



# 2015 Annual Report

# NICE TO MEET YOU



**HOSTELWORLD**  
MEET THE WORLD



## ABOUT HOSTELWORLD

Hostelworld Group operates the world's leading hostel-focused online booking platform.

We are the leading brand for young and independent travellers seeking a social travel experience through our flagship brand Hostelworld and supporting brands Hostelbookers and Hostels.com.

We are different to other Online Travel Agents ("OTAs") because we focus on hostels, maintain a leading global hostel database with over 13,000 hostels and approximately 22,000 other forms of budget accommodation available globally.

We also manage an extensive customer-generated review database consisting of more than 8 million post-stay reviews since 2005.

We are a key distribution channel for hostels worldwide offering them a market-leading proposition by providing:

- > A lower cost distribution channel than most other major OTAs, starting at a base commission rate of 12%
- > Access and promotion across a range of platforms to a global customer base with an attractive demographic profile
- > Access to Backpack Online, the Group's online property management system
- > Access to the Group's booking engine technology



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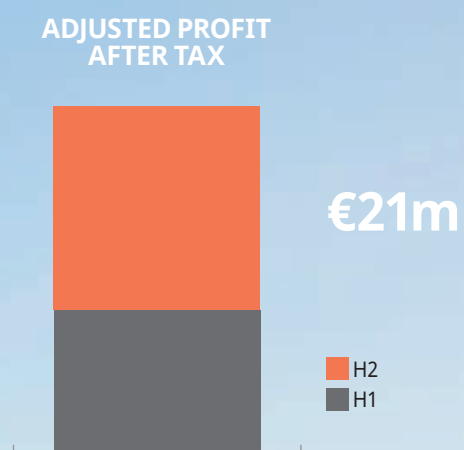
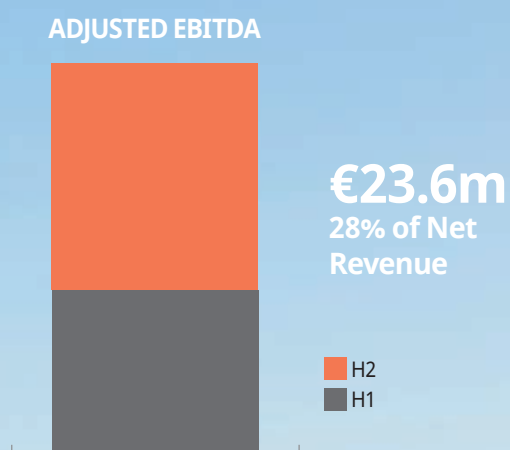
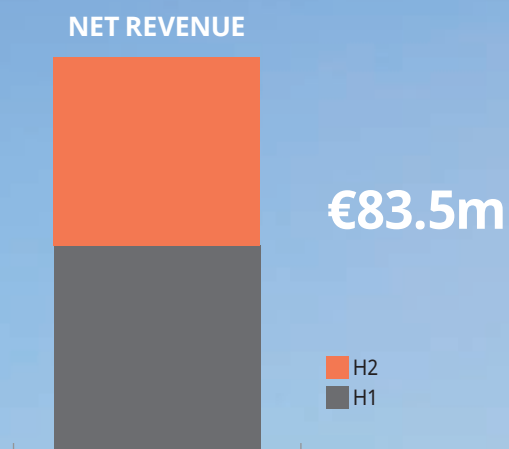
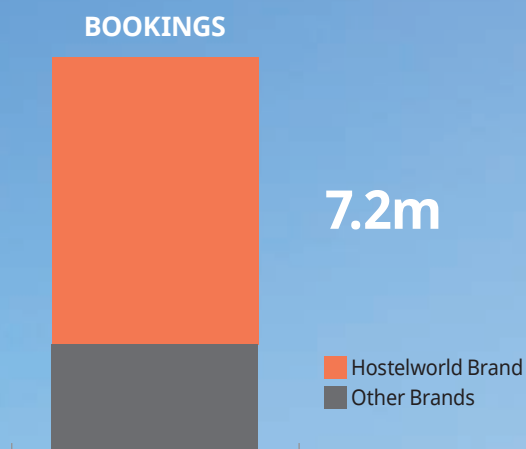
# Overview

1. 2015 Highlights

04

03

## 2015 HIGHLIGHTS



(1) Definitions for Adjusted EBITDA and Adjusted Profit after Tax are set out on pages 19 and 20.



# THE STORY SO FAR

- > Listed on London and Dublin Stock Exchanges
- > Rebranding of Hostelworld with 'Meet the World'

**2015**

- > Released new suite of Hostelworld booking apps for iOS and Android

**2014**

- > Change of revenue model with the introduction of the commission bidding tool ("Elevate"), as well as a premium listings feature on its Hostelworld platform
- > Acquired the Hostelbookers business, based in the UK

**2013**

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

**2009**

- > Opened office in Shanghai

**2006**

- > Acquired the Hostels.com business and brand

**2003**

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

**1999****05**







# Strategic Report

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## CHAIRMAN'S STATEMENT

In our first year reporting as a publicly listed Company, I am pleased to present our financial results for what has been a momentous year for the Group. Hostelworld reached a number of important milestones and is now well placed strategically and operationally to face the future with confidence.

### Admission to listing

We were delighted to announce our admission to a premium listing on the main market of the London Stock Exchange and a secondary listing on the Irish Stock Exchange's main securities market on 2 November 2015, valuing the Group at €245 million. Our IPO was a significant landmark in Hostelworld's development. Our public status offers us access to global investors and will facilitate our plans to grow and generate value for our shareholders. I welcome all new shareholders to the Group, we are committed to developing positive long term relationships with each of you through open and transparent communication.

### Results and financial position

The Group operates a number of brands. The flagship brand is Hostelworld, which accounts for circa 73% of Group bookings. Over the last year, the Group focused its attention and resources on rejuvenating this brand to make it more relevant to the target millennial consumer and accelerate bookings growth. As part of this strategy, the Group increased its marketing budget which was principally responsible for a reduction in the Group's margin. This strategy was implemented in the first half of the financial year and has been successful in driving bookings growth for the Hostelworld brand with bookings rising by 21% year-on-year in the second half of the financial year.

Whilst bookings of the Hostelworld brand grew, those of the Group's supporting brands (notably Hostelbookers) were, as anticipated, lower year-on-year. We have taken steps,



including the transition of Hostelbookers to a new platform earlier in 2016, to reduce this rate of decline. On a Group basis, we experienced positive revenue growth with net revenue increasing by 5% year on year. Adjusted EBITDA is down €3.4m year on year; a key contributory factor being the investment in a new brand identity and advertising campaign for Hostelworld, which we are confident will deliver benefits in 2016 and beyond. Adjusted EBITDA for the six month period from July to December was stable year-on-year, reflecting improved overall Group trading performance.

The business continues to have highly attractive cash flow and a very favourable working capital cycle.

### Dividend

Consistent with the guidance given during the IPO process, the Board is recommending a maiden dividend of 2.75 euro cent per share which reflects the distribution of 75% of the Adjusted Profit after Taxation for the period since the IPO date of 2 November 2015, on a pro rata basis. This is our first dividend and we look forward to providing dividend growth in future earnings periods.



## Board

To facilitate the IPO, a restructuring of companies in the Group was undertaken. The parent company of the Group is Hostelworld Group plc ("the Company"), which was incorporated on 9 October 2015. The directors of this Company include myself as Chairman, CEO Feargal Mooney, and CFO Mari Hurley, all of whom were directors of the previous parent company of the Group.

In addition, we welcomed new non-executive directors Michael Cawley and Andy McCue to the Board of Hostelworld Group plc. Both Michael and Andy bring extensive experience of international businesses with significant web-based revenues and we are already seeing the positive impact of their involvement in the Group. These appointments also ensured that Hostelworld Group plc was fully compliant with the UK Code of Corporate Governance in respect of the composition of its Board in advance of its IPO. The Board regularly monitors risk and control processes to ensure they support the Group's strategy and objectives.

I would also like to take this opportunity to sincerely thank former board colleagues - Stephen Duckett, Kingsley Duffy, Patrick Healy and Zita Saurel for their contribution to the Group in recent years.

## People

On behalf of the Board, I would like to thank all of our employees for their continuing commitment to, and hard work on behalf of the business. In particular, I would like to thank the Senior Management Team and the finance team. The IPO process was immensely time-consuming, and not only was it a successful process, but they continued to deliver on their other objectives at the same time, which is a tribute to their professionalism and dedication.

## Outlook

In recent years, the business has invested in its people, technology and brand. It has also modified its operating model to proactively anticipate and respond to changes in the market place. This investment and an absolute focus on serving the hostel sector and the millennial consumer in particular means the Group is well-positioned for future growth and development. The new financial year has started well and in line with our expectations. The strength of our brand and technology, together with healthy booking numbers and continued pricing improvements, underpinned by a growing marketplace, gives the Board confidence in the Group's future prospects.

### Richard Segal

Chairman

4 April 2016





## CHIEF EXECUTIVE'S STATEMENT

I am delighted to present my first CEO statement since our flotation in November 2015.

### Continued strategic progress

2015 has been a year of significant progress for the Group from a financial, strategic and operational perspective, during which we strengthened our commitment to leading the industry and enhancing our customers' experiences across all online and mobile interfaces.

### Bookings

Bookings for the Group's primary Hostelworld brand grew by 17% in the year with an average growth rate of 21% for the final six months of the year, post the brand launch. Total Group bookings and revenues grew by 1% (59,675 bookings) and 5% (£4.2 million) respectively, in the year.

We are pleased with the progress made in managing cost-per-click and cost-per-booking which drives a more efficient and profitable

booking mix. In 2015, bookings from not-paid-for channels increased to 58% of overall Group bookings. We are confident that our marketing strategy with the goal of diversifying online marketing channels and increasing brand awareness will continue to drive bookings into lower cost or not-paid-for channels.

### Brands

Consumers trust strong brands. Our brand is characterised by a sense of adventure, community and social interaction, which appeals to our target millennial demographic. We made significant investments in the brand in 2015 and are well-placed to capitalise on these in 2016 and beyond.

In May 2015, we relaunched our global lead brand Hostelworld, using the 'Meet the World' positioning. The new brand design, logo and imagery focus the brand on its mission of enhancing the travel experience through social interaction. Furthermore during the first half of 2015 we began our 'Meet the World' mass media advertising campaign to increase Hostelworld's brand awareness. The campaign comprised a multi-channel UK-focused

A QUARTER OF PEOPLE SURVEYED WOULD BE HAPPY TO SPEND UP TO 58% MORE THAN THE ACTUAL COST OF A PRIVATE ROOM IN GENERATOR VENICE, WHERE A PRIVATE ROOM STARTS FROM £63 PER NIGHT

GENERATOR HOSTEL,  
VENICE





campaign across television, cinema, national outdoor media and included increased global social channels and online advertising activity. We immediately experienced the positive impact of the increased brand and marketing investment and this was sustained throughout the remainder of 2015.

In early 2016, we also repositioned and relaunched Hostelbookers with the 'Just a Step Away' proposition. This brand serves customers globally who travel for a specific purpose or event and are looking for affordable, central accommodation options.

## Technology

The development of responsive interfaces for the Hostelworld and Hostelbookers brands was a key focus in 2015, ensuring both are available for all devices (desktop, tablet and mobile) in every orientation. Hostelworld was also made available on two new app platforms, Apple Watch & Apple TV, becoming the first hostel booking platform on these devices. On Android, the Hostelworld App was redesigned using Google's Material Design, earning Top Developer recognition from Google. Our mobile team continued to focus on improving the customer experience throughout the year offering Touch ID for login & checkout, Spotlight search, wish-lists and offline bookings, which are all time-saving enhancements to help the mobile hostel traveller. This "mobile first" strategy has resulted in mobile (including tablet) representing 41% of Hostelworld brand bookings for the year (2014: 31%).

## Pricing and yield management

Our Elevate programme gives accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 8% above the relevant base commission rate. We also offer a premium listing feature, which enables accommodation providers to purchase fixed slots at the top of Hostelworld's and our other brands' results on a monthly cycle. In 2015, 21% of the bookings on Hostelworld were delivered to properties participating in "Elevate", an increase from 15% in 2014. In addition, we provide enhanced revenue management services to our properties which continued to evolve through 2015.

## Asia

We progressed our strategy to grow our customer base and revenue in emerging markets. In 2015, we increased our supply base in key Asian markets through our dedicated team based in Shanghai, with Asia becoming our fastest growing destination continent. South Korea grew to become our seventh highest customer nationality for Hostelworld brand bookings (2014: 8th).

### Efficient Business Model Minimises Working Capital Requirements and Leads to Strong Cash Conversion

**Hostelworld collects non-refundable commission at the time of the booking**

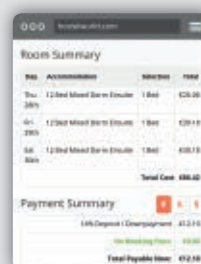
**1**

**Customer searches & books accommodation via web/mobile**



**2**

**Hostelworld collects deposit (usually between 12%-23%)**



**3**

**Customer pays balance to accommodation provider**



**Simple revenue model, no call centres, no refunds, no debtors, no inventory risk**

## Business model

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

At the time of booking, hostel travellers pay a non-refundable deposit directly to us, and the remainder of the cost of their stay directly to the hostel at the time of their visit. The deposit equates to our revenue from the transaction. This efficient, light-touch business model has favourable working capital requirements and strong cash conversion. Refunds, debt collection and invoicing overheads are all minimised.

## The market

Given the limited available market data on the hostel sector, Hostelworld commissioned leading independent research company for the travel sector, Phocuswright, to undertake the first dedicated study of the global hostel market. The study conducted in the second half of 2015 included surveying over 1,000 hostel operators worldwide, 2,700 hostel travellers from six key consumer markets and 800 non-hostel travellers, as well as a series of interviews with key hostel operators and stakeholders. The key findings of the study are:

- > Phocuswright projects 7%-8% hostel revenue growth per year through 2018 for the global hostel market, when it estimates that the total hostel market will reach nearly \$7 billion in room revenue.
- > The report confirms that hostel accommodation is undergoing a revolution. Today, 9 in 10 hostels have private rooms in addition to dorm rooms or traditional shared rooms. Indeed 57% of all hostel rooms are private rooms. Hostels are investing in a range of value-added amenities, room and common area design as well as expanding bed capacity.
- > Millennial customers (18-34 years of age) are the key target market in our sector of the travel industry, representing 70% of total guests.
- > Compared to other traveller segments, hostel travellers stand out for their passion for travel. Hostel travellers are more likely to have university degrees and place travel at the top of their list for discretionary spend, travelling longer and spending more on travel than other travellers in most markets profiled by Phocuswright.
- > Online channels accounted for two-thirds of global hostel revenue in 2014 (compared with less than 40% of hotel gross bookings globally). More than 70% of online hostel bookings are made via an online travel agent.





## Key Strategic Pillars

Our key strategic pillars identified for 2015 and 2016 are listed below.

### Brand and Marketing Investment

We want to ensure our platforms are the preferred choice for the growing number of millennial travellers worldwide to visit when planning their trips.

#### 2015 Progress

In May 2015, we globally relaunched our lead brand Hostelworld, using the 'Meet the World' positioning. The new brand design, logo and imagery focus the brand on its mission of enhancing the travel experience through social interaction. In June 2015 we began with 'Meet the World' mass media advertising campaign to increase Hostelworld's brand awareness. The campaign comprised a multi-channel UK focused campaign across television, cinema, national outdoor and increased global social media and online activity.

We believe that the Group's business is already experiencing the benefits of the increase in brand and marketing investment, with Hostelworld brand bookings across all nationalities increasing by an average of 21% for July to December 2015, compared to the same months in 2014.

In addition, the Group has further optimised its booking mix with not-paid-for channels representing 58% of overall Group bookings. We have also seen improvements in management of cost-per-click and cost-per-booking metrics.

Marketing spend as % of Group net revenues increased from 36% in 2014 to 45% in 2015.

#### 2016 Priorities

The Group expects to expand its digital marketing campaign to other key markets and to continue to realise efficiencies in its booking mix and management of cost-per-click and cost-per-booking.

As a global business, brand and marketing investment will be spread across key markets. In order to reach our target demographic, we will use a mix of channels, online display advertising and social channels such as Facebook, Twitter and Instagram.

We intend to continue our brand advertising and foster brand partnerships with an increased focus on PR and unique content dissemination across global media platforms. Furthermore, we will continue to raise the awareness of the quality of the hostel product and improve general perception of hostels so as to increase consideration of hostels by a wider cohort of travellers.

We will continue scaling our customer relationship management ("CRM") programme by expanding the reach and frequency of targeted customer communications across all our brands in multiple channels (email, mobile, onsite).

In January 2016, we re-branded Hostelbookers with the 'Just a Step Away' proposition, as this brand serves customers globally who travel for a specific purpose or event, hence are looking for affordable, central accommodation options.

## Investment in Technology

Millennial customers expect to transact seamlessly across multiple devices, with consistency of user experience and functionality. Meeting this expectation is key to continued future customer acquisition and retention.

### 2015 Progress

During 2015 we focused on the consolidation of brands onto a single technology platform by completing the migration of Hostelbookers onto the Hostelworld platform, which launched in early January 2016. We continued our “mobile first” strategy by developing fully responsive interfaces, ensuring that customers have the same user experience and breadth of functionality regardless of device. In parallel, we continued to enhance our iOS and Android applications for tablets and smart-phones. We also launched on Apple Watch and Apple TV.

As a result of this focus, Hostelworld continues to see strong growth in its mobile business with 41% of Hostelworld brand bookings transacting on a mobile platform in 2015.

### 2016 Priorities

Our key deliverable for 2016 is to further improve our customer experience by enhancing our iOS and Android apps. We intend to expand the user experience beyond the booking transaction and provide our app customers with relevant and timely content both pre and in-trip.

In addition, we will intensify our conversion optimisation programme to ensure the customer funnel within the web and app sites is optimised through analytics-based testing and continual improvement.

We will continue to eliminate elements of legacy architecture, which will increase the functionality of our technology platform across all of our brands. This will reduce complexity which we expect will achieve further operational efficiencies.



## Flexible Pricing Model

Working closely with accommodation providers assisting them with yield management and revenue optimisation.

### 2015 Progress

Our Elevate programme gives accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 8% above the relevant base commission rate. It also includes a premium listing feature, which enables accommodation providers to purchase fixed slots at the top of Hostelworld's and other brands' city search results pages on a monthly cycle. In 2015, 21% of the bookings on Hostelworld were delivered to properties participating in Elevate, an increase from 15% in 2014.

Revenue management services provided to properties continued to evolve through 2015 and included the distribution of reports that were focused on assisting them to improve their yield. Improved local market-related information including "price to demand trend", "booking lead time" and "average bed price" were provided.

### 2016 Priorities

We intend to increase the penetration of Elevate bookings among accommodation providers, both on Hostelworld and through the newly-migrated Hostelbookers site which can now use the Elevate technology.

We will continue to explore and test other products and services that we could potentially provide to our hostel partners to enable them to better manage and grow their businesses.



## Geographic Expansion

To expand the reach of our customer base and tap into increased demand from millennials in emerging markets.

### 2015 Progress

In 2015, we increased our supply base in key Asian markets through our dedicated team based in Shanghai. Asia was our fastest growing destination region, as travellers tapped into the growth of hostel product within the region.

South Korea was our seventh highest customer nationality for Hostelworld brand bookings for the twelve months ended 31 December 2015.

### 2016 Priorities

We will actively expand in markets where the offline-to-online travel shift is still emerging and where there is a significant penetration opportunity for hostels and budget accommodation product.

We will particularly seek to capitalise on consumer growth in South Korea, locating dedicated personnel in-country and enhancing our understanding of the market development opportunity. We will also focus on adapting our product, user experience and marketing and work on the implementation of alternative payment methods for key local markets e.g. Alipay for China.



## People

We are fortunate to have an excellent and diverse pool of talented individuals working in our global team who deliver an exceptional service to our customers.

In December 2015, we launched our first set of Company values, called “SPIRIT”, which represents the growth and maturity of our organisation. “SPIRIT” stands for our core values of Service Excellence, Pace, Innovation, Respect, Initiative and Team Together. I am very excited by these “SPIRIT” values and look forward to embedding them further into Hostelworld.

I believe that what makes our people special is their ability to constantly think about the changing needs of our customers and their willingness to take ownership of responsibilities. I am very grateful for the tremendous effort they make each and every day.

## Outlook

The beginning of the 2016 year continues to provide evidence of the robust trading characteristics of our business. We have continued to invest in our in-house capability in managing our paid traffic and this has enabled us to further optimise conversion and margin.

During January 2016, the Group successfully launched a newly rebranded and responsive Hostelbookers website and app. The new site includes the Elevate dynamic pricing functionality, benefits from a larger set of properties and is expected to slow the decline of Hostelbookers bookings over time.

Our extensive experience in all aspects of the online hostel market and our position as market leader leaves us well placed to exploit the growth opportunities in the sector and I look forward to the future with confidence.

### Feargal Mooney

Chief Executive

4 April 2016





# FINANCIAL REVIEW

## Introduction

- > Strong Hostelworld brand bookings growth of 17%
- > Total Group bookings grew by 1%
- > Gross average booking value of €12.1, increase of 5%
- > Marketing expenses represented 45% of Net Revenue (2014: 36%)
- > Adjusted EBITDA margin of 28% (2014: 34%)
- > Strong underlying cash conversion and dividend of €2.6m in line with dividend policy

## Key Performance Indicators

	2015	2014	% change
Bookings – Hostelworld brand (m)	5.2	4.4	17%
Bookings – supporting brands and channels (m)	2.0	2.7	-27%
Total Booking Volume (m)	7.2	7.1	1%
<b>Net Revenue (€m)</b>	<b>83.5</b>	<b>79.3</b>	<b>5%</b>
Average Booking Value (“ABV”) (gross) (€)	12.1	11.5	5%
<b>ADJUSTED EBITDA</b>	<b>23.6</b>	<b>27.0</b>	<b>-12%</b>

For the year ending December 2015 booking volumes for the business increased by 1%, with the Hostelworld brand growing by 17% during the year. Bookings in not-paid-for channels represented 58% of total bookings. The Group’s booking volumes are seasonal and peak between May and August during the summer travel period in the northern hemisphere. The associated Total Transaction Values (“TTV”) in 2015 were €634m (2014: €634m).

The bookings growth combined with an increase in Average Booking Value (“ABV”) of 5% during the year resulted in an overall increase in net revenue of €4.2m. The Group’s ABV increased due to a number of factors, primarily due to favourable exchange rates and by increased penetration of the Elevate pricing product on Hostelworld bookings. In 2015, 21% of these Hostelworld bookings attracted higher commission at average commission rate of 16.2%. Factors which negatively affected ABV in 2015 included the shift towards mobile bookings, as such customers book fewer

bednights per booking, a higher proportion of bookings into hostel dorm beds and growth in Asia as a destination region.

There was additional investment in marketing with the rebranding of the Hostelworld brand in June 2015, the results of which are evident in the stronger growth rates in the Hostelworld brand bookings in the second half of the year (H2 15: 21%, H1 15: 14%).

While the Group operates in one segment and is managed as such, we review business performance on a bookings volume and average booking value basis for both the Hostelworld brand as well as all supporting brands (including Hostelbookers, Hostels.com, booking engines and affiliates).



## Adjusted EBITDA

The Group uses Earnings before Interest, Tax, Depreciation and Amortisation, excluding the impact of exceptional 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 are non-recurring and by their nature and size can make interpretation of the underlying trends in the business more difficult. We believe this Adjusted EBITDA measure more accurately reflects the key drivers of profitability for the Group and removes those items which do not impact underlying trading performance, thereby making comparisons more meaningful.

Administration expenses increased from €57.8m in 2014 to €64.1m in 2015. A key contributory factor was higher marketing expenses, which increased from €28.9m in 2014 (36% of Net Revenue) to €37.4m in 2015 (45% of Net Revenue). This increase includes the additional investment in the Hostelworld brand of €3.2m incurred during the first six months of the year.

Staff costs were €12.7m during the year (2014: €14.1m), the year on year reduction being due to the level of development labour capitalised (2015: €4.2m; 2014: €1.3m). On a like for like basis, gross staff costs increased by €1.5m during the year, a 9% increase.

Exceptional items for the year were €4.3m (2014: €5.4m). Total fees incurred in relation to the IPO were €10.2m of which €4.5m has been expensed through the Income Statement as an exceptional item with the balance of €5.7m charged to the share premium account. Other non-recurring items totalling net income of €0.2m have been classified as exceptional within administration expenses. These non recurring items relate to redundancy costs and the costs of moving office, offset by a reversal of a prior year accrual which is considered exceptional and one-off in nature. In 2014, corporate finance costs of €3.9m, redundancy costs of €1.3m and other non recurring costs of €0.2m were expensed to the Income Statement as exceptional items.

Adjusted EBITDA decreased from €27.0m to €23.6m, a key contributor being the increased investment of €3.2m in Hostelworld brand re-launch.

Adjusted EBITDA margin decreased from 34% of net revenue in 2014 to 28% in 2015.

### Reconciliation between Operating Profit and Adjusted EBITDA

€m	2015	2014
<b>OPERATING PROFIT/(LOSS)</b>	7.2	(42.5)
Depreciation	0.8	0.7
Amortisation of development costs	1.4	0.4
Amortisation of acquired intangible assets	9.9	12.3
Impairment charges	0.0	50.7
Exceptional items	4.3	5.4
<b>ADJUSTED EBITDA</b>	<b>23.6</b>	<b>27.0</b>

**Adjusted Profit after Taxation**

€m	2015	2014
Adjusted EBITDA	23.6	27.0
Depreciation	(0.8)	(0.7)
Amortisation of development costs	(1.4)	(0.4)
Corporation tax	(0.4)	(0.3)
<b>ADJUSTED PROFIT AFTER TAXATION</b>	<b>21.0</b>	<b>25.6</b>
Exceptional costs	(4.3)	(5.4)
Amortisation of acquired intangibles	(9.9)	(12.3)
Net financial costs	(30.9)	(34.5)
Other gains	104.2	-
Impairment charges	0.0	(50.7)
Deferred taxation	1.0	5.1
<b>PROFIT/ (LOSS) FOR THE YEAR</b>	<b>81.2</b>	<b>(72.2)</b>

Adjusted Profit after Taxation is a metric that the Group uses to calculate the dividend payout for the year. It excludes exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs and deferred taxation which can have large impacts on the reported result for the year, and which can make underlying trends difficult to interpret.

Adjusted Profit after Taxation decreased from €25.6m to €21.0m in line with the reduction in Adjusted EBITDA.

Based on the weighted average shares in issue during 2015, reported Earnings per Share ("EPS") as set out in Note 10 to the financial statements is 4.46 cent per share for the financial year (2014: loss per share 24.04 cent). Using Adjusted Profit after Taxation as the measure of earnings, and the actual number of shares in issue as at 31 December 2015, would result in an adjusted EPS of 22 cent per share for the year. The corresponding EPS for 2014 calculated on the same basis, using the number of shares in issue as at 31 December 2015 is 27 cent per share.

## Accounting for the IPO and reorganisation

In preparation for the IPO, the group undertook a capital reorganisation and restructuring, which simplified the group structure and eliminated all shareholder related debt. Prior to the IPO, a new holding company was created and this acquired control of the group. As this was a common control transaction, it is outside the scope of IFRS 3 (Business Combinations) and the comparatives presented are the consolidated results for the Hostelworld group. Further details about the accounting for the IPO are disclosed within Note 1 and Note 16 in the financial statements.

The impact on the Income Statement related to the IPO transaction and reorganisation are the fees incurred, as explained above in Exceptional Costs, and the one off gain included in Other Gains and Net Finance Costs, which is detailed below.



## Other gains and net finance costs

As part of the IPO €181.4m was paid to shareholders as consideration for preference shares and the redemption of shareholder loans and accrued interest, and the remaining balance of shareholder loans and interest was waived or exchanged for shares in the newly listed entity. This has resulted in an exceptional gain of €104.2m in 2015. Interest accrued on shareholder loans up to the date of the IPO was €30.9m (2014: €34.5m).

As a result of the IPO, shareholder loans and accrued interest at 31 December 2015 are €nil (2014: €319.9m).

## Taxation

The Group corporation tax charge of €0.4m (2014: €0.3m) is an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 1.5% (2014: 1.1%). The low effective tax rate is primarily as a result of carried forward tax losses arising from the previous capital structure in the Group. It is expected that the Group will benefit from these tax losses in the coming year and that the effective tax rate will be in the region of 4% for 2016, increasing due to the change in the Group's capital structure post listing. This is dependent on the continuation of the current operating structure and current tax law.

The deferred taxation credit of €1.0m (2014: €5.1m) arises primarily in relation to acquired

intangibles and the partial recognition of carried forward tax losses. The primary contributor to the 2014 deferred taxation credit was the impairment of the goodwill arising on the Hostelbookers business.

## Adjusted Free Cashflow conversion

The Group has a business model which produces strong free cash flow conversion, with a negative working capital cycle on operational cash flows. In 2015 there was a higher than normal level of investment in capital expenditure due to spend of €2.0m (2014: €0.03m) on leasehold improvements and fixtures and fittings as the Group entered into new leases in London and Dublin to allow for the expansion of the business. Adjusting for these higher than average levels of investment and a delayed VAT reclaim, the cash conversion would be 75% of Adjusted EBITDA. The lower level of capitalised development expenditure and capital expenditure in 2014, resulted in adjusted free cashflow conversion of 89%.

On 21 October 2015, in connection with the IPO, the Group entered into a working capital facility with AIB Bank plc (the "Revolving Credit Facility") for €2.5m. During the period to 31 December 2015, there have been no draw downs under this facility.

Total Cash at 31 December 2015 was €13.6m (2014: €19.9m), of which €2.2m is held in a

## Adjusted Free Cashflow conversion

€m	2015	2014
Adjusted EBITDA	23.6	27.0
Capitalised development spend	(4.3)	(1.4)
Capital expenditure	(3.2)	(0.7)
Interest and tax paid	0.2	(0.9)
Net movement in working capital <sup>(1)</sup>	(1.1)	0.0
<b>ADJUSTED FREE CASHFLOW</b>	<b>15.3</b>	<b>24.0</b>
<i>Adjusted FCF conversion</i>	<i>65%</i>	<i>89%</i>

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

restricted account as part of a guarantee related to the lease of the Dublin office (as disclosed in Note 15 to the financial statements). There were no borrowings at 31 December 2015 (2014: €319.9m, all of which was shareholder related).

### Foreign exchange risk

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. Restated on a constant currency basis, revenues have declined by 5% (€4.7m) and Adjusted EBITDA has declined by 22% (€6.5m) in 2015. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2015 to the financial results for the year ended 31 December 2014 on a month by month basis. The Group's principal policy is to match cashflows of like currencies, with excess sterling and US dollar revenues being settled into euros on a timely basis.

### Incorporation and capital reduction

On 9 October 2015, Hostelworld Group plc was incorporated and registered in England and Wales under the Companies Act 2006 as a public limited Company.

The Company has reduced its share capital by means of a court-sanctioned reduction in capital in order to provide it with the distributable reserves required to support the intended dividend policy. The capital reduction and cancellation of share premium received court approval on 16 December 2015.

### Dividend

The Group is committed to an attractive dividend policy, and is pleased to recommend a total dividend payout of €2.6m which reflects a distribution of 75% of the Adjusted Profit after Taxation for the period since the IPO date of 2 November 2015, on a pro rata basis. This represents a distribution of 2.75 cent per share, based on the number of shares in issue at 4 April 2016.

**Mari Hurley**  
Chief Financial Officer  
4 April 2016

FOR A PRIVATE ROOM IN QBIC  
AMSTERDAM WTC A QUARTER  
OF THOSE SURVEYED SAID  
THEY WOULD BE HAPPY TO  
SPEND ANYWHERE BETWEEN  
£61 - £100 PER NIGHT.  
A PRIVATE ROOM IN QBIC  
HOSTEL STARTS FROM £46  
PER NIGHT

**QBIC HOSTEL,  
AMSTERDAM**





# 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 that strategy can be successfully implemented. The Audit Committee monitors certain risk areas and the internal control system, as set out in the report on governance.

A risk register has been established to identify key risks and monitor progress in managing and mitigating them. The most material risks facing the Group are set out below,

together with comments on how they are addressed to minimise their potential impact. 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.

Risk	Description and Impact	Management and Mitigation
<b>1. Macroeconomic Conditions</b>	<p>Revenue is derived from the wider leisure travel sector. A decline in macroeconomic conditions could result in a reduction in leisure travel, and declining revenues.</p> <p>Significant movements in FX rates can have a dramatic impact on travel volumes, revenues and travel patterns.</p>	<p>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 significantly mitigates this. Our continued expansion in Asia will further diversify our business and address this risk.</p> <p>FX moves may impact travel decisions by customers, but typically there is a counterbalancing movement e.g. the strengthening of the pound sterling against the euro means fewer travellers visiting the UK, but increased movement from the UK to euro-zone destinations.</p> <p>In addition, given we operate in the budget travel sector, should macroeconomic conditions lead to a reduction in travel from our current customer base, we believe this could be mitigated by mid-level travellers moving into the sector.</p>

Risk	Description and Impact	Management and Mitigation
<b>2. Impact of terrorism threat on leisure travel</b>	<p>The threat of terrorist attacks on key population centres and on aircraft in flight may reduce the appetite of the leisure class traveller to undertake trips particularly to key geographies, resulting in declining revenues.</p>	<p>Our target millennial population tend to be both flexible as to destination, and less concerned about risk-taking than other sectors in the leisure travel industry.</p> <p>The dispersed nature of our business also acts as a mitigant, and this will be further addressed by our continued expansion in Asia.</p>
<b>3. Competition</b>	<p>Increased competition, or a disruptive new entrant could impact revenue due to potential loss of traffic or could increase traffic acquisition costs. Demand for our services could suffer, reducing revenue and margins.</p>	<p>We continue to build on our strong market position and have increased our percentage of not-paid-for bookings.</p> <p>Our strength in not-paid-for channels means that a competitor would have to engage in significant marketing spend to attain market share. Furthermore, marketing the social nature of the hostelling experience is not easily replicated as an offering by more generalist Online Travel Agents (OTAs).</p> <p>We continue to expand our global footprint, which meets emerging demand and also strengthens our overall market positioning.</p> <p>We undertake regular research to track performance in key markets and seek feedback from customers as to the relevancy and competitiveness of our proposition as well as propensity to recommend to others.</p>



Risk	Description and Impact	Management and Mitigation
<b>4. Search Engine Algorithms</b>	<p>Traffic to our websites is primarily 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) 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.</p>	<p>The Group invests heavily in recruiting and retaining key personnel with the requisite skills and capabilities in search engine optimisation. This in-house expertise is supplemented by the deployment of leading technology tools. In addition the Group has increased its investment in both its in-house SEO and Content teams.</p> <p>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.</p>
<b>5. Brand</b>	<p>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.</p>	<p>We invest in brand awareness campaigns and proactively monitor our brand impact. Our customer service team ensure that customers have a positive experience at all stages of dealing with us.</p>
<b>6. Data Security</b>	<p>We capture personal data from our customers, including credit card details and retain this on our systems. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial or other penalties.</p>	<p>Systems and processes are in place to restrict access to personal and transaction data and detect misuse, and all credit card details are encrypted.</p> <p>Hostelworld was fully compliant with the guidelines of the payment card industry (i.e. is "PCI compliant") prior to listing. Hostelbookers migrated to this PCI compliant Hostelworld infrastructure in January 2016.</p>

Risk	Description and Impact	Management and Mitigation
<b>7. Regulation</b>	<p>The global nature of our business means we are exposed to issues regarding competition, licensing of local accommodation, language usage, web-based trading, tax, intellectual property, trademarks, data security and commercial disputes in multiple jurisdictions.</p> <p>In addition, as a newly listed company on the London Stock Exchange, adherence to the Listing Rules is required.</p> <p>Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage.</p>	<p>We monitor regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations.</p> <p>Suitable experienced expertise has been engaged to ensure compliance with the Listing Rules.</p> <p>We continue to work with local legislators and business interests in New York, a key destination, to advocate for changes to local licensing regulations for hostel product.</p>
<b>8. Tax</b>	<p>The taxation of ecommerce businesses is constantly being evaluated and developed by tax authorities around the world. The taxation of online transactions in the travel space remains unsettled in the United States in particular.</p> <p>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.</p>	<p>In collaboration with our tax advisers, a Big 4 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.</p>



Risk	Description and Impact	Management and Mitigation
<b>8. Tax (continued)</b>	<p>The Group has historically had a low effective tax rate due to the Group's capital and corporate structure and the effect of carried forward tax losses. As at 31 December 2015, the Group had carry forward tax losses with a gross value of €78.8 million, which are expected to be available to reduce certain of the Group's future taxable profits. The directors believe that these tax losses should enable the Group to continue to benefit from a low effective tax rate.</p> <p>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 or additional reporting and disclosure obligations.</p>	
<b>9. Business Continuity</b>	<p>Failure in our IT systems could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with a knock-on reduction in financial performance.</p>	<p>As an e-commerce organisation, the Group's business continuity plan focuses on the continued operation of the core front end websites to ensure that our e-commerce trading systems can continue to take bookings.</p> <p>The Group has comprehensive business continuity and disaster recovery capabilities. Both the e-commerce trading systems as well as key corporate systems are covered.</p>
<b>10. People</b>	<p>The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.</p>	<p>The Group has put in place strong recruitment processes, effective HR policies and procedures and introduced a long-term incentive plan for key management.</p>

## Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties outlined above. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are outlined in the Financial Review on pages 18 to 22. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

The directors have determined that a three year period to 31 December 2018 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Board in our budgeting and forecasting process. In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board considers annually a three year, bottom up forecast. The output of this forecast is used to perform KPI analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and severe but plausible events. It also considers the ability of the Group to convert earnings into cash. The results take into account the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

Although the forecast reflects the directors' best estimate of the future prospects of

the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. These scenarios, which are based on aspects of principal risks as outlined on pages 23 to 27 represent severe but plausible circumstances that the Group could experience.

The scenarios tested included:

- > A shortfall in the number of bookings forecast
- > An increase in the cost per paid booking
- > A continual decline in the average booking value ("ABV")
- > An increase in the effective tax rate of the Group

The mitigating actions that were modelled included a reduction in variable overheads and a reduced reliance on certain channels to market. The results of this stress testing showed that, due to the stability of the core business and the responsive business model, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments to its operating plans within the normal course of business.

Based on their assessment of prospects and viability above, the directors 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 three year period ended 31 December 2018.

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 financial statements.

# CORPORATE SOCIAL RESPONSIBILITY

At Hostelworld Group, we recognise that we have a commitment to the wider world we operate in to conduct ourselves in a responsible and ethical manner. This commitment manifests itself in the way we behave towards our people, our suppliers, our customers, our shareholders and the communities we operate in.

## Our people

As an employer we are committed to unlocking and developing the potential of all of our people as individuals. We recognise that well-trained, motivated people are the key to operating efficiently and achieving strategic objectives, and that this requires appropriate, effective and systematic training. We are striving to build a progressive internal training policy that includes:

- > **Ongoing Skills Training:** We undertake to provide our people with the skills training they require to do their particular job.

- > **Personal Development Training Plans:** We customise training programmes to the specific personal development needs of an individual in order to achieve their career objectives.
- > **Management Development:** In addition, we offer learning and development support specific to management at a senior and middle level. Programmes provide support for managers interested in improving role-specific skills and knowledge, as well as developing their management and leadership style.

As you might expect from a company that has 'Meet the World' as its theme, we believe that diversity is not only valuable but essential in our role as an enabler of global travel. We believe that recruitment, selection and promotion should be based on merit, and should not be impacted by age, gender, sexual orientation, civil status, family status, disability, or membership of the travelling community,

THE HOSTELWORLD OFFICES ARE MADE UP OF A YOUTHFUL AND DIVERSE GROUP OF COLLEAGUES CONSISTING OF OVER 30 DIFFERENT NATIONALITIES.



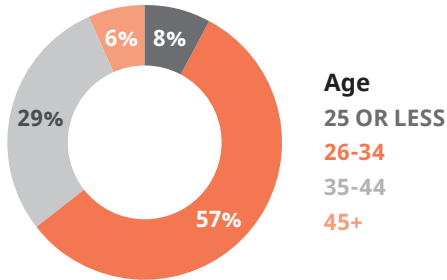
Gender

A breakdown of our Board, Senior Management Team and all employees by gender as at 31 December 2015 is set out below:

	Number		%	
	Male	Female	Male	Female
DIRECTORS	4	1	80%	20%
SENIOR MANAGEMENT TEAM	5	1	83%	17%
OTHER STAFF	131	126	51%	49%

Age Profile

Age	Employees
25 OR LESS	21
26-34	151
35-44	77
45+	17

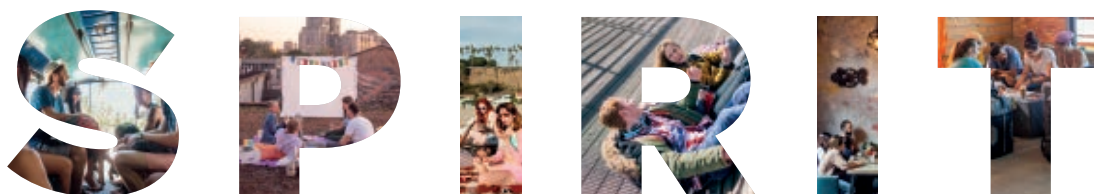


race, religious beliefs or political opinions. The Company is committed to ensuring that everyone works in an environment that is free from bullying and/or harassment and where the dignity of each and every person at work is respected and upheld. Our success in this area is demonstrated by the fact that our staff of 266 people come from a host of backgrounds, cultures and age groups, and represent 30 nationalities.

As part of our commitment to our people, in late 2015 we started working with Great Place to Work, Ireland as part of its Best Workplaces programme. The purpose of the programme is to assist organisations to build a culture of trust and embrace employment best practices, synonymous with providing colleagues with a great environment to come to work in. A global colleague survey was undertaken in December 2015 identifying areas of excellence, together with highlighting some areas where further improvements can be made. As a result of the survey, we have learned that we are great at listening, inspiring colleagues, supporting each other and celebrating success. We have also identified a few areas where we believe we could do better and in consultation with colleagues we have built plans to deliver on these in 2016. In February 2016 we were formally awarded Best Workplace status by Great Place to Work, Ireland. We recognise that values are core to any business and provide guiding principles that bind it together. In 2015, we completed a significant exercise in values and behaviours, soliciting feedback through a survey of all staff and seventy in-depth interviews, resulting in the formalisation of a set of six values, as set out on page 31, that will underpin the way we conduct ourselves in our work and when we represent the Company.



## Hostelworld Values



### Service Excellence

*Our customers and property partners come first and are at the centre of all we do.*

### Pace

*We will respond to the needs of our customers and colleagues with real urgency to ensure Hostelworld is proactive and agile in a fast moving and competitive landscape.*

### Innovation

*We will encourage and develop new ideas and creative thinking as the basis for continuous improvement and future success.*

### Respect

*We value our colleagues and others, respect our differences and the different contributions that each of us can make.*

### Initiative

*We will take full ownership of our responsibilities, adapt to new situations and take opportunities to make things happen.*

### Team Together

*We will create a friendly and social environment and collaborate with our colleagues across business areas to build a team that is greater than the sum of its parts.*

Our people are expected to abide by our general Code of Conduct, which outlines specific principles of behaviour all colleagues are expected to display at all times in the key areas of integrity, confidentiality, lawful behaviour and disclosure of interests.

During the year we formalised our approach to whistleblowing, putting in place a policy that sets out how an employee can raise a concern, how the Company will respond, and how the rights of employees that both make and are the subject of reports are to be protected. We also put in place an independent whistleblowing hotline that all staff can access confidentially should they not feel safe reporting a concern internally.

independent hostels, which would not have the resources themselves to build the tools we can provide at little or no cost. We build and nurture mutually beneficial relationships that allow both us and our suppliers to enhance yields.

## Our customers

We continuously anticipate the needs of our customers. This includes providing a 24x7 global customer service desk, and a booking guarantee, whereby if a customer's booking details cannot be found at check-in, we credit their account with their full deposit and an additional \$50 towards other deposits for bookings made within six months.

## Our suppliers

We invest in tools and products that our suppliers can use to enhance the value they add to their customers. This not only builds long term partnerships, with all the value those entail, but enhances their attractiveness to customers increasing bookings and through that has a positive impact on our own revenue.

We work with hostel chains, which are increasingly prevalent, but a large proportion of the accommodation suppliers we deal with are

## Our shareholders

As a recently listed company, we have a significant number of new shareholders. We will build long-term relationships with our shareholders through open and transparent communication. Our Company Secretary is available to shareholders, and the Senior Independent Director is available to shareholders through the Company Secretary if required.

## Our communities

As a technology company that facilitates global travel, we encourage and support our colleagues in engaging with the communities we both work in and travel to. During 2015, Hostelworld partnered with Techies4TempleStreet, Ireland's first ever charity event which brought together the technology community to fundraise over €150,000 for a new Neurology and Renal Outpatients Unit at Temple Street Children's Hospital, Dublin.

Other charitable initiatives during 2015 included donating computers, screens and keyboards we were replacing to Camara, a social enterprise that uses technology to deliver 21st century skills and improve education in disadvantaged communities around the world. Dublin based employees participated in the annual St. Vincent de Paul Christmas Toy Appeal and also supported Life Project Cambodia, a non-governmental organisation empowering Cambodian children and youth by providing education, initiatives and family assistance. Hostelworld has also been one of the main sponsors of the Paris2Nice charity cycle which raises funds for a number of Irish charities since its launch in 2011.

### Techies4TempleSt





## Greenhouse Gas Emission Statement

Greenhouse Gas (GHG) emissions for the financial year ended 31 December 2015 have been measured as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013. As this is the first year for the Group to present this information, there is no comparative data.

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 (2015) to calculate the disclosures, where they are not separately disclosed by a supplier.

We believe our emissions are impacted by the growth of the business, which requires us to expand our office space, open new offices, and have our people travel more. 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.

Hostelworld Group is an internet-based business which leases its premises and does not have a retail footprint.

The main GHG releasing activities over which the Group has influence are use of purchased electricity and business travel. The Group has no owned vehicles.

As at the date of this report, the Group does not have access to information about its actual energy consumption in its Dublin office from January to August 2015, or its London office, Shanghai office or Sydney office for 2015. It has therefore made assumptions about its energy consumption on the basis of the actual energy consumption in its new Dublin office from September to December 2015, and on the basis of an Energy Performance Certificate received by the Landlord for its London office. The energy consumption in its Sydney and Shanghai offices has been estimated on a per person basis, and is not considered material to the above disclosure.

The Group is committed to monitoring and reviewing its carbon emissions and in particular its employee business travel, which accounts for 74% of its total carbon emissions in 2015.

### Greenhouse Gas Emissions 2015

	2015 tCO <sub>2</sub> e
SCOPE 1 – EMISSIONS FROM OPERATIONS	Nil
SCOPE 2 – EMISSIONS FROM ENERGY USAGE	167.1
SCOPE 3 – EMISSIONS FROM EMPLOYEE TRAVEL	484.0
<b>TOTAL</b>	<b>651.0</b>
<b>INTENSITY RATIO (TCO<sub>2</sub>E/€M)</b>	<b>7.8</b>

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

# Some hostels around the world



**Les Piaules Hostel, Paris**



**Plus Hostel, Florence**



**Casa Kessler Hostel, Barcelona**



**Wombats Hostel, London**



**St Christopher's Inn Hostel,  
Gare du Nord, Paris**



**The B.I.G. Hostel, Cape Town,  
South Africa**



**Generator Hostel, Venice**



**Bunk Taksim Hostel, Turkey**



**Meander Taipei Hostel, Taiwan**







# Governance

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## CHAIRMAN'S INTRODUCTION

Welcome to our first Corporate Governance Report. The shares of Hostelworld Group plc were admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority and to trading on the main market of the London Stock Exchange, and to the main securities market of the Irish Stock Exchange plc on 2 November 2015 ("Admission").

The Board recognises the importance of, and is committed to, high standards of plc corporate governance and the directors are fully aware of their duties and responsibilities under the 2014 UK Corporate Governance Code ("the 2014 Code"), the Disclosure and Transparency Rules and the Listing Rules. A copy of the 2014 Code can be obtained from the Financial Reporting Council's website [www.frc.org.uk](http://www.frc.org.uk).

### Governance framework

Prior to IPO, the Hostelworld Group had good governance practices in place, with regular and structured board meetings and active participation by both executive and non-executive directors. We were already committed to good corporate governance practice and saw it as core to our business success.

As part of our preparation for Admission, we took the opportunity to review the existing governance structure in conjunction with our external advisers. We looked to identify and implement any measures that were needed to enhance our existing governance arrangements and bring them in line with best practice for fully-listed companies in advance of Admission, based on the 2014 Code.

As a result of the review, the Company

1. **set up a Board Charter**, defining the governance framework for the Group and outlining, amongst other things, the role and responsibilities of the Board, its composition, the respective responsibilities of the Chief Executive and Chairman, and how the performance of the Board will be evaluated;
2. **appointed two new independent directors**, Michael Cawley and Andy McCue, in advance of our IPO. They provide diverse, valuable and fully independent representation to our Board;
3. **appointed Michael Cawley** as our Senior Independent Director;
4. **established the Audit Committee**, consisting solely of all the non-executive directors, chaired by Michael Cawley and with best practice terms of reference;
5. **set up a Remuneration Committee**, consisting solely of all the non-executive directors, chaired by Andy McCue and with best practice terms of reference;
6. **set up a Nominations Committee** consisting solely of all the non-executive directors, chaired by the non-executive Chairman and with best practice terms of reference.

These improvements are part of our commitment to continually improve our governance processes. We fully expect that as the business evolves, further initiatives will be required to enable us to demonstrate our ongoing commitment to the highest standards of transparency, integrity and governance.

GENERATOR HOSTEL,  
LONDON





The results of our review also enabled the directors to provide the confirmation that was required on Admission that Hostelworld has established procedures in place which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group. We believe that the recently constituted Board, with its extensive experience of a broad range of industry sectors (as set out in the directors' biographies) and of the publicly listed environment, provides us with the required depth and breadth of expertise to oversee the future of the business. All directors bring conscientious judgement to bear on the decisions to be made, and no one director or cohort of directors exerts undue influence on decisions.

## 2014 UK Corporate Governance Code Compliance

This Corporate Governance Report, including the sections that follow, sets out how the Company has applied the main principles of good governance contained in the 2014 Code for the period from 2 November 2015, being the date of the Company's IPO to 31 December 2015.

The Board of Hostelworld is committed to high standards of corporate governance, however shareholders will appreciate that as a very recently listed Company it has not been possible, or necessarily relevant for every provision of the 2014 Code to have been complied with during the reporting period, and the following three exceptions arise:

1. **Code Provision A.4.2** includes a recommendation that the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance. Given the short period of time for which the non-executive directors had been appointed, it was not deemed appropriate for them to appraise the Chairman's performance in the period;
2. **Code Provision B.6.1** requires the Board to state in the annual report how performance evaluation of the Board, its committees and its individual directors has been conducted. Given the recent changes to the Board in anticipation of Admission, the newly constituted Board and its Committees have been operating for less than six months, therefore the Board has not carried out an annual evaluation of its own performance or that of its committees or individual directors for the period; and
3. **Code Provision B.7.2** recommends that the Chairman should confirm to shareholders when proposing election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role. As noted above, formal performance evaluations of the performance of Board members was not carried out in 2015 due to the proximity of their appointment to year end.



We expect to be in full compliance with the 2014 Code for the financial year ended 31 December 2016.

We view measurement of the performance of the Board as a significant process in the annual business cycle. I look forward to reporting to you next year therefore not just on how our governance arrangements continue to evolve, but also on our assessment of the performance of the Board in this key first full year of listing.

### Richard Segal

Chairman  
4 April 2016

# DIRECTORS' BIOGRAPHIES

		
	<b>Richard Segal</b>	<b>Feargal Mooney</b>
ROLE	Non-executive Chairman; Chairman of the Nomination Committee; member of the Audit Committee; member of the Remuneration Committee	Chief Executive Officer
AGE	52	46
NATIONALITY	British	Irish
QUALIFICATIONS	Richard has a BA in economics from Manchester University and is a member of the Institute of Chartered Accountants of England and Wales.	Feargal has a Bachelor of Commerce degree from University College Galway and a MSc in Investment & Treasury from Dublin City University. He is a graduate of the Leadership 4 Growth Management Program at Stanford GSB and a member of the CFA Institute.
JOINED GROUP	July 2011	February 2002
INDEPENDENT	Yes	N/A
SECTOR EXPERIENCE	Travel; leisure; gaming and private equity.	Pharmaceuticals; technology.
OTHER BOARD AND MANAGEMENT EXPERIENCE	Richard is also the Chairman of On The Beach Group plc and Encore Tickets Limited. Previously, Richard was Chairman of Esporta and Barratts PriceLess Limited. Richard was a founding partner of 3i Quoted Private Equity, a non-executive director at The Kyte Group and Chief Executive Officer of PartyGaming plc and Odeon Cinemas.	Prior to joining the Group, Feargal held a role in financial planning and analysis at Baltimore Technologies and previously held the position of financial analyst at Pfizer Inc. in New York. Feargal is also a non-executive director of Meetingsbooker Limited.

		
<b>Mari Hurley</b>	<b>Michael Cawley</b>	<b>Andy McCue</b>
Chief Financial Officer	Senior Independent Non-executive Director; Chairman of the Audit Committee; member of the Remuneration Committee; member of the Nomination Committee	Non-executive Director; Chairman of the Remuneration Committee; member of the Audit Committee; member of the Nomination Committee
45	61	41
Irish	Irish	British
Mari has a Bachelor of Commerce degree from University College Cork and a Masters of Accounting from University College Dublin. She is also a fellow of the Institute of Chartered Accountants in Ireland. Mari completed the Advanced Management Program at Harvard Business School in 2006.	Michael holds a Bachelor of Commerce degree from University College Cork and is a fellow of the Institute of Chartered Accountants in Ireland.	Andy has a MA in Economics and Management from the University of Cambridge and a Masters in Finance from the London Business School.
May 2007	October 2015	October 2015
N/A	Yes	Yes
Financial services; property; utilities.	Airlines; motor; betting and gaming; construction.	E-Commerce; betting and gaming; management and strategy consulting.
Prior to joining the Group, Mari was Finance Director at Sherry Fitzgerald Group and previously worked at Bear Stearns. She is currently a non-executive director of Ervia and the National Asset Management Agency.	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 Paddy Power Betfair plc and in Kingspan Group plc. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited.	Andy is currently the Chief Operating Officer of Paddy Power Betfair plc until 30 April 2016, having previously held the positions of Chief Executive and Head of Retail UK and Ireland at Paddy Power plc. Prior to this, Andy was a principal at OC&C Strategy Consultants for 2 years and also worked at Arthur Andersen Business Consulting for four years.



## CORPORATE GOVERNANCE STATEMENT

The Board is collectively responsible for the long term success of the Group. It is accountable to shareholders for the overall direction and control of the Company's business and that of its subsidiaries. It provides leadership, oversight and control designed to achieve sustained business growth, enhanced shareholder value and the protection of interests of employees and other stakeholders whilst promoting a culture of the highest standards of integrity, transparency and accountability. A key objective of the governance framework at Hostelworld is to ensure compliance with applicable legal requirements and with best practice in governance.

As part of its role, the Board provides entrepreneurial leadership to management, in the constructive challenge of proposals, the monitoring of performance, and the setting of both short and longer term objectives. The Board works to ensure that the Group has sufficient human and financial capital to meet its objectives, and that appropriate controls are in place and operational to safeguard the assets of the Group.

The Board currently has five members:

- > **its non-executive Chairman**, Richard Segal, who is independent;
- > **two independent non-executive directors**, Michael Cawley and Andy McCue, each of whom was appointed shortly before the Company's listing; and
- > **two executive directors**, Feargal Mooney (Chief Executive Officer), and Mari Hurley (Chief Financial Officer).

The Board operates in accordance with the Company's Articles of Association, and its operation is governed by the Board Charter and the Schedule of Matters Reserved. In addition the Board has established a number of Committees, as indicated below, each of which has its own terms of reference, which will be reviewed at least annually.

On 27 October 2015, each of the executive directors entered into a new service agreement with the Company and the Chairman and non-executive directors entered into new letters of appointment with the Company. The agreements became effective from Admission.

Biographies of the directors are provided on pages 40 to 41.

### Length of appointments

Non-executive appointments to the Board are for an initial term of three years, subject to election at the Company's AGM. Non-executive directors are usually expected to serve two three year terms, although the Board may invite a director to serve for an additional period.

### Election of directors

The Board may appoint any person to be a director, either to fill a vacancy or as an addition to the existing Board, subject to the limits of Board size and composition as set out in the Articles of Association. Any director so appointed by the Board shall hold office until the AGM following their appointment, and must put themselves forward for election by the shareholders.

The Company's forthcoming AGM on 26th May 2016 will be the Company's first AGM. In accordance with the 2014 Code, all directors will be offering themselves for election at the AGM.

### Board composition and role

Our board members are all deeply committed to the long term success of the business. They have been selected for the breadth, diversity and relevance of their experience, both within our own industry and across other industries. Their collective range of knowledge and viewpoints will ensure a high quality of debate and input into key decisions, and ensure the Board of Hostelworld Group plc is a highly effective one. Having due regard to the level of financial and commercial experience required for the Board to operate effectively, it is felt that the current number of non-executive directors is sufficient for the Board to fulfil its duties.

The Board has delegated authority for the day-to-day operation of the business within defined parameters to the Senior Management Team, consisting of the executive directors and senior managers who have responsibility for all areas of the business.

The Board may appoint committees as it thinks fit to exercise certain of its powers. Specific areas of delegation are set out in the terms of reference for the Remuneration Committee, the Nomination Committee and the Audit Committee of the Company as required by the 2014 Code. The terms of reference of each of these Committees is available on the Company's website, and reports of each of these Committees are set out below. Certain matters, however, are reserved for its own decision, and are not delegated to the Company's executive directors. The schedule of these matters includes, but is not limited to:

- > Responsibility for the overall leadership of the Company and setting the Company's values, standards, aims and objectives as well as approval of annual budgets.
- > Oversight of the Group's day to day operations, including maintenance of sound internal control and risk management systems and compliance with statutory and regulatory obligations.
- > Controlling the Company's capital structure.
- > Approval of the annual report and accounts, dividend policy, changes in accounting policy or matters that may impact the Company's tax residency.
- > Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- > Approving the structure, size, composition and membership of the Board, and ensuring adequate succession planning for the Board and senior management.
- > Determining the remuneration policy for the directors, company secretary and other senior executives, following

recommendations of the Remuneration Committee, including use of share incentive plans.

- > Determining the division of responsibilities between the Chairman, Chief Executive and other executive directors, and approving how authority may be delegated to subcommittees of the Board, the Chief Executive, and other staff.
- > Considering the balance of interests between shareholders, employees, customers and the community.
- > Review of the Group's overall corporate governance arrangements, including any matters relating to compliance with the 2014 Code.
- > Any decision relating to the prosecution, defence or settlement of material litigation.

The schedule of Matters Reserved for the Board is reviewed periodically and updated as appropriate.

## Board and Committee meetings

The Board has scheduled regular meetings throughout the year and holds other meetings as required. At scheduled meetings, the Board addresses:

- > progress on previously agreed actions;
- > trading update;
- > financial performance;
- > key operational matters;
- > presentations on matters of strategic importance; and
- > reports of Board Committees.

Other meetings are held on an ad hoc basis as required, and matters addressed will vary according to the demands of the business at that time.

Members of the Senior Management Team or other staff members or external advisors may be invited to any Board Meeting to present on their particular areas of expertise.

## Attendance at meetings

Board/Committee (No. of meetings to 31 December 2015)	Board	Audit	Remuneration	Nomination
<b>Richard Segal</b>	3	1	2	-
<b>Feargal Mooney</b>	5	-	-	-
<b>Mari Hurley</b>	5	-	-	-
<b>Michael Cawley</b>	3	1	2	-
<b>Andy McCue</b>	3	1	2	-

Where a director is unable to attend a meeting, all papers for the meetings are issued to them, their views are solicited in advance of the meeting, and updates are provided to them after the meetings where appropriate.

Directors may request that any relevant concern they have be minuted at any Board or Committee meetings, and minutes are circulated for review in advance of approval and signing at the next meeting, or as appropriate.

## Division of responsibilities

The Board takes collective responsibility for the management of the Group. Within the Board, the roles and responsibilities of the Chairman and CEO are clearly delineated and are held by different individuals, and in addition a Senior Independent Director has been appointed.

Richard Segal, as Chairman, is the link between the Board and the Company and is responsible for leadership and overall effectiveness of the Board, including setting the Board's agenda. He oversees the operation and effectiveness of the Board, ensuring that it has a common purpose, is effective as a group and at individual director level, and that it upholds and promotes high standards of integrity and corporate governance. The Chairman ensures the directors receive accurate and timely information, enabling them to play a full and constructive role in the development and determination of the Group's strategy. He ensures that there is effective communication with the shareholders and that the Board is aware of the views of its major shareholders. The Chairman is non-executive and independent of the executive management.

CEO Feargal Mooney reports to the Chairman and the Board, and is entrusted with the ongoing management of Group's business. He and his senior executives bring forward to the Board proposals for the development and strategy of the business. The CEO is responsible for execution of the agreed strategy and implementation of the decisions of the Board.







It is expected that all non-executive directors constructively challenge management proposals where appropriate, and contribute their expertise and knowledge towards the development of the Group.

In line with the recommendations of the 2014 Code that a company with a premium listing on the official list maintained by the UK Financial Conduct Authority (the 'Official List'), have one independent non-executive director as Senior Independent Director ("SID"), Michael Cawley was appointed to this role on joining the Board. The function of this role is to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. The SID should be available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive or other executive directors have failed to resolve or are inappropriate.

From 2016 onwards, the SID will meet the other non-executive director without the Chairman and executive directors present at least once a year to discuss governance issues. The SID will also provide feedback to the Board on the independent non-executive directors' collective views on the perceived quality of the relationship between the Chairman and the CEO; the degree of openness between the CEO and the Board; the visibility of checks and balances within the executive directors' team; and whether all questions asked by the non-executive directors of the Board have been adequately addressed.

## Support to directors

To assist the directors in performing their duties, they have full and timely access to all relevant information. For Board meetings, this includes an agenda, and a comprehensive set of Board papers, addressing both regular updates and reports of special matters of interest.

The directors have free access to the Company's management and advisors. Newly appointed directors received a comprehensive induction facilitated by the Company Secretary. This induction included meetings with key members of management together with briefings on the Group's business, its industry and public company duties generally. Directors have access to ongoing training as required, and during the next 12 months the Chairman will meet with each of the directors to discuss any individual training and development needs they may have.

All directors also have access to the advice and services of the Company Secretary. The Company Secretary acts as Secretary to each of the Board Committees reporting in these roles directly to their Chairmen, and advises through their Chairmen on compliance with Board and Committee procedures and applicable laws and regulations on governance matters. Directors may take external advice at the expense of the Company, should this be considered necessary.


## Board effectiveness and evaluation

Given the short period of time for which the current Board has been in place, it is considered that a formal review of the evaluation of its performance and that of its committees would be of limited value. The setting up of the current board membership was given focus in the run up to listing, and as a result the Board is satisfied that notwithstanding the lack of a formal evaluation, each director is competent to discharge their responsibilities as a member of the Board, and that as a group, the Board has the appropriate depth and breadth of skills and experience to be effective. During 2016, a full evaluation of the performance of the Board, its Committees, the Chairman, and of individual directors will be undertaken. This will be reported on in next year's Annual Report.

## External directorships

Any external directorships or other significant commitments of the executive directors require prior approval of the Board. Executive directors are permitted to retain any fees paid in respect of approved external appointments. As noted above, at the date of this report. CEO Feargal Mooney is a non-executive director of Meetingsbooker Limited for which he earned no remuneration in 2015 (2014: Nil). CFO Mari Hurley is a non-executive director of the National Asset Management Agency ("NAMA") and of Ervia, for which she received remuneration of €60,000 and €15,000 respectively in 2015 (2014: €58,033).

The Chairman and other non-executive directors each hold other directorships, and the Board is satisfied that they still have sufficient capacity to devote adequate time to Company matters. The Board considers that these other directorships considerably enhance the contribution of the directors to the Board of Hostelworld Group plc.



WHEN SHOWN AN IMAGE OF CASA GRACIA HOSTEL, BARCELONA, 75% OF THOSE SURVEYED THOUGHT THIS PRIVATE DOUBLE ROOM BELONGED TO A HOTEL, ONLY 2% THOUGHT IT WAS A HOSTEL.

CASA GRACIA HOSTEL,  
BARCELONA

## Shareholder relations

Hostelworld is committed to maintaining active communication with its shareholders to ensure a high level of understanding of its strategy, performance and accountability. As part of the IPO process, the Company held a number of investor roadshows in the UK and Ireland.

The CEO and CFO will maintain an ongoing dialogue with investors, fund manager shareholders and analysts to ensure they are appropriately informed on business activities. As Chairman, in line with the 2014 Code, I will, as required, ensure that the views, issues and concerns of major shareholders are communicated to the directors so that appropriate action can be taken.

Whilst we may be in more regular contact with institutional shareholders, we will exercise care to ensure that any and all price-sensitive information is released to all shareholders, both institutional and private, at the same time. The Company uses RNS (Regulatory News Service) to publish its Company announcements.

Announcements, investor presentations and annual reports are available to all shareholders on the Company's corporate website, [www.hostelworldgroup.com](http://www.hostelworldgroup.com).

Shareholders can contact the company through the Company Secretary.

Michael Cawley, the Senior Independent Director is an additional point of contact for shareholders, should they feel their concerns are not being properly addressed through the normal channels. He may be contacted through the Company Secretary.

## Annual General Meeting

The first AGM of the Company since its Admission will take place at 2.00p.m. on 26 May 2016 at the offices of McCann FitzGerald Solicitors, Riverside One, Sir John Rogerson's Quay, Dublin 2. All shareholders are invited to attend the AGM and vote in person or by proxy.

The Annual Report and Financial Statements and Notice of the Annual General Meeting will be sent to shareholders at least 20 working days prior to the date of the meeting to provide the shareholders with adequate time to consider the proposed resolutions. The Notice of the meeting will include an agenda and all resolutions to be considered. Separate resolutions will be proposed on each substantially separate matter.

The Chairman, the Chair of each of the Committees and the two executive directors will be available at the AGM to answer shareholders' questions.

Results of resolutions proposed at the AGM will be published on the Company's website [www.hostelworldgroup.com](http://www.hostelworldgroup.com) after the AGM.







## REPORT OF THE AUDIT COMMITTEE

### Dear Shareholders

I am pleased to have been appointed as Chairman of the Audit Committee on my appointment to the Board in October 2015 and to present the first report of the Audit Committee ("the Committee").

### Membership

- > Michael Cawley (Chairman)
- > Andy McCue
- > Richard Segal

Appointments to the Committee are for an initial period for up to three years, subject to review of the Committee's composition by the Board. Provided the members continue to be independent, this may be extended by no more than two further three year periods. As the Company is recognised as a smaller company under the Combined Code, the Company Chairman is also allowed to be a member of the Committee. In accordance with provision C3.1 of the Code, I am the independent non-executive director with extensive recent and relevant financial experience and am pleased to confirm that all members have had experience in large organisations. Further details of the Committee members qualifications and experience are available on pages 40 to 41.

The Nomination Committee recommends the period of appointment for the Chairman of the Committee. I have been appointed for 3 years. The Company Secretary acts as secretary to the Committee.

### Role of the Committee

The roles and responsibilities of the Committee are summarised below. The full schedule of roles and responsibilities are contained in the Committee's Terms of Reference, which are available on the Company's website [www.hostelworldgroup.com](http://www.hostelworldgroup.com).

- > 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'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.
- > Ensure that there are appropriate procedures in place to monitor and evaluate the general business risks facing the Group; the Board has delegated the management of certain risk areas to the Committee with the Board retaining overall responsibility.
- > 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 2014 Code.
- > Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- > 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.
- > 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.

The 2014 Code requires the Board to report on whether the Annual Report taken as a whole provides a fair, balanced and understandable assessment of the Group's position and prospects and whether it provides the necessary information to assess the Group's performance, business model and strategy.

At the request of the Board, the Audit Committee has undertaken the detailed work in making this assessment, including consideration of the scope of work carried out by the auditors, the materiality levels considered by them, the focus of their work, 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.

Having conducted its review, the Committee is satisfied that the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, and has advised the Board accordingly. The ultimate decision to recommend the Annual Report and Financial Statements to the shareholders is taken by the Board, as set out in the Directors' Responsibility Statement on pages 82 to 83.

## Meetings

Under its terms of reference, the Committee is required to meet at least twice a year. Between the IPO and 31 December 2015, the Committee met once to approve the 2015 audit plan and to consider the need for an internal audit function. Since year end, the Committee has also met on one occasion, principally to review and approve the Annual Report and Financial Statements.

Meetings are attended by the Committee members and others being principally the Chief Financial Officer who attends by invitation and the Company Secretary. Other members of executive management may be invited to attend to provide a deeper level of insight or expertise in certain areas. The Deloitte audit partner is invited to attend certain meetings and the Committee also met privately with him without executive management present, in each of 2015 and 2016.

## Reporting

The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. The Chairman of the Committee attends the Annual General Meeting to answer questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

## Significant issues

In reviewing the financial statements with management and the auditors, the Committee has discussed and debated the critical accounting judgements. The significant issues considered by the Committee in respect of the 2015 Annual Report are included in the table on the following pages.

Significant Issue	Description and Resolution
<b>Accounting for the IPO and Group Reorganisation</b>	<p>On 2 November 2015, the Group completed a reorganisation whereby Hostelworld Group plc obtained control of the issued share capital of Wings Lux 2 S.à r.l., becoming the ultimate parent entity of the Group, and issued fresh share capital as part of its IPO. The financing structure of the group was also reorganised. This included the waiver of shareholder loans and interest of €104m, the issue of shares in Hostelworld Group plc to the value of €61m, and the remaining balance of shareholder loans and related interest being repaid.</p> <p>The Company also incurred significant costs in relation to the reorganisation and IPO and there can be significant judgement in relation to the classification of these costs.</p> <p>The Group engaged appropriate legal, accounting and tax advisors to develop a step plan in relation to the transaction. The advisers had been involved in the establishment of the structure at inception and had a close involvement in its evolution through to IPO. The steps included detailed articulation of the accounting treatment necessary both pre and post-IPO.</p> <p>The Committee has reviewed the judgements made by management in relation to the amounts of costs attributable to the issue of new shares and charged to share premium and those expensed directly to the income statement, and in relation to the carrying values of investments in subsidiaries held by various Group companies subsequent to the reorganisation. The Committee is satisfied with the assumptions made and the judgements applied.</p>
<b>Carrying value of Goodwill and Intangible assets</b>	<p>At 31 December 2015, intangible assets and goodwill amounted to €159m and represented 88% of the Group's total assets. The Group recorded an impairment charge of €50.7m in respect of intangible assets and goodwill during 2014. Under IFRS, goodwill is not amortised but is subject to an annual impairment review. An impairment review is required to be performed for other intangible assets where there is an indicator of impairment. Goodwill is allocated to Cash Generating Units (CGUs) and a model has been developed to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment.</p> <p>Management have performed impairment reviews at year end on the Group's carrying value of goodwill. The cash-flow forecasts were based on the budgets approved by the Board. The Committee has reviewed the assumptions around growth rates and discount rates. The Committee discussed with the external auditor its review of the assumptions used. The Committee also reviewed the carrying value of other intangibles and is satisfied that there was no indication of impairment at 31 December 2015. Following these discussions, the Committee is satisfied that there was no impairment of goodwill and other intangibles as at 31 December 2015, and that the controls over management's impairment review process are adequate.</p>



Significant Issue	Description and Resolution
<b>Capitalisation of Development Costs</b>	<p>The Group incurs significant internal costs in respect of the ongoing maintenance and 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 2015 €4.3m (2014: €1.4m) of development costs were capitalised in accordance with the criteria as set out in IAS 38.</p> <p>The 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 Committee also held discussions with the external auditor on their review of this area.</p> <p>The Committee considers the approach taken and the application of the policy to be appropriate.</p>
<b>Corporate Governance</b>	<p>Hostelworld Group plc listed on the London Stock Exchange in November 2015, so is for the first time subject to the additional regulatory and reporting requirements of the 2014 UK Corporate Governance Code as well as the FCA Disclosure and Transparency Rules ("DTR") which set out certain mandatory disclosures and the FCA Listing Rules, which include a "comply or explain" requirement. The more significant of the disclosure requirements to which the Company is now subject include those in relation to the fair, balanced and understandable statement and the viability statement.</p> <p>The Committee has reviewed the disclosures in the Annual Report, including those included for the first time and, having discussed them with management and the Group's auditors, is satisfied that the additional reporting and disclosure requirements have been met.</p>
<b>Other Matters</b>	<p>The Committee has also considered a number of other judgements which have been made by management including those relating to revenue recognition, accruals and estimates and deferred tax and considers that the judgements which have been made are reasonable.</p>

## External auditors

Deloitte were first appointed as the external auditor of the Group in 2004. The 2014 Code requires the external audit be put out to tender at least every ten years. This period commences as at the date of the IPO. There are no current plans to put the audit out to tender. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current audit partner is expected to be reappointed for the year ended 31 December 2016.

To ensure there can be no reason for audit independence to be impacted, the Company has put 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 Chairman 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 Committee.

During 2015, Deloitte were engaged to provide non-audit services to the Group. These included acting as Reporting Accountant to the Group in connection with the IPO. In approving the use of Deloitte to provide these services, the previous board of Wings Lux 2 S.à r.l. took the view that Deloitte's knowledge of the Company and its operations meant it was best placed to provide the service, and was satisfied that Deloitte's independence would not be impaired. The fee paid to Deloitte in respect of non-audit services provided during the year was €1.1m. The majority of the non-audit fees incurred during the year were in connection with the IPO and were therefore one-off in nature.

The 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 assesses the expertise and industry knowledge

of the audit partner and team and the 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 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 APB Ethical Standards for Auditors. The Committee's assessment of the external auditor's independence took into account the non-audit services provided during the year. The Committee concluded that the nature and extent of the non-audit fees did not compromise the independence of the auditor, given the one-off nature of the majority of the services provided.

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

## 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.

Responsibility for the ongoing monitoring of the effectiveness of the Group's internal control systems is delegated by the Board to the Audit Committee together with the management of certain risk areas.

Management note that risks cannot necessarily be eliminated, hence the Group's internal control environment is designed to identify, evaluate, mitigate and monitor the 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, suitably qualified and commercially focused finance function that is fully conversant with the operations of the business;
- > 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. The risks identified on pages 23 to 27 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.

## Internal audit

As part of its ongoing work programme, the Audit Committee is required to assess the need for an internal audit function annually. This

year's review led to the Committee deciding to formalise its approach to internal audit and to set up an outsourced internal audit function. This approach is expected to be cost-effective, provide access to a greater depth of expertise covering a broad range of risks, and be flexible, allowing the Group to vary the level of resources as and when required. The decision was made in order to provide independent assurance that the system of internal controls is operating correctly, and not by any particular concern, or any perception of existing internal control weakness.

As a result of this decision, a tender process, overseen by the Audit Committee was undertaken during which four firms were invited to tender. PricewaterhouseCoopers were selected in January 2016. The Committee and the internal auditor are currently developing an initial cycle of work focussing on both core financial processes and controls and specialist reviews of specific risk areas for the coming year.

## Whistleblowing

The Audit Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements for the Company's employees. During the year a formal whistleblowing policy was developed and rolled out across the Group. This includes implementation of an independent whistleblowing hotline service, allowing staff to report concerns to a specialist independent third party should they not feel comfortable raising them through existing internal channels.

## Annual Evaluation of Performance

Given the short period since the formation of this Audit Committee subsequent to the IPO, no formal annual evaluation of the performance of the Committee was performed during the year. The Committee will perform a full evaluation of its 2016 performance.

I will be available at the AGM to answer any questions on the work of the Committee.

### Michael Cawley

Chairman, Audit Committee

4 April 2016





## REPORT OF THE NOMINATION COMMITTEE

### Dear Shareholders

I am pleased to introduce, on behalf of the Board, the first report of the Nomination Committee ("the Committee").

### Members of the Nomination Committee

- > Richard Segal (Chairman)
- > Michael Cawley
- > Andy McCue

The Committee was set up in October 2015, in anticipation of Admission, and under its terms of reference must consist of a minimum of three members appointed by Board, of whom a majority should be independent non-executive directors. The terms of reference of the Committee are available on the Company's website at [www.hostelworldgroup.com](http://www.hostelworldgroup.com). The Committee currently comprises myself as independent non-Executive Chairman, and chair of the Committee, and the two independent non-executive directors.

There was no Nomination Committee in place prior to the appointment of our current independent non-executive directors. In preparing for their appointment, the Chairman engaged the assistance of Skillcapital, a specialist executive search and advisory business otherwise unconnected to the Company, to analyse the additional knowledge, skills and experience that would be beneficial at board level for the listed Company. With their help, a framework for competency-based appointment was prepared. Over sixty candidates were initially considered, and the successful candidates were appointed following a rigorous and transparent selection process.

Appointments to the 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 Committee members remain independent and subject to review of the Committee's composition by the Board. There is no age limit for directors.

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

### Role of the Committee

The Committee is responsible for all aspects of the appointment of directors of the Company. This includes, but is not limited to:

- > reviewing the structure, size and composition of the Board, including the balance of skills, knowledge, independence, experience and diversity, taking into account the Company's current requirements, the results of the Board performance evaluation, its status as a UK listed plc, and the future development of the Company, and making recommendations to the Board with regard to any changes;
- > ensuring there is adequate succession planning for directors and other senior executives, taking into account the future challenges and opportunities facing the Company;
- > making recommendations to the Board regarding the board's policy on boardroom diversity and reviewing its implementation;
- > identifying and nominating candidates for approval by the Board to fill Board vacancies;
- > reviewing annually the time needed to fulfil the roles of Chairman, Senior Independent Director and each non-executive director (taking into account committee memberships) and ensuring that each individual has sufficient time available to devote to their role.

On the recommendation of the Committee and in line with the 2014 Code, all currently appointed directors will retire at the forthcoming AGM and offer themselves for election.

## Board Diversity

The Board recognises the benefits of diversity, including gender diversity on the Board, although it believes that all appointments should be made on merit and that the Board should have an appropriate blend of skills, experience, and both general and industry-specific business knowledge necessary for the effective supervision of the Group. The Board does not have prescriptive or quantitative targets. As at 31 December 2015, the Board had one female and four male Board members. The female member of the Board has been a director of the business at group level since 2007.

## Non-executive directors letters of appointment

The terms and conditions of appointment of non-executive directors are set out in their letters of appointment, which are available for inspection at the company's registered office during normal office hours and at the Annual General Meeting of the Company.

## Activities of the Nomination Committee

The Nomination Committee did not meet formally between 2 November 2015 and 31 December 2015. Since year end, the Committee has met on one occasion.

I will be available at the AGM to answer any questions on the work of the Committee.

### Richard Segal

Chairman, Nomination Committee

4 April 2016

### ROSSIO HOSTEL, LISBON

A RECENT SURVEY HAS SHOWN THAT 55% OF ALL PEOPLE SURVEYED THOUGHT THE ROSSIO HOSTEL LISBON WAS ACTUALLY A HOTEL, WITH JUST 3% THINKING IT WAS A HOSTEL

55





## CHAIRMAN OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

### Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the report of the Remuneration Committee covering the remuneration policy and practice for the first time as a listed company.

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("Regulations"), the Listing Rules of the Financial Conduct Authority and the UK Corporate Governance Code. The report is split into three parts:

- > **This Annual Statement** by the Chairman of the Remuneration Committee.
- > **The Directors' Remuneration Policy** which sets out the Company's remuneration policy for directors and the key factors that were taken into account in setting the policy. This policy will be put to a binding shareholder vote at the AGM on 26 May 2016 and will apply for three years from the date of approval.
- > **The Annual Report on Remuneration** which sets out payments made to the directors and details the link between Company performance and remuneration for the 2015 financial year. The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote at the AGM on 26 May 2016.

In the prospectus published in connection with the listing of the Company ("the Prospectus") we set out some of the core principles for our remuneration policy. These have been further developed and are set out in detail in the Policy Report.

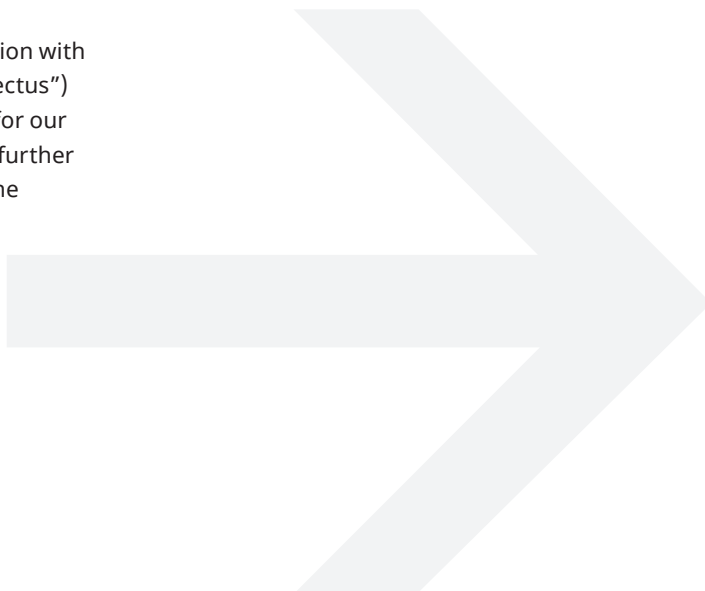
### Members of the Remuneration Committee

- > Andy McCue (Chairman)
- > Michael Cawley
- > Richard Segal

### Remuneration highlights for the 2015 financial year

At the time of listing, executive reward was carefully reviewed to ensure appropriate remuneration arrangements were in place to support the next phase of the Company's strategy. This included:

- > Transitioning from a private company to a listed company with the associated development of a new remuneration policy and associated incentive plans;
- > Linking the remuneration of executive directors to the performance of the Company. The remuneration policy aims to support a high performance culture. Annual bonuses will primarily be linked to the Company's financial performance.
- > The launch of the new Hostelworld Group plc Long Term Incentive Plan with the first grants to be made during 2016. Awards will vest at the end of three years subject to satisfaction of the performance conditions.





## Key activities of the Remuneration Committee

The Remuneration Committee's key activities during the 2015 financial year were focused on:

- > Agreement of the Remuneration Committee's terms of reference;
- > Formulation of the Company Remuneration Policy as a listed company;
- > Benchmarking of base salary and total remuneration of executive directors prior to listing;
- > Setting the policy for Chairman, and with the Board, the policy for non-executive director fees;
- > Implementing the Company's new Long-Term Incentive Plan;
- > Determining the level of performance bonus payments in respect of the 2015 financial year; and
- > Drafting the Company's first Annual Report on Remuneration as a listed company.

The philosophy of the Remuneration Committee is to align reward to shareholder value by paying median level for base remuneration and upper quartile for outperformance to market expectations.

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 the Company's remuneration.

I will be available at the AGM to answer any questions on the work of the Committee.

### Andy McCue

Chairman, Remuneration Committee  
4 April 2016

## MEININGER HOSTEL, BRUSSELS



# DIRECTORS' REMUNERATION POLICY

## Introduction

The Directors' Remuneration Policy (the 'Policy') as set out below will be put to a binding shareholder vote at the Annual General Meeting on 26 May 2016 and will apply for the period of three years from the date of approval.

## Policy summary

The Remuneration Committee determines the remuneration policy for the executive directors, Chairman and other senior executives for current and future years.

The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. The Policy is designed 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 as a listed company;
- > **Strategic 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;
- > **Performance focused compensation** – Encourage and support a high performance culture; and
- > **Setting appropriate performance conditions** in line with the agreed risk profile of the business.

The Remuneration Committee will review 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; and
- > changing views of institutional shareholders and their representative bodies.

## UK Corporate Governance Code

The Remuneration Committee is comfortable that the proposed Policy is in line with the provisions of the UK Corporate Governance Code. In particular, the policy contains the following components which address key elements of the UK Corporate Governance Code:

- > A long-term incentive plan with a three year performance period designed to promote the long-term success of the Company;
- > Malus and clawback provisions for the annual bonus and long-term incentive plans to enable the Company to recover sums paid or withhold the payment of any sum in the event of material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.

## 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.

It is the Remuneration Committee's intention that commitments made in line with its policies prior to the date of the 2016 AGM will be honoured, even if satisfaction of such commitments is made post the AGM and may be inconsistent with the remuneration policies set out below.

In particular as set out in the Prospectus, H&F Wings Lux 1 S.à.r.l., and the previous shareholders of Hostelbookers will consider making a discretionary bonus payment,

following consultation with the Remuneration Committee, to the executive directors and senior management in relation to their performance up to the date of Admission. Under these legacy arrangements, there is no commitment to pay a bonus and the maximum aggregate amount that may be paid will not exceed €7,000,000. Any bonus payments, together with any employer tax that becomes payable as a result of the payment of the bonus will be met by these parties. Details of any bonuses paid will be disclosed in the Company's next annual report following payment.

## Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focussed on mid to senior management level.





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

## 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.

### Operation

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.

### Opportunity

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.

### Performance metrics, weighting and assessment

None

## Benefits

Provide a market competitive level of benefits.

### Operation

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 benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by directors.

### Opportunity

The maximum will be set at the cost of providing the benefits described.

### Performance metrics, weighting and assessment

None

## Pensions

Provide market competitive retirement benefits to employees.

### Operation

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.

### Opportunity

CEO: 10% of base salary

CFO: 6% of base salary

### Performance metrics, weighting and assessment

None

## Annual Bonus Plan

The Annual Bonus Plan provides a significant 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 wider range of performance metrics can be used but ensures bonuses are only payable on achievement of threshold levels of Adjusted PBT.

### Operation

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.

### Opportunity

The maximum bonus opportunity as a % of base salary is:

- > CEO: 102.6%
- > CFO: 72%

## Performance metrics, weighting and assessment

Performance is measured over the financial year.

Bonuses are only paid if threshold levels of Adjusted PBT for the Group are met. The bonus payout is then determined based on the satisfaction of a range of key financial and non-financial objectives.

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.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus.

## Long-Term Incentive Plan (LTIP)

Awards are designed to incentivise the executive directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value.

The use of EPS ensures executive directors are focused on achieving the annual profit performance targeted by the Annual Bonus Plan which flows through to long-term sustainable EPS growth.

The use of absolute TSR measures the success of the implementation of the Company's strategy in delivering a minimum level of return.

### Operation

Commencing 2016, awards are granted annually to executive directors in the form of nil cost options. These will vest at the end of a three year period 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 these vest.

Malus will apply for the three year period from grant to vesting with clawback applying for the two year period post vesting.

### Opportunity

Awards may be made up to 150% of base salary. For the current financial year it is proposed that the maximum award as a % of base salary is:

- > CEO: 125%
- > CFO: 90%

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.

25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight line vesting will be applied between these points.

### Performance metrics, weighting and assessment

The performance conditions for awards are currently split between earnings per share ("EPS") growth (70%) and absolute total shareholder return ("TSR") (30%).

The Remuneration Committee may change the balance of the measures, or use different measures for subsequent awards, 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.





## Shareholding Requirement

To support long term commitment to the Company and the alignment of executive director interests with those of shareholders.

### Operation

The Remuneration Committee has adopted formal shareholding guidelines that will encourage the executive directors to build up over a five year period and then subsequently hold a shareholding equivalent to 150% of their base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.

### Opportunity

150% of salary

### Performance metrics, weighting and assessment

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.

### Operation

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 Chairman of the Board's Audit and Remuneration committees.

Fees are reviewed annually based on equivalent roles in an appropriate comparator group used to review salaries paid to the executive directors.

Non-executive directors do not participate in any of the Company's incentive arrangements.

### Opportunity

The base fees for non-executive directors are set at a market 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.

### Performance metrics, weighting and assessment

None



## Recruitment policy

The Company's approach when setting the remuneration of any newly recruited Executive Director will be assessed in line with the same principles for the executive directors, as set out in the Remuneration Policy above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and be subject to the satisfaction of performance targets. The maximum value of this one-off compensation will be proportionate to the overall remuneration offered by the Company and in all circumstances is limited to 100% of salary. The Committee will carefully consider this matter to ensure consistency with the principles outlined earlier, particularly in relation to shareholder alignment, and will take appropriate external advice before finalising a decision in this regard and where practical consult with the Company's key shareholders.

The Remuneration Committee's policy is not to provide buyouts as a matter of course. However, should the Remuneration Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account:

- > the proportion of the performance period completed on the date of the director's cessation of employment;
- > the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and
- > any other terms and conditions having a material effect on their value ("lapsed value").

The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, the Committee may, in exceptional circumstances consider it appropriate to grant an award under a different structure to facilitate a buyout of outstanding awards held by an individual on recruitment.

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

The Company's policy when setting fees for the appointment of new non-executive directors is to apply the policy which applies to current non-executive directors.

## Service agreements and letters of appointment

### Executive directors

On 27 October 2015 each of the executive directors entered into employment contracts with the Company which replaced their employment contracts with the Group.

Name	Position	Date of service agreement	Notice periods by Company (months)	Notice periods by Director (months)
<b>Feargal Mooney</b>	CEO	27 October 2015	12	12
<b>Mari Hurley</b>	CFO	27 October 2015	12	6

### Non-executive directors

On 27 October 2015 the Chairman entered into a letter of appointment with the Company, which replaced his existing service contract with the Group dated 19 July 2011. The non-executive directors also entered into letters of appointment with the Company on 27 October 2015. Each independent non-executive director's term of office runs for an initial period of 3 years unless terminated earlier upon written notice or upon their resignations.

The initial terms of the non-executive directors' positions are subject to their election by the Company's shareholders at the AGM scheduled to be held on 26 May 2016 and to re-election at any subsequent AGM at which the non-executive directors stand for re-election.

The details of each non-executive director's term which they are currently serving are set out below:

Name	Effective Date of appointment	Current term (full years)	Notice periods by Company (months)	Notice periods by Director (months)
<b>Richard Segal</b>	14 October 2015	3	3	3
<b>Michael Cawley</b>	14 October 2015	3	1	1
<b>Andy McCue</b>	14 October 2015	3	1	1



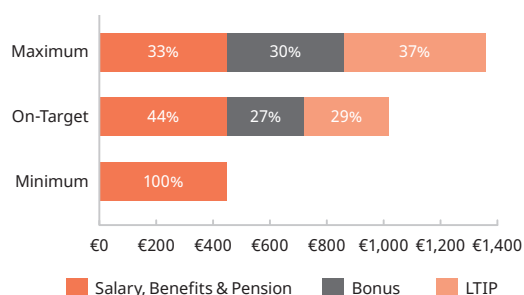
## Illustrations of the application of the remuneration policy

The chart below illustrates the remuneration that would be paid to each of the executive directors, based on salaries with effect from 1 January 2016, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus; and (iii) LTIP, with the assumptions set out below:

Element	Minimum	On-Target	Maximum
<b>Salary, benefits and pension</b>	Included	Included	Included
<b>Annual bonus</b>	No variable payable	CEO: 50% of salary  CFO: 37.5% of salary	CEO: 102.6% of salary  CFO: 72% of salary
<b>Long Term Incentive Plan</b>	No annual minimum  Multiple year and variable	CEO: 62.5% of maximum opportunity  CFO: 62.5% of maximum opportunity	CEO: 125% of salary  CFO: 90% of salary

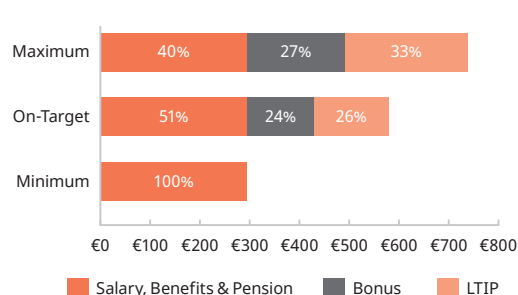
In accordance with the regulations share price growth has not been included. In addition, dividend equivalents have not been added to LTIP share awards.

### CEO (€000's)



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 128% of salary and at maximum, variable remuneration represents 228% of salary.

### CFO (€000's)



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 94% of salary and at maximum, variable remuneration represents 162% of salary.

## Payment for loss of office

The Remuneration Committee will honour executive directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its executive directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the

right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

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

Remuneration element	Treatment on exit
<b>Salary, benefits and pension</b>	Salary, benefits and pension will be paid over the notice period. The Company has discretion to make a lump sum payment on termination equal to the salary, value of benefits and value of company pension contributions payable during the notice period. In all cases the Company will seek to mitigate any payments due.
<b>Annual Bonus Plan</b>	<i>Good leaver reason</i> – pro-rated to time and performance for year of cessation. <i>Other reason</i> – no bonus payable for year of cessation.
<b>LTIP</b>	<i>Good leaver reason</i> – Pro-rated to time and performance in respect of each subsisting LTIP award. <i>Other reason</i> – Lapse of any unvested LTIP awards. The Remuneration Committee has the following elements of discretion: <ul style="list-style-type: none"> <li>&gt; to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion where appropriate.</li> <li>&gt; to measure performance over the original performance period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation;</li> <li>&gt; The Remuneration Committee's policy is generally to pro-rate to time from the date of grant to the date of cessation. It is the Remuneration Committee's intention to only use its discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul>

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

- > death;
- > ill-health;
- > injury or disability;
- > redundancy;
- > retirement with agreement of employer;
- > employing company ceasing to be a Group company;
- > employing company transferred to a person who is not a Group Member; or
- > at the discretion of the Remuneration Committee (as described above).

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

## Change of control

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



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





## Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the executive directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases across the Group. While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the remuneration policy set out in this report, the Company does receive updates from the executive directors on their discussions and reviews with senior management and employees.

The Company does not use remuneration comparison measurements.

## Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

# ANNUAL REPORT ON REMUNERATION

## Single total figure of remuneration (audited)

### Executive directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2015 financial year. Comparative figures for the 2014 financial year have also been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary <sup>(1)</sup> (€'000)		Benefits (€'000)		Bonus (€'000)		LTIP (€'000)		Pension (€'000)		Other (€'000)		Total (€'000)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Feargal Mooney</b>	372.5	272.5	8.6	8.9	–	41.6	–	–	13.9	10.1	–	80 <sup>(3)</sup>	395.0	413.1
<b>Mari Hurley</b>	163.0	225.0	4.4	3.9	–	16.5	–	–	8.8	8.4	225 <sup>(2)</sup>	20 <sup>(3)</sup>	401.2	273.8

- (1) Executive Director salaries were reviewed in connection with the listing and increased with effect from 1 January 2016 to €400,000 for Feargal Mooney and €275,000 for Mari Hurley. 2015 includes a period of 3.5 months unpaid maternity leave for Mari Hurley.
- (2) On 27 October 2015, the Company agreed to pay a transaction bonus of €225,000 to Mari Hurley in respect of her contribution to the Company prior to the listing.
- (3) In 2014, the Company agreed to pay a discretionary bonus of €80,000 to Feargal Mooney and €20,000 to Mari Hurley in respect of their contribution to the Company in relation to M&A activity during the year.

### Non-executive directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each non-executive director.

(€'000)	2015				2014			
	Fees	Taxable benefits	Other payments	Total	Fees	Taxable benefits	Other payments	Total
<b>Richard Segal</b> (Non-Executive Chairman)	135.7 <sup>(1)</sup>	–	–	135.7	127.3	–	–	127.3
<b>Michael Cawley</b> (Senior Independent Non-Executive Director)	27.0	–	–	27.0	–	–	–	–
<b>Andy McCue</b> (Non-Executive Director)	20.0	–	–	20.0	–	–	–	–

- (1) Richard Segal received fees of €111,000 in respect of the period prior to the listing on 2 November 2015. H&F Wings Lux 1 S.à r.l. agreed to pay Richard Segal a sum of €5,000,000 (net sum of €2.5 million) and any employer tax liability that accrued to the Company in full satisfaction of an agreement with him dated 28 September 2011. For administration purposes the sum was paid by the Group and reimbursed by H&F Wings Lux 1 S.à r.l.

## Additional information regarding single figure table (audited)

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

## Bonus awards (audited)

In respect of the 2015 financial year, no performance bonuses were payable to the executive directors. A transaction bonus of €225,000 was paid to Mari Hurley in respect of her contribution to the Company prior to the listing.

## Long term incentives awarded in 2015 (audited)

There were no awards granted during 2015. The first awards under the new LTIP plans will be made during 2016.

## Payments to past directors / payments for loss of office (audited)

There were no payments in the financial year.

## Statement of directors' shareholdings and share interests (audited)

Shareholding requirements in operation at the Company are currently 150% of base salary for the CEO and the CFO. Executive Directors are required to build up their shareholdings over a reasonable amount of time which would normally be five years. The number of shares of the Company in which current directors had a beneficial interest and details of long-term incentive interests as at 31 December 2015 are set out in the table below.

Director	Shareholding requirement (% of salary)	Current shareholding (% of salary)*	Beneficially Owned Shares	Unvested LTIP interests subject to performance conditions	Shareholding requirement met?
<b>Feargal Mooney</b>	150%	124%	156,033	–	No
<b>Mari Hurley</b>	150%	25%	19,504	–	No

\*The share price of £2.18 as at 31 December 2015 has been taken for the purpose of calculating the current shareholding as a percentage of 2015 base salary. Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

No changes in the above directors' interests have taken place between 31 December 2015 and the date of this report.

Non-executive Directors are not subject to a shareholding requirement. Details of their interests in shares are set out here:

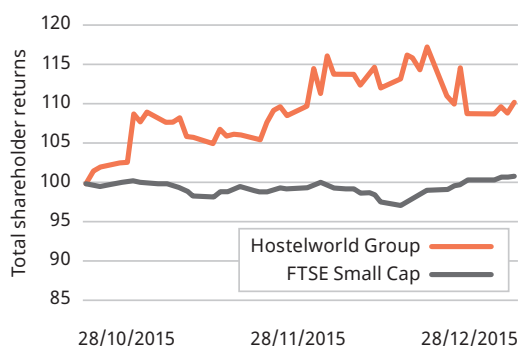
Director	Shares held 31 December 2015
<b>Richard Segal</b>	39,008
<b>Michael Cawley</b>	–
<b>Andy McCue</b>	–



## 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 over the same period of dividend income. 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 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 2015.

### Overall TSR performance of FTSE Small Cap index compared with Hostelworld Group



## Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the last two 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 earlier 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 two most recent financial years:

Chief Executive Officer	2015	2014
<b>Total Single Figure (€000s)</b>	395.0	413.1
<b>Annual bonus payment level achieved (% of maximum opportunity)</b>	0%	14.9%
<b>LTIP vesting level achieved (% of maximum opportunity)</b>	n/a	n/a

It should be noted that the Company only introduced the LTIP on listing and no awards were made in 2015.



## Change in Chief Executive Officer's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Chief Executive Officer from 2014 to 2015 compared with the average percentage change for employees.

The Chief Executive Officer's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits and annual bonus (including any amount deferred). The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of employees from calendar years 2014 and 2015.

	Salary			Taxable benefits			Bonus/Other		
	2015 (€000s)	2014 (€000s)	% change	2015 (€000s)	2014 (€000s)	% change	2015 (€000s)	2014 (€000s)	% change
<b>Chief Executive Officer</b>	<b>372.5</b>	<b>272.5</b>	<b>27%</b>	<b>8.6</b>	<b>8.9</b>	<b>-3%</b>	<b>-</b>	<b>121</b>	<b>-100%</b>
Total pay	14,887	12,891	13%	232.6	186.4	20%	650.7*	480.5	26%
Average number of employees	256	261	-2%	256	261	-2%	256	261	-2%
<b>Average per employee</b>	<b>58.2</b>	<b>49.4</b>	<b>15%</b>	<b>0.9</b>	<b>0.7</b>	<b>21%</b>	<b>2.5</b>	<b>1.8</b>	<b>28%</b>

\*Note that this figure reflects payments to staff in respect of their contributions to the Company prior to the Listing. No annual performance related bonuses were payable in respect of the 2015 financial year.

## Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2015 financial year and 2014 financial year compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

## Shareholder voting at general meeting

This is the Company's first year as a public company and therefore the 2016 AGM will be the first. This means that there is no historic voting to disclose on the Company's executive remuneration.

	Disbursements from profit in 2015 financial year (€m)	Disbursements from profit in 2014 financial year (€m)	% change
<b>Profit distributed by way of dividend</b>	-	-	-
<b>Overall spend on pay including executive directors</b>	17,749	15,312	14%

## Salary

Name	2016 <sup>(1)</sup> (€)	2015 (€)	Percentage Change
<b>Feargal Mooney</b>	400,000	372,500	7.3%
<b>Mari Hurley</b>	275,000	235,000	17.0%

(1) Note that the salary increases have been in effect from 1 January 2016 following a review of base salary levels prior to the IPO.

## Implementation of remuneration policy in financial year 2016

The Remuneration Committee proposes to implement the policy for 2016 as set out below:

### Salary

The salaries for 2016 are set out in the table above.

### Changes to NED Fees

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

Role	Fees (€)
<b>Chairman Fee</b>	145,000
<b>SID Fee</b>	7,000
<b>Base NED Fee</b>	60,000
<b>Chair of Audit Committee Fee</b>	7,000
<b>Chair of Remuneration Committee Fee</b>	7,000

### Benefits and Pension

The cash salary supplement in lieu of company pension contributions for the CEO and CFO have increased from 4% of salary to 10% and 6% respectively.

### Bonus Plan

The maximum bonus opportunity remains at 102.6% of salary for the CEO and 72% of salary for the CFO.

The proportion of the total bonus allocated to individuals will be based on the achievement of key strategic objectives which for the 2016 financial year will include:

- > Adjusted Profit before Taxation (Adjusted PBT)
- > Bookings
- > Personal performance.

No bonus is payable if threshold Adjusted PBT is not met.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus.

### LTIP Award

It is intended that the first grant under the LTIP will be made during 2016.

The maximum LTIP awards for the executive directors will be:

- > CEO 125% of salary;
- > CFO 90% of salary.

The performance conditions will be based 70% on EPS performance and 30% on absolute TSR measured over a three year period.



The performance targets for the 2016 grant of awards will be:

	Weighting	Threshold	Maximum
<b>Earnings per share growth (pre-LTIP charge)</b>	70%	6.6% p.a.	14.0% p.a.
<b>Total shareholder return (absolute)</b>	30%	10.0% p.a.	15.0% p.a.
<b>% of element that vests</b>		25%	100%

## 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](http://www.hostelworldgroup.com), and from the Company Secretary at the registered office.

All members of the Remuneration Committee are independent non-executive directors and were appointed on 14 October 2015. The Remuneration Committee receives assistance from the CEO, CFO, Group HR Director and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met twice during the period from incorporation to the financial year end. Meeting attendance is shown on page 44 of this Report.

## Advisers to the Remuneration Committee

The Committee has engaged the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration adviser.

During the financial year, PwC advised the Company on all aspects of remuneration policy for executive directors and members of the Executive Team and the associated drafting for the Prospectus. PwC also provided advice to the Company in relation to the drafting and implementation of executive and employee incentives and advice in relation to company pension arrangements.

The Remuneration Committee is satisfied that the advice received was objective and independent. PwC 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.

PwC received a fixed fee of £45,000 for their advice during the year to 31 December 2015.

On behalf of the board

### Andy McCue

Chairman, Remuneration Committee  
4 April 2016



## DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of Hostelworld Group plc (the "Company") and its subsidiaries (together the "Group") for the financial year to 31 December 2015.

### 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 8 to 33, 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 Report** on pages 38 to 47, which sets out the Company's statement with regards to its adoption of the UK Corporate Governance Code.

- > **The Audit Committee Report** on pages 48 to 53.

- > **The Directors' Remuneration Report** on pages 56 to 75.

This Directors' Report, on pages 76 to 83, together with the Strategic Report on pages 8 to 33, form the Management Report for the purposes of DTR 4.1.5R.

### Disclosures under Listing Rule 9.8.4 R

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

Requirement	Referenced
A statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief	Not applicable
Any information required by LR 9.2.18 R (publication of unaudited financial information)	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3 R	Directors' Remuneration Report on pages 56 to 75.
Details of any arrangements under which a director has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking	Not applicable

Requirement	Referenced
Details of any agreement under which a director has agreed to waive any future emoluments together with those relating to emoluments which were waived during the period under review	Not applicable
Details of any allotment for cash of equity securities made during the period otherwise than to holders of the Company's equity shares in proportion to their holdings, which has not been specifically authorised by the Company's shareholders	No such share allotments made
Details of any allotment for cash of equity securities made during the period otherwise than to holders of a major subsidiary undertaking's equity shares in proportion to their holdings, which has not been specifically authorised by the major subsidiary undertaking's shareholders	No such allotments made
Details of the participation of any parent undertaking in a placing in the Company	Not applicable
Details of any contract of significance subsisting during the year, between the Company or one of its subsidiaries and any party of which a director has an interest; and between the Company or one of its subsidiaries, and a controlling shareholder	Directors' Report on pages 76 to 83
Details of contracts for the provision of services to the company or any of its subsidiary undertakings by a controlling shareholder	Directors' Report on pages 76 to 83, Note 21 in the Financial Statements on page 120
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends	Not applicable
Details of any arrangement where a shareholder has agreed to waive future dividends together with those relating to dividends which are payable during the period under review	Not applicable
Board statement in respect of relationship agreement with a controlling shareholder	Not applicable

## Appointment and replacement of directors

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

## 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, listing and structure

The Company was incorporated and registered in England and Wales on 9 October 2015 under the Companies Act as a public limited company with registration number 09818705 and with the name Hostelworld Group plc. On 16 October 2015, the Company was issued with a trading certificate under Section 761 of the Companies Act entitling it to commence business.



On 2 November 2015, the Company acquired the entire issued share capital of Wings Lux 2 S.à r.l. (which holds the Group's operating companies) to become the ultimate holding company of the Group.

On 2 November 2015, the entire issued ordinary share capital of the Company was admitted to listing on (i) the premium listing segment of the Official List of the Financial Conduct Authority and (ii) the secondary listing segment of the Official List of the Irish Stock Exchange and to trading on (i) the London Stock Exchange's main market for listed securities and (ii) the Irish Stock Exchange's main securities market (the "Listing", "Admission", "IPO").

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 Second Floor, Number One, Central Park, Leopardstown, Dublin 18, Ireland. The Company's registered office is at High Holborn House, 52-54 High Holborn, London WC1V 6RL.

As at 31 December 2015 and as at the date of this Directors' Report, the Company's issued share capital comprises 95,570,778 ordinary shares of €0.01 ("shares"). The ISIN of the shares is GB00BYYN4225. Further information on the company's share capital and the movements in issued share capital during the year are provided in Note 17 to the Group's financial statements contained on page 116. All the information detailed in Note 17 on page 116 forms part of this Directors' Report and is incorporated into it by reference.

On 14 October 2015, the Company issued 50,000 redeemable preference shares of £1 each. The redeemable preference shares were redeemed out of the fresh issue of capital on 2 November 2015.

On 16 December 2015, the UK High Court approved the cancellation of the Company's share premium account which occurred pursuant to a resolution of the Company passed on 27 October 2015.

At the Annual General Meeting of the Company to be held on 26 May 2016, the directors will seek authority from shareholders to allot shares in the capital of the Company (i) up to a maximum nominal amount of €318,569.26 (31,856,926 shares of €0.01 each) being one-third of the Company's issued share capital and (ii) up to a further €318,569.26 (31,856,926 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 30 June 2017 and the conclusion of the annual general meeting of the Company held in 2017.

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 will seek an authority to disapply pre-emption rights over 10% of the Company's issued ordinary share capital, with 5% only to be used for an acquisition or a specified capital investment. 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. The power will expire at the earlier of 30 June 2017 and the conclusion of the annual general meeting of the Company held in 2017.

## 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 marketing requirements relating to close periods), requirements of the Listing Rules and the Company share dealing code whereby directors and certain employees of the Company require Board approval to deal in the Company's securities.

On 28 October 2015, the Company, the directors, Wings Lux 2 S.à r.l., Numis Securities Limited ("Numis") and J&E Davy entered into an underwriting agreement (the "Underwriting Agreement") in accordance with which:

- > the Company has agreed, subject to certain customary exceptions, not to issue or otherwise dispose of any shares (or any interest in shares or other securities of the Company exchangeable for, convertible into or representing the right to receive shares or substantially similar securities in the Company) for a period of 180 days following Listing without the prior written consent of Numis ; and
- > The directors agreed not to dispose of any shares in the Company for a period of 365 days following Listing without the prior written consent of Numis .

On 28 October 2015, Numis and J&E Davy entered into lock-in deeds with John O'Donnell, Otto Rosenberger and Paul Halpenny (being members of senior management who held shares on Listing), H&F Wings Lux 1 S.à r.l., and the former Hostelbookers shareholders pursuant to which the members of senior management agreed not to dispose of any shares in the Company for a period of 365 days following Listing and H&F Wings Lux 1 S.à r.l., and the former Hostelbookers shareholders agreed not to dispose of shares in the Company for a period of 180 days following Listing, except in each case with the prior written consent of Numis.

All of the above arrangements are subject to certain customary exceptions.

## 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.

The Revolving Credit Facility contains customary prepayment, cancellation and default provisions including, if required by the lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

## 2016 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 2 p.m. on 26 May 2016 at the offices of McCann FitzGerald Solicitors, Riverside One, Sir John Rogerson's Quay, Dublin 2.

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 2015, 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
<b>Investors Group Management Limited</b>	4,115,000	4.31%
<b>Unicorn Asset Management Limited</b>	4,912,114	5.14%
<b>Santander Asset Management UK Limited</b>	5,300,000	5.55%

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

- > Santander Asset Management UK Limited notified the Company on 19 February 2016 of a reduction in their holding to 4,392,664 ordinary shares representing 4.60% of the issued share capital of the Company
- > Woodford Investment Management LLP notified the Company on 8 March 2016 of an increase in their holding to 14,363,000 ordinary shares representing 15.03% of the issued share capital of the Company

*Note: The DTR5 Notifications set out above only represent changes notified to the Company since listing on 2 November 2015. The Company's prospectus (available on the Company's website at [www.hostelworldgroup.com](http://www.hostelworldgroup.com)) on page 145 sets out a list of persons who, to the extent known to the Company as at listing, were interested (directly or indirectly) in 3 per cent or more of the Company's issued ordinary share capital.*

## Transactions with related parties

The only material transaction with related parties during the year was the reorganisation in accordance with the Reorganisation Agreement dated 28 October 2015 and entered into by the Company, Wings Lux 2 S.à.r.l. and pre IPO shareholders. The reorganisation involved certain steps that took place within the Group in connection with the IPO, including the acquisition by the Company of Wings Lux 2 S.à.r.l. on Listing, all outstanding preferred equity certificates issued by Wings Lux 2 S.à.r.l. being redeemed or transferred to the Company and the reorganisation of the capital in various group entities to ensure that no deficits in reserves exist that may restrict the Company's ability to pay dividends and that all outstanding debts to third parties are paid.

## Events post year end

No significant events have occurred between 31 December 2015 and the date of the signing of this Directors' Report.

## Going concern

The directors have prepared cash flow forecasts that include key assumptions in respect of the trading subsidiary's booking numbers, booking profiles, commission rates and marketing costs. In making their assessment, management have performed sensitivity analysis on the forecasts. After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future (at least one year from the date when financial statements are signed) on both base case and sensitised forecasts. Accordingly, the financial statements have been prepared on a going concern basis.

## 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 customer proposition on the website, 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.

## 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 page 33 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 page 122 in Note 22 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.

## Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 92 to 128. In accordance with the Group's dividend policy, the directors recommend the payment of a dividend for 2015 of €0.0275 per share amounting to €2.6m to members appearing on the register at close of business on 29 April 2016. This is to be approved by the shareholders at the 2016 AGM.

## Independent auditors

Deloitte 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 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:

- (i) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (ii) the director has taken all the steps that he/she ought to have taken as a director to make him/herself 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 Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare

the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework ("relevant financial reporting framework"). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company's 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; 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 entity's financial position and financial performance; and
- > make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position

of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Responsibility statement

We confirm that to the best of our knowledge:

- > the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- > the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- > the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 4 April 2016 and is signed on its behalf by:

**Mari Hurley**  
Company Secretary  
4 April 2016

# INDEPENDENT AUDITOR'S REPORT

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

## Opinion on financial statements of Hostelworld Group plc

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- > the Group's financial statements have been properly prepared in accordance with 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 FRS 101 "Reduced Disclosure Framework"
- > 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.

The financial statements comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 28.

We have nothing material to add or draw attention to in relation to:

- > the directors' confirmation on page 28 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- > the disclosures on pages 23 to 27 that describe those risks and explain how they are being managed or mitigated;
- > the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- > the directors' explanation on page 28 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether 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 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
<p><b>Carrying value of Intangible Assets</b></p> <p>At 31 December 2015, intangible assets (including goodwill) with a carrying value of €158,972k represented 88% of the Group's total assets. The Group recorded an impairment charge of €50,692k in respect of intangible assets and goodwill during 2014.</p> <p>Under IFRS, goodwill is not amortised but is subject to an annual impairment review. An impairment review is required to be performed for other intangible assets where there is an indicator of impairment. Group management has allocated goodwill to Cash Generating Units (CGUs) and has developed a model to calculate the value in use of the assets and to review the carrying value of goodwill and other intangibles for impairment.</p>	<p>We obtained an understanding of the Group's basis for assessing when an impairment review is required for intangible assets and identified if impairment reviews were required. Where an impairment review was required, we developed an understanding of the underlying assumptions and obtained audit evidence to test those assumptions within the Group's impairment model, including discount rates, growth rates and cashflow projections. Our procedures included the performance of a sensitivity analysis on the underlying assumptions noted above.</p> <p>For intangible assets other than goodwill we assessed the basis used by management in determining the expected useful lives and the resulting amortisation charge. As part of our testing we developed an understanding of management's process for assessing expected useful lives and performed an independent assessment of the appropriateness of the expected useful lives used.</p>



Risk	How the scope of our audit responded to the risk
<p><b>Carrying value of Goodwill and Intangible Assets (continued)</b></p> <p>The sensitivity of the value in use calculations to changes in key assumptions, including growth rate, discount rate and cashflow projections, represents an area of audit risk. This is an area of significant management judgement and estimation, dependent on forecasts and assumptions. Small variances in key assumptions have the potential to reduce the value in use calculation and accordingly the headroom significantly.</p> <p>Intangible assets other than goodwill are amortised over their expected useful life. The expected useful life of an intangible asset is an area of judgement and can have an impact on the amortisation charge for the year.</p> <p><b>Refer to Notes 3 and 11 to the financial statements</b></p>	<p>We assessed whether the disclosures in relation to goodwill and intangibles were appropriate and met the requirement of accounting standards.</p>
<p><b>Group Reorganisation and Share Issue</b></p> <p>During 2015 the Group completed a reorganisation whereby Hostelworld Group plc acquired the issued share capital of Wings Lux 2 S.à r.l, and the Group issued fresh share capital as part of its IPO.</p> <p>As part of the restructuring the financing structure of the Group was also reorganised. This included preferred equity certificates (PECs) and related interest being settled or extinguished, the issue of shares in Hostelworld Group plc to the value of €61,147k in return for the remaining PEC shares and a subsequent reduction in the Group's share premium by way of a court approved reduction in capital.</p>	<p>Our audit work included obtaining an understanding of the financing reorganisation and reduction in share premium and agreeing the transactions to underlying audit evidence to assess if the transactions had been appropriately recorded in the financial statements.</p> <p>We also assessed the appropriateness of the accounting treatment of the reorganisation and IPO costs by selecting a sample of underlying transaction costs to assess the appropriate recognition as being netted against share premium issued or recognised as an expense in the Income Statement.</p> <p>We also evaluated the related disclosures for the reorganisation and share issue for compliance with the disclosure requirement of the applicable accounting standards.</p>

Risk	How the scope of our audit responded to the risk
<p><b>Group Reorganisation and Share Issue (continued)</b></p> <p>The Group also incurred significant costs in relation to the reorganisation and IPO. Significant judgement can be applied in relation to the treatment of these costs as to whether they are expensed to the Income Statement or netted against share premium.</p> <p>Due to the complexity of the transaction the accounting for the group reorganisation was an area of focus for our audit.</p> <p><b>Refer to Notes 3, 8, 16 and 17 to the financial statements.</b></p>	
<p><b>Capitalisation of Development Costs</b></p> <p>In FY 2015 total development costs capitalised amounted to €4,333k.</p> <p>Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 “Intangible Assets” is met.</p> <p>Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and is amortised over its expected economic useful life.</p> <p>In determining the amount to be capitalised management make assumptions regarding expected future cash generation of the asset and expected period of benefit.</p> <p><b>Refer to Notes 3 and 11 to the financial statements</b></p>	<p>In response to this audit risk we obtained an understanding of management’s process for determining if development costs met the criteria for capitalisation. We agreed the amount of development costs capitalised to underlying documentation detailing cost per project. For a sample of development expenditure capitalised during the year, we tested the capitalised expenditure to determine whether the expenditure was recorded accurately and assessed whether it met the required capitalisation criteria. We also evaluated the economic useful life used by reference to the specific software being developed and its expected useful life as well as benchmarking against the estimated useful life used by other comparable companies.</p>

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 49 to 51. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual audit risks, individual items or disclosures in the financial statements. Our opinion on the financial statements is not modified with respect to any of the key risks

described above, and we do not express an opinion on these individual matters.

## Our application of 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.

We determined materiality for the Group to be €560k, equating to approximately 5% of operating profit less exceptional items.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €28k, 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.

## An overview of the scope of our audit

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 all of the Group's revenues, profit for the year and the majority of its assets and liabilities is undertaken and performed by an audit team based in Dublin.

## Opinion on other matters prescribed by the Companies Act 2006

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

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- > 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## Matters on which we are required to report by exception

### 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.

### 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 arising from these matters.

### Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

### Our duty to read other information in the Annual Report

Under International Standards on Auditing

(UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- > otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

### Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Richard Howard** (Senior Statutory Auditor)  
For and on behalf of Deloitte  
Chartered Accountants and statutory auditors  
Dublin, Ireland  
4 April 2016









# Financial Statements

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## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	Notes	€'000	€'000
Revenue	4	83,451	79,265
Administrative expenses	5	(64,087)	(57,677)
Depreciation and amortisation expenses	5	(12,170)	(13,443)
Impairment losses	5	-	(50,692)
<b>Operating profit/(loss)</b>		<b>7,194</b>	<b>(42,547)</b>
Financial income		8	17
Financial costs	8	(30,866)	(34,479)
Other gains	8	104,158	-
<b>Profit/ (loss) before taxation</b>		<b>80,494</b>	<b>(77,009)</b>
Taxation	9	680	4,826
<b>Profit/ (loss) for the year attributable to the equity owners of the parent company</b>		<b>81,174</b>	<b>(72,183)</b>
Basic and diluted earnings per share (cents)	10	4.46	(24.04)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	€'000	€'000
<b>Profit/ (loss) for the year:</b>	<b>81,174</b>	<b>(72,183)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	333	282
<b>Total comprehensive income/ (expense) for the year attributable to equity owners of the parent company</b>	<b>81,507</b>	<b>(71,901)</b>





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		2015	2014
	Notes	€'000	€'000
<b>Non-current assets</b>			
Intangible assets	11	158,972	166,008
Property, plant and equipment	12	3,523	1,419
Deferred tax assets	13	1,325	693
		<b>163,820</b>	168,120
<b>Current assets</b>			
Trade and other receivables	14	3,249	2,326
Corporation tax		3	728
Cash and cash equivalents	15	13,620	19,942
		<b>16,872</b>	22,996
<b>Total assets</b>		<b>180,692</b>	191,116
<b>Issued capital and reserves attributable to equity owners of the parent</b>			
Share capital	17	956	30
Share premium	17	-	13,521
Other reserves	16	3,628	-
Foreign currency translation reserve		695	362
Retained earnings/ (accumulated losses)		161,418	(158,101)
<b>Total equity attributable to equity holders of the parent company</b>		<b>166,697</b>	(144,188)
<b>Non-current liabilities</b>			
Borrowings	18	-	285,638
Deferred tax liabilities	13	2,563	2,964
		<b>2,563</b>	288,602
<b>Current liabilities</b>			
Borrowings	18	-	34,278
Trade and other payables	19	11,405	12,345
Corporation tax		27	79
		<b>11,432</b>	46,702
<b>Total liabilities</b>		<b>13,995</b>	335,304
<b>Total equity and liabilities</b>		<b>180,692</b>	191,116

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2016 and signed on its behalf by:

**FEARGAL MOONEY**  
CHIEF EXECUTIVE OFFICER

**MARI HURLEY**  
CHIEF FINANCIAL OFFICER

Hostelworld Group plc. registration number 09818705 (England and Wales)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital €'000	Share Premium €'000	Retained Earnings/ Accumulated Losses €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Total €'000
<i>Notes</i>	<b>17</b>	<b>17</b>		<b>16</b>		
<b>As at 1 January 2014</b>	30	13,521	(85,918)	-	80	(72,287)
Total comprehensive (expense)/income for the year	-	-	(72,183)	-	282	(71,901)
<b>As at 31 December 2014</b>	30	13,521	(158,101)	-	362	(144,188)
Elimination on reorganisation	(30)	(13,521)	-	-	-	(13,551)
Issue of capital (net of costs)	956	238,345	-	-	-	239,301
Merger reserve	-	-	-	3,628	-	3,628
Capital reduction	-	(238,345)	238,345	-	-	-
Total comprehensive income for the year	-	-	81,174	-	333	81,507
<b>As at 31 December 2015</b>	956	-	161,418	3,628	695	166,697



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
<b>Cash flows from operating activities</b>			
Profit/ (loss) before tax		80,494	(77,009)
Depreciation of property, plant and equipment	5	813	659
Amortisation of intangible assets	5	11,357	12,784
Impairment of intangible assets	5	-	50,692
Transaction costs (included within financing activities)	17	4,546	-
Loss on disposal of property, plant and equipment	5	251	-
Financial income		(8)	(17)
Financial expense	8	30,866	34,479
Other gains	8	(104,158)	-
<i>Changes in working capital items:</i>			
(Decrease)/ increase in trade and other payables	19	(940)	4,286
Increase in trade and other receivables	14	(1,117)	(174)
<i>Cash generated from operations</i>		22,104	25,700
Interest paid		(79)	(203)
Interest received		8	17
Income tax refunded/(paid)		319	(667)
<b>Net cash from operating activities</b>		22,352	24,847
<b>Cash flows from investing activities</b>			
Acquisition/capitalisation of intangible assets	11	(4,321)	(1,414)
Purchases of property, plant and equipment	12	(3,168)	(722)
<b>Net cash used in investing activities</b>		(7,489)	(2,136)
<b>Cash flows from financing activities</b>			
Repayment of shareholders' loans	16	(195,125)	-
Proceeds on issue of shares, net of expenses	17	173,607	-
Repayments of bank loans		-	(7,874)
<b>Net cash used in financing activities</b>		(21,518)	(7,874)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,655)	14,837
Cash and cash equivalents at the beginning of the year		19,942	4,823
Effect of exchange rate changes on cash and cash equivalents		333	282
<b>Cash and cash equivalents at the end of the year</b>		13,620	19,942
Restricted cash balances	15	(2,225)	-
<b>Unrestricted cash balances at the end of the year</b>		11,395	19,942

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

#### Basis of Preparation

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

On 2 November 2015, as part of a reorganisation, the ultimate parent of the group changed from H&F Wings Lux 1 S.à r.l to Hostelworld Group plc.

The Company obtained control of the entire share capital of Wings Lux 2 S.à r.l. Wings Lux 2 S.à r.l. is a Luxembourg holding company incorporated on 19 November 2009 as a société à responsabilité limitée for an unlimited period of time, subject to general company law. The registered office of the company is 5, Rue Guillaume Kroll L – 1882, Luxembourg.

This transaction falls outside the scope of IFRS 3 “Business Combinations”. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the transaction has been accounted for in these financial statements using the principles of merger accounting set out in IFRS 10 The Financial Reporting Standard Applicable in the UK and Republic of Ireland. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction

The comparatives presented in these financial statements are the consolidated results of Wings Lux 2 S.à r.l.. The prior year balance sheet reflects the share capital structure of Wings Lux 2 S.à r.l. The current year balance sheet presents the legal change in ownership of the Group, including the share capital of Hostelworld Group plc and the merger reserve arising as a result of the transaction. The consolidated statement of changes in equity and the additional disclosures in Note 16 explain the impact of the reorganisation in more detail.

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

These consolidated financial statements are presented in euro (€) because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2. All amounts in the notes are shown in euro unless otherwise stated.



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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

### **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:

<i>IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations</i>	<i>1 January 2016</i>
<i>IFRS 7 (Amendment) Financial Instruments: Disclosures</i>	<i>1 January 2016</i>
<i>IFRS 9 Financial Instruments</i>	<i>1 January 2018</i>
<i>IFRS 10 (Amendments) Consolidated Financial Statements</i>	<i>1 January 2016</i>
<i>IFRS 11 (Amendment) Joint Arrangements</i>	<i>1 January 2016</i>
<i>IFRS 12 (Amendment) Disclosure of Interests in Other Entities</i>	<i>1 January 2016</i>
<i>IFRS 14 Regulatory Deferral Accounts</i>	<i>1 January 2016</i>
<i>IFRS 15 Revenue from Contracts with Customers</i>	<i>1 January 2017</i>
<i>IFRS 16 Leases</i>	<i>1 January 2019</i>
<i>IAS 1 (Amendment) Presentation of Financial Statements</i>	<i>1 January 2016</i>
<i>IAS 16 (Amendments) Property, Plant and Equipment</i>	<i>1 January 2016</i>
<i>IAS 19 (Amendment) Employee Benefits</i>	<i>1 January 2016</i>
<i>IAS 27 (Amendment) Consolidated and Separate Financial Statements</i>	<i>1 January 2016</i>
<i>IAS 28 (Amendments) Investments in Associates</i>	<i>1 January 2016</i>
<i>IAS 34 (Amendment) Interim Financial Reporting</i>	<i>1 January 2016</i>
<i>IAS 38 (Amendment) Intangible Assets</i>	<i>1 January 2016</i>
<i>IAS 41 (Amendment) Agriculture</i>	<i>1 January 2016</i>

The directors are currently assessing the impact in relation to the adoption of these standards and interpretations for future periods of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company:

- has power to govern the financial and operating policies of 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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### 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 generally recognised in profit or loss 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.

### 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 obligations at the time the booking is made. 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. 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 discount, sales taxes and value added taxes.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Operating leases

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and are spread over the life of the lease.

### Taxation

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

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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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.

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 profit or loss, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies (Continued)

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 appropriate exchange rates for the period. 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.

### 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.

Depreciation is provided on the following basis:

Leasehold property improvements:	5-10 years straight line
Computer equipment:	4-5 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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

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 profit or loss on disposal.

#### (b) Other intangible assets

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:

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

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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

#### (a) *Financial assets*

The directors determine the classification of the Group's financial assets at initial recognition based on IAS 39 categories and classification criteria. The Group has one financial asset held within 'Trade and other receivables'

After initial measurement at fair value less transaction costs, financial assets are subsequently carried at amortised cost using the effective interest method.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### (b) Impairment of financial assets

The directors assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If objective evidence of impairment is identified, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's effective interest rate. Impairment of financial assets is reported in the consolidated income statement.

#### (c) Financial liabilities

The directors determine the classification of the Group's financial liabilities at initial recognition. The Group's financial liabilities are classified as borrowings, trade and other payables.

Financial liabilities are initially recognised at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method. The Group previously issued certain Preferred Equity Certificates (PECs), the substance of which indicates they are a debt instrument and as such they were recorded as a financial liability.

#### (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.

### 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.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Useful lives for amortisation of intangible assets

Intangible assets are disclosed in Note 11. The amortisation charge is dependent on the estimated useful lives of the assets. The directors regularly review estimated useful lives of each type of intangible asset and change them as necessary to reflect its current assessment of remaining lives and the expected pattern of future economic benefit embodied in the asset. Changes in asset lives can have a significant impact on the amortisation charges for that year.

### Capitalisation of Development Costs

Development costs are capitalised in accordance with accounting policies in Note 2. Determining the amount to be capitalised requires the directors to make assumptions regarding expected future cash generation of the asset and expected period of benefit.

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

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Impairment of goodwill and intangible assets

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

Further details on the assumptions used are set out in Note 11.

#### Deferred Tax

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

#### Accounting for Reorganisation and IPO Costs

The Company incurred significant costs in relation to the Group reorganisation and subsequent initial public offering (IPO) of its shares. As part of these processes, the Group engaged appropriate legal, accounting and tax advisors. The key area of technical consideration was the application of the principles of International Accounting Standard 32: Financial Instruments: Presentation (IAS 32) as to whether the costs incurred in respect of the IPO are directly attributable to the issuing of new shares, in which case it is permissible for them to be deducted from share premium. Non-directly attributable costs are required to be expensed directly to the income statement. Given the related costs arose largely concurrently, judgement was required in assessing the apportionment of costs. Further details of these costs are set out in Note 17.





#### 4. 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 online advertising revenue.

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

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

All segmental revenue is derived wholly from external customers and, as the Group has a single reportable segment, inter-segment revenue is zero.

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:

	2015	2014
	€'000	€'000
Europe	53,812	52,128
Americas	14,951	13,969
Asia, Africa and Oceania	14,688	13,168
<b>Total revenue</b>	<b>83,451</b>	<b>79,265</b>

The Group's non-current assets are located in Ireland, Luxembourg and the UK.

## 5. OPERATING EXPENSES

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

		2015	2014
	Note	€'000	€'000
Marketing expenses		37,410	28,856
Credit card processing fees		1,958	1,844
Staff costs	7	12,721	14,146
Loss on disposal of property, plant and equipment		251	-
Exceptional Items	6	4,267	5,407
Other administrative costs		7,480	7,424
<b>Total administrative expenses</b>		<b>64,087</b>	<b>57,677</b>
Depreciation of tangible fixed assets	12	813	659
Amortisation of intangible fixed assets	11	11,357	12,784
Impairment of intangible assets	11	-	50,692
<b>Total operating expenses</b>		<b>76,257</b>	<b>121,812</b>

### Auditors' remuneration

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

	2015	2014
	€'000	€'000
Fees payable for the statutory audit of the Company	35	-
Fees payable for other services		
- statutory audit of subsidiary undertakings	115	163
- tax advisory services	4	4
- other assurance services	191	5
- corporate finance services	854	
- other services	91	-
<b>Total</b>	<b>1,290</b>	<b>172</b>

The figures in 2015 relating to other assurance services, corporate finance services and other services all relate to the IPO and Group reorganisation which occurred in November 2015.

## 6. EXCEPTIONAL ITEMS

	2015	2014
	€'000	€'000
Merger and acquisition costs	3,994	3,879
Redundancy costs	211	1,263
Integration and relocation costs	573	265
Non recurring gain	(511)	-
<b>Total exceptional items</b>	<b>4,267</b>	<b>5,407</b>

Merger and acquisition costs were incurred in relation to the listing of the Company on the main market of the London Stock Exchange and the main securities market of the Irish Stock Exchange plc (the "IPO"), and the related reorganisation of the Group and prior year corporate finance activities. Redundancy costs relate to the restructuring of the Group following the acquisition of Hostelworld Services Limited (formerly Hostelbookers.com Limited) in 2013. The integration and relocation costs primarily relate to the costs incurred for office moves in both Dublin and London. The non recurring gain of €511k relates to the release of an accrual related to the potential indirect taxes of the Hostelbookers business where the liability was settled in 2015 and is recorded as exceptional due to its one-off nature.

## 7. STAFF COSTS

The average number of people employed (including executive directors) during the year was as follows:

	2015	2014
<b>Average number of persons employed</b>		
Administration and sales	155	169
Development and information technology	101	92
<b>Total number</b>	<b>256</b>	<b>261</b>

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

	2015	2014
	€'000	€'000
<b>Staff costs comprise:</b>		
Wages and salaries	14,756	13,501
Social security costs	1,669	1,559
Pensions costs	240	195
Other benefits	233	186
Capitalised development labour	(4,177)	(1,295)
<b>Total</b>	<b>12,721</b>	<b>14,146</b>

## 8. FINANCIAL COSTS AND OTHER GAINS

	2015 €'000	2014 €'000
<b>Finance costs</b>		
Interest payable on shareholders' loans	30,786	34,285
Bank borrowing costs	-	110
Bank charges	80	84
<b>Total finance costs</b>	<b>30,866</b>	<b>34,479</b>

### Other gains

Other gains in the current year relate solely to the write off of shareholder loans of €104,158k as part of the Group reorganisation in November 2015. The reorganisation is further detailed in Note 16. Given that the Group has tax losses brought forward, the write off of the shareholders' loans did not have any tax impact on the income statement apart from the reduction in unrecognised deferred tax losses carried forward (Note 9).

## 9. TAXATION

	Notes	2015 €'000	2014 €'000
<b>Corporation tax:</b>			
Current year		297	269
Adjustments in respect of prior years		58	32
<b>Total</b>		<b>355</b>	<b>301</b>
Deferred tax	13	(1,035)	(5,127)
<b>Total</b>		<b>(680)</b>	<b>(4,826)</b>

Corporation tax is calculated at 12.5% (2014: 29.22%) 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:

	2015 €'000	2014 €'000
Profit/ (loss) before tax on continuing operations	80,494	(77,009)
Tax at the Irish corporation tax rate of 12.5% (2014: 29.22% (Luxembourg))	10,062	(22,502)
<b>Effects of:</b>		
Tax effect of (income)/ expenses that are not taxable/ deductible in determining taxable profit	(8,644)	11,801
Tax effect of utilisation of tax losses not previously recognised	(1,767)	3,792
Effect of different tax rates of subsidiaries operating in other jurisdictions	280	2,397
Recognition of deferred tax asset on tax losses	(669)	(346)
Adjustments in respect of prior years	58	32
<b>Total for the year</b>	<b>(680)</b>	<b>(4,826)</b>



## 9. TAXATION (CONTINUED)

The Group has an unrecognised deferred tax asset as at 31 December 2015 of €3,834k (31 December 2014 of €4,891k) which has not been recognised in the consolidated financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

## 10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit/ (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Weighted average number of shares in issue ('000s)	18,217	3,003
Profit/(Loss) for the year (€'000s)	81,174	(72,183)
<b>Basic earnings/ (loss) cents per share</b>	<b>4.46</b>	<b>(24.04)</b>

Actual earnings per share, calculated by dividing the net profit/ (loss) attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2015, is €0.85 (2014: loss per share of €0.76).

## 11. INTANGIBLE ASSETS

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

	Goodwill	Domain Names	Technology	Affiliates Contracts	Capitalised Development Costs	Total
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Cost</b>						
Balance at 1 January 2014	47,274	214,640	13,325	5,500	-	280,739
Additions	-	-	-	-	1,414	1,414
Balance at 31 December 2014	47,274	214,640	13,325	5,500	1,414	282,153
Balance at 1 January 2015	<b>47,274</b>	<b>214,640</b>	<b>13,325</b>	<b>5,500</b>	<b>1,414</b>	<b>282,153</b>
Additions	-	-	-	-	4,333	4,333
Effect of foreign currency exchange difference					(12)	(12)
<b>Balance at 31 December 2015</b>	<b>47,274</b>	<b>214,640</b>	<b>13,325</b>	<b>5,500</b>	<b>5,735</b>	<b>286,474</b>
<b>Accumulated amortisation and impairment</b>						
Balance at 1 January 2014	-	(36,985)	(11,192)	(4,492)	-	(52,669)
Charge for year	-	(10,777)	(583)	(1,008)	(416)	(12,784)
Impairment	(29,426)	(20,340)	(926)	-	-	(50,692)
Balance at 31 December 2014	(29,426)	(68,102)	(12,701)	(5,500)	(416)	(116,145)
Balance at 1 January 2015	<b>(29,426)</b>	<b>(68,102)</b>	<b>(12,701)</b>	<b>(5,500)</b>	<b>(416)</b>	<b>(116,145)</b>
Charge for year	-	<b>(9,687)</b>	<b>(235)</b>	-	<b>(1,435)</b>	<b>(11,357)</b>
<b>Balance at 31 December 2015</b>	<b>(29,426)</b>	<b>(77,789)</b>	<b>(12,936)</b>	<b>(5,500)</b>	<b>(1,851)</b>	<b>(127,502)</b>
<b>Net book value</b>						
At 31 December 2014	17,848	146,538	624	-	998	166,008
<b>At 31 December 2015</b>	<b>17,848</b>	<b>136,851</b>	<b>389</b>	<b>-</b>	<b>3,884</b>	<b>158,972</b>

## 11. INTANGIBLE ASSETS (CONTINUED)

The goodwill balance at 31 December 2015 relates to the following investments:

- (a) An investment in Hostelworld.com Limited in 2009 which resulted in a goodwill amount of €17,848k. The carrying value of this balance as at 31 December 2015 is €17,848k (2014: €17,848k)
- (b) An investment in Hostelworld Services Limited (formerly Hostelbookers.com Limited), which resulted in a goodwill amount of €29,426k in 2013. The carrying value of this balance at 31 December 2015 is €NIL (2014: €NIL).

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 12 years. The cash-flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies.

The pre-tax discount rate which has been applied in determining value in use is 11.4% (2014: 11.0%). The discount rate is based on the Group estimated weighted average cost of capital adjusted for business specific risk of the CGU. Based on the 2016 budget, growth rates are assessed based on approved budgets and forecast and range from 5% to 10% over the forecast period after 2016. Cash flows beyond the 15 year period are extrapolated using the estimated long- term growth rate of 2% (2014: 2%).

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

Following impairment testing, no impairment was recognised for goodwill in 2015. There were no indicators to require an impairment test of intangible assets in the current year. In 2014, following a review of trading performance and revenue being less than originally projected, the directors reassessed estimated future cashflows for the Hostelbookers trade, which led to the full impairment of the goodwill recognised in relation to the acquisition of the Hostelbookers trade of €29,426k and the recognition of an impairment charge of €21,266k in relation to the value of other intangible assets relating to Hostelbookers.

## 12. PROPERTY, PLANT AND EQUIPMENT

The table below shows the movements in property, plant and equipment for the year:

	Leasehold Property Improvements €'000	Fixtures & Equipment €'000	Computer Equipment €'000	Total €'000
<b>Cost</b>				
Balance at 1 January 2014	606	392	2,960	3,958
Additions	10	17	667	694
Disposals	-	-	(4)	(4)
Effect of foreign currency exchange differences	5	53	58	116
<b>Balance at 31 December 2014</b>	<b>621</b>	<b>462</b>	<b>3,681</b>	<b>4,764</b>
Balance at 1 January 2015	<b>621</b>	<b>462</b>	<b>3,681</b>	<b>4,764</b>
Additions	<b>1,290</b>	<b>714</b>	<b>1,139</b>	<b>3,143</b>
Disposals	<b>(610)</b>	<b>(479)</b>	<b>(2,016)</b>	<b>(3,105)</b>
Effect of foreign currency exchange differences	<b>3</b>	<b>15</b>	<b>114</b>	<b>132</b>
<b>Balance at 31 December 2015</b>	<b>1,304</b>	<b>712</b>	<b>2,918</b>	<b>4,934</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2014	(462)	(256)	(1,884)	(2,602)
Charge for year	(59)	(60)	(540)	(659)
Disposals	-	-	4	4
Effect of foreign currency exchange differences	-	(57)	(31)	(88)
<b>Balance at 31 December 2014</b>	<b>(521)</b>	<b>(373)</b>	<b>(2,451)</b>	<b>(3,345)</b>
Balance at 1 January 2015	<b>(521)</b>	<b>(373)</b>	<b>(2,451)</b>	<b>(3,345)</b>
Charge for year	<b>(100)</b>	<b>(68)</b>	<b>(645)</b>	<b>(813)</b>
Disposals	<b>560</b>	<b>386</b>	<b>1,908</b>	<b>2,854</b>
Effect of foreign currency exchange differences	<b>(4)</b>	<b>(14)</b>	<b>(89)</b>	<b>(107)</b>
<b>Balance at 31 December 2015</b>	<b>(65)</b>	<b>(69)</b>	<b>(1,277)</b>	<b>(1,411)</b>
<b>Net book value</b>				
At 31 December 2014	100	89	1,230	1,419
<b>At 31 December 2015</b>	<b>1,239</b>	<b>643</b>	<b>1,641</b>	<b>3,523</b>



### 13. 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 period

	<b>Accelerated taxation depreciation</b>	<b>Taxation losses</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
As at 1 January 2014	(7,670)	276	(7,394)
Credited to the income statement	4,781	346	5,127
Effect of foreign currency exchange differences	(4)	-	(4)
<b>As at 1 January 2015</b>	<b>(2,893)</b>	<b>622</b>	<b>(2,271)</b>
<b>Credited to the income statement</b>	<b>366</b>	<b>669</b>	<b>1,035</b>
<b>Effect of foreign currency exchange differences</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>
<b>As at 31 December 2015</b>	<b>(2,529)</b>	<b>1,291</b>	<b>(1,238)</b>

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

	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Deferred taxation assets	<b>1,325</b>	693
Deferred taxation liabilities	<b>(2,563)</b>	(2,964)
<b>Net deferred taxation liabilities</b>	<b>(1,238)</b>	(2,271)

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been acted or substantially enacted at the reporting date.

The Irish standard rate of corporation tax continued to be 12.5% through the period and comparative periods. The tax rate ruling in Luxembourg continued to be 29.22% through the period and comparative periods. The tax rate ruling in the UK reduced from 21% to 20% on 1 April 2015, and is expected to reduce to 19% on 1 April 2017, and to 18% on 1 April 2020.

### 14. TRADE AND OTHER RECEIVABLES

	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
<b>Amounts falling due within one year</b>		
Trade receivables	<b>621</b>	880
Prepayments and accrued income	<b>822</b>	560
Value Added Tax	<b>1806</b>	283
Amount due from related parties	-	603
	<b>3,249</b>	2,326

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 3 days (2014: 4 days). Given the nature of the business, allowance for impairment of receivables is not material.

## 15. CASH AND CASH EQUIVALENTS

	2015	2014
	€'000	€'000
Cash and cash equivalents	13,620	19,942
Restricted cash balances	(2,225)	-
<b>Unrestricted cash balances</b>	<b>11,395</b>	<b>19,942</b>

The Group entered into a guarantee with AIB Bank plc related to the lease of office space in Dublin. The guarantee requires that €2,225k remains on deposit with the bank, reducing over the duration of the lease up to its first break period in April 2025.

## 16. GROUP REORGANISATION AND IMPACT ON RESERVES

As part of the Group reorganisation as described in the basis of preparation in Note 1, the Company became the ultimate parent entity of the Group. By doing so, it also indirectly acquired all of the shareholdings previously held by Wings Lux 2 S.à r.l in each of its 100% owned subsidiaries.

Subsequent to the acquisition of Wings Lux 2 S.à r.l, share capital and share premium to the value of €61,147k was issued in part consideration for shareholders' loans (including accrued interest) held in Wings Lux 2 S.à r.l. Shareholder loans and accrued interest amounting to €181,359k was paid out of the proceeds of the issue of new shares in the Company with a further amount of €13,766k repaid by the Group prior to the reorganisation. The remaining shareholder loans and accrued interest of €104,158k was forgiven (Note 8).

The imposition of Hostelworld Group plc as a new holding company of Wings Lux 2 S.à r.l does not meet the definition of a business combination under IFRS 3 "Business Combinations", and, as a consequence, the acquired assets and liabilities of Wings Lux 2 S.à r.l and its subsidiaries continue to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Hostelworld Group plc are prepared on the basis that the Hostelworld Group is a continuation of the previous group, reflecting the substance of the arrangement. As a result the difference in fair value between shares issued in acquiring Wings Lux 2 S.à r.l and the carrying value of its assets have been accounted for as a merger reserve of €3,628k.

## 17. SHARE CAPITAL

	2015	2014
	€	€
<b>Allotted, Called-up and fully paid</b>		
95,570,778 ordinary shares of €0.01 each (2014: Nil)	<b>955,708</b>	-
Nil Class A ordinary shares of €0.01 each (2014: 2,415,952)	-	24,159
Nil Class X ordinary shares of €0.01 each (2014: 586,972)	-	5,870
Nil Preference Shares of €0.01 each (2014: 7,324)	-	73
	<b>955,708</b>	<b>30,102</b>

The share capital of the Group is represented by the share capital of the parent company, Hostelworld Group plc. This company was incorporated on 9 October 2015 to act as the holding company of the Group, and as a management services company. Prior to this the share capital of the Group was represented by the share capital of the previous parent, Wings Lux 2 S.à r.l.

On 19 January 2015, the directors approved a reduction in the issued share capital of the Group by an amount of 3,009 Class A Shares for a nominal value of €0.01 per share.

On 9 October 2015, Hostelworld Group plc was incorporated and issued two ordinary shares of £1 at par and one redeemable preference share of £50,000 at par.

On 2 November 2015, Hostelworld Group plc was admitted to trading on the main market of the London Stock Exchange and the main securities market of the Irish Stock Exchange plc.

On admission:

- > the Company issued 95,570,778 ordinary shares of €0.01 each, representing the new shares being placed by the Company at the time of admission at an issue price of €2.56 (£1.85) per share
  - 71,718,432 ordinary shares were issued to public investors, resulting in gross proceeds of €183,853k (€173,607k net of costs);
  - 23,852,346 ordinary shares were issued as part settlement of the former shareholders' loan notes of €61,147k;
  - Share premium was recorded of €244,045k. Transaction costs amounted to €10,246k, of which €4,546k was expensed to the income statement and the remaining €5,700k netted off against share premium.
- > the Company repurchased and cancelled the 50,000 redeemable preference shares of £1 each for cash consideration of £50k.

On 16 December 2015, the Company's share premium account was reduced by €238,345k by way of a court approved capital reduction.

## 18. BORROWINGS

	Notes	2015 €'000	2014 €'000
<b>Shareholders' loans</b>			
<b>Amount due more than one year and less than five years</b>			
A & B PECs	22	-	58,837
H PECs	22	-	226,801
		-	285,638
<b>Amounts due within one year</b>			
Interest accrued on H PEC shares	22	-	27,218
Interest accrued on A & B PEC shares	22	-	7,060
		-	34,278
<b>Total</b>		-	319,916

Details of the preferred equity certificates (PECs) are outlined in Note 22. All of the PECs were balances due to related parties. As part of the reorganisation, all amounts owing on these PECs were settled or waived.

The directors have determined that borrowings as outlined above fall into level 3 for fair value measurement purposes as the fair value is not based on observable market data. Based on an external valuation of the business performed in December 2014, the directors have estimated that the fair value of borrowings as at 31 December 2014 was €228,500k.

On 21 October 2015, in connection with the IPO process, the Group entered into a working capital facility with AIB Bank plc for €2,500k. During the period to 31 December 2015 there have been no drawdowns under this facility.

## 19. TRADE AND OTHER PAYABLES

	Notes	2015 €'000	2014 €'000
<b>Amounts falling due within one year</b>			
Trade payables		5,439	4,650
Accruals and other payables		5,168	6,422
Payroll taxes		694	582
Value Added Tax		104	406
Amount due to related parties	21	-	285
		11,405	12,345

The average credit period for the Group in respect of trade payables is 26 days (2014: 31 days).



## 20. COMMITMENTS AND CONTINGENCIES

### (i) Operating leases

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

	2015	2014
	€'000	€'000
<b>Operating leases</b>		
Within one year	994	964
Within two to five years	3,682	2,232
More than five years	2,433	-
	<b>7,109</b>	<b>3,196</b>

All operating lease commitments relate to buildings. These relate to two leases of office space in Ireland and the UK. These leases are due to expire in 2035 and 2025 respectively.

The operating lease charge included in the consolidated income statement was €928k in 2015 (2014: €793k).

### (ii) Contingencies

In the normal course of business the Group may be subject to indirect taxes on its services in certain foreign jurisdictions. The directors perform on-going 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. RELATED PARTY TRANSACTIONS

Prior to the reorganisation of the Group on 2 November 2015, Wings Lux 2 S.à r.l was a subsidiary of H&F Wings Lux 1 S.à r.l., a company incorporated in Luxembourg. The prior ultimate parent was Hellman & Friedman Capital Partners VI (Cayman) L.P., an exempt limited partnership incorporated under the laws of Cayman Islands with registered office at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands.

### 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	Country of incorporation	Holding	Nature of Business
Wings Lux 2 S.à r.l	Luxembourg	100%	Intermediate holding company
Wings Lux 3 S.à r.l	Luxembourg	100%	Intermediate holding company
Wings Holdco Ltd	Ireland	100%	Intermediate holding company
Wings Bidco Ltd	Ireland	100%	Intermediate holding company
WRI Nominees Ltd	Ireland	100%	Holding of IP
WRI Holdings	Ireland	100%	Intermediate holding company
Web Reservations International	Ireland	100%	Intermediate holding company
Hostelworld.com Ltd	Ireland	100%	Technology trading company
Boo Travel Ltd	Ireland	100%	Dormant company
Wings Corporate Services Ltd	Ireland	100%	Management services company
Cornetto Bidco Ltd	Jersey	100%	Intermediate holding company
Hostelworld Services Limited	UK	100%	Technology trading company
Anytrip.com Ltd	UK	100%	Dormant company

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

On 22 February 2016, H&F Wings Bidco Ltd changed its name to Wings Bidco Ltd and H&F Wings Holdco Ltd changed its name to Wings Holdco Ltd.

On 26 February 2016, H&F Wings Lux 2 S.à r.l changed its name to Wings Lux 2 S.à r.l and H&F Wings Lux 3 S.à r.l changed its name to Wings Lux 3 S.à r.l.

**21. RELATED PARTY TRANSACTIONS (CONTINUED)**

<b>Directors' Remuneration</b>	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Salaries, fees, bonuses and benefits in kind	<b>956</b>	796
Gains on exercise of share options	-	-
Amount receivable under long term incentive schemes	-	-
Pension contributions	<b>23</b>	19
<b>Total</b>	<b>979</b>	815

The comparative figures included in this note relate to Mari Hurley, Feargal Mooney and Richard Segal, who were remunerated by a subsidiary undertaking in the period prior to the incorporation of the Company on 9 October 2015.

**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.

	<b>2015</b>	<b>2014</b>
	<b>€'000</b>	<b>€'000</b>
Short term benefits	<b>2,342</b>	1,648
Post employment benefits	<b>52</b>	25
Other long term benefits	-	-
Share based payments	-	-
Termination benefits	-	-
<b>Total</b>	<b>2,394</b>	1,673

Transactions between the Group and the Related Parties and the balances outstanding are disclosed below:

The Group has no borrowings from its previous immediate parent undertaking, H&F Wings Lux 1 S.à r.l. as at 31 December 2015 (2014: €254,019k). In 2015, H&F Wings Lux 1 S.à r.l., the selling shareholders agreed to pay Richard Segal a sum of €5,000k (net sum of €2,500k) and any employer tax liability that accrued to the company in full satisfaction of an agreement with him dated 28 September 2011. For administration purposes the sum was paid by the Group and reimbursed by the shareholders.

Prior to the reorganisation, the Group had borrowings from a shareholder, Wings Mgt Equity Co Limited, comprising A & B PECs and accrued interest thereon, as outlined in Note 18. As at 31 December 2015, there was no balance due on these borrowings (2014: €65,897k).

Trading transactions made by the Group with H&F Wings Lux 1 S.à r.l. and its related entities during the year amounted to €5,893k (2014: €221k)

At reporting date the Group has:

- an amount of €NIL (31 December 2014: €273k) receivable from H&F Wings Lux 1 S.à r.l.
- an amount of €NIL (31 December 2014: €112k) receivable from Wings Mgt Equity Co Limited
- an amount of €NIL (31 December 2014: €125k) payable to Hellman & Friedman Capital Partners VI (Cayman), L.P.
- an amount of €NIL (31 December 2014: €19k) payable to H&F Lux 1 S.à r.l.

## 22. FINANCIAL RISK MANAGEMENT

### 22.1 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 borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative 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.

	2015 €'000	2014 €'000
<b>Up to 1 year</b>		
A & B PECs	-	7,060
H PECs	-	27,218
Trade and other payables	11,528	12,345
<b>Total up to 1 year</b>	<b>11,528</b>	<b>46,623</b>
	2015 €'000	2014 €'000
<b>Over 5 years</b>		
A & B PECs	-	58,837
H PECs	-	226,801
Trade and other payables	-	-
<b>Total over 5 years</b>	<b>-</b>	<b>285,638</b>
<b>Total</b>	<b>11,528</b>	<b>332,261</b>



## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 22.1 FINANCIAL RISK FACTORS (CONTINUED)

#### *Interest rate risk*

The interest rate applicable to the PECs was 12% per annum. The PECs were held by shareholders and were considered part of equity by the directors for financial planning purposes, and as such were not deemed to be a financial risk. As of 2 November 2015, there was no balance outstanding in relation to any PECs.

In 2014, the Group's primary exposure to financial risk related to interest rate risk. The interest rate applicable, to the Senior Facilities Agreement, was a variable rate which averaged 4.89% in 2014 and the interest charge on the bank balance in 2014 was €100k. The Senior Facilities Agreement was repaid during 2014.

#### *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 3 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. The credit risk on cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. 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.

### 22.2 CAPITAL RISK MANAGEMENT

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.

The directors believe the Group's capital requirement will be met from retained earnings.

In prior years shareholders' loans were regarded as capital. The Group's capital risk management centred on monitoring its ability to repay PEC shares as required.

In the current year, as part of the reorganisation, all amounts owing on these PECs were settled or waived.

The company 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.

## 23. DIVIDENDS

In accordance with the Group's dividend policy, the directors recommend the payment of a dividend for 2015 of €0.0275 per share amounting to €2.6m. This is to be approved by the shareholders at the 2016 AGM on 26 May 2016.

## 24. 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. The Company's loss for the financial period 9 October 2015 to 31 December 2015 is €25,948k.

## 25. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.



## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 €'000
<b>ASSETS</b>		
Investments	27	210,923
<b>Total non-current assets</b>		
Trade and other receivables	28	907
Cash and cash equivalents		4,208
<b>Total current assets</b>		<b>5,115</b>
<b>Total assets</b>		<b>216,038</b>
<b>EQUITY</b>		
Issued capital	30	956
Accumulated reserves	30	212,397
<b>Total equity attributable to equity holders of the parent</b>		<b>213,353</b>
<b>LIABILITIES</b>		
Borrowings		-
Deferred tax liabilities		-
<b>Total non-current liabilities</b>		-
Borrowings		
Trade and other payables	29	2,685
Corporation tax		
<b>Total current liabilities</b>		<b>2,685</b>
<b>Total liabilities</b>		<b>2,685</b>
<b>Total equity and liabilities</b>		<b>216,038</b>

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 4 April 2016 and signed on its behalf by:

**FEARGAL MOONEY**  
CHIEF EXECUTIVE OFFICER

**MARI HURLEY**  
CHIEF FINANCIAL OFFICER

Hostelworld Group plc. registration number 09818705 (England and Wales)

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

	Share Capital	Share Premium	Retained Earnings	Total
	€'000	€'000	€'000	€'000
Issue of capital	69	-	-	69
Cancellation of capital	(69)	-	-	(69)
Issue of capital (net of costs)	956	238,345	-	239,301
Capital reduction	-	(238,345)	238,345	-
Total comprehensive loss for the year	-	-	(25,948)	(25,948)
<b>As at 31 December 2015</b>	<b>956</b>	<b>-</b>	<b>212,397</b>	<b>213,353</b>



## 26. 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) 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.

### **Accounting convention**

The financial statements are prepared under the historical cost convention.

### **Financial fixed assets**

Investments in subsidiary undertakings are stated at cost less provision for any allowance for impairment.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

## 26. ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

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. Deferred tax is charged or credited in the 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

Transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement.

### 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.

**27. INVESTMENTS**

	2015 €'000
Investment in Wings Lux 2 S.à r.l.	9,923
Investment in WRI Nominees Limited	201,000
Investment in Hostelworld.com Limited (€100)	-
	<u>210,923</u>

**28. TRADE AND OTHER RECEIVABLES**

	2015 €'000
<b>Amounts falling due within one year</b>	
Prepayments and accrued income	71
Value added tax	392
Amount due from related parties	444
	<u>907</u>

**29. TRADE AND OTHER PAYABLES**

	2015 €'000
<b>Amounts falling due within one year</b>	
Trade payables	2,561
Accruals	124
	<u>2,685</u>

**30. SHARE CAPITAL**

	2015 €'000
<b>Allotted, Called-up and fully paid</b>	
95,570,778 ordinary shares of €0.01 each (2014: €Nil)	<u>956</u>

For details on the movement in share capital during the period, see Note 17.









# Additional Information

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## SHAREHOLDER INFORMATION

### FINANCIAL CALENDAR

AGM	26 May 2016
Payment of 2015 Final Dividend	31 May 2016
Announcement of 2016 Interim Results	25 August 2016

### SHARE PRICE

During the year ended 31 December 2015, the range of the closing mid-market prices of the Company's ordinary shares was:

Price at 31 December 2015	£2.1800
Lowest price during the year	£1.9775
Highest price during the year	£2.3225

Daily information on the Company's share price can be obtained on our website:  
[www.hostelworldgroup.com](http://www.hostelworldgroup.com)

### SHAREHOLDER'S ENQUIRIES

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrars:

#### UK Registrar

Computershare Investor  
Services plc  
The Pavillions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

#### Irish Registrar

Computershare Investor  
Services (Ireland) Ltd  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18  
Ireland

### COMPANY SECRETARY AND REGISTERED OFFICE

Ms. Mari Hurley  
Hostelworld Group plc  
High Holborn House  
52-54 High Holborn  
London WC1V 6RL

### COMPANY REGISTRATION NUMBER

09818705

## ADVISERS

### SOLICITORS

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United Kingdom

### FINANCIAL PUBLIC RELATIONS

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140 Holborn  
London EC1N 2AE  
United Kingdom

### BANKING

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1 Lower Baggot Street  
Dublin 2, Ireland

### INDEPENDENT AUDITORS

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Chartered Accountants  
and statutory auditors  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2, Ireland

### BROKERS

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Dublin 2, Ireland







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