

Hostelworld Group plc

(“Hostelworld” or the “Group” or the “Company”)

Preliminary Results for the Year ended 31 December 2019

EBITDA in line with guidance, underpinned by a return to net bookings growth during the latter part of H2 2019; and significant opportunities for future growth identified

04th March 2020: Hostelworld, a leading global OTA focussed on the hostel market, is pleased to announce its preliminary results for the year ended 31 December 2019

Strategic Developments

- Strong progress on our “Roadmap for Growth” strategy to strengthen our core business, driving a return to net bookings growth in the latter part of H2 2019 – remaining elements to be rolled out in 2020.
- Two strategic investments in Goki Pty Limited (“Goki”) and in Counter App Limited (“Counter”). Both respectively provide tailored guest management, property management and payments solutions for the hostel industry, strengthening our relationship with hostel owners.
- Executive management team strengthened further during the year across Marketing, Supply, Product and Human Resources
- Significant potential to enhance future growth through both organic and inorganic investment opportunities, primarily through building out a broader catalogue of experiential travel products beyond hostel accommodation.
- With its deep knowledge of experiential travellers built up over 20 years, a trusted brand, and a loyal and relevant customer base, the Group is uniquely positioned to help both its existing customers and new experiential travellers Meet the World® together with other like-minded travellers.
- Rebased dividend policy to a progressive dividend with a pay-out of between 20-40% of Adjusted Profit After Tax to underpin these investments, which should see shareholder returns increasing in the medium to long term

Operational & Financial Highlights

- While full year net revenue of €80.7m declined 2% (2018: -5%), H2 net revenue of €41.8m increased 6% (H1 2019: -9%)
- Full year Hostelworld brand net bookings declined by 5% (2018: -1%), with a return to net bookings volume growth during H2 2019 -1% (H1 2019: -8%), driven by Q4 2019 +1%
- Average Net Booking Value of (“ABV”) €11.97 (2018: €11.64), a 3% increase over 2018
- Cancellations of €9.3m (2018: €5.5m) in-line with expectations, year-over-year increase reflects full year impact of July 2018 global roll-out
- Operating costs were flat compared to 2018, (excluding impact of exceptional costs and IFRS 16), despite our investment in “Roadmap for Growth” initiatives and having delivered a return to growth in the latter part of H2 2019
- Marketing costs increased to 41% of net revenue (excluding deferred revenue), (2018: 37%) driven by the full year impact of cancellations in 2019, CPC inflation and increased paid channel investment in H2 2019

- Adjusted EBITDA of €20.5m (2018: €22.5m) in-line with market expectations, down 9% on 2018 and 11% on a constant currency basis
- Return on Capital Employed of 11% (2018: 13%)
- Adjusted Earnings per Share of 15.5 € cent (2018: 18.2 € cent)
- Adjusted cash conversion of 53% (2018: 101%) and free cash flow of €10.9m (2018: €22.8m), impacted by one-off timing of cash receipts and increased investment spend. Adjusting for these one-off items, and the impact of the deferral of the revenue related to free cancellation bookings, normalised cash of 64% (2018: 90%)
- Proposed final dividend of 2.1 € cent per share (2018: 9.0 € cent), full year dividend 6.3 € cent per share (2018: 13.8 € cent per share) and a total distribution of 41% of Adjusted PAT, in line with the updated Group dividend policy

Gary Morrison, Chief Executive Officer, commented:

“Following the group’s return to growth in 2019, I see significant opportunities to build a broader catalogue of experiential travel products beyond hostel accommodation. These types of experiences may include opportunities to study, work or volunteer abroad, with hostel stays featuring as part of an extended itinerary. Our research would also suggest that this market is very fragmented, with many different marketplaces and business models.

With the group’s deep knowledge of experiential travellers built up over 20 years, our trusted brand, and a loyal and relevant customer base, I believe we are uniquely positioned to help both our existing customers and new experiential travellers Meet the World® together with other like-minded travellers. To execute this strategy, the Group has increased its focus on potential M&A opportunities in the past six months and built an extensive pipeline of potential targets.

Overall, the Group sees significant potential for the further deployment of capital to enhance future growth through both organic and inorganic investment opportunities. As a result, the Board has taken the decision to rebase the dividend policy. A rebased progressive dividend with a pay-out of between 20-40% of Adjusted Profit After Tax will enable investment in organic and inorganic opportunities which should see shareholder return increase in the medium to long term.”

Outlook:

While we entered 2020 with positive momentum, trading since late-January has been challenged by the outbreak of the COVID-19 virus which is having a significant impact on global travel demand, within Asian markets and more recently within the European market. As the Coronavirus has spread from region to region, we have observed a material reduction in bookings and an increase in marketing cost as a percentage of net revenue. This has been driven by a significant reduction of bookings from free channels, an increase in longer lead time cancellations across all channels and an increase in investment in paid channels to partially offset the bookings decline in free channels. Given that the depth and duration of the virus outbreak is impossible to forecast at this time, we are unable to calibrate its effect for the balance of the year; however, if near term trends were to persist to the end of March we estimate the impact to EBITDA to be in the range €3m to €4m for Q1’20. With continued tight cost control and our strong cash generative characteristics, the Group remains resilient in volatile market conditions.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014 ("MAR").

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by TJ Kelly, Chief Financial Officer.

Analyst Presentation

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

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About Hostelworld Group

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

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

This announcement contains forward-looking statements. These statements relate to the future prospects, developments and business strategies of Hostelworld. Forward-looking statements are identified by the use of such terms as "believe", "could", "envisage", "estimate", "potential", "intend", "may", "plan", "will" or variations or similar expressions, or the negative thereof. Any forward-looking statements contained in this announcement are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, Hostelworld's actual results may vary materially from those expected, estimated or projected. Any forward-looking statements speak only as at the date of this announcement. Except as required by law, Hostelworld undertakes no obligation to publicly release any update or revisions to any forward-looking statements contained in this announcement to reflect any change in events, conditions or circumstances on which any such statements are based after the time they are made.

Chairman's Statement

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

Gary Morrison, CEO, completed a detailed strategic review of the business during the latter part of 2018, which identified a number of areas of underinvestment in the business as well as a "Roadmap for Growth" programme to capitalise on the significant opportunities for the business. The progress achieved is covered in more detail in the Chief Executive's Review, but the programme is designed to strengthen our core business, to close the competitive and technological deficits and to enhance our customers experience. At the time we announced the "Roadmap for Growth" programme we said that the benefits of these initiatives would be seen through a return to growth during 2020. I am pleased to report that the business saw a return to growth during the latter part of 2019. Despite experiencing weaker consumer sentiment during the peak summer months, a return to year-on-year net bookings growth started in September and continued to build momentum during the final quarter of the year.

We are encouraged by this strong endorsement of the Hostelworld brand and the vindication of our strategy. In addition, we believe that the business will be well-placed with a solid foundation to capitalise on exciting growth opportunities and to provide our customers with an enhanced product offering through an expanding portfolio.

Dividend and Capital Structure

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

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

Board Composition

The composition of the Board is fully compliant with the 2018 UK Corporate Governance Code as applied to small companies. In 2019, an evaluation of the Board, its Committees and individual Directors was undertaken which concluded that the Board is operating effectively.

In May, Andy McCue informed the Board of his intention to step down at the 2019 AGM after over three years on the Board. We thank Andy for his contribution during that time. In August, we were delighted to announce the appointment of Evan Cohen as an Independent Non-Executive Director. With a background in management and strategy consultancy, Evan brings a wealth of experience in the technology sector having held senior positions in several well-known global technology companies, including Lyft and Foursquare. Evan has joined the Audit, Remuneration and Nomination Committees following the resignation of Andy McCue.

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

Colleagues, Customers and Shareholders

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

On behalf of the Board, I would like to thank all members of the Hostelworld team for their commitment and hard work during the year. I would like to particularly acknowledge the dedication of our product and technology

development teams based in Dublin and Porto who have been critical to our plans to return the business to growth.

I would also like to thank our customers and hostel partners, whom we continue to place at the heart of our business, for their loyalty and support. We look forward to building on the positive momentum of Q4 2019 and continuing to create value for our shareholders.

Michael Cawley
Chairman

3 March 2020

Chief Executive's Review

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

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

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

Key Operational Highlights and Results

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

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

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

Finally, we also made investments in two companies, Australia-based Goki Pty Limited ("Goki") and Counter App Limited ("Counter") who provide respectively tailored guest management, property management and payments

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

Our Strategy

Today, our core business is focussed on serving travellers who want to stay in hostel accommodation for the social experience and the ability to meet people at an affordable price point. The hostel market itself is expected to remain highly fragmented with a growing supply base of high-quality accommodation, particularly in Europe and Asia. Overall, the underlying annual global growth rate for the category is expected to be around 5% through to 2022¹. Within this market, online distribution will remain key for hostel owners; with the share of bookings made through OTAs such as Hostelworld expected to grow and account for 68%² of all bookings by the end of 2020.

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

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

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

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

Just as we see opportunities to expand our product portfolio to hostel owners, we also see significant opportunities to build a broader catalogue of experiential travel products beyond hostel accommodation. These types of experiences may include opportunities to study, work or volunteer abroad, with hostel stays featuring as part of an extended itinerary. Our research would also suggest that this market is very fragmented, with many different marketplaces and business models. With the group’s deep knowledge of experiential travellers built up over 20 years, our trusted brand, and a loyal and relevant customer base, we believe we are uniquely positioned to help both our existing customers and new experiential travellers Meet the World® together with other like-

¹ Source: [Phocuswright's](#) The Global Hostel Marketplace Third Edition. Draft. Unpublished.

² Source: [Phocuswright's](#) The Global Hostel Marketplace Third Edition. Draft. Unpublished.

minded travellers. To execute this strategy, the Group has increased its focus on potential M&A opportunities in the past six months and built an extensive pipeline of potential targets to further accelerate our growth.

Business Model

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

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

Investing in People

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

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

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

Dividends/Capital Allocation

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

Outlook

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

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

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

Gary Morrison

Chief Executive

3 March 2020

Financial Review

Introduction*

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

* 2018 metrics have been adjusted for the impact of the Group adopting IFRS16

2019 Key Performance Indicators

		2019	Change versus PY 2018
Growth	Net Bookings – Hostelworld brand	6.63m	(5%)
	Net Revenue	€80.7m	(2%)
	Net Average Booking Value ("ABV")	€11.97	3%
	Adjusted EBITDA	€20.5m	(9%)
	Adjusted EBITDA Margin	25%	(2%)
Return	Return on Capital Employed	11%	(2%)
	Adjusted Free Cash Flow Conversion	53%	(48%)
	Adjusted EPS	15.5 euro cent	(15%)
	Total Dividend per share	6.3 euro cent	(54%)
	Dividend pay-out ratio	41%	(35%)

(1) 2018 Adjusted EBITDA has been adjusted for the impact of the Group adopting IFRS 16 Leases.

2019, the 20th anniversary of the business, was a year of substantial change for the Group. Our customer's experience became our principle focus and we addressed previous technology and experiential deficiencies by prioritising investment in our core platform, focussing on our inventory, search algorithms, booking and payment experiences. In addition, we invested in two complementary businesses Goki Pty Limited and Counter App Limited, both of which will provide our customers and hostel-owners with high quality unique tools, facilitating bookings and enhancing the experience between hostel and traveller.

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

EBITDA margins remain strong 25% (2018: 27%) despite significant direct cost inflation and we are pleased to report adjusted EPS of 15.5 euro cent per share (2018: 18.2 euro cent per share). Cash conversion of 53%

(2018: 101%) is impacted by timing of cash receipts and increased strategic investments, excluding the impact of the deferral of revenue related to free cancellation bookings and one-off timing impacts, underlying cash conversion was 64%. Return on Capital Employed (ROCE) also remains strong at 11% (2018: 13%). The decrease was primarily driven by the effect of the reduction in net bookings during 2019.

Bookings and Revenue

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

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

In 2018 in response to customer demand, the Group rolled out a free cancellation booking option, to further broaden our product offering. This led to a deferral of revenue recognition, which has had a positive impact of €0.1m on reported earnings in 2019 (2018: €2.9m negative impact), however this has not had an impact on cash receipts. At 31 December 2019, €2.8m represents the total deferred revenue balance (2018: €2.9m) from free cancellation bookings that has been collected from customers and will be recognised in future periods, net of any future cancellations, in 2020 when the last cancellation date has passed. Any cancellations that were processed by customers up to and including 31 December 2019 have been refunded and are not included in this deferred revenue balance.

The introduction of the free cancellation booking option has resulted in a portion of gross bookings being cancelled and refunded to customers. Total Group bookings, net of any cancellations processed by 31 December 2019, have declined by 6% in 2019 (2018: 4% decline), with Hostelworld brand net bookings declining by 5% (2018: 1% decline). Underlying cancellation rates continue to perform in line with our expectations.

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

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

Adjusted EBITDA

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

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

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

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

Administration expenses, excluding the impact of exceptionals and IFRS 16, were flat to PY 2018 (€60.4m, 2018: €60.3m). This was primarily as a result of an increase in marketing costs offset by a reduction in staff and other administration costs. There was a marked increase in cost per click inflation throughout 2019 and this rising cost base was managed through a reduction in brand marketing spend and disciplined control of operating expenses.

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

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

Reconciliation between Operating Profit and Adjusted EBITDA:

€m	2019	Adjusted 2018 ⁽²⁾	Reported 2018
Operating profit	3.3	6.8	6.7
Depreciation	2.4	2.3	1.2
Amortisation of development costs	1.7	1.9	1.9
Amortisation of acquired intangible assets	9.8	10.3	10.3
Exceptional items	3.1	1.6	1.6
Share based payment expense / (credit)	0.2	(0.3)	(0.3)
Adjusted EBITDA	20.5	22.5	21.4

⁽²⁾ 2018 Operating Profit and Adjusted EBITDA have been adjusted for the impact of the Group adopting IFRS 16.

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

The share based payment expense of €0.2m (2018: €0.3m credit) reflects the share based payment charge arising on the issuance of options in accordance with the Group's Long Term Incentive Plan ("LTIP") and Save as

you Earn (“SAYE”) plan offset by the release of previously recognised expenses relating to options which have been forfeited during the year.

Adjusted Profit after Taxation

Reconciliation between Adjusted EBITDA and Profit for the Year:

€m	2019	Adjusted 2018 ⁽³⁾	Reported 2018
Adjusted EBITDA	20.5	22.5	21.4
Depreciation	(2.4)	(2.3)	(1.2)
Amortisation of development costs	(1.7)	(1.9)	(1.9)
Net finance costs	(0.2)	(0.2)	-
Share of results of associate	(0.1)	-	-
Corporation tax	(1.2)	(0.8)	(0.8)
Adjusted Profit after Taxation	14.8	17.4	17.5
Exceptional items	(3.1)	(1.6)	(1.5)
Amortisation of acquired intangibles	(9.8)	(10.3)	(10.3)
Share based payment expense / (credit)	(0.2)	0.3	0.3
Deferred taxation	6.6	(0.2)	(0.2)
Profit for the period	8.4	5.6	5.7

⁽³⁾ 2018 Adjusted EBITDA and Adjusted Profit after Taxation have been adjusted for the impact of the Group adopting IFRS 16.

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

Adjusted PAT decreased by 15% from €17.4m to €14.8m (2018: 19% decrease) and 18% on a constant currency basis reflecting the marginal impact of the reduction in Net Bookings during the period.

Based on the weighted average number of shares in issue during 2019, reported Earnings per Share (“EPS”), as set out in Note 9 to the financial statements, is 8.78 euro cent per share for the financial year (2018: earnings per share 5.84 euro cent). Using Adjusted PAT as the measure of earnings would result in an adjusted EPS of 15.46 euro cent per share for the year. The corresponding EPS for 2018 calculated on the same basis, using the weighted average number of shares in issue as at 31 December 2018 and adjusting for the impact of IFRS 16 is 18.21 euro cent per share. Adjusted EPS is an alternative performance measure that excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Given that the capital nature of the Group post IPO is fully equity funded, there is minimal net finance costs in 2019 apart from finance charges for leased assets (€0.2m) which arise due to impact of IFRS16 (2018: €0.2m).

Taxation

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

The Groups' deferred tax credit for the year ended 31 December 2019 of €6.6m (2018: €0.2m charge) primarily relates to a group reorganisation that is referred to in note 12 and note 19 to the consolidated financial statements.

Adjusted Free Cash Flow Conversion

€m	2019	Adjusted 2018 ⁽⁴⁾	Reported 2018
Adjusted EBITDA	20.5	22.5	21.4
Capitalised development spend	(2.9)	(1.8)	(1.8)
Capital expenditure	(0.2)	(0.7)	(0.7)
Acquisition of associate	(1.1)	-	-
Interest and tax paid	(1.7)	(0.8)	(0.8)
Net movement in working capital ⁽⁵⁾	(3.7)	3.6	2.6
Adjusted Free Cash flow	10.9	22.8	20.7
<i>Adjusted Free Cash flow conversion</i>	<i>53%</i>	<i>101%</i>	<i>97%</i>

⁽⁴⁾ 2018 Adjusted EBITDA and Adjusted Free Cash Flow have been adjusted for the impact of the Group adopting IFRS 16.

⁽⁵⁾ Changes in working capital excludes the effects of exceptional costs and cash outflow relating to investments.

The Group has a business model which produces strong free cash flow conversion, with a negative working capital cycle on operational cash flows. The movement in working capital in 2019 was at a lower level than 2018 and includes the impact of a debtor related to a group reorganisation in 2019. Adjusted free cash flow conversion of 53% in 2019 (2018: 101%) includes the impact of €2.8m (2018: €2.9m) of revenue related to free cancellation bookings that was received but deferred, increased investment and restructuring activity related costs. Excluding the impact of the deferral of revenue related to free cancellation bookings and the timing of specific one off cash receipts, adjusted free cash flow conversion would have been a normalised 64% (2018: 90%).

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

Foreign Exchange Risk

The Group's primary operating currency is euro. The Group also has significant sterling and US dollar cash flows. In 2019 the average US dollar to euro exchange rate strengthened by 5% and the average sterling to euro exchange rate strengthened by 1% in comparison to 2018. Restated on a constant currency basis, ABV has increased by 2%, revenue has decreased by 4% (€3.6m) and Adjusted EBITDA has decreased by 11% (€2.6m) in

2019. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2019 to the financial results for the year ended 31 December 2018 on a month by month basis. The Group's principal policy is to match cash flows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

Dividend

The directors are pleased to recommend a full year final dividend payout of €2.0m equating to 2.1 euro cent per share. This is in addition to the interim dividend of €4.0m or 4.2 euro cent per share paid in September 2019. This payout of €6.0m or 6.3 euro cent per share (2018: 13.8 euro cent per share) reflects a distribution of 41% of the Adjusted PAT for the year ended 31 December 2019 and is in line with the updated dividend policy.

The Board continually reviews its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure. The Board reviewed the Group's dividend policy and have approved a revision of the payout range, from 70% to 80%, to 20% to 40% of the Group's Adjusted Profit After Tax. This change in capital allocation will provide the Group with the flexibility needed for capital and other investment growth opportunities, both organic and inorganic, to optimise shareholder return.

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

TJ Kelly

Chief Financial Officer

3 March 2020

HOSTELWORLD GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

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

	<u>12,057</u>	<u>13,355</u>
Total liabilities	<u>16,496</u>	<u>13,617</u>
Total equity and liabilities	<u>148,268</u>	<u>149,869</u>

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

Gary Morrison

TJ Kelly

Chief Executive Officer

Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital €'000	Retained Earnings €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
Balance at 1 January 2018		<u>956</u>	<u>145,015</u>	<u>18</u>	<u>960</u>	<u>146,949</u>
Total comprehensive income for the year		-	5,691	(2)	-	5,689
Dividends	20	-	(16,056)	-	-	(16,056)
Debit to equity for equity-settled share based payments		-	-	-	(330)	(330)
Balance at 31 December 2018		<u>956</u>	<u>134,650</u>	<u>16</u>	<u>630</u>	<u>136,252</u>
Effect of initial application of IFRS 16		-	(416)	-	-	(416)
Balance at 1 January 2019 – as restated		<u>956</u>	<u>134,234</u>	<u>16</u>	<u>630</u>	<u>135,836</u>
Total comprehensive income for the year		-	8,394	(1)	-	8,393
Dividends	20	-	(12,615)	-	-	(12,615)
Credit to equity for equity settled share based payments		-	-	-	158	158
As at 31 December 2019		<u>956</u>	<u>130,013</u>	<u>15</u>	<u>788</u>	<u>131,772</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 €'000	2018 €'000
Cash flows from operating activities			
Profit before tax		3,011	6,652
Depreciation of property, plant and equipment	4	2,425	1,232
Amortisation of intangible assets	4	11,521	12,221
Share of results of associate	13	116	-
Financial income		(59)	(20)
Financial expense	7	224	63
Employee equity settled share based payment expense / (credit)	18	156	(346)
<i>Changes in working capital items:</i>			
(Decrease) / increase in trade and other payables		(2,252)	3,129
(Increase) / decrease in trade and other receivables		(2,166)	1,152
<i>Cash generated from operations</i>		12,976	24,083
Interest paid		(224)	(63)
Interest received		59	20
Income tax paid		(1,516)	(749)
Net cash from operating activities		11,295	23,291
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets	10	(2,915)	(1,839)
Purchases of property, plant and equipment	11	(190)	(714)
Acquisition of investment in associate	13	(1,075)	-
Net cash used in investing activities		(4,180)	(2,553)
Cash flows from financing activities			
Repayments of obligations under lease liabilities		(1,109)	-
Dividends paid	20	(12,615)	(16,056)
Net cash used in financing activities		(13,724)	(16,056)
Net (decrease) / increase in cash and cash equivalents		(6,609)	4,682

Cash and cash equivalents at the beginning of year	25,974	21,294
Effect of foreign exchange rate changes	<u>-</u>	<u>(2)</u>
Cash and cash equivalents at the end of year	<u>19,365</u>	<u>25,974</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Hostelworld Group plc, hereinafter "the Company", is a public limited company incorporated in the United Kingdom on the 9 October 2015. The registered office of the Company is Floor 2, 52 Bedford Row, London, WC1R 4LR, United Kingdom.

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

The 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 2019, which were approved by the Board of Directors on 3 March 2020. 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 2019 has been given by the auditors, Deloitte Ireland LLP. 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 27 April 2020.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with the European Union ("the EU") adopted International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006, applicable to companies reporting under IFRS.

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Capitalisation of development costs

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

Tax provisioning

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

Lease term of contracts with extension or break options

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

commencement date, the directors reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Deferred tax asset recognition

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

Exceptional items

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

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

Useful lives for amortisation of intangible assets

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

Impairment of goodwill and intangible assets

The directors assess annually whether goodwill has suffered any impairment, in accordance with the relevant accounting policy and intangible assets are assessed for possible impairment where indicators of impairment exist. The recoverable amounts of cash-generating units ("CGUs") are determined based on value-in-use calculations. These calculations are prepared using cash flow projections based on five-year budgets approved by the directors and are discounted to net present value using an appropriate discount rate. The tests are dependent on estimates in particular in relation to the forecasting of future cash flows, the discount rates applied to these cash flows, the expected long-term growth rate of the applicable business and terminal values. Such estimates are subject to change as a result of changing economic conditions.

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

3. REVENUE & SEGMENTAL ANALYSIS

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

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

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

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

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

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

Reportable segment information is presented as follows:

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

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

Disaggregation of revenue is presented as follows:

2019	2018
€'000	€'000

Technology and data processing fees	78,571	79,696
Advertising revenue and ancillary services	2,101	2,391
Total revenue	80,672	82,087

In the year ended 31 December 2019, the Group generated 97% (2018: 97%) of its revenues from the technology and data processing fees that it charged to accommodation providers.

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

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

The Group's non-current assets are located in Ireland, the UK, Portugal and Australia. Out of the total non-current assets in the Group of €123,923k (2018: €121,081k), the non-current assets of the Group located in the UK are €947k (2018: €1,654k), in Portugal €483k (2018: €623k) and in Australia €2,723k (2018: €Nil).

4. OPERATING EXPENSES

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

	Note	2019 €'000	2018 €'000
Marketing expenses		32,712	31,203
Staff costs	6	16,881	17,179
Credit card processing fees		2,515	2,379
Exceptional items	5	3,066	1,590
FX loss		72	64
Other administrative costs		8,188	9,524
Total administrative expenses		63,434	61,939
Depreciation of tangible fixed assets	11	2,425	1,232
Amortisation of intangible fixed assets	10	11,521	12,221

Total operating expenses	77,380	75,392
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Auditors' remuneration

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

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

5. EXCEPTIONAL ITEMS

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

Merger and acquisition costs of €2,115k relates to professional fees incurred in the year on related activity. Restructuring costs of €951k (2018: €1,590k) include costs relating to the restructure of the senior management team and an internal reorganisation of the Group's non-current assets (see note 19).

6. STAFF COSTS

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

	2019	2018
Average number of persons employed		
Administration and sales	189	188
		28

Development and information technology	<u>125</u>	<u>106</u>
Total	<u>314</u>	<u>294</u>

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

	Note	2019 €'000	2018 €'000
Staff costs comprise:			
Wages and salaries		16,026	16,194
Social security costs		2,177	1,889
Pensions costs		466	389
Other benefits		347	711
Long-term employee incentive costs / (credit)	18	156	(346)
Capitalised development labour		<u>(2,291)</u>	<u>(1,658)</u>
Total		<u>16,881</u>	<u>17,179</u>

7. FINANCIAL COSTS

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

8. TAXATION

	2019 €'000	2018 €'000
Corporation tax:		
Current year	1,184	776
Adjustments in respect of prior years	<u>38</u>	<u>(1)</u>
Total	<u>1,222</u>	<u>775</u>
Origination and reversal of temporary differences	<u>(6,605)</u>	<u>186</u>
Total	<u>(5,383)</u>	<u>961</u>

Corporation tax is calculated at 12.5% (2018: 12.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the consolidated income statement as follows:

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

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

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

9. EARNINGS PER SHARE

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

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

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

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

Actual earnings per share, calculated by dividing the net profit attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2019, is 8.78 euro cent (2018: 5.95 euro cent).

IFRS 16 Adoption

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

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
<u>Cost</u>						
Balance at 1 January 2018	47,274	214,640	13,887	5,500	9,867	291,168
Additions	-	-	181	-	1,658	1,839
Balance at 31 December 2018	<u>47,274</u>	<u>214,640</u>	<u>14,068</u>	<u>5,500</u>	<u>11,525</u>	<u>293,007</u>
Balance at 1 January 2019	47,274	214,640	14,068	5,500	11,525	293,007
Additions	-	68	-	-	2,847	2,915
Balance at 31		<u>214,708</u>	<u>14,068</u>	<u>5,500</u>	<u>14,372</u>	<u>295,922</u>

December 2019	<u>47,274</u>					
<u>Accumulated amortisation and impairment</u>						
Balance at 1 January 2018	(29,426)	(106,453)	(13,702)	(5,500)	(7,979)	(163,060)
Charge for year	-	(10,247)	(106)	-	(1,868)	(12,221)
Balance at 31 December 2018	<u>(29,426)</u>	<u>(116,700)</u>	<u>(13,808)</u>	<u>(5,500)</u>	<u>(9,847)</u>	<u>(175,281)</u>
Balance at 1 January 2019	(29,426)	(116,700)	(13,808)	(5,500)	(9,847)	(175,281)
Charge for year	-	(9,674)	(103)	-	(1,744)	(11,521)
Balance at 31 December 2019	<u>(29,426)</u>	<u>(126,374)</u>	<u>(13,911)</u>	<u>(5,500)</u>	<u>(11,591)</u>	<u>(186,802)</u>
<u>Carrying amount</u>						
At 31 December 2018	<u>17,848</u>	<u>97,940</u>	<u>260</u>	<u>-</u>	<u>1,678</u>	<u>117,726</u>
At 31 December 2019	<u>17,848</u>	<u>88,334</u>	<u>157</u>	<u>-</u>	<u>2,781</u>	<u>109,120</u>

Goodwill

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

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The recoverable amounts of the cash generating units ("CGUs") are determined from value in use calculations. The cash flow projections are initially based on five year budgets approved by the directors and include future profitability, capital expenditure requirements and working capital investment. The cash flow projections also take into account historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

Capital expenditure requirements to maintain the CGUs performance and profitability assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

The pre-tax discount rate which has been applied in determining value in use is 12.2% (2018: 10.8%). The pre-tax discount rate is based on the Group weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the business specific risk of the CGU. Growth rates are assessed

based on the approved five year 2020 budget and they range from 3% to 10%. Cash flows beyond the 5 year period are extrapolated using the estimated long- term growth rate of 2.8% (2018: 2.8%). This long term growth rate was calculated using global rates by a third party professional advisor.

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

Following impairment testing, no impairment was recognised for goodwill in 2019.

Other Intangible Assets

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

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

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

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 2018	-	1,753	787	3,746	6,286
Additions	-	102	36	576	714
Disposals	-	-	-	(83)	(83)
Balance at 31 December 2018	-	1,855	823	4,239	6,917
Balance at 1 January 2019 – as restated	4,294	1,855	823	4,239	11,211
Additions	39	22	-	168	229
Disposals	-	-	-	(748)	(748)
Balance at 31 December 2019	4,333	1,877	823	3,659	10,692

Accumulated depreciation

Balance at 1 January 2018	-	(380)	(315)	(1,817)	(2,512)
Charge for year	-	(272)	(120)	(840)	(1,232)
Disposals	-	-	-	83	83
Balance at 31 December 2018	-	(652)	(435)	(2,574)	(3,661)
Balance at 1 January 2019 – as restated	-	(652)	(435)	(2,574)	(3,661)
Charge for year	(1,061)	(317)	(125)	(922)	(2,425)
Disposals	-	-	-	747	747
Balance at 31 December 2019	(1,061)	(969)	(560)	(2,749)	(5,339)
<u>Carrying amount</u>					
At 31 December 2018	-	1,203	388	1,665	3,256
At 31 December 2019	3,272	908	263	910	5,353

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

Amounts recognised in consolidated income statement

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

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

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

12. DEFERRED TAXATION

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

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

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

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

On 12 March 2019, a deferred tax asset of €6,862k was recognised due to a temporary difference between the carrying value and the tax base of intangible assets which were transferred as part of a group reorganisation (see note 19). The deferred tax credit of €6,605k primarily relates to this temporary difference.

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

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

13. INVESTMENT IN ASSOCIATE

In July 2019, the Group purchased 7,645,554 shares (49% of the share capital) of Goki Pty Limited, an Australian resident company. Goki Pty Limited's principal activity is software development and principal

place of business is Australia. The purchase consideration for the transaction was USD 3,000k (€2,653k) and the directly attributable costs €185k.

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

The purchase consideration is to be paid in three equal instalments. The first was paid in July 2019 and the two subsequent payments will be made on the 1st and 2nd anniversary of this date. The present value of the amount due in 2021 (€873k) is recognised in non-current liabilities in the consolidated statement of financial position. This financial liability was recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. The amount due in 2020 (€890k) is recognised in current liabilities (note 16).

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

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

	2019
	€'000
Non-current assets	7
Current assets	2,441
Non-current liabilities	-
Current liabilities	(46)
Equity attributable to owners of the company	<u>2,402</u>
Group share of results of associate	<u>(116)</u>

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

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

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

Commitment to extend loan to associate

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

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

14. LEASE LIABILITIES

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

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

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

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

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

15. TRADE AND OTHER RECEIVABLES

	2019 €'000	2018 €'000
Amounts falling due within one year		
Trade receivables	873	1,067

Prepayments and other receivables	2,291	804
Value Added Tax	1,816	943
Total	4,980	2,814

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

16. TRADE AND OTHER PAYABLES

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

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

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

17. CONTINGENCIES

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

18. SHARE BASED PAYMENTS

Long Term Incentive Plan ("LTIP") scheme

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

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

During the year ended 31 December 2019, the Remuneration Committee approved the grant of 1,267,463 share options pursuant to the terms and conditions of the Group’s LTIP Rules (2018: 773,797 options). These were granted in four separate offerings.

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

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

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

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

If the conditions are met, the remaining awards will vest on the later of the 3rd anniversary of the grant and the determination of the performance condition, and will then remain exercisable until the 7th anniversary of the date of grant, provided the individual remains an employee or officer of the Group or is subject to good leaver provisions. The measurement period for the 2018 and 2019 awards for

performance conditions is over 3 years from 1 January 2018 to 31 December 2020 and from 1 January 2019 to 31 December 2021 respectively.

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

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

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

For all awards up to and including the June 2018 awards, expected volatility was determined in line with market performance of the Company and comparator companies as there was insufficient historic data available for the Company at the grant date of the awards. For the December 2018 awards, expected volatility was determined based on the market performance of the Company over 2.07 years, corresponding to the remaining time left of the measurement period.

Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. Non-market based performance conditions, such as the EPS conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

Save As You Earn ("SAYE") scheme

During the year ended 31 December 2019, the Remuneration Committee approved the granting of share options under a SAYE scheme for all eligible employees across the Group. 31 employees availed of the scheme in 2019 (2018: 24 employees availed of the 2018 scheme). The scheme will last three years and employees may choose to purchase shares at the end of the three year period at the fixed discounted price set at the start. The share price for the scheme has been set at a 20% discount for Irish and UK based employees in line with amounts permitted under tax legislation in both jurisdictions.

The total expected cost of the 2019 SAYE scheme was estimated at €63k of which €11k has been recognised in the consolidated income statement for the year ended 31 December 2019. The remaining €52k will be charged against profit or loss in equal instalments over the remainder of the three year vesting period.

The total expected cost of the 2018 SAYE scheme was estimated at €41k of which €34k (2018: €7k) has been recognised in the consolidated income statement to date.

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

Fair value of options granted during the year:

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

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

Scheme	UK office	Irish office	Irish office
Grant date	July 2017	July 2017	September 2018
Year of potential vesting	2020	2020	2021
Share price at grant date	£3.37	€4.00	€2.40
Exercise price per share option	£2.78	€3.24	€2.56

Expected volatility of company share price	45.0%	44.6%	47.5%
Expected life	3 years	3 years	3 years
Expected dividend yield	4.0%	4.0%	6.9%
Risk free interest rate	0.38%	0.38%	(0.40%)
Weighted average fair value at grant date	£0.99	€1.10	€0.45
Valuation model	Black Scholes	Black Scholes	Black Scholes

Expected volatility was determined in line with market performance of the Company for the 2019 schemes. For the 2017 and 2018 schemes, expected volatility was determined in line with market performance of the Company and comparator companies as there was insufficient historic data available for the Company at the grant date of the awards

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

Overall, the Group recognised an expense of €156k (2018: €346k credit) relating to equity settled share-based payment transactions in the consolidated income statement during the year.

Cash settled share-based payments

During 2018, the Group issued to certain individuals share appreciation rights ("SARs"), in the form of Phantom Shares that require the Group to pay the intrinsic value of the SAR at the date of exercise. The Group has recorded liabilities of €7k and a corresponding expense of €7k in relation to these SARs as at 31 December 2019 (2018: €3k). The fair value of these SARs was determined by using a Black Scholes model.

19. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

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

Company	Holding	Nature of Business	Registered Office
Hostelworld.com Limited 196 Ordinary shares @€1	100%*	Technology trading company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland
Hostelworld Services Portugal LDA 500 Ordinary shares @€1	100%	Marketing and research and development services company	Rua Ant3nio Nicolau D'Almeida, 45, 5th Floor, 4100-320 Oporto, Portugal

Hostelworld Services Limited			
104,123 Ordinary shares @£0.001	100%*	Marketing services and technology trading company	Floor 2, 52 Bedford Row, London, WC1R 4LR, United Kingdom
Counter App Limited			
51 Ordinary shares @€1	51%	Technology company	Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland
* held directly by the Company			

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

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

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

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

ASSOCIATES

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

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

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

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

Directors' remuneration

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

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

Key management personnel

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

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

20. DIVIDENDS

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

	2018 €'000	2017 €'000
Final 2018 dividend of €0.09 per share (paid 5 June 2019)	8,601	
Interim 2019 dividend of €0.042 per share (paid 20 September 2019)	4,014	11,468
		44

Final 2017 dividend of €0.12 per share (paid 14 June 2018)		
Interim 2018 dividend of €0.048 per share (paid 21 September 2018)		4,588
	<u>12,615</u>	<u>16,056</u>
Proposed final dividend for the year ended 31 December 2019 of €0.021 per share (2018: €0.09 per share)	<u>2,007</u>	<u>8,601</u>

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

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

21. EVENTS AFTER THE BALANCE SHEET DATE

The directors have recommended a final dividend of 2.1 euro cent per share to be paid on 8 May 2020 (see note 20).

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