HOSTELWORLD GROUP

Hostelworld Group plc
("Hostelworld" or the "Group")

Preliminary Results for the Year ended 31 December 2017

10 April 2018: Hostelworld, the world's leading hostel-focused online booking platform, is pleased to announce its preliminary results for the year ended 31 December 2017.

Operational Highlights

- FY 2017 performance in line with the board's expectations
- Group bookings increased by 6% (to 7.5m bookings) with core Hostelworld brand bookings up 13%
- Continued delivery on marketing efficiencies:
  - Bookings from not-paid-for channels 63% of total (2016: 61%)
  - Marketing investment represented 38% of Net Revenue (2016: 41%)
- 54% of bookings coming from mobile devices, up from 47% in 2016
- Continued strong performance in Asia with inbound bookings growth of 12%
- New technology centre established in Portugal to increase capacity in product development.

Financial Highlights

- Group Net Revenue increased by 8% to €86.7m (2016: €80.5M); 10% increase at constant currency
- Average Booking Value ("ABV") of €11.6, flat on 2016 and up 2% at constant currency (2016: 4% decline);
- Adjusted EBITDA increased by 10% to €26.4m (2016: €23.9m); 13% increase at constant currency
- Adjusted EBITDA Margin consistent at 30% (2016: 30%)
- Group Adjusted Profit after Tax up 12% to €21.7m (2016: €19.4m); 16% increase at constant currency
- Reported Profit after Tax of €11.2m (2016: €0.8m)
- Adjusted pro-forma Earnings Per Share of 22.73 euro cent per share (2016: 20.27 euro cent per share), an increase of 12%
- Strong underlying adjusted free cash conversion of 81% (2016: 90%)
- Cash balances of €21.3 m at 31 December 2017 (2016: €24.6m), after payment of €24.8m of dividends in the year ended 31 December 2017
- Proposed 15% increase in final dividend of 12.0 euro cent per share (2016: 10.4 euro cent), resulting in full year dividend of 17.1 euro cent per share, in line with stated dividend policy

Feargal Mooney, Chief Executive Officer, commented:

"In 2017, a double digit increase in Hostelworld brand bookings underpinned a record adjusted EBITDA of €26.4m.

In recognition of the importance of technology in our business we invested in a new development centre in Porto and plan to substantially expand our commitment there in 2018 in order to increase the pace and volume of new product features and functionality for our customers and hostel partners.

Market conditions, particularly in Europe, remain uncertain and while volume bookings are in line with expectations, weaker exchange rates, particularly for the US dollar, remain a significant headwind.

We continued our program of pricing initiatives in Q1 2018, with changes to base rate commissions making a positive contribution to ABV.

In addition, the pilot launch of our new free cancellation booking option in February 2018, resulted in a noticeable increase in conversion and booking levels. We therefore plan to introduce this model more widely, which we see as a key strategic move for the business. We anticipate this product to be earnings enhancing in the medium term but will result in a deferral of revenue recognition which will affect reported earnings in 2018, its first year, but will not impact on cash receipts.

This new product together with increased technology investment will substantially improve our offering to customers and our competitive position and underpin the Board's confidence that we will see bookings growth in 2018 and beyond."

ends

A presentation will be made to analysts at 9.00am today, a copy of which will be available on our Group website http://www.hostelworldgroup.com. If you would like to attend the presentation, please contact Powerscourt on the contact details below.

For further information please contact:

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About Hostelworld Group

Hostelworld Group is the world's leading hostel-focused online booking platform. Connecting travellers with hostels around the world, Hostelworld offers more than ten million customer reviews across 36,000 properties in more than 170 countries, making the brand the leading online hub for social travel. The website operates in 19 different languages and mobile app operates in 13 different languages.

Hostelworld travellers are a unique, passionate breed; they want to see the world, make new connections and crave the adrenaline of new adventures. Hostelworld inspires them to 'Meet the World' through the social nature of hostels that turbo-charges their journeys and helps create unforgettable memories.

Headquartered in Dublin, Hostelworld has offices around the world in London, Porto, Seoul, Shanghai and Sydney with approximately 250 employees. The Hostelworld Group listed on the main London and Irish stock exchanges in November 2015.

Chairman's Statement

I am pleased to present my first Chairman's statement for Hostelworld, having assumed the role of Chairman on 1 December 2017.

2017 was a year of strong bookings growth for Hostelworld, in the midst of continued challenges for the travel industry. The industry continues to be impacted by Brexit uncertainty and terrorist attacks, which particularly affect our key European destinations. We have continued to create value for our shareholders by meeting customer needs in a rapidly changing marketplace.

Results and financial position

Overall Group bookings grew by 6% in the year, compared to a decline of 1% in 2016, with bookings in the Hostelworld brand growing by 13% in the year (2016: 18%). It was a year in which we saw very strong growth of 11% in H1 2017 somewhat offset by lower bookings growth of 1% in the latter part of the year as we lapped stronger comparatives. The Group's flagship brand, Hostelworld, represented 93% of total Group bookings as compared with 87% in 2016. On a Group basis net revenue increased by 8% in 2017, compared to a 4% decline in 2016.

Adjusted EBITDA for the year was €26.4m (2016: €23.9m) and operating profit for the year was €11.9m (2016: €0.2m) which, as stated in our pre-close update, is in line with the Board's expectations for the year.

The business continues to be strongly cash generative, with adjusted free cash flow of €21.5m (2016: €21.5m), contributing to a strong balance sheet at the year end. Cash balances at year end were €21.3m (2016: €24.6m), after payment of €24.8m of dividends during the year.

Dividend and Capital Structure

The Board is recommending a full year final dividend of 12.0 euro cent per share which reflects the distribution of 75% of the Adjusted Profit after Taxation for the year.

The Board continues to review its approach to returning capital to shareholders, providing returns to shareholders whilst retaining flexibility for capital and other investment opportunities.

Board Composition

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

As was announced in our interim results, Richard Segal stepped down from the Board as Chairman on 1 December 2017 and as director from 31 December 2017 after a period of six years with the business. I would like to thank Richard for his valuable guidance and contribution to the Group during his tenure as non-executive Chairman.

Carl Shepherd was appointed as Non-Executive Director on 1 October 2017 and brings a wealth of experience in the online travel industry, as co-founder of Homeaway Inc. Éimear Moloney was appointed as Non-Executive Director on 27 November 2017, bringing with her years of senior investment management and business experience.

Following these appointments, a number of changes have been made to the composition of the sub-committees of the Board. Andy McCue has assumed the role of Senior Independent Director and remains as Chair of the Remuneration Committee. Éimear Moloney now serves as Chair of the Audit Committee.

In December, Mari Hurley announced her intention to resign as Chief Financial Officer and Director. I would like to thank her for her strong financial leadership during her eleven years with the Group and to wish her well in her future endeavours.

People

On behalf of the Board, I would like to thank all members of the Hostelworld team for their commitment and hard work during the year. I would like to particularly acknowledge the efforts of our new software development team based in Porto.

Outlook

The continued investment in our technology development capability and brand has placed the Group in a good position to capture future growth in the hostel sector. These factors together with the strong skillset of our people and an increased focus on product innovation will enhance our prospects in our core marketplace and provide opportunities for incremental growth in the years ahead.

Michael Cawley

Chairman

9 April 2018

Chief Executive's Statement

Hostelworld continues to be a young and ambitious global business which focusses on facilitating a social travel experience for millennials and others seeking a sense of adventure, community and interaction with like-minded international travellers. By focussing on hostels, and a young demographic customer base, we believe we are better positioned to benefit from the inherent growth of the sector and to compete more effectively with generalist online travel agents (OTAs).

Our growth has been delivered through continued investment in our core technology platform and in an expanding array of differentiated product features, which aim to address a larger community of hostel guests and increase our revenue per customer. We do this through continued investment in technology (in particular mobile), brand marketing, and geographic diversification supported by a range of pricing initiatives.

Growth

Bookings for the Group's primary Hostelworld brand, which contribute 93% of total Group bookings, grew by 13% in the year (2016: 18%). Total Group bookings and revenues for the year increased by 6% and 8% respectively (2016: 1% decline and 4% decline) as we successfully focussed on driving bookings growth in our flagship brand, and proactively managed the decline in our supporting brands.

We are pleased with the continued progress made in managing our marketing investment, driving efficiencies in cost-per-click and cost-per-booking which has resulted in a more profitable booking mix. In 2017, bookings from not-paid-for channels increased to 63% of overall Group bookings (2016: 61%), and marketing expenses as a percentage of net revenue decreased to 38% (2016: 41%). We are confident that our marketing and mobile led strategy, with the goal of diversifying online marketing channels and increasing Hostelworld brand awareness, will continue to deliver an efficient customer acquisition strategy, driving future growth.

Technology and Mobile

2017 was a transformational year for Hostelworld technology. Alongside our continuous delivery of mobile and website products, we also commissioned and set up a new software development office in Porto, where we had 24 people employed at 31 December 2017. Based on its initial success, we plan to substantially expand this new software delivery centre during 2018, as we expect it to play a significant role in Hostelworld's future success. In addition to investing in new capacity, we also placed considerable focus on training and upskilling to ensure an agile and delivery focussed culture which will increase future efficiency, morale and knowledge retention across the entire technology division.

In terms of product delivery, mobile led the way with innovative products such as the highly popular Speak The World translation tool, as well as pilot launches of Hostel Chat and Extend Your Stay. Our mobile first strategy has resulted in mobile (including tablet) representing 54% of Hostelworld group bookings for the year (2016: 47%). In terms of offering better flexibility to our customers and providing better yield management tools to our hostel partners, we completed the rollout of non-refundable rates and followed this up in 2018 with the pilot launch of free cancellation bookings, a product which allows us to offer our customers greater flexibility and improves our own competitive position. The pilot launch resulted in a noticeable increase in conversion and booking levels, and we therefore plan to introduce this model more widely, which we see as a key strategic move for the business. We anticipate this product to be earnings enhancing in the medium term but will result in a deferral of revenue recognition which will impact reported earnings in 2018, its first year, but will not impact on cash receipts.

Brand marketing

Strong performance in Hostelworld brand bookings (+13%) and bookings growth from direct channels are encouraging signs that Hostelworld's brand activity is having a positive effect for the business. The focus for brand activity has been driving reach and penetration in more markets globally, whilst also being present in those markets more frequently. Hostelworld is seeing signs across many of the brand channels that this strategy is paying off, including through healthy growth in app downloads (up 49% to 2.2m downloads in 2017).

Following 2016's award winning In Da Hostel with 50 Cent campaign, Hostelworld continued its successful 'Unexpected Guest' strategy, with a hugely provocative, perception-busting campaign involving Charlie Sheen's antics in hostels. Launching in March 2017, this campaign contributed to the 13% growth in Hostelworld brand bookings in 2017.

2017 also saw our first product-driven marketing campaign, with the launch of Speak The World. With the objective of differentiating Hostelworld's app from the competition whilst also driving app downloads, Speak The World leveraged Hostelworld's strong brand positioning to create a useful translation tool which allows travellers to speak in 45 different languages. The campaign not only generated a huge amount of PR across 16 markets, but saw a 100% increase in app downloads across the key summer months, and has produced over 3.5 million translations to date.

Through Social, Hostelworld's following has reached over 2m fans across Facebook, Twitter, YouTube and Instagram combined; a 50% increase in the period. Greater reach and penetration of markets globally on Social has contributed to over 12m unique visitors to the Hostelworld Blog – driving traffic through the marketing funnel.

Supporting our brand initiatives, we launched a major PR event in September, creating the world's first ever Sand Hostel on the Gold Coast, Australia. This was Hostelworld's most successful PR campaign to date and brought to life the key attributes of the hostel experience that feature across all of our brand campaigns: sociability, security and availability of private rooms.

Asia

Inbound growth remained strong with 12% year on year ("YoY") increase in bookings to Asian destinations during 2017. Asia now represents 21% of group-wide bookings with Thailand consistently featuring in our top 3 global destinations over the course of 2017. Vietnam was the fastest growing destination in our global top 10 with 22% YoY growth over 2016. Indonesia is another high growth destination in the region with 32% YoY growth in bookings. We continue to focus on adding supplementary supply in the Asian region and appointed an agent in Thailand in the latter half of the year, to support out Shanghai based team and bolster inventory in this key inbound market.

Outbound growth proved more challenging in 2017. The transition to a single brand in the Korean market coupled with both global and Asian political unrest hampered progress in the region. In response to this, however, we launched a number of new initiatives in Korea including Hostelworld hosted travel seminars and the company's first ever student ambassador program. We also worked closely with several key influencers in the market. In addition we transitioned to a new paid search agency and expanded the team on the ground leaving us well positioned to explore new opportunities for growth in 2018 and beyond.

Pricing and yield management

The year saw encouraging growth in our Elevate programme, with 34% of 2017 Group bookings delivered to properties participating in Elevate, an increase from 30% in 2016.

The Elevate programme gives 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. We also offer a premium listing feature, which enables accommodation providers to purchase fixed slots at the top of Hostelworld's and our other brands' results on a monthly cycle. In 2017, we continued to expand the offering of revenue management services to our properties so as to assist them in improving their yield per bednight. In February 2018, we continued our program of pricing initiatives, introducing changes to base rate commissions which will contribute to ABV during 2018.

Implementing our strategy

Through 2017 we have continued to develop and implement our strategy. As part of this process we have simplified our strategy to three key objectives to ensure focus and delivery across the business.

This will also ensure we remain properly focussed on the customer and maintain our competitive position in our core markets. We will continue to raise the awareness of the hostelling concept amongst current and potential category users, build on the social nature of our customer base to develop the Hostelworld Community and increasingly drive revenue per customer across our base.

During 2018 our strategic objectives will be:

1. **Competing on Core Product Functionality and Differentiating USPs.** Our customers continue to expect a booking platform that delivers a simple, seamless experience that is flexible and fast when booking a hostel. We will continue to invest in our core technology to ensure we keep pace in delivering content and features across all our channels and platforms that not only meet fast changing customer expectations, but also differentiates our offering from generalist OTAs.
2. **Increasing Customer Lifetime Value**. We will deliver products and features that are unique to the hostel product and enhance our customers experience before, during and after the trip. In this context, we aim to increase customer loyalty thereby increasing the lifetime value of our customers.
3. **Building the Hostelworld Community.** The Hostel marketplace revolves around the sociability of hostel customers. Through enhanced blog features encouraging community engagement, as well as expanding our range of social features such as Hostel Noticeboard, Hostel Chat and more, we will enable social interaction with other hostel travellers and with hostel operators throughout the journey, building a unique Hostelworld Community.

Business model

In operating the world's leading hostel-focussed online booking platform, we offer a simple and comprehensive online mechanism that gives providers of hostels and other budget accommodation a shop window to show their accommodation to young independent travellers. We facilitate bookings between the two, offering a top-class booking experience that provides us with commission-based revenue.

At the time of booking, hostel travellers pay a deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. The deposit equates to our revenue from the transaction. This efficient business model has favourable working capital attributes and strong cash conversion. Debt collection and invoicing overheads are all minimised. During 2017, we rolled out a new offering to accommodation providers and consumers which enabled properties to offer a non refundable rate product which retained the simplicity of the original Hostelworld model, whilst offering customers and properties alike the benefits of this choice in product offering. We will continue to test alternative product offerings during 2018 so as to offer customers a wider choice. In this regard in early 2018 we have piloted a free cancellation model to further broaden our product offering.

The market

The first independent study of the global hostel market ("First Edition") was published by Phocuswright in May 2016 with a follow-on study ("Second Edition") published in April 2018. Both studies relied on hostel operator surveys (1,000 respondents) while the First Edition also included a consumer survey of 2,700 hostel travellers from six key consumer markets and 800 non-hostel travellers and interviews with key hostel operators and stakeholders.

The topline findings of the most recent Second Edition include:

- Phocuswright estimates total property count globally of approximately 18,200 in 2016, increasing significantly from 15,600 properties in 2014.
- Phocuswright projects 5% hostel revenue growth per year through 2020 for the global hostel market (on pace with the global hotel industry), when it estimates that the total hostel market will reach nearly $6.4 billion in revenue.
- Online channels accounted for 61% of global hostel revenue in 2016 with 75% of online hostel bookings made via an online travel agent.

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

People

In December 2017, we announced that Mari Hurley would be leaving the business to take up an opportunity outside the Group during the first half of 2018. I would like to thank Mari for her significant contribution to Hostelworld over many years with the Group and wish her well for the future.

In January 2018, we welcomed Kristof Fahy as our first ever Chief Customer Officer, reflecting our increased focus on ensuring that the customer remains at the heart of our strategy, and that our investments in technology and marketing are always informed by the rapidly changing preferences of our young demographic customer base.

During 2017, we expanded our technology capacity with the addition of a new, young and ambitious technology team in Porto, and we will continue to expand this presence during 2018.

We continue to invest in talent across the business especially in technology, marketing and other customer facing functions. We are fortunate to retain an excellent and diverse pool of talented individuals working in our global team who are critical to our success and who deliver an exceptional service to our customers. I would like to thank the entire team, in Dublin, London, Porto, Seoul, Shanghai and Sydney, for their work in 2017.

Outlook

In recognition of the importance of technology in our business, we invested in a new development centre in Porto in 2017 and plan to substantially expand our commitment there in 2018 in order to increase the pace and volume of new product features and functionality for our customers and hostel partners.

Market conditions, particularly in Europe, remain uncertain and while volume bookings in the first quarter of 2018 are in line with expectations, weaker exchange rates, particularly for the US dollar, remain a significant headwind.

We continued our program of pricing initiatives in Q1 2018, with changes to base rate commissions making a positive contribution to ABV.

In addition, the pilot launch of our new free cancellation booking option in February 2018, resulted in a noticeable increase in conversion and booking levels. We therefore plan to introduce this model more widely, which we see as a key strategic move for the business. We anticipate this product to be earnings enhancing in the medium term but will result in a deferral of revenue recognition which will impact reported earnings in 2018, its first year, but will not impact on cash receipts.

This new product together with increased technology investment will substantially improve our offering to customers and our competitive position and underpins the Board's confidence that we will see bookings growth in 2018 and beyond.

Feargal Mooney

Chief Executive

9 April 2018

Financial Review

Introduction

- Strong Hostelworld brand bookings growth of 13%, total Group bookings growth of 6%
- Gross Average Booking Value of €11.6, flat on 2016
- Net revenue increased by 10% on a constant currency basis; 8% on a reported basis
- Marketing expenses represented 38% of Net Revenue (2016: 41%)
- Increase in Adjusted EBITDA of 13% on a constant currency basis; 10% on a reported basis
- Adjusted EBITDA margin of 30% (2016: 30%)
- Strong underlying cash conversion (81%) and final dividend of 12.0 euro cent per share

Key Performance Indicators

	2017	**2016**	**% change Reported**	**% change constant currency**
Bookings – Hostelworld brand (m)	7.0	6.2	13%	
Bookings – supporting brands and channels (m)	0.5	0.9	-41%	
Total Booking Volume (m)	7.5	7.1	6%	
Average Booking Value ("ABV") (gross) (€)	11.6	11.6	0%	2%
Net Revenue (€m)	86.7	80.5	8%	10%
Adjusted EBITDA	**26.4**	**23.9**	**10%**	**13%**

Group bookings increased by 6% in 2017, driven by strong booking performance in the core Hostelworld brand which grew 13% in the year. The strong growth was skewed towards H1 2017, with Group bookings growth of 11% (H2 2017: 1% growth) which was partially attributed to different demand seasonality between 2017 and 2016, particularly pronounced in European destinations as a result of geopolitical events.

The Group's core brand, Hostelworld, represents 93% of Group bookings (2016: 87%). The Group has continued to deliberately focus its marketing initiatives and technology investments on this brand, whilst bookings of the Group's supporting brands declined by 41% in 2017 (2016: 53% decline).

Bookings in not-paid-for channels represented 63% of total bookings (2016: 61%). The Group's booking volumes are seasonal and peak between May and August during the summer travel period in the northern hemisphere.

The associated Total Transaction Values ("TTV") in 2017 were €576m (2016: €559m), while the average commission rate in 2017 increased to 14.3% (2016: 13.8%).

While the Group operates in one segment and is managed as such, business performance is reviewed on a bookings volume and average booking value basis for both the Hostelworld brand as well as all supporting brands (including Hostelbookers, Hostels.com, booking engines and affiliates).
Group net revenue increased by €6.2m (2016: decline of €3.0m) during the year, an 8% increase year on year and a 10% increase in constant currency.

ABV was flat during the year, reflecting a 3.5% increase in H1 2017 and a 4% decrease in H2 2017. An increase in the underlying base price per bed and the positive impact of pricing initiatives, including Elevate, were offset by the continued decline in the number of bed nights per booking and the negative impact of exchange rate movements in 2017. On a constant currency basis ABV grew by 2% for the full year.

The Group continues to actively manage its marketing mix with marketing investment as a percentage of net revenue declining from 41% in 2016 to 38% in 2017. While exchange rate movements had a negative impact on Net Revenue and Adjusted EBITDA, there was a partial offsetting benefit to marketing expenses as the majority of marketing investment is denominated in US dollars.

Adjusted EBITDA

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

Group Adjusted EBITDA of €26.4m (2016: €23.9m) has increased by €2.5m (10%) in the year and by 13% on a constant currency basis. Adjusted EBITDA as a percentage of Net Revenue remained stable at 30% (2016: 30%).

Administration expenses increased by €3.0m (5%) to €60.4m in 2017. A contributory factor in this increase was the increase in staff and other administration costs due to the investment in a technology development centre in Portugal during the year which will further increase the development capacity of the Group.

Gross staff costs (excluding share based payment expense) increased from €16.3m to €18.7m. Average headcount increased by 5% from 241 in 2016 to 254 in 2017. Excluding the impact of the level of development labour capitalised in accordance with IFRS standards (2017: €1.7m; 2016: €2.3m), share based payment expense and the impact of a bonus accrual in 2017, staff costs increased by 5% on a constant currency basis.

Reconciliation between Operating Profit and Adjusted EBITDA

€'m	2017	2016
Operating profit	11.9	0.2
Depreciation	1.1	0.9
Amortisation of development costs	2.9	3.2
Amortisation of acquired intangible assets	10.4	10.6
Impairment charge	0.0	8.2
Exceptional items	(0.5)	0.4
Share based payment expense	0.6	0.4
Adjusted EBITDA	**26.4**	**23.9**

Exceptional gains for the year of €0.5m were due to the release of an accrual relating to previously recognised merger and acquisition costs (2016: exceptional costs of €0.4m were primarily redundancy related costs).

Adjusted Profit after Taxation

€'m	2017	2016
Adjusted EBITDA	26.4	23.9
Depreciation	(1.1)	(0.9)
Amortisation of development costs	(2.9)	(3.2)
Corporation tax	(0.7)	(0.5)
Adjusted Profit after Taxation	**21.7**	**19.4**
Exceptional costs	0.5	(0.4)
Amortisation of acquired intangibles	(10.4)	(10.6)
Net finance costs	(0.1)	(0.1)
Share based payment expense	(0.6)	(0.4)
Impairment charge	0.0	(8.2)
Deferred taxation	0.1	1.1
Profit for the year	**11.2**	**0.8**

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

Adjusted PAT increased by 12% from €19.4m to €21.7m (2016: 8% decline) and 16% on a constant currency basis during the year.

Based on the weighted average number of shares in issue during 2017, reported Earnings per Share ("EPS"), as set out in Note 10 to the financial statements, is 11.77 euro cent per share for the financial year (2016: earnings per share 0.82 euro cent). Using Adjusted PAT as the measure of earnings would result in an adjusted EPS of 22.73 euro cent per share for the year. The corresponding EPS for 2016 calculated on the same basis, using the weighted average number of shares in issue as at 31 December 2016 is 20.27 euro cent per share.

Net finance costs

Given that the capital nature of the Group post IPO is fully equity funded, there is minimal net finance costs in 2017 of €0.1m (2016: €0.1m).

Share Based Payment Expense

The Group implemented a long term incentive plan in April 2016 and a Save As You Earn ("SAYE") scheme in 2017 as detailed in the Remuneration Report. In accordance with IFRS2, the Group has recognised a non-cash charge of €0.6m in 2017 (2016: €0.4m).

Impairment Charge

The impairment charge of €8.2m in 2016 was a result of a review of trading performance of the Hostelbookers brand. At 31 December 2017, there are no indicators that the Hostelbookers intellectual property assets are carried at an amount higher than their recoverable amount.

Taxation

The Group corporation tax charge of €0.7m (2016: €0.5m) results in an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 2.7% (2016: 2.0%) and 6% of reported profit before taxation (2016: 352%, which is after an impairment charge of €8.2m). The low effective tax rate is primarily as a result of carried forward tax losses arising from the previous capital structure of the Group.

The Group's deferred tax credit for the year ended 31 December 2017 was €0.1m and it relates to the amortisation of deferred tax liabilities and recognition of deferred tax assets reduced by the amortisation of deferred tax assets. The overall net deferred tax credit of €1.1m in 2016 mainly relates to the reduction in carrying value of the deferred tax liability arising from the impairment of the Hostelbookers intellectual property assets.

Adjusted Free Cash Flow Conversion

€'m	2017	2016
Adjusted EBITDA	26.4	23.9
Acquisition of intangible assets	(1.8)	(2.4)
Capital expenditure	(1.8)	(0.7)
Interest and tax paid	(0.6)	(0.3)
Net movement in working capital [(1)]	(0.7)	1.0
Adjusted Free Cash flow	**21.5**	**21.5**
Adjusted Free Cash Flow conversion	*81%*	*90%*

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

The Group has a business model which produces strong free cash flow conversion, with 81% of Adjusted EBITDA converting into cash during the year (2016: 90%). In 2017, there was a higher investment in capital expenditure with a total of €1.8m in the year (2016: €0.7m), primarily due to the opening of a development centre in Portugal. The movement in working capital in 2017 was at a lower level than in 2016 due to a delay in a VAT reclaim, which was received in early 2018. Adjusting for this the adjusted free cash flow conversion would have been 86% in 2017 (2016: 90%).

On 21 October 2015, in connection with the IPO, the Group entered into a working capital facility with AIB Bank plc (the "Revolving Credit Facility") for €2.5m. There were no draw downs under this facility from the date it was entered in to, and as a result during 2017 this facility was cancelled by the Group.

Total cash at 31 December 2017 was €21.3m (2016: €24.6m), of which €nil is restricted (2016: €nil). There were no borrowings at 31 December 2017 (2016: €nil).

Foreign Exchange Risk

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. Restated on a constant currency basis, revenues have increased by 10% and Adjusted EBITDA has increased by 13% in 2017. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2017 to the financial results for the year ended 31 December 2016. The Group's principal policy is to match cash flows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

Dividend

The Group maintains an attractive dividend policy, and the directors are pleased to recommend a full year final dividend payout of €11.5m equating to 12.0 euro cent per share. This is in addition to the interim dividend of €4.8m or 5.1 euro cent per share paid in September 2017. This payout of €16.3m or 17.1 euro cent per share reflects a distribution of 75% of the Adjusted PAT for the year ended 31 December 2017, and an increase of 13% on the dividend for 2016 (15.2 euro cent per share).

The final dividend of 12.0 euro cent per share is to be approved by shareholders at the 2018 AGM on 11 June 2018. If approved, the dividend will be paid on 14 June 2018 to members appearing on the register at close of business on 11 May 2018.

The Board continually reviews its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment growth opportunities. After payment of the proposed final dividend for 2017 the Group will have returned €43.5m to shareholders in dividends since listing in November 2015.

Mari Hurley

Chief Financial Officer

9 April 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
Revenue	3	**86,672**	80,514
Administrative expenses	4	**(60,380)**	(57,397)
Depreciation and amortisation	4	**(14,395)**	(14,731)
Impairment losses	4	**-**	(8,199)
Operating profit		**11,897**	187
Financial income		**9**	5
Financial costs	7	**(75)**	(59)
Profit before taxation		**11,831**	133
Taxation	8	**(582)**	651
Profit for the year attributable to the equity owners of the parent company		**11,249**	784
Basic earnings per share (euro cent)	9	**11.77**	0.82
Diluted earnings per share (euro cent)	9	**11.71**	0.82

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 **€'000**	2016 €'000
Profit for the year	**11,249**	784
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3**	(680)
Total comprehensive income for the year attributable to equity owners of the parent company	**11,252**	104

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
Non-current assets			
Intangible assets	10	**128,108**	139,619
Property, plant and equipment		**3,774**	3,058
Deferred tax assets		**480**	659
		132,362	143,336
Current assets			
Trade and other receivables	11	**3,966**	2,627
Cash and cash equivalents		**21,294**	24,632
		25,260	27,259
Total assets		**157,622**	170,595
Issued capital and reserves attributable to equity owners of the parent			
Share capital		**956**	956
Other reserves		**-**	3,628
Foreign currency translation reserve		**18**	15
Share based payment reserve		**960**	351
Retained earnings		**145,015**	154,986
Total equity attributable to equity holders of the parent company		**146,949**	159,936
Non-current liabilities			
Deferred tax liabilities		**457**	764
		457	764
Current liabilities			
Trade and other payables	12	**9,832**	9,669
Corporation tax		**384**	226
		10,216	9,895
Total liabilities		**10,673**	10,659
Total equity and liabilities		**157,622**	170,595

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2018 and signed on its behalf by:

FEARGAL MOONEY
CHIEF EXECUTIVE OFFICER

MARI HURLEY
CHIEF FINANCIAL OFFICER

Hostelworld Group plc. registration number 9818705 (England and Wales)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share Capital €'000	Retained Earnings €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2016		956	161,418	3,628	695	-	166,697
Total comprehensive income for the year		-	784	-	(680)	-	104
Dividends	16	-	(7,216)	-	-	-	(7,216)
Credit to equity for equity-settled share based payments		-	-	-	-	351	351
As at 31 December 2016		**956**	**154,986**	**3,628**	**15**	**351**	**159,936**
Total comprehensive income for the year		-	**11,249**	**-**	**3**	**-**	**11,252**
Dividends	16	-	**(24,848)**	**-**	**-**	**-**	**(24,848)**
Release of merger reserve		-	**3,628**	**(3,628)**	**-**	**-**	**-**
Credit to equity for equity-settled share based payments		-	**-**	**-**	**-**	**609**	**609**
As at 31 December 2017		**956**	**145,015**	**-**	**18**	**960**	**146,949**

HOSTELWORLD GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
Cash flows from operating activities			
Profit before tax		**11,831**	133
Depreciation of property, plant and equipment	4	**1,064**	886
Amortisation of intangible assets	4	**13,331**	13,845
Impairment of intangible assets	4	**-**	8,199
Loss on disposal of property, plant and equipment	4	**-**	19
Financial income		**(9)**	(5)
Financial expense	7	**75**	59
Employee equity settled share based payment expense	14	**623**	362
Changes in working capital items:			
Increase/ (decrease) in trade and other payables		**149**	(1,553)
Increase in trade and other receivables		**(1,340)**	(24)
Cash generated from operations		**25,724**	21,921
Interest paid		**(75)**	(59)
Interest received		**9**	5
Income tax paid		**(551)**	(280)
Net cash from operating activities		**25,107**	21,587
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets		**(1,820)**	(2,500)
Purchases of property, plant and equipment		**(1,780)**	(746)
Net cash used in investing activities		**(3,600)**	(3,246)
Cash flows from financing activities			
Dividends paid	16	**(24,848)**	(7,216)
Net cash used in financing activities		**(24,848)**	(7,216)
Net (decrease)/ increase in cash and cash equivalents		**(3,341)**	11,125
Cash and cash equivalents at beginning of year		**24,632**	13,620
Effect of foreign exchange rate changes		**3**	(113)
Cash and cash equivalents at end of year		**21,294**	24,632

Changes in liabilities arising from financing activities

	1 January 2017	Financing cash flows	Non-cash changes	31 December 2017
Borrowings	-	**-**	**-**	-
Total liabilities from financing activities	**-**	**-**	**-**	-

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The financial information, comprising of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, has been taken from the consolidated financial statements of Hostelworld Group plc ("Company") for the year ended 31 December 2017, which were approved by the Board of Directors on 9 April 2018. The financial information does not constitute statutory accounts within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards ("IFRS").

An unqualified report on the consolidated financial statements for the year ended 31 December 2017 has been given by the auditors, Deloitte. It did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders at the Company's Annual General Meeting on 11 June 2018.

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

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

Basis of Preparation

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

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Capitalisation of development costs

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

Tax provisioning

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

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

Useful lives for amortisation of intangible assets

Intangible assets are disclosed in Note 10. The amortisation charge is dependent on the estimated useful lives of the assets. The directors regularly review estimated useful lives of each type of intangible asset and change them as necessary to reflect its current assessment of remaining lives and the expected pattern of future economic benefit embodied in the asset. Changes in asset lives can have a significant impact on the amortisation charges for that year.

Impairment of goodwill and intangible assets

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

Following an impairment review of the Hostelbookers intellectual property assets in 2016 (see Note 10), the directors reassessed the estimated remaining useful life of the related domains as being 8 years from the start of that year. The Group had previously assessed the useful economic life as being 17 remaining years from the start of 2016. This had an impact of increasing the amortisation charge for that year by €629k and by €462k in 2017.

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

Deferred Tax

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

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 CEO, who is the Company's Chief Operating Decision Maker (CODM). When making resource allocation decisions, the CODM evaluates booking numbers and average booking value. The objective in making resource allocation decisions is to maximise consolidated financial results.

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

All segmental revenue is derived wholly from external customers and, as the Group has a single reportable segment, inter-segment revenue is zero. Revenue is generated from a large number of customers, none of whom is individually significant.

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

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

Reportable segment information is presented as follows:

	2017 **€'000**	2016 €'000
Europe	**52,114**	49,497
Americas	**16,196**	14,938
Asia, Africa and Oceania	**18,362**	16,079
Total revenue	**86,672**	80,514

The Group's non-current assets are located in Ireland, Luxembourg, Portugal, Korea and the UK. Out of the total non-current assets in the Group of €132,362k (2016: €143,336k), the non-current assets of the group located in the UK are €2,659k (2016: €4,259k).

4. OPERATING EXPENSES

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

	Note	**2017** **€'000**	2016 €'000
Marketing expenses		**33,068**	32,842
Credit card processing fees		**2,048**	1,931
Staff costs	6	**17,543**	14,359
Loss on disposal of property, plant and equipment		**-**	19
FX gain		**(102)**	(214)
Exceptional Items	5	**(494)**	449
Other administrative costs		**8,317**	8,011
Total administrative expenses		**60,380**	57,397
Depreciation of property, plant and equipment		**1,064**	886
Amortisation of intangible fixed assets	10	**13,331**	13,845
Impairment of intangible assets	10	**-**	8,199
Total operating expenses		**74,775**	80,327

Auditors' remuneration

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

	2017 €'000	2016 €'000
Fees payable for the statutory audit of the Company	**35**	35
Fees payable for other services:		
- statutory audit of subsidiary undertakings	**115**	115
- tax advisory services	**-**	-
- other assurance services	**-**	-
- corporate finance services	**-**	-
- other services	**4**	12
Total	**154**	162

5. EXCEPTIONAL ITEMS

	2017 €'000	2016 €'000
Merger and acquisition credit	**(494)**	(64)
Redundancy costs	**-**	526
Integration and relocation credit	**-**	(13)
Total	**(494)**	449

The credit of €494k in 2017 relates to the release of an accrual relating to previously recognised merger and acquisition costs within the Group. In 2016, foreign exchange rate and other movements between recognition and settlement dates drove the write back of certain previously recognised exceptional items. Redundancy costs mostly relate to the restructuring of certain Group functions following the consolidation of Hostelbookers onto the Hostelworld technology platform.

6. STAFF COSTS

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

	2017	2016
Average number of persons employed		
Administration and sales	**165**	154
Development and information technology	**89**	87
Total	**254**	241

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

	Notes	**2017 €'000**	2016 €'000
Staff costs comprise:			
Wages and salaries		**16,073**	14,162
Social security costs		**1,800**	1,591
Pensions costs		**356**	316
Other benefits		**438**	239
Long-term employee incentive costs	14	**623**	362
Capitalised development labour		**(1,747)**	(2,311)
Total		**17,543**	14,359

7. FINANCIAL COSTS

	2017 **€'000**	2016 €'000
Bank charges	**75**	59
Total	**75**	59

8. TAXATION

	2017 **€'000**	2016 €'000
Corporation tax:		
Current year	**686**	440
Adjustments in respect of prior years	**24**	27
Total	**710**	467
Deferred tax credit	**(128)**	(1,118)
Total	**582**	(651)

Corporation tax is calculated at 12.5% (2016: 12.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the consolidated income statement as follows:

	2017 **€'000**	2016 €'000
Profit before tax on continuing operations	**11,831**	133
Tax at the Irish corporation tax rate of 12.5% (2016: 12.5%)	**1,479**	17
Effects of :		
Tax effect of expenses that are not deductible in determining taxable profit	**515**	436
Tax effect of utilisation of tax losses not previously recognised	**(1,662)**	(166)
Capital allowances in excess of depreciation	**(293)**	(1,753)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**299**	134
Reversal of deferred tax asset on tax losses	**220**	654
Adjustments in respect of prior years	**24**	27
Total	**582**	(651)

The Group has an unrecognised deferred tax asset as at 31 December 2017 of €3,125k (31 December 2016: €3,527k) which has not been recognised in the consolidated financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

9. EARNINGS PER SHARE

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

	2017	2016
Weighted average number of shares in issue ('000s)	**95,571**	95,571
Profit for the year (€'000s)	**11,249**	784
Basic earnings euro cents per share	**11.77**	0.82

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

	2017	2016
Weighted average number of ordinary shares in issue ('000s)	**95,571**	95,571
Effect of dilutive potential ordinary shares:		
Share options ('000s)	**473**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)	**96,044**	95,571
Diluted earnings euro cents per share	**11.71**	0.82

Actual earnings per share, calculated by dividing the net profit attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2017, is 11.77 euro cent (2016: earnings per share of 0.82 euro cent).

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 2016	47,274	214,640	13,325	5,500	5,735	286,474
Additions	-	-	118	-	2,385	2,503
Transfers from tangible assets	-	-	383	-	-	383
Effect of foreign currency exchange difference	-	-	(12)	-	-	(12)
Balance at 31 December 2016	47,274	214,640	13,814	5,500	8,120	289,348
Balance at 1 January 2017	**47,274**	**214,640**	**13,814**	**5,500**	**8,120**	**289,348**
Additions	**-**	**-**	**73**	**-**	**1,747**	**1,820**
Balance at 31 December 2017	**47,274**	**214,640**	**13,887**	**5,500**	**9,867**	**291,168**
Accumulated amortisation and impairment						
Balance at 1 January 2016	(29,426)	(77,789)	(12,936)	(5,500)	(1,851)	(127,502)
Charge for year	-	(10,316)	(326)	-	(3,203)	(13,845)
Impairment	-	(8,199)	-	-	-	(8,199)
Transfer from tangible assets	-	-	(187)	-	-	(187)
Effect of foreign currency exchange difference	-	-	4	-	-	4
Balance at 31 December 2016	(29,426)	(96,304)	(13,445)	(5,500)	(5,054)	(149,729)
Balance at 1 January 2017	**(29,426)**	**(96,304)**	**(13,445)**	**(5,500)**	**(5,054)**	**(149,729)**
Charge for year	**-**	**(10,149)**	**(257)**	**-**	**(2,925)**	**(13,331)**
Balance at 31 December 2017	**(29,426)**	**(106,453)**	**(13,702)**	**(5,500)**	**(7,979)**	**(163,060)**
Carrying amount						
At 31 December 2016	**17,848**	**118,336**	**369**	**-**	**3,066**	**139,619**
At 31 December 2017	**17,848**	**108,187**	**185**	**-**	**1,888**	**128,108**

Goodwill

The goodwill balance at 31 December 2017 relates to an investment in Hostelworld.com Limited in 2009 which resulted in a goodwill amount of €17,848k. The carrying value of this balance as at 31 December 2017 is €17,848k (2016: €17,848k).

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

The pre-tax discount rate which has been applied in determining value in use is 10.7% (2016: 13.7%). The discount rate is based on the Group estimated weighted average cost of capital adjusted for the business specific risk of the CGU. The revised discount rate in 2017 of 10.7% was calculated from first principles by a third party professional advisor. Based on the 2018 budget, growth rates are assessed based on approved budgets and forecast and range from 5% to 8% over the forecast period after 2018. Cash flows beyond the 5 year period are extrapolated using the estimated long- term growth rate of 2.5% (2016: 2%).

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

Following impairment testing, no impairment was recognised for goodwill in 2017.

Other Intangible Assets

Additions during the year comprised of internally generated additions of €1,747k (2016: €2,311k) and other separately acquired additions of €73k (2016: €192k).

There were no indicators to require an impairment test of intangible assets in the current year. In 2016, following a review of trading performance and due to bookings and revenue being less than previously projected, the directors reassessed the estimated cash flows associated with the Hostelbookers intellectual property assets. This led to the recognition of an impairment charge of €8,199k in relation to the value of the Hostelbookers domain names. The estimated useful life of these domain names was also reduced to a period of 8 years from 1 January 2016 to be amortised on a reducing balance basis. The cash flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies. There are no material changes to the assumptions presented above that would result in any further impairment recorded in the current year.

11. TRADE AND OTHER RECEIVABLES

	2017 €'000	2016 €'000
Amounts falling due within one year		
Trade receivables	**1,017**	892
Prepayments and accrued income	**932**	731
Value Added Tax	**2,017**	1,004
Total	**3,966**	2,627

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 4 days (2016: 4 days). Given the nature of the business, allowance for impairment of receivables is not material.

12. TRADE AND OTHER PAYABLES

	2017 €'000	2016 €'000
Amounts falling due within one year		
Trade payables	2,265	3,344
Accruals and other payables	7,007	5,797
Payroll taxes	560	524
Value Added Tax	-	4
Total	**9,832**	9,669

The average credit period for the Group in respect of trade payables is 20 days (2016: 32 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

13. COMMITMENTS AND CONTINGENCIES

(i) Operating Leases

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

	2017	2016
	€'000	€'000
Operating leases		
Within one year	**1,017**	933
Within two to five years	**3,077**	3,118
More than five years	**1,294**	1,864
Total	**5,388**	5,915

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

The operating lease charge included in the consolidated income statement was €1,040k in 2017 (2016: €1,003k).

(ii) Contingencies

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

14. SHARE-BASED PAYMENTS

Since 2016, the Group has a share option scheme for executives and selected management of the Company and its subsidiaries. During the year ended 31 December 2017, the Remuneration Committee approved the granting of shares under a Save As You Earn ("SAYE") scheme for all eligible employees across the Group. Both schemes are accounted for as equity-settled in the financial statements. The Group recognised an expense of €623k (2016: €362k) relating to equity-settled share-based payment transactions in the consolidated income statement during the year.

Long Term Incentive Plan ("LTIP") scheme

In April 2016, the Group introduced a Long Term Incentive Plan. An invitation to participate was made to executive directors and selected management in April 2016 and in March 2017. The proportion of the invitation which vests, will depend on the Adjusted Earnings per Share ("EPS") performance and Total Shareholder Return ("TSR") of the Group over a three year period ("the performance period"). The invitations made in 2016 and 2017 will potentially vest in 2019 and 2020 respectively.

Up to 70% of the shares/options subject to an invitation will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 30% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance indicators approved by the Remuneration Committee. An invitation will lapse if a participant ceases to be an employee or an officer within the Group before the vesting date.

A summary of the status of the LTIPs granted as at 31 December 2017 is presented below:

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
2016 LTIP	928,464	5 April 2016	5 April 2023	£Nil	£2.07
2017 LTIP	847,663	29 March 2017	29 March 2024	£Nil	£1.92

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

	2017 No. of share options	**2016 No. of share options**
Outstanding at beginning of year	**928,464**	-
Granted during the year	**847,663**	928,464
Forfeited during the year	**(452,088)**	-
Exercised during the year	**-**	-
Expired during the year	**-**	-
Outstanding at the end of the year	**1,324,039**	928,464
Exercisable at the end of the year	**-**	-

The awards will vest on the later of the 3rd anniversary of the grant and the determination of the performance condition, and will then remain exercisable until the 7th anniversary of the date of grant, provided the individual remains an employee or officer of the Group. Although the awards will vest in 2019 and 2020 the measurement period for performance conditions is over 3 years from 1 January 2016 to 31 December 2018 and from 1 January 2017 to 31 December 2019 respectively.

Share options under the LTIP scheme have an exercise price of nil. The remaining weighted average life for share options outstanding is 1.26 years (2016 grant) and 2.24 years (2017 grant). In 2017, the Remuneration Committee approved to apply dividend equivalents to the 2016 LTIP awards. The incremental fair value of €226k will be expensed over the remaining vesting period.

Fair value of options granted during the year:

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

Invitation grant award date	**29 March 2017**	**5 April 2016**
Year of potential vesting	2020	2019
Share price at grant date	£2.33	£2.49
Exercise price per share option	£Nil	£Nil
Expected volatility of Company share price	46%	30%
Expected life	3 years	3 years
Expected dividend yield	5.7%	5.1%
Risk free interest rate	0.21%	0.4%
Weighted average fair value at grant date	£1.92	£2.07
Valuation model	Monte Carlo model	Monte Carlo model

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

Save As You Earn ("SAYE") scheme

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

The total expected cost of the SAYE scheme was estimated at €200k over the three year service period of which €37k has been recognised in the consolidated income statement for the year ended 31 December 2017. The remaining €163k will be charged against profit or loss in equal instalments over the remainder of the three year vesting period.

	No. of share options granted 2017
Outstanding at beginning of year	**-**
Granted during the year	**181,208**
Cancelled during the year	**(9,875)**
Outstanding share options granted at end of year	**171,333**

Fair value of options granted during the year:

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

Scheme	**UK office**	**Irish office**
Invitation grant award date	5 July 2017	5 July 2017
Year of potential vesting	2020	2020
Share price at grant date	£3.37	€4.00
Exercise price per share option	£2.78	€3.24
Expected volatility of company share price	45.0%	44.6%
Expected life	3 years	3 years
Expected dividend yield	4.0%	4.0%
Risk free interest rate	0.38%	0.38%
Weighted average fair value at grant date	£0.99	€1.10
Valuation model	Black-Scholes model	Black-Scholes model

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

The charge of €37k in relation to the SAYE scheme, together with the expense in respect of the long-term incentive plan for the year of €586k (2016: €362k) is the total charge in respect of share-based payments, which has been recognised directly in equity.

15. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

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

Company	Holding	Nature of Business	Registered Office
WRI Nominees DAC	100%*	Holding of IP	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland 5, Rue Guillaume Kroll, L-1882 Luxembourg **
Hostelworld.com Limited	100%	Technology trading company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland
Hostelworld Korea Limited	100%	Marketing services company	Unit 1103, Hongwoo 2 Building, 22 Seocho-daero, 78-gil, Seocho-gu, Seoul, Republic of Korea
Hostelworld Services Portugal LDA	100%	Marketing and research and development services company	Aviz Trade Center, Rua Engenheiro Ferreira Dias, 924, 2nd Andar, Sala E27, 4100-246 Porto, Portugal
Hostelworld Services Limited	100%*	Marketing services and technology trading company	High Holborn House, 52 - 54 High Holborn, London, WC1V 6RL, United Kingdom

* *held directly by the Company*
** *WRI Nominees DAC is dually incorporated in Luxembourg and Ireland with registered offices in both locations. Its place of business is in Luxembourg.*

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

On 24 March 2017, Hostelworld Services Portugal LDA was incorporated. On 13 November 2017, Wings Lux 3 S.à r.l. and Cornetto Bidco Limited transferred their shares in Hostelworld Services Limited to the Company. On 21 December 2017, WRI Nominees DAC purchased 96 ordinary shares in Hostelworld.com Limited which represents a 49% ownership. Hostelworld Group plc owns the remaining 51% directly (2016: 100%).

During 2017, as part of a group reorganisation, Wings Lux 2 S.à r.l., Wings Lux 3 S.à r.l., Wings Holdco Limited and Cornetto Bidco Limited were liquidated/ wound up. In 2016, Boo Travel Limited, Wings Corporate Services Limited, WRI Holdings, Wings Bidco Limited and Web Reservations International were liquidated by way of members' voluntary winding up and Anytrip.com Limited was dissolved.

On 28 June 2016, Hostelworld.com Limited converted to a private company limited by shares and WRI Nominees Limited converted to a designated activity company. On 14 March 2016, Hostelworld Korea Limited was incorporated.

Directors' remuneration

	2017 €'000	2016 €'000
Salaries, fees, bonuses and benefits in kind	**1,321**	958
Amounts receivable under long-term incentive schemes	**207**	122
Pension contributions	**58**	57
Total	**1,586**	1,137

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.

	2017	2016
	€'000	€'000
Short term benefits	**2,882**	2,090
Share based payments	**420**	252
Post employment benefits	**112**	112
Total	**3,414**	2,454

During 2016, the former controlling shareholder of the Group, H&F Wings Lux 1 S.à r.l. paid a discretionary bonus payment of €1,559k (€1,400k net of employer taxes) to certain senior management and employees of the Group in relation to their performance up to the date of Admission. The Group did not bear any costs associated with this payment. Mr. Feargal Mooney, executive director and CEO, received an award of €850k.

16. DIVIDENDS

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

	2017	**2016**
	€'000	**€'000**
Final 2016 dividend of €0.104 per share (paid 6 June 2017)	**9,939**	-
Supplementary 2016 dividend of €0.105 per share (paid 6 June 2017)	**10,035**	-
Interim 2017 dividend of €0.051 per share (paid 22 September 2017)	**4,874**	-
Final 2015 dividend of €0.0275 per share (paid 31 May 2016)	**-**	2,628
Interim 2016 dividend of €0.048 per share (paid 27 September 2016)	**-**	4,588
	24,848	7,216
Proposed final dividend for the year ended 31 December 2017 of €0.12 per share (2016: €0.104 per share)	**11,468**	9,939

In accordance with the Group's dividend policy, the directors recommend the payment of a final dividend for 2017 of €0.12 per share amounting to €11.5m (2016: €0.104 per share amounting to €9.9m).

The proposed dividends are to be approved by the shareholders at the 2018 AGM on 11 June 2018.

17. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.