----------|
| Year of potential vesting | 2024 | 2023 |
| Number of share options granted | 2,336,885 | 3,793,200 |
| Share price at grant date | £1.00 | £0.74 |
| Exercise price per share option | £nil | £nil |
| Expected volatility of Company share price | n/a | 51.86% |
| Expected life | 3 years | 3 years |
| Expected dividend yield | nil | 6.06% |
| Risk free interest rate | n/a | 0.08% |
| Weighted average fair value at grant date | £1.00 | £0.49 |
| Remaining weighted average life of options (years) | 1.32 | 0.33 |

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 2022 a new RSU award was granted. The 2022 share awards granted will vest after a three-year period. Vesting will be dependent upon the participant being employed by the Group as of the vesting date and satisfactory personal performance.

During 2021 the Company granted a RSU to selected employees in lieu of a cash bonus, including the executive directors and members of the management team. In total 2,642,212 share awards were granted. 50% of the award vested on 28 February 2022 and 1,184,211 shares were issued. The remaining 50% will vest on 28 February 2023. Vesting will be dependent upon the participant being employed by the Group as of the vesting date and satisfactory personal performance.

| | 2022 | 2021 |
|---|------------------|------------------|
| Outstanding at the beginning of the period | 2,329,810 | – |
| Granted during the year | 3,339,084 | 2,642,212 |
| Exercised during the year | (1,184,211) | – |
| Forfeited | (475,315) | (312,402) |
| Outstanding at the end of the period | 4,009,368 | 2,329,810 |
| Exercisable at the end of the period | 1,005,746 | 1,274,081 |

Save As You Earn (SAYE) scheme

During the years ended 31 December 2022 and 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. At 31 December 2022 members of the 2019 SAYE scheme still had an option to exercise their shares, if they wished. 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 | |
|---------------------------------------|---|----------------|
| | 2022 | 2021 |
| Outstanding at beginning of year | 277,624 | 447,094 |
| Granted during the year | – | 11,541 |
| Vested during the year | (6,070) | – |
| Forfeited during the year | (47,584) | (181,011) |
| Outstanding at end of year | 223,970 | 277,624 |
| Exercisable at the end of year | 223,970 | 62,847 |

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.

Notes to the Consolidated Financial Statements continued

22. Share based payments continued

At the grant date, the fair value for each SAYE award and the assumptions used in the calculations are as follows:

| Scheme | UK office | Irish office |
|--|---------------|---------------|
| Grant date | August 2020 | August 2020 |
| Year of potential vesting | 2023 | 2023 |
| Share price at grant date | £0.63 | €0.70 |
| Exercise price per share option | £0.50 | €0.56 |
| Expected volatility of company share price | 54.2% | 54.2% |
| Expected life | 3 years | 3 years |
| Expected dividend yield | 6.13% | 6.13% |
| Risk free interest rate | -0.03% | -0.03% |
| Weighted average fair value at grant date | £0.20 | €0.22 |
| Valuation model | Black Scholes | Black Scholes |

Expected volatility was determined in line with market performance of the Company for the 2020 scheme.

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 €62k and a corresponding expense of €62k in relation to these SARs as at 31 December 2022 (2021: €26k). Where relevant the fair value of these SARs was determined by using the same inputs as used for the RSU share awards.

23. 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

| | 2022 €'000 | 2021 €'000 |
|--|---------------|---------------|
| Salaries, fees, bonuses and benefits in kind | 1,130 | 1,076 |
| Amounts receivable under long-term incentive schemes | 277 | 257 |
| Termination benefits | – | – |
| Other remuneration | 623 | 402 |
| Pension contributions | 65 | 61 |
| Total | 2,095 | 1,796 |

Retirement benefit charges arise from pension payments relating to 2 Executive Directors (2021: 2). Other remuneration of €623k relates to share-based payment expense in respect of the Restricted Share awards (RSU) scheme operated in 2021 (2021: €402k).

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.

| | 2022 €'000 | 2021 €'000 |
|-----------------------------|---------------|---------------|
| Short term benefits | 2,568 | 2,608 |
| Share based payments charge | 1,877 | 1,450 |
| Termination benefits | 200 | 593 |
| Post-employment benefits | 134 | 152 |
| Total | 4,779 | 4,803 |

24. 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 | 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 António Nicolau D'Almeida 45, 5 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 104,123 Ordinary shares @ £0.001 | 100%* | Marketing services and technology trading company | Floor 5 38 Chancery Lane The Cursitor London WC2A 1EN United Kingdom |

* Held directly by the Company

** 3 Million RMB contributed by Hostelworld.com Limited for 100% ownership of subsidiary

On 12 May 2022, a resolution was passed to liquidate Counter App Limited, a subsidiary of Hostelworld.com Limited. The trade was transferred to another Group entity, Hostelworld.com Limited.

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

Notes to the Consolidated Financial Statements continued

24. Subsidiaries and associates continued

Associates

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

| Company | Holding | Nature of Business | Registered Office |
|------------------|------------|--------------------|--|
| Goki Pty Limited | 49%/31.5%* | Technology company | 477 Kent St, Sydney NSW 2000, Australia |

* 49% up until 7 July 2021

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.

25. Financial risk management

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. There have been no new financing arrangements entered into in the current year. The Group will look to refinance the term-loan facility in 2023, to reduce interest rate costs. There have been no significant developments in this respect after the balance sheet date.

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.

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.

| | 2022 €'000 | 2021 €'000 |
|------------------------------------|---------------|---------------|
| Up to 1 year | | |
| Borrowings | 244 | – |
| Trade and other payables | 12,131 | 11,274 |
| Total up to 1 year | 12,375 | 11,274 |
| | | |
| | 2022 €'000 | 2021 €'000 |
| Between 2 and 5 years | | |
| Borrowings | 34,066 | 32,453 |
| Total between 2 and 5 years | 34,066 | 32,453 |
| Total | 46,441 | 43,727 |

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).

The Group's current models include the most up to date forecasted EURIBOR rates from two leading Irish banks. As at 31 December, we have performed a sensitivity analysis taking into account these forecasted rates. We have considered a further 2% increase in Euribor rates which would result in a €2.2m impact on the Income Statement, over the duration of the tenure from the balance sheet date, with respect to the interest charge on HPS debt facility.

Credit risk and foreign exchange risk

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations on financial assets held on the Statement of Financial Position.

The Directors monitor the credit risk associated with trade receivables and cash and cash equivalent balances on an on-going basis. The Group's trade receivable balances primarily relate to VAT receivable balances from Irish hostels and amounts due from the Group's payment processing agents. Amounts due from the Group's payment processing agent are due for maturity within 5 days. 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.

The aged analysis of trade receivables for the year ended 31 December 2022 and 31 December 2021 is summarised in the table below.

| | 2022 €'000 | 2021 €'000 |
|---|---------------|---------------|
| Receivable within 1 month of the balance sheet date | 552 | 178 |
| Receivable between 1 and 3 months of the balance sheet date | 18 | 35 |
| Receivable greater than 3 months of the balance sheet date | 41 | 7 |
| Total trade receivables | 611 | 220 |

The figures disclosed above are stated net of allowances for impairment

At 31 December 2022 and 2021, 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 20 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 2022 and 2021 cash dividends were suspended while the Group continues to recover following the impact of COVID-19.

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.

Notes to the Consolidated Financial Statements continued

26. Dividends

There are no cash dividends in 2022 or 2021. Future cash dividend payments 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.

27. 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.

28. 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 2022

| | Notes | 2022 €'000 | 2021 €'000 |
|--|-------|--------------------------|--------------------------|
| Non-current assets | | | |
| Investments | 32 | 49,030 | 48,523 |
| Trade and other receivables | 33 | 113,449 | 112,202 |
| | | 162,479 | 160,725 |
| Current assets | | | |
| Trade and other receivables | 33 | 280 | 292 |
| Cash and cash equivalents | | 1,120 | 1,154 |
| | | 1,400 | 1,446 |
| Total assets | | 163,879 | 162,171 |
| Equity | | | |
| Share capital | 17 | 1,175 | 1,163 |
| Share premium account | 17 | 14,328 | 14,328 |
| Other reserves | | 6,429 | 6,449 |
| Retained earnings | | 141,082 | 139,166 |
| Total equity attributable to equity holders of the parent | | 163,014 | 161,106 |
| Current liabilities | | | |
| Trade and other payables | 34 | 748 | 1,065 |
| Corporation tax liability | | 90 | – |
| Payroll taxes | | 27 | – |
| Total liabilities | | 865 | 1,065 |
| Total equity and liabilities | | 163,879 | 162,171 |

The Company reported a loss for the financial year ended 31 December 2022 of €515k (2021: €14,092k loss).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 21 March 2023 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 2022

| | Notes | Share capital €'000 | Share premium account €'000 | Retained earnings €'000 | Other reserves €'000 | Total €'000 |
|--|-------|------------------------|-----------------------------------|-------------------------------|----------------------------|----------------|
| As at 1 January 2021 | | 1,163 | 14,328 | 153,258 | 1,227 | 169,976 |
| Total comprehensive income for the year | | – | – | (14,092) | – | (14,092) |
| Issue of warrants | 20 | – | – | – | 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 |
| Total comprehensive income for the year | | – | – | (515) | – | (515) |
| Issue of shares | | 12 | – | – | – | 12 |
| Transfer of exercised and expired share option awards | | – | – | 2,431 | (2,431) | – |
| Credit to equity for equity settled share-based payments | | – | – | – | 2,411 | 2,411 |
| As at 31 December 2022 | | 1,175 | 14,328 | 141,082 | 6,429 | 163,014 |

Notes to the Company Financial Statements

for the year ended 31 December 2022

29. 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 26 to the consolidated financial statements.

Notes to the Company Financial Statements continued

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 because of the ongoing implications of COVID-19 on the Group. In addition, the carrying amount of the net assets of the Company (2022: €163,014k, 2021: €161,106k) exceeded its market capitalisation on the last day of the year (2022: €152,371k, 2021: €95,518k). 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 2022 the carrying value of investment in subsidiaries amounted to €49,030k (2021: €48,523k). During 2022 an impairment of €723k was recognised (2021: €nil) relating to an investment in a subsidiary which holds the Hostelbookers trade for the Group. The Hostelbookers brand name was 100% impaired in 2020, and the Group do not market the brand name. Further detail is included in note 31 to the financial statements on key assumptions included in the assessment and sensitivity analysis completed.

Recoverability of 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 (2022: €163,014k, 2021: €161,106k) exceeded its market capitalisation on the last day of the year (2022: €152,371k, 2021: €95,518k). As a result, the Company has reviewed the recoverable amount due from its subsidiary undertakings.

At 31 December 2022 the carrying value of the amounts due from subsidiary undertakings amounted to €113,449k (2021: €112,202k). 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. The sensitivity analysis was based on an extension to the loan agreement signed on 27 February 2023 extending the term of repayment of the amount due from its subsidiary undertakings from 31 December 2030 to 31 December 2035. Sensitivity analysis was performed to assess the impact of a reduction in cashflows of 10% and no issue was found. Within the sensitivity cashflows would have to decline by over 40% in each year before the amount due from subsidiary undertaking would not be repaid. This sensitivity analysis also does not take into account any mitigating actions that would be taken by management should profits decline.

30. 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.

31. Staff costs

The average monthly number of full time people employed by the Company (including Executive Directors) during the year was as follows:

| | 2022 | 2021 |
|--|------|------|
| Average number of persons employed: | | |
| Administration and sales | 4 | 3 |
| Development and information technology | 2 | – |
| Total | 6 | 3 |

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

| | 2022 €'000 | 2021 €'000 |
|-----------------------|---------------|---------------|
| Staff costs comprise: | | |
| Wages and salaries | 1,078 | 798 |
| Social security costs | 129 | 83 |
| Pensions costs | 78 | 61 |
| Other benefits | 16 | 15 |
| Share option charge | 1,182 | 667 |
| Total | 2,483 | 1,624 |

32. Investments

The carrying value of the Company's subsidiaries at 31 December 2022 is as follows:

| | 2022 €'000 | 2021 €'000 |
|----------------|---------------|---------------|
| At 1 January | 48,523 | 57,026 |
| Additions | 1,230 | 4,555 |
| Impairment | (723) | (13,058) |
| At 31 December | 49,030 | 48,523 |

The Company's subsidiaries directly owned by the Company, are disclosed in note 24.

2022 additions are capital contributions arising from the administration of the Group's share option schemes (2021: €1,482k). In 2021 additions of €3,073k relate to a capital contribution from Hostelworld Group PLC to Hostelworld.com Limited during the period. These relate to the issue of warrants.

Notes to the Company Financial Statements continued

In 2022 an impairment of €723k (2021: €Nil) was recognised for Hostelworld Group PLC’s investment in Hostelworld Services Limited following a review by management to reduce the carrying value of the investment to its value in use where the recoverable amount was determined based on the estimated cash flows generated by the underlying assets of the subsidiary.

In 2022 following a review performed by management no impairment was recognised for Hostelworld Group PLC’s investment in Hostelworld.com Limited (2021: €13,058k). 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 which included growth rates of 26% to 8% (2021: 212% to 8%), and a terminal value was included with a long-term growth rate of 2% (2021: 2%).

Growth rates have been assessed by the Directors using their past experience of the business and their expectations of the market. Increase in growth rates driven primarily by booking volume recoveries from COVID-19 which have been built by market, increase in revenue volumes driven by our social strategy and growth in return customer revenue volumes, which we can evidence from historical data. This funnel was severely impacted by COVID-19 through 2020 and 2021. The cash flow projections for the five-year period also take into account key assumptions including historical trading performance with recovery continued to be tracked against 2019 base year (pre COVID-19), the impact of the cost of living crisis on our customers, anticipated changes in future market conditions and climate change factors.

The pre-tax discount rate which was applied in determining value in use was 15.4% (2021: 13.6%). 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. In 2021, 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. In 2022 the Directors performed different scenario analysis to assess the recoverability of the investment in Hostelworld.com Limited. There would have to be nil terminal value growth and an increase in discount rate of 2.5% for the investment to be considered impaired.

33. Trade and other receivables

| | 2022 €'000 | 2021 €'000 |
|---|----------------|----------------|
| Non-current assets | | |
| Amount due from subsidiary undertakings | 113,449 | 112,202 |
| | 113,449 | 112,202 |
| Current assets | | |
| Prepayments | 253 | 229 |
| Value added tax | 27 | 30 |
| Amount due from subsidiary undertakings | – | 33 |
| Total | 280 | 292 |

The amount due from subsidiary undertakings arose primarily as a result of a term loan issued between the Company and Hostelworld.com Limited as part of the Group reorganisation in March 2019. 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 2035. 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.

34. Trade and other payables

| | 2022 €'000 | 2021 €'000 |
|----------------------------|---------------|---------------|
| Current liabilities | | |
| Trade payables | 342 | 665 |
| Accruals | 406 | 400 |
| Total | 748 | 1,065 |

35. Events after the balance sheet date

There are no significant events after the balance sheet date.



Additional Information

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Appendix 1: 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.

Non-IFRS measures: definitions

| | | | |
|-----------------------------|--|---|--------------------------|
| Adjusted EBITDA loss | Definition: The Group uses earnings/ (loss) 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. Why we use it: Adjusted EBITDA allows us to understand our baseline profitability. 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 profit/(loss): | |
| | | | |
| | | 2022 €'000 | 2021 €'000 |
| | | Loss for the year | (17,263) (36,016) |
| | | Taxation | (649) (562) |
| | | Net finance costs | 4,301 3,501 |
| | | Operating loss | (13,611) (33,077) |
| | | Depreciation | 968 1,519 |
| | | Amortisation of development costs | 2,784 2,963 |
| | | Amortisation of acquired intangible assets | 7,845 7,929 |
| | | R&D tax credit | (102) – |
| | | Impairment of intangibles | – 367 |
| | | Exceptional items | 835 588 |
| | | Share based payment expense | 2,396 2,162 |
| | | Share of result of associate | 206 225 |
| | | Adjusted EBITDA loss | 1,321 (17,324) |

Adjusted loss after taxation (Adjusted PAT)

Definition: 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.

Why we use it: 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 profit/(loss) and loss for the year:

| | | |
|--|-----------------|-----------------|
| | 2022 €'000 | 2021 €'000 |
| Adjusted EBITDA loss | 1,321 | (17,324) |
| Depreciation | (968) | (1,519) |
| Amortisation of development costs | (2,784) | (2,963) |
| R&D tax credit* | 102 | – |
| Net finance costs | (4,301) | (3,501) |
| Share of result of associate | (206) | (225) |
| Corporation tax | (173) | (194) |
| Adjusted loss after taxation | (7,009) | (25,726) |
| Exceptional items | (835) | (588) |
| Amortisation of acquired intangible assets | (7,845) | (7,929) |
| Share based payment expense | (2,396) | (2,162) |
| Impairment charges | – | (367) |
| Deferred taxation | 822 | 756 |
| Loss for the year | (17,263) | (36,016) |

* R&D tax credits included in note 4 total €184k, of which €102k relates to amortisation of development costs

Adjusted loss per share

Definition: Adjusted EPS is calculated on the weighted average number of Ordinary shares in issue, using the adjusted loss after taxation.

Why we use it: It is a better measure of underlying performance than Basic EPS as it excludes exceptional items that are not related to ongoing operational performance and other certain items which do not impact underlying trading performance.

| | | |
|---|----------------|-----------------|
| | 2021 | 2020 |
| Adjusted loss after taxation (€'000) | (7,009) | (25,726) |
| Weighted average shares in issue ('m) | 117.3 | 116.3 |
| Adjusted loss per share (cent) | (5.97) | (22.12) |

Appendix 1: Alternative performance measures continued

| | | | | |
|--------------------------------|---|---|----------------|-----------------|
| Adjusted free cash flow | Definition: Free cash flow adjusted for capital expenditure, acquisition of intangible assets, net finance costs, net movement in working capital and excluding the effect of exceptional costs. Why we use it: It is a key measure which shows the cash that the Group is generating/ using as it excludes certain items which to not relate to the day to day activities of the Group. | | 2022 €'000 | 2021 €'000 |
| | | Net (decrease)/increase in cash and cash equivalents | (6,294) | 7,046 |
| | | Add back | | |
| | | Repayment of borrowings | – | 1,164 |
| | | Proceeds from borrowings | – | (28,800) |
| | | Warehoused payroll taxes | (1,389) | (3,910) |
| | | Exceptional items* | 806 | 1,757 |
| | | Adjusted free cash flow | (6,877) | (22,743) |
| | | Adjusted EBITDA profit/ (loss) | 1,321 | (17,324) |
| | | Adjusted free cash flow % | (521%) | (131%) |
| | | * Exceptional items included in adjusted free cash flow exclude professional fees included in liabilities at year end not paid. | | |

| | | | | |
|--|--|--|---------------|---------------|
| Net average booking value (ABV) | Definition: Net average booking value. The average value paid by a customer for a net booking. Why we use it: It is a key performance indicator of the value of bookings and commission earned on generated bookings. | | 2022 €'000 | 2021 €'000 |
| | | Net revenue | 69,690 | 16,901 |
| | | Booking engine | | |
| | | Deferred revenue movement | 2,165 | 829 |
| | | Adjustments to revenue* | (1,077) | (152) |
| | | Other revenue | (218) | – |
| | | Advertising income | (327) | (52) |
| | | Volume incentive rebates | 928 | 94 |
| | | Net GBR | 71,161 | 17,620 |
| | | * Primarily relates to recognition of refunds, chargebacks and voucher provisioning. | | |

| | | | | |
|--|--|--------------------------|--------------|--------------|
| | | | 2022 | 2021 |
| | | Net GBR (€'000) | 71,161 | 17,620 |
| | | Net bookings (#'000) | 4,777 | 1,455 |
| | | Net ABV generated | 14.90 | 12.11 |

| | | | | |
|--|--|----------------|----------------|----------------|
| Net gross merchandise value (GMV) | Definition: Net GMV represents the gross transaction value of bookings on our platform less cancellations. Why we use it: It is a key performance indicator which shows the total value of transactions executed through our platform | | 2022 €'000 | 2021 €'000 |
| | | Net GMV | 470,072 | 116,658 |

Appendix 2: Shareholder information

Financial calendar

| | |
|--------------------------------------|----------------|
| Annual General Meeting (AGM) | 09 May 2023 |
| Announcement of 2023 Interim Results | 10 August 2023 |

Share price

During the year ended 31 December 2022, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

| | |
|---------------------------------|-------|
| Last price at 31 December 2022: | £1.15 |
| Highest price during the year: | £1.22 |
| Lowest price during the year: | £0.61 |

Daily information on the Company's share price can be obtained on our website: www.hostelworldgroup.com.

Shareholder's enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrars:

UK registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Irish registrar

Computershare Investor Services (Ireland) Ltd
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82
Ireland

Company secretary and registered office

Mr. John Duggan
Hostelworld Group plc
One Chamberlain Square
Birmingham
B3 3AX
United Kingdom

Company registration number

9818705

Appendix 2: Shareholder information continued

Advisors

Solicitors

McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin
D02 X576
Ireland

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
United Kingdom

Financial public relations

Powerscourt
48 Upper Mount Street
Dublin
D02 YY23
Ireland

Banking

Allied Irish Banks plc
1-4 Lower Baggot Street
Dublin
D02 X342
Ireland

NatWest Commercial Banking
Floor 1
440 Strand
London
WCR2 OQS
United Kingdom

HSBC Bank plc
1 Grand Canal Square
Grand Canal Harbour
Dublin Docklands
Dublin 2

Independent auditors

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
29 Earlsfort Terrace
Dublin
D02 AY28
Ireland

Brokers

Numis Securities Limited
45 Gresham Street
London
EC2V 7BF
United Kingdom

Goodbody
2 Ballsbridge Park
Ballsbridge
Dublin 4
D04 YW83
Ireland

Appendix 3: Definition of terms

| Term | Brief description |
|------------------------------------|---|
| ABV | Net average booking value. Equates to net generated revenue/net bookings |
| ABR | Average booking revenue. General booking revenue divided by net bookings |
| Adjusted FCF | Adjusted free cash flow. Calculated as adjusted free cash flow as the adjusted EBITDA for the Group before capital expenditure, capitalised development spend, acquisition and disposal of undertakings and adjusting for interest, tax and movements in working capital |
| Adjusted free cash flow conversion | Equates to adjusted free cash flow/adjusted EBITDA |
| Administration expenses | Relates to operating expenses of company excluding depreciation, amortisation and impairment charges. Relates to marketing expenses, staff costs, credit card processing fees, exceptional items, foreign exchange movements and other operating costs |
| AGM | Annual General Meeting |
| Android | Operating system for mobile phones and tablets |
| APM | Alternative performance measures. Non-IFRS measures to monitor the performance of its operations and of the Group as a whole |
| BCP | Business continuity plan |
| Bednights | Number of booked nights per stay |
| BEPS | Base erosion and profit shifting. Discussed in relation to company policy against tax avoidance |
| BPO | Backpack online. Hostelworld proprietary hostel software |
| Bureau Veritas | Certification body engaged by Hostelworld in 2022 to perform research on the carbon emissions of the hostelling sector. Study source: www.bureauveritas.co.uk/hostelworld-carbon-impact-analysis |
| CAC | Customer acquisition costs. Equates to marketing costs/new customers acquired in the reporting period. |
| CDP | Carbon Disclosure Project. A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. |
| CEO | Chief Executive Officer – Gary Morrison |
| CFO | Chief Financial Officer – Caroline Sherry |
| CGUs | Cash generating units. Discussed in relation to valuation views of company assets |
| Chairman | Refers to Chairman of the Board – Michael Cawley |
| Climate Neutral | To be accredited with a climate neutral certification an organisation needs to measure their material Scope 1, Scope 2 and Scope 3 emissions associated with their operations in line with GHG protocol, set a reduction target aligned with near-term science-based target requirements, finance climate action equivalent for any residual emissions through certified climate action credits, and disclosure of all details transparently. Hostelworlds climate neutral label for 2022 and 2021 was awarded by South Pole. Website: www.southpole.com |
| CPCs | Cost per clicks. Cost to an advertiser divided by number of clicks on a Hostelworld ad |
| Credit card fees | Processing fees relating to booking payments and transactions |
| CRM | Customer relationship management |

Appendix 3: Definition of terms continued

| Term | Brief description |
|------------------------|--|
| Cookies | Cookies are small text files that are stored on a user’s computer or mobile device that are used to store or gather information (such as remembering 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. |
| Counter | Counter App – proprietary property management system |
| Deferred revenue | This is mainly revenue from bookings with an entitlement to free cancellation where Hostelworld has collected the cash but cannot recognise the booking on the P&L until the last date on which a free cancellation entitlement can be activated. |
| DEIB | Diversity, equity, inclusion, and belonging |
| D&I | Diversity and inclusion |
| Direct margin | Equates to net generated revenue less marketing costs |
| Direct Marketing costs | Paid direct marketing costs, primarily driven by online search. Excludes operating marketing costs such as brand marketing, blogger spend which isn’t directly revenue generating |
| Domestic bookings | Bookings where source IP utilised by customer making booking at country level matches destination country of hostel |
| DPO | Data Protection Officer |
| DTRs | DTR Disclosure Guidance and Transparency Rules sourcebook |
| EAP | Employee assistance programme |
| EBITDA | Profit / (loss) before interest, tax, depreciation and amortisation and excluding exceptional and non-cash items |
| ECL | Expected credit loss. Provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to debtor recoverability |
| Elevate | Programme in place in Hostelworld until its removal in 2020. The Elevate programme gave accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 10% above the relevant base commission rate |
| ELT | Executive leadership team |
| Employees | Headcount employed by the Group including Executive Directors. Number presented for employees does not include Non-Executive Directors |
| EPS | Earnings per share |
| ESG | Environmental social and governance – sustainability agenda |
| Exceptional items | Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult |
| Existing customers | Count of customers who have made their 2nd or subsequent bookings with Hostelworld in a specific period |
| Experiential travel | A form of tourism in which people focus on experiencing a country, city or particular place by actively and meaningfully engaging with its history, people, culture, food and environment |
| FCF | Free cash flow |
| FRC | Financial Reporting Council |

| Term | Brief description |
|------------------------|---|
| Free channels | Booking channels which have very minimal or no cost associated with them e.g navigating directly to our website, app bookings, SEO, CRM email bookings |
| FTSE SmallCap Index | The Financial Times Stock Exchange SmallCap Index |
| Gen Z | Generation Z. A person born between 1990s and early 2010s |
| GBR | Gross booking revenue. Hostelworld’s share of GMV made up predominantly of commission |
| GDPR | General Data Protection Regulation |
| GHG | Greenhouse gas (used in context of emissions produced by Hostelworld) |
| Gross/Net | ‘Gross’ in reference to a metric which doesn’t include the impact of cancelled bookings whereas ‘net’ is ‘gross’ minus the impact of cancelled bookings |
| Gross bookings | Count of bookings made in a specific period before cancellations |
| GITCs | General information technology controls |
| GMT | Global markets team – team that deal day to day with supply (hostels) in Hostelworld |
| GMV | Gross merchandise value. Gross total transaction value of bookings on our platform on which commission is charged |
| Goki | Goki PTY Limited. Associate investment made by Hostelworld |
| GSTC | Global sustainable Tourism Council establishes and manages global standards for sustainable travel and tourism. The GSTC criteria form the Foundation Accreditation for Certification Bodies that certify accommodations as having sustainable policies and practices in place. |
| GTPI | Global tourism plastics initiative that focuses on the eliminating of problematic or unnecessary plastic packaging and items |
| HOSCARS | Annual hostel awards operated by Hostelworld. A celebration for the hostels that have done incredible things, in extraordinary circumstances voted for by travellers |
| HPS | HPS investment partners. Providers of the term loan facility in place |
| IFRS | International Financial Reporting Standard |
| Investors in diversity | Framework to govern diversity practices and culture, an Irish based equality accreditation group |
| iOS | Operating system used for mobile devices manufactured by Apple Inc. |
| kWh | kilowatt-hours |
| Leverage | Equates to net debt/adjusted EBITDA |
| LGBTQ+ | Lesbian, gay, bisexual, transgender, queer/questioning, and a plus to signify all of the gender identities and sexual orientations that are not specifically covered by the other five initials (such as non-binary and pansexual) |
| Linkups | Social network product which allows customers to set up their own group events for others to join and in the future where hostels can upload their own group event catalogues |
| Listing rules | The Transparency Directive and Listing Rules |
| LTIP | Long term incentive plan |
| LTV/CLV | Lifetime value/customer lifetime value. The total net generated revenue we can expect to earn from a customer during their booking lifetime with Hostelworld based on statistical modelling |

Appendix 3: Definition of terms continued

| Term | Brief description |
|-------------------------------|---|
| Long haul bookings | Bookings where source IP utilised by customer making booking at continent level does not match destination continent or country of hostel |
| Marketing as % of net revenue | Equates to direct marketing costs/net generated revenue |
| Millennial | A person born between the early 1980s and the late 1990s |
| Net bookings | Gross bookings minus cancelled bookings in a reporting period |
| NED | Non-Executive Director, independent directors appointed to Board. Positions are held by Michael Cawley (Chairman), Éimear Moloney, Carl Shepherd and Evan Cohen |
| Net debt | Equates to short-term debt + long-term debt (incl warehoused payroll taxes) – cash and equivalents |
| Net generated revenue | Gross booking revenue minus impact of cancellations |
| Net GMV | Gross merchant value. Gross transaction value of bookings on our platform less cancellations (relates to HWG commission and hostel share) |
| Net margin | Equates to net revenue less marketing costs and credit card fees |
| New customers | Count of customers who have made their first booking with Hostelworld in a specific period |
| New customer revenue | Net generated revenue associated with new customers in the reporting period |
| NIST | National Institute of Standards and Technology - Cyber security framework |
| OECD | Organisation for Economic Co-operation and Development |
| OKRs | Organisation's objectives and key results |
| OTA | Online travel agent |
| Over tourism | The impact of tourism on a destination, or parts thereof, that excessively influences perceived quality of life of citizens and/or quality of visitor's experiences in a negative way |
| OPEX/operating expenses | Operational expenditure – relates to total administration expenses plus depreciation, amortisation and impairments |
| Paid channels | Paid marketing channels through which a customer makes a booking on our platform e.g. Google ad channels and affiliate partnerships |
| PAX | Total number of travellers |
| PCI | Payment card Industry |
| PCI DSS | Payment card industry data security standard |
| Platform modernisation | Internal strategy in place to update legacy technology platforms and infrastructure in place at Hostelworld |
| PMS | Property management system |
| PSD2 | Payment service directive two |
| PTD | The EU package travel directive |
| Return customer revenue | Net generated revenue associated with returning customers in the reporting period |

| Term | Brief description |
|---------------------------------------|--|
| Roamies | A hostel focused adventure tour product run in partnership with G Adventures |
| RSU | Restricted share option |
| SAYE | Save as you earn |
| SDG | Sustainable development goals |
| SEM | Search engine marketing |
| SEO | Search engine optimisation |
| SFMP | Sustainable forest management plan – carbon offset programme in 2021 engaged on with South Pole |
| Short haul bookings | Bookings where source IP utilised by customer making booking at continent level matches destination continent for hostel |
| Social members | Eligible customers who opt-in to the social network |
| South Pole | Partner engaged to verify and offset carbon emissions. Provided a climate neutral badge to Hostelworld in 2021 and 2022 South Pole, recognised by the World Economic Forum's Schwab Foundation, is a leading climate solutions provider and carbon project developer. Website: www.southpole.com |
| Staircase to Sustainability programme | Hostelworld programme to assist hostels on their journey to being more sustainable and being able to champion those journeys on our site |
| TCFD | Taskforce for climate related financial disclosures |
| Total bednights | Equates to the sum of total passengers x avg no. of nights per passenger |
| Total passengers | Total number of guests associated with net bookings on our platform in a specific period |
| Total stayed bednights | Total bednights, adjusted for no-shows |
| tCO ₂ e | Tonnes (t) of carbon dioxide (CO ₂) equivalent (e) |
| TSR | Total shareholder return |
| UNWTO | UN environment programme and the world tourism organisation |
| UNHCR | The UN Refugee Agency – Hostelworld donated all revenue collected from Ukraine hostels from the point of invasion, and match to the UNHCR |
| Unique customers | Count of unique customers who have made a booking in a specific period |
| VCS | Verified Carbon Standard (VCS). This certificate is auditable evidence with specific serial numbers for the particular offsets Hostelworld have purchased. The Verified Carbon Standard (VCS) Programme is one of the worlds most widely used GHG crediting programme |
| Warehoused payroll taxes | Warehousing of tax debt by Irish revenue commissioners aimed at assisting businesses who experienced cash-flow and trading difficulties during the COVID-19 pandemic |
| 30% club Ireland | The 30% Club is a campaign group of business chairpersons and CEOs taking action to increase gender diversity on boards and senior management teams. It was established in the United Kingdom in 2010 by Helena Morrissey with the aim of achieving a minimum of 30% female representation on the boards of FTSE 100 companies |

