An Extraordinary Journey

As the world evolves, so do we...

HOSTELWORLD Annual Report 2020

HOSTELWORLD
MEET THE WORLD

HOSTELWORLD

MEET THE WORLD

Our Vision

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

Our Purpose

To inspire adventurous minds through travel.

Our Mission

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

Our Values

Think Customer

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

Be Bold, Be Brave, Be Adventurous

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

Building a Better World

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

Keep it Simple

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

Community Spirit

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

About Hostelworld Group

Hostelworld Group is the leading global Online Travel Agent (OTA) focused on the hostel market, inspiring adventurous minds to experience new places, meet new people and come back with extraordinary stories to tell. Our customers aren't your average travellers; they are driven by the need for unique experiences, social connections and empowering adventures. Every year we help millions of hostel travellers create long-lasting memories, by enabling real travel experiences.

We have over 20 years' experience, with more than 13 million reviews across more than 17,000 hostels in 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.

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

2020 Summary

"2020 has been an extremely challenging year for both Hostelworld and the entire global travel industry. In light of the unprecedented challenges presented by the pandemic, our key priorities have been to (i) support our employees, customers and hostel partners; (ii) increase our liquidity, and (iii) accelerate the execution of our core platform roadmap.

During the year we delivered significant improvements in marketing capabilities, user experience and inventory competitiveness. These improvements will have further strengthened the competitiveness of our platform relative to our capabilities in Q4'19, when we had returned to bookings growth.

As vaccination programmes continue to be rolled out in our key geographies across the world, I am confident our loyal customer base has a strong desire to travel once restrictions allow, even more so after a prolonged period of confinement. Furthermore, I continue to see significant opportunities to build a broader catalogue of relevant experiential travel products and services beyond hostel accommodation, and opportunities to connect like-minded travellers with each other via social features on our platform.

I remain confident that Hostelworld will emerge from the pandemic stronger than before and able to seize market opportunities when normal travel patterns resume".

Gary Morrison | CEO

Financial Highlights [1]	2020	2019
Revenue		
Net Bookings: HW Group	1.5m	6.8m
Net Bookings: HW Brand	1.4m	6.6m
Revenue		
Net Revenue	€15.4m	€80.7m
Profitability		
Adjusted EBITDA	€(17.3)m	€20.5m
Adjusted (Loss) / Profit after Tax	€(22.2)m	€14.8m
Balance Sheet		
Net Asset Position	€97.9m	€131.8m
Cash		
Cash and Cash Equivalents	€18.2m	€19.4m
Adjusted Free Cash (Absorption) / Flow	€(12.3)m	€10.9m
Normalised Adjusted Free Cash (Absorption) / Flow	€(12.3)m	€13.1m

(1) The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the APMs section on pages 196 to 198.

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Viajero Salento Hostel, Colombia

Overview

1999

Launch of the Hostelworld website, providing an online booking platform and back-end property management system

2003

Acquired the Hostels.com business and brand

2006

Opened office in Shanghai

2009

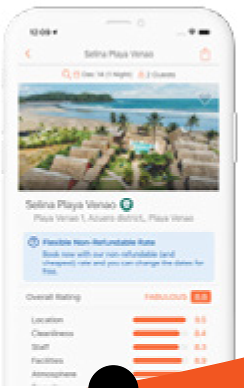
Hellman & Friedman LLC, a US private equity firm, acquired the Group

2013

Acquired the Hostelbookers business, based in the UK

2014

Released new suite of Hostelworld booking apps for iOS and Android



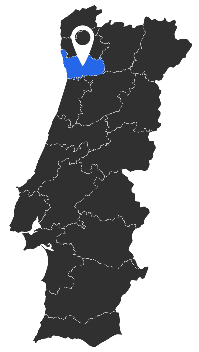
2015

Listed on the London and Euronext Dublin Stock Exchanges. Rebranding of Hostelworld with 'Meet The World'

MEET THE WORLD

2017

Opened technology development centre in Porto, Portugal



2018

"Roadmap to Growth" programme. New management team appointed

2019

Celebrating 20 years of Hostelworld

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

counter
all-in-one workspace for hostels

Hostelworld announces strategic investment in Goki Pty Limited

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

goki

2020

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

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

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


Selina Playa Venao, Panama

Strategic Report

Chairman's Statement

Resilience and purpose

We began 2020 in confident mood on the back of our return to bookings growth in late 2019. While January and February showed early promise it quickly became apparent that the year's trading would be massively affected by the travel restrictions imposed to deal with the spread of COVID-19. As demand plummeted our priority was to secure the viability of the Group and I'm happy to report that we are now in a strong financial position which will ensure we can participate profitably in the expected return to normal levels of demand.

I can also report that in addition to the sterling work on fund raising and cost reduction, the team, led by our CEO Gary Morrison continues to make substantial progress on our Roadmap for Growth strategy ensuring our customer proposition is greatly enhanced and the Group is well placed to capitalise on the market upturn.

Michael Cawley | Chairman

COVID-19 Response

As COVID-19 expanded globally, leading to an effective shutdown of the global travel market, we reacted swiftly to protect the business and to enable us to navigate through this crisis. From the outset our focus has been the wellbeing of our employees, to support our hostel partners and customers and to strengthen the Group's balance sheet.

Given the challenges and liquidity constraints the Group faced as a result of the fallout from COVID-19, we undertook a number of actions to ensure the financial stability of the company. This included measures to reduce variable and fixed costs and conserve our cash. As part of the process we accessed government supports where available and the Board along with the executive leadership team deferred a portion of their salaries and fees for 2020.

We took actions to protect the health and safety of our employees, and to support our hostel partners to capitalise on demand as restrictions eased and to ensure we continued to engage with our customer base. Detailed contingency plans were also drawn up to ensure business continuity in light of evolving government guidelines.

Dividend and Capital Structure

In light of the ongoing uncertainty around COVID-19, the Board took the decision to cancel the proposed final dividend of 2.1c per share (representing a €2.0 million cash outflow), in respect of the 2019 financial year. In June the Board took the further decision to suspend a cash dividend in respect of the 2020 financial year. The Board recognises the importance of dividends to shareholders but believed that cancelling the cash dividend was the right course of action in these exceptional circumstances. Consequently, in August we declared the issue of new ordinary shares by way of a bonus issue to shareholders. Future cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position and any restrictions in the Group's banking facilities.

In June, we announced a non-pre-emptive placing and the issuing of new ordinary shares representing up to approximately 19.9% of the Company's existing ordinary share capital and raised gross proceeds of approximately €15.2 million. Further liquidity was raised through a €7 million three-year revolving credit facility and a short-term €3.5 million invoice financing facility.

In January 2021, in light of the agreement of a new €30 million term loan facility, we repaid the amount owing on the short-term financing facility and signed a deed of release on the revolving credit facility, which was undrawn. In February 2021 we drew down the €30 million term loan facility. Together these actions materially strengthened the Group's capital base in an uncertain environment.

Board Composition

I would like to personally thank all the members of the Board for their commitment and diligence and hugely appreciate the dedication and teamwork they showed throughout the year as the entire world grappled with the consequences and challenges COVID-19 and the lockdowns presented.

The composition of the Board is fully compliant with the 2018 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 disclosed to the market in September, TJ Kelly announced his plans to step down as Chief Financial Officer. We thank TJ for his contribution during his time at Hostelworld and wish him every success

Chairman's Statement
(Continued)

for the future. Having made a significant contribution to the finance team at Hostelworld, I'm delighted that Caroline Sherry has stepped into the role, following a transition period. Caroline has been a welcome addition to the Hostelworld team since joining in November 2019 from Glanbia plc's Performance Nutrition division where she was Director of Financial Planning and Analysis. Prior to this, Caroline held a number of strategic and commercial finance roles at Ulster Bank Group, a subsidiary of NatWest Group. Caroline is a fellow of the Institute of Chartered Accountants in Ireland and completed her training in PwC.

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

Climate Change

I welcome the introduction in 2020 of a new listing rule on climate-related disclosure requirements for companies with a premium listing on a UK stock exchange. The new requirements, which apply to accounting periods beginning on or after 1 January 2021 and which can be traced back to the historic 2015 Paris Agreement on Climate Change, are an appropriate response to the need to improve the information made available by industry about climate change risk. The Board will look to ensure that Hostelworld complies with its obligations in this area and will provide oversight and leadership on this important issue.

Colleagues, Customer and Shareholders

On behalf of the Board, I would like to thank all members of the Hostelworld team for their unfailing commitment, support and hard work throughout the year.

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 working together in 2021, as our unique customer base return to travelling the world, in a safe and supportive environment.

Finally, thank you to our shareholders for their continued support and commitment. While this has without question been a challenging year, and the near-term outlook remains uncertain, we look forward to returning our business to growth once again and delivering value for all our shareholders.

Michael Cawley
Chairman
16 March 2021

Wake up! Bondi Beach, Australia

Summer House Cairns, Australia

How we create value

Great Experiences for the traveller

'Best' inventory of hostels

Improved search experience – right hotel, right customer, right time

High quality booking experience

Best in class app

Flexible and convenient platform

Increased number of payment options available

Great Tools and Travel know-how

Purely hostel-focused business

Dedicated Property Management System solutions

Leveraging new technologies

Guest experience platform

High quality booking platform

Great Guests for the Hostel Provider

Relevant and trusted brand

Targeted customer acquisition

Customer lifetime value management

Driving ancillary spend

Global locations

Above infographic features the following hostel partners: Len Kyoto, Japan | Monita Hostels Buenos Aires, Argentina | Rhythm & Rumble Hostel, Indonesia | Surfers Den Ericeira, Portugal

Chief Executive Statement

Building for the future

2020 has been an extremely challenging year for both Hostelworld and the entire global travel industry. While we began the year in a strong position following a return to bookings growth in Q4'19, the COVID-19 outbreak started affecting the travel industry in March and severely impacted demand for the remainder of the year. As the outbreak started to spread, we took swift action to reduce costs and conserve cash whilst also prioritising our resources towards to strengthening our core platform. I remain confident that our loyal customer base will have more desire than ever to travel and meet other like-minded travellers once restrictions are lifted, and I further believe our business model and the improvements to our platform will position us well to capitalise on those opportunities when demand returns.

Gary Morrison | CEO

COVID-19 Response

In light of the unprecedented challenges presented by the pandemic, our key priorities have been to (i) support our employees, customers and hostel partners; (ii) increase our liquidity; and (iii) progress our Roadmap for Growth.

Supporting our employees, customers and hostel partners

In March, we established a Remote Community Hub to support our employees with the shift to remote working, providing wellbeing resources, social activities and a mentorship programme.
We provided support to our hostel partners, including detailing COVID-19 policies on our site and hosting 170 hostel webinars with content specifically designed to help them navigate the challenges of operating and converting demand in the current environment. We also introduced a sanitation badge for Hostels to provide details of their compliance to locally applicable Covid-19 containment measures on our platform. We also launched 'Hostel Heroes' acknowledging the support hostels were providing to front line workers and continued our HOSCARS virtually, celebrating the best hostels on our site.
Finally, to support our customers we launched a 'Beds for Backpackers' programme, which provided free accommodation in hostels for stranded travellers. We also introduced marketing initiatives to continue engagement with our loyal customer base, including experiences such as 'Virtually a hostel', as well as hosting virtual social events to bring together like-minded travellers during COVID-19. In 2020, we received an average customer service satisfaction score of 86%. Similarly, in a recent survey completed by our property partners we received a score of 4.2 out of 5 for the support we provided in 2020.

Increasing our liquidity

As the outbreak started to accelerate in March, we implemented a wide ranging programme of cost reductions and initiatives to conserve cash. This included a significant reduction in staff costs; reducing our variable marketing spend to match demand; and minimising discretionary operating costs. As cancellations started to rise to unprecedented levels, we offered customers a range of refund options, including credits in excess of the original value of the booking which could be redeemed for up to two years.

In June 2020 we increased our liquidity through an equity placing raising gross proceeds of €15.2m. We also agreed terms for a three-year revolving credit facility to provide up to €7 million of additional liquidity, and a €3.5 million short-term invoice financing facility. In August 2020 the trading outlook deteriorated again as global lockdowns and travel restrictions came back into force. We looked to strengthen our balance sheet, and in February 2021 we drew down a new €30 million term loan facility. This facility ensures we can withstand a further prolonged period of depressed demand and emerge in a materially stronger position when normal demand patterns resume. As part of the new facility, we repaid the amount owing on the short term financing facility agreed in June 2020 and signed a deed of release on the unused revolving credit facility.

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

Progress on our Roadmap for Growth

During the year, we have taken the opportunity to deploy significant enhancements to strengthen our core platform, including some additional items originally planned for 2021. We expect these enhancements will result in strengthened marketing capabilities,

Chief Executive's Review
(Continued)

an improved user experience and increased inventory competitiveness when normal travel patterns resume.

Key Operational Highlights and Results

We entered the year in a strong position, having successfully returned the business to net bookings growth in Q4 2019. We had also increased the number of hostels listed on our platform to 17,700 by year end 2019, up from 16,500 at the end of 2018.

However, in early March we saw a sharp reduction in our trading performance as the COVID-19 outbreak expanded from China into Asia, and then into the US and Europe. In late June we saw a very modest recovery in domestic bookings, followed by some recovery in short haul bookings into Europe in July and early August as travel restrictions were eased. In late August, we saw a further marked deterioration in bookings and bed prices as travel restrictions tightened globally again.

Throughout the pandemic we have also seen an increase in the rate of hostel closures compared to historical rates, which we have partially offset by increased new sign ups to our platform. As of 31 December 2020, we had 17,200 Hostels listed on our platform, a decrease of 2.8% compared to the prior years. We also saw that many hostels remained open during 2020, but at very low occupancy levels.

As the pandemic progressed, we took the opportunity to accelerate delivery of the Roadmap for Growth items planned for the balance of 2020, together with some additional items we had planned for 2021. Throughout the year we delivered a number of significant core platform enhancements designed to improve our marketing capabilities, user experience and inventory competitiveness. These improvements included: consolidating our tracking, attribution and bidding tools within Google's product suite to optimise our marketing spend; making progress towards our goal of optimising paid channel spend based on predicted new customer value versus customer acquisition cost; transitioning our legacy website to a progressive web app, enabling a significantly faster user experience; deploying a new promotional configuration platform for our hostel partners, significantly increasing the proportion of discounted rates available to our customers; and launching PayNow, which allows our customers to pay upfront for non-refundable bookings at participating hostels with an option to pay via Google pay or Apple pay.

Going forward into 2021, we will continue our platform modernisation programme, with our main focus on transitioning our technology stack into the Cloud and continuing to refactor our legacy core platform applications into microservices. This will further strengthen our core business, enable faster execution of our growth strategy and reduce cost over the medium term.

Our Strategy

In March 2020, I updated the market on the progress of our core Roadmap for Growth strategy and detailed our future growth strategy for the next 3-5 years. This longer term strategy will deliver growth by providing a broader catalogue of experiences beyond hostel accommodation to our customer base, coupled with the addition of social features to enable our customers to explore the world together with other like-minded travellers. I also announced our intention to accelerate this strategy via an increased focus on potential M&A targets in addition to organic initiatives; funded through a combination of existing cash reserves, a modest level of debt and a rebased dividend policy.

Shortly after delivering this update, the COVID-19 outbreak sharply reduced demand across the global travel industry. This necessitated a swift change in our short-term priorities away from M&A targets towards reducing costs and increasing liquidity. This was the appropriate response to ensure the Group could withstand a prolonged period of depressed demand until normal travel patterns resume, whereupon we could continue our longer term growth strategy.

As vaccination programmes continue to be rolled out in our key geographies across the world, I remain confident that our core customer base has a strong desire to travel, even more so after a prolonged period of confinement. I also continue to see the same opportunities to build a broader catalogue of relevant experiential travel products beyond hostel accommodation, and opportunities to connect like-minded travellers with each other via social features on our platform. 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 continue to believe in our longer term growth strategy and that we are uniquely positioned to enable our customers to Meet the World ® together with other like-minded travellers.

In parallel with our longer term growth strategy, we are continuing to integrate Counter and Goki into our core platform offering for our hostel partners. These solutions have been designed for the unique requirements of the hostel industry, and I am pleased with the progress the teams have made this year, particularly given the challenging COVID-19 backdrop and the pressures the hostel industry has been facing.

Business Model

We are a global OTA focused on the hostel market. Our core online platform provides the opportunity for predominately hostel owners, as well as other low-cost accommodation providers to advertise their accommodation to independent travellers looking for unique and social experiences. Most of our revenue is generated through taking a commission from bookings made through our technology platform, including the Hostelworld website, and via our Apps. This efficient business model has very favourable working capital attributes and strong cash conversion.

Following the introduction of a free cancellation booking option in 2018, this year we have launched a number of initiatives to provide our customers with even more flexibility around their bookings on our platform. This includes the introduction of new flexible non-refundable rates, allowing a booking to be changed directly with the hostel; aligning our free cancellation policies to hostel's cancellation policies; and finally allowing credits to be used across the vast majority of rate plan types. As referenced previously, we have also introduced PayNow, allowing travellers to pay 100% upfront on non-refundable rates at participating hostels and to do so through Google Pay or Apple Pay.

Investing in People

Over the last two years we have significantly strengthened our executive team, across all areas of the business. I am confident that the strength and depth of our leadership team will enable us to trade through the current challenging trading environment and position the Group for growth when we emerge from the crisis.

During the year we launched several new employee initiatives, with the objective of enabling our talent to deliver for the business. We built on our existing Diversity and Inclusion ("D&I") work, establishing a D&I working group to develop our strategy further. Having moved to remote working in March, we communicated a new agile working approach which post COVID-19 will enable employees to 'work from anywhere' in the country they are employed, work abroad for up to 30 days and increase flexible working. We also established recognition programmes and provided benefits to employees to continue to show appreciation and acknowledge the dedication of our teams. I would like to take this opportunity to thank all of our employees for their continued hard work and commitment in this sustained period of uncertainty.

Chief Executive's Review
(Continued)

Dividends and Capital Allocation

In light of the significant uncertainty presented by COVID-19 the Board and I took the decision in March to suspend the final 2019 cash dividend. In June we suspended cash dividends for the foreseeable future. In September, in lieu of a cash dividend, we issued new ordinary shares by way of a bonus issue to shareholders. The Board and I continue to believe the appropriate allocation of capital resources is critical to ensuring the long-term growth of the business and optimisation of shareholder returns.

Outlook

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

Whilst this recovery is likely to take some time and the consumer sentiment will continue to be uncertain, the Board remains confident in the resilience and flexibility of our business model, and that we are well positioned to execute on our strategy.

As demand recovers, the Board will continue to evaluate internal and external opportunities that will deliver value for shareholders, in particular the significant potential to enhance future growth through building out a broader catalogue of experiential travel products beyond hostel accommodation and opportunities to connect like-minded travellers with each other via social features on our platform.

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

Gary Morrison
Chief Executive
16 March 2021

Lub d Koh Samui Chaweng Beach, Thailand

Financial Review

2020 Key Performance Indicators

KPI	Value	Change
Net Bookings – Hostelworld Brand	1.44M	-78%
Return on Capital Employed	-18%	-219%
Net Revenue	€15.4M	-81%
Adjusted Free Cash Absorption	-71%	-12%
Net Average Booking Value ("ABV")	€9.33	-22%
Adjusted Loss per Share	-20.76 EURO CENT	-237%
Adjusted EBITDA	-€17.3M	-185%
Adjusted EBITDA Margin	-113%	-138%

- Hostelworld brand net bookings decline of 78% (2019: -5%); total Group net bookings decline of 79% (2019: -6%)
- Net Average Booking Value ("ABV") of €9.33, a 22% decline versus 2019 (€11.97)
- Net revenue of €15.4m, an 81% decline compared to 2019 (2019: -2%)
- Total marketing spend of €9.3m, a 72% reduction on 2019 (2019: €32.7m)
- Total administrative costs of €36.1m, a 43% reduction on 2019 (2019: €63.4m)
- Exceptional items totaled €3.0m (2019: €3.1m)
- Adjusted EBITDA loss of -€17.3m (2019: €20.5m profit)
- Adjusted free cash flow absorption of -71% (2019: 53%)
- Basic loss per share of -45.68 € cent (2019: basic earnings per share 8.64€ cent)

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

Caroline Sherry | Chief Financial Officer

Revenue and operating (loss):

Revenue for the period was €15.4m a decline of 81% compared to 2019 (2019: €80.7m), reflecting the detrimental impact COVID-19 has had on the business and the wider travel and leisure industry. Adjusted EBITDA loss of €17.3m, which was a decline of €37.8m from 2019. Adjusted EBITDA margin was -113% compared to +25% in 2019.

Bookings and revenue

Despite a positive start to the year, following a return to net bookings growth during Q4 2019, bookings significantly declined in late Q1 2020 as extensive travel restrictions were put in place in response to COVID-19. We experienced a small uptick in bookings during the summer season, but trading deteriorated significantly from the end of August onwards as global lockdowns and travel restrictions came into force. The Group's net booking volumes declined by 79% in 2020 (2019: 6% decline). 2020 cancellations were €6.2m (32% of gross revenue) compared to 2019 €9.3m (10% of gross revenue), as customers who had booked under the free cancellation policy had their travel plans suspended. The global disruption of the travel industry caused by the COVID-19 pandemic, has resulted in a significantly increased cancellation rate as a portion of revenue. The profile of these cancellations is such that there is a higher proportion of longer lead time higher value bookings. Net Average Booking Value ("ABV"), the average value paid by a customer for a net booking, declined by 22% in 2020 (2019: 3% growth) primarily due to the increase in cancellations and the impact of reduced bed prices across all markets.

At 31 December 2020, we held €3.1m of customer deposits relating to bookings made under the free cancellation policy (2019: €2.8m), of this €2.9m relates to bookings already cancelled. We recognised €2.6m of previously deferred revenue in 2020, (2019: (€0.1m). Revenues for the period, net of cancellations, of €15.4m represents an 81% decline versus the same time last year (2019: €80.7m).

Throughout the pandemic the Group has proactively managed marketing costs, matching marketing spend to sales volumes. Total marketing spend was €9.3m in 2020 (2019: €32.7m). In addition, the Group also took significant and immediate action across all areas of spend, both fixed and variable. These measures resulted in a 43% reduction in total administrative expenses, from €63.4m in 2019 to €36.1m.

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

Exceptional items

Exceptional items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading. The Group incurred €3.0m of exceptional cost items 2020 (2019: €3.1m), €1.3m of which related to merger and acquisition costs (2019: €2.1m) and €1.7m of which was invested in the realignment of our Product and Technology teams (2019: €1.0m).

Share based payment

The share-based payment expense of €0.4m (2019: €0.2m) 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. The increase year on year is representative of the LTIP 2020

Financial Review
(Continued)

scheme which includes a wider pooling of employees as the scheme was extended to senior management.

Loss / Earnings per share

Basic loss per share for the Group was 45.68 € cent (2019 basic earnings per share: 8.64 € cent). The 2019 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

The decline in EPS year on year was driven by a €57.3m decrease in the Group's profits for the period. Adjusted loss per share was 20.76 € cent per share (2019 earnings per share: 15.2 € cent per share). The weighted average number of shares in the period was 107.0m and the total number of shares issued at the balance sheet date was 116.3m.

Intangible asset impairment

In 2020 the Group recorded an impairment of €15.0m on its intangible assets associated with Hostelbookers and Hostelworld.com. Carrying value of intangible assets at 31 December 2020 totals €86.3m, a decrease of €22.9m from the prior year. The Group capitalised development costs of €3.7m in the year, (2019: €2.8m) and had an amortisation charge for the year of €11.7m (2019: €11.5m)

Deferred tax

The Group are carrying a deferred tax asset of €7.6m (2019: €6.6m). Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits for recoverability of the deferred tax asset has been estimated using the Board approved five-year plan.

Lease liability

At the balance sheet date, the carrying value of the lease liability totalled €4.3m (2019 €4.3m). These assets relate to the Group's lease commitments for office space in Ireland, UK, Portugal and China.

Net debt and financing

As at balance sheet date the Group had debt of €1.2m (2019: nil) relating to a short-term invoice financing facility. The Group also had a €7m revolving credit facility which as at 31 December 2020 remained undrawn. In January 2021 amounts owing on the short-term invoice financing facility were repaid in full and the Group signed a deed of release on the revolving credit facility.

In February 2021 the Group signed a €30m five-year term loan facility with certain investment funds and accounts of HPS Investment Partners LLC or subsidiaries or affiliates thereof. An amount of €28.8m was drawn down on 23 February 2021.

In January 2021 the Group also agreed revised covenant terms with AIB on a rental guarantee for the Central Park office, Dublin, the Group's headquarters where financial covenants and parent company guarantee were waived.

At 31 December 2020 the Group was in compliance with all financial covenants in place.

Taxation

The Group recorded a corporation tax credit of €0.6m (2019: €1.2m charge). Trading losses arising in 2020 have been carried back to 2019 and set against taxable profits arising in that year resulting in a refund owing to the Group in respect of tax paid in 2020.

Related party transactions

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

Adjusted free cash (absorption) / flow

The decline in adjusted free cash (absorption) / flow conversion from 53% in 2019 to (71)% in 2020 reflects the impact of the losses made in 2020. The adjusted EBITDA loss made in the period has resulted in a Free Cash outflow of €(12.3)m compared to an inflow of €10.9m in 2019, with the net benefit of a €8.9m positive working capital. The positive working capital movement of €8.9m is due to a €5.6m increase in creditors and a €3.3m decrease in debtors. The €5.6m increase in creditors due to cash conservation measures taken including the warehousing of Irish employer taxes. The decline in debtors is due to lower VAT receipts as revenues and operating costs declined and the receipt of a debtor from the liquidation of a Group entity in 2019. Total cash at 31 December was €18.2m (2019: €19.4m), of which €3.1m are customer deposits related to bookings made under the free cancellation policy (2019: €2.8m) and €1.2m relating to a short-term invoice financing facility (2019: €nil).

Dividend

As announced on 24 June 2020, the Board does not expect to pay a cash dividend under its current policy in respect of the 2020 financial year. On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. Future payment of cash dividends will be subject to the Group generating adjusted profit after tax, the Group's cash position and any restrictions in the Group's debt facility.

Caroline Sherry
Chief Financial Officer
16 March 2021

Principal Risks and Uncertainties

The Board takes overall responsibility for identifying the nature and extent of the risks to be managed by the Group to ensure the successful delivery of its strategic and business priorities. The Audit Committee monitors certain risk areas and the internal control system, as set out in the report on governance. The Group's risk register identifies key risks including any emerging risks and monitors progress in managing and mitigating these risks and is reviewed regularly during the year by the Audit Committee and at least annually by the Board. Emerging risks are identified from areas of uncertainty, which may not have a significant impact on the business currently but does have the potential to adversely affect the Group in the future.

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

The Board also considered its obligations in relation to providing both the annual viability and going concern statements and its conclusions can be found on pages 123 and 124 and note 1 to the Consolidated Financial Statements respectively.

Direction of change
- ■ Unchanged
- ▲ Increased
- ▼ Decreased

Material risks:

No.	Category	Description and Impact	Management and Mitigation	Direction of change
1.	**Macro Economic Conditions**	Revenue is derived from the wider leisure travel sector. The COVID-19 pandemic and the resulting measures, including travel restrictions, implemented by governments around the world to reduce the spread of COVID-19 has resulted in an unprecedented decline in consumer spending, travel and related activities. This pandemic has adversely affected our business and the outlook for the future remains uncertain at present and it is not yet known when international travel will return to normal levels. Perceived or actual economic conditions, including slowing or negative economic growth, rising unemployment rates, weakening currencies, higher taxes or tariffs could impair customer spending and adversely affect travel demand. In addition, events beyond our control such as unusual or extreme weather, travel related health concerns including the COVID-19 pandemic mentioned above or travel-related accidents can disrupt travel and result in declines in travel demand. Because these events or concerns are largely unpredictable, influencing customer demand and behaviour, they can adversely affect our business and results of operations. Significant movements in FX rates can have a material impact on travel demand and travel patterns therefore impacting revenue.	In circumstances where events cause a material decline in consumer travel behaviours and patterns on a global scale, such as the recent COVID-19 pandemic, management will take necessary actions to conserve cash. There has been an increased and on-going focus by the Group on liquidity management. New sources of debt and equity financing have been secured which provides additional flexibility to support the Group as it recovers from the impact of the COVID-19 pandemic. Our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations. Whilst market conditions may decline in certain regions, the globally diversified nature of the business helps to mitigate this. FX movements may impact travel decisions and travel patterns by customers, but typically there is a degree of counterbalancing movement e.g. the weakening of the US dollar against the euro means fewer US travellers visiting the Eurozone, but decreased marketing costs from USD denominated suppliers such as Google. FX translation risk is mitigated through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-euro currency above anticipated outflow requirements.	▲
2.	**Working Capital Investment and Going Concern**	Resulting from the detrimental impact that COVID-19 has had on the travel sector there has been a significant impact on our working capital resources, which creates a risk that the Group will not be able to continue in operation and meet its liabilities as they fall due. The Group has prepared a five-year budget which assumes a return to growth. There is a risk that the travel sector will not return to trading volumes in line with expectations. Our ability to invest and grow is further constrained by our financial resources.	When COVID-19 began there was a robust assessment taken by Directors of principal risks facing the Group including those that threaten its business model, future performance, solvency or liquidity. New funding was received through an equity raise and debt financing. The Group is focused on cash forecasting, tight cost control and managing supplier and customer relationships. Key metrics and reporting reviewed regularly in management accounts and at management meetings.	▲

Principal Risks and Uncertainties
(Continued)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
3.	Capital Structure	The Group has reviewed its capital structure and strengthened its capital base with two landmark transactions in June 2020: • Equity Placing • Debt Raising Since the IPO in 2015, the Group had neither placed equity nor raised debt. These two transactions carry inherent risks. Equity placing leads to higher scrutiny from shareholders both participating and non-participating. In 2021 the group entered a new term loan facility for €30m. Debt, by creating repayment obligations and covenants, requires constant monitoring of the Group's leverage and liquidity.	The Group engaged with large firm corporate finance advisers to review and discuss the optimal capital structure. The Group has performed weekly forecasting of cash resources and monitored closely the covenants and obligations caused by any debt agreements in place. Monthly reporting has been put in place to ensure the terms of the new term loan facility and related reporting requirements are adhered to.	▲
4.	Impact of terrorism threat on leisure travel	The continued threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure traveller to undertake trips particularly to certain geographies, resulting in declining revenues. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.	Our target 18-34-year-old population tend to be both flexible as to destination, and are less risk adverse.	■

No.	Category	Description and Impact	Management and Mitigation	Direction of change
5.	Competition	The risks posed by competition could adversely impact our market share and future growth of the business, these include: • Supply: competition from direct competitors, alternative accommodation operators and disruptive new entrants leading to a loss of key accommodation suppliers. • Customers: changes in customer behaviour leading to a loss in customer traffic and demand for our services and / or increase in customer acquisition costs. Consumer preferences could change as a result of the COVID-19 pandemic which may be disadvantageous to our business and may benefit existing and new competitors. With global travel restrictions, there may be a shift towards domestic travel and alternative accommodations. • There has been a rise in cancellations and vouchers issued in lieu of cash refunds for the Group and with our competitors. This increases competition for the Group as it locks customers into those companies issuing the credit notes, thereby potentially reducing the demand for the Group's offering. • Technology and Product: Over recent years the ever-increasing pace of change of new technology, new infrastructure and new software offerings have changed how customer's research, purchase and experience travel. Notable shift changes include mobile networks, mobile applications, meta-search providers, display advertising, social communities etc. Unless we continue to stay abreast of technology innovation and change, we risk becoming irrelevant to the modern customer.	Execution of roadmap for growth and capitalise on our unique market position, this involves: • Targeting new customer acquisition and growing the most profitable customer cohorts (with focus on CLV/CAC) by optimising overall marketing investment. • Strengthening the Group's core platform in order to improve its flexibility and the experience of our customers. • Upgrading our third-party platform connectivity in order to defend our competitive position. • Focus on expanding our global footprint, meeting emerging demand while also strengthening our overall product offering. • Leveraging the capabilities of our partnerships with Goki Pty Limited and Counter App Limited to ensure we are delivering best in class and most advanced tech-based solutions for our customers and hostel partners.	▲

Principal Risks and Uncertainties
(Continued)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
6.	**Search Engine Algorithms**	A large proportion of traffic to our websites is generated through internet search engines such as Google, from non-paid (organic) searches and through the purchase of travel-related keywords (paid search). We therefore rely significantly on practices such as Search Engine Optimisation ("SEO") and Search Engine Marketing ("SEM") to improve our visibility in relevant search results. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, which can negatively impact placement of our paid and organic results in search results. This could result in a decrease in bookings and thus revenue. It could also result in having to replace free traffic with paid traffic, which would negatively impact margins.	The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in paid and non-paid search. This in-house expertise is supplemented by the deployment of leading technology tools. The search marketing team works closely with Google to understand any changes in functionality to the AdWords platform so that we can avail of any efficiencies in our search traffic. The Group participates in alpha and beta feature tests that give Hostelworld first mover advantage with new functionality that can help drive efficiency.	■
7.	**Brand**	Consumer trust in our brand is essential to ongoing revenue growth. Negative publicity around our products or services could negatively impact on traveller and accommodation provider confidence and result in loss of revenue. Negative publicity could impact brand perception and consumer loyalty and ultimately revenue. Our exceptional refund policy for COVID-19 refunds has the potential to adversely affect our brand.	We are focused on investing in our core products, platform and technological capabilities to support our brand proposition as well as actively managing our brand portfolio through social media channels. Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us. The Group has a Crisis Management Policy in place which includes appropriate escalation.	■

No.	Category	Description and Impact	Management and Mitigation	Direction of change
8.	**Data Security**	We capture personal data from our customers, including credit card details and retain this on our systems. There is always a risk of a cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third-party suppliers. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial and/or other penalties. The shift to remote working during COVID-19 (beginning 12 March 2020) changed the risk profile of certain data processing activities and gives rise to ongoing data security challenges and a widening threat landscape more targeted at endpoint controls. As we plan for a level of return of colleagues to our offices, the COVID-19 Return to Work Protocol (Ireland) and Working Safely During Coronavirus Guidelines (UK) require us to capture from colleagues and office visitors, new categories of sensitive personal health data that we would not have obtained before. The General Data Protection Regulation ("GDPR") places significant data security and regulatory compliance obligations on us when processing such data. Third party vendors that we engage with may not have the appropriate Information Security controls in place leading to a potential breach of customer data. For 2021, Hostelworld plan to migrate parts of the e-commerce platform to the Cloud. Whilst risk is minimal, there still is risk that security gaps may manifest during the migration.	Hostelworld are Level 1 PCI compliance with the guidelines of the payment card industry. Through 2020 we performed a lot of work to comply with certain aspects of Payment Services Directive 2 ("PSD2") in 2021 as it relates to customer payment – customer authentication security measures. Hostelworld works closely with internal and external audit functions to ensure that our system architectures, work processes and policies are in place to provide as much protection as possible. We have a privacy compliance programme to align with our on-going obligations under GDPR and have invested in our own data protection resources to monitor compliance including the onboarding of bespoke privacy management software in mid-2020. Our Data Protection Officer ("DPO") is responsible for informing, advising and monitoring compliance on all matters relating to the protection of personal data in the Group. We regularly review our employee information security policy and we continue to invest in information security training for all staff so that they remain vigilant and alert to the possibility of cybercrime. We reviewed the impact on servers of increased remote access loads with teams working from home. We issued guidance to all colleagues during COVID-19 regarding the personal data and data security implications of the pandemic and new remote working along with enhanced procedures for accessing company data while working remotely. We provide data security training for all staff. We perform due diligence of our third-party suppliers who process our personal data including heightened information security due diligence.	▲

Principal Risks and Uncertainties
(Continued)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
9.	Regulation	The global nature of our business means we are exposed to issues regarding competition, licensing of local accommodation, language usage, web-based trading, consumer compliance, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions. Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage. COVID-19 has led to increased focus by consumer rights regulators on the online sales practices of tourism and travel focused companies and may have an impact on the Group's brand if the Group's sales practices were investigated and assessed to be non-compliant. COVID-19 has heightened our obligations under employment and health and safety laws to protect the safety, health and welfare of colleagues in the workplace. GDPR imposes particular compliance obligations with respect to our COVID-19 response measures with risk of fines and other enforcement mechanisms being imposed by a data protection authority. Our position on customer refunds may give rise to customer complaints to consumer regulators such as the Irish Competition and Consumer Protection Commission or UK Competition and Markets Authority who have a range of enforcement powers including fines. PSD2 is a new EU Directive that applies to payment services in the EU. The deadline for the Group to incorporate and be compliant with this Directive was 31 December 2020.	Monitor regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations. Suitable experienced resources have been engaged to ensure consumer compliance requirements, compliance with the Listing Rules, the FRC Corporate Governance Code and the Market Abuse Regulations. A detailed analysis of the Group's approach to offering vouchers to certain customers concluded that the Group's approach was aligned with the principles reflected in the EU Commission recommendations on vouchers for cancelled package travel and transport services published on 13 May 2020. In line with guidance from the Irish and UK governments, we have developed a robust COVID-19 Response Plan including adopting protocols around returning colleagues back to the office environment. Rolled out an effective refund management and risk policy and procedure to deal with individual consumer complaints and those from consumer regulators. Our response to requests and complaints is informed by a cross-departmental risk assessment. The Group have been working with the Central Bank of Ireland to ensure the group are complaint with the PSD2 EU Directive.	▲

No.	Category	Description and Impact	Management and Mitigation	Direction of change
10.	Tax	The taxation of e-commerce businesses is constantly being evaluated and developed by tax authorities around the world. There is a risk relating to the identification of and evaluation of tax legislative changes and the impact of these on the Group. Due to the global nature of our business, tax authorities in other jurisdictions may consider that taxes are due in their jurisdiction, for example because the customer is resident in that jurisdiction or the travel service is deemed to be supplied in such jurisdiction. If those tax authorities take a different view than the Group as to the basis on which the Group is subject to tax, it could result in the Group having to account for tax that it currently does not collect or pay, which could have a material adverse effect on the Group's financial condition and results of operation if it could not reclaim taxes already accounted for in the jurisdictions the Group considers relevant. Changes to tax legislation or the interpretation of tax legislation or changes to tax laws based on recommendations made by the OECD in relation to its Action Plan on Base Erosion and Profits Shifting ("BEPS") or national governments may result in additional material tax being suffered by the Group. We are currently monitoring the introduction of the digital services taxes, and its impact on our Group.	In collaboration with our tax advisers, a large professional services firm, we assess possible tax impacts in the jurisdictions in which we operate to ensure our tax obligations are aligned to the operational nature of our business. Transactions and mergers and acquisitions work are properly documented with support from tax advisers. Transfer pricing is regularly reviewed and updated to reflect Group structure and most recent guidance.	▲

Principal Risks and Uncertainties
(Continued)

No.	Category	Description and Impact	Management and Mitigation	Direction of change
11.	**Business Continuity**	Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with an adverse impact to our customer service. The outbreak of COVID-19 led to substantial business and operational disruptions across the Group and resulted in Hostelworld and our third-party suppliers seeking to suspend or be excused from certain contractual obligations.	As an e-commerce organisation, the Group's business continuity plan focusses on the continued operation of consumer facing products and related services to ensure our e-commerce trading systems can continue to process bookings. Our fully distributed and redundant architecture across two data centres based in two different countries supports this approach. The Group has worked with external advisers to produce robust documented business continuity and disaster recovery capabilities. We have also extended our eCommerce Business Continuity Plan("BCP") to include our corporate offices. Across 2021 we will carry out targeted business continuity testing by business unit to ensure our systems and processes are effective as possible. As part of COVID-19 BCP invocation all employees have been working from home via Hostelworld secured endpoint devices that were configured and rolled out in 2020. All teams had tested access and functionality and only small adjustment was needed to have all teams operational very quickly. All laptops are encrypted and protected with anti-virus and anti-malware software. We updated our standard supplier terms in early 2020 to provide more robust and comprehensive contractual provisions regarding force majeure (covering epidemics/pandemics) and BCP (requiring suppliers to implement the provisions of our BCP at any time).	▲
12.	**People**	The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives. Due to the possibility of a long recovery period for the travel industry resulting from the COVID-19 pandemic and the redundancies and restructurings which have taken place within the company, employees may not view employment with us as positively as they did prior to the pandemic. This may adversely affect our ability to attract and retain highly skilled employees.	The Group has developed stronger recruitment processes supported by effective HR policies and people process to enable the attraction and retention of key talent. The Group has increased focus on understanding the drivers of employee engagement and are committed to taking action to improve employee engagement levels. Robust external benchmarking has ensured there is understanding of the competitiveness of the reward offering and additional investment in 2019 and 2020 aims to reduce voluntary attrition. The Group operates from five global offices, which provides flexibility for location of key talent, thereby opening up a larger talent pool to select from. A move to increased remote working would further enhance this. A non-executive director fulfils a workforce engagement role as set out in the 2018 UK Corporate Governance Code.	▲

No.	Category	Description and Impact	Management and Mitigation	Direction of change
13.	**Brexit**	The Group is exposed to Brexit-related risks and uncertainties in relation to its continued impact on global markets and currency exchange rate fluctuations. The uncertainties in relation to the movement of people may result in the reduction of bookings particularly into and from the UK travel market and from UK nationals which could impact on Group revenue. In the year ended 31 December 2020, the UK as a destination represented 6% of total Group bookings (2019: 6%) and 16% of Group bookings were from UK nationals (2019: 14%). Overall a decline in macroeconomic conditions in the UK could negatively impact consumer confidence and reduce spending in all areas including the wider leisure travel sector. On 1 January 2021, the UK became a third country for the purposes of the GDPR and any transfer of personal data to HW UK or a supplier must now comply with the data transfer rules in the GDPR. Failure to comply can lead to fines from the regulator and a negative impact on market reputation.	The Group is a global business and continues to grow its international footprint and presence across its key markets. Through continued international expansion and diversification, the Group will seek to naturally mitigate the impacts of Brexit. However, the Group will continue to assess the impacts of Brexit and implement any necessary remediation steps to mitigate its impact on the Group. Hostelworld has in place with all Group companies, an intra-group data transfer agreement with EU Commission-approved Model Clauses, one of the approved data transfer mechanisms under the GDPR – HW UK is a party to this agreement. Hostelworld has also prepared GDPR compliant data protection supplemental contract addendums for UK suppliers which will provide appropriate safeguards and mechanisms to ensure data transfers to the UK are GDPR compliant.	▲
14.	**Climate Change and Sustainability**	Climate change and sustainability came into sharp focus in 2019 and has further evolved as an area of heightened concern with consumers and stakeholders in 2020. There is a request for more accountability from our customers, employees, other stakeholders as to what the Group is doing to limit its indirect impact on climate change.	Climate change issues may impact travel decisions and travel patterns by customers but is mitigated to the extent that our business is a global one, with a dispersed population of users, and a geographically dispersed set of destinations. We aim to offset our carbon footprint through a number of initiatives. In 2020, we became a signatory on the Global Tourism Plastics Initiative led by the UN Environment programme and the World Tourism Organisation. Our goal is to encourage our hostel partners to sign up with the aim of reducing their single use plastics consumption. We have also taken steps to reduce our plastic consumption as a Group. Prior to COVID-19, we made efforts to reduce our plastic consumption through initiatives such as purchasing reusable water bottles for the office, ordering fresh fruit and other perishables from suppliers who use fully recyclable packaging.	▲

Viability Statement

The objective of the viability statement is for the Directors to report on their assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the Group's available financing facilities which includes the term loan facility which was drawn down in February 2021, principal risks and uncertainties outlined above, recent financial performance, outlook, and current financial position.

The financial position of the Group, its cash flows, liquidity position and debt facilities are outlined in the Financial Review on pages 22 to 25. The cashflow forecasts prepared by the Group in its consideration for going concern are conservative - within the outlook no upside was assumed from global mass vaccination programmes, full recovery was not expected to happen until FY-23, average booking value assumed to be lower than historic not returning to FY-19 levels until FY-24 and cost per booking is assumed to be elevated.

To make the assessment of viability additional scenarios have been modelled, based upon a number of the Group's principal risks and uncertainties which are documented on pages 26 to 35. These scenarios represent severe but plausible circumstances that the Group could experience. In it's determination of viability, the Directors have also ensured that the Group have abided by term loan facility covenants in place as disclosed within Note 26 to the Financial statements.

The Directors have determined that a five-year period to 31 December 2025 is an appropriate period over which to provide its viability statement as this is the period reviewed by the Board in the budgeting and forecasting process.

Scenario 1	**Extended travel disruption as a result of COVID-19**
Link to Risk	Macroeconomic risk
Consequences	The Group has considered the impact to cash of operating in a zero-revenue environment but carrying the current level of operating costs for a 12 month period and carrying 25% of the overall budgeted direct costs (pay per click marketing spend primarily that is directly linked to revenue). The Group consider this is an improbable scenario given industry outlook, vaccination news and bookings volumes received to date. In this very remote stress case the Group have enough cash reserves to sustain the group over the next five years. The Group have also considered how long the group can operate with zero revenue. In this scenario we have reduced our direct marketing costs spend to zero (intrinsic link to revenue) and the group has sufficient reserves to May 2022 before exceeding covenant agreements in place for term loan facility.

Scenario 2	**GDPR fine, cyber security breach or other major one-off cost.**
Link to Risk	Data Security, Regulation
Consequences	There are two significant consequences for a GDPR breach: 1. Tier 1 can attract a fine of €10m or 2% of global turnover, whichever is greater. 2. A tier 2 data breach is a serious GDPR breach and it can attract a fine of €20m or 4% of turnover, whichever is greater. For the Group, the max exposure for a GDPR breach is €20m. The likelihood of this event is remote. The Group takes data protection very seriously and have a designated Data Protection Officer and a series of controls and monitoring is in place to ensure compliance. The Group has considered the fine within its cashflows in 2023 (assuming that an investigation for a major breach would take approximately two years) and is comfortable that such a fine would not jeopardise the viability of the Group over the next five years.

Scenario 3	**Losing key talent**
Link to Risk	People
Consequences	Our Group is very dependent on its people. The loss of a Group of our committed and skilled workforce would likely impact our revenue projections, increase our marketing spend if we lose talent with requisite skills and capabilities in paid search bidding, and also increase our overall operating expenses as we cover recruitment fees for additional resources. From above we have assumed 10% reduction in revenue, 10% increase in direct marketing costs and 2% increase in operating costs each year in 2021 and 2022. With these projections the Group remains viable over the next five years, and operates within the terms of the term loan facility covenants in place.

Having considered these stressed scenarios and based on their assessment of prospects and viability above, the Board confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period ended 31 December 2025 while adhering to the financial covenants connected with the term loan facility.

The Directors also consider it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation paragraph in Note 1 to the consolidated financial statements.

Statement of Compliance - S172 (1) of the Companies Act, 2006

The Directors consider that they have acted at all times to promote the success of the Group for the benefit of its members as a whole, and in doing so have had regard (amongst other matters) to:

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

Relevant stakeholders

During the reporting period the Directors considered and assessed who the Group's relevant stakeholders were for the purposes of complying with Section 172(1).

Shareholders

- A key objective for the Board is creating value for our shareholders by delivering long term sustainable growth.

Our People

- The expertise and capability of our people will always be critical to delivering our strategic objectives.

Hostel Partners

- We rely on our hostel partners to deliver a great accommodation offering to our traveller customers at competitive rates.

Customers

- Customers are at the heart of everything we do. Decisions that the Board take need to ensure Hostelworld delivers value and quality to our customers.

Key Suppliers

- Having a collaborative and trusted relationship with our key suppliers is essential to the success of Hostelworld and allows the Group to provide high quality products and services to our traveller customers.

Understanding the views of stakeholders

We set out on pages 71 to 73 the methods used to ensure the Directors understand the views of the Group's key stakeholders.

Principal Decisions

The following decisions were the Board's principal decisions for 2020 from a Section 172(1) perspective. Further information about each of these is set out below:

- The decision to amend the Group's dividend policy to a pay-out ratio of between 20% – 40% of the Group's adjusted profit after tax;
- The decision to cancel the recommendation of a proposed full year final dividend of 2.1c per share for 2019;
- The decision to distribute bonus shares to shareholders rather than pay a cash dividend;
- Following the onset of the COVID-19 pandemic, deciding to implement a number of cost saving and cash conservation measures and focus available expenditure on core platform enhancements;
- The decision to secure additional banking facilities to mitigate the COVID-19 related liquidity risks to the Group;
- The decision to increase the Group's liquidity through an equity placing; and
- In response to the COVID-19 pandemic, oversight and approval of a number of employee initiatives in the areas of agile working, well-being and enhanced employee communication and engagement.

Once Again Hostel, Thailand

Statement of Compliance - S172 (1) of the Companies Act, 2006
(Continued)

Section 172(1) Considerations

- Decision to amend the Group's dividend policy to a pay-out ratio of between 20% – 40% of the Group's adjusted profit after tax

(a) the likely consequences of any decision in the long term	The ability of the Group to accelerate growth and deliver on the Group's strategy was likely to be restricted by the constraints of the previous dividend policy. Investing in the Group's strategy would deliver improved returns for shareholders over the long-term.
(b) the interests of the Group's employees	The ability of the Group to maintain an engaged and effective workforce in circumstances where employee headcount was anticipated to be reduced following the on-set of COVID-19 was considered to be inconsistent with continuing to operate the previous dividend policy.
(c) the need to foster the Group's business relationships with suppliers, customers and others	The amending of the dividend policy would assist the Group in securing the support of suppliers in connection with agreeing amended payment terms as it would publicly confirm (through the publication of the dividend amendment in a related RNS) the financial and trading difficulties being experienced by the Group following the on-set of COVID-19.
(d) the impact of the Group's operations on the community and the environment	The impact of the decision to amend the dividend policy was not considered to be material in respect of the broader community and environment.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	A more balanced capital allocation policy which took account of the long term requirements of the Group and its shareholders was likely to assist in maintaining the Group's reputation for considered decision making.
(f) the need to act fairly as between members of the Group.	The fact that the Group's shareholders would be affected equally was noted by the Board as being appropriate and fair in the circumstances.

- Cancelling the recommendation of a proposed full year final dividend of 2.1c per share for 2019

(a) the likely consequences of any decision in the long term	Noting the projected revenue impacts of the COVID-19 pandemic, the cancellation of the decision to recommend a final year dividend was a key cash conservation measure that was required to protect the Group's long-term future during a period of unprecedented uncertainty.
(b) the interests of the Group's employees	The ability of the Group to effectively protect its liquidity position was considered important in retaining the confidence of the Group's staff in the long-term future of the Group during a period of acute trading uncertainty.
(c) the need to foster the Group's business relationships with suppliers, customers and others	The cancelling of the recommended dividend would assist the Group in securing the support of suppliers in agreeing extended payment terms as it would publicly confirm (through the publication of the dividend cancellation in a related RNS) the trading difficulties being experienced by the Group.
(d) the impact of the Group's operations on the community and the environment	The impact of the decision to cancel the recommendation of a proposed full year final dividend for 2019 was not considered to be material in respect of the broader community and environment.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The decision was considered an appropriate and prudent response to the impact of the COVID-19 pandemic and would affirm the reputation of the Group as an enterprise that took informed and immediate steps to manage risks to the business.
(f) the need to act fairly as between members of the Group.	The fact that the Group was obliged to treat its shareholders equally in connection with the decision was noted by the Board as being appropriate and fair in the circumstances.

Statement of Compliance - S172 (1) of the Companies Act, 2006
(Continued)

- The decision to distribute bonus shares to shareholders rather than pay a cash dividend

(a) the likely consequences of any decision in the long term	Noting the projected revenue impacts of the COVID-19 pandemic, the cancellation of the decision to recommend a final year dividend was a key cash conservation measure that was required to protect the Group's long-term future during a period of unprecedented uncertainty. However, the Board recognised the need to ensure shareholders' interests in having value returned to them by the Group were properly considered. The Board agreed that returning value to shareholders via bonus shares was an effective means to meet shareholder interests.
(b) the interests of the Group's employees	The ability of the Group to effectively manage its relationship with its shareholders was considered important in retaining the confidence of the Group's staff in the long-term future of the Group during a period of acute trading uncertainty.
(c) the need to foster the Group's business relationships with suppliers, customers and others	The distribution of bonus shares would maintain the confidence of the Group's suppliers, customers and others that the Group was effectively managing its relationship with a key stakeholder and, accordingly, that the interests of the Group's stakeholders in general was something the Board was conscious of during the reporting period.
(d) the impact of the Group's operations on the community and the environment	The impact of the decision to distribute bonus shares to shareholders during the reporting period was not considered to be material in respect of the broader community and environment.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The decision was considered an appropriate and prudent response to the cash challenges facing the business (which removed the ability of the Group to make cash dividends) and would affirm the reputation of the Group as an enterprise that took informed and meaningful steps to return value to its shareholders through alternative means.
(f) the need to act fairly as between members of the Group.	The Board was aware through the Group's engagement with shareholders during the reporting period that shareholders had requested that the Board consider a distribution of bonus shares in place of a cash dividend as a means to return value to shareholders. The Board considered that the decision and the value returned was an equitable and reasonable response to shareholders requests.

The Millennials Shibuya, Japan

Statement of Compliance - S172 (1) of the Companies Act, 2006
(Continued)

- Deciding to implement cash conservation measures and focus available expenditure on core platform enhancements

(a) the likely consequences of any decision in the long term	Failure to implement cash conservation measures would fail to address the liquidity risks faced by the Group as a consequence of the COVID-19 pandemic and increase the risk profile of the Group during a period of unprecedented uncertainty. Failing to continue targeted investment in core business 'Roadmap for Growth' initiatives would increase the risk of competitive gaps opening up between the Groups service offering and those of its competitors, leaving the Group at a competitive disadvantage when normal trading patterns resumed.
(b) the interests of the Group's employees	Failure to implement cash conservation measures, would increase the levels of concern around job security for all employees. Employee feedback during the reporting period had established that the Group's staff were concerned about job security during COVID-19. Accordingly, it was important to ensure that the Group's staff retained confidence that the Group was managing its cost base effectively, enabling the Group to plan appropriately for a return to normal trading.
(c) the need to foster the Group's business relationships with suppliers, customers and others	The Board was focused on ensuring that extending payment terms with suppliers be achieved by negotiation and agreement and not by the Group seeking to impose extended payment terms. The interests of suppliers in having certainty of payment was considered by the Board who agreed it was important for the Group to manage its cash conservation measures in a manner which had regard to the legal obligations owed by the Group to its suppliers. Feedback from the Group's technology suppliers and hostel partners during the reporting period had indicated that Hostelworld, as a leading provider of hostel accommodation, could assist in maintaining confidence in the travel industry during COVID-19 by being seen to invest and plan for the future. The platform enhancements delivered during 2020 were designed to improve the Group's marketing capabilities, customer experience and inventory competitiveness. These enhancements helped to maintain confidence with our key technology suppliers, hostel accommodation partners and traveller customers that the Group was effectively planning for a return to normal trading post COVID-19.
(d) the impact of the Group's operations on the community and the environment	The Board assessed that the implementation of cash conservation measures was unlikely to have a material impact on the community and environment. Continuing to make targeted technology investments was assessed as improving confidence amongst all of the Group's staff, suppliers and partners in local communities that the Group was in a position to manage the adverse trading impacts of COVID-19 and would remain a key provider of online travel services on a long-term basis.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The decision to manage cash conservation measures with suppliers through negotiation and agreement was considered appropriate to ensure the Group's reputation as a conscientious and compliant commercial enterprise was maintained.
(f) the need to act fairly as between members of the Group.	In making its decision, the Board had regard to the views delivered directly by its shareholders that prudent and effective cash conservation measures be implemented to address the Group's liquidity risks and ensure the long-term viability of the business.

Statement of Compliance - S172 (1) of the Companies Act, 2006
(Continued)

- Deciding to secure additional banking facilities to mitigate the COVID-19 related liquidity risks to the Group

(a) the likely consequences of any decision in the long term	Failing to secure additional credit facilities would have increased the Group's liquidity risks and impacted its solvency position should the adverse trading impacts of COVID-19 continue for a prolonged period of time.
(b) the interests of the Group's employees	Employee feedback during the reporting period had established that the Group's staff were concerned about the on-going viability of the Group in circumstances where the negative trading impact of COVID-19 became more pronounced in a short period of time. Accordingly, it was important to ensure that all staff had confidence in the ability of the Board and the Group's management to plan effectively and address liquidity and solvency risks should the impact of COVID-19 continue for a period longer than expected.
(c) the need to foster the Group's business relationships with suppliers, customers and others	Feedback from the Group's accommodation partners during 2020 indicated that Hostelworld could assist in maintaining confidence in the travel industry during COVID-19 by effectively planning for a future when travel restrictions had been removed/ moderated. The Board agreed that the decision to secure additional financing facilities (as announced via RNS on 24 June 2020) would demonstrate effective risk management which would, in turn, maintain the confidence of the Group's accommodation partners in the Group as a reliable partner in the online travel sector.
(d) the impact of the Group's operations on the community and the environment	Continuing to effectively manage risks and plan for a post COVID-19 future would improve confidence amongst all of the Group's staff, suppliers and partners in local communities that the Group was in a position to manage the adverse trading impacts of COVID-19 and would remain a key provider of online travel services on a long-term basis.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The decision was considered an appropriate risk management exercise which would maintain the Group's reputation as an enterprise that was effectively and properly managing the financial and commercial risks presented by the COVID-19 pandemic.
(f) the need to act fairly as between members of the Group.	The Board agreed that the decision to secure additional credit facilities was an appropriate way to ensure that shareholders would not be required to absorb all of the capital maintenance and other financial risks presented by COVID-19.

- The decision to increase the Group's liquidity through an equity placing

(a) the likely consequences of any decision in the long term	Failing to secure additional financing from an equity placing would have negatively impacted on the Group's ability to execute its long-term strategic plans (including making targeted investments in the Group's technology and platform capabilities), making the Group less competitive, and would also increase the liquidity risks faced by the Group.
(b) the interests of the Group's employees	The Board considered the additional financing would assist retaining the confidence of staff in the long term future of the Group in circumstances where COVID-19 continued for a prolonged period.
(c) the need to foster the Group's business relationships with suppliers, customers and others	Feedback from the Group's suppliers and accommodation partners during 2020 indicated that they were concerned that they would not be treated fairly by commercial partners who they were dependent on for revenue and payment, particularly as they attempted to deal with COVID-19. The Board agreed that the equity placing would enable the Group to manage its payment obligations to its suppliers, traveller customers and accommodation partners in a fair manner and provide them with confidence regarding certainty of payment.
(d) the impact of the Group's operations on the community and the environment	Continuing to effectively manage risks and plan for a post COVID-19 future would improve confidence amongst all of the Group's staff, suppliers and partners in local communities that the company and would remain a key provider of online travel services on a long-term basis.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The decision was considered an appropriate risk management exercise which would, in conjunction with the Group securing credit facilities, maintain the Group's reputation as an enterprise that was effectively and properly managing the financial risks presented by the COVID-19 pandemic.
(f) the need to act fairly as between members of the Group.	The Board was conscious that the decision to issue 19.9% of the existing share capital on a non pre-emptive basis via a cash box placing would mean that smaller shareholders would not be able to participate. However, following advice taken from our capital markets advisers, the Board agreed that the cash-box structure was the most cost-effective and efficient structure to use and was an appropriate risk management measure in the circumstances.

Statement of Compliance - S172 (1) of the Companies Act, 2006
(Continued)

- In response to the COVID-19 pandemic, oversight and approval of a number of employee initiatives in the areas of agile working, well-being and enhanced employee communication and engagement

(a) the likely consequences of any decision in the long term	The Group's staff were acknowledged by the Board as being critical to its success and integral to the Group's strategic objectives. Mental health issues impacting a material number of staff would significantly impact the achievement of strategic objectives. Board oversight and approval of initiatives designed to effectively manage the on-going impact of remote working on employee's mental health was a key means to manage this risk.
(b) the interests of the Group's employees	The mental health and well-being of the Group's employees were paramount in Board assessments and decision making in connection with measures adopted by the Group to support employee's well-being while working remotely.
(c) the need to foster the Group's business relationships with suppliers, customers and others	The decision was not considered material in respect of the Group's business relationship with suppliers, customers and others.
(d) the impact of the Group's operations on the community and the environment	The Board considered that the oversight and approval of measures designed to support employee's mental health was an important part of the Group's broader responsibilities to the community to act with empathy towards its staff during a time of unprecedented uncertainty.
(e) the desirability of the Group maintaining a reputation for high standards of business conduct	The Board agreed that the precautionary and remedial steps overseen by the Board to protect colleagues physical and mental well-being following the COVID-19 outbreak were important in the context of ensuring the Group's reputation as a conscientious and compliant business was maintained.
(f) the need to act fairly as between members of the Group.	The Board considered that the steps overseen by the Board which were designed to support colleague's mental health will ensure a stable and engaged workforce is maintained and that this will ultimately result in long term value creation for the Group's shareholders.

Effect of Section 172(1) on Board decisions

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

The Farm Hostel, Indonesia

Corporate Social Responsibility

At Hostelworld Group, our purpose is to inspire adventurous minds through travel.

A year like no other, 2020 brought many unprecedented challenges to our people, our communities, our hostel partners and our business. We aim to support our key stakeholders in a way that creates a positive and lasting impact - this is evident in all that we accomplished in 2020.

244 Employees	**138** Dublin Employees
27 London Employees	**57** Porto Employees
18 Shanghai Employees	**4** Sydney Employees
25 Number of Nationalities	**4** Non-Executive Directors
Average Age **34** Years	Average Length of Service **3.5** Years

People Stats as of 31 December 2020

Corporate Social Responsibility
(Continued)

	Number		%	
	Male	Female	Male	Female
Chairman and Executive Directors	2	1	66.7%	33.3%
Chairman and Non-Executive Directors	3	1	75%	25%
Executive Leadership Team	6	3	66.7%	33.3%
Direct Reports of Executive Leadership Team	17	24	41.5%	58.5%
Other Staff	106	88	54.6%	45.4%

Our People Vision is to build the best teams and enable our talent to deliver amazing business results. In 2020 we brought our People Vision to life through our various people initiatives.

In response to the COVID-19 pandemic and following all public health guidelines we moved to complete remote/home working in March 2020. This transition was embraced by our people who excelled themselves in continuing to deliver on their objectives and priorities throughout the year despite the upheaval. Recognising that working remotely is not without its challenges we launched several initiatives to support our people during this time.

One initiative we decided to implement was moving our monthly townhalls to virtual weekly sessions instead. This enhanced our ability to have constant communication and regular updates between different business units and from our Executive Leadership Team (ELT). These weekly sessions included updates on business performance, share key priorities, celebrate achievements and an opportunity to query the ELT on various aspects of the business on the dedicated question forum.

We also increased our Employee Newsletter to issue bi-weekly instead of monthly as part of our enhanced communication strategy. We established a "Remote Community Hub" channel through Microsoft Teams ("MS Teams") - a dedicated channel to connect with each other while we could not physically be together in our offices. The Remote Community Hub is a casual space for our people to share a mix of positive messages, join virtual activities such as bingo and remote quizzes, receive useful health and wellness information and start company wide informal conversations to see what people are reading, watching and getting up to in their spare time.

Being conscious of the impact 2020 had on our peoples' physical and mental wellbeing was at the forefront in 2020 and our "Employee Assistance Programme" details were shared regularly. We also invited our people to join a number of lunch and learn sessions covering topical subjects such as nutrition, wellness, managing mental health and resilience and parenting.

Eager to understand our people's long-term working preferences we launched our "Future Ways of Working" initiative. We circulated an agile working survey and the results indicated that the majority of people would prefer a blended approach between remote and office working. Our "Agile Working Policy" will become fully implemented post the COVID-19 Pandemic.

Other key features of our Agile Working Policy include the ability to work from anywhere within the country a person is employed in, flexible daily working hours and the introduction of "Quiet Wednesdays" to allow everyone uninterrupted time to focus on tasks and projects without the distraction of internal meetings where possible. Our purpose is to inspire adventurous minds through travel and it was important that we created this opportunity for our workforce. To facilitate this purpose we announced that all staff may work from abroad for up to 30 working days per year where possible, giving them the opportunity to work while travelling or visiting family abroad. This initiative has been praised throughout the company with many individuals already partaking in the policy.

Recognising the importance of maintaining a highly engaged workforce during remote working, we continued to gather employee feedback and to measure employee engagement. In 2020, employees completed two pulse-check surveys. The results of each survey were shared at a companywide level and then communicated in greater depth at a department level. Actions were taken to improve on low scoring areas. We established an "Engagement Champions" group, made up of employees from across the business. Engagement Champions act as agents of positive change within their functions, support in the delivery of engagement results and the creation of action plans while motivating teammates to incorporate these activities. To measure the effectiveness of the Engagement Champions' work we circulated an Action Effectiveness Survey which has let us gauge which areas have been successful and those which still need attention. We will continue to take action to drive positive change in our engagement levels and our overall Employee Value Proposition as we look to 2021.

Some feedback we gathered from the pulse-check surveys was in relation to how we recognise our people and how we could improve this process in both an informal and formal way. In response to this we launched our "Cheers for Peers" and our "High Flyer" Recognition Awards. Cheers for Peers encourages colleagues to recognise each other informally and immediately after a job well done. Cheers for Peers has a specific public channel on MS Teams and gives people the opportunity to give a quick thank you, highlight great work or compliment a teammate's helpfulness.

High Flyer Awards was introduced as a more formal approach for employee recognition. The awards are scheduled on a bi-monthly basis and focus on recognising individuals or teams who deliver outstanding business results and who consistently live by Hostelworld's values. Employees can nominate a person or team they believe to be deserving of a High Flyer Award and then the Recognition Committee, which is made up of employees from across the business, reviews and assesses all nominations received under each of our Hostelworld Values. The final proposal of winners is then presented to our ELT for approval, and the winners are then announced at our Townhalls. A gift is then issued to the winner in acknowledgement of their hard work.

To enable our people to continue to do amazing work we introduced Pluralsight (a technology focused learning platform) specifically for our Hostech and Analytics and Insights functions. We continue to provide access to LinkedIn Learning which offers our people access to online courses and training on hundreds of topics such as digital marketing, web development and Google Analytics. As of 31 December 2020, our people had an average learning time of 3 hours and 30 minutes on LinkedIn Learning and 4 hours 8 minutes on Pluralsight. To support personal development, we relaunched our mentoring programme with an uptake of 22 internal mentorships across various teams, functions and levels of the business. We also hosted a number of "Fireside Chats"- a series of talks with guest speakers from a variety of backgrounds and industries to broaden perspectives across a number of topics. In 2020, to enable our people managers to lead in a more consistent way, we developed our people manager effectiveness programme focusing on great people conversations. We communicated our People Manager Framework which defines the attributes of a great people manager and encourages our people managers to bring the framework to life in their day to day interactions with their teams. We hosted a number of virtual sessions on topics such as goal setting, feedback and coaching, development planning, pay planning and building relationships and trust. Our people manager effectiveness programme has been well received by our people manager community and we plan to continue developing and strengthening the programme in 2021.

In early 2020 we underwent a salary benchmarking exercise to assess our reward offering versus the market. Having quality market data enables us to make informed decisions on hiring and ensure we allocate pay budgets appropriately based on experience, competence, performance and position to market.

Éimear Moloney is the designated Non-Executive Director with responsibility for understanding the views of the Group's employees and for managing effective engagement between the Board and the Group's workforce. Our Colleague Engagement Forum met with Eimear at various dates throughout the year to ensure that the Board and Hostelworld employees mutually understand each other's views and remain informed on topical issues such as diversity and inclusion, COVID-19 and its long-term impacts and sustainability.

Corporate Social Responsibility
(Continued)

In response to global events and recognising the importance of diversity and inclusion not only in the workplace but in the world, we established a Diversity and Inclusion ("D&I") working group made up of a small number of our people passionate about making a positive change. Our D&I group conducted an employee survey to assist them in their mission of shaping Hostelworld to be a more diverse, inclusive and enriching place to work. From the findings of the survey our D&I group identified four pillars of focus for 2020:

1. Internal Change	Ensure that Hostelworld is representative of the diverse society we live in and that our culture is inclusive and provides equal opportunities for all.
2. Education	Create a culture of learning about differences and understanding the issues that minority groups face in society and the workplace.
3. Celebrate Differences	Ensure Hostelworld is a workplace where our differences are celebrated, and employees feel comfortable sharing their unique perspectives.
4. External Change	Where possible ensuring all Hostelworld's externally focused activities reflect the diverse society we live in.

Our D&I group made great progress across each of the four pillars in 2020. They've brought awareness to issues people aren't familiar with as well as starting conversations around our own individual thinking and perceptions in terms of diversity and inclusion such as the importance of understanding and eradicating unconscious bias. Our D&I group also issue a monthly Diversity and Inclusion newsletter through which we've seen some of our own people submitting honest and thought-provoking content, ultimately shaping, encouraging and eradicating the boundaries on conversations typically classed as taboo or uncomfortable. In 2021 our D&I group plan to initiate more challenging topics for discussion as well as continuing with their mission to encourage and educate Hostelworld Group and our people to embrace diversity and inclusion in all that we do.

Overall, 2020 highlighted that our people are resilient and thrive in the face of adversity.

Our Communities

Noting that 2020 was a challenging time for our communities and charity partners, we continued to champion, advocate and support them where possible.

In 2020 we partnered with the Movember Foundation for the first time. Movember is the leading global organisation committed to changing the face of men's health. Movember aims to raise awareness around mental health and suicide prevention, prostate cancer and testicular cancer. Some of our people took part in the "Grow a Mo – Save a Bro" initiative, where they grew moustaches to raise awareness of Movember. Overall our people raised €2,300 and ignited internal conversations about men's health. For the sixth year in a row, we partook in the Christmas Appeal with Team Hope as well as the St.Vincent de Paul Christmas Food Appeal.

We also partnered with the Acorn Programme which offers students from socially- economic disadvantaged areas meaningful experience in technology companies. We offered internships to two 5th year students to experience life working across the different functions in a technology company. We also gave virtual career talks and facilitated virtual mock interviews with 6th year students to develop their interview skills and prepare them for their future outside of school.

Global Tourism Plastics Initiative

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

With this in mind, in 2020 we became a signatory to the Global Tourism Plastics Initiative (GTPI) led by the UN Environment Programme and the World Tourism Organisation, in collaboration with the Ellen MacArthur Foundation. Our role is to unite the hostel industry to address the root causes of plastic pollution and we are encouraging our hostels partners to sign up to GTPI with a commitment to reducing their single use plastic consumption.

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

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

In 2020, we held webinars in English and Spanish for our hostels partners to introduce them to the GTPI and currently eight hostel partners have joined us in becoming signatories. We frequently update our hostels partners via email, webinars and via our corporate social channels, sharing more information about the GTPI and encouraging them to sign up.

Prior to the COVID-19 outbreak, we made efforts to reduce our plastic waste in our offices. Some of the efforts we had made included buying reusable Tupperware for employees to avoid using single use food containers, buying reusable water bottles and ordering fresh fruit and bread from suppliers that use fully recyclable packaging. Since the COVID-19 outbreak, we have implemented the introduction of our Agile Working Policy. This enables our people to work remotely and has already had a great impact on the amount of daily travel by all employees. It has also reduced the amount of plastic consumption we purchase, for example office supplies, stationery and food and beverage packaging.

Our Hostel Partners and our Customers

In response to the COVID-19 Pandemic we provided our hostel partners and our customers with as much support as possible.

Our annual hostel awards, better known as the HOSCARs, is where we honour the best hostels around the world. The HOSCARs have been running since 2002, and the winners are based on the millions of customer reviews we receive every year. Our 2020 awards however will be a little different. The COVID-19

Corporate Social Responsibility
(Continued)

pandemic meant many travellers had to postpone or cancel their plans, so we had to think a little differently about the awards this year. We wanted to celebrate the outstanding hostels that made their mark on the world in extraordinary ways, despite all the difficulties they faced. We have defined seven categories to make up this year's EXTRAordinary HOSCARs, and our hostel partners can submit their entries to any of the categories which will be judged by an expert and independent judging panel in early 2021. The categories are:

1. **EXTRAordinary** Sociable Experience
2. **EXTRAordinary** Community and Social Impact
3. **EXTRAordinary** Sustainable Hostel
4. **EXTRAordinary** Inclusive Hostel
5. **EXTRAordinary** New Hostel
6. **EXTRAordinary** Innovation
7. **EXTRAordinary** Hostel Hero

Throughout 2020, many of our hostel partners adapted and evolved, making travellers' stays as safe as can be, with many going above and beyond to support their local communities, so it was important that they were given the accolades they deserved.

In 2020, 36 hostel partners became our "Hostel Heroes" – those who made the world a better place throughout the pandemic. We saw our hostel partners turn their businesses into hubs that provided frontline medical staff with accommodation, supported their local communities impacted by the collapse in tourism by donating food supplies and offering a safe place to stay to stranded travellers. Our "Hostel Heroes" inspiring initiatives were shared with our property partners, our customers, our people, and across our social channels. In the midst of a global crisis, we saw our hostel partners do amazing things. It was important our hostel partners' great work in 2020 was recognised, which ultimately led to the creation of the EXTRAordinary Hostel Hero award as part of our HOSCAR Awards.

We took part in the "Adopt a Hostel" initiative to help the hostel industry survive the pandemic. Adopt a Hostel encourages travellers to purchase gift cards to use towards future hostel stays or make a donation to help our hostel partners survive this difficult time.

With a large volume of customer cancellations in 2020, we cut down the refund wait times by offering Hostelworld credits in lieu of a refund to customers. We also launched our "Beds for Backpackers" initiative where we offered support to stranded travellers, by pairing them up with hostels offering free stays in over 70+ hostels in 30+ countries.

Our customers were also given the option to give back to the hostels by volunteering their time to support with basic tasks during their stay if they desired.

Hoscar Winner 2020 | Jollyboys Backpackers, Zambia

Our Shareholders

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

Key Policies

Our people are expected to abide by our general Code of Conduct, which outlines specific principles of behaviour everyone is expected to follow, at all times, in the key areas of integrity, confidentiality, lawful behaviour and disclosure of interests. We are committed to ensuring and maintaining an environment that is free from bullying and/or harassment and where the dignity of each and every person at work is respected and upheld.

We have a Whistleblowing Policy in place that sets out how a colleague can raise a concern, the way the Group will respond, and how the rights of colleagues who raise a concern, and those who are the subject of reports, are to be protected. We have an independent whistleblowing hotline that all staff can access confidentially should they not feel safe reporting a concern internally.

Modern Slavery Act 2015

The Modern Slavery Act 2015 (the "Act") requires large organisations operating in the United Kingdom to make a public statement outlining how they keep their supply chains free from slavery and human trafficking. We published an updated statement on our website on 29 March 2019 outlining the steps taken by the Group to ensure that slavery and human trafficking is not taking place within the business or any supply chain and we will continue to monitor our obligations under the Act.

Greenhouse Gas Emission statement

Greenhouse Gas ("GHG") emissions for the financial year ended 31 December 2020 have been measured as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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

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

In 2020 we are reporting on the emissions of CO_2 generated by the business and the energy consumed by the business. The carbon gas emissions generated by Hostelworld customers travelling to destinations is not included in this report. The below table shows the total tonnes of carbon emissions generated by Hostelworld.

Corporate Social Responsibility
(Continued)

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

Scope 1 - All direct GHG emissions
Scope 2 - All indirect emissions due to consumption of purchased electricity
Scope 3 - Voluntary disclosure of other indirect emissions where Hostelworld Group has the ability to influence them

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

Energy Consumption	2020 kWh	2019 kWh
Energy usage - UK	192,434	177,365
Energy usage - Other locations	247,721	323,587
Energy usage	440,155	500,952
Proportion consumed in the UK	44%	35%

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

The energy consumption in the Group's Sydney office has been estimated on a per person basis, based on the actual energy consumption in the Group's Dublin office, and is not considered material to the above disclosures. For the Shanghai office, we have estimated per person on the first four months of the year and then included the actuals from May 2020 onward.

In 2020, there was a significant reduction in the emissions produced due to the COVID-19 pandemic. Our energy consumption has declined as a result of staff working from home since March 2020. Emissions generated from travel have substantially fallen. The majority of the travel emissions arose in the first quarter of 2020.

Kuna Bali, Indonesia

Governance

Directors' Biographies

Michael Cawley

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

Age: 66

Nationality: Irish

Qualifications: Michael has a Bachelor of Commerce degree from University College Cork and is a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: October 2015

Independent: Yes*

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

Other Board and Management Experience: Michael is also a non-executive director of Ryanair Holdings plc, having joined the Board in August 2014. Michael had previously served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair from 2003 to March 2014 and before that as Ryanair's Chief Financial Officer and Commercial Director from 1997. Michael also holds directorships in Flutter Entertainment PLC (previously Paddy Power Betfair plc), Kingspan Group plc, Mazine Limited, Prepaypower Holdings Limited, GMS Professional Imaging Limited, Gowan Group Limited, Linked P2P Limited and Meadowbrook Heights Unlimited. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited.

*Independent on appointment

Gary Morrison

Role: Chief Executive Officer; Chair of the Disclosure Committee

Age: 53

Nationality: British

Qualifications: Gary has a Masters in Engineering from Leeds University UK and holds an MBA from INSEAD.

Joined Group: June 2018

Independent: No

Sector Experience: Online travel industry; technology; telecommunications.

Other Board and Management Experience: Prior to joining the Group, Gary was Senior Vice President and Head of Retail for Expedia brand worldwide. He also was a director of Despegar (NYSE DESP), AirAsiaExpedia and Voyages SNCF. Previously, Gary held senior management positions at Google as Head of Global Sales Operations for Google's Online Sales Channel and Motorola as VP and Head of Product management for Motorola's Smartphone division. Gary also worked in corporate development/M&A, consulting and engineering roles at General Electric, Booz Allen and Hamilton and Schlumberger France respectively.

Caroline Sherry

Role: Chief Financial Officer; member of the Disclosure Committee

Age: 41

Nationality: Irish

Qualifications: Caroline is a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: November 2019

Independent: No

Sector Experience: FMCG; banking.

Other Board and Management Experience: Prior to joining the Group, Caroline was Director of Financial Planning and Analysis for Glanbia plc's Performance Nutrition division and also held a number of strategic and commercial finance roles at Ulster Bank Group, a subsidiary of NatWest Group. Caroline is a fellow of the Institute of Chartered Accountants in Ireland and completed her training in PwC. She holds a BSc (Hons) in Food Science and an MBS (Hons) in eBusiness.

Evan Cohen

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

Age: 50

Nationality: American

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

Joined Group: August 2019

Independent: Yes

Sector Experience: Technology; media.

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

Éimear Moloney

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

Age: 50

Nationality: Irish

Qualifications: Éimear has a B.A. Accounting and Finance and MSc. Investment and Treasury from Dublin City University. Éimear is also a fellow of the Institute of Chartered Accountants in Ireland.

Joined Group: November 2017

Independent: Yes

Sector Experience: Financial services; real estate, pharmaceutical.

Other Board and Management Experience: Éimear has held senior investment manager roles in Zurich Life Assurance (Ireland) plc, for 17 years up to December 2017, with responsibility for all major markets including the Irish, US and UK equity portfolios, sector, stock analysis and selection. Éimear previously worked with Bankers Trust Funds Management Ltd in Australia and also with Crowe Horwath, Chartered Accountants in Ireland. Éimear also holds directorships with Yew Grove REIT plc, Chanelle Pharmaceutical Group and has been appointed as a non-executive director of Kingspan Group plc with effect from 30 April 2021.

Carl G. Shepherd

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

Age: 68

Nationality: American

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

Joined Group: October 2017

Independent: Yes

Sector Experience: Online travel industry.

Other Board and Management Experience: Carl was co-founder of HomeAway Inc. where he served on the board of directors and was the company's founding Chief Operating Officer and Chief Strategic and Development Officer until its sale to Expedia in 2015. Carl is currently on the board of Turnkey Vacation Rentals, Inc., OnceThere, Inc. and RVshare, LLC. Carl's previous roles include Chief Operating Officer and Chief Development Officer of Hoover's Online.

Corporate Governance Statement

Chair's Introduction

Now in its second year of application, the Board reiterates its support for the shorter, sharper 2018 Corporate Governance Code (the "2018 Code"), its reinforcement of the importance of long-term thinking and the elevation of stakeholder engagement. The Board continues to be committed to promoting high standards of corporate governance in Hostelworld Group plc (the "Company") and its subsidiaries (together the "Group").

Compliance with 2018 Corporate Governance Code

The Governance Report for 2020 sets out how the Company has applied the principles of good governance. I am pleased to report that the Company has complied with the 2018 UK Corporate Governance Code throughout the accounting period, with two minor exceptions. Firstly, the Remuneration Committee has not developed a formal policy on post-employment shareholding requirements. The Remuneration Committee has continued to review whether such requirements should be introduced but consider that the current framework provides for sufficient alignment between management and the long-term interests of shareholders. This takes into account the requirement for the Executive Directors to build a significant holding in Hostelworld shares during the period of their employment, and the two-year post-vesting holding period in the LTIP. Secondly, the 10% of salary pension contribution rate for the Chief Executive Officer is above the 6% rate applicable to the wider workforce. The Chief Executive Officer's pension was agreed at the time of his recruitment in 2018 and remains in line with the level of pension provision for CEOs of similarly-sized companies to Hostelworld. The Remuneration Committee has no immediate plans to change its approach on either of these matters although will review them again ahead of seeking shareholder approval for a new Directors' Remuneration Policy at the latest by the 2022 AGM.

Section 172

The Directors have performed their duty under section 172(1) of the Companies Act, 2006 (duty to promote the success of the Company). The details of how this was achieved are set out in the Strategic Report on pages 38 to 48.

Changes to the Board during 2020

TJ Kelly stepped down as Chief Financial Officer and Executive Director with effect from 1 December 2020. In line with the Group's succession planning, Caroline Sherry succeeded TJ and was appointed Chief Financial Officer, Executive Director and member of the Company's Disclosure Committee with effect from 1 December 2020. Caroline's wealth of financial experience and expertise in consumer facing businesses will be of significant benefit to the further development of the Group.

COVID-19

2020 was clearly an exceptionally challenging year for the Group and for the broader travel and tourism industry. The Board acted immediately to oversee the management of the many COVID-19 related financial, commercial and people challenges which the Group faced during the year. Managing the Group's risks in the face of the rapidly changing international travel landscape involved the convening of Board calls and meetings on a frequent basis during the year to ensure effective and informed decision making and good governance underpinned the Group's response to the COVID-19 pandemic.

Board Composition and Diversity

Of the six Board members, two are female, four are resident in Europe and two are resident in the United States of America. At the time of publication, we have 33% female representation on our Board. Three Board members have travel/online executive experience and the remaining members come from other industry sectors. In my opinion, we have a diverse Board and an excellent mix of skills and styles which ensures challenging and robust debate at boardroom level and well-informed decisions.

Diversity in the Group continued to be a key consideration for the Board during 2020. Diversity is embraced at Hostelworld and, during 2020, the Board provided oversight in connection with the establishment by the Group of a diversity and inclusion working group and the development of a comprehensive diversity and inclusion strategy. The Board provides oversight on an on-going basis to ensure that a culture is maintained and fostered that values and respects diversity and inclusion. The Group's success in this area is demonstrated by the fact that the Group now has a dedicated diversity and inclusion strategy focused on (a) developing employee diversity targets; (b) ensuring gender equality is considered when recruiting for gender stereotyped roles; (c) implementing a programme designed to ensure that employees with disabilities are effectively supported; and (d) setting targets to ensure the Group has a diverse leadership. The Board is committed to providing leadership and oversight on this important issue and will continue to assess achievement against diversity and inclusion objectives on an on-going basis.

Board Evaluation

We recognise that an evaluation of the Board, its Committees and individual Directors significantly enhances board effectiveness, maximises strengths and tackles weaknesses. In 2020, a comprehensive internal evaluation of the Board, its Committees and individual Directors was undertaken. The 2020 evaluation also included an analysis and assessment of the recommendations and proposed actions arising in connection with the 2019 Board evaluation. The 2020 evaluation established that the Board is sufficiently diverse and is operating effectively with members working well together to achieve objectives and further established that the Board had effectively implemented the key recommendations and actions arising in connection with the 2019 evaluation. A detailed overview of the evaluation process is included on pages 82 to 84.

Stakeholder Engagement

The Board is fully supportive of the focus in the 2018 Code on boards demonstrating how the views of stakeholders are captured and taken into account when making decisions. We are committed to ensuring effective engagement with all our stakeholders to ensure that the Group meets its responsibilities to our shareholders and other key stakeholders (which include our people, customers, hostel partners and our key suppliers) and that the Board has due regard to their interests when assessing issues and making decisions. However, it is not practicable to meet the expectations of all stakeholders all of the time and a key part of the Board process is to carefully balance and consider sometimes conflicting expectations of our stakeholders to ensure each stakeholder is treated equally and fairly.

Purpose and Values and Employee Engagement

Our commitment to satisfying ourselves that the Group's purpose and values are aligned to its culture is demonstrated by engaging with the workforce through a number of different channels and receiving presentations and considering proposals from Éimear Moloney (in her capacity as the designated Non-Executive Director with responsibility for understanding the views of the Group's employees), the Chief Executive Officer and the Group's Chief Human Resources Officer on issues that affect culture and employee engagement. The profound impact of the COVID-19 pandemic on our workforce during 2020 has been a key area of focus for the Board. A description of the oversight and Board involvement on this issue is included on page 48.

Corporate Governance Statement
(Continued)

Workforce Remuneration and Executive Director Compensation

The 2018 Code emphasises that the Remuneration Committee should consider workforce remuneration and related policies when setting Executive Director remuneration. How the Remuneration Committee addressed this requirement is set out on pages 114 to 115.

It is not possible to overemphasise the value of good corporate governance to long-term sustainable success. We will keep under review developments in corporate governance best practice to ensure that our processes continue to be aligned to the needs of the business, help us manage risk and provide assurance and accountability in a transparent way for the benefit of our shareholders and other stakeholders.

Michael Cawley
Chairman
16 March 2021

Selina Red Frog, Panama

How governance supported our strategy during 2020

Strategic Objective	Board's governance role	Link to principal risk	2019 Board Activity
Supporting our people	Governance to ensure our people were supported effectively during COVID-19	People risks (page 34)	Oversight and approval of the establishment of a diversity and inclusion strategy, agile working policies and engagement programmes designed to support the mental health of the Group's people following the move to remove working during 2020.
Increasing our liquidity	Governance to ensure our financial stability	Macro-economic conditions (page 27)	Oversight and approval of a number of meaningful cash conservation actions to ensure the financial stability of the Group.
Progress our Roadmap for Growth	Board assessment of investments in platform improvements to ensure competitive risks were managed effectively	Competition risks (page 29)	Board consideration and approval of targeted expenditure in strengthening the Group's core platform to improve marketing capabilities, user experience and increase inventory competitiveness to enable the Group take advantage of commercial opportunities when normal travel patterns resume. Read more about improvements in our core platform on pages 17 and 18.
Capital structure	Board decision to issue new ordinary shares in connection with a non-pre-emptive placing and approve the establishment of addition credit facilities.	Macro-economic conditions (page 27)	Approval of a non-pre-emptive share placing and establishment of additional credit facilities to ensure the Group's capital base was strengthened in an uncertain environment. Read more about improvements in the Group's management of liquidity risks on pages 40 to 47.

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

We set out below how the 2018 Code has been applied and complied with during the reporting period. We have provided cross references in certain sections to direct readers to relevant parts of the Annual Report where we explain how we have applied some of the principles and provisions of the 2018 Code. Our aim is to reduce repetition and demonstrate the integrated application of the 2018 Code. The 2018 code is publicly available at:

https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF

Approach to Governance

The main objective of the Board is to create and deliver long term sustainable success, generate value for our shareholders and contribute to the wider community. The principles set out in the 2018 Code emphasise the value of good corporate governance to the long-term sustainable success of listed companies. We set out on page 67 how governance has supported the delivery of our strategy during 2020 and how this is linked to our principal risks.

Long Term Sustainable Success

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

Effective and Entrepreneurial

We set out on pages 82 to 84 details of the Board's effectiveness and how our evaluation process assists in ensuring that the strengths of the Board are recognised and understood and areas that require improvement are identified and actioned. The details set out in (a), (b) and (c) below describe how our governance framework further ensures the effectiveness of the Board. The Nomination Committee report (pages 79 to 81) describes how we ensure we have the right skills and experience on our Board. Biographies of the Directors are provided on pages 62 to 63.

(a) Directors induction and on-going training

On appointment to the Board, each Director takes part in a comprehensive induction programme. This induction is supplemented with on-going training throughout the year to ensure the Board is kept up to date with key legal and regulatory requirements and industry updates. During the year, on-going training included presentations and updates on (1) Market Abuse Regulation compliance requirements; and (2) compliance requirements specific to the Company's listed status. Caroline Sherry, who joined the Board in December 2020 as Chief Financial Officer and Executive Director, underwent a tailored compliance induction programme following her appointment with the General Counsel and Company Secretary and a partner representative of Travers Smith, the Group's capital markets legal advisers. Caroline's compliance training included training on her duty as a Director to promote the success of the Company under section 172(1) of the Companies Act, 2006 and on the Board's obligation to understand the views of the Company's key stakeholders and consider their interests in Board discussions and decision making.

(b) Conflicts of Interest

Our Board has a Conflicts of Interest Policy and has put in place procedures for the disclosure and review of any potential or actual conflicts. During 2020 no material conflicts of interest arose. Two minor declarations of interest were raised by directors during the reporting period. Firstly, TJ Kelly, Gary Morrison and Éimear Moloney declared their intention to subscribe in their personal capacity for shares as part of the non-pre-emptive placing of new ordinary shares announced and completed by the Company in June 2020 and subsequently participated in the placing on the same terms as all other shareholders. In accordance with article 145 of the Company's articles of association, it was confirmed that each participating director's interests in the placing was not material for the purposes of article 145. Secondly, it was noted that TJ Kelly and Gary Morrison would be issued and allotted bonus issue shares pursuant to the bonus share issue completed in September 2020. The issue and allotment to TJ and Gary in this regard was automatic and technical in nature and resulted in TJ and Gary being treated in an equal manner to all other shareholders. It was confirmed that article 145 of the articles of association of the Company permitted Gary and TJ to vote on the decision to issue and allot bonus shares.

(c) Chairman and Non-Executive Directors

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

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

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

Company Values and Purpose

During the year the Board reviewed and affirmed the Group's purpose and values. Details of the purpose and values are set out within the introduction to the report and on pages 52 and 53. Our values are the guiding principles that we use across the Group to underpin decision making, shape our conduct and define our culture.

Assessing and Monitoring Culture

The Board's focus on culture is on-going. Oversight of risk management, establishing reporting mechanisms within the governance framework, direct engagement with our people, on-going oversight of employee retention statistics, investing in our workforce and ensuring remuneration is aligned with the organisation's culture are central to the Board's assessment and monitoring of the Group's culture.

Risk management

The Group's approach to risk in the areas of IT security, data protection and regulatory compliance is conservative, and it dedicates significant resources and focus to manage and monitor risks with the assistance of its internal auditors and senior members of each division/function within the Group. The Board receives regular updates on risks and risk management and regularly reviews the key risks and emerging risks in the business. The Board is committed to respecting the privacy rights of our customers and partners and is provided with updates from the Audit Committee on the results of twice yearly privacy audits undertaken by the Group's Data Protection Officer.

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

Whistle Blowing and Anti Bribery

The Board is committed to promoting a culture that ensures employees can report incidents of wrongdoing in confidence through both internal and external mechanisms. The Group previously adopted an Anti-Bribery Policy and a Whistle Blowing Policy and maintains a confidential whistle-blowing helpline, operated by Navex Global, for reporting such matters. No incidents were reported to the helpline during 2020. The Anti-Bribery Policy and Whistle Blowing Policy are reviewed annually to ensure they are fit for purpose. The Board has been appraised of the arrangements in place for the investigation and follow up of any incident that may be reported and is satisfied that these are adequate.

Direct engagement

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

Employee engagement mechanisms include the following:

- Colleague engagement forum established to enable on-going dialogue between the Board and the Company's workforce - our colleague engagement forum met with Éimear Moloney at various dates throughout the year to ensure that the Board and Hostelworld employees mutually understand each other's views and remain informed on topical issues such as diversity and inclusion, COVID-19 and its long-term impacts and sustainability;
- Seeking the views on key issues from senior executives who attend scheduled Board and Committee meetings on an on-going basis;
- Meetings conducted between Non-Executive Directors and members of the workforce where the views of employees are sought on specific issues and general matters; and
- Using a digital polling platform to seek input from all members of the Group's workforce on issues that affect them.

These mechanisms allow employees to share their views on key topics which provide valuable insight in respect of engagement and culture. From the overview of findings presented to the Board, improvement areas are identified, and action plans are developed to address priority issues.

Employee Retention

The Board receives regular updates on HR matters with a particular focus on retention statistics. Retaining our employees is a key element of our strategy and a strong indicator of an engaged workforce and an inclusive culture in the Group. The improved voluntary attrition rate for 2020 was 18.3%, compared to 24.9% for 2019, and is an area of on-going focus for the Board.

Remuneration and culture

We set out on page 98 how we have addressed the issue of ensuring remuneration is aligned with culture. We explain on pages 114 and 115 the Group's approach to investing in and rewarding its workforce.

Using Stakeholder Views to shape Board Decision Making

The Directors, when conducting Board business and taking decisions at the Board act in way that is most likely to promote the success of the Company for the benefit of its members as a whole, but having due regard and taking into account the factors set out in section 172(1) of the Companies Act, 2006. Details of how the Directors have discharged their duty to promote the success of the Group in accordance with the requirements of section 172(1) of the Companies Act, 2006 are set out on pages 38 to 48.

Engaging with Stakeholders

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

Customer Engagement

The Board recognises the importance of its traveller customers and receives on-going updates on the results of the Group's engagement with its traveller customers through its marketing, online customer forum and customer support channels and was pleased to note the following improvements during 2020:

- The percentage of customer support chats answered within 30 seconds improved by 12% year over year;
- Customer satisfaction score improved by 6% year over year; and
- Trustpilot consumer reviews score up from 2.9 to 3.2 between January 2020 and December 2020.

How we have used traveller customers' views to shape Board decisions during the year are set out in the Section 172(1) statement (pages 38 to 48).

Hostel Partner Engagement

Following the onset of the COVID-19 pandemic the Group immediately engaged with its hostel accommodation partners and hosted 170 hostel webinars with content specifically designed to help our hostel partners navigate the challenges of trading and converting demand in an extremely challenging environment. The Group also used frequent surveys to better understand the nature of our hostel partners business and the impacts of COVID-19 to ensure that the Group was able to provide effective support during the pandemic. The Board received detailed briefings throughout the reporting period on the support provided to the Group's hostel accommodation partners. Action plans which reflected the results of the engagement with hostel partners were considered and approved by the Board on an on-going basis.

How we have used hostel partners' views to shape Board decisions during the year are set out in the Section 172(1) statement (pages 38 to 48).

Key Supplier Engagement

The Board provided oversight and direction in respect of the Group's commercial engagements with its key suppliers following the onset of COVID-19. The Board was fully supportive of the Group's strategy to seek the agreement of certain key suppliers to amending payment terms to enable the Group effectively manage its cash conservation and strengthen its liquidity profile. The Board noted the direct feedback provided to the Group by its key suppliers and recognises the key commercial interest of suppliers is to have certainty of payment of fees. In this context, the Board confirmed with the Executive Directors during the year as follows:

- There were no material payment disputes with key suppliers during the reporting period with extended payment terms being negotiated and commercially agreed with key suppliers and not something the Group sought to impose unilaterally.

How we have used our supplier's views to shape Board decisions during the year are set out in the Section 172(1) statement (pages 38 to 48).

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

Employee Engagement

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

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

As part of the programme of employee engagement activities conducted during 2020, Éimear hosted a number of engagement forums with colleagues from different departments and each of the Group's operating territories, provided detailed updates on Board activities and sought the views of the forum members on a number of topics. Key issues which forum members consistently raised during the year with Éimear were the need for the Group to be more active in the area of diversity and inclusion, gender equality and for the Board and management to be particularly aware of the mental health challenges faced by staff following the move to remote working imposed by the COVID-19 pandemic.

In response to the issues raised with the Board by colleagues in these forums and through other direct engagement channels referred to above, a number of diversity and inclusion, gender equality and remote working mental health and staff well-being initiatives were implemented with the oversight of the Board during 2020.

How the views of our people have been used to shape Board decisions during the year are set out in the Section 172(1) statement (pages 38 to 48).

To ensure that the Group's executive leadership team and the Board remained focused on engaging with the workforce, the Board directed that further employee surveys were to be carried out in 2021. The results of these surveys will be shared with the Board during the year and will be considered as part of relevant Board decisions.

Shareholder Engagement

Senior management and the Head of Investor Relations held regular meetings with existing and potential institutional investors and analysts during the reporting period and investor feedback was collated after each roadshow and shared with the Board.

During 2020, management spoke to almost 80% of our shareholder base and the Head of Investor Relations, the Company's UK and Irish brokers and the Executive Directors provide the Board with regular feedback on shareholders' views and key market issues. This ensures the Board is aware of market conditions and that shareholder concerns are understood and considered in Board decisions.

In response to direct shareholder feedback during the year, the Board approved the issuing of a number of trading updates to ensure our shareholders were kept up-to-date on the Group's financial position following the onset of COVID-19, approved the implementation of material cash conservation measures and also approved the issuing of bonus shares to our shareholders in Septemeber 2020. The Board remains committed to maintaining open channels of communication with its shareholders and to continue to strengthen dialogue with its main stakeholders.

Results and other news releases are published via the London Stock Exchange and Euronext Dublin Stock Exchange RNS and on the Company's website at www.hostelworldgroup.com.

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

Annual General Meeting

The AGM is an important forum for shareholders, particularly private shareholders, to hear more about the general development of the business. In light of the COVID-19 pandemic and in response to the Irish Health Service Executive's current guidance regarding social distancing and the prohibition of public gatherings, the upcoming 2021 AGM will, in the interests of safety, take place as a closed meeting and shareholders will not be able to attend in person. This is regrettable but a prudent measure designed to protect the health of our shareholders and Board members.

However, the Executive Directors, Chairman (in both his capacity as Chairman of the Board and Chairman of the Nomination Committee) and the Chairs of the Audit and Remuneration Committees are keen to provide shareholders with an opportunity to ask questions, engage with members of the Board and learn more about the Company. In order to facilitate this, should a shareholder wish to ask a question on the work of the Board, its Committees or on any matter addressed in this Annual Report, please email your question to corporate@hostelworld.com.

The 2021 Annual General Meeting will be held on 26 April 2021. Full information is contained in the Notice of Annual General Meeting, which will be sent to shareholders with this Annual Report at least 20 working days prior to the date of the meeting and is available on the Company's website at www.hostelworldgroup.com.

Directors Concerns

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

The Chi Novel Hostel, Vietnam

2. Division of Responsibilities - Principles F - I of the 2018 Code

The Chairman

Responsibility

Michael Cawley was appointed as Chairman of the Board of Directors on 1 December 2017 and was considered independent on appointment. Michael's responsibilities are outlined in the table below. The Chairman is responsible for effective leadership of the Board and maintaining a culture of openness at Board meetings.

A Balanced Board

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

Performance

The Chairman confirms that, following a Director performance evaluation during 2020, each Director's performance continues to be effective and each Director demonstrates commitment to the role.

Non-Executive Directors

Our Non-Executive Directors bring insight and experience to the Board. They have responsibility for constructively challenging the strategies proposed by the Executive Directors and scrutinising management's performance in achieving the Company's objectives. The Board assessed and confirmed during the year that the Non-Executive Directors have adequate time to meet their Board responsibilities. External appointments held by our Non-Executive Directors are set out on pages 62 to 63. Following the end of the reporting period but prior to the publication of this Annual Report, Carl G. Shepherd notified the Board that he was considering accepting one additional external appointment. This proposed external appointment was approved by the Board following confirmation from Carl that the proposed commitments involved would not impact his ability to properly discharge his Board duties. At the date of publication of this Annual Report, no external appointments are held by our Executive Directors.

Senior Independent Director

Carl G. Shepherd serves as the Board's Senior Independent Director. Carl provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors, where necessary, and is available to shareholders should they have concerns where communications through normal channels have not been successful or where such channels are inappropriate. With significant board experience and online travel expertise, the Board is satisfied that Carl has the necessary qualities and expertise for this role.

Division of Responsibilities

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

Company Secretary

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

Hostel Hero | INOUT Hostel, Spain

Division of Responsibilities

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

The Board of Directors

The Directors delegate the day-to-day management of the business to the Chief Executive Officer within defined governance parameters and holds the Chief Executive Officer to account against targets and standards. The Board approves long-term corporate and strategic plans after a comprehensive review and assessment of business trends and risks.

The formal schedule of matters reserved for the Board's decision is available on the Group's website, www.hostelworldgroup.com. The schedule of matters reserved to the Board and the Terms of Reference for each of its Committees are subject to regular review. The Board also has a Delegation of Authority Policy that sets out clearly the primary responsibilities, controls and authorisation limits on matters affecting the Group's business. This was reviewed and updated by the Board on two occasions during 2020.

2. Division of Responsibilities - Principles F - I of the 2018 Code (Continued)

Board Meetings

The Board holds regular board meetings. There were seven scheduled Board meetings during the year, with additional Board meetings and conference calls held between the scheduled Board meetings as and when circumstances required it to meet at short notice. Given that 2020 proved to be a uniquely challenging year for the Group on account of COVID-19 and for the travel industry in general, the Board also met frequently on short notice to consider and agree the implementation of actions that were designed to mitigate the commercial, financial and people risks brought about by the COVID-19 pandemic. Certain Board decisions are addressed through written resolutions signed by each member of the Board. Consideration and decisions taken by the Board during the year have included the following key matters:

- Deciding to amend the Company's dividend policy to a pay-out ratio of between 20% – 40% of the Group's adjusted profit after tax;
- Deciding to cancel the recommendation of a proposed full year 2.1c per share final dividend for 2019;
- Deciding to distribute bonus shares to shareholders rather than pay a cash dividend;
- Following the onset of the COVID-19 pandemic, deciding to implement a number of cost saving and cash conservation measures and focus available expenditure on core platform enhancements;
- Agreeing to secure additional banking facilities to mitigate the COVID-19 related liquidity risks to the Group;
- Agreeing to increase the Group's liquidity through an equity placing;
- Approval of a number of employee initiatives in the areas of mental health and well-being and enhanced employee communication and engagement;
- Approved the appointment of a new Chief Financial Officer and Executive Director;
- Approved the statement of steps taken to prevent modern slavery and human trafficking as contained in the Company's Modern Slavery Statement;
- Reviewed and approved the Group's strategy;
- Reviewed and approved the interim and final dividend recommendations and the preliminary and interim results announcements;
- Reviewed and approved the 2021 budget;
- Approved the preliminary results and interim results roadshow presentation;
- Reviewed and approved the 2019 Annual Report and accounts and notice of Annual General Meeting;
- Reviewed and approved the schedule of matters reserved for the Board and the Terms of Reference of the Board Committees; and
- Considered the Board, Board Committee's and Director evaluation questionnaires.

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

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

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

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

Non-Executive Directors are encouraged to communicate directly with senior management between Board meetings. Members of the executive leadership team are invited on an on-going basis to attend Board meetings to present updates on the performance of their specific area(s) of responsibility against Group objectives. During the year, presentations in relation to the Group's product, marketing and hostel accommodation supply strategies were provided to the Board by the Chief Product Officer, Chief Marketing Officer and Chief Supply Officer, respectively.

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

Meetings between the Non-Executive Directors, without the presence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met on seven occasions without the presence of the Executive Directors. These meetings provide the Non-Executive Directors with a forum in which to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships between the Non-Executive Directors. In addition to the scheduled Board meetings during 2020, the Board conducted 12 board calls during the year.

Board Meeting Attendance

Membership	No. of scheduled meetings/ total no. of scheduled meetings held when the Director was a member	Attendance %
Michael Cawley (Chair)	7/7	100%
Carl G. Shepherd	7/7	100%
Éimear Moloney	7/7	100%
Evan Cohen	7/7	100%
Gary Morrison	7/7	100%
TJ Kelly (1)	6/6	100%
Caroline Sherry (2)	1/1	100%

(1) Resigned 1 December 2020
(2) Appointed 1 December 2020

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

Members

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

Membership	No. of meetings/total no. of meetings held when the Director was a member	Attendance %
Michael Cawley (Chair)	4/4	100%
Carl G. Shepherd	4/4	100%
Éimear Moloney	4/4	100%
Evan Cohen	4/4	100%

The Company Secretary acts as Secretary to the Nomination Committee.

Committee Role and responsibilities

The role of the Nomination Committee is to:

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

The Terms of Reference of the Nomination Committee, which were reviewed in 2020, are available on the Company's website at www.hostelworldgroup.com.

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

The Company Secretary acts as Secretary to the Nomination Committee, and other executives may be invited to attend when deemed appropriate.

Chair's Review 2020

Key Activities of the Nomination Committee in 2020

The Nomination Committee met on four occasions during 2020 and separately dealt with recommending the renewal, for a further three-year term, of Carl G. Shepherd and Éimear Moloney as Non-Executive Directors of the Company through a written resolution. The principal activities of the Nomination Committee during the year are detailed below:

- The Nomination Committee led a rigorous process for identifying a replacement for TJ Kelly as Chief Financial Officer and Executive Director of the Company, resulting in the appointment of Caroline Sherry as Chief Financial Officer and Executive Director with effect from 1 December 2020. The process involved the completion of a comprehensive succession planning exercise conducted by the Nomination Committee during 2020 to identify successors for the Company's senior executives, following which Caroline Sherry was identified as the natural successor for TJ on the basis of her extensive experience in senior financial roles, technical expertise and clear leadership skills. Following TJ Kelly's resignation, in accordance with the Company's succession plan and following an interview process with Caroline led by me as Chairman of the Nomination Committee, Caroline was recommended by the Nomination Committee for appointment as TJ's successor as Chief Financial Officer and Executive Director of the Company. As Caroline was identified as TJ's successor as part of the Group succession plan, no external recruitment consultants were involved in the selection process. Caroline's biography is set out on page 62 of the Annual Report.

  Having regard to the provisions of the 2018 Code on the importance of diversity of personal attributes and the need to ensure the Board is comprised of individuals who display a range of softer skills, the Nomination Committee agreed that Caroline displayed a range of impressive personal attributes, such as tact and an ability to listen and develop trust. As part of the Company's process in relation to appointments, the due diligence conducted prior to Caroline's appointment confirmed that Caroline did not have any conflicts of interest with the Group. Following recommendation by the Nomination Committee, Caroline was unanimously appointed as Chief Financial Officer and Executive Director by the Board.

- The Nomination Committee recommended to the Board the renewal of the three-year term appointments of both Carl G. Shepherd and Éimear Moloney, respectively, as Non-Executive Directors of the Company. Prior to making the recommendation, the Nomination Committee considered the purpose and objectives of the Board Diversity Policy which provides that all Board appointments are made on merit in the context of the skills, experience, independence and knowledge which the Board (as a whole) requires to be effective. The Nomination Committee also had particular regard to the provisions of the 2018 Code on the importance of diversity of personal attributes and the need to ensure the Board is comprised of individuals who display such a diversity of personal attributes. Noting the requisite skills, knowledge and experience required for the role, the Nomination Committee unanimously agreed to recommend that both Carl and Éimear's three-year term appointments be renewed on the basis of their skills, personal attributes, and extensive executive and board experience. Neither Carl or Éimear were personally involved in the Nomination Committee's decision to recommend the renewal of their appointments or in the Board's decision to adopt the recommendations of the Nomination Committee in this regard.

- The Nomination Committee also considered Board composition and succession planning on an on-going basis. Further details are set out below.

- The Nomination Committee reviewed its Terms of Reference to ensure it continued to be fit for purpose.

Chair's Review 2020

(Continued)

Board Composition and Succession

On an on-going basis, the Nomination Committee reviews and assesses the structure, size, composition and overall balance of the Board and makes recommendations to the Board regarding succession planning. As part of the Nomination Committee's succession planning work during 2020, the individual and collective skills, experience and knowledge of the Non-Executive Directors was assessed and the Nomination Committee recommended to the Board that no additional non-executive appointments to the Board were currently necessary. The on-going review and assessment of Board composition will continue to have particular regard to the objectives of the Board Diversity Policy (as set out below).

The Nomination Committee also focused on the succession pipeline for senior and middle management to ensure appropriate management development and comprehensive succession planning for the executive leadership team and other key executives was in place. Noting the risks to the business if key personnel left the Group in the absence of adequate succession plans, succession planning included an emphasis on contingency planning, medium-term planning and long-term planning.

Board and Committee Evaluation and Re-Election of Directors

The results of the Board evaluation and Director appraisal process are set out on pages 82 to 84. The Nomination Committee recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each Director, that each Director will seek re-election at the Company's forthcoming AGM and that Caroline Sherry will seek election at the AGM.

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

Board Diversity

The Nomination Committee strongly believes that diversity and providing an inclusive culture is a key driver of business success and is committed to having a diverse and inclusive Board which provides a range of perspectives, insights and critical challenge required to support effective decision making. Diversity is considered in its broadest sense and includes age, gender, cultural background, geographical diversity and business background in line with the Company's Board Diversity Policy, which was reviewed in December 2020 to ensure it remains fit for purpose. While the Board will always seek to appoint the most talented and skilled candidates on merit against objective criteria, gender and diversity will continue to be given careful consideration as part of the process of Board refreshment and renewal. As at the date of this Annual Report, 33% of the Board and 37.5% of the Group's leadership team are female.

The stated aim of the Board Diversity Policy is for the Company to have a balanced Board that has the appropriate skills, knowledge, experience and diversity for the needs of the business. The stated objectives of the Diversity Policy are (1) to ensure that the possibilities for maximising the Company's success and achieving its strategic goals are optimised by having a broad range of perspectives on the Board; and (2) that diversity provides the basis for improving the quality of decision making on the Board by reducing the risk of 'group think'. The provisions of the Diversity Policy require that its effectiveness is subject to annual review by the Nomination Committee. In addition, as part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Diversity Policy requires the Nomination Committee to specifically consider and assess the adequacy of the diversity representation on the Board. This assessment was made by the Nomination Committee who confirmed that the Board was sufficiently diverse. The policy statement included in the Diversity Policy provides that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors and emphasises that in identifying suitable candidates for appointment to the Board, the Nomination Committee are required to consider candidates on merit against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee confirms that this policy was followed during the year in the selection process for Caroline Sherry who replaced TJ Kelly as Chief Financial Officer and Executive Director of the Company.

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

Shareholder engagement / COVID -19 and impact on 2021 AGM

In light of the COVID-19 pandemic and in response to the Irish Health Service Executive's current guidance regarding social distancing and the prohibition of public gatherings, the upcoming AGM will, in the interests of safety, take place as a closed meeting and shareholders will not be able to attend in person. Accordingly, I will not be available at the upcoming AGM to directly answer questions that you as a shareholder may have on the work of the Nomination Committee. This is regrettable but prudent in light of the need to ensure the health and well being of you, our shareholders.

Despite these exceptional circumstances, I am keen to maintain engagement with our shareholders. In order to facilitate this, if you are a shareholder and would like to ask me or any member of the Nomination Committee a question on the work of the Nominaiton Commitee during 2020 or on any matter addressed in this section of the Corporate Governance Statement, please email your question to corporate@hostelworld.com.

Michael Cawley
Chairman, Nomination Committee
16 March 2021

Corporate Governance Statement
(Continued)

Board Effectiveness and Evaluation

Progress against 2019 Board evaluation actions

Set out below is the progress made in 2020 against actions identified as part of the 2019 Board effectiveness review:

Action	Progress
Additional time allocated to allow Non-Executive Directors and Executive Directors collaborate on strategic issues and business reviews	During the year the Board held a number of additional meetings to assess the commercial, financial and people implications of COVID-19 and agreed the adoption of measures to protect the short and long-term future of the Group
Monthly KPIs on key operational issues and financial performance should be circulated to the Non-Executive Directors between Board meetings	Trading and financial updates together with detailed KPIs on key operational issues (delivery against product strategy and employee welfare in the context of COVID-19) were provided to the Non-Executive Directors on an on-going basis between Board meetings
The existing range of financial and non-financial performance measures to assist the Board's monitoring of management's performance should be improved and there should be continued focus on evolving the quality of materials sent to the Board	During the year the Board agreed a summary CEO report structure which included financial and non-financial performance measures in abridged format to assist efficient and effective Board assessments concerning management's performance
Updates on the evolving competitor landscape to be provided on an on-going basis.	At regular intervals during 2020, the Chief Executive Officer provided the Board with updates on competitor activities and their commercial responses to COVID-19 to ensure the Board was able to effectively consider management proposals for dealing with the impacts of COVID-19

Internal Evaluation

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

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

Views were also sought on the Board's input into strategy discussions, governance and compliance, risk management and succession planning. The Board evaluation process continued its previously adopted practice of requesting separate feedback on the effectiveness of the Board and its Committees from senior executives who had presented operational briefings during the year, and from both the Group's internal audit partner from PwC and from the Remuneration Committee's executive compensation consultants (Korn Ferry).

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

The evaluation established that that the Directors were satisfied that they were kept well informed of material matters occurring between meetings, that the Board had in place a sufficient system to provide assurance to it on the effectiveness of the Group's internal controls, that Board members had an appropriate level of input into shaping the Group's strategy, and that Board members understood what was expected of them as board members in the context of their fiduciary duties. Accordingly, each Director will seek re-election at the Company's forthcoming AGM on 26 April 2021 and Caroline Sherry will seek election at the AGM. The specific reasons why each Director's contribution is important to the long-term sustainable success of the Company are set out in the Annual General Meeting documentation.

Board Evaluation Process - Board Strengths

- Sufficient diversity on the Board in terms of gender, experience and Non-Executive Director/ Executive Director balance and non-executive Board members strongly consider themselves independent of management (and also exercise independent judgment and voice their own opinions);
- Board members consider that they have an appropriate level of input into shaping Company strategy;
- Board members were satisfied that they were kept informed of all material matters occurring between meetings; and
- The Board has in place a sufficient system to provide assurance to it on the effectiveness of the organisation's internal controls.


The Yard Hostel, Thailand

Corporate Governance Statement
(Continued)

Board Evaluation Process - Recommendations for improving Board Effectiveness

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

- Where practicable, Committee meetings to be held prior to Board meetings to ensure Board meetings had sufficient time to focus on strategy matters in an in-depth manner
- Committee updates to the Board to be allocated increased time to ensure comprehensive updates are provided to the Board on Committee matters
- A two-day in person Board strategy session to be held during 2021 (subject to travel guidelines permitting travel)
- Senior management participation in Board meetings during 2020 had been particularly beneficial and should be continued during 2021
- Succession planning for senior executives was to remain an area of key focus for 2021
- A detailed assessment of training and development needs for Board members who did not have executive experience in online travel companies was to be completed and actioned in 2021

These recommendations and the separate recommendations for improving Board effectiveness provided by the senior executives who had presented operational briefings to the Board during the year and the Group's internal audit partner and executive remuneration consultants will be put in place in 2021.

The Chairman also conducted an appraisal of the performance of each Director (considering the views of the other Directors). He reported that each Director continues to perform effectively and demonstrates commitment to the role. As part of the appraisal exercise the Chairman assessed the individual and collective depth and breadth of skills, experience and knowledge of the Non-Executive Directors and concluded that (1) these were adequate to enable the Board and its Committees to discharge their respective duties and responsibilities effectively; and (2) no additional non-executive appointments to the Board were currently necessary. The Board agreed to keep the matter under on-going review and to reassess the issue during 2021.

An assessment of the Chairman's performance was also carried out in 2020 by the Non-Executive Directors, led by the Senior Independent Director, who provided feedback to the Chairman individually that concluded that he performed his role effectively.

External Evaluation Assessment

The Board considered the benefits of having a Board evaluation facilitated by an external third-party consultant. Noting the confirmation provided by the Company Secretary that the internal evaluation process included each item set out by the Financial Reporting Council in its published guidance note, 'Guidance on Board Effectiveness', as areas that should be included in a board evaluation exercise, the Board agreed that the 2020 evaluation process had been well structured and comprehensive in all material aspects. The merits of having a board evaluation conducted by an external third-party consultant will be kept under review and assessed on an on-going basis.

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

Membership

Membership of the Audit Committee consists of the following Non-Executive Directors:

Membership	No. of meetings/total no. of meetings held when the Director was a member	Attendance %
Éimear Moloney	5/5	100%
Carl G. Shepherd	5/5	100%
Evan Cohen	5/5	100%

The Company Secretary acts as Secretary to the Audit Committee.

Meetings

Under its Terms of Reference, the Audit Committee is required to meet at least twice a year. The Audit Committee met on five occasions during 2020. The Audit Committee's meetings and agenda are linked to events in the Group's financial calendar. During the reporting period the Audit Committee was particularly focused on the financial risks and business continuity challenges the Group was presented with following the on-set of COVID-19.

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

Committee Role and Responsibilities

- Monitor the integrity of the financial statements of the Company and any formal announcement relating to its financial performance, including reviewing significant financial reporting issues and estimates and judgements they contain;
- Review and challenge where necessary the use of or changes to accounting policies, the methods used to account for significant or unusual transactions where different approaches are possible, the clarity and completeness of disclosure in the Company and Group's financial reports and the context in which statements are made, and all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement insofar as it relates to the audit and risk management;
- Assess whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy;
- Review the adequacy and effectiveness of the Company's internal financial controls and the Company's statements on these matters;
- Perform an annual assessment of the Company's compliance with the requirements of the 2018 Code;
- Review the Company's procedures for detecting fraud;
- Review the Company's systems and controls for the prevention of bribery and receive and review reports on non-compliance;
- Consider annually whether there is a need for an internal audit function; and
- Oversee the relationship with the external auditor, including selection, appointment, removal, terms of engagement, approval of remuneration, assessing independence and objectivity, assessing effectiveness of the audit process, and setting policy on the use of non-audit services.

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

The full schedule of roles and responsibilities are contained in the Audit Committee's Terms of Reference, which were reviewed in December 2020, and which are available on the Company's website www.hostelworldgroup.com.

Chair's Review 2020

Committee Competence

The Audit Committee is comprised of three independent Non-Executive Directors and is chaired by Éimear Moloney. In accordance with the requirements of the 2018 Code, the Chairman of the Board is not a member of the Audit Committee. The 2018 Code requires that the Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Disclosure Guidance and Transparency Rules (DTRs) require that at least one member of the Audit Committee has competence in accounting and/or auditing. The Board is satisfied that the Chairperson of the Audit Committee meets these requirements, being a qualified accountant who has previously held senior investment manager roles in Zurich Life Assurance (Ireland) plc.

The Board considers that the Audit Committee has the necessary competence and broad experience relevant to the sector in which the Group operates, as required by the 2018 Code. Carl G. Shepherd is a former Chief Operating Officer and Chief Strategic and Development Officer with HomeAway Inc. and Evan Cohen is a management and strategy consultant who formerly had operational responsibility for Lyft's US East Coast business and was Chief Operating Officer at Foursquare. Carl and Evan each have a clear understanding of the challenges presented by the Group's customer-focused strategy which enabled them to make robust and insightful contributions to the Audit Committee's activities during the year. Further details of the background, knowledge and experience of the Chairperson of the Audit Committee and each of the Audit Committee members can be found on pages 62 and 63 of this Annual Report.

Fair, Balanced and Understandable

One of the significant governance requirements is to consider whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At the request of the Board, the Audit Committee has undertaken the detailed work in making this assessment, including assessing the work undertaken by management in the preparation of the accounts and the Annual Report, the analysis performed of changes to applicable standards and reporting requirements, and the arrangements for review and verification of the information contained in the Annual Report.

The Audit Committee reviewed a draft of the Annual Report at a meeting in advance of giving their final opinion and ahead of final approval by the Board. The Audit Committee was provided with all relevant information and, in particular, with detailed briefings from management on how specific issues are managed and challenged management as required. The review by the Audit Committee in considering whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy included:

- Considering whether the content of the Annual Report, in particular the Strategic Report and business review, provides both positive and negative aspects of performance and developments in a clear and meaningful way;
- Ensuring that the links between discussions of performance, financial position and cash flows, including the use of appropriate performance measures and the financial statements, are clear;
- Considering if the information provided on the Company, the environment in which it operates and the risks it faces are specific to the Group and are not explained in general terms;
- Removing immaterial items; and
- Explaining the links between information in the Annual Report, such as objectives, KPIs and risks.

Having conducted its review, the Audit Committee is satisfied that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Following recommendation by the Audit Committee, the Board confirmed that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The ultimate responsibility for the preparation of accounts giving a true and fair view and an Annual Report that is fair balanced and understandable as set out in the Directors' Responsibility Statement on page 126 and 127, rests with the Board of Directors.

Significant Issues

In reviewing the financial statements with management and the auditors, the Audit Committee has discussed the critical accounting judgements and estimates. The significant issues considered by the Audit Committee in respect of the 2020 Annual Report are as follows:

Significant Issue	Description and resolution
Going Concern	The Audit Committee reviewed the Group's assessment of going concern over a period of not less than 12 months from date of signing. The assessment is prepared based on cashflow forecasts which are conservative in its assumptions and do not assume any upside from global mass vaccination programmes, full recovery is not expected to happen until FY-23, average booking value assumed to be lower than historic not returning to FY-19 levels until FY-24 and cost per booking is assumed to be elevated. In assessing going concern, the Audit Committee reviewed the steps taken by management to ensure adequate liquidity is available to the Group in light of the considerable uncertainty surrounding the ongoing impact of COVID-19 – primarily the securing of an additional €30m term loan facility. The Audit Committee concluded that it was appropriate to recommend the adoption of the going concern basis in preparing the Financial Statements.
Carrying value of Goodwill and Intangible Assets	Goodwill and intangible asset impairment reviews involve a range of judgemental decisions largely related to the assumptions used to assess the value-in-use of the assets being tested. These assumptions typically include short and long-term business and macroeconomic projections, cash flow forecasts and associated discount rates. Given the decline in booking volumes for COVID-19 all intangibles were subject to an impairment review. The Audit Committee received a number of detailed performance updates on the Group intangible assets where for certain classes of assets the carrying value of the asset was greater than the recoverable amount of the assets. The recoverable amount was based on value in use calculations. The Audit Committee reviewed the methodology applied including ensuring that the discount rates used were appropriate and considered the output from the sensitivity analysis performed at 2020 year-end. The Audit Committee was satisfied that the assumptions used were appropriate and, in particular the assumptions made with regards to the impact of COVID-19 on the cashflows in the Group's impairment models. Following these discussions, the Audit Committee is satisfied with the impairment taken at 31 December 2020 of €15.0m. They are also satisfied that the controls over management's impairment review process are adequate.

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

Significant Issue	Description and resolution
Deferred tax asset recognition and recoverability of deferred tax assets	Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future periods against which the reversal of temporary differences can be deducted. The extent to which it is probable that taxable profits will be available in future periods has been assessed by management based on the Board approved five-year numbers. The Audit Committee have reviewed the initial recognition and recoverability of deferred tax assets and are satisfied with the carrying value at 31 December of €7.6m (2019: €6.6m).
Capitalisation of Development Costs	The Group incurs significant internal costs in respect of the ongoing development of its IT systems and core technology and product platforms. The accounting for these costs as either development costs (which are capitalised as intangibles) or expensed as incurred involves judgement. In the year ended 31 December 2020 €2.3m (2019: €2.3m) of internally generated development costs were capitalised in accordance with the criteria as set out in IAS 38 Intangible Assets. Overall, capitalised development costs carried in the balance sheet amounted to €4.0m at 31 December 2020 (2019: €2.8m). The Audit Committee has reviewed management's application of the accounting policy adopted and the assessment as to whether current projects meet the criteria required for costs to be capitalised (including feasibility of completion, intention to complete, probable economic benefits, availability of resources to complete, and ability to measure expenditure). The Audit Committee considers the approach taken and the application of the policy to be appropriate.
Accounting for Exceptional Items	The Audit Committee considered the presentation of the Group's Financial Statements and, in particular, the appropriateness of the presentation of exceptional items. The Audit Committee considered if exceptional items were in line with the group policy and also if the reported results represented a true and fair view of the underlying performance during the year. The Audit Committee are satisfied that the presentation of exceptional items in the financial statements, and that there is sufficient detail to allow users of the Financial Statements to understand the nature and extent of the exceptional items and how they arose.
Other Matters	The Audit Committee has also considered a number of other judgements which have been made by management including those relating to corporate governance, revenue recognition, recoverability of assets, accruals and estimates and considers that the judgements which have been made are reasonable.

External Auditors

On behalf of the Board, the Audit Committee has primary responsibility for overseeing the relationship and assessing the performance of the external auditor.

Deloitte Ireland LLP were first appointed auditor to the Hostelworld Group in 2004. However, the first year that they were appointed as external auditor to Hostelworld Group plc as a listed plc entity was in relation to the audit for the financial year ended 31 December 2015. In the UK, mandatory audit tendering is required every ten years with mandatory rotation of auditors of Public Interest Entities ("PIEs") required at least every twenty years. Transitional arrangements require Hostelworld to put its audit out to tender by 17 June 2023. This is on the basis of Deloitte Ireland LLP, the existing auditor, being in place for a period of between 11 and 20 years. Accordingly, the Group will need to run a tender process by 17 June 2023.

The Audit Committee will continue to review the relationship with the external auditor and may re-tender its audit contract prior to this date if it considers this necessary.

The external auditor is required to rotate the audit partner responsible for the Group audit every five years. In this regard, Daniel Murray acted as audit partner for the year ended 31 December 2020, his fourth year as audit partner.

To ensure there can be no reason for audit independence to be impacted, the Company has in place a policy on the provision of non-audit services. Under the policy, except in exceptional circumstances, non-audit fees to the audit firm should not exceed 70% of the amount of the audit fee for the current financial year.

All requirements to engage the external auditors for material non-audit services must be notified to the Chairperson of the Audit Committee in advance, and non-audit work with an expected cost in excess of €30,000 must be subject to competitive tender and approved by the Audit Committee. During 2020, Deloitte Ireland LLP were engaged to provide non-audit services to the Group totalling €56.7k (2019: €1.5k). The Audit Committee will continue to monitor the type and level of non-audit services provided by the external auditors to prevent any perceived or actual impact on the auditors' independence.

The Audit Committee assesses the independence of the external auditor and the effectiveness of the external audit process before making recommendations to the Board in respect of their appointment or re-appointment. In assessing the effectiveness of the external auditor, the Audit Committee considered the quality and scope of the Audit Plan, in particular, its focus on the Group's significant risks and other areas of significant judgement and its approach to materiality. In addition, the Audit Committee assessed the expertise and industry knowledge of the audit partner and team and their response to dealing with areas of risk, as well as receiving feedback from executive management on the audit process.

In assessing independence and objectivity, the Audit Committee considers the level and nature of services provided by the external auditor as well as the confirmation from the external auditor that it has remained independent within the meaning of the FRC current Ethical Standards for Auditors. The Audit Committee's assessment of the external auditor's independence took into account the non-audit services provided during the year. The Audit Committee concluded that the nature and extent of the non-audit fees did not compromise the independence of the auditor.

The external auditors have open and unrestricted access to the Chairperson of the Audit Committee.

Having reviewed the auditor's independence and performance, the Audit Committee recommends that Deloitte Ireland LLP be re-appointed as the Company's auditor at the next Annual General Meeting.

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

Internal Controls and Risk Management

The Directors recognise that the monitoring and assessment of the internal controls environment is a necessary step to ensure the Board can place reliance on the reported financial position and prospects of the Group.

The Audit Committee and the Board completed a number of robust assessments of the Company's principal and emerging risks during the reporting period. The Board carried out its assessments in April 2020 and June 2020 and the Audit Committee carried out its assessments in June 2020 and December 2020. There has been increased focus on emerging risks as part of the risk assessment review and the Board is satisfied that there has been a thorough process carried out to identify emerging risks and put in place action to manage or mitigate those risks. This process involved periodic meetings with members of the Group's executive leadership team on an individual and collective basis. These meetings were carried out following a functional review of the principal and emerging risks by each executive leadership team member with their teams. Each function/business unit was given guidance and specific questions to consider in order to ensure the process of identifying emerging risks was thorough. Business units were also directed to consider the underlying drivers or causes of emerging risks including market trends, customer behaviours and examples of external fraudulent activity. The results were discussed collectively by the Executive Leadership Team to identify any cross functional risks and to ensure each principal risk and emerging risk was included in the Company's Risk Register with explanations of how these risks are being managed or mitigated. The Principal Risks and emerging risks are set out on pages 26 to 35.

The Group's executive leadership note that risks cannot necessarily be eliminated. Accordingly, the Group's internal control environment is designed to identify, evaluate, mitigate and monitor the risks and emerging risks faced by the business, and report to the Board in a timely manner. To assist in managing risk, the Group has:

- A clear organisational structure with appropriate lines of responsibility;
- A comprehensive annual planning and budgeting process;
- Clear delegations of authority for the Board for relevant matters, and a comprehensive schedule of matters reserved for the Board;
- Internal control systems and procedures to implement and monitor the use of these delegated authorities;
- Financial control, budgeting and forecasting systems, with regular reporting, variance analysis and reviews of key performance indicators;
- Robust systems by which the Group's financial statements are prepared, which included assessment of key financial reporting risks arising through complexity of transactions, changes to the business, and changes in accounting standards;
- An experienced and suitably qualified finance function that is fully conversant with the operations of the business; and
- A code of conduct setting out behavioural and ethical standards, supported by clear anti-bribery and corruption guidelines, and a whistleblowing policy with an external independent hotline.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal control and considered the significant risks affecting the business and the way in which these risks are managed as part of its responsibility to monitor the Company's risk management and internal control systems. The risks identified on pages 26 to 35 are those that could have a material adverse impact on the Group's prospects, its financial condition and the results of its operations. The actions taken to mitigate the risks described in the Principal Risks and Uncertainties cannot provide assurance that other risks will not materialise and/or adversely affect the operating results and financial position of the Group.

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

Taking into account the Principal Risks and Uncertainties set out on pages 26 to 35, and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems in conjunction with the Board, the Board:

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

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the independence, operation and effectiveness of the internal audit function including its plans, activities and resources. The internal audit function is outsourced to PwC and the Audit Committee considers that PwC continue to be independent and effective. As part of the Board Evaluation carried out during the year, the Board concluded that it was satisfied that the Group had in place a sufficient system to provide assurance to the Board on the effectiveness of the organisation's internal controls and the independence of PwC as the Group internal auditors.

At four of the five meetings of the Audit Committee during 2020, the Audit Committee assessed findings arising from PwC's internal auditor's reports or received updates in connection with previous internal audit reports presented to the Audit Committee. On an on-going basis the Audit Committee considers any control weaknesses identified and the remedial action to be taken.

The 2020 internal audit plan, setting out areas of internal audit focus, was agreed by the Audit Committee with PwC following extensive engagement between PwC and the Company's management. In 2020, the Audit Committee received three reports from PwC covering a) Internal Audit Findings Follow-Up Review; b) Cyber Risk Review; and c) Business Continuity Management Review. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management.

The internal audit plan for 2021 was agreed with PwC following consultation between PwC and the Company's senior management and also between PwC and the Audit Committee. The 2021 internal audit plan focusses on a) Cloud Risk Assessment; b) IT General Controls; c) New Payments Key Controls Review; d) Business Continuity Follow-up Review and e) Internal Audit Findings Follow-up Review.

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

Annual Evaluation of Performance

The Audit Committee's effectiveness was reviewed as part of a questionnaire based internal evaluation process during 2020. The findings were collated by the Company Secretary and reviewed by the Audit Committee Chairperson. The Audit Committee and the Board considered the outcome of the evaluation and the key findings are summarised as follows:

- Audit Committee members have sufficient experience, skills and time/resources to attend to Audit Committee matters;
- The Audit Committee is focused on appropriate areas of governance and risk;
- The Audit Committee challenges the views of management and robust debate is encouraged at committee meetings;
- The Audit Committee is satisfied that that culture of the Group encourages committee members to discuss matters openly and candidly with management;
- Regulatory updates be provided to the US based Audit Committee members on UK listed company matters on an on-going basis; and
- Committee meeting materials provided in advance of meetings by third party advisers should be focused on key risk and financial matters relevant to the Group.

I will ensure the Audit Committee areas highlighted for improvement/enhancement are actioned and are on the Audit Committee agenda over the course of 2021.

Éimear Moloney
Chairperson, Audit Committee
16 March 2021

Kuna Bali, Indonesia

5. Remuneration – Principles P-R of the Code Chairman of the Remuneration Committee's Annual Statement

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 31 December 2020.

Membership	No. of meetings/total no. of meetings held when the Director was a member	Attendance %
Carl G. Shepherd (Chair)	8/8	100%
Michael Cawley	8/8	100%
Éimear Moloney	8/8	100%
Evan Cohen	8/8	100%

The Company Secretary acts as Secretary to the Remuneration Committee.

Key Activities of the Remuneration Committee in 2020

The Remuneration Committee held eight meetings during 2020 and, among other things, undertook the following activities:

- Finalised the 2019 Directors' Remuneration Report;
- Determined the salary increases for the Executive Directors that applied for 2020, as reported last year;
- Agreed the final outturn of the 2019 annual bonus scheme for the Executive Directors, as reported last year;
- Approved salary deferrals for the Executive Directors and other members of the senior management team as a response to the COVID-19 pandemic;
- Discussed and agreed the approach to be taken to Executive Directors' incentives in 2020 following the outbreak of the pandemic;
- Agreed the approach to the award made under the Company's Long-Term Incentive Plan ("LTIP") in 2020, including the quantum, metrics, targets and award population;
- Approved technical adjustments to outstanding LTIP and SAYE awards following the bonus issue implemented by the Company during the year;
- Approved the remuneration package for the new Chief Financial Officer and the termination arrangements for her predecessor;
- Considered again the remuneration issues raised in the UK Corporate Governance Code;
- Reviewed overall workforce remuneration and related policies, considered the alignment of Executive Director pay with wider Company practices, and discussed alternative methods of incentivisation and retention for colleagues across the business; and
- Started to consider the implementation of the Directors' Remuneration Policy for 2021.

Subsequent to the financial year end, the Remuneration Committee met to review salaries for 2021 and the extent of vesting under the LTIP award granted in 2018.

The Remuneration Policy

The Directors' Remuneration Policy is designed to support the Group's culture and strategic objectives while offering competitive remuneration to enable the business to attract, retain and motivate the high-calibre talent needed to help ensure the business is successful, aligning all stakeholders' interests. This is achieved by the strong focus on performance-related compensation and the use of appropriate performance conditions. The approach to Directors' remuneration is transparently disclosed in this report. The Policy was subject to significant review by the Committee (supported by its external advisers) during 2018 and early 2019, with the Committee conducting a consultation exercise with major shareholders before presenting the Policy for formal approval at the AGM in May 2019.

Executive Remuneration in 2020

The Directors' Remuneration Policy as approved in 2019 continued to apply for the 2020 financial year.

2020 proved to be an exceptionally challenging year for Hostelworld and for the travel industry in general. The impact of the pandemic on the business as a whole is set out in detail in this Annual Report. In short, trading was well below 2019 levels and the Group was required to implement a number of mitigating actions to protect the business and conserve cash. As part of this, the Group signed head of terms on a €30m term loan facility in January 2021 and raised new capital from shareholders via a placing in June 2020.

In response to the crisis, the Board and the Remuneration Committee agreed to implement a programme of salary deferrals for all employees earning above €75,000 (or local equivalent), which included Executive Directors and other members of the senior management team, whereby the payment of 20% of the salary earned above this amount would be deferred. This deferral was in place from April to November 2020. For the Non-Executive Directors, 100% of the fees payable for April and May were deferred, with 20% of the fees payable from June to November also deferred. The programme of deferral ended in November 2020 and all sums which had been deferred were paid to the affected individuals in January 2021.

At the time of preparation of the 2019 Directors' Remuneration Report, the Remuneration Committee was considering the appropriate metrics and targets for the annual bonus scheme to apply in 2020 in the light of the outbreak of the pandemic. Given the impact on the Company, the Committee ultimately decided that no annual bonus scheme would operate for 2020, and no targets for the year were set. As a result, no bonuses were payable to any Executive Director (or any other employee) for 2020.

The Committee approved the grant of a new award under the LTIP at the start of May, reflecting our strong desire to lock in key talent and incentivise performance through the pandemic and into the recovery phase. We gave considerable thought to the appropriate performance metrics and targets for this award, wishing to ensure both continuity with previous awards and the provision of an incentive which was meaningful and realistic in exceptional circumstances. Our conclusion was to continue using both Adjusted Earnings per Share ("Adjusted EPS") and absolute Total Shareholder Return ("TSR") performance conditions, but to adjust the weighting in favour of TSR. This reflected the specific challenges of setting Adjusted EPS with any degree of certainty as well as a desire to ensure management focus on restoring shareholder value. The weighting for the award was therefore agreed as 25% Adjusted EPS and 75% TSR.

For the specific targets, the Committee agreed to assess Adjusted EPS on the basis of EPS to be achieved in the financial year ending 31 December 2022, given the challenges of using the standard approach of measuring percentage growth in Adjusted EPS from a 2019 base point. The target range for the award, which is Adjusted EPS in 2022 of 0c for 25% vesting rising to 9c for 100% vesting, was established taking into account best estimates of performance given a number of potential post-COVID-19 scenarios. The Committee is aware that Adjusted EPS at these levels in 2022 would be below the Adjusted EPS outturn in 2019; however, given the magnitude of events during 2020 these prior year comparatives are no longer considered relevant as a starting point.

For TSR, the Committee agreed a performance range of 5% p.a. growth for 25% vesting, rising to 15% p.a. growth for 100% vesting. Again, this range was determined taking into account expectations of performance and the outlook for the travel industry over the vesting period. TSR will be measured over a three-year period starting from the grant date. This is a change from the prior practice of measuring TSR from the start of each financial year. We took this decision to ensure that the award has value as an incentive: using the 2019 year-end TSR (even with standard averaging methodology) would have resulted in an unrealistically high base point in light of the subsequent market downturn in early 2020.

As indicated above, the Committee was keen to ensure that the 2020 LTIP award operated as a meaningful incentive as well as a powerful retention mechanism. As such, we granted the award at a level of 150% of basic salary for the Chief Executive Officer and the then Chief Financial Officer, in line with the maximum permissible limit for a "normal" award under the Directors' Remuneration Policy. The Committee

5. Remuneration – Principles P-R of the Code Chairman of the Remuneration Committee's Annual Statement (Continued)

is aware of the views of institutional shareholders and their representative bodies on award quantum, particularly when share prices are low. In this very specific case, at a time of unprecedented turbulence for Hostelworld and for the wider travel industry, the Committee believed that it was critical to attempt to lock in key talent through awards at levels higher than those previously granted. This would help increase the likelihood of material rewards in the event of a turnaround in the Company's fortunes and the protection and restoration of shareholder value over the three-year performance period. It should also be noted that, with the cancellation of the 2020 annual bonus scheme, this was the sole incentive to operate for the 2020 financial year.

At the time performance for this award is assessed in 2023, the Remuneration Committee, in line with the Directors' Remuneration Policy, will need to satisfy itself that the vesting outcome represents a fair and accurate reflection of business performance over the period covered by the award. In addition, as prescribed under the Remuneration Policy, the LTIP awards to Executive Directors were granted with a requirement that any shares which vest after the end of the three-year performance period must be held for a further two years before they can be sold (subject to any sales required for tax purposes).

New Chief Financial Officer

The Board promoted Hostelworld's Group Financial Controller Caroline Sherry to the position of Chief Financial Officer in 2020, replacing TJ Kelly. Caroline's initial salary was set at €230,000, subject to Committee review following a short period of performance assessment. After the year end, the Committee agreed to increase Caroline's salary to €275,000 (with effect from 1 February 2021) to recognise the exceptional contribution she has made to date in her new role at a critical time for the business. Even following this increase, Caroline's salary remains significantly below that of her predecessor, and the Committee intends to conduct a further review of the salary at the end of 2021. This review will take into account Caroline's ongoing performance and contribution and any other relevant factors.

Caroline receives a pension contribution at a level of 6% of basic salary, in line with the wider workforce. All other elements of her remuneration are consistent with the terms of the Directors' Remuneration Policy.

TJ Kelly stepped down from the Board on 1 December 2020. He left the Company on 31 December 2020 at the expiry of his agreed notice period. He received salary, benefits and pension until the end of the agreed notice period. The portion of his salary which had been deferred earlier in 2020 was paid to him in December 2020. He received no payment in respect of annual bonus for 2020 and all of his outstanding LTIP awards lapsed upon the cessation of his employment. He received no payment for loss of office.

Looking Ahead

The evolution of the pandemic during 2020 resulted in the Committee considering a number of alternatives to ensure the maintenance of an appropriate link between performance and reward. We were very conscious that remuneration for the Executive Directors and others within Hostelworld did not reflect the levels of commitment to the business they demonstrated during an exceptionally challenging period. In addition to the salary deferrals and the lack of a bonus scheme for 2020, it was clear that the LTIP awards granted in 2018 and 2019 would be very unlikely to vest and therefore were not operating as an effective retention tool. This was brought home to the Board and the Committee by the resignation of the Chief Financial Officer in September.

Retaining, incentivising and motivating the current Executive Directors and the other members of the senior management team are objectives which remain front of mind for the Committee as Hostelworld continues to adapt to the ongoing pandemic. The Committee also continues to focus on ensuring that the Directors' Remuneration Policy is aligned to the short and long term strategic objectives of the business. The Committee has developed a series of proposals for 2021 which, at the time of writing, it is in process of discussing with major shareholders. We hope to be able to communicate more information on the outcome of this process ahead of the AGM.

UK Corporate Governance Code ("the Code")

As indicated in this Annual Statement and in the additional disclosures throughout the Directors' Remuneration Report, the Committee has applied the principles set out in the Code. The Directors' Remuneration Policy is designed to support strategy and promote the long-term sustainable success of the business. The Committee operates a formal and transparent procedure for setting the Policy and for agreeing payments under the framework set out in the Policy. Discretion is applied where relevant, although the Committee did not do so in respect of 2020 pay outcomes.

Hostelworld is compliant with the remuneration provisions set out in the Code, with two minor exceptions. First, the Committee has not developed a formal policy on post-employment shareholding requirements. We have continued to review whether such requirements should be introduced but consider that the current framework provides for sufficient alignment between management and the long-term interests of shareholders. This takes into account the requirement for the Executive Directors to build a significant holding in Hostelworld shares during the period of their employment, and the two-year post-vesting holding period in the LTIP. Second, the 10% of salary pension contribution rate for the Chief Executive Officer is above the 6% rate applicable to the wider workforce. The Chief Executive Officer's pension was agreed at the time of his recruitment in 2018 and remains in line with the level of pension provision for CEOs of similarly-sized companies to Hostelworld. The Committee has no immediate plans to change its approach on either of these matters although will review them again ahead of seeking shareholder approval for a new Directors' Remuneration Policy at the latest by the 2022 AGM.

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

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

- **Clarity:** The Policy and the way it is implemented is clearly disclosed in this Annual Statement and the supporting reports, with full transparency of all elements of Directors' remuneration;
- **Simplicity:** We have adopted a simple and straightforward Remuneration Policy, based on a mix of fixed and variable pay. The annual bonus and LTIP are conventional, easily understood incentive schemes which include performance conditions aligned to key strategic objectives and drivers of Hostelworld's growth. As noted above, in light of the exceptional circumstances of 2020, no bonus scheme operated for the year;
- **Risk:** The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with Hostelworld's risk profile. Maximum targets are not set at levels which are considered unattainable and which would risk incentivising inappropriate behaviour. Potential reward is aligned with market levels for companies of a similar size and the reputational risk from a perception of "excessive" payouts is limited;
- **Predictability:** The Policy includes full details of the individual limits in place for the incentive schemes. Any discretion exercised by the Committee in implementing the Policy has been fully disclosed.
- **Proportionality:** The link between the delivery of strategy, long-term performance and the remuneration of the Executive Directors is set out in this Annual Statement, the summary of the Directors' Remuneration Policy and the Annual Report on Remuneration; and

5. Remuneration – Principles P-R of the Code Chairman of the Remuneration Committee's Annual Statement (Continued)

- **Alignment to culture:** The approach to Directors' remuneration is consistent with key Group cultural tenets of transparency, inclusion and performance. We believe that our incentive schemes help drive appropriate behaviours which are aligned with the core purpose of the business and its evolving strategic priorities. Although, as noted above, no annual bonus scheme was in operation for 2020, the Committee granted an LTIP award during the year designed to address the immediate priority of the Group: the motivation and retention of key talent with an award based on performance targets designed to encourage the protection and restoration of shareholder value at a critical time for the business. Performance targets for future incentives will continue to be set by reference to the prevailing situation at the time.

Dialogue with shareholders on remuneration matters is important to the Committee although there was no formal consultation exercise with major investors during 2020. As noted above, the Committee is currently in the process of engaging with major shareholders with regards to executive remuneration for 2021.

Structure of this Report

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

- This Annual Statement;
- A summary of the Directors' Remuneration Policy, as approved by shareholders at the AGM in 2019; and
- The Annual Report on Remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2020 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM.

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

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

Carl G. Shepherd
Chairman, Remuneration Committee
16 March 2021

Directors' Remuneration Policy (Summary)

Introduction

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

Policy Summary

The Remuneration Committee has designed the policy around the following key principles:

- Shareholder alignment – Ensure alignment of the interests of the Executive Directors, senior management and employees to the long term interests of shareholders;
- Competitive remuneration – Maintain a competitive package against businesses of a comparable size and nature in order to attract, retain and motivate high-calibre talent to help ensure the Company performs successfully;
- Strategic and cultural alignment – Provide a package with an appropriate balance between short and longer term performance targets linked to the delivery of the Company's business plan and is aligned to and reflective of the Company's culture;
- Performance-focused compensation – Encourage and support a high-performance culture; and
- Set appropriate performance conditions in line with the agreed risk profile of the business.

The Remuneration Committee reviews annually the remuneration arrangements for the Executive Directors and key senior management, taking into consideration:

- Business strategy over the period;
- Overall corporate performance;
- Market conditions affecting the Company;
- Changing practice in the markets where the Company competes for talent;
- Pay structure and levels in the Company as a whole; and
- Changing views of institutional shareholders and their representative bodies.

Directors' Remuneration Policy (Summary)
(Continued)

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

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Base Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed annually and any changes are effective from 1 January in the financial year. When determining an appropriate level of salary, the Remuneration Committee considers: • remuneration practices within the Company; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • the general performance of the Company; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and the economic environment.	Base salaries will be set at an appropriate level within a comparator group of comparably sized listed companies and will normally increase in line with increases made to the wider employee workforce. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	None
Benefits			
Provides a market competitive level of benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Executive Directors receive benefits which include, but are not limited to, family private health cover and life assurance cover (including tax if any). The Remuneration Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel. Accordingly, the Remuneration Committee would expect to be able to adopt other benefits including (but not limited to) relocation expenses, tax equalisation and support in meeting specific costs incurred by Directors.	The maximum will be set at the cost of providing the benefits described.	None

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Pensions			
Provide market competitive retirement benefits to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	The Remuneration Committee maintains the ability to provide pension funding in the form of a salary supplement, which would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	For existing Executive Directors, the maximum pension contribution as a percentage of basic salary is 10%. For new Executive Directors appointed after approval of this policy, the maximum pension contribution will be in line with the contribution level provided to the majority of the workforce.	None
Annual Bonus Plan			
The Annual Bonus Plan provides an incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Plan supports the Company's objectives allowing the setting of annual targets based on the business' strategic objectives at that time, meaning that a wide range of performance metrics can be used.	The Remuneration Committee will determine the bonus payable after the year end based on performance against targets. Annual bonuses are paid in cash after the end of the financial year to which they relate. On change of control, the Remuneration Committee may pay bonuses on a pro rata basis measured on performance up to the date of change of control. Malus will apply up to the date of the bonus determination and clawback will apply for two years from the date of bonus determination.	The maximum bonus opportunity as a % of base salary is 100%	Bonus payouts are determined on the satisfaction of a range of key financial and non-financial objectives set annually by the Remuneration Committee. In addition, the payment of any bonus will require the Remuneration Committee determining that the Company has delivered an acceptable level of performance during the year. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.

Directors' Remuneration Policy (Summary)
(Continued)

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Long Term Incentive Plan ("LTIP")			
Awards are designed to incentivise the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term.	Awards are granted annually to Executive Directors under the LTIP. These vest at the end of a three-year period, normally subject to: the Executive Director's continued employment at the date of vesting; and satisfaction of the performance conditions. The Remuneration Committee may award dividend equivalents on awards to the extent that they vest. Awards granted from 2019 onwards which vest after the end of the three-year performance period will be subject to an additional two-year holding period. During this period the shares cannot be sold (other than as required for tax purposes). The LTIP rules contain standard provisions to satisfy awards/dividend equivalents in shares. Malus will apply for the three-year period from grant to vesting with clawback applying for the two-year period post vesting.	Awards may be made up to 150% of base salary. If exceptional circumstances arise, including (but not limited to) the recruitment of an individual, the Remuneration Committee may grant awards outside this limit up to a maximum of 200% of a participant's annual basic salary. No more than 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance.	LTIP awards vest subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. Awards granted in 2019 and 2020 were subject to performance measures based on Adjusted EPS and absolute TSR performance. The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards during the policy period, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

Element and link to our strategic objectives	Operation	Opportunity	Performance metrics, weighting and assessment
Save As You Earn ("SAYE") plan			
To encourage share ownership among Hostelworld employees and increase the alignment with shareholders.	The plan permits employees to purchase shares at the end of a three-year period at a discount of up to 20% of the market value of the shares at grant.	The maximum participation limit is as set out in the relevant legislation.	None (as is the norm for approved all-employee plans).
Shareholding Requirement			
To support long term commitment to the Company and the alignment of Executive Director interests with those of shareholders.	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to 200% of their base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.	200% of salary	None
Non-Executive Director Fees			
The Company provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Remuneration Committee and recommended to the Board. Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and as Chairperson of Board committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments). Non-Executive Directors do not participate in any of the Company's incentive arrangements.	The base fees for Non-Executive Directors are set at an appropriate rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce. The Company will pay reasonable vouched expenses incurred by the Chairman and Non-Executive Directors, together with other benefits where considered necessary (and any related tax that may be payable).	None

Directors' Remuneration Policy (Summary)
(Continued)

Choice of Performance Measures

Each year, the Remuneration Committee will choose the appropriate performance measures and targets to apply to the annual bonus scheme and LTIP. The measures will be closely aligned with Hostelworld's strategy and business priorities at the time.

Malus and clawback

Malus and clawback provisions within the annual bonus scheme and the LTIP apply in the following circumstances:

- Material misstatement of results;
- Gross misconduct;
- Error in calculating the number of shares subject to an award or the amount of cash paid;
- Corporate failure; or
- Serious reputational damage.

Discretion

The Remuneration Committee has discretion in several areas of policy as set out in this report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

Service Agreements and Letters of Appointment

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company.

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Gary Morrison	Chief Executive Officer	11 June 2018	12	12
Caroline Sherry	Chief Financial Officer	01 December 2020	6	6

Non-Executive Directors

The Non-Executive Directors have each entered into letters of appointment with the Company. Each independent Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon written notice or upon their resignations. Non-Executive Directors are also subject to re-election at each AGM.

The dates of appointment of each Non-Executive Director is set out below:

Name	Effective Date of appointment	Date of service agreement	Notice period by Director (months)
Michael Cawley	14 October 2015	1	1
Carl G. Shepherd	1 October 2017	1	1
Éimear Moloney	27 November 2017	1	1
Evan Cohen	14 August 2019	1	1


Ecomama, Netherlands

Annual Report on Remuneration

Single Total Figure of Remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2020 financial year. Comparative figures for the 2019 financial year have also been provided. Figures provided have been calculated in accordance with the relevant UK reporting regulations.

	Salary (€'000)		Benefits [1] (€'000)		Bonus (€'000)		LTIP (€'000)		Pension (€'000)		Total Fixed Remuneration (€'000)		Total Variable Remuneration (€'000)	
Name	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gary Morrison	443.6	430.7	10.4	12.0	-	-	-	-	44.4	43.1	498.4	485.8	-	-
TJ Kelly [2]	278.5	295.0	3.0	3.6	-	-	-	-	16.7	17.7	298.2	316.3	-	-
Caroline Sherry[3]	19.1	-	0.1	-	-	-	-	-	1.2	-	20.4	-	-	-

(1) Benefits represent payments for health insurance and life assurance policies.
(2) TJ Kelly resigned from the Board with effect from 1 December 2020 and left the Company on 31 December 2020. Figures in the table above relate to his period of service as a Director to 1 December 2020.
(3) Caroline Sherry was appointed to the Board on 1 December 2020. Figures in the table above relate to her period of service as a Director from this date.

Non-Executive Directors

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

	Fees (€'000)		Taxable benefits (€'000)		Other payments (€'000)		Total (€'000)		Total Fixed Remuneration (€'000)		Total Variable Remuneration (€'000)	
Name	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Michael Cawley[1]	145.0	145.0	-	-	-	-	145.0	145.0	145.0	145.0	-	-
Carl G. Shepherd[2]	74.0	68.2	-	-	-	-	74.0	68.2	74.0	68.2	-	-
Éimear Moloney[3]	67.0	67.0	-	-	-	-	67.0	67.0	67.0	67.0	-	-
Evan Cohen[4]	60.0	21.7	-	-	-	-	60.0	21.7	60.0	21.7	-	-

(1) Chairman of the Board and Chair of the Nominations Committee.
(2) Chair of the Remuneration Committee and Senior Independent Director.
(3) Chair of the Audit Committee.
(4) Appointed to the Board on 14 August 2019.

Additional Information regarding Single Figure Table

Basic Salary and Fee Deferral

During 2020, in response to the COVID-19 pandemic, the Board and the Remuneration Committee agreed to implement a programme of salary deferrals across the business whereby the payment of 20% of the salary earned above €75,000 (or local equivalent) would be deferred until a later date. This deferral was in place from April to November 2020 and applied to the Executive Directors and other members of the senior management team. All deferred salary was paid to the affected individuals in January 2021. The basic salary disclosed for 2020 in the Single Figure Table for Executive Directors above includes amounts that were deferred during the year but paid in January 2021.

The Non-Executive Directors agreed to the deferral of 100% of their fees for April and May 2020, and 20% of their fees from June to November. All of the deferred fees were paid to the Non-Executive Directors in January 2021. The fee levels disclosed for 2020 in the Single Figure Table for Non-Executive Directors above includes amounts that were deferred during the year but paid in January 2021.

Annual Bonus

At the time of preparation of the 2019 Directors' Remuneration Report, the Remuneration Committee was considering the appropriate metrics and targets for the annual bonus scheme to apply in 2020 in the light of the outbreak of the COVID-19 pandemic. Given the impact of the pandemic on the Company, the Committee ultimately decided that no annual bonus scheme would operate for 2020, and no targets for the year were set. As a result, no bonuses were payable to any Executive Director for 2020.

Long Term Incentives Vesting Subject to Performance Period ending in 2020

In 2018, LTIP awards were granted to Executive Directors and other members of senior management. Vesting of these awards was subject to achievement of an Adjusted EPS performance condition (applying to 70% of the awards) and an absolute TSR performance condition (applying to 30% of the awards).

The award to TJ Kelly lapsed on the cessation of his employment on 31 December 2020. For other participants, the performance conditions for the award were tested after the financial year end, leading to a nil vesting level, as set out below.

Adjusted EPS condition (70%)

	Annual average Adjusted EPS growth	Vesting
	Less than 6.6% p.a.	0%
	6.6% p.a.	25%
	14.0% p.a. or above	100%
	Between 6.6% p.a. and 14.0% p.a.	Straight line vesting between 25% and 100%
Outcome:	**(194%)**	**0%**

Annual Report on Remuneration
(Continued)

Absolute TSR condition (30%)

	Annualised TSR of the Company over the three-year period to 31 December 2020	Vesting
	Less than 10.0% p.a.	0%
	10.0% p.a.	25%
	15.0% p.a. or above	100%
	Between 10.0% and 15.0% p.a.	Straight line vesting between 25% and 100%
Outcome:	**(26.06%) p.a.**	**0%**

The table below sets out the details of the LTIP awards granted to the Executive Directors in 2018. All awards were granted as nil cost options.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting	Number of shares lapsing	Total value of vested awards (€)
Gary Morrison	29 Jun 2018	150% of salary	627.3	175,723 (1)	Nil (5)	25%	31 December 2020	Adjusted EPS (70%) Absolute TSR (30%)	175,723	Nil
TJ Kelly	5 Dec 2018	75% of salary	221.3	98,520 (2)	Nil (5)	n/a	n/a	n/a	98,250 (3)	Nil

(1) The number of shares awarded was calculated using the closing share price on 28 June 2018, which was 316.00p.
(2) The number of shares awarded was calculated using the closing share price on 4 December 2018, which was 200.00p.
(3) This award lapsed on 31 December 2020, the date of cessation of employment.
(4) The LTIP award granted to the former CEO, Feargal Mooney, in April 2018 was subject to a pro-rata reduction as set out in the 2018 Directors' Remuneration Report. The award remained subject to the performance conditions set at the time of grant, which were the same as those set out above for the other LTIP awards granted in 2018. As the performance targets were not met, this pro-rated award lapsed in full. Feargal Mooney holds no outstanding LTIP awards.
(5) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnotes above.

Long Term Incentives Awarded in 2020

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

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded (1)	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting
Gary Morrison	2 May 2020	150% of salary	665.4	771,900 (2)	Nil(7)	25%	31 December 2022 (EPS) 1 May 2023 (TSR)	Adjusted EPS (25%) Absolute TSR (75%)
Caroline Sherry	2 May 2020	50% of salary	72.5	84,100 (2) (3)	Nil(7)	25%	31 December 2022 (EPS) 1 May 2023 (TSR)	Adjusted EPS (25%) Absolute TSR (75%)
TJ Kelly	2 May 2020	150% of salary	455.8	528,700 (2)	Nil(7)	n/a	n/a	n/a

(1) The specific performance targets for these awards are set out below.
(2) The number of shares awarded was calculated using the closing share price on 1 May 2020, which was 75.0p.
(3) This award was granted prior to Caroline Sherry's appointment to the Board and does not include a post-vesting holding period.
(4) This award lapsed following TJ Kelly's cessation of employment on 31 December 2020.
(5) The Remuneration Committee has agreed that a technical adjustment will be applied to the number of shares comprising each outstanding award to reflect the impact of the bonus issue which took place in September 2020, although at the time of writing the adjustment had not formally been implemented. This will be announced to the market at the time the adjustment is formally applied, and full details of the amended awards will also be disclosed in the 2021 Directors' Remuneration Report.
(6) To the extent that awards vest, a dividend equivalent award will be made at the end of the vesting period.
(7) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnotes above.

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

Absolute EPS condition (25%)

Adjusted EPS for the financial year ending 31 December 2022	Vesting
Less than 0c	0%
0c	25%
9c or above	100%
Between 0c and 9c	Straight line vesting between 25% and 100%

(1) The Remuneration Committee has agreed that a technical adjustment will be applied to the EPS performance conditions set out above to reflect the impact of the bonus issue which took place in September 2020 although at the time of writing the adjustment had not formally been implemented. This will result in the level of EPS required for full vesting being amended from 9c to 8.87c, to reflect the increase in the issued share capital following the bonus issue. This adjustment maintains the same degree of stretch in the performance condition allowing for the bonus issue of shares and will not make the performance condition any easier to achieve. Full details of the amended condition will be disclosed in the 2021 Directors' Remuneration Report.

Annual Report on Remuneration
(Continued)

Absolute TSR condition (75%)

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

The rationale for the choice of the performance conditions for the 2020 award is set out in the Annual Statement from the Chairman of the Remuneration Committee.

Long Term Incentives Awarded in 2019

The table below sets out the details of the LTIP awards granted to the Executive Directors in the 2019 financial year. All awards were granted as nil cost options.

Director	Date of grant	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting [1]
Gary Morrison	3 Apr 2019	125% of salary	538.4	247,594 [2]	Nil[6]	25%	31 December 2021	Adjusted EPS (70%) Absolute TSR (30%)
TJ Kelly	3 Apr 2019	100% of salary	295.0	135,668 [2][3]	Nil[6]	n/a	n/a	n/a

(1) The specific performance targets for these awards are set out below.
(2) The number of shares awarded was calculated using the closing share price on 2 April 2019, which was 187.0p.
(3) This award lapsed following TJ Kelly's cessation of employment on 31 December 2020.
(4) The Remuneration Committee has agreed that a technical adjustment will be applied to the number of shares comprising each outstanding award to reflect the impact of the bonus issue which took place in September 2020. This will be announced to the market at the time the adjustment is formally applied and full details of the amended awards will also be disclosed in the 2021 Directors' Remuneration Report.
(5) To the extent that awards vest, a dividend equivalent award will be made at the end of the vesting period.
(6) These awards are nil cost options and therefore have a nil exercise price. The share value used to determine the face value of the awards is explained in the footnotes above.

Vesting of Gary Morrison's 2019 award is subject to achievement of an adjusted EPS performance condition (applying to 70% of the award) and an absolute TSR performance condition (applying to 30% of the award), as set out below.

Adjusted EPS condition (70%)

Annual average Adjusted EPS growth	Vesting
Less than 5.0% p.a.	0%
5.0% p.a.	25%
11.0% p.a. or above	100%
Between 5.0% and 11.0% p.a.	Straight line vesting between 25% and 100%

Absolute TSR condition (30%)

Annualised TSR of the Company over the three-year period to 31 December 2021	Vesting
Less than 10.0% p.a.	0%
10% p.a.	25%
15.0% p.a. or above	100%
Between 10.0% and 15.0% p.a.	Straight line vesting between 25% and 100%

Payments for Loss of Office / Payments to Past Directors

TJ Kelly

TJ Kelly's departure was announced on 23 September 2020. He stepped down from the Board and from his position as Chief Financial Officer on 1 December 2020. He left the Company on 31 December 2020 at the expiry of his agreed notice period.

He received salary, benefits and pension until the end of the agreed notice period. The portion of his salary which had been deferred earlier in 2020 was paid to him in December 2020. He received no payment in respect of annual bonus for 2020 and all of his outstanding LTIP awards lapsed upon the cessation of his employment. He received no payment for loss of office.

Statement of Directors' Shareholdings and Share Interests

The number of shares of the Company in which the Executive Directors had a beneficial interest and details of long term incentive interests as at 31 December 2020 are set out in the table below. Under the Directors' Remuneration Policy, the Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build up and hold a shareholding equivalent to 200% of basic salary.

Annual Report on Remuneration
(Continued)

Director	Beneficially owned shares	Shareholding requirement (% of salary)	Shareholding (% of salary) [1]	Shareholding requirement met?	Unvested LTIP interests subject to performance conditions
Gary Morrison	19,082	200%	4%	No	1,195,217
Caroline Sherry	-	200%	0%	No	84,100
TJ Kelly [2]	-	200%	0%	No	762,888

(1) Unvested LTIP awards do not count towards satisfaction of the shareholding guidelines.
(2) Shareholding position stated as at 1 December 2020, the date of retirement from the Board. All outstanding LTIP awards subsequently lapsed following cessation of employment.

Details of the interests held in shares by Non-Executive Directors as at 31 December 2020 are set out below. Non-Executive Directors are not subject to a shareholding requirement.

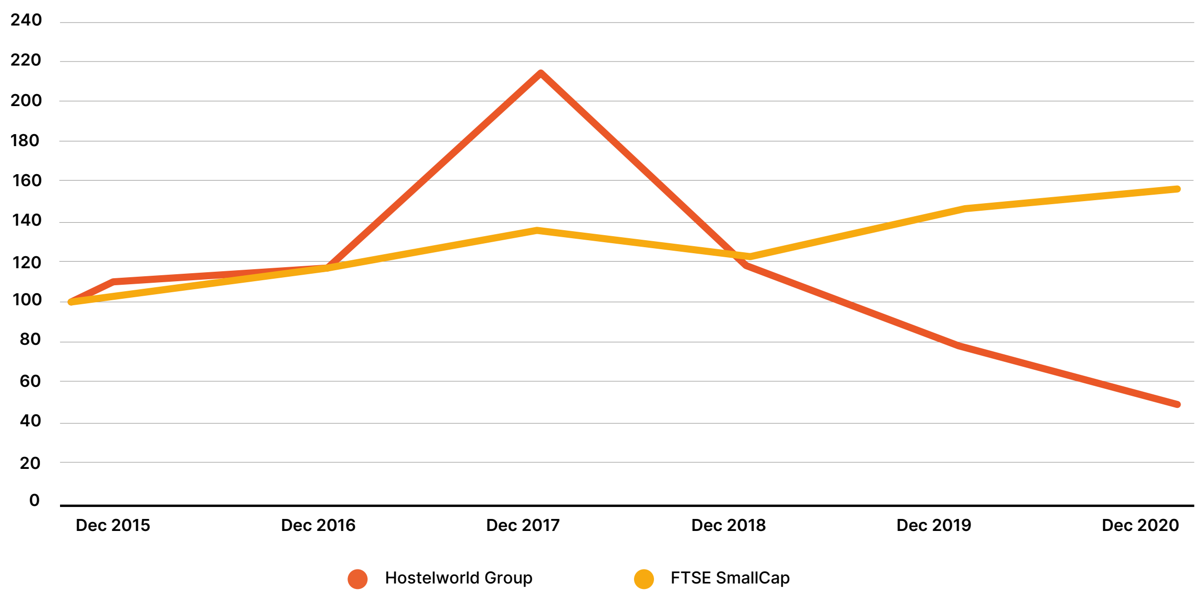
Name	Beneficially owned shares
Michael Cawley	127,797
Carl G. Shepherd	20,285
Éimear Moloney	72,376
Evan Cohen	15,214

No changes in the above Directors' interests have taken place between 31 December 2020 and the date of this report.

Comparison of Overall Performance and Pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE SmallCap index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment of dividend income over the same period. The Remuneration Committee considers that the FTSE SmallCap index is the appropriate index given the current magnitude and nature of operations and market capitalisation. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 October 2015 (with grey market trading until 2 November 2015) and therefore only has a listed share price for the period from 28 October 2015 to 31 December 2020.

Total Shareholder Return (£)



Chief Executive Officer Historical Remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last seven years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its more formative years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for the seven most recent financial years (reflecting the disclosures made in previous reports):

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

It should be noted that the Company only introduced the LTIP on Admission.

Change in Directors' Remuneration Compared with Employees

The following table sets out the change in the remuneration paid to each of the Directors from 2019 to 2020 compared with the average percentage change for employees, as required by the reporting regulations.

Annual Report on Remuneration
(Continued)

	Salary/Fees			Taxable benefits			Bonus		
	2020 (€'000)	2019 (€'000)	% change	2020 (€'000)	2019 (€'000)	% change	2020 (€'000)	2019 (€'000)	% change
Executive Directors									
Gary Morrison	443.6	430.7	3.0%	10.4	12.0	-13.3%	-	-	-
TJ Kelly (1)	278.5	295.0	-5.6%	3.0	3.6	-16.6%	-	-	-
Caroline Sherry (2)	19.1	-	-	0.1	-	-	-	-	-
Non-Executive Directors									
Michael Cawley	145.0	145.0	0%	-	-	-	-	-	-
Carl G. Shepherd	74.0	68.2	8.5%	-	-	-	-	-	-
Éimear Moloney	67.0	67.0	0%	-	-	-	-	-	-
Evan Cohen (3)	60.0	21.7	176.5%	-	-	-	-	-	-
Employee pay									
Average per employee – parent company (4)	-	-	-	-	-	-	-	-	-
Average per employee - group	53.8	51.0	5.5%	2.5	1.3	93%	-	-	-

(1) Stepped down from the Board on 1 December 2020.
(2) Appointed to the Board on 1 December 2020.
(3) Appointed to the Board on 14 August 2019.
(4) The only employees of the parent company are the Directors of the company.

Remuneration Practices Across the Company

Hostelworld does not have more than 250 UK employees (the current number of UK employees is 27) and as a result is not required to publish the ratio of the Chief Executive Officer's remuneration to the pay of UK employees. However, the Remuneration Committee remains cognisant of the importance of the relationship between Executive Director remuneration and the pay for Hostelworld employees more widely. In line with the provisions of the UK Corporate Governance Code, the Committee has reviewed workforce remuneration and related policies and has developed a full understanding of the cascade of remuneration throughout the organisation, including which employees are members of which incentive arrangements.

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

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

The Group makes pension contributions on behalf of eligible employees. For the majority of the workforce, the Group contribution rate is 6% of salary. It is stated in the Directors' Remuneration Policy that any new Executive Director will be appointed on a rate in line with the contribution level provided to the majority of the workforce. This approach was taken with the appointment of the new Chief Financial Officer in late 2020. The Chief Executive Officer's contribution rate of 10% was determined at the time of his appointment in 2018 and is considered in line with the market for similarly-sized companies.

During 2020, as part of the response to COVID-19 it was agreed that a deferral of 20% of salary above €75,000 (or local market equivalent) would be put in place for Executive Directors, members of the senior management team and any employees earning above €75,000 (or local market equivalent) per annum. This deferral operated from April to November 2020 and ensured that the direct impact on salary of the pandemic was targeted at the higher earners within Hostelworld.

The Remuneration Committee did not engage directly with employees on executive remuneration matters during 2020 as this exercise was undertaken late in the 2019 financial year (and reported on in the 2019 Directors' Remuneration Report). The Committee will consider further dialogue with employees on these matters later in 2021.

Relative Importance of the Spend on Pay

The table below sets out the relative importance of spend on pay in the 2019 and 2020 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2020 financial year (€m)	Disbursements from profit in 2019 financial year (€m)	% change
Profit distributed by way of dividend/share buybacks	-	12.6	(-100%)
Overall spend on pay including Executive Directors	19.1	19.7	(-3%)

Shareholder Voting at General Meeting

The table below sets out the results of voting on the resolutions (1) to approve the Directors' Remuneration Policy at the AGM held on 31 May 2019 and (2) to approve the Directors' Remuneration Report at the AGM held on 27 April 2020.

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' Remuneration Policy (2019 AGM)	62,810,003 (82.64%)	13,195,194 (17.36%)	750
Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 December 2019 (2020 AGM)	68,891,234 (90.51%)	7,221,210 (9.49%)	2,500

Annual Report on Remuneration
(Continued)

Implementation of Remuneration Policy in Financial Year 2021

The Remuneration Committee proposes to implement the remuneration policy in 2021 as set out below:

Salary

Executive Directors' salaries have been reviewed and the Committee has agreed that no increase will apply to the Chief Executive Officer for 2021. For the Chief Financial Officer, as explained in the Annual Statement of the Chairman of the Remuneration Committee, her salary with effect from her appointment was set at an initial level of €230,000, subject to Committee review following a short period of performance assessment. The Committee has decided to increase the salary to €275,000 with effect from 1 February 2021, in recognition of the exceptional contribution she has made to date in her new role at a critical time for the business. Even following this increase, the Chief Financial Officer's salary remains significantly lower than that of her predecessor, and the Committee intends to conduct a further review of the salary at the end of 2021. This review will take into account her ongoing performance and contribution and any other relevant factors:

Name	Salary (€) 2021	Salary (€) 2020	Percentage Change
Gary Morrison	443,600	443,600	0%
Caroline Sherry	275,000(1)	230,000(2)	19.6%

(1) Salary with effect from 1 February 2021.
(2) Salary with effect from 1 December 2020, the date of Caroline Sherry's appointment to the Board.

Pension

Pension contributions for the Executive Directors will continue at the rate of 10% of basic salary for Gary Morrison and 6% of basic salary for Caroline Sherry.

Changes to Non-Executive Directors' Fees

No changes are proposed to the current fee components in place. The breakdown of fee components will remain as follows:

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

Annual Bonus Plan and LTIP Award

The Committee has developed a series of proposals for 2021 which are designed to ensure ongoing retention and incentivisation of the Executive Directors and other key talent with the organisation. As at the time of writing, the Committee is in the process of discussing these proposals with major shareholders. It is expected that more information on these proposals and the outcome of the engagement process will be available by the time of the AGM.

Composition and Terms of Reference of the Remuneration Committee

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

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

The Remuneration Committee receives assistance from the Chief Executive Officer, Chief Financial Officer, Chief HR Officer and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met eight times during 2020. Meeting attendance is shown on page 94 of the Annual Report.

Advisors to the Remuneration Committee

The Remuneration Committee's independent advisors are Korn Ferry, who were appointed by the Committee in 2017. Korn Ferry has advised the Remuneration Committee on all aspects of remuneration policy for Executive Directors and members of the Executive team. The Remuneration Committee exercises appropriate judgement and challenge when considering the work of its external advisers and is satisfied that the advice received during the year under review was objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Korn Ferry received fees of €103,487 for their advice during the year (2019: €54,455). Fees were charged on a cost incurred basis. No other services were provided by Korn Ferry to the Company during the year and Korn Ferry have no other connection with the Company or the individual directors of the Company.

On behalf of the Board

Carl G. Shepherd
Chairman, Remuneration Committee
16 March 2021

Directors' Report

The Directors have pleasure in submitting their Annual Report and the audited Financial Statements of Hostelworld Group plc and its subsidiaries for the financial year to 31 December 2020.

Statutory Information

This section of the Annual Report includes additional information required to be disclosed under the Companies Act 2006 (the "Companies Act"), the UK Corporate Governance Code, the Disclosure and Transparency Rules ("DTRs") and the Listing Rules ("Listing Rules") of the Financial Conduct Authority.

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

- The Strategic Report, which can be found on pages 10 to 58, which sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties (including the financial risk management position);
- The Corporate Governance Statement on pages 64 to 117, which sets out the Company's statement with regard to its adoption of the UK Corporate Governance Code. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference;
- The Audit Committee Report on pages 85 to 92;
- The Directors' Remuneration Report on pages 94 to 117; and
- This Directors' Report, on pages 118 to 127, together with the Strategic Report on pages 10 to 58, form the Management Report for the purposes of DTR 4.1.5R.

Disclosures under Listing Rule 9.8.4R

The table below is included to comply with the disclosure requirements under LR 9.8.4R. The information required by the Listing Rules can be found in the Annual Report at the location stated below:

Section	Topic	Location
1.	**Interest capitalised**	Not applicable
2.	**Publication of unaudited financial information**	Not applicable
3.	**Details of long-term incentive schemes**	Directors' Remuneration Report, pages 94 to 117
4.	**Waiver of emoluments by a Director**	Directors' Remuneration Report, pages 94 to 117
5.	**Waiver of future emoluments by a Director**	Not applicable
6.	**Non pre-emptive issues of equity for cash**	Placing and Subscription On 25 June 2020 the Company announced the successful completion of the non-pre-emptive placing of 17,664,155 new ordinary shares of €0.01 each in the capital of the Company ("Ordinary Shares") (the "Placing Shares") with existing and new institutional investors at a price of 72.0 pence per Placing Share (the "Placing Price") (the "Placing") and the conditional subscription by an existing shareholder of 1,450,000 new Ordinary Shares (the "Subscription Shares") at the Placing Price (the "Subscription"). Together the Placing Shares and the Subscription Shares represent 19,114,155 new Ordinary Shares with an aggregate nominal value of €191,141.55 and raised gross proceeds of approximately £13.8 million. Together the Placing Shares and the Subscription Shares represented approximately 19.99 per cent of the existing Ordinary Shares of the Company prior to the Placing and the Subscription. The terms of the Placing were agreed on 25 June 2020 and the Placing Price represented a discount of 7.1 per cent to the closing share price of 77.5 pence on 24 June 2020. The Company consulted its major institutional shareholders before announcing the Placing and the Placing structure was chosen as it minimised cost, time to completion and management distraction during an important and unprecedented time for the sector and the Company. The net proceeds of the Placing were to be used to (i) materially strengthen the Group's position in an uncertain environment, (ii) strengthen the Group's balance sheet giving greater flexibility and resilience, (iii) provide essential liquidity through FY20 and FY21 in both of the Group's projected demand recovery situations (including the "Pessimistic Case") and (iv) enable the Group to emerge in a materially stronger position as travel restrictions start to ease, and accelerate growth in the "Base Case" as demand returns.
7.	**Item (7) in relation to major subsidiary undertakings**	Not applicable
8.	**Parent participation in a placing by a listed subsidiary**	Not applicable
9.	**Contracts of significance**	Not applicable
10	**Provision of services by a controlling shareholder**	Not applicable
11	**Shareholder waivers of dividends**	Not applicable
12.	**Shareholder waivers of future dividends**	Not applicable
13	**Agreements with controlling shareholders**	Not applicable

Directors' Report
(Continued)

Board of Directors

The appointment and replacement of Directors of the Company is governed by the Articles of Association.

The Directors who served on the Board throughout the year, except as noted, were as follows:

- Michael Cawley (Non-Executive Chairman);
- Gary Morrison (Chief Executive Officer);
- TJ Kelly (former Chief Financial Officer, resigned as a director with effect from 1 December 2020);
- Caroline Sherry (Chief Financial Officer, appointed as a director with effect from 1 December 2020);
- Éimear Moloney (Non-Executive Director);
- Carl G. Shepherd (Non-Executive Director); and
- Evan Cohen (Non-Executive Director).

Biographical details of the current Directors together with membership of the various Committees are set out on pages 62 to 63.

Amendment of Articles of Association

The Company's Articles of Association may only be amended by way of a special resolution at a general meeting of the shareholders. No amendments are proposed to be made at the forthcoming Annual General Meeting.

Incorporation, Share Capital and Structure

The Company was incorporated and registered in England and Wales as a public limited company with registration number 9818705. The Company's issued share capital comprises ordinary shares of €0.01 each which are traded on the London Stock Exchange's main market for listed securities and on Euronext Dublin's main securities market.

The liability of the members of the Company is limited.

The Company is tax resident in Ireland and its principal place of business is at 2nd Floor, One Central Park, Leopardstown, Dublin 18, Ireland. The Company's registered office is at Floor 2, 52 Bedford Row, London WC1R 4LR, United Kingdom.

As at 31 December 2020 and as at the date of this Directors' Report, the Company's issued share capital comprises 116,321,185 ordinary shares of €0.01 ("shares"). The ISIN of the shares is GB00BYYN4225. Further information on the Company's share capital is provided in note 17 to the Group's Financial Statements contained on pages 176 and 177. All the information detailed in note 17 on pages 176 and 177 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company to be held on 26 April 2021, the Directors will seek authority from shareholders to allot shares in the capital of the Company (i) up to a maximum nominal amount of €387,737.28 (38,773, 728 shares of €0.01 each) being one-third of the Company's issued share capital and (ii) up to a further €387,737.28 (38,773,728 shares of €0.01 each) where the allotment is in connection with a rights issue, being one-third of the Company's issued share capital. The power will expire at the earlier of 26 July 2022 and the conclusion of the Annual General Meeting of the Company held in 2022.

The Directors are also seeking authority from shareholders to allot ordinary shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. The resolution seeks authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. The power will expire at the earlier of 26 July 2022 and the conclusion of the Annual General Meeting of the Company held in 2022.

The Directors intend to follow the Pre-Emption Group's Statement of Principles regarding cumulative usage of authority within a rolling 3-year period. The principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders.

Authority to Purchase Own Shares

The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares either to be cancelled or retained as treasury shares. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights Attaching to Shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company.

The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company.

Voting Rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held, unless all amounts presently payable in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on Transfer of Securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and market requirements relating to close periods) and requirements of the Market Abuse Regulation and the Company's Securities Dealing Code whereby Directors and all employees of the Company require advance clearance to deal in the Company's securities.

Change of Control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Directors' Report
(Continued)

2021 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 12 noon on 26 April 2021 at Hostelworld Group plc, 2nd Floor, One Central Park, Leopardstown, Dublin 18, Ireland.

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

Substantial Shareholders

At 31 December 2020, the Company had been notified, in accordance with chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules ("DTR5 Notification"), of the following significant interests:

Shareholder	Number of ordinary shares / voting rights notified	Percentage of voting rights over ordinary shares of €0.01 each and nature of holding*
Aberforth Partners LP	18,255,131	15.69% (indirect)
Premier Miton Group plc	13,284,425	13.90% (indirect)
Charles Jobson	10,966,941	9.4% (direct)
Gresham House Asset Management (formerly Strategic Equity Capital plc)	6,738,653	7.05% (indirect)
Unicorn Asset Management Limited	5,410,000	5.66% (indirect)
FIL Limited	4,955,570	5.18% (indirect)
Burgundy Asset Management Limited	4,430,860	4.64% (indirect)
Allianz Global Investors GmbH	4,046,400	4.23% (direct - 0.03%; indirect – 4.20%)
The Diverse Income Trust plc	3,019,504	3.16% (indirect)

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

FIL Limited notified the Company on 22 February 2021of a decrease in their holding to below 5% (indirect holding) of the issued share capital of the Company.

FIL Limited notified the Company on 22 February 2021 of a decrease in their holding to 5,747,065 ordinary shares representing 4.94% of the issued share capital of the Company (4.94% - indirect holding).

FIL Limited notified the Company on 23 February 2021 of a decrease in their holding to 3,848,518 ordinary shares representing 3.30% of the issued share capital of the Company (3.30% - indirect holding).

FIL Limited notified the Company on 2 March 2021 of a decrease in their holding to below 3% (indirect holding) of the issued share capital of the Company.

Legal and General Group PLC notified the Company on 12 March 2021 of an increase in their holding to 4.03% (direct holding) of the issued share capital of the Company.

* The percentage of voting rights relates to the issued share capital as at the date of receipt of the notification. Certain notifications were received prior to the increases in the issued share capital of Company which occurred during 2020.

Transactions with Related Parties

Please refer to note 22 to the Consolidated Financial Statements on pages 182 to 184.

Events Post Year End

On 25 January 2021 the Group signed heads of terms on a €30 million term loan facility, and on 23 February 2021 the Group drew down €28.8 million, net of original issue discount. The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million). The lenders have the right to require repayment of the facility if Hostelworld is subject to a change in control and Hostelworld has the option to repay the facility early (subject to the prepayment fees referred to below). Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property. In connection with the facility, Hostelworld has agreed to issue warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's current issued share capital) to the lender. The Warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares.

On 26 January 2021 the Group repaid its short-term invoice financing facility in full. On 10 February 2021 the Group signed a deed of release on its three-year revolving credit facility which was not drawn down at year end.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2020.

Future Developments

The Group will continue to pursue new developments to enhance shareholder value, through a combination of organic growth, product delivery and other development and investment opportunities.

Going Concern

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

While we entered 2020 with positive momentum, trading since late-January has been challenged by the outbreak of the COVID-19 virus. From mid-March the group were severely impacted with high cancellation rates and very low booking volumes. Global travel demand remained muted throughout 2020 with ongoing travel restrictions continuing to severely impact the global travel industry. Revenue for the year totalled €15.4m (2019: €80.7m) and the group incurred a loss before taxation of €50.5m (2019: profit before taxation €3.0m). Losses have continued subsequent to the year end. At 31 December 2020 the group was in a net asset position of €97.9m (2019: €131.8m).

In response to the breakout of COVID-19 immediate action was taken by the Directors to preserve the Group's cash position. Actions taken include the decision not to pay the final 2019 dividend, to suspend any cash dividends in 2020, a group-wide scaled redundancy programme, reduced hours and deferred pay for our employees and Directors, the renegotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports in both Ireland and the UK.

The Directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. The Group has retained its financial strength and at 31 December 2020 held a cash balance of €18.2 million (2019: €19.4 million) and held committed undrawn funds

Directors' Report
(Continued)

available of €7 million relating to a revolving credit facility that can be drawn down up to November 2023. The group availed of a short-term invoice financing facility amounting to €3.5 million in June 2020, with an amount owing of €1.2 million at 31 December 2020. On 29 June 2020, the Company issued Ordinary Shares by way of a Placing, raising gross proceeds of €15.2m.

Throughout COVID-19 two forecasts were developed under a base case and stress-case scenario analysis. Both scenarios included differing assumptions with regard to cost cutting measures, projected revenue flows and return to recovery assumptions, projected net cash flows from operations and available sources of funding. Whilst performance initially tracked in-line with our base case assumptions from the end of August onwards trading outlook deteriorated significantly as global lockdowns and travel restrictions came into force. As a result of this deterioration in trading, we revised downwards our base outlook, reflecting the impact of the pandemic being deeper and longer than originally anticipated. A 5-year profit and loss ("Profit and Loss") outlook was prepared which is conservative in its assumptions. This outlook does not factor in any upside from global mass vaccination programmes, full recovery is not expected to happen until FY-23 with average booking values assumed to be low and cost per booking assumed to be elevated throughout the 5-year cycle. Our stress case scenario has not changed and assumes depressed volumes throughout H1 2021 with minimal recovery in H2 2021. Operating expenses would be further reduced in 2021 to reflect lower activity levels.

On the basis of the 5-year profit and loss outlook which identified a liquidity need and in light of the considerable uncertainty on the duration and severity of the COVID-19 pandemic the Directors took additional steps to strengthen the Group's Balance sheet. The group entered a €30 million term loan facility with HPS Investment Partners, LLC. On 23 February 2021 the Group drew down €28.8 million, net of an original issue discount. The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the group which have guaranteed repayment of the facility of at least €6.0 million). Security on the facility includes the share capital of the group, the bank accounts of the group and the group's intellectual property.

In January 2021 the group repaid the amount owing on the short-term invoice financing facility, and a consent letter was signed by Hostelworld and AIB amending the loan agreement in place to permit the taking of security, removal of the parent guarantee and the removal of the financial covenants. In February 2021 a deed of release was signed on the €7m revolving credit facility. Cash flow forecasts were updated to reflect movements including early repayment of the short-term invoice financing facility and drawdown of the HPS term loan facility.

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

Indemnities and Insurance

The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006 and the Articles of Association. Such indemnities contain provisions that are permitted by the director liability provisions of the Companies Act and the Company's Articles of Association.

Research and Development

Innovation, specifically in the proposition on the websites and mobile apps for both customers and hostel partners, is a critical element of the strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area.

Disabilities

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

Stakeholder Engagement

During the reporting period the Directors considered and agreed that the Company's shareholders, people, hostel partners, customers and key suppliers were the Group's main stakeholders. How the Company engaged with these stakeholders during 2020 is set out in pages 71 to 73. How their interests were considered in Board decisions are set out on pages 38 to 48.

Suppliers

The Group's policy is to pay suppliers and creditors sums due in accordance with the payment terms agreed in the relevant contract with each such supplier/creditor, provided the supplier has complied with its obligations.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility section on pages 57 and 58 and forms part of this report by reference.

Financial Instruments

Details of the financial risk management objectives and policies of the Group, including exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given on pages 184 and 185 in note 23 to the Consolidated Financial Statements.

Political Contributions

During the year, no political donations were made.

External Branches

Hostelworld Group plc is registered as a branch in Ireland with branch registration number 908295.

Hostelworld Services Limited, a U.K. subsidiary of the Company, is registered as a branch in Australia with Australian registered body number 613076556.

Directors' Report
(Continued)

Results and Dividends

The Group's and Company's audited Financial Statements for the year are set out on pages 144 to 193.

In 2020 Cash dividends were suspended due to COVID-19 uncertainty. On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020. Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

Independent Auditor

Deloitte Ireland LLP has confirmed its willingness to continue in office as Auditor of the Group. In accordance with section 489 of the Companies Act 2006, separate resolutions for the re-appointment of Deloitte Ireland LLP as Auditors of the Group and for the Audit Committee to determine the remuneration will be proposed at the forthcoming AGM of the Company.

Disclosure of Information to Auditor

Each of the Directors has confirmed that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make him/her aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have elected to prepare the parent Company Financial Statements in accordance with FRS 101 Reduced Disclosure Framework ("Relevant Financial Reporting Framework") and applicable law. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that period.

In preparing the parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 Reduced Disclosures Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Section 172(1) Companies Act 2006, Statement is set out on pages 38 to 48.

Responsibility Statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the Relevant Financial Reporting Framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 16 March 2021 and is signed on its behalf by:

John Duggan
Company Secretary
16 March 2021

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Hostelworld Group plc] (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

The Group financial statements:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flow;

The Parent Company financial statements:

- the Company statement of financial position;
- the Company statement of changes in equity;

and; the related notes 1 to 33, including a summary of significant accounting policies as set out in notes 1 and 27 to the financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern • Carrying value of intangible assets • Capitalisation of development costs
Materiality	The materiality that we used for the group financial statements was €668,300, which was determined on the basis of expenditure excluding depreciation, amortisation, impairment and exceptional costs. Parent company materiality was determined to be €133,700 based on the value of investments capped at 20% of group materiality.
Scoping	The structure of the group's finance function is such that the central group finance team in Dublin provides support to group entities for the accounting of the majority of transactions and balances. The audit work covering 99% of the group's revenues, profit before tax and net assets was undertaken and performed by an audit team based in Dublin.
Significant changes in our approach	We have identified going concern as a new key audit matter in the current year due to the increased judgement required in the current year regarding the use of the going concern basis of accounting in the preparation of the financial statements. This is as a direct result of the ongoing COVID-19 pandemic's impact on the group's and parent company's trading environment. We have not identified tax provisions as a key audit matter in the current year. Tax provisions were included as a key audit matter previously based on the level and quantum of cross-border transactions however following the group reorganisation in the prior year, we no longer deem this a significant area of judgement. Materiality in the prior year was determined on the basis of adjusted profit before tax. Given the current trading environment and the impact that COVID-19 has had on the travel industry, we have determined expenditure excluding depreciation, amortisation, impairment and exceptional costs to be a more relevant benchmark for the users of the financial statements in the current year.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.

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

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

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified going concern as a new key audit matter in the current year due to the increased judgement required in the current year regarding the use of the going concern basis of accounting in the preparation of the financial statements. This is as a direct result of the impact that the ongoing COVID-19 pandemic has on the group's and parent company's trading environment.

We have not identified tax provisions as a key audit matter in the current year. Tax provisions were included as a key audit matter previously based on the level and quantum of cross-border transactions however following the group reorganisation in the prior year we no longer deem this a significant area of judgement.

Going Concern

Key audit matter description	As stated in note 1 to the financial statements, the directors have formed the judgement that the going concern basis of accounting is appropriate in preparing the financial statements. This judgement is based on the steps taken to ensure adequate liquidity is available to the group and parent company for the likely duration of the crisis and recovery period associated with COVID-19 and the impact that it has had on the travel industry. Given the inherent uncertainty associated with COVID-19, it is currently difficult to determine a reasonable worst case scenario. As a result, there is a risk that the group and parent company may not have sufficient funds to meet its ongoing liabilities as they fall due. As a result of the uncertainty as to the impact of COVID-19 on the group and parent company, we identified a key audit matter related to going concern due to the significant judgement required to conclude that there is not a material uncertainty related to going concern. As stated in note 26 to the financial statements, the group entered into a €30m term loan facility post year end which raised funding of €28.8m net of issue costs, and was drawn down on 23 February 2021. Future compliance with the financial covenants (which include minimum liquidity) on the term loan facility, is dependent on the achievement of forecasts, based on assumptions and significant judgements around uncertainties (which include the timing of future revenue generation) incorporating the impact of COVID-19. As stated in note 1 to the financial statements, full recovery is not expected to happen until FY23. Further details on going concern are set out in note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: We obtained an understanding of the group's controls over the preparation of cash flow forecasts, approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and determined the implementation of the relevant controls. We performed an assessment of the historical accuracy of forecasts prepared by management. We tested the clerical accuracy of the cash flow forecast model. We read and assessed the group's existing financing agreements, including the term loan facility raised subsequent to the year-end. We reviewed the nature of the facilities and assessed whether management had appropriately considered the repayment terms and financial covenants in place and incorporated them into the cash flow forecasts over the going concern period. We assessed any contradictory evidence as part of our audit work and the impact on management's conclusion. We engaged our internal financial advisory specialists to assist in challenging the key assumptions, including the timing of future revenue generation, used in the cash flow forecasts based on their industry knowledge, the environment the group is operating in, liquidity and working capital requirements and financial covenants. We performed sensitivity analysis on the cash flow forecasts, including applying alternative reasonable downside scenarios, to assess the impact of a change in underlying assumptions on the group and company's ability to continue as a going concern. We assessed the results of the group for the period after the reporting date, comparing to budget, in order to assess if there are any early indicators that management have been too optimistic in their forecasting for the current year or whether there are any other indicators that the business may not be able to continue as a going concern. We evaluated the completeness and accuracy of the disclosures made in the financial statements by reference to the understanding we had obtained of the group's financial performance during the year, our assessment of the directors' cash flow forecasts and our reading of the group's financing arrangements.
Key observations	We have concluded that the adoption of the going concern basis of accounting and the related disclosures are appropriate. Please refer to our conclusions in the going concern section of our report.

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

Carrying Value of Intangible Assets

Key audit matter description	At 31 December 2020, intangible assets (including goodwill) had a carrying value of €86.25m representing 72% of the group's total assets. Group management have allocated goodwill to Cash Generating Units (CGUs) and have developed a model to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment. There is a risk that certain incorrect inputs or inappropriate assumptions, in particular projected cash flows, growth rates and discount rates could be included in the impairment assessment model calculated by management leading to an impairment charge that has not been included in the group's financial statements. Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly. Refer to Notes 2 and 10 to the financial statements. *The Audit Committee has included their assessment of this risk on page 87.*
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of the relevant controls in place for determining when an impairment review is required for intangible assets. For intangible assets with indefinite useful lives or where indicators of impairment existed, we obtained management's impairment assessment. We challenged the underlying assumptions and obtained audit evidence to test those assumptions within the group's impairment model, including cash flow forecasts and growth rates, which we compared to relevant industry data. We used our internal valuation specialists to determine an acceptable range of discount rates and compared our range to that determined by management. We performed a sensitivity analysis on the underlying assumptions noted above to determine if there were any scenarios whereby it is reasonably possible that the carrying value could be further impaired beyond the impairment charge recognised in the current year. In light of the impact of COVID-19 on the group, we also engaged our internal financial advisory specialists to assist in challenging the key assumptions used in the cash flow forecasts based on their industry knowledge and the environment the company is operating in. We assessed the adequacy of the disclosures in relation to goodwill and intangibles and whether they meet the requirements of the financial reporting framework.
Key observations	We have no observations that impact on our audit in respect of the carrying value of intangible assets.

Capitalisation of Development Costs

Key audit matter description	For the year ended 31 December 2020, additions to capitalised development costs amounted to €3.6m. Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met. There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and in determining the amount to be capitalised, directors make judgements regarding expected future cash generation of the asset. Refer to Notes 2 and 10 to the financial statements. The Audit Committee has included their assessment of this risk on page 88.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs. We evaluated the design and determined the implementation of the relevant controls in place to separately identify when development activities meet recognition criteria. We reviewed the capitalised project register and completed procedures to determine whether the expenditure was recorded accurately and whether it met the required capitalisation criteria in accordance with IAS 38. We agreed the amount of development costs capitalised to underlying documentation detailing cost per project, including timesheet data.
Key observations	We have no observations that impact on our audit in respect of the capitalisation of development costs.

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

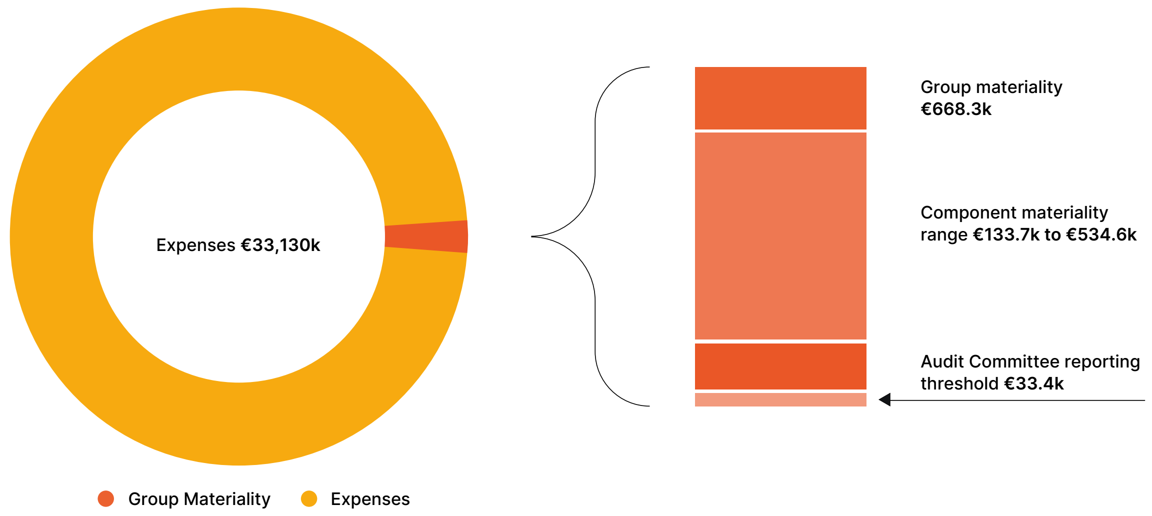
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	€668,300 (2019: €799,000)	€133,700 (2019: €159,000)
Basis for determining materiality	Approximately 2% of expenses for the year excluding depreciation, amortisation, impairment and exceptional costs. In the previous year, materiality was set at 5% of adjusted profit before tax.	0.5% of investments Parent company materiality is based on 0.5% of value of investments capped at 20% of group materiality. This is consistent with the approach taken in the previous year.
Rationale for the benchmark applied	We believe that the benchmark as outlined above is an appropriate benchmark as it is the key focus of users of the financial statements in line with the group's current objective of cash conservation measures to reduce variable and fixed costs and minimise cash burn. We have used expenses less depreciation, amortisation and impairment as these are non-cash items and we have determined the focus of users will be on cash expenses due to the focus on cash conservation. We have also excluded exceptional costs as these are once off expenses and are not expected to reoccur. Given the loss making position in the current year, it was determined, that the benchmark applied in the prior year would not be a suitable benchmark.	We have considered the value of investments to be the appropriate benchmark for determining materiality as the parent company is the Group investment holding entity.



6.2 Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality	70% of parent company materiality
Basis for determining materiality	We have incorporated a number of factors in determining what level to set performance materiality at for the current year. The nature of the business has remained consistent to that of the prior year. However, there is a significant element of uncertainty in the market as a result of worldwide travel restrictions in place due to COVID-19. This has significantly impacted the trading environment in which the group and parent company operates and also results in an increase in accounting issues that require significant judgement during the year. We have been the group and parent company auditors for a number of years and thus have factored in our experience with and understanding of the group's control environment including entity-level controls and any turnover of key personnel. We have also noted that there is a high degree of centralisation and common processes within the group's finance function. As a result of the points noted above, we determined it was appropriate to set performance materiality at a lower level than the previous year. The amount determined is 70% of materiality.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €33,400 (2019: €39,950), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

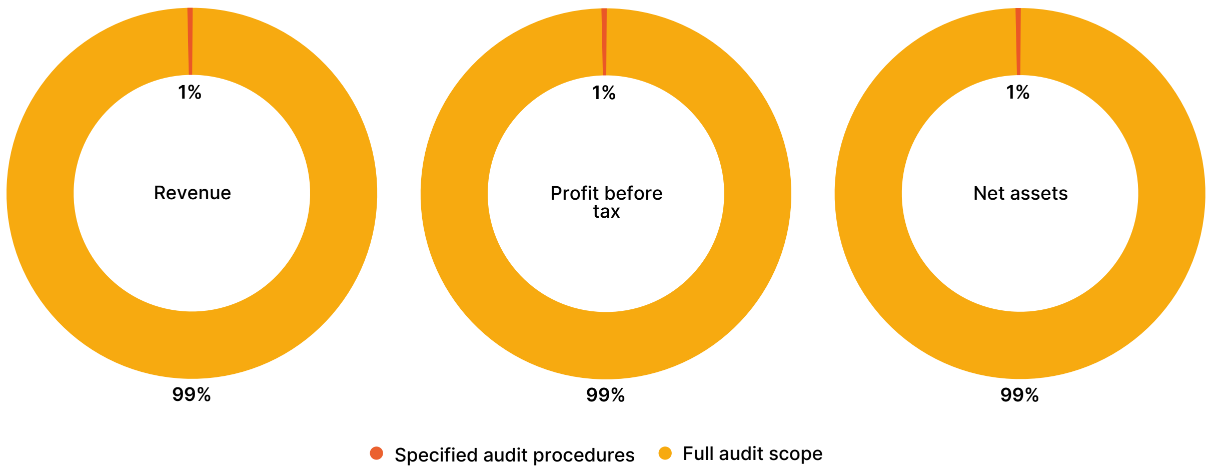
7. An overview of the scope of our audit

7.1 Identification and scoping of components

The structure of the group's finance function is such that the central group finance team in Dublin provides support to group entities for the accounting of the majority of transactions and balances. The audit work was undertaken and performed by an audit team working remotely in the current year due to COVID-19 restrictions.

We determined the scope of our group audit on an entity level basis, assessing components against the risks of material misstatement at the group level. Based on this assessment, we focused our work on three legal entities covering 100% of revenue and 99% of net assets. These legal entities, which were subject to a full scope audit, were Hostelworld Group plc, Hostelworld.com Limited and Hostelworld Services Limited. We also carried out specified audit procedures on Hostelworld Services Portugal, Hostelworld Business Consulting (Shanghai) Co. Limited and Goki Pty Limited. Hostelworld Business Consulting (Shanghai) Co. Limited and Goki Pty Limited are newly in scope for specified audit procedures in the current year.

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



8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the group and parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- Where the auditor is required to report on consolidated financial statements, obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

For listed entities and public interest entities, we also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Where we are required to report on key audit matters, from the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, others within the entity and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These include the EU General Data Protection Regulation (GDPR) and Payment Services Directive (PSD2).

11.2. Audit response to risks identified

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

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities;
- in addressing the risk of fraud in revenue recognition through tracing booking revenues and booking numbers to third party statements and assessing any material reconciling items to ensure completeness; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

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

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

- the directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 123 and 124;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 90;
- the directors' statement on fair, balanced and understandable set out on page 86 and 87;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 90 and 91;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 90 and 91; and
- the section describing the work of the audit committee set out on pages 85 and 86;

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

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board at its annual general meeting in 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2015 to 31 December 2020.

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

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

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Murray (Senior statutory auditor)

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Financial Statements

Consolidated Income Statement for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Revenue	3	**15,364**	80,672
Administrative expenses	4	**(36,119)**	(63,434)
Depreciation and amortisation	4	**(14,132)**	(13,946)
Impairment of intangible assets	4	**(14,996)**	-
Operating (loss) / profit		**(49,883)**	3,292
Financial income		**8**	59
Financial costs	7	**(246)**	(224)
Share of results of associate	13	**(374)**	(116)
(Loss) / profit before taxation		**(50,495)**	3,011
Taxation	8	**1,638**	5,383
(Loss) / profit for the year attributable to the equity owners of the parent Company		**(48,857)**	8,394
Basic and diluted (loss) / earnings per share (euro cent)	9	**(45.68)**	8.64

Consolidated Statement of Comprehensive Income for the year ended ended 31 December 2020

	2020 €'000	2019 €'000
(Loss) / profit for the year	**(48,857)**	8,394
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(7)**	(1)
Total comprehensive (loss) / income for the year attributable to equity owners of the parent Company	**(48,864)**	8,393

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Consolidated Statement of Financial Position as at 31 December 2020

	Notes	2020 €'000	2019 €'000
Non-current assets			
Intangible assets	10	**86,252**	109,120
Property, plant and equipment	11	**4,480**	5,353
Deferred tax assets	12	**7,596**	6,727
Investment in associate	13	**2,349**	2,723
		100,677	123,923
Current assets			
Trade and other receivables	15	**1,681**	4,980
Corporation Tax		**54**	-
Cash and cash equivalents	16	**18,189**	19,365
		19,924	24,345
Total assets		**120,601**	148,268
Issued capital and reserves attributable to equity owners of the parent			
Share capital	17	**1,163**	956
Share premium	17	**14,328**	-
Foreign currency translation reserve		**8**	15
Share based payment reserve		**1,210**	788
Retained earnings		**81,156**	130,013
Total equity attributable to equity holders of the parent company		**97,865**	131,772
Non-current liabilities			
Deferred tax liabilities	12	**-**	144
Deferred consideration		**-**	873
Lease liabilities	14	**2,492**	3,422
		2,492	4,439
Current liabilities			
Trade and other payables	18	**17,036**	11,074
Borrowings	19	**1,164**	-
Lease liabilities	14	**1,803**	869
Corporation tax		**241**	114
		20,244	12,057
Total liabilities		**22,736**	16,496
Total equity and liabilities		**120,601**	148,268

The financial statements were approved by the Board of Directors and authorised for issue on 16 March 2021 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

Caroline Sherry
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Share capital €'000	Share premium €'000	Retained earnings €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Total €'000
Balance at 1 January 2019		956	-	134,650	16	630	136,252
Effect of initial application of IFRS 16		-	-	(416)	-	-	(416)
Balance at 1 January 2019 – as restated		956	-	134,234	16	630	135,836
Total comprehensive income for the year		-	-	8,394	(1)	-	8,393
Dividends	24	-	-	(12,615)	-	-	(12,615)
Credit to equity for equity settled share based payments		-	-	-	-	158	158
Balance at 31 December 2019		956	-	130,013	15	788	131,772
Total comprehensive (loss) for the year		-	-	(48,857)	(7)	-	(48,864)
Issue of ordinary shares for cash	17	191	15,042	-	-	-	15,233
Share issue cost	17	-	(698)	-	-	-	(698)
Bonus issue shares	17	16	(16)	-	-	-	-
Credit to equity for equity settled share based payments		-	-	-	-	422	422
Balance at 31 December 2020		**1,163**	**14,328**	**81,156**	**8**	**1,210**	**97,865**

Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
Cash flows from operating activities			
(Loss) / Profit before tax		**(50,495)**	3,011
Depreciation of property, plant and equipment	4	**2,458**	2,425
Amortisation of intangible assets	4	**11,674**	11,521
Impairment of intangible assets	4	**14,996**	-
Share of results of associate	13	**374**	116
Net profit on disposal property, plant and equipment	4	**(55)**	-
Financial income		**(8)**	(59)
Financial expense	7	**246**	224
Employee equity settled share based payment expense	21	**428**	156
Changes in working capital items:			
Increase / (decrease) in trade and other payables		**5,586**	(2,252)
Decrease / (increase) in trade and other receivables		**3,299**	(2,166)
Cash generated from operations		**(11,497)**	12,976
Interest paid		**(246)**	(224)
Interest received		**8**	59
Income tax refund / (paid)		**698**	(1,516)
Net cash (used in) / from operating activities		**(11,037)**	11,295
Cash flows from investing activities			
Acquisition/development of intangible assets	10	**(3,802)**	(2,915)
Purchases of property, plant and equipment	11	**(64)**	(190)
Acquisition of investment in associate	13	**-**	(1,075)
Net cash used in investing activities		**(3,866)**	(4,180)
Cash flows from financing activities			
Deferred consideration	13	**(503)**	-
Proceeds from issue of share capital	17	**15,233**	-
Issue costs paid	17	**(698)**	-
Proceeds from borrowings	19	**3,454**	-
Repayment of borrowings	19	**(2,290)**	-
Repayments of obligations under lease liabilities	14	**(1,462)**	(1,109)
Dividends paid	24	**-**	(12,615)
Net cash from / (used in) financing activities		**13,734**	(13,724)
Net (decrease) in cash and cash equivalents		**(1,169)**	(6,609)
Cash and cash equivalents at the beginning of the year		**19,365**	25,974
Effect of foreign exchange rate changes		**(7)**	-
Cash and cash equivalents at the end of the year	16	**18,189**	19,365

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES

General Information

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

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

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

The Company and consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 March 2021.

Going concern

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

While we entered 2020 with positive momentum, trading since late-January has been challenged by the outbreak of the COVID-19 virus. From mid-March the Group were severely impacted with high cancellation rates and very low booking volumes. Global travel demand remained muted throughout 2020 with ongoing travel restrictions continuing to severely impact the global travel industry. Revenue for the year totalled €15.4m (2019: €80.7m) and the Group incurred a loss before taxation of €50.5m (2019: profit before taxation €3.0m). Losses have continued subsequent to the year end. At 31 December 2020 the Group was in a net asset position of €97.9m (2019: €131.8m).

In response to the breakout of COVID-19 immediate action was taken by the Directors to preserve the Group's cash position. Actions taken include the decision not to pay the final 2019 dividend, to suspend any cash dividends in 2020, a Group-wide scaled redundancy programme, reduced hours and deferred pay for our employees and Directors, the renegotiation of credit terms with key vendors, availing of debt warehousing of Irish employer taxes, the elimination of all non-essential operating costs including marketing, recruitment, travel and other variable overheads, and availing of Government COVID-19 supports in both Ireland and the UK.

The Directors have taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. The Group has retained its financial strength and at 31 December 2020 held a cash balance of €18.2 million (2019: €19.4 million) and held committed undrawn funds available of €7 million relating to a revolving credit facility that can be drawn down up to November 2023. The Group availed of a short-term invoice financing facility amounting to €3.5 million in June 2020, with an amount owing of €1.2 million at 31 December 2020. On 29 June 2020, the Company issued Ordinary Shares by way of a Placing, raising gross proceeds of €15.2m.

Throughout COVID-19 two forecasts were developed under a base case and stress-case scenario analysis. Both scenarios included differing assumptions with regard to cost cutting measures, projected revenue flows and return to recovery assumptions, projected net cash flows from operations and available sources of funding. Whilst performance initially tracked in-line with our base case assumptions from the end of August onwards trading outlook deteriorated significantly as global lockdowns and travel restrictions came into force. As a result of this deterioration in trading, we revised downwards our base outlook, reflecting the impact of the pandemic being deeper and longer than originally anticipated. A five-year profit and loss ("P&L") outlook was prepared which is conservative in its assumptions. This outlook does not factor in any upside from global mass vaccination programmemes, full recovery is not expected to happen until FY-23 with average booking values assumed to be low and cost per booking assumed to be elevated throughout the five-year cycle. Our stress case scenario has not changed and assumes depressed volumes throughout H1 2021 with minimal recovery in H2 2021. Operating expenses would be further reduced in 2021 to reflect lower activity levels.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (Continued)

On the basis of the five-year P&L outlook which identified a liquidity need and in light of the considerable uncertainty on the duration and severity of the COVID-19 pandemic the Directors took additional steps to strengthen the Group's Balance sheet. The Group entered a €30 million term loan facility with HPS Investment Partners, LLC. On 23 February 2021 the Group drew down €28.8 million, net of an original issue discount. The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million). Security on the facility includes the share capital of the group, the bank accounts of the group and the Group's intellectual property.

In January 2021 the Group repaid the amount owing on the short-term invoice financing facility, and a consent letter was signed by Hostelworld and AIB amending the loan agreement in place to permit the taking of security, removal of the parent guarantee and the removal of the financial covenants. In February 2021 a deed of release was signed on the €7m revolving credit facility. Cash flow forecasts were updated to reflect movements including early repayment of the short-term invoice financing facility and drawdown of the HPS term loan facility.

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

Basis of Preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. IFRS as adopted by the European Union ("the EU") comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

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

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

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

The Directors have assessed the ability of the Company and Group to continue as a going concern and are satisfied that it is appropriate to prepare the financial statements on a going concern basis of accounting.

In doing so, the Directors have assessed that there are no material uncertainties to the Company's and Group's ability to continue as a going concern for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

Basis of consolidation

Subsidiaries

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

Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable return from its investment with the investee and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition related costs are recognised in the consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

Non-controlling interests

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

New standards, amendments and interpretations issued, but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

The following standards and interpretations were effective for the Group for the first time during the year but did not result in material changes to the Group's consolidated financial statements:

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1st January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1st January 2020
Amendments to IFRS 3 Business Combinations	1st January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1st January 2020
Amendment to IFRS 16 Leases COVID-19 Related Rent Concession	1st June 2020

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements have been endorsed by the EU but not yet effective:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1st January 2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	1st January 2021

At the date of authorisation of these financial statements, the following standards and interpretations are not yet endorsed by the EU:

IFRS 17 Insurance Contracts	1st January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1st January 2023
Amendments to IAS 16 Property, Plant and Equipment	1st January 2022
Amendments to Annual Improvements 2018-2020. Not yet endorsed	1st January 2022

There above standards and interpretations are not expected to have a material impact on the Group.

Revenue recognition

The Group generates substantially all of its revenues from the technology and data processing fees and service fees that it charges to accommodation providers and the transaction service fees it charges to consumers. The Group also generates revenues from technology and data processing fees that it charges to providers of other travel products and associated transaction service fees, from cancellation protection fees, payment protection fees and from advertising services.

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

Where the Group provides an ancillary service to allow a flexible booking option which allows a booking to be cancelled for no charge or a new booking to be made, such revenue is deferred, until such time as the related check-in date has passed or for a six-month period from the date of cancellation, at which time the credit expires.

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

Ancillary advertising revenues are recognised over the period when the service is performed. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is stated net of rebates, sales taxes and value added taxes.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. For contracts where the Group is a lessee, a right of use asset is recognised, representing the Group's right to use the underlying asset and a lease liability is also recognised for the Group's obligation to make lease payments during the lease term. The lease term of each contract is determined as the non-cancellable period of the

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease (break option), if it is reasonably certain not to exercise that option. For short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

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

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

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

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

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

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

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

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

Exceptional items

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such reductions are reversed when the probability of future taxable profits improves.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in euro, which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items (including deferred revenue) carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined in accordance with IFRIC 22. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement and consolidated statement of comprehensive income for the period. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Retirement benefits costs

Contributions made in respect of employees' pension schemes are charged through the consolidated income statement in the period they become payable. The Group pays contributions to privately administered pension insurance plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

Depreciation is provided on the following basis:

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

Leasehold improvements are improvements made to buildings leased by the Group when it has the right to use these leasehold improvements over the term of the lease. The improvements will revert to the lessor at the expiration of the lease.

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

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

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

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

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

Intangible assets

(a) Goodwill

Goodwill is initially measured as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill.

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

(a) Goodwill (Continued)

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicated that the carrying value may be impaired.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(b) Other intangible assets

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

Other intangible assets including domain names and computer software are capitalised at their fair value and amortised to the consolidated income statement on a straight-line basis over their estimated useful lives except for the Hostelbookers domain name which was amortised on a reducing balance basis until fully impaired at 31 December 2020 (see note 10):

Domain names	8-20 years
Technology assets	4 years
Affiliate contracts	5 years
Capitalised development costs	2-3 years

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure in relation to internally-generated intangible assets is capitalised when all of the following have been demonstrated; the technical feasibility of completing the intangible asset so that it will be available for use; the intention to complete the project to which the intangible asset relates and use it; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially capitalised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged through profit or loss in the period in which it is incurred.

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

Impairment of tangible and intangible assets other than goodwill

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

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

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

(a) Classification of financial assets

Trade and other receivables

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

(b) Expected credit loss of financial assets

The Group always recognises lifetime expected credit losses ("ECLs") for trade receivables estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(b) Expected credit loss of financial assets (Continued)

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

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

(c) Classification of financial liabilities

Trade and other payables

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

Other financial liabilities

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

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

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group.

Dividends

Final dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Shared based payments

Equity settled share based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve.

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

Government Grants

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Capitalisation of development costs

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

Accounting for exceptional items

Exceptional items by their nature and size can make interpretation of the underlying trends in the business more difficult. 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTIINUED)

(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:

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future. Management judgement and estimate is required in forecasting cashflow projections incorporating the impact of COVID-19. At 31 December 2020 the Group held a cash and cash equivalents balance of €18.2m (2019: €19.4m) and was in a net asset position of €97.9m (2019: €131.8m). The Directors have taken steps to ensure adequate liquidity is available to the Group throughout this period. The details of the going concern scenarios, key assumptions and mitigating actions are outlined in the going concern statement within note 1. Based on these scenarios and the resources available to the Group, the Directors believe the Group has sufficient liquidity to remain a going concern 12 months from date of signing of the accounts.

The most significant factor impacting our projections for going concern relates to COVID-19 and what impact COVID-19 will have on trading volumes. We considered the impact on the Group of operating in a zero-revenue environment for 2021 but carrying the current level of operating costs for and carrying 25% of the overall budgeted direct costs (pay per click marketing spend primarily that is directly linked to revenue). Under this scenario the Group continues to have sufficient cash resources to operate as a going concern.

Deferred tax asset recognition and recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future periods 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 extent to which it is probable that taxable profits will be available in future periods is an estimate assessed based on the approved five-year budget and long-term forecasts upon initial recognition and at each reporting date. At 31 December 2020 the carrying value of deferred tax assets amounted to €7.6m (2019: €6.7m). Based on the Board approved five-year outlook there are sufficient taxable profits to demonstrate the asset could be substantially utilised by 31 December 2025. A decline in taxable profits from amounts included in our five-year budgeted projections would impact the amount of the deferred tax asset which would be recovered over the next five years.

Carrying value of goodwill and intangible assets

The Directors assess annually whether goodwill has suffered any impairment, in accordance with the relevant accounting policy and intangible assets are assessed for possible impairment where indicators of impairment exist. The recoverable amounts of cash-generating units ("CGUs") are determined based on the higher of fair value or value-in-use calculations. Management judgement and estimation is required in forecasting future cash flows of cash-generating units including incorporating the impact of COVID-19, the discount rates applied to these cashflows, the expected long-term growth rate of the applicable business and terminal values. The carrying amount of goodwill at 31 December 2020 amounted to €17.9m (2019: €17.9m) and the carrying amount of domain names amounted to €64.2m (2019: €88.4m). In 2020 the Group recognised an impairment charge of €15.0m (2019: €nil). Further details on the assumptions used and sensitivity analysis are set out in note 10.

3. REVENUE & SEGMENTAL ANALYSIS

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

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

The CODM assesses the performance of the business based on the consolidated adjusted 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:

	2020 €'000	2019 €'000
Europe	**7,354**	46,994
Americas	**3,779**	15,672
Asia, Africa and Oceania	**4,231**	18,006
Total revenue	**15,364**	80,672

As at 31 December 2020, €197k of revenue relating to free cancellation bookings has been deferred (2019: €2,777k).

Disaggregation of revenue is presented as follows:

	2020 €'000	2019 €'000
Technology and data processing fees	**14,251**	78,571
Advertising revenue and ancillary services	**1,113**	2,101
Total revenue	**15,364**	80,672

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

3. REVENUE & SEGMENTAL ANALYSIS (Continued)

Revenue has declined by 81% in 2020 as booking volumes declined as COVID-19 impacted the business (2019: 2% decline). In the year ended 31 December 2020, the Group generated 93% (2019: 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, Australia, the United Kingdom, Portugal, and China and disaggregated as follows:

	Notes	2020 €'000	2019 €'000
Total Non-Current Assets		**100,677**	123,923
Broken out as: Ireland		**96,951**	119,770
Australia		**2,349**	2,723
United Kingdom		**922**	947
Portugal		**430**	483
China		**25**	-

4. OPERATING EXPENSES

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

	Notes	2020 €'000	2019 €'000
Marketing expenses		**9,260**	32,712
Staff costs	6	**16,759**	16,881
Credit card processing fees		**571**	2,515
Loss on disposal PPE		**12**	-
Profit on disposal PPE		**(67)**	-
Exceptional items	5	**2,989**	3,066
FX (gain) / loss		**(152)**	72
Other administrative costs		**6,747**	8,188
Total administrative expenses		**36,119**	63,434
Impairment of intangible assets	10	**14,996**	-
Depreciation of tangible fixed assets	11	**2,458**	2,425
Amortisation of intangible fixed assets	10	**11,674**	11,521
Total operating expenses		**65,247**	77,380

Total administration expenses decreased by €27,315k compared to the prior financial year, driven by the reduction of nonessential operating costs, as a result of COVID-19.

Included in staff costs are government assistance amounts totalling €1,085k (2019: €nil) for furloughed employees under the Coronavirus Job Retention Scheme in the UK and subsidy received under the temporary COVID-19 Wage Subsidy Scheme in Ireland.

Auditors' remuneration

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

	2020 €'000	2019 €'000
Fees payable for the statutory audit of the Company and consolidated financial statements	**42**	42
Fees payable for other services:		
- statutory audit of subsidiary undertakings	**135**	181
- tax advisory services	**-**	-
- audit related assurance services	**194**	10
- corporate finance services	**-**	-
- other non-audit services	**57**	-
Total	**428**	233

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

5. EXCEPTIONAL ITEMS

	2020 €'000	2019 €'000
Merger and acquisition costs	**1,332**	2,115
Restructuring costs	**1,657**	951
Total	**2,989**	3,066

Merger and acquisition costs of €1,332k (2019: €2,115k) relates to professional fees incurred in the year on related activity.

Restructuring costs of €1,657k (2019: €951k) include costs relating to an internal realignment of our technology and product departments and relating staff restructuring costs, and professional fees incurred in current year on review of funding options for the Group.

6. STAFF COSTS

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

	2020	2019
Average number of persons employed		
Administration and sales	**137**	189
Development and information technology	**152**	125
Total	**289**	314

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

	Notes	2020 €'000	2019 €'000
Staff costs comprise:			
Wages and salaries		**15,550**	16,026
Social security costs		**1,935**	2,177
Pensions costs		**447**	466
Other benefits		**734**	347
Long-term employee incentive costs	21	**428**	156
Capitalised development labour		**(2,335)**	(2,291)
Total		**16,759**	16,881

In addition to staff costs disclosed above termination benefits disclosed within note 5 exceptional items restructuring costs totalled €935k (2019: €951k).

Increase year on year in capitalised development labour relates to work completed by the Group on the Roadmap to Growth initiatives.

7. FINANCIAL COSTS

	Notes	2020 €'000	2019 €'000
Interest on lease liabilities	14	**182**	178
Other finance costs		**64**	46
Total		**246**	224

8. TAXATION

	Notes	2020 €'000	2019 €'000
Corporation tax:			
Current year (credit) / charge		**(395)**	1,184
Adjustments in respect of prior years		**(230)**	38
Total		**(625)**	1,222
Origination and reversal of temporary differences	12	**(1,013)**	(6,605)
Total		**(1,638)**	(5,383)

Corporation tax is calculated at 12.5% (2019: 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:

	2020 €'000	2019 €'000
(Loss) / profit before tax on continuing operations	**(50,495)**	3,011
Tax at the Irish corporation tax rate of 12.5% (2019: 12.5%)	**(6,312)**	376
Effects of :		
Tax effect of expenses that are not deductible in determining taxable profit	**3,831**	371
Tax effect of losses not utilised	**2,789**	-
Tax effect of losses carried back	**(578)**	-
Tax effect of income taxed at different rates	**(49)**	-
Depreciation (less than) / in excess of capital allowances	**(167)**	123
Effect of different tax rates of subsidiaries operating in other jurisdictions	**91**	261
Recognition of deferred tax asset	**(1,013)**	(6,552)
Adjustments in respect of prior years	**(230)**	38
Total	**(1,638)**	(5,383)

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

8. TAXATION (CONTINUED)

As a result of the impact of COVID-19 Irish Revenue introduced a temporary acceleration of corporation tax loss relief under section 396D TCA 1997 which provides for a temporary acceleration of corporation tax loss relief for accounting periods affected by COVID-19. The measure allowed companies to estimate their trading losses for certain accounting periods and carry back up to 50% of those losses estimated against chargeable profits in the preceding account period. The Group availed of this measure with regard to the period ended 31 December 2020. An estimate of the corporation tax loss for the period ended 31 December 2020 was calculated and an amount of available trading losses was used to partially offset trading profits in the period ended 31 December 2019. As a result of this relief, the Group was entitled to a refund from the Irish tax authorities for corporation tax paid in 2019. At 31 December 2020, the Group has reassessed the position with regard to trading losses to ensure that the value of losses carried back to the 2019 period were not in excess of available losses in 2020. On review of the position, it was concluded that the losses carried back were calculated accurately and no adjustment was required.

The Group has an unrecognised deferred tax asset as at 31 December 2020 as a result of an impairment of intellectual property in 2020 during the year totalling €1,871k (2019: €nil).

In addition, the Group has unused trading tax losses of €17,689k (2019: nil) available for offset against future profits arising. A deferred tax asset has not been recognised in respect of such losses as it is not considered probable that there will be future trading profits available against which the deferred tax asset can be unwound, beyond those used to assess the recoverability of the existing deferred tax asset at 31 December 2020. All tax losses available may be carried forward indefinitely.

9. (LOSS) / EARNINGS PER SHARE

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

	2020	2019
Weighted average number of shares in issue ('000s)	**106,947**	92,207*
(Loss) / profit for the year (€'000s)	**(48,857)**	8,394
Basic earnings per share (euro cent)	**(45.68)**	8.64

*The 2019 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

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

	2020	2019
Weighted average number of ordinary shares in issue ('000s)	**106,947**	97,212
Effect of dilutive potential ordinary shares:		
Share options ('000s)	**-**	5
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000s)	**106,947**	97,212
Diluted earnings per share (euro cent)	**(45.68)**	8.64

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 2019	47,274	214,640	14,068	5,500	11,525	293,007
Additions	-	68	-	-	2,847	2,915
Balance at 31 December 2019	47,274	214,708	14,068	5,500	14,372	295,922
Additions	-	-	153	-	3,649	3,802
Disposals for the period	-	-	(121)	-	-	(121)
Balance at 31 December 2020	**47,274**	**214,708**	**14,100**	**5,500**	**18,021**	**299,603**
Accumulated amortisation and impairment						
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	(29,426)	(126,374)	(13,911)	(5,500)	(11,591)	(186,802)
Charge for year	-	(9,118)	(132)	-	(2,424)	(11,674)
Disposals for the period	-	-	121	-	-	121
Impairment recognised	-	(14,996)	-	-	-	(14,996)
Balance at 31 December 2020	**(29,426)**	**(150,488)**	**(13,922)**	**(5,500)**	**(14,015)**	**(213,351)**
Carrying amount						
At 31 December 2019	17,848	88,334	157	-	2,781	109,120
At 31 December 2020	**17,848**	**64,220**	**178**	**-**	**4,006**	**86,252**

Capitalised development cost additions during the year comprised of internally generated additions of €2,335k (2019: €2,291k) and other separately acquired additions of €1,314k (2019: €556k). Hostelworld continue to utilise affiliate contracts to generate revenue and continue to pay affiliate partner commissions.

Impairments

The carrying value of the goodwill balance at 31 December 2020 is €17,848k (2019: €17,848k) and relates to an investment in Hostelworld.com Limited by the Group in 2009. Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. Following impairment testing based on the assumptions below, no impairment was recognised for goodwill in 2020.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

10. INTANGIBLE ASSETS (CONTINUED)

Impairments (Continued)

In 2020, as a result of a strategic review of the business by the Directors, it was determined to cease actively marketing our Hostelbookers brand name. An impairment loss of €494k was recognised based on the carrying value at 31 December 2020. The recoverable amount was €nil.

In 2020 following a review of COVID trading performance and booking performance, the Directors reassessed the estimated cash flows associated with the Hostelworld.com intellectual property assets. This led to the recognition of an impairment charge of €14,502k in relation to the value of the Hostelworld.com domain name. The recoverable amount of the related CGU was calculated at €64,220k.

Cash generating units ("CGUs") to which goodwill and intellectual property have been allocated represent the lowest level at which the assets are monitored for internal reporting purposes. The recoverable amount of goodwill and intellectual property allocated to a CGU is determined based on a value in use computation. The key assumptions for calculating value in use of the CGUs are discount rates, growth rates and cash flows. They are described as follows:

Discount Rates

	2020 €'000	2019 €'000
Pre-tax discount rate; Goodwill	**13.2%**	12.2%
Pre-tax discount rate: Intellectual Property	**14.69%**	11.93%

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

Growth rates

Growth rates are assessed based on the Board approved five-year 2021 budget. As part of the budget we have utilised 2019 as the base year in our reforecasts and we have measured our growth each year as a percentage of 2019 volumes through COVID and the recovery of the Group from the impacts of COVID until 2023, with a moderate uptick in growth rates in 2024 and 2025.

For goodwill a terminal value of 2% (2019: 2.8%) growth into perpetuity was used to extrapolate cash flows beyond the five-year budget period. This growth rate does not exceed the long-term average growth rate for the industry in which each CGU operates. For intellectual property growth rates included beyond the five-year budget period ranged from 8% to 3%.

Cash flows

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

In preparing the 2021 budget and strategic plan, management considered industry market research and analysis prepared on COVID-19 and the travel industry pertaining to estimated return to growth of the market, customer and consumer behaviours, competitor activity and developing trends in the industry in which the CGU operates in.

Management have also considered the Group's history of earnings, internal focus on the roadmap to growth through COVID-19 downtime, past experience and cash flow generation. 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.

Sensitivity analysis

The key assumptions underlying the impairment reviews are set out above. Sensitivity analysis has been conducted in respect of each of the CGUs using the following sensitivity assumptions: a 1% increase in the discount rate; 10% decline in revenue in each of the Board approved five-year numbers and nil terminal value growth. Under each scenario no impairment was identified. From our sensitivity analysis we identified that Goodwill would need to have nil terminal value growth and an increase in discount rate of 2.4% to be considered impaired.

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 2019	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
Additions	1,681	23	-	41	1,745
Remeasurement	129	-	-	-	129
Disposals	(769)	(334)	(169)	(214)	(1,486)
Balance at 31 December 2020	**5,374**	**1,566**	**654**	**3,486**	**11,080**
Accumulated depreciation					
Balance at 1 January 2019	-	(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)
Charge for year	(1,518)	(258)	(102)	(580)	(2,458)
Disposals	492	334	158	213	1,197
Balance at 31 December 2020	**(2,087)**	**(893)**	**(504)**	**(3,116)**	**(6,600)**
Carrying amount					
At 31 December 2019	3,272	908	263	910	5,353
At 31 December 2020	**3,287**	**673**	**150**	**370**	**4,480**

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, Portugal and China. The average lease term of leases entered at 31 December 2020 is 3 years. The maturity analysis of lease liabilities is presented in note 14.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

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
As at 1 January 2019	(163)
Credited to the income statement	6,605
Credited to retained earnings (IFRS 16)	141
As at 1 January 2020	**6,583**
Credited to the income statement	**1,013**
As at 31 December 2020	**7,596**

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

	2020 €'000	2019 €'000
Deferred taxation assets	**7,596**	6,727
Deferred taxation liabilities	**-**	(144)
Net deferred taxation assets/ (liabilities)	**7,596**	6,583

The deferred tax credit for the year ended 31 December 2020 of €1,013k (2019: €6,746k) relates to a deferred tax asset created in the current year for capital allowances not utilised and available for future offset. The 2019 credit relates to a timing difference which arose from a Group reorganisation that completed on 12 March 2019 in which certain assets of a Group subsidiary were acquired by Hostelworld.com Limited. Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. The total tax charge in future periods will be affected by any changes to the applicable tax rates in force in jurisdictions in which the Group operates and other relevant changes in tax legislation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised. Future taxable profits have been estimated using the Board approved five-year plan and adjusted for base case COVID-19 assumptions. Within the five-year plan it is assumed that the Group is profitable from 2023, and the deferred tax asset can be substantially utilised by 31 December 2025. The Directors have reviewed the recoverability of the deferred tax asset at the reporting date and are satisfied that it is probable that the deferred tax asset can be utilised.

13. INVESTMENT IN ASSOCIATE

The Group own 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 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.

Deferred consideration of €1,266k (2019: €1,763k) is due to be paid in full by July 2021.

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 2020:

	2020 €'000	2019 €'000
Non-current assets	**9**	7
Current assets	**1,829**	2,441
Non-current liabilities	**-**	-
Current liabilities	**(200)**	(46)
Equity attributable to owners of the company	**1,638**	2,402

Income statement of Goki Pty Limited for the year/period ended 31 December 2020:

	2020 €'000	2019* €'000
Revenue	**28**	64
Loss after tax	**(764)**	(236)
Other comprehensive income attributable to the owners of the company	**-**	-
Total comprehensive loss	**(764)**	(236)
Group share of results of associate	**(374)**	(116)

*2019 income statement from the period 22 July 2019 to 31 December 2019

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:

	2020 €'000	2019 €'000
Net assets of Goki Pty Limited	**1,638**	2,402
Proportion of the Group's ownership interest in the associate	**49%**	49%
Group share of net assets	**803**	1,177
Goodwill and transaction costs	**2,868**	2,868
Other adjustments	**(1,322)**	(1,322)
Carrying amount of the Group's interest in associate	**2,349**	2,723

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

13. INVESTMENT IN ASSOCIATE (CONTINUED)

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 a 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

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

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

	2020 €'000	2019 €'000
Opening lease liability	**4,291**	-
Recognition on transition to IFRS 16	**-**	5,361
Additions	**1,681**	31
Disposals	**(344)**	-
Lease term remeasurement	**129**	8
Payments	**(1,555)**	(1,287)
Lease interest	**182**	178
Foreign exchange differences on lease payments	**(89)**	-
Closing lease liability	**4,295**	4,291

In line with our lease agreement on the Dublin office, a rent review was completed in Q2 2020 which resulted in an increase in the lease liability and right of use asset of €129k.

The maturity analysis of these lease liabilities is as follows:

	2020 €'000	2019 €'000
Maturity analysis		
Within one year	**1,940**	999
Between one and five years	**2,660**	3,475
Over 5 years	**-**	243
Less unearned interest	**(305)**	(426)
Total	**4,295**	4,291

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

	2020 €'000	2019 €'000
Non-current lease liabilities	**2,492**	3,422
Current lease liabilities	**1,803**	869
Total	**4,295**	4,291

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

At 31 December 2020, the Group is committed to €19k (2019: €6k) for short term leases. The total cash outflow for leases amount to €1,607k during 2020 (2019: €1,293k).

There is a clear payment schedule associated with our lease liabilities and based on our cash flow forecasts the Group does not face any significant liquidity risk with regards to its lease liabilities.

Amounts recognised in consolidated income statement

	2020 €'000	2019 €'000
Depreciation expense on right-of-use assets	**1,518**	1,061
Interest expense on lease liabilities	**182**	178
Expense relating to short term leases	**52**	5
Total	**1,752**	1,244

15. TRADE AND OTHER RECEIVABLES

	2020 €'000	2019 €'000
Amounts falling due within one year		
Trade receivables	**188**	873
Prepayments and other receivables	**1,191**	2,291
Value added tax	**302**	1,816
Total	**1,681**	4,980

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 (2019: 4 days).

In 2019, an amount of €1,214k was included in other receivables which relates to amounts due to the Group on completion of the liquidation of WRI Nominees DAC which was received in H2 2020 (see note 22).

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reduction in trade receivables and value added tax year on year reflective of COVID-19 related decline in booking volumes.

The Group always recognises lifetime expected credit losses ("ECLs") for trade receivables estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The historical loss rates are adjusted to reflect current and forward economic factors if there is evidence to suggest these factors will affect the ability of the customer to settle receivables under COVID.

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

	2020 €'000	2019 €'000
At the beginning of the year	**212**	163
(Decrease)/increase in loss allowance recognised during the year	**(18)**	49
At the end of the year	**194**	212

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

16. CASH AND CASH EQUIVALENTS

	2020 €'000	2019 €'000
Trade receivables	**18,189**	19,365
Total	**18,189**	19,365

Included within cash and cash equivalents number is an amount not available for use by the Group €1,500k (2019: €nil) relating to a rental guarantee in place on our Dublin office. In April 2021 the amount will reduce to €750k in line with the underlying security agreement. Balance of cash and cash equivalents comprise cash and short-term bank deposits only.

17. SHARE CAPITAL

	No of shares of €0.01 each (thousands)	Ordinary shares €'000	Share premium €'000	Total €'000
At 31 December 2019	95,571	956	-	956
Share Issue – 29 June 2020	**19,114**	**191**	**14,344**	**14,535**
Bonus Issue – 17 September 2020	**1,636**	**16**	**(16)**	**-**
At 31 December 2020	**116,321**	**1,163**	**14,328**	**15,491**

The Group has one class of ordinary shares which carry no right to fixed income. The share capital of the Group is represented by the share capital of the parent company, Hostelworld Group plc. All the Company's shares are fully paid up and quoted on London Stock Exchange and Euronext Dublin.

On 29 June 2020, the Company issued 19,114,155 Ordinary Shares at €0.79695 per share by way of a Placing, raising gross proceeds of €15,233k. €698k of directly attributable share issue costs have been recognised as a deduction from share premium.

On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share.

18. TRADE AND OTHER PAYABLES

	2020 €'000	2019 €'000
Amounts falling due within one year		
Trade payables	**2,258**	2,493
Accruals and other payables	**9,003**	4,100*
Deferred revenue	**207**	2,981*
Deferred consideration (note 13)	**1,266**	890
Payroll taxes	**4,302**	610
Total	**17,036**	11,074

At 31 December 2020, €197k of revenue was deferred relating to free cancellation bookings (2019: €2,777k) and €10k was deferred relating to featured listings (2019: €204k).

Included in accruals and other payables is a credit provision amounting to €1,528k (2019: €322k) for vouchers and incentives to customers for use on future bookings, and an amount of €2,889k (2019: €48k) relating to customers who have cancelled their free cancellation booking but have not been refunded. Both increased compared to 2019 due to additional options recognised for customers whose travel was disrupted by COVID-19. The Group has availed of the Irish Revenue tax warehousing scheme and deferred payment on all Irish employer taxes from February 2020. Total amount warehoused at 31 December 2020 amounted to €4,140k (2019: €nil). The Group continues to liaise with Irish Revenue on the matter and comply with all appropriate guidelines applicable.

The average credit period for the Group in respect of trade payables is 23 days (2019: 18 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

*An amount of €322k has been restated in the prior year as a reclassification between deferred revenue and accruals and other payables to better reflect the nature of the liability and to provide better information for comparability to the users of the accounts.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

19. BORROWINGS

On 22 June 2020 the Group entered a 'Prompt Pay' which is a short term invoice financing facility with Allied Irish Banks PLC. It is repayable in full by 23 April 2021. Total amount outstanding at 31 December 2020 amounted to €1,164k. A flat rate interest applies of 1.45% per annum. Hostelworld.com Limited must ensure it maintains a cash balance of no less than €8.67m for the period ending 30th September 2020, €5.75m for the period ending 31 December 2020 and €1.42m for the period ending 31 March 2021. The facility was guaranteed by Hostelworld Group plc. On 26 January 2021 the amount owing on the facility was repaid in full. Please see subsequent event note 26.

In the period the Group entered a three-year revolving credit facility for €7m with the Governor and Company of the Bank of Ireland to assist with the investing and development needs of the business. No amounts were drawn down at 31 December 2020. The facility was guaranteed by fixed and floating debenture over the assets of Hostelworld.com Limited to include proprietary interest in any Hostelworld booking platform, technology and intellectual property, group guarantees for the full amount of borrowings and a subordination deed between Hostelworld.com Limited, Hostelworld Group Plc and the Bank subordinating the repayment of all monies due by Hostelworld.com Limited to Hostelworld Group Plc in accordance with the provisions contained therein. The facility bore interest at the bank cost of funds +2.3% margin. Hostelworld.com Limited was to retain minimum cash balances of 20% of drawn facilities and the revolving credit facility was required to return to credit 20 days per annum. Hostelworld.com Limited were also required to maintain a minimum tangible net worth of not less than €90m. No amounts were drawn down at 31 December 2020, in respect of the revolving credit facility. Amounts available to the Group consist of three tranches of €2m to €2.5m each dependent on incremental revenue targets achieved.

On 10 February 2021 the Group signed a deed of release exiting the undrawn facility in place. Please see subsequent event note 26.

20. CONTINGENCIES

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

21. SHARE BASED PAYMENTS

Long Term Incentive Plan ("LTIP") scheme

The Group operate 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").

For the 2020 scheme up to 25% of the shares/options subject to an award will vest according to the Group's adjusted EPS growth compared with target during the performance period. Up to 75% of the shares/options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance indicators approved by the Remuneration Committee. For schemes in 2018 and 2019 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 2020, the Remuneration Committee approved the grant of 3,793,200 share options pursuant to the terms and conditions of the Group's LTIP Rules (2019: 1,267,463 options). In 2020, €356k was expensed in the consolidated income statement in relation to the Group's LTIP schemes (2019: €77k).

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

	2020 No. of share options	2019 No. of share options
Outstanding at beginning of year	**1,501,647**	875,957
Granted during the year	**3,793,200**	1,267,463
Forfeited during the year	**(1,430,375)**	(641,773)
Exercised during the year	**-**	-
Expired during the year	**-**	-
Outstanding at end of year	**3,864,472**	1,501,647
Exercisable at the end of the year	**-**	**-**

Included in the number of options forfeited in 2020, are 282,500 of the 2018 awards which did not meet the vesting conditions based on performance conditions from 1 January 2018 to 31 December 2020 (2019: 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).

If the conditions are met, the remaining awards will vest on the later of the 3rd anniversary of the grant and the determination of the performance condition and will then remain exercisable until the 7th anniversary of the date of grant, provided the individual remains an employee or officer of the Group or is subject to good leaver provisions. The measurement period for the 2019 and 2020 awards for performance conditions is over 3 years from 1 January 2019 to 31 December 2021 and from 2 May 2020 to 1 May 2023 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

21. SHARE BASED PAYMENTS (CONTINUED)

Fair value of options granted during the year:

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

Year of potential vesting	April 2019 2022	June 2019 2022	August 2019 2022	November 2019 2022	May 2020 2023
Number of share options granted	933,995	76,204	187,842	69,422	3,793,200
Share price at grant date	£1.95	£2.07	£1.50	£1.32	£0.74
Exercise price per share option	£nil	£nil	£nil	£nil	£nil
Expected volatility of Company share price	46.1%	42.1%	40.0%	40.1%	51.86%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	4.3%	4.9%	4.9%	6.0%	6.06%
Risk free interest rate	0.71%	0.56%	0.43%	0.51%	0.08%
Weighted average fair value at grant date	£1.93	£1.97	£1.27	£1.16	£.49
Remaining weighted average life of options (years)	1.25	1.42	1.64	1.87	2.33

Year of potential vesting	April 2018 2021	June 2018 2021	December 2018 2021
Number of share options granted	499,554	175,723	98,520
Share price at grant date	£3.86	£3.15	£1.99
Exercise price per share option	£nil	£nil	£nil
Expected volatility of Company share price	46.0%	47.0%	41.5%
Expected life	3 years	3 years	3 years
Expected dividend yield	3.8%	4.8%	7.6%
Risk free interest rate	0.88%	0.76%	0.75%
Weighted average fair value at grant date	£3.35	£2.64	£1.48
Remaining weighted average life of options (years)	0.27	0.49	0.93

Expected volatility was determined based on the market performance of the Company over a period of 36 months prior to the date of grant for all the 2020 and 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.

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 2020, the Remuneration Committee approved the granting of share options under a SAYE scheme for all eligible employees across the Group. 27 employees availed of the scheme in 2020 (2019: 31 employees availed of the 2019 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 2020 SAYE scheme was estimated at €77k of which €10k has been recognised in the consolidated income statement for the year ended 31 December 2020. The remaining €67k 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 2019 SAYE scheme was estimated at €63k of which €59k (2019: €10k) has been recognised in the consolidated income statement to date.

Number of share options granted	2020	2019
Outstanding at beginning of year	**290,592**	165,162
Granted during the year	**358,305**	258,757
Forfeited during the year	**(208,106)**	(133,327)
Outstanding share options granted at end of year	**440,791**	290,592

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	UK office	Irish office	Irish office
Grant date	August 2020	August 2020	October 2019	October 2019	September 2018
Year of potential vesting	2023	2023	2022	2022	2021
Share price at grant date	£0.63	€0.70	£1.30	€1.52	€2.40
Exercise price per share option	£0.50	€0.56	£1.17	€1.30	€2.56
Expected volatility of company share price	54.2%	54.2%	39.5%	39.5%	47.5%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	6.13%	6.13%	9.3%	9.3%	6.9%
Risk free interest rate	-0.03%	-0.03%	0.51%	0.51%	(0.40%)
Weighted average fair value at grant date	£0.20	€0.22	£0.21	€0.24	€0.45
Valuation model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

21. SHARE BASED PAYMENTS (CONTINUED)

Expected volatility was determined in line with market performance of the Company for the 2020 and 2019 schemes. For the 2018 schemes, expected volatility was determined in line with market performance of the Company and comparator companies as there was insufficient historic data available for the Company at the grant date of the awards.

The charge of €72k (2018: €79k) in relation to the SAYE schemes, together with the charge in respect of the long-term incentive plan for the year of €356k (2019: €77k) 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 €428k (2019: €156k) 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 2020 (2019: €7k). The fair value of these SARs was determined by using a Black Scholes model.

22. RELATED PARTY TRANSACTIONS

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

Subsidiaries

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

Company	Holding	Nature of Business	Registered Office
Hostelworld.com Limited 196 Ordinary shares @ €1	100%*	Technology trading company	One Central Park, Leopardstown, Dublin 18, Ireland
Hostelworld Services Portugal LDA 500 Ordinary shares @ €1	100%	Marketing and research and development services company	Rua Antònio Nicolau D'Almeida, 45, 5th Floor, 4100-320 Oporto, Portugal
Hostelworld Business Consulting (Shanghai) Co., Limited**	100%	Business information consulting and marketing planning	Suite 304, Block 2, No.425 Yanping Road, Jing'an District, Shanghai China 200042 延平路425号2幢304室 上海，中国, 200042
Hostelworld Services Limited 104123 Ordinary shares @ £0.001	100%*	Marketing services and technology trading company	Floor 2, 52 Bedford Row, London, WC1R 4LR, United Kingdom
Counter App Limited 51 Ordinary shares @ €1	51%	Technology company	One Central Park, Leopardstown, Dublin 18, Ireland

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

Unless otherwise stated, all subsidiaries have the same reporting date as the Company being 31 December.

On 19 June 2020, "Project Hydra Funding Limited" was incorporated as a 100% subsidiary of Hostelworld Group plc. The company was a Jersey registered company and the company was involved in the transfer of funds from the equity raise to Hostelworld Group PLC which raised gross proceeds of €15.2m. The entity was subsequently liquidated on 10 July 2020.

On 4 June 2020 a new subsidiary was incorporated "Hostelworld Business Consulting (Shanghai) Co., Limited" and became a 100% owned subsidiary of Hostelworld.com Limited. The principal activity of this subsidiary is business information consulting and marketing planning.

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. On 7 February 2020, Hostelworld Technology Solutions Limited changed its name to Counter App Limited.

On 12 March 2019, Hostelworld.com Limited acquired intangible assets from WRI Nominees DAC for 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.

ASSOCIATES

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

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

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

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

Directors' remuneration

	2020 €'000	2019 €'000
Salaries, fees, bonuses and benefits in kind	**1,101**	1,107
Amounts receivable under long-term incentive schemes	**102**	44
Termination benefits	**-**	-
Pension contributions	**62**	61
Total	**1,265**	1,212

Retirement benefit charges of €62k (2019: €61k) arise from pension payments relating to 3 Executive Directors (2019: 2).

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel

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

	2020 €'000	2019 €'000
Short term benefits	**2,899**	2,607
Share based payments charge	**271**	72
Termination benefits	**289**	854
Post-employment benefits	**133**	118
Total	**3,592**	3,651

23. FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

The directors manage the Group's capital, consisting of both debt and equity, to ensure that the Group will be able to continue as a going concern while also maximising the return to stakeholders. As part of this process, the directors review financial risks such as liquidity risk, credit risk, foreign exchange risk and interest rate risk regularly.

Liquidity risk

Cash flow forecasting is monitored by rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach covenants on any of its facilities. Such forecasting takes into consideration the Group's debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The Group had no derivative financial liabilities in the current or prior year. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	2020 €'000	2019 €'000
Up to 1 year			
Trade and other payables	18	**11,205**	10,142
Total up to 1 year		**11,205**	10,142
Between 1 and 2 years			
Deferred consideration		**-**	890
Total between 1 and 2 years		**-**	890
Total		**11,205**	11,032

Interest rate risk

The group monitors its exposure to interest rate risk based on interest rates at which companies in the Group borrow at. During 2020 the Group was not materially exposed to interest rate risk. The Group had one drawn down facility in place as detailed in note 19.

Credit risk and foreign exchange risk

The Directors monitor the credit rate risks associated with loans, trade receivables and cash and cash equivalent balances on an on-going basis. The majority of the Group's trade receivable balances are due for maturity within 5 days and largely comprise amounts due from the Group's payment processing agents. Accordingly, the associated credit risk is determined to be low. These trade receivable balances, which consist of euro, US dollar and Sterling amounts, are settled within a relatively short period of time, which reduces any potential foreign exchange exposure risk. At 31 December 2020, all material cash balances are held with banks with a minimal credit rating of BBB-, as assigned by international credit rating agencies. As a result, the credit risk on cash balances is limited. The carrying value of trade receivables, trade payables and cash and cash equivalents is a reasonable approximation of their fair value. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Directors' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. In 2020 cash dividends were suspended due to COVID-19 uncertainty.

The Group will ensure it retains sufficient reserves to manage its day to day cash requirements, including capital expenditure requirements, whilst ensuring appropriate dividends are distributed to shareholders.

24. DIVIDENDS

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

	2020 €'000	2019 €'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
	-	12,615

The Group announced on 26 March 2020 that it was not proceeding with a final 2019 dividend as part of its measures to protect balance sheet strength and liquidity during the COVID-19 pandemic.

On 24 June 2020 the Group announced that the Board does not expect to pay a cash dividend under its current policy in respect of the 2020 financial year. The Board made this decision after assessing current trading, the continued requirement for cash conservation and the on-going uncertainty of the full impact of COVID-19. Future cash dividend payments will be subject to the Group generating adjusted profit after tax, the Group's cash position, any restrictions in the Group's banking facilities and subject to compliance with Companies Act 2006 requirements regarding ensuring sufficiency of distributable reserves at the time of paying the dividend.

On 17 September 2020, the company issued 1,636,252 bonus shares to shareholders in lieu of a cash dividend at value €0.01 per share. See note 17.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (Continued)

25. PARENT COMPANY EXEMPTION

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

26. EVENTS AFTER THE BALANCE SHEET DATE

On 25 January 2021 the Group signed head of terms on a €30 million term loan facility, and on 23 February 2021 the Group drew down €28.8 million, net of original issue discount. The facility is single drawdown and bears interest at a margin of 9.0% per annum over EURIBOR (with a EURIBOR floor of 0.25% per annum). The facility agreement includes the following financial covenants: (1) adjusted net leverage (Hostelworld has to ensure that total net debt is no more than 3.0 x adjusted EBITDA from 31 December 2023 to 30 September 2024, and no more than 2.5 x adjusted EBITDA from 31 December 2024 onwards); and (2) minimum liquidity (Hostelworld has to ensure that at close of business on the last business day of each month until it is testing the adjusted net leverage ratios there is free cash in members of the Group which have guaranteed repayment of the facility of at least €6.0 million). The lenders have the right to require repayment of the facility if Hostelworld is subject to a change in control and Hostelworld has the option to repay the facility early (subject to the prepayment fees referred to below). Security on the facility includes the share capital of the Group, the bank accounts of the Group and the Group's intellectual property. In connection with the facility, Hostelworld has agreed to issue warrants over 3,315,153 ordinary shares of €0.01 each in the capital of Hostelworld (equivalent to 2.85% of Hostelworld's current issued share capital) to the lender. The Warrants may be exercised at any time during the term of the loan and for a twelve-month period following its scheduled termination at an exercise price of €0.01 per ordinary share. Shares issued will be the same class and carry the same rights as existing shares.

On 26 January 2021 the Group repaid its short-term invoice financing facility in full. On 10 February 2021 the Group signed a deed of release on its three-year revolving credit facility which was not drawn down at year end.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2020.

Company Statement of Financial Position as at 31 December 2020

	Notes	2020 €'000	2019 €'000
Non-current assets			
Investments	30	**57,026**	44,187
Trade and other receivables	31	**112,984**	-
		170,010	44,187
Current assets			
Trade and other receivables	31	**224**	122,226
Cash and cash equivalents		**953**	353
		1,177	122,579
Total assets		**171,187**	166,766
Equity			
Share capital	17	**1,163**	956
Share premium account	17	**14,328**	-
Share based payment reserve		**1,227**	795
Retained earnings		**153,258**	164,726
Total equity attributable to equity holders of the parent		**169,976**	166,477
Current liabilities			
Trade and other payables	32	**1,211**	289
		1,211	289
Total liabilities		**1,211**	289
Total equity and liabilities		**171,187**	166,766

The Company reported a loss for the financial year ended 31 December 2020 of €11,468k (2019: €8,678k profit).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 16 March 2021 and signed on its behalf by:

Gary Morrison
Chief Executive Officer

Caroline Sherry
Chief Financial Officer

Hostelworld Group plc registration number 9818705 (England and Wales)

Company Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Share Capital	Share Premium	Retained Earnings	Share Based Payment Reserve	Total
		€'000	€'000	€'000	€'000	€'000
As at 1 January 2019		956	-	168,663	639	170,258
Total comprehensive income for the year		-	-	8,678	-	8,678
Dividends	24	-	-	(12,615)	-	(12,615)
Credit to equity for equity settled share based payments		-	-	-	156	156
As at 31 December 2019		956	-	164,726	795	166,477
Total comprehensive expense for the year		**-**	**-**	**(11,468)**	**-**	**(11,468)**
Issue of ordinary shares for cash	17	**191**	**15,042**	**-**	**-**	**15,233**
Share issue cost	17	**-**	**(698)**	**-**	**-**	**(698)**
Bonus Issue shares	17	**16**	**(16)**	**-**	**-**	**-**
Credit to equity for equity settledshare based payments		**-**	**-**	**-**	**432**	**432**
As at 31 December 2020		**1,163**	**14,328**	**153,258**	**1,227**	**169,976**

Ember Hostel, USA

Notes to the Company Financial Statements for the year ended 31 December 2020

27. ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are as follows:

Basis of preparation

The separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) Application of Financial Reporting Requirements issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, financial risk management, impairment of assets, related party transactions and where required, equivalent disclosures are given in the consolidated financial statements. Significant accounting policies specifically applicable to these individual Company financial statements and which are not reflected within the accounting policies for the Group consolidated financial statements are detailed below.

The financial statements are prepared on the historical cost basis.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less any allowance for impairment.

Financial instruments

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

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

Financial assets

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

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

Dividends

Final dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Details of interim and final dividends are disclosed in note 24 to the consolidated financial statements.

Notes to the Company Financial Statements for the year ended 31 December 2020 (Continued)

27. ACCOUNTING POLICIES (CONTINUED)

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 (as issued by the FRC) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. There were no significant judgements applied in the preparation of the Company financial statements.

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

Carrying value of investments in subsidiaries

Investments in subsidiaries are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. When the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. At 31 December 2020 the carrying value of investment in subsidiaries amounted to €57.0m (2019: €44.2m). During 2020 an impairment of €2.0m was recognised (2019: €0.8m). Further detail, including sensitivity analysis, is included in note 30 to the financial statements.

Recoverability amounts due from subsidiary undertakings

Each year the Directors assess the credit risk of amounts due from subsidiary undertakings and determine if there is evidence to recognise an expected credit loss on these assets. In the current year the Directors reviewed the related party's historical credit loss experience, adjusted for factors that are specific to that company, general economic conditions and carried out an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. At 31 December 2020 the carrying value of the amounts due from subsidiary undetakings amounted to €113.0m (2019: €120.9m). Given a repayment plan in place until 31 December 2030 the Directors do not consider that an expected credit loss allowance is required.

28. (LOSS)/ PROFIT FOR THE YEAR

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The (loss)/profit attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

The auditor's remuneration for the audit and other services is disclosed in note 4 to the consolidated financial statements.

29. STAFF COSTS

The average monthly number of full time people employed by the Company (including Executive Directors) during the year was 3 (2019: 3).

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

	2020 €'000	2019 €'000
Staff costs comprise:		
Wages and salaries	**938**	863
Social security costs	**111**	110
Pensions costs	**72**	73
Other benefits	**19**	23
Long-term employee incentive costs	**121**	41
Total	**1,261**	1,110

In addition to staff costs disclosed above termination benefits disclosed within note 5 exceptional items restructuring costs totalled €289k (2019: €nil).

30. INVESTMENTS

The carrying value of the Company's subsidiaries at 31 December 2020 are as follows:

	2020 €'000	2019 €'000
At 1 January	**44,187**	205,630
Additions	**14,875**	40,437
Impairment	**(2,036)**	(880)
Disposals	**-**	(201,000)
At 31 December	**57,026**	44,187

The Company's subsidiaries directly owned by the Company, are disclosed in note 22.

Additions of €14,564k relate to a capital contribution from Hostelworld Group PLC to Hostelworld.com Limited during the period. The remaining additions (€311k) are capital contributions arising from the administration of the Group's share option schemes.

The additions in 2019 of €40,322k relate to an increase in the Company's direct shareholding in Hostelworld.com to 100%. The Company purchased these shares from WRI Nominees DAC, a 100% subsidiary of the Company.The remaining additions (€115k) are capital contributions arising from the administration of the Group's share option schemes.

An impairment of €2,036k (2019: €880k) was recognised for Hostelworld Group PLC's investment in Hostelworld Services Limited. In 2020, as a result of a strategic review of the business by the Directors, it was determined to cease actively marketing our Hostelbookers brand name.

No impairment was recognised for the Group's investment in Hostelword.com Limited. Given the existence of indicators of impairment at the balance sheet date, namely market capitalisation, the Directors reviewed the recoverability of the investment held. The recoverable amount of the investment was assessed utilising value-in-use calculations which were prepared using cash flow projections based on five-year budgets approved by the directors, and a terminal value was included with a long-term growth rate of 2%.

Notes to the Company Financial Statements for the year ended 31 December 2020 (Continued)

30. INVESTMENTS (CONTINUED)

The cash flow projections for the five-year period take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies. The pre-tax discount rate which was applied in determining value in use was 12.88%. The pre-tax discount rate is based on the Group weighted average cost of capital, calculated using the Capital Asset Pricing Model adjusted for the business specific risk of the CGU. The resulting enterprise value was adjusted for net debt of the company. There was sufficient headroom noted and an impairment charge was not recognised. A movement down in the long-term growth rate of more than .2% or an increase in the discount rate of more than .3% would result in an impairment charge.

The disposal in 2019 relates to a subsidiary WRI Nominees DAC which was liquidated in 2019 (note 22).

31. TRADE AND OTHER RECEIVABLES

	2020 €'000	2019 €'000
Amounts falling due greater than one year		
Amount due from subsidiary undertakings	**112,984**	-
Total	**112,984**	-

	2020 €'000	2019 €'000
Amounts falling due within one year		
Prepayments	**165**	114
Value Added Tax	**36**	12
Amount due from subsidiary undertakings	**23**	120,886
Other debtors	**-**	1,214
Total	**224**	122,226

The amount due from subsidiary undertakings arose primarily as a result of a term loan issued between the Company and Hostelworld.com Limited as part of the Group reorganisation in March 2019 (see note 22). This amount is carried at amortised cost. In 2020 the repayment term of the loan was extended to 31 December 2030. In line with IFRS 9 derecognition criteria, the Group assessed the guidance with respect to modification and potential derecognition of a liability based on whether the modification is deemed to be substantial or non-substantial. Based on 'the 10% test" referred to in IFRS 9 the change was not deemed to be a substantial change and we recorded a modification loss in the income statement of €8,813k (2019: €nil). The Directors assessed the credit risk of these amounts and determined there was no evidence to recognise an expected credit loss on these assets. The Directors reviewed the related party's historical credit loss experience, adjusted for factors that are specific to that company, general economic conditions and carried out an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Given a repayment plan in place until 31 December 2030 the Directors do not consider that an expected credit loss allowance is required.

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and there is no expected credit loss recognised in relation to these balances.

The amount included in other debtors in 2019 relates to amounts due to the Company on completion of the liquidation of WRI Nominees DAC (referred to in note 22).

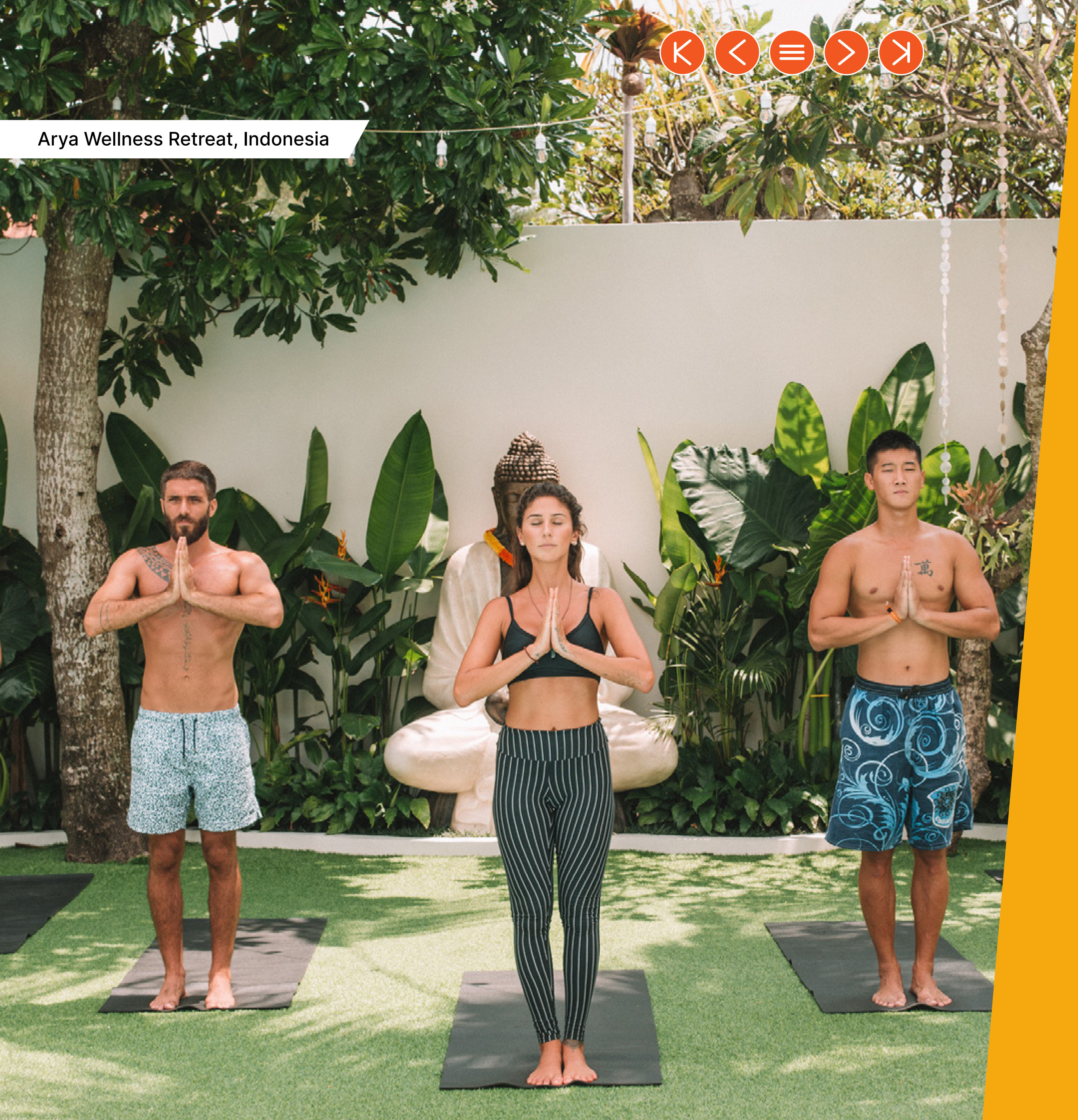
32. TRADE AND OTHER PAYABLES

	2020 €'000	2019 €'000
Amounts falling due within one year		
Trade payables	**444**	11
Accruals and other payables	**767**	278
Total	**1,211**	289

33. EVENTS AFTER THE BALANCE SHEET DATE

On 23 February 2021 the Group drew down €28.8 million, net of original issue discount, on a loan facility. The facility includes warrants issued to the lender for 2.85% of the existing issued and outstanding share capital of Hostelworld Group plc. Shares issued will be the same class and carry the same rights as existing shares. Further detail is included in note 26.

Woodstock Beach Camp, Vietnam



Arya Wellness Retreat, Indonesia

Additional Information

Appendix: Alternative performance measures

The Group uses the following Alternative Performance Measures ('APMs') which are non–IFRS measures to monitor the performance of its operations and of the Group as a whole: (Loss) / Earnings before Interest, Tax, Depreciation and Amortisation, excluding exceptional and non-cash items ("Adjusted EBITDA"), Adjusted (Loss) / Profit after Taxation; Adjusted (Loss) or Earnings Per Share, Adjusted Free Cash (Absorption) / Flow and Adjusted Free Cash (Absorption) / Flow Conversion.

Adjusted EBITDA

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

Reconciliation between (Loss) / Profit for the year and Adjusted EBITDA:

€'m	2020	2019
(Loss) / profit for the year	(48.9)	8.4
Taxation	(1.6)	(5.4)
Net finance costs	0.2	0.2
Share of result of associate	0.4	0.1
(Loss) / profit for the year	(49.9)	3.3
Depreciation	2.5	2.4
Amortisation of development costs	2.4	1.7
Amortisation of acquired intangible assets	9.3	9.8
Impairment of intangibles	15.0	-
Exceptional items	3.0	3.1
Share based payment expense	0.4	0.2
Adjusted EBITDA	(17.3)	20.5

Adjusted (Loss) / Profit after Taxation

Adjusted (Loss) / Profit after Taxation is an alternative performance measure that the Group uses to calculate the dividend pay-out for the year, subject to Company Law requirements regarding distributable profits and the dividend policy within the group. It excludes exceptional items, amortisation of acquired domain and technology intangibles, net finance costs, share based payment expenses and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Reconciliation between Adjusted EBITDA and (Loss) / Profit for the Year:

€'m	2020	2019
Adjusted EBITDA	**(17.3)**	**20.5**
Depreciation	(2.5)	(2.4)
Amortisation of development costs	(2.4)	(1.7)
Net finance costs	(0.2)	(0.2)
Share of result of associate	(0.4)	(0.1)
Corporation tax	0.6	(1.2)
Adjusted (loss) / profit after Taxation	**(22.2)**	**14.8**
Exceptional items	(3.0)	(3.1)
Amortisation of acquired intangible assets	(9.3)	(9.8)
Share based payment expense	(0.4)	(0.2)
Impairment charges	(15.0)	-
Deferred taxation	1.0	6.6
(Loss) / profit for the year	**(48.9)**	**8.4**

Adjusted (Loss) / Earnings 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.

€'m	2020	2019
Adjusted (loss) / profit after Taxation	**(22.2)**	**14.8**
Weighted average shares in issue ('m)	106.9	97.2*
Adjusted EPS	(20.76)	15.2

*The 2019 earnings per share figures have been restated to incorporate the 1,636,252 new Hostelworld Group ordinary shares that were issued in September 2020. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

Appendix: Alternative performance measures
(Continued)

Adjusted Free Cash (Absorption) / Flow

The Group uses adjusted Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation. The Group calculates adjusted Free Cash Flow as the adjusted EBITDA for the group before Capital Expenditure, capitalised development spend, acquisition and disposal of undertakings and adjusting for interest, tax and movements in working capital.

€'m	2020	2019
Adjusted EBITDA	**(17.3)**	**20.5**
Intangible asset additions	(3.8)	(2.9)
Capital expenditure	(0.1)	(0.2)
Deferred Consideration / Acquisition of associate	(0.5)	(1.1)
Net Interest and tax paid	0.5	(1.7)
Net movement in working capital	8.9	(3.7)
Adjusted free cash (absorption) / flow	**(12.3)**	**10.9**
Adjusted free cash (absorption) / flow conversion	(71%)	53%
Adjusted free cash (absorption) / flow	(12.3)	10.9
Adjustments for outstanding VAT refund and amount due to group on completion of liquidation of WRI Nominees DAC	-	2.2
Normalised Adjusted Free Cash (absorption) / flow	(12.3)	13.1
Normalised Adjusted Free Cash (absorption) / flow	**(71%)**	**64%**


Pipe House Playa Grande, Costa Rica

Shareholer Information

Financial Calendar

AGM	26 April 2021
Announcement of 2021 Interim Results	11 August 2021

Share Price

During the year ended 31 December 2020, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price as at 31 December 2020	£0.79
Lowest price during the year	£0.36
Highest price during the year	£1.51

Daily information on the Company's share price can be obtained on our website: www.hostelworldgroup.com

Shareholder's Enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrars:

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