ANNUAL REPORT

2016

HOSTELWORLD

MEET THE WORLD

HOSTELWORLD

MEET THE WORLD

OUR MISSION

OUR PURPOSE

Inspire passionate travellers to see the world, meet new people and come back with extraordinary stories to tell.

WHAT WE DO

What we do: Throughout their journey we connect travellers with the best choice of hostels as well as valued travel services to make their trip go further.

OUR AMBITION

Be the leading online hub for hostel customers who want to **'Meet the World'**

ABOUT HOSTELWORLD

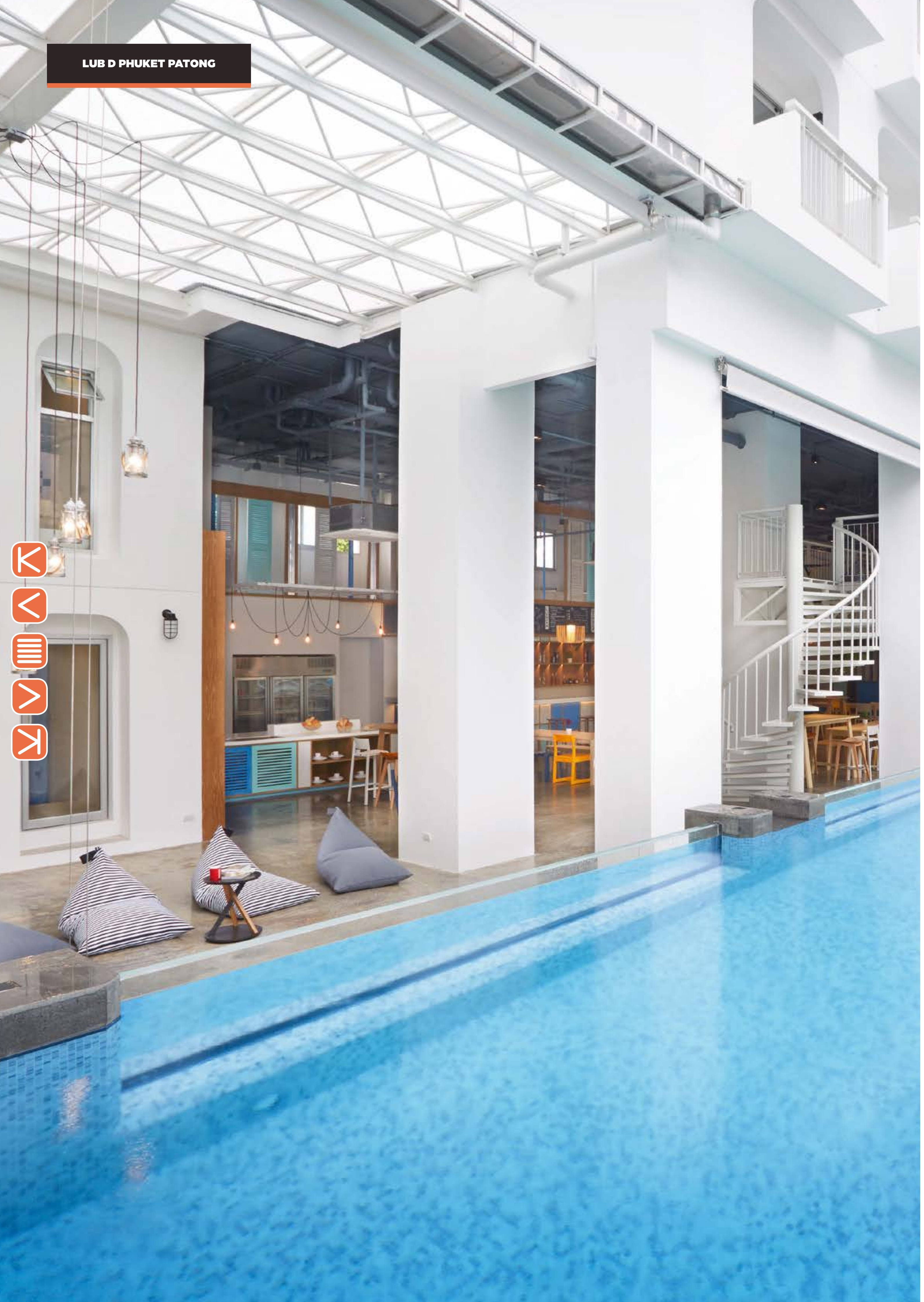
HOSTELWORLD GROUP operates the world's leading hostel-focused online booking platform. We are the leading brand for young and independent travellers seeking a social travel experience through our flagship brand Hostelworld and supporting brands Hostelbookers and Hostels.com.

We are different to other Online Travel Agents ("OTAs") because we focus on hostels, maintain a leading global hostel database with over 14,000 hostels and approximately 21,000 other forms of budget accommodation available globally.

We also manage an extensive customer-generated review database consisting of more than 9 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



OVERVIEW

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GOVERNANCE

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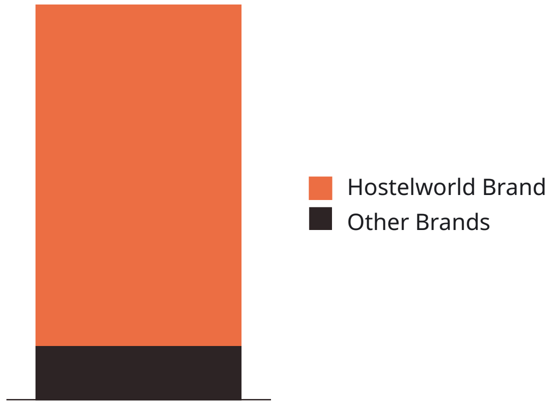
ADDITIONAL INFORMATION

OVERVIEW

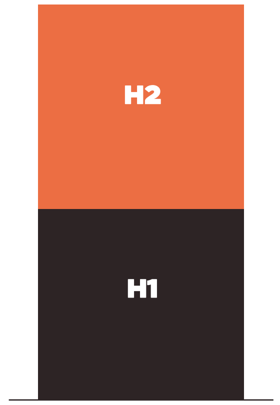

COCOMAMA, AMSTERDAM

2016 HIGHLIGHTS

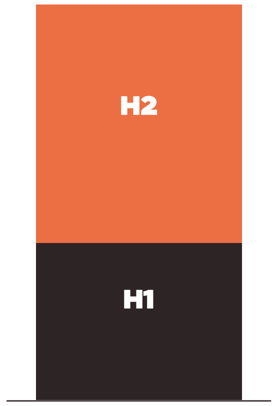
7.1M
Bookings



€80.5M
Net Revenue

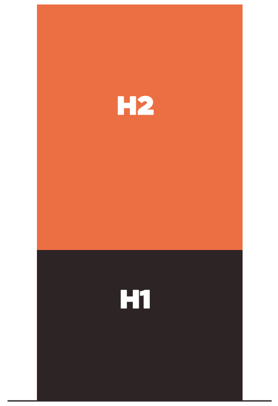


€23.9M
Adjusted EBITDA

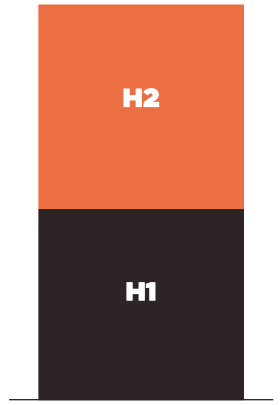


30% of Net Revenue

€19.4M
Adjusted Profit after tax



€21.5M
Adjusted free cash flow



90% adj. cash conversion

STORY SO FAR...

1999

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

2003

Acquired the Hostels.com business and brand

2006

Opened office in Shanghai

2009

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

2013

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

2014

Released new suite of Hostelworld booking apps for iOS and Android

2015

Listed on the London and Dublin Stock Exchanges

Rebranding of Hostelworld with 'Meet the world'

CLINK78, LONDON

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

2016 marked our first full year as a publicly listed Company. As widely reported, this year was challenging for the travel industry, which had to contend with the impact of terrorist attacks and the implications of Brexit. Whilst our performance, particularly in our key European market during the second and third quarters of the year, was impacted by these events, our results demonstrate the strength of the overall business model and our ability to execute strongly on our strategy. We continue to create value for shareholders by meeting the needs of our consumers in a marketplace that continues to grow and change quickly.

Results and financial position

The Group's flagship brand, Hostelworld represented 87% of total Group bookings as compared to 73% in 2015. Business momentum improved materially in the latter part of the year, with overall Group bookings 2% higher than the same period in 2015. This compared to a 4% decline in the first half of 2016. This was a reflection of the success of our strategic focus on growing the Hostelworld brand, which has meant that the impact of the anticipated decline in the rate of bookings from supporting channels on overall group performance has eased during 2016. This trend is expected to continue.

Adjusted EBITDA for the year was €23.9m (2015: €23.6m) which, as stated in our pre-close update, is in line with the Board's expectations for the year.

The Group's business model continued to be strongly cash generative, with adjusted free cash flow of €21.5m (2015: €15.3m), contributing to a strong balance sheet at the period end. Unrestricted cash balances at year end were up 116%, at €24.6m (2015: €11.4m).

Dividend and capital structure

Consistent with the guidance set out in our 2015 prospectus, the Board is recommending a full year final dividend of 10.4 euro cent per share which reflects the distribution of 75% of the Adjusted Profit after Taxation for the year.

In light of the Group's strong free cash flow, the Board has reviewed its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment opportunities.

In the absence of other investment opportunities at present, and in recognition that the Group's cash resources are currently greater than those required to meet the prudent requirements of the business, the Board is proposing to distribute €10m of surplus cash to shareholders via a supplementary dividend. This supplementary dividend of 10.5 euro cent per share is discretionary and non-recurring. The Board will keep under review the best method of returning surplus cash to shareholders, including by way of further supplementary dividends or share buy-backs.

Board Composition

The Board meets regularly and provides the appropriate mix of support, encouragement and challenge of the Executive Directors from the Non-Executive Directors. During the year, the Board undertook an appraisal of the Directors, as well as of the Board and each of its Sub-Committees, which concluded that the Board is functioning effectively and has the appropriate balance of experience, capabilities and viewpoints. I would like to thank my fellow Non-Executive Directors, Michael Cawley (Senior Independent Director and Audit Committee Chairman) and Andy McCue (Remuneration Committee Chairman) for their contribution and efforts.

The composition of the Board is fully compliant with the UK Corporate Governance Code as applied to small companies.

People

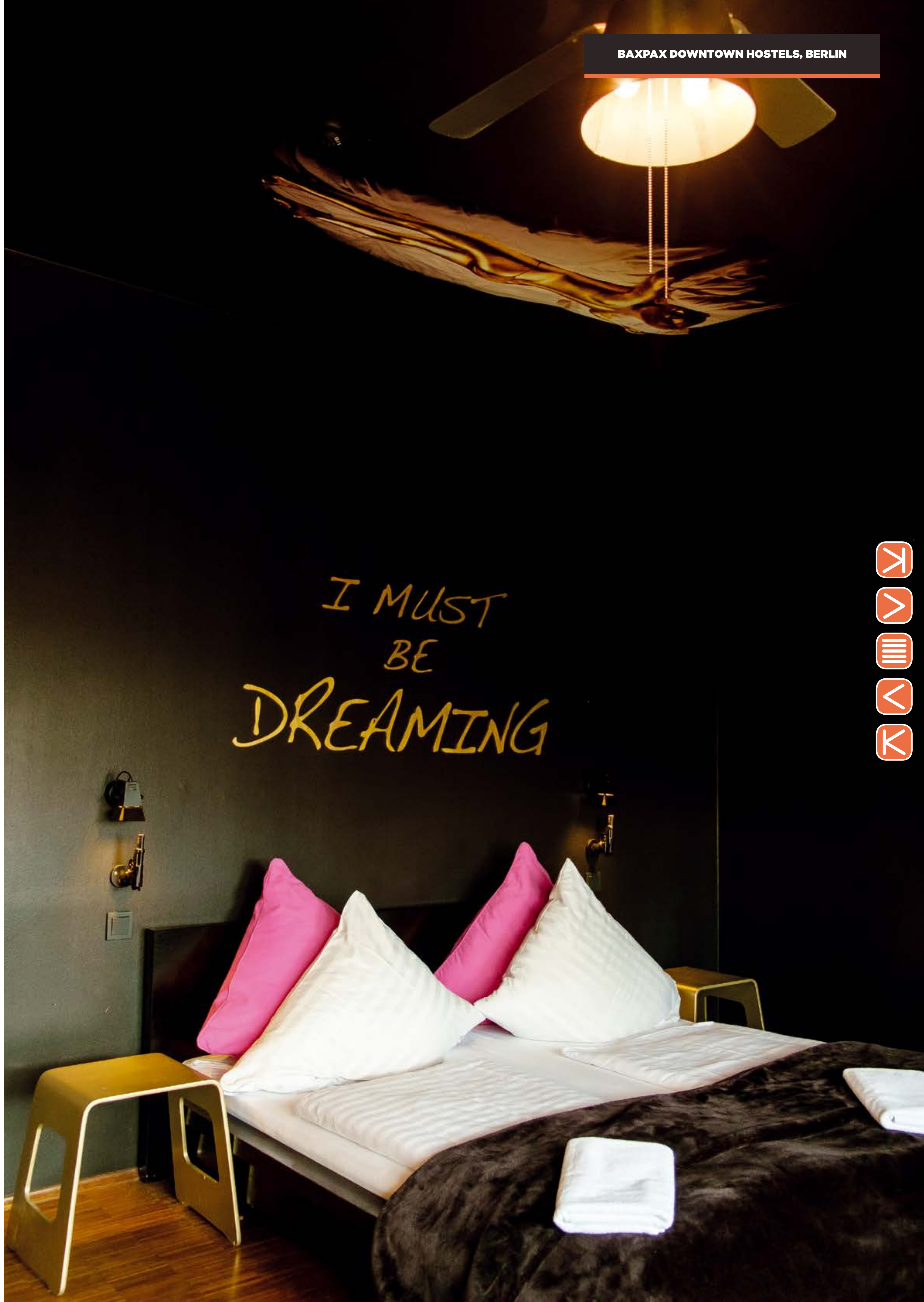
On behalf of the Board, I would like to thank all members of the Hostelworld team under the leadership of Feargal Mooney for their commitment and hard work during the year. They are focused on serving and advancing the hostel market – both hostel users and hostel owners and operators; and are continuously innovating to swiftly adapt to changes in the market place, many of which are driven by new interactive technologies that are highly relevant to our consumers.

Outlook

The investment in our technology and brand has placed the Group in a strong position to capture future growth in the hostel sector. The Board is encouraged by the flow of increased high quality hostel supply in key destinations and by the Group's ability to demonstrate the attractiveness of our product offering to property owners and to our target audience of young independent travellers. The strength of our people, brand and technology, along with our ability to innovate, serves to enhance our prospects in our core marketplace and provides opportunities for incremental revenue and profit going forward.

I am pleased to report that 2017 has started well. Total Group bookings are ahead of last year and there is positive momentum across the business.

RICHARD SEGAL
CHAIRMAN
27 March 2017



CHIEF EXECUTIVE'S STATEMENT

I am pleased to report group results for the year ended 31 December 2016.

Continued strategic progress

Set in the context of very challenging market conditions, particularly in Europe in the key second and third quarters, I am pleased with overall performance for the year. We maintained our focus on the execution of our strategy across mobile, brand marketing, flexible pricing, geographic diversification and a more efficient booking mix, which has led to an improved performance in the later part of the year and encouraging momentum in the first quarter of 2017.

Bookings

Bookings for the Group's primary Hostelworld brand, which contribute 87% of total Group bookings, grew by 18% in the year with an average monthly growth rate of 21% for the final six months of the year (2015: growth of 17%). Total Group bookings and revenues for the year declined by 1% (72,168 bookings) and 4% (€3.0 million) respectively as we successfully focused on driving bookings growth in our flagship brand, and proactively managed the decline in our supporting brands. Revenues were flat on a constant currency basis.

We are pleased with the continued progress made in managing our marketing spend, driving efficiencies in cost-per-click and cost-per-booking which has resulted in a more profitable booking mix. In 2016, bookings from not-paid-for channels increased to 61% of overall Group bookings (2015: 58%), and marketing expenses as a percentage of net revenue decreased to 41% (2015: 45%). We are confident that our marketing and mobile led strategy, with the goal of diversifying online marketing channels and increasing Hostelworld brand awareness, will continue to drive efficiencies in our acquisition costs.

Brand

If 2015 was the year of launching and testing the 'Meet The World' proposition targeting budget-conscious independent travellers, 2016 was the year of expanding this brand proposition globally across digital-only channels.

This move to concentrate on digital channels allowed us to penetrate more markets, be more targeted, and focus heavily on being ever-present in social media. With digital channels being more cost efficient, Hostelworld was able to increase its reach across campaigns, driving more impressions to more customers in highly relevant media. With 18-34 year olds consuming increasing amounts of content across social media, we were pleased with significant growth in our Facebook, YouTube and Instagram channels. Our fan following across all social media grew in 2016 by over 145% to 1.4m.

We increased our video output by almost 40% during the year, successfully enabling Hostelworld to showcase the modern hostelling experience in a compelling format. The pinnacle of this activity was the global launch of our second major brand campaign: In Da Hostel with 50 Cent.

Parodying the cult-status MTV Cribs episodes, world famous rapper 50 Cent showcased the TOC Hostel in Barcelona to the world, breaking down outdated perceptions of hostels through a 2½ minute video that went viral across the globe with over 80 million views.

We also secured markedly increased PR coverage globally, combining a mix of market-leading data insight stories with more fun items of content ('Human Beer Pong' and 'Skyping the parents whilst getting a Tattoo'). Hostelworld now benefits from an increase in traffic to its blog via the content it creates, achieving over 1m visits to the blog in December 2016 alone.

CLINK78, LONDON

Technology and Mobile

We have made good progress with our technology platform over the year. The consolidation of Hostelbookers onto the Hostelworld Technology platform in January 2016 realised significant operational and maintenance efficiencies. This was quickly followed by the launch of the fully responsive Hostelworld website by the end of Q1, thus successfully completing two large scale projects.

We significantly increased our investment in Conversion Optimisation which has delivered improvements in traffic conversion throughout the year.

In addition to the progress on our fully responsive website, we also made good progress against our commitment to provide a truly contextual experience for our customers ensuring that the Hostelworld App becomes much more than a booking facility and forms part of a customer's journey. We released two significant contextual features, first partnering with Trip.com (formerly Gogobot) in providing destination specific content for Hostelworld mobile app customers. We followed this in quarter four with the launch of the Hostelworld Noticeboard which allows our hostel partners to communicate to Hostelworld customers within the Hostelworld Mobile App with unique content specific to a hostel's activities.

Our mobile led strategy has resulted in mobile (including tablet) representing 49% of Hostelworld brand bookings for the year (2015: 41%).

Pricing and yield management

The year saw encouraging growth in our Elevate programme, with 30% of 2016 Group bookings on Hostelworld delivered to properties participating in "Elevate", an increase from 18% in 2015.

The Elevate programme gives accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 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. The Elevate functionality was rolled out to the Hostelbookers platform in January 2016.

In 2016, we also enhanced the offering of revenue management services to our properties with the intention of helping them to improve their yield per bednight.

Asia

We continued to focus on increasing our customer base and revenue in emerging markets. In 2016, we grew our hostel supply base by 21% in key Asian markets. Asia remains our fastest growing destination continent with group-wide booking growth of 12% in 2016.

We opened a new office in Seoul and engaged in local marketing to leverage the strong Hostelworld brand awareness in the South Korean marketplace. We demonstrated our long term commitment to this market by continuing to invest in local marketing despite weaker short–term demand for travel to Europe in response to terrorist incidents.

South Korea remains our seventh highest customer nationality for Hostelworld bookings.

Evolving strategic focus

We believe our four strategic pillars have now evolved into core capabilities embedded across the Group. Therefore, towards the end of 2016, we began a review of our strategies to ensure we remain properly focused on the customer and maintain our competitive position in our core markets. We will continue to raise the awareness of the hostelling concept amongst current and potential category users and increasingly drive revenue per customer across our base.

We understand that our travellers are a community of passionate, budget conscious and social travellers of all ages, who see travel as an important part of their life. We shall continue to focus our strategies to deliver a superior experience for our current and future hostel traveller.

During 2017 and beyond we will focus on:

1. **Investing in our Core Product**
Our customers expect a booking platform that delivers a seamless experience that is flexible, fast and frictionless when booking a hostel. We will ensure we keep pace in delivering content and features across all channels and platforms to meet fast changing customer expectations.

2. **Differentiating our offering**
We will deliver products and features that are unique to the hostel product and enable customers to have a great experience before, during and after the trip.

3. **Establishing a vibrant community**
We understand our customers are passionate about travel and hence want to enable community features that allow them to connect to the hostel and to each other via our platform during all stages of travel (pre-, during-, post-).

4. **Drive loyalty and revenue per customer**
Our customers increasingly expect a personalised service and we want to tailor our experience so they increasingly book with Hostelworld. Our customers also have needs for various different travel services which we can offer on our platform.

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 young independent travellers. We facilitate bookings between the two, offering a top-class booking experience that provides us with commission-based revenue.

At the time of booking, hostel travellers pay a 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. We piloted a new offering to accommodation providers and consumers in December 2016 which enabled properties to offer a non-refundable rate product which retained the simplicity of the original Hostelworld model, whilst offering customers and properties alike the benefits of this product offering. We will continue to test alternative product offerings during 2017 so as to offer customers a wider choice.

The market

The first independent study of the global hostel market was published by Phocuswright in May 2016. This study was based on a hostel operator survey (1,000 respondents), a consumer survey of 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 findings of the study include:

- 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 revenue.
- 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.

Phocuswright highlighted the substantial opportunity for hostels to expand their clientele beyond their traditional core customer base. Using the US market as an example, it segmented travellers into four categories based on their likelihood of a future hostel stay:

1. **Hostellers: (15% of total)**
   Travellers who have stayed in hostels within the past year (Phocuswright's "hostel travellers" comprise the primary market of this study).
2. **Potentials: (31%)**
   Non-hostel millennial travellers who indicated that they are at least "moderately" likely to consider hostels for a future leisure trip.
3. **Possibles: (25%)**
   Non-hostel millennial travellers who indicated three clear travel attitudes from the question, which make them suitable for the hostel experience:
   a. Price sensitivity;
   b. A desire to have a social experience when traveling (i.e. meet people); and
   c. Privacy was a cited reason for not staying in a hostel.
4. **Unaddressables: (29%)**
   Non-hostel millennial travellers who are not price sensitive and are looking for the comfort and amenities of hotels and, therefore, are very unlikely to consider hostels.

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

People

We continue to invest in talent across the business especially in tecnhology, marketing and other customer facing functions. We are fortunate to retain an excellent and diverse pool of talented individuals working in our global team who are critical to our success and who deliver an exceptional service to our customers. I would like to thank the entire team for their work in 2016.

Outlook

The Group saw improved momentum in the latter part of 2016 which has continued through the first quarter of 2017. Our continued focus on key strategic initiatives is supporting year on year bookings growth, and together with our highly cash generative business model positions us well to benefit from continued market growth.

FEARGAL MOONEY
CHIEF EXECUTIVE
27 March 2017

ROOM 007 CHUECA HOSTEL, MADRID

FINANCIAL REVIEW

Introduction

- Strong Hostelworld brand bookings growth of 18%, total Group bookings decline of 1%
- Gross average booking value of €11.6, decrease of 4%
- Net revenue was flat on a constant currency basis
- Marketing expenses represented 41% of Net Revenue (2015: 45%)
- Increase in Adjusted EBITDA of 7% on a constant currency basis; 1% reported
- Adjusted EBITDA margin of 30% (2015: 28%)
- Strong underlying cash conversion (90%) and final dividend of 10.4 euro cent per share
- Supplementary dividend of 10.5 euro cent per share

Key Performance Indicators	2016	2015	% change
Bookings – Hostelworld brand (m)	6.2	5.2	18%
Bookings – supporting brands and channels (m)	0.9	2.0	-53%
Total Booking Volume (m)	7.1	7.2	-1%
Net Revenue (€m)	**80.5**	**83.5**	**-4%**
Average Booking Value ("ABV") (gross) (€)	11.6	12.1	-4%
ADJUSTED EBITDA	**23.9**	**23.6**	**1%**

Overall Group bookings declined by 1% in 2016, driven by softer demand in European destinations as a result of geopolitical events, in the second and third quarters, and by the strategy to optimise margin performance especially on the supporting brand channels.

The Group's flagship brand is Hostelworld which now accounts for circa 87% of Group bookings (2015: 73%). The Group has continued to focus its attention and resources on this brand, increasing its relevance to and reach amongst the target young independent traveller as evidenced by its continued strong bookings growth of 18% in 2016 (2015: 17%). Whilst bookings of the Hostelworld brand grew, those of the Group's supporting brands (notably Hostelbookers) were 53% lower in 2016.

Bookings in not-paid-for channels represented 61% of total bookings (2015: 58%). 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 2016 were €559m (2015: €634m), while average commission rates in 2016 increased to 13.8% (2015: 13.1%).

The total Group bookings decline of 1%, combined with a decrease in Average Booking Value ("ABV") of 4% during the year resulted in an overall decrease in net revenue of €3.0m. The Group's ABV decreased due to a number of factors including the evolving geographic mix, the continued higher proportional growth in bookings of shorter duration including from mobile devices, the greater percentage of bookings into hostel dorm beds and exchange rate movements. These factors were partially offset by increased penetration of the Elevate pricing product. In 2016, 30% (2015: 18%) of Group bookings attracted higher commission at average commission rate of 17.3% (2015: 16.2%).

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

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 reduced from €64.1m in 2015 to €57.4m in 2016. A key contributory factor was reduced marketing expenses in 2016, which came in at €32.8m in 2016 (41% of Net Revenue) versus €37.4m in 2015 (45% of Net Revenue). This decrease in marketing costs is due to the increased proportion of bookings sourced from non-paid channels and increased efficiencies in managing cost per booking for paid channels.

Total staff costs reduced from €16.9m in 2015 to €16.7m in 2016 with a reduction in headcount from 256 in 2015 to 241 in 2016. Under IFRS, costs relating to product development for which a future benefit is derived is required to be capitalised and amortised over the expected period the benefit is derived. Of the total staff costs incurred, €2.3m was capitalised in 2016 (2015: €4.2m) in relation to product development. This was largely relating to mobile developments and increased usability of our platform.

Reconciliation between Operating Profit and Adjusted EBITDA:

€m	2016	2015
Operating profit	0.2	7.2
Depreciation	0.9	0.8
Amortisation of development costs	3.2	1.4
Amortisation of acquired intangible assets	10.6	9.9
Impairment charges	8.2	0.0
Exceptional items	0.4	4.3
Share option charge	0.4	0.0
Adjusted EBITDA	**23.9**	**23.6**

Exceptional items for the year were €0.4m, primarily redundancy related costs (2015: €4.3m). Exceptional items during 2015 of €4.3m mostly related to fees incurred in relation to the IPO.

Adjusted EBITDA increased from €23.6m in 2015 to €23.9m in 2016 driven by prudent cost management. Adjusted EBITDA margin increased from 28% of net revenue in 2015 to 30% in 2016.

Hostelworld Annual Report 2016 | Strategic Report

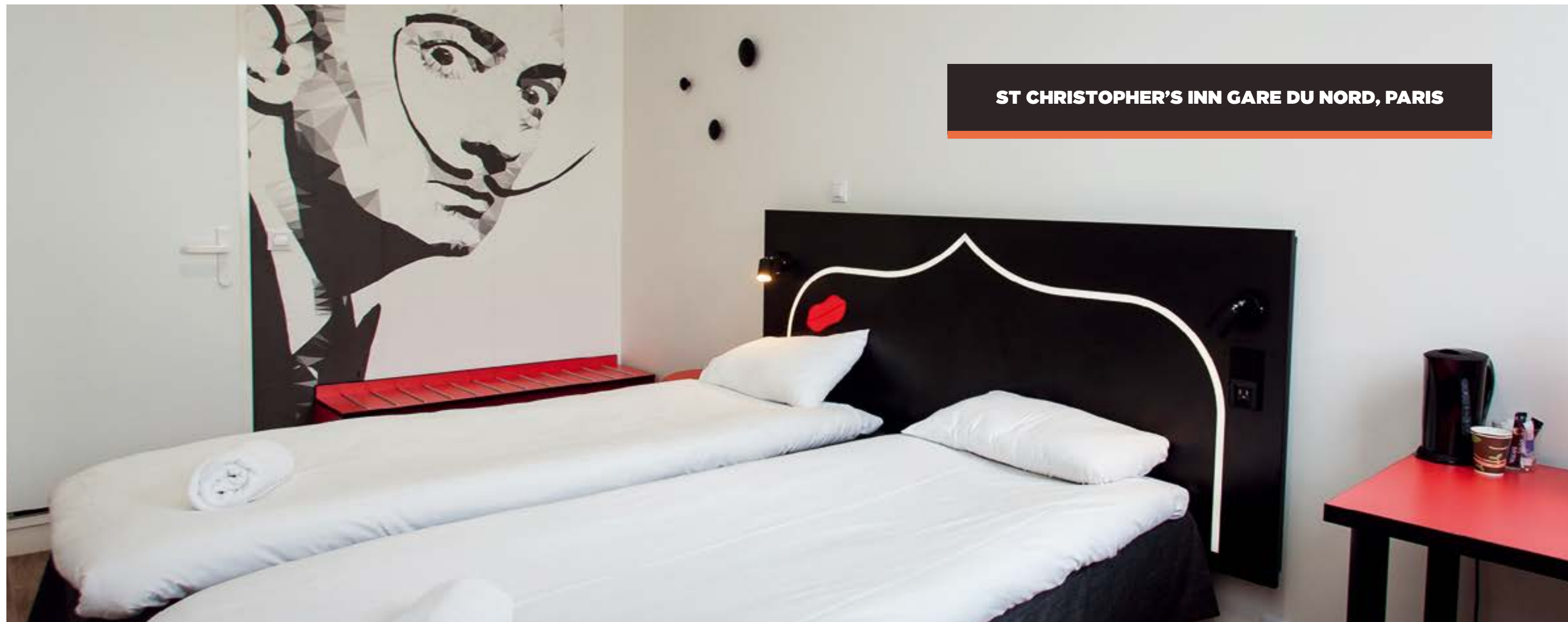
Adjusted profit after taxation

€m	2016	2015
Adjusted EBITDA	23.9	23.6
Depreciation	(0.9)	(0.8)
Amortisation of development costs	(3.2)	(1.4)
Corporation tax	(0.5)	(0.4)
Adjusted Profit after Taxation	**19.4**	**21.0**
Exceptional costs	(0.4)	(4.3)
Amortisation of acquired intangibles	(10.6)	(9.9)
Net financial costs	(0.1)	(30.9)
Other gains	0.0	104.2
Share option charge	(0.4)	0.0
Impairment charges	(8.2)	0.0
Deferred taxation	1.1	1.0
Profit for the year	**0.8**	**81.2**

Adjusted Profit after Taxation is a metric that the Group uses to calculate the dividend payout for the year, subject to Company Law requirements regarding distributable profits. It excludes exceptional costs, amortisation of acquired domain and technology intangibles, impairment charges, net finance costs, share option charges 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 €21.0m to €19.4m due to higher amortisation of development costs in 2016.

Based on the weighted average shares in issue during 2016, reported Earnings per Share ("EPS") as set out in Note 10 to the financial statements is 0.01 euro cent per share for the financial year (2015: earnings per share 4.46 euro cent). Using Adjusted Profit after Taxation as the measure of earnings would result in an adjusted EPS of 20 euro cent per share for the year. The corresponding EPS for 2015 calculated on the same basis, using the number of shares in issue as at 31 December 2015 is 22 euro cent per share.



ST CHRISTOPHER'S INN GARE DU NORD, PARIS

Other gains and net finance costs

Given that the capital nature of the Group post IPO is fully equity funded, there is no net finance charge in 2016.

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

Share based payments

The Group implemented a long term incentive plan in April 2016 as detailed in the Remuneration Report and, in accordance with IFRS 2, has recognised a non-cash charge of €0.4m (2015: €nil).

Impairment charge

In 2016, following a review of trading performance and due to bookings and revenue being less than previously projected in the associated legal entity, the directors reassessed the estimated future cashflows associated with the Hostelbookers intellectual property assets. This led to the recognition of an impairment charge of €8.2m in relation to the value of the Hostelbookers domain names. The estimated useful life of these domain names was also reduced to a period of eight years from 1 January 2016.

Taxation

The Group corporation tax charge of €0.5m (2015: €0.4m) results in an effective tax rate (corporation tax as a percentage of Adjusted EBITDA) of 2.0% (2015: 1.5%). The low effective tax rate is primarily as a result of carried forward tax losses arising from the previous capital structure of the Group.

The outcome of the impairment review resulted in a reduction in the carrying value of the deferred tax liability. This was partially offset by the amortisation of deferred tax assets, resulting in overall net deferred tax credit of €1.1m in 2016.

The deferred taxation credit of €1.0m in 2015 arose primarily in relation to acquired intangibles and the partial recognition of carried forward tax losses.

Adjusted free cashflow conversion

€m	2016	2015
Adjusted EBITDA	23.9	23.6
Capitalised development spend	(2.4)	(4.3)
Capital expenditure	(0.7)	(3.2)
Interest and tax paid	(0.3)	0.2
Net movement in working capital [1]	1.0	(1.1)
Adjusted Free Cashflow	**21.5**	**15.3**
Adjusted FCF conversion	*90%*	*65%*

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

The Group has a business model which produces strong free cash flow conversion, with 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 on leasehold improvements and fixtures and fittings as the Group entered into new leases in London and Dublin. In 2016, investment in leasehold improvements and fixtures and fittings amounted to €0.03m. The lower level of capitalised development expenditure and capital expenditure in 2016 has resulted in adjusted free cashflow conversion of 90%.

On 21 October 2015, in connection with the IPO, the Group entered into a working capital facility with AIB Bank plc (the "Revolving Credit Facility") for €2.5m. During the year end to 31 December 2016, there have been no draw downs under this facility (period to 31 December 2015: €nil).

Total cash at 31 December 2016 was €24.6m (2015: €13.6m), of which €nil is restricted (2015: €2.2m held in a restricted account as part of a guarantee related to the lease of the Dublin office). In 2015, the Group entered into a guarantee with AIB Bank plc related to the lease of office space in Dublin (as disclosed in Note 15 to the financial statements). The guarantee initially required that €2.2m remain on deposit with the bank. This requirement was removed by AIB Bank plc during 2016. There were no borrowings at 31 December 2016 (2015: €nil).

Foreign exchange risk

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. Restated on a constant currency basis, revenues have increased by 0.1% (€0.1m) and Adjusted EBITDA has increased by 7% (€1.5m) in 2016. Constant currency is calculated by applying the average exchange rates for the year ended 31 December 2016 to the financial results for the year ended 31 December 2015. 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.

Dividend

The Group is committed to an attractive dividend policy, and is pleased to recommend a full year final dividend payout of €9.9m equating to 10.4 euro cent per share. This is in addition to the interim dividend of 4.8 euro cent per share paid in September 2016. This payout of €14.5m or 15.2 euro cent per share reflects a distribution of 75% of the Adjusted Profit after Taxation for the year ended 31 December 2016. In May 2016, the Group paid a maiden dividend of €2.6m or 2.75 cent per share in respect of the period from Admission on 02 November 2015 to 31 December 2015.

The Board has reviewed its approach to returning capital to shareholders in order to ensure that the Group maintains an efficient and prudent capital structure, which looks to provide increased returns to shareholders, whilst at the same time retaining flexibility for capital and other investment opportunities. In the absence of other investment opportunities at present, and in recognition that the Group's cash resources are currently greater than those required to meet the prudent requirements of the business, the Board is proposing to distribute €10.0m of surplus cash to shareholders via a supplementary dividend. This supplementary dividend of 10.5 euro cent per share is discretionary and non-recurring. It will be paid to shareholders on the register at 28 April 2017. The Board will keep under review the best method of returning surplus cash to shareholders, including by way of a supplementary dividend or a share buy-back.

MARI HURLEY
CHIEF FINANCIAL OFFICER
27 March 2017

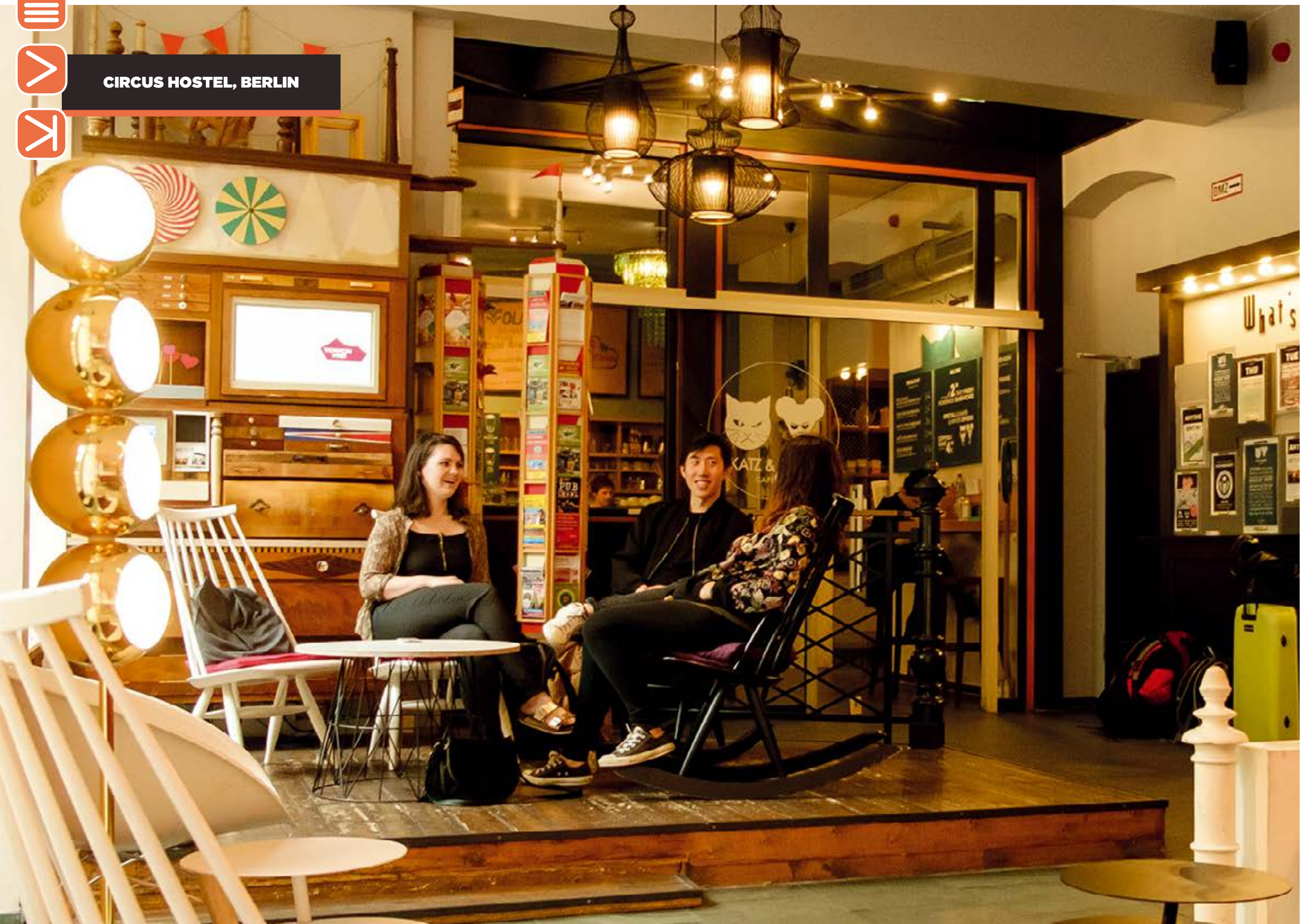
GILLIGAN'S BACKPACKER, CAIRNS

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.

While the nature of the principal risks and uncertainties faced by the Group remain unchanged on the whole, external geopolitical factors have changed the Group's risk profile in certain areas. The two most significant of these factors are the referendum in the United Kingdom on membership of the European Union (known as "Brexit") and increased incidence of terrorism. In our view these do not constitute new risks, however they do exacerbate several existing risks.

The Group's risk register identifies key risks and monitors progress in managing and mitigating them and is reviewed at least annually by the Board. 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.



CIRCUS HOSTEL, BERLIN

Risk	Description and Impact	Management and Mitigation	Direction of Change
1. Macroeconomic Conditions	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. Significant movements in FX rates can have a dramatic impact on travel volumes, revenues and travel patterns. Subsequent to the Brexit referendum, the currency markets destabilised, increasing this risk.	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. FX moves may impact travel decision 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. FX translation risk is mitigated through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-Euro currency above anticipated outflow requirements.	⟷
2. Impact of terrorism threat on leisure travel	The threat of terrorist attacks in key cities and on aircraft in flight may reduce the appetite of the leisure class traveller to undertake trips particularly to certain geographies, resulting in declining revenues. Increased incidence of terrorism impacts consumer confidence and can shift demand away from certain destinations.	Our target 18-34 year old population tend to be both flexible as to destination, and less concerned about risk-taking than other sectors in the leisure travel industry. The dispersed nature of our business also acts as a mitigant, and this will be further addressed by our continued expansion in Asia.	↑
3. Competition	The business operates in a highly competitive marketplace and our relative scale and size could impact our ability to keep pace with changes in customer behaviour and technology change. Increased competition from other online travel agents ("OTAs") or from the alternative accommodation sector via websites such as Airbnb, or a disruptive new entrant such as big hotel chains into the hostel segment or loss of key accommodation suppliers 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.	We continue to build on our strong market position and have increased our percentage of not-paid-for bookings. 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 OTAs. We continue to expand our global footprint, which meets emerging demand and also strengthens our overall market positioning. 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.	⟷

Risk	Description and Impact	Management and Mitigation	Direction of Change
4. Search Engine Algorithms	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.	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 to mitigate the impact of reduced SEO exposure and bookings the Group has increased its investment in brand. 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.	⟷
5. Brand	Consumer trust in our brand is essential to ongoing revenue growth. Negative publicity around our products or services could negatively impact on traveller and accommodation provider confidence and result in loss of revenue.	We invest in brand awareness campaigns and proactively monitor our brand impact. Our customer service team strive to ensure that customers have a positive experience at all stages of dealing with us.	⟷

Risk	Description and Impact	Management and Mitigation	Direction of Change
6. Data Security	We capture personal data from our customers, including credit card details and retain this on our systems. There is a risk of a cyber security related attack or disruption, including by criminals, hacktivists or foreign governments on our systems or those of third party suppliers. Cybercrime including unauthorised access to confidential information and systems would have significant reputational impact and could result in financial or other penalties.	Systems and processes are in place to restrict access to personal and transaction data and detect misuse, and all credit card details are encrypted. Hostelworld continues to be fully compliant with the guidelines of the payment card industry (i.e. is "PCI compliant"). Hostelbookers migrated to the PCI compliant Hostelworld infrastructure in January 2016.	⟷
7. Regulation	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. In addition, as a listed company on the London and Irish Stock Exchanges, adherence to the Listing Rules is required. Compliance with new regulations can mean incurring unforeseen costs, and non-compliance could result in penalties and reputational damage. Uncertainty remains as to the impact of Brexit on UK and international laws and regulations including on matters such as travel visas or work visas for our UK staff.	We monitor regulatory matters in locations in which we provide services with a particular focus on those areas where we have local operations. Suitable experienced expertise has been engaged to ensure compliance with the Listing Rules. 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. Developments to international laws and regulations continue to be closely monitored as Brexit proceeds. The Group's multinational structure with Head Office in Dublin provides some natural mitigation to the potential impact.	⟷

Risk	Description and Impact	Management and Mitigation	Direction of Change
8. Tax	The taxation of e-commerce 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. 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. 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. 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.	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.	↔

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Risk	Description and Impact	Management and Mitigation	Direction of Change
9. Business Continuity	Failure in our IT systems or those on which we rely such as third party hosted services could disrupt availability of our booking engines and payments platforms, or availability of administrative services at our office locations, with a knock-on reduction in financial performance.	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. The Group has comprehensive business continuity and disaster recovery capabilities. Both the e-commerce trading systems as well as key corporate systems are covered.	↔
10. People	The Group is dependent on ability to attract, retain and develop creative, committed and skilled employees so as to achieve its strategic objectives.	The Group has put in place strong recruitment processes, effective HR policies and procedures and introduced a long-term incentive plan for key management.	↔

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 25 to 30. 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 2019.

The directors have determined that a three year period to 31 December 2019 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 32 to 37 represent severe but plausible circumstances that the Group could experience.

The scenarios tested on principal risks included:

- Macroeconomic/Terrorism/Brand damage: Shortfall in the number of bookings forecast
- Macroeconomic Shock/FX/ Brand Damage to Hostels as Accommodation Category: A continual decline in the average booking value ("ABV")
- Increased Competition or Change in Search Engine Algorithms: An increase in the cost per paid booking

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 2019.

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 at all times. 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

Our people are our most important asset. We believe open communication with our people is key to aligning and achieving our goals. We recognise that in order to achieve our goals it is important that our people are offered training and development opportunities. As an employer 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 have established 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, race, religious beliefs or political opinions. The Company is committed to ensuring and maintaining an environment that is free from bullying and/or harassment and where the dignity of each and every person at work is respected and upheld. Our success in this area is demonstrated by the fact that our staff of 236 people come from a host of backgrounds, cultures and age groups, and represent over 25 nationalities.

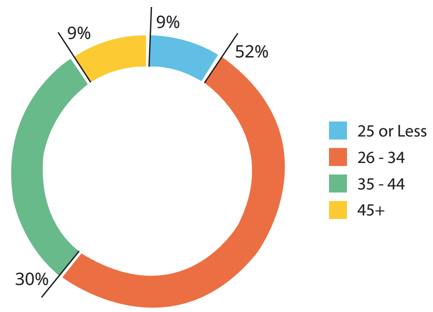
Gender

A breakdown of our Board, Senior Management Team and all employees by gender as at 31 December 2016 is set out below:

	Number		%	
	Male	Female	Male	Female
Directors (1)	4	1	80%	20%
Senior Management Team (1)	5	1	83%	17%
Other staff	108	119	48%	52%

(1) Executive Directors are included in each of Directors and Senior Management Team

Age	Employees
25 or Less	21
26-34	123
35-44	70
45+	22



In February 2016 we were formally awarded Best Workplace status by Great Place to Work, Ireland. 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. Based on the results of the global colleague survey which we were scored on, we identified the areas where we excelled and also areas where we believed that we could do better.
After identifying the four main areas that required improvement we set up focus groups with colleagues from across all locations to create action plans on how best to improve these areas.
From this over 10 new policies were then implemented in 2016. In late 2016 we re-engaged with Great Place to Work Ireland and were awarded Best Workplace status again in 2017.

In 2016 we set up an internal Corporate Social Responsibility (CSR) Team, comprised of colleagues from various departments across both our Dublin and London offices. The CSR Team is currently reviewing their action plans for 2017 and ensuring that they also align strategically with the company's vision. Actions plans are currently focused on increasing environmental awareness in the office, charity fundraising, long-term charity partnerships and volunteering programmes.

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.

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

Our suppliers

We continuously 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 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 shareholders

We are committed to building long-term relationships with our shareholders through open and transparent communication. Our Company Secretary is available to shareholders, and the Senior Independent Director and Chairman are 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. In 2016 Hostelworld again partnered with Techies4TempleStreet Irish charity event which brings together the technology community based in Ireland to fundraise over €200,000 for a new Neurology and Renal Outpatients Unit at Temple Street Children's Hospital, Dublin.

Other charitable initiatives during 2016 included colleagues fundraising and participating in the Grant Thornton Corporate Challenge for the Alzheimer's Society of Ireland, preparing gift boxes for the Christmas Shoebox Appeal with Team Hope and donating to the St. Vincent de Paul Christmas Food Appeal. In London colleagues organised a charity sports event in aid of Great Ormond Street Children's Hospital and in Shanghai colleagues have sponsored a project in Cambodia which installs water wells in villages to provide clean drinking water to families living in poverty.

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Greenhouse gas emission statement

Greenhouse Gas (GHG) emissions for the financial year ended 31 December 2016 have been measured as required under the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 as amended in 2013.

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 (2016) 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.

	2016	2015
	tCO2e	tCO2e
Scope 1 – Emissions from operations	Nil	Nil
Scope 2 – Emissions from energy usage	159.4	167.1
Scope 3 – Emissions from employee travel	378.8	484.0
Total	538.2	651.0
Intensity Ratio (tCO2e/€m)	6.7	7.8

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

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.

The energy consumption in the Group's Seoul, Sydney and Shanghai offices has been estimated on a per person basis based on the actual energy consumption in the Group's Dublin office, and is not considered material to the above disclosure.

The Group is committed to monitoring and reviewing its carbon emissions and in particular its employee business travel, which accounts for 70% of its total carbon emissions in 2016 (2015: 74%).

Modern Slavery Act 2015

The Modern Slavery Act 2015 (the "Act") requires large organisations operating in the United Kingdom to make a public statement outlining how they keep their supply chains free from slavery and human trafficking. The Company will publish a statement on its website by 30 June 2017 outlining steps taken by the Company to ensure that slavery and human trafficking is not taking place within the business or any supply chain and will continue to monitor its obligations under the Act.

SANT JORDI HOSTEL ROCK PALACE, BARCELONA

GOVERNANCE

CHAIRMAN'S INTRODUCTION

I am pleased to present our second Corporate Governance Report which sets out how the Company has applied the main principles of good governance contained in the 2014 Code for the year ended 31 December 2016.

The Board recognises the importance of, and is committed to promoting high standards of plc corporate governance. The directors are fully aware of their duties and responsibilities under 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.

Compliance with UK corporate governance code 2014

I am pleased to report that the small number of areas of non-compliance with the provisions of the 2014 Code that were disclosed in our first year reporting as a listed company have been duly addressed during 2016 and, as a result, I can confirm that the Company is now in full compliance with all the provisions of the 2014 Code.

In April 2016, the Financial Reporting Council published an updated Corporate Governance Code (the "2016 Code") which applies to financial years commencing on or after 17 June 2016. Whilst the 2016 Code does not apply to Hostelworld until 2017, the Company has already taken account of certain provisions contained within the 2016 Code on a voluntary basis and will report formally in accordance with the 2016 Code in its 2017 annual report.

Board evaluation

During the year a review of the performance of the Board, Board Committees, individual directors and the Chairman was undertaken internally against a set of key criteria. This review was facilitated by the Company Secretary. The evaluation established that the Board is operating effectively and cohesively with a good balance of support and challenge. A summary of the process undertaken is included on page 55.

Market abuse regulation

On 3 July 2016, the EU Market Abuse Regulation ("MAR") came into force. As a result of this the Company reviewed its policies and procedures to ensure compliance with MAR and updated the terms of reference of the Disclosure Committee to monitor compliance with MAR and make decisions regarding disclosure of information.

Shareholder engagement

We continue to engage regularly with our shareholders to address their queries and concerns.

We will keep our governance structures and arrangements under review so that our processes are aligned to the needs of the business, help us manage risk and provide assurance and accountability in a transparent way for the benefit of our shareholders and stakeholders.

I look forward to reporting to you next year as to how our governance arrangements continue to develop.

RICHARD SEGAL
CHAIRMAN
27 March 2017

DIRECTORS' BIOGRAPHIES

Richard Segal

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

Age: 53

Nationality: British

Qualifications: Richard has a BA in economics from Manchester University and is a member of the Institute of Chartered Accountants of England and Wales.

Joined Group: July 2011

Independent: N/A

Sector Experience: Travel; leisure; gaming and private equity.

Other board and management experience: Richard is also the Chairman of On The Beach Group plc, Racing Post, Encore Tickets Limited and Spread a Smile. 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.

Feargal Mooney

Role: Chief Executive Officer; Chairman of the Disclosure Committee

Age: 47

Nationality: Irish

Qualifications: 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: February 2002

Independent: N/A

Sector Experience: Pharmaceuticals; technology.

Other board and management experience: 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.

Mari Hurley

Role: Chief Financial Officer; Member of the Disclosure Committee

Age: 46

Nationality: Irish

Qualifications: 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.

Joined Group: May 2007

Independent: N/A

Sector Experience: Financial services; property; utilities.

Other board and management experience: 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 Cawley

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

Age: 62

Nationality: Irish

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

Joined Group: October 2015

Independent: Yes

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

Other board and management experience: Michael is also a Non-Executive director of Ryanair Holdings plc, having joined the Board in August 2014. Michael had previously served as Deputy Chief Executive Officer and Chief Operating Officer of Ryanair from 2003 to March 2014 and before that as Ryanair's Chief Financial Officer and Commercial Director from 1997. Michael also holds directorships in Paddy Power Betfair plc, Kingspan Group plc, Mazine Limited, Prepaypower Holdings Limited, GMS Professional Imaging Limited and Gowan Group Limited. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited.

Andy McCue

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

Age: 42

Nationality: British

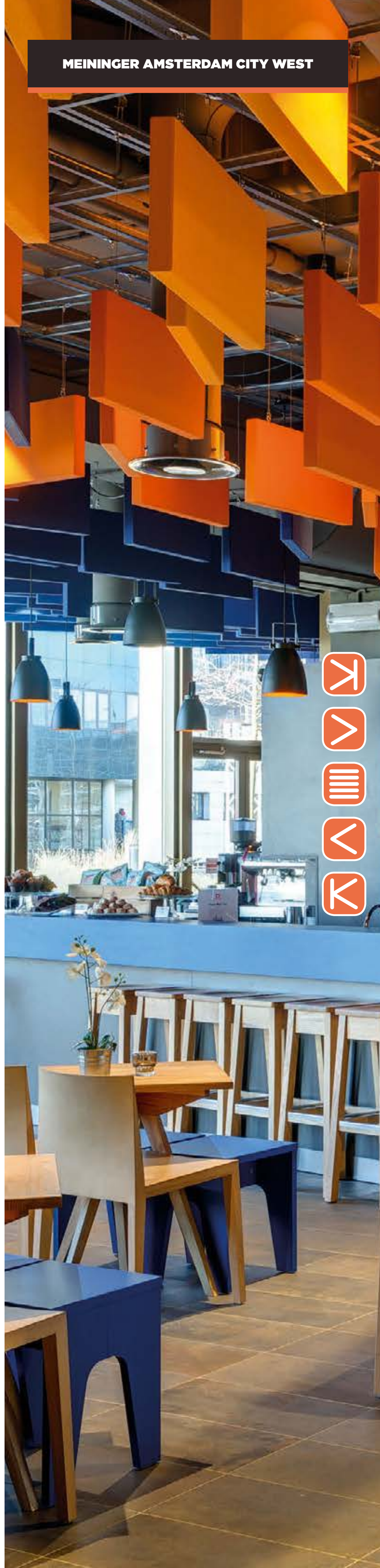
Qualifications: Andy has a MA in Economics and Management from the University of Cambridge and a Masters in Finance from the London Business School.

Joined Group: October 2015

Independent: Yes

Sector Experience: E-Commerce; betting and gaming; management and strategy consulting.

Other board and management experience: Andy is currently the Chief Executive Officer of The Restaurant Group plc. Andy previously held the positions of Chief Executive, Chief Operating Officer and Head of Retail UK and Ireland at Paddy Power Betfair plc. Prior to this, Andy was a principal at OC&C Strategy Consultants and also worked at Arthur Andersen Business Consulting.



CORPORATE GOVERNANCE STATEMENT

The Board is collectively responsible for leading, monitoring and controlling the Group, and with promoting its long-term success. 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 is currently comprised of five members, two executive and three Non-Executive Directors as follows:

- Richard Segal, the Non-Executive Chairman of the Board and Nomination Committee, who is independent;
- Michael Cawley (Senior Independent Director and Chairman of the Audit Committee) and Andy McCue (Chairman of the Remuneration Committee); two independent Non-Executive Directors; and
- Feargal Mooney (Chief Executive Officer) and Mari Hurley (Chief Financial Officer), two Executive Directors.

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 for the Board. In addition, the Board has established a number of Committees, as indicated below, each of which has its own terms of reference, which are reviewed at least annually.

Biographies of the directors are provided on pages 48 to 49.

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.

Each Director shall retire from office at the third annual general meeting after the annual general meeting or general meeting (as the case may be) at which he was previously elected, or shall be subject to more frequent re-election by the members as the Board may determine from time to time and in line with market practice.

Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and are able to devote sufficient time to their duties. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM on 1 June 2017.

Board composition and role

Our board members are all deeply committed to the long term success of the business. The board is comprised of directors from a diverse range of backgrounds, each of whom brings independent judgement to bear on a number of key issues for the Group, including strategy, performance and risk management. Their collective range of knowledge and viewpoints ensures a high quality of debate and input into key decisions, and ensures the Board of Hostelworld Group plc is effective. 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. The Board has established a Disclosure Committee with membership consisting of Feargal Mooney and Mari Hurley, the executive directors. Its remit is to oversee the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation ("MAR") and the Listing Rules. This responsibility includes maintaining procedures, systems and controls for the identification, treatment and disclosure of inside information and for complying with the obligations falling on the Company and its directors and employees under the MAR and the Listing Rules of the London Stock Exchange and of the Irish Stock Exchange.

The Committee also determines (after consulting with advisers) whether information submitted to the Committee requires disclosure to the market. It is also responsible for the creation and maintenance of insider lists and for reviewing all regulatory announcements, shareholder circulars and other documents issued by the Company to ensure that they comply with legal and regulatory requirements, if not already reviewed by the Board. Its terms of reference are reviewed at least annually.

As required by the 2014 Code, specific areas of delegation are set out in the terms of reference for each of the Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of the Audit, Remuneration and Nomination Committees are available on the Company's website, and reports of each of these Committees are set out below. Certain matters, however, are reserved for the Board's 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 and objectives as well as approval of annual budgets;
- Approving the strategic aims and objectives of the Group;
- 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 policies, or matters that may impact the Company's tax residency;
- Ensuring a satisfactory dialogue with shareholders;
- 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 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 framework including any matters relating to compliance with the 2014 Code; and
- Any decision relating to the prosecution, defence or settlement of material litigation.

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

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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 against previously agreed actions;
- Business performance;
- Financial performance;
- Operational matters of particular note for the board;
- Strategic considerations; 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 2016)	Board	Audit	Remuneration	Nomination	Disclosure
Richard Segal	8/8	3/3	3/3	3/3	-
Feargal Mooney	8/8	-	-	-	3/3
Mari Hurley	8/8	-	-	-	3/3
Michael Cawley	7/8	3/3	3/3	3/3	-
Andy McCue	8/8	3/3	3/3	3/3	-

There were 8 board meetings held in 2016, 7 which were scheduled board meetings and 1 board meeting held to deal with a single/specific item of business.

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 meeting, 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 there is also a Senior Independent Director.

Richard Segal, as Chairman, is the link between the Board and the Company and is responsible for leadership and governance of the Board, including setting the Board's agenda. He oversees the operation and overall effectiveness of the Board, ensuring that it has a common purpose, is effective as a group by creating and managing constructive relationships between the Executive and Non-Executive Directors and at individual director level, 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.

Feargal Mooney, as CEO, reports to the Chairman and the Board, and is entrusted with ongoing management of the 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.

Michael Cawley is the Board's Senior Independent Director ("SID") and his primary role is to provide a sounding board for the Chairman and to serve as an intermediary for the other directors and to ensure that the view of the non-executive directors are heard. The SID meets with the other non-executive directors without the executive directors present and also leads the annual evaluation of the Chairman's performance. The SID is available to shareholders if they have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

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 consists of a formal agenda, minutes of previous meetings and a comprehensive set of Board papers including regular updates and reports of special matters of interest. The directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

All newly appointed directors receive a comprehensive induction briefing on their duties and responsibilities as directors of a publicly quoted company. This induction also includes meetings with members of the senior management team together with briefings on the Group's business and its industry. Directors have access to ongoing training as required and, as part of the annual Board evaluation and director appraisal process in 2016, the Chairman discussed any individual training and development needs with each director. The Chairman will continue to review individual training needs of directors on an ongoing basis and as part of the formal annual appraisal process.

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. Paula Phelan was appointed Company Secretary on 12 December 2016, having joined the Company in January 2016 as Head of Secretariat. The Company Secretary assists the Chairman in ensuring the effective operation of the Board and has the following responsibilities:

- To ensure good information flows between the Board and its Committees, senior management and non-executive directors;
- To ensure board and committee procedures are followed;
- To facilitate director induction and assist with professional development; and
- To advise the board on corporate governance obligations and developments in best practice.

Specific business related presentations are given by senior management and department heads as part of board meetings where appropriate.

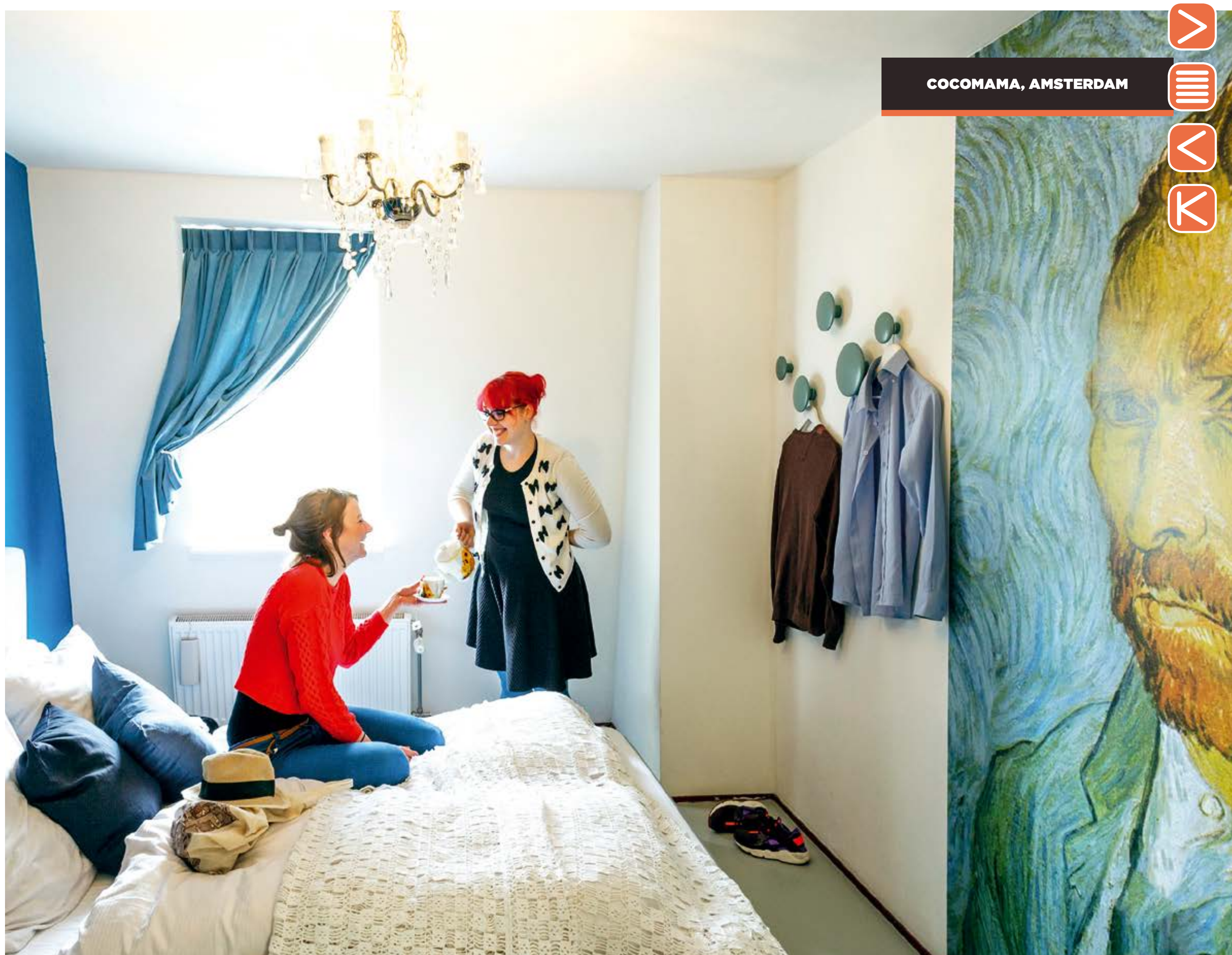
Board effectiveness and evaluation

A formal internal evaluation of the Board, Committees and individual directors was undertaken during the year. This included completion of a detailed questionnaire by each of the Board directors, covering the Board's role, knowledge and skills, Board meetings and information flows, Board composition, succession planning, risk management, relations with shareholders and each of the Board Committees. The results were analysed by the Company Secretary who prepared a report for the Chairman. The report and completed questionnaires were reviewed by the Chairman and the principal findings were fed back to and discussed with the Board.

The evaluation established that the Board and its Committees were operating effectively and efficiently with good leadership and accountability and that as a group, the Board has the appropriate depth and breadth of skills and experience to be effective.

The Chairman also conducted an appraisal of the performance of each director, having taken into account the views of the other directors. He reported that each director continues to perform effectively and demonstrates strong commitment to the role.

In addition, an assessment of the Chairman's performance was carried out by the Non-Executive Directors, led by the SID, who provided feedback to him individually that concluded that he continues to perform effectively and demonstrates a strong commitment to the role.



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External directorships

Any external directorships or other significant commitments of the Executive Directors require prior approval of the Board. Each of the directors hold external directorships and these are disclosed within their profiles on pages 48 to 49.

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 2016 (2015: 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 €15,750 respectively in 2016 (2015: €60,000 and €15,000).

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.

Shareholder Relations

Hostelworld recognises the importance of communicating with its shareholders to ensure that its strategy, performance and accountability are understood and that it remains accountable to shareholders.

The Company formally updates the market on its financial performance at least twice a year, at the half year and full year results. These updates are posted on the Group's website and are available to all shareholders. These are accompanied by formal investor roadshows in Ireland, the UK and other investment centres. There is also an ongoing programme of meetings with institutional investors, fund managers and analysts and conferences, covering a wide range of issues within the constraints of publicly available information, including strategy, performance and governance.

The Chairman, in line with the 2014 Code, 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.

The Board ensures that any price sensitive information is released to all shareholders, institutional and private, at the same time. Questions from individual shareholders are generally dealt with by the executive directors.

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.

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. The SID and other Non-Executive Directors are available to meet with shareholders. Arrangements can be made to meet with them through the Company Secretary.

Annual General Meeting

The AGM of the Company will take place at 2.00p.m. on 1 June 2017 at the offices of McCann FitzGerald Solicitors, Riverside One, Sir John Rogerson's Quay, Dublin 2. The Annual Report and Financial Statements and Notice of the Annual General Meeting are 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 Annual General Meeting sets out the business of the meeting and an explanatory note on all resolutions to be considered at the meeting. Separate resolutions will be proposed on each substantive issue. All shareholders will have the opportunity to attend and vote, in person or by proxy, at the AGM.

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 following the AGM.

Approved by the Board and signed on its behalf:
PAULA PHELAN
COMPANY SECRETARY
27 March 2017

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REPORT OF THE AUDIT COMMITTEE

Dear shareholders,

I am pleased to present the report of the Audit Committee ("the Committee") for 2016.

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 UK Corporate Governance 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 48 to 49.

The Nomination Committee recommends the period of appointment for the Chairman of the Committee and I was appointed for a three year term. 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.

- 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; and
- Oversee the relationship with the external auditor, including selection, appointment, removal, terms of engagement, approval of remuneration, assessing independence and objectivity, assessing effectiveness of the audit process, and setting policy on the use of non-audit services.

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 97 to 98.

Meetings

Under its terms of reference, the Committee is required to meet at least twice a year. The Committee met three times during 2016.

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 and PricewaterhouseCoopers ("PwC"), as outsourced internal audit provider, are invited to attend certain meetings and the Committee also met privately with each of them, without executive management present, in 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.

The Audit Committee activities during 2016 are set out under each of the relevant headings below.

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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 2016 Annual Report are as follows:

Significant Issue	Description and Resolution
Carrying value of Goodwill and Intangible Assets	The largest asset on the Group statement of financial position relates to the goodwill and intangible assets reflecting the underlying value of the brands and technology acquired, with a carrying value at 31 December 2016 of €140m. This represented 82% of the Group's total assets. During the year, following an assessment of the carrying value of assets relating to the Hostelbookers brand, the Group recorded an impairment charge of €8.2m. 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. Management have performed impairment reviews at year end on the Group's carrying value of goodwill, all of which relates to the Hostelworld brand. 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 2016. Following these discussions, the Committee is satisfied that there was no impairment of goodwill and other intangibles as at 31 December 2016, and that the controls over management's impairment review process are adequate.
Capitalisation of Development Costs	The Group incurs significant internal costs in respect of the ongoing development of its IT systems and core technology and product platforms. The accounting for these costs as either development costs (which are capitalised as intangibles) or expensed as incurred involves judgement. In the year ended 31 December 2016 €2.4m (2015: €4.3m) of development costs were capitalised in accordance with the criteria as set out in IAS 38. Capitalised development costs carried in the balance sheet amounted to €3.1m at 31 December 2016 (2015: €3.9m). 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. The Committee considers the approach taken and the application of the policy to be appropriate.

Significant Issue	Description and Resolution
Transfer Pricing	The Group as a global business operates in an increasingly complex international corporate tax environment. It is subject to taxation in a number of jurisdictions and cross-border transactions can be challenged by tax authorities. The Group has a number of intercompany agreements within its Group structure including management services, marketing services, research and development and intellectual property licence agreements. The Group seeks regular updates from its tax advisors EY, on any new developments in the international tax environment, particularly the policy efforts being led by the OECD around the Base Erosion and Profit Shifting initiative ("BEPS"). The Committee also discussed this matter with the external auditors and their transfer pricing specialist team. The Committee considers that the tax provisions and related disclosures which have been made are reasonable.
Corporate Governance	The Group is required to comply with the provisions of the UK Corporate Governance Code. The more significant of the disclosure requirements include those in relation to principal risks and uncertainties, the fair, balanced and understandable statement and the viability statement. The Committee has reviewed the disclosures in the Annual Report, and, having discussed them with management and the Group's auditors, is satisfied that the additional reporting and disclosure requirements have been met.
Other Matters	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.

External auditors

Deloitte were first appointed auditor to the Group in 2004. In the UK, mandatory audit tendering is required every ten years with mandatory rotation of auditors of Public Interest Entities ("PIEs") required at least every twenty years. Transitional arrangements require Hostelworld to put its audit out to tender by 17 June 2023. This is on the basis of Deloitte, the existing auditor, being in place for a period of between 11 and 20 years. Accordingly the Group will need to run a tender process by 17 June 2023. The Committee will however continue to review the relationship with the external auditor and may re-tender prior to this date if it considers this necessary.

The external auditor is required to rotate the audit partner responsible for the Group audit every five years. In this regard, Richard Howard, the current audit partner, will step down and be replaced by Daniel Murray, who will be in charge of the audit for the year ending 31 December 2017.

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 2016, Deloitte were engaged to provide non-audit services to the Group totalling €12,190.

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.

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, together with the management of certain risk areas, is delegated by the Board to the Audit Committee.

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; and
- a code of conduct setting out behavioural and ethical standards, supported by clear anti-bribery and corruption guidelines, and a whistleblowing policy with an external independent hotline.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The directors confirm that they have reviewed the effectiveness of internal control and considered the significant risks affecting the business and the way in which these risks are managed. The risks identified on pages 32 to 37 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 annually assess the need for an internal audit function. In early 2016, this review resulted in the Committee deciding to formalise its approach to internal audit and to set up an outsourced internal audit function. 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. PwC were selected following a tender process to provide an outsourced internal audit function for the Group. This approach is cost-effective, provides access to a greater depth of expertise covering a broad range of risks, and provides flexibility, allowing the Group to vary the level of resources as and when required.

The Internal Audit Plan, setting out areas of focus was agreed by the Audit Committee with the Internal Auditors. In 2016, the Audit Committee received four reports from PwC covering revenue assurance, controls around key areas of marketing spend, a phishing campaign review and a review of the Group's information security framework. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management. There are no overdue internal audit findings.

The decision to retain PwC as an outsourced internal audit function for the Group for 2017 was re-affirmed by the Audit Committee in December 2016, following an assessment of their performance during the year. The internal audit plan for 2017 was set following consultation with the Audit Committee and focuses on IT related risks and aspects of the financial control systems.

Whistleblowing

The Audit Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements for the Company's employees. A formal whistleblowing policy was in place throughout 2016 together with an independent whistleblowing hotline service thereby 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

An internal formal annual evaluation of the performance of the Committee was performed during the year. The Committee considered the outcome of the evaluation and is satisfied that it is performing effectively.

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

MICHAEL CAWLEY
CHAIRMAN, AUDIT COMMITTEE
27 March 2017

REPORT OF THE NOMINATION COMMITTEE

Dear Shareholders

I am pleased to present, on behalf of the Board, the report of the Nomination Committee ("the Committee") outlining the work of the Nomination Committee during 2016.

The Members of the Nomination Committee comprise of the following independent Non-Executive Directors:

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

Under the terms of reference of the Committee it must have a minimum of three members appointed by the Board, of whom a majority should be independent non-executive directors. The terms of reference are available on the Company's website at www.hostelworldgroup.com.

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, experience, independence, knowledge and diversity to ensure optimum size and composition, taking into account the Company's current requirements, the results of the Board performance evaluation, its status as a UK and Irish listed plc, and the future development of the Company, and making recommendations to the Board with regard to any changes;
- Reviewing succession plans for the directors, including the Chairman and CEO and Senior Management;
- 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; and
- Making recommendations to the Board on the appointment and re-appointment of both Executive and Non-Executive directors.

Board evaluation and re-election of directors

The Committee reviewed the results of the Board evaluation and director appraisal process as described on page 55, which established that the Board is operating effectively and cohesively with a good balance of support and challenge. It recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each director, that all directors will seek re-election at the Company's forthcoming AGM.

Board diversity

Diversity is embraced at Hostelworld and the Group strives to create a culture that values and respects diversity and inclusion, not only gender diversity but also cultural and age diversity. We are fully committed to ensuring that the Board is sufficiently diverse and appropriately balanced. The Nomination Committee considered diversity on the Board during the year and noted in particular that there is a gender imbalance on the Audit, Remuneration and Nomination Committees. Due to the size of the Board and of its Committees it was agreed that no action would be taken at this point but that the matter would be kept under review. Appointments to the Board and throughout the Group will continue to be based on the diversity of contribution and required competencies, irrespective of gender, age, nationality or other personal characteristics. The Board does not have prescriptive or quantitative targets and the Committee agreed that, in relation to Board appointments, diversity and equality remain a key value for the Company. As at 31 December 2016, 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. The Company will continue to monitor diversity both on the Board, its Committees and across the business to ensure diversity and equal opportunities.

Activities of the Nomination Committee

The Nomination Committee met on three occasions during 2016. The principal activities of the Committee throughout the year are detailed below:

- As described above, an internal evaluation of the Board, Committees and individual directors took place in 2016. The Committee considered the outcome of this evaluation and any area identified relevant to the Nomination Committee will form part of the agenda of the Committee for the coming year;
- The Committee reviewed its terms of reference during the year to ensure the contents remained relevant and appropriate and best reflect the role and responsibilities of the Committee;
- During the year the Committee reviewed Board and Senior Management succession planning to ensure that the Company has the appropriate level of skills and diversity. The Committee continues to ensure that there is a robust succession plan for senior management positions; and
- The Committee recommended to the Board that all directors, subject to and seeking re-election, be put forward for re-appointment at the Company's 2017 AGM.

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

RICHARD SEGAL
CHAIRMAN, NOMINATION COMMITTEE
27 March 2017

CHAIRMAN OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

Dear Shareholders,

As Chairman of the Remuneration Committee, I am pleased to present the Company's Remuneration Report for the year to 31 December 2016.

The Directors' Remuneration Policy was subject to a binding shareholder vote at the 2016 AGM and the Remuneration Committee was very pleased to receive strong support from our shareholders, with 89.63% of votes being in favour. We believe that this policy continues to be fit for purpose and therefore do not propose to make any amendments this year. For ease of reference, a summary of the policy has been included in this report.

As outlined last year, the remuneration policy is designed to support the strategic objectives of the Company and offer competitive remuneration to enable the business to attract, retain and motivate the high-calibre talent needed to help ensure the Company is successful, aligning all stakeholders' interests. This is achieved by the strong focus on performance related compensation and the use of appropriate performance conditions.

Members of the remuneration committee

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

Remuneration highlights for the 2016 financial year

2016 was the first full year for Hostelworld as a public company. In 2016, remuneration highlights included the following:

- As outlined in our 2015 report, the Executive Directors received salary increases effective from 1 January 2016 following the review carried out at the time of listing. The Remuneration Committee reviewed salaries during the year and determined that salary increases of 2.5% for executive directors would be awarded in 2017.
- Annual bonus measures were based on strategic targets including adjusted profit before tax, bookings and personal performance. The Remuneration Committee determined that no bonuses will be payable in respect of FY16 performance.
- The first Long-Term Incentive Plan award was granted during the year. The scheme term is three years, is weighted 70% on Adjusted EPS performance and 30% on total shareholder returns.

Key activities of the Remuneration Committee

The Remuneration Committee met 3 times during 2016 and its key activities were as follows:

- Reviewed the 2015 Remuneration Report;
- Determined the performance measures and thresholds for the annual bonus scheme for Executive Directors;
- Determined the performance measures, thresholds and award population and amounts for the Company's first Long-Term Incentive Plan (LTIP);
- Reviewed the Executive Directors' remuneration arrangements for 2017; and
- Drafted the Company's Remuneration Report for 2016.

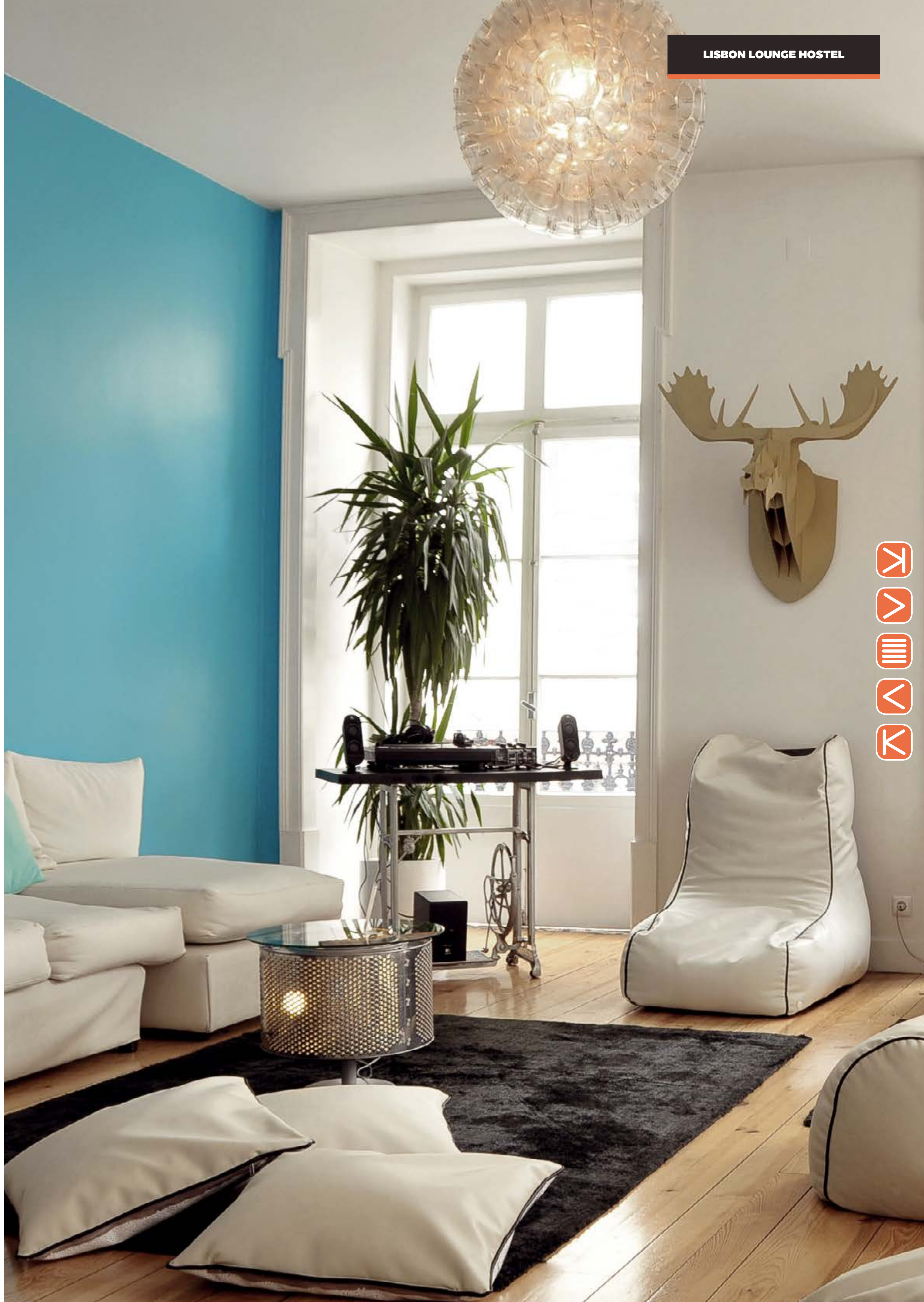
This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the UK Corporate Governance Code. The report is split into three parts:

- This Annual Statement;
- A brief summary of the Company's remuneration policy for Directors; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2016 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM on 01 June 2017.

I hope that you find the information in this Report helpful and informative and I look forward to your continued support at the Company's Annual General Meeting.

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.

ANDY MCCUE
CHAIRMAN, REMUNERATION COMMITTEE
27 March 2017




ONE80° HOSTEL, BERLIN

SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy (the 'Policy') was approved by shareholders at the AGM on 26 May 2016 (89.63% of votes cast being in favour) and became effective from that date. There are no proposals to amend the Directors' Remuneration Policy at the AGM on 01 June 2017. A summary of the policy is included for reference to assist with the understanding of the contents of this report. The full policy is detailed in our 2015 Annual Report, which can be found in the 'Investors' section under 'Reports and Presentations' on the Company's website, www.hotelworldgroup.com.

The following summarises 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.

Opportunity

Base salaries will be set at an appropriate level within a comparator group of comparable sized listed companies and will normally increase in line with increases made to the wider employee workforce.

Performance metrics used, weighting and time period applicable

None.

Benefits

Provides a 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).

Opportunity

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

Performance metrics used, weighting and time period applicable

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 used, weighting and time period applicable

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.

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.

Opportunity

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

- CEO: 102.6%
- CFO: 72%

Performance metrics used, weighting and time period applicable

Performance is measured over the financial year.

Bonuses are only paid if threshold levels of Adjusted Profit Before Tax 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.

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.

Operation

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.

Opportunity

Maximum award of 150% of base salary.

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

Performance metrics used, weighting and time period applicable

The performance conditions for awards are currently split between adjusted earnings per share, calculated by dividing Adjusted Profit After Tax by the number of shares in issue ("Adjusted EPS") growth (70%) and absolute total shareholder return ("TSR") (30%).

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 base salary

Performance metrics used, weighting and time period applicable

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

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.

Opportunity

The base fees for Non-Executive Directors are set at a market rate.

Performance metrics used, weighting and time period applicable

None.

Malus is applied up to the date of the bonus determination and during the three year period from grant to vesting for the LTIP. Clawback will apply for two years from the date of bonus determination and for the two year period post vesting for the LTIP.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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 2016 financial year. Comparative figures for the 2015 financial year have also been provided. Figures provided have been calculated in accordance with the new UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary [1] (€'000)		Benefits [2] (€'000)		Bonus (€'000)		LTIP (€'000)		Pension (€'000)		Other (€'000)		Total (€'000)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Feargal Mooney	400.0	372.5	8.7	8.6	-	-	-	-	40.0	13.9	850.0 [3]	-	1,298.7	395.0
Mari Hurley	275.0	163.0	4.7	4.4	-	-	-	-	16.5	8.8	-	225.0[4]	296.2	401.2

(1) Executive Director salaries were reviewed on Admission 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) Benefits represent payments for health insurance policies.

(3) As disclosed in the IPO Admission document, the former controlling shareholder of the Group, H&F Wings Lux 1 S.à r.l. ("Lux 1") intended to pay a discretionary bonus to the Executive Directors and Senior Management to reflect their ongoing contribution to the Group. As stated in the Prospectus, this discretionary bonus is not part of the forward looking remuneration policy. At the time of listing it was confirmed that the maximum aggregate amount that may be paid would not exceed €7,000,000. It was subsequently agreed that an aggregate discretionary bonus payment of €1,559,000 (€1,400,000 net of employer taxes) would be made to certain Executive Directors and Senior Management employees, following consultation with the Remuneration Committee. On 3 June 2016, Feargal Mooney received an award of €850,000. The Group did not bear any costs associated with this payment.

(4) 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.

Non-Executive Directors (audited)

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

(€'000)	2016				2015			
	Fees	Taxable benefits	Other payments	Total	Fees	Taxable benefits	Other payments	Total
Richard Segal (Non-Executive Chairman)	145.0	–	–	145.0	135.7[1]	–	–	135.7
Michael Cawley (Senior Independent Non-Executive Director)	63.0[2]	–	–	63.0	27.0	–	–	27.0
Andy McCue (Non-Executive Director)	61.5[2]	–	–	61.5	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 €2,500,000) and any employer tax liability that accrued to the Company in full satisfaction of an agreement with him dated 29 September 2011. For administration purposes the sum was paid by the Group and reimbursed by H&F Wings Lux 1 S.à.r.l.

(2) At the date of their appointment (14 October 2015), fees to Michael Cawley and Andy McCue in respect of their additional duties as Senior Independent Director and Chair of Audit Committee (Michael Cawley), and Chair of the Remuneration Committee (Andy McCue) were paid in advance as a single payment for the 12 month period to 13 October 2016. Fees in respect of these services after this period were, and continue to be, paid monthly. This is now in line with the payment of the base fees paid to Non-Executive Directors, which have been paid monthly since listing. Therefore the fees paid to Michael Cawley and Andy McCue for 2016 include a full year of their respective Non-Executive Director base fees and a pro-rata payment in respect of their additional duties as Senior Independent Director and/or Chair of Committee over the period from 14 October 2016 to 31 December 2016.

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)

The table below sets out the details of the performance conditions underpinning the annual bonus which operated over the 2016 financial year.

Performance metric	Threshold performance level	Maximum performance level	Actual performance	Resulting payout (% of award)
Adjusted Profit Before Tax [1]	€22.1m	€25.9m	€19.8m	0%
Bookings	6.9m	8.44m	7.10m	0%
Personal Performance [2]	€22.1m Adjusted Profit Before Tax and personal performance	€25.9m Adjusted Profit Before Tax and personal performance	€19.8m Adjusted Profit Before Tax	0%

(1) For the 2016 financial year, Adjusted Profit Before Tax was used as an underpin on which any payout under the annual bonus is contingent.

(2) For personal performance, the level of bonus payment would be calculated relative to the achievement of individual objectives and resulting performance rating, and the level of Adjusted Profit Before Tax performance.

The table below summarises the annual bonuses awarded to the Executive Directors. In respect of the 2016 financial year, the Remuneration Committee determined that no performance bonuses were payable to the Executive Directors in respect of FY16 performance since the Adjusted Profit Before Tax threshold level was not reached.

Director	Maximum bonus opportunity (% of salary)	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (€)
Feargal Mooney	102.6%	0%	0%	-
Mari Hurley	72%	0%	0%	-

Long term incentives awarded in 2016 (audited)

The table below sets out the details of the Long-Term Incentive Plan awards granted in the 2016 financial year. Vesting will be determined according to the achievement of performance conditions as outlined below.

Director	LTIP	Value of award	Face value of award (€'000)	Number of shares awarded	Exercise Price (€)	Percentage of award vesting at threshold performance	Performance period end date	Weighting
Feargal Mooney	LTIP – nil cost option	125% of salary	500.0	215,918	Nil	25%	31 December 2018	Adjusted EPS (70%) Absolute TSR (30%)
Mari Hurley	LTIP –nil cost option	90% of salary	247.5	106,879	Nil	25%	31 December 2018	Adjusted EPS (70%) Absolute TSR (30%)

The awards were granted on 5 April 2016. The number of shares awarded was calculated using the closing share price on Admission, which was 185p, as disclosed in the Admission document. To the extent the awards vest a dividend equivalent award will be made at the end of the vesting period.

The Adjusted EPS condition applying to 70% of the awards is provided in the table below.

Adjusted EPS growth for year ending 31 December 2018	Vesting
Less than 6.6% p.a.	0%
6.6% p.a.	25%
14.0% p.a. or above	100%
Between 6.6% p.a. and 14.0% p.a.	Straight line vesting between 25% and 100%

The Absolute TSR condition applying to 30% of the awards is provided in the table below.

Annualised TSR of the Company over the three year period to 31 December 2018	Vesting
Less than 10.0% p.a.	0%
10.0% p.a.	25%
15.0% or above	100%
Between 10.0% and 15.0%	Straight line vesting between 25% and 100%

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 2016 are set out in the table below.

Director	Shareholding requirement (% of salary)	Current shareholding [1] (% of salary)	Beneficially Owned Shares	Unvested LTIP interests subject to performance conditions	Shareholding requirement met?
Feargal Mooney	150%	153%	240,033	215,918	Yes
Mari Hurley	150%	18%	19,504	106,879	No

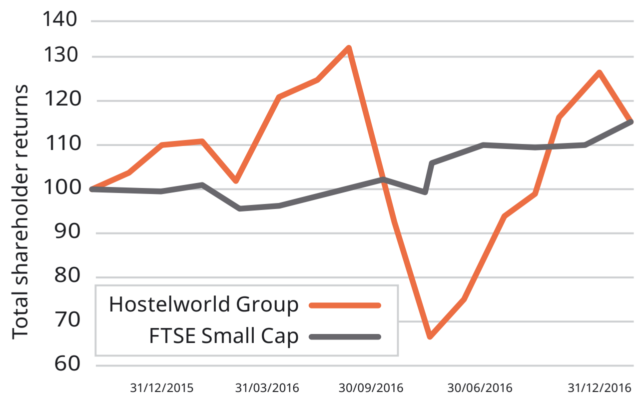
(1) (The share price of 223.75 pence as at 31 December 2016 has been taken for the purpose of calculating the current shareholding as a percentage of salary. Unvested LTIP awards do not count towards satisfaction of the shareholding guidelines. No changes in the above Directors' interests have taken place between 31 December 2016 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 below:

Director	Shares held 31 December 2016
Richard Segal	39,008
Michael Cawley	-
Andy McCue	25,000

Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE SMALLCAP index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment of dividend income over the same period. The Remuneration Committee considers that the FTSE SMALLCAP index is the appropriate index given the current magnitude and nature of operations and market capitalisation. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 October 2015 (with grey market trading until 2 November 2015) and therefore only has a listed share price for the period from 28 October 2015 to 31 December 2016.



Chief Executive Officer historical remuneration

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

Chief Executive Officer	2016	2015	2014
Total Single Figure (€'000)	1,298.7	395.0	413.1
Annual bonus payment level achieved (% of maximum opportunity)	0%	0%	14.9%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a

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

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 2015 to 2016 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. The employee pay (on which the average percentage change is based) is calculated using the increase in the earnings of employees from calendar years 2015 and 2016.

	Salary			Taxable benefits			Bonus		
	2016 (€000s)	2015 (€000s)	% change	2016 (€000s)	2015 (€000s)	% change	2016 (€000s)	2015 (€000s)	% change
Chief Executive Officer	**400.0**	**372.5**	**7.4%**	**8.7**	**8.6**	**1.2%**	**-**	**-**	**0.0%**
Total pay	14,162	14,887	-4.9%	238.5	232.6	2.5%	-	650.7[1]	n/a
Average number of employees	241	256	-5.9%	241	256	-5.9%	241	256	-5.9%
Average per employee	**58.8**	**58.2**	**1.0%**	**1.0**	**0.9**	**11.1%**	**-**	**2.5**	**n/a**

1. 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 and 2016 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2016 financial year (€m)	Disbursements from profit in 2015 financial year (€m)	% change
Profit distributed by way of dividend	7.2	-	N/A
Overall spend on pay including executive directors	16.7	17.7	-5.6%

Shareholder voting at general meeting

The Committee is committed to shareholder dialogue, seeks to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Directors' Remuneration Policy and Annual Report on Remuneration were subject to a shareholder vote at the AGM on 26 May 2016, the results of which were as follows:

Resolution	For	Against	Abstentions
Ordinary Resolution to approve the Directors' remuneration policy for the year ended 31 December 2015	69,030,425 (89.63%)	7,987,337 (10.37%)	330 (0%)
Ordinary Resolution to approve the Directors' remuneration report for the year ended 31 December 2015	76,998,811 (99.97%)	19,281 (0.03%)	0 (0%)

Implementation of remuneration policy in financial year 2017

The Remuneration Committee proposes to implement the policy for 2017 as set out below:

Salary

Salaries were reviewed during the year and increased with effect from 1 January 2017 as set out below:

Name	Salary		Percentage Change
	2017	2016	
Feargal Mooney	410,000	400,000	2.5%
Mari Hurley	282,000	275,000	2.5%

Note that the salary increases awarded to the Executive Directors with effect from 1 January 2017 are in line with the average inflationary salary increase awarded to the wider workforce.

Changes to NED fees

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

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

Benefits and pension

No changes are proposed to benefits or pension.

Annual Bonus Plan

The maximum bonus opportunity remains at 102.6% of base salary for the CEO and 72% of base 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 2017 financial year will include:

- Adjusted Profit before Taxation (Adjusted PBT) (50% weighting);
- Bookings (30% weighting); and
- Personal performance (20% weighting).

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 a grant under the LTIP will be made during 2017.

The maximum LTIP awards for the executive directors will be:

- CEO 125% of base salary; and
- CFO 90% of base salary.

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

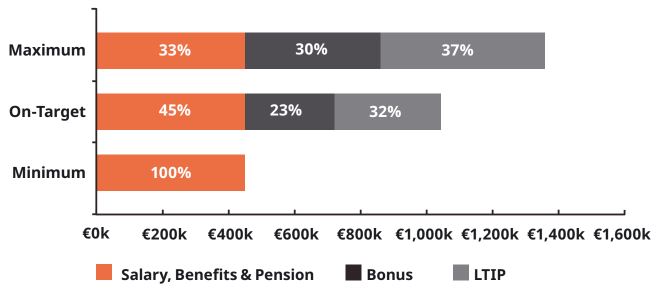
Illustrations of remuneration in 2017

The chart below illustrates the remuneration that would be paid to each of the Executive Directors, based on salaries with effect from 1 January 2017, 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
Salary, benefits and pension	Included.	Included.	Included.
Annual Bonus	No variable payable	CEO: 57.5% of base salary CFO: 40.0% of base salary	CEO: 102.6% of salary CFO: 72.0% of salary
Long-Term Incentive Plan	No annual minimum. Multiple year and variable.	CEO: 62.5% of the maximum opportunity CFO: 62.5% of the maximum opportunity	CEO: 125.0% of base salary CFO: 90.0% of base salary

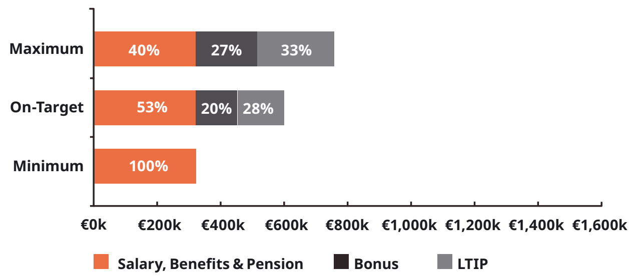
In accordance with the regulations share price growth has not been included. In addition, dividend equivalents on the LTIP share awards have not been included within the illustrations below.

CEO



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 136% of salary and at maximum, variable remuneration represents 228% of salary. Benefits are assumed to be in line with those received during 2016.

CFO



At minimum, variable remuneration is 0% of salary; at target, variable remuneration represents 96% of salary and at maximum, variable remuneration represents 162% of salary. Benefits are assumed to be in line with those received during 2016.

Composition and terms of reference of the Remuneration Committee

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

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 3 times during 2016. Meeting attendance is shown on page 53 of this Report.

Advisers to the Remuneration Committee

During the financial year the Committee took advice from PricewaterhouseCoopers LLP (PwC) who were retained as external independent remuneration advisors to the Committee.

During the financial year, PwC advised the Company on all aspects of remuneration policy for Executive Directors and members of the executive team including the grant of the first LTIP award.

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 fees of £27,700 for their advice during the year to 31 December 2016.

On behalf of the board

ANDY MCCUE
CHAIRMAN, REMUNERATION COMMITTEE
27 March 2017

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 2016.

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 15 to 43, 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 47 to 57, which sets out the Company's statement with regards to its adoption of the UK Corporate Governance Code. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference;
- The Audit Committee Report on pages 59 to 65; and
- The Directors' Remuneration Report on pages 71 to 88.

This Directors' Report, on pages 90 to 98, together with the Strategic Report on pages 15 to 43, 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 71 to 88
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
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 post balance sheet events	Directors' Report on pages 90 to 98
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 share 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 90 to 98
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 90 to 98, Note 21 in the Financial Statements on page 140
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

Hostelworld Annual Report 2016 | Governance

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, share capital and structure

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

The liability of the members of the Company is limited.

The Company is tax resident in Ireland and its principal place of business is at 2nd Floor, One Central Park, Leopardstown, Dublin 18, Ireland. The Company's registered office is at High Holborn House, 52-54 High Holborn, London WC1V 6RL.

As at 31 December 2016 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 are provided in Note 16 to the Group's financial statements contained on page 137. All the information detailed in Note 16 on page 137 forms part of this Directors' Report and is incorporated into it by reference.

At the Annual General Meeting of the Company to be held on 1 June 2017, 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 2018 and the conclusion of the annual general meeting of the Company held in 2018.

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 two resolutions seek authority to disapply pre-emption rights over a total of 10% of the Company's issued ordinary share capital, with the first resolution seeking a general authority to disapply pre-emption rights over 5% of the Company's issued share capital and the second resolution seeking an authority to dissaply re-emption rights over an additional 5%, provided that this second authority may only 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 2018 and the conclusion of the annual general meeting of the Company held in 2018.

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 than 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) and requirements of the Market Abuse Regulation and the Company's security dealing code whereby directors and all employees of the Company require advance clearance to deal in the Company's securities.

Change of control

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

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.

2017 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 2 p.m. on 1 June 2017 at the offices of McCann FitzGerald, Riverside One, 37-42 Sir John Rogerson's Quay, Dublin 2, Ireland.

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

Substantial shareholders

At 31 December 2016, 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
Woodford Investment Management LLP	21,032,394	22.00%
Standard Life Investment (Holdings) Limited	6,489,886	6.79%
The Capital Group Companies, Inc.	4,989,244	5.22%
Unicorn Asset Management Limited	4,912,114	5.14%
Baillie Gifford & Co	4,903,889	5.13%
Majedie Asset Management Limited	4,722,404	4.94%
Santander Asset Management UK Limited	4,392,664	4.60%
Allianz Global Investors GmbH	4,046,400	4.23%

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

Burgandy Asset Management Limited notified the Company on 16 January 2017 of an increase in their holding to 5,252,294 ordinary shares representing 5.50% of the issued share capital of the Company.

Legal & General Group plc notified the Company on 20 February 2017 of an increase in their holding to 3,059,562 ordinary shares representing 3.20% of the issued share capital of the Company.

Baillie Gifford & Co notified the Company on 24 March 2017 of a decrease in their holding to below 5% 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) 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

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

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 €Nil (2015: €5,893k).

Events post year end

No significant events have occurred between 31 December 2016 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 43 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 142 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 110 to 151. The directors recommend the payment of a final dividend for the year ended 31 December 2016 of €0.104 per share amounting to €9.9m and a supplementary dividend of €0.105 per share amounting to €10.0m, which is discretionary and non-recurring, to members appearing on the register at close of business on 28 April 2017. This is to be approved by the shareholders at the 2017 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 27 March 2017 and is signed on its behalf by:

PAULA PHELAN
COMPANY SECRETARY
27 March 2017

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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 2016 and of the Group's profit for the year then ended;
- the Group 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"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited 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 32. 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".

Summary of our audit approach	
Key Risks	The key risks that we identified in the current year were: • Carrying value of intangible assets • Capitalisation of development costs • Transfer pricing Transfer pricing is a new key risk in the current year.
Materiality and scoping	The materiality which we used in the current year was €900k, which was determined on the basis of approximately 5% of adjusted profit before tax. 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.
Significant changes in our approach	Transfer Pricing is a new key risk in the current year reflecting the impact of the change in the capital structure of the Group since the IPO and the increased integration of the Group in 2016. In the prior year, our report included one other risk which is not included in our report this year, being Group reorganisation and share issue which was specific to the financial year 2015. There were no other significant changes in our approach.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group 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 38.
We have nothing material to add or draw attention in relation to:

- the Directors' confirmation on page 38 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 page 32 to 37 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; and
- the Director's explanation on page 38 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 confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

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.

Reflecting the impact of the change in the capital structure of the Group since the IPO and the increased integration of the Group in 2016, Transfer Pricing is a new key risk in the current year. In the prior year, our report included one other risk which is not included in our report this year, being Group reorganisation and share issue which was specific to the financial year 2015.

Risk	How the scope of our audit responded to the risk
Carrying value of Intangible Assets At 31 December 2016, intangible assets (including goodwill) had a carrying value of €139.6m representing 82% of the Group's total assets. The Group recorded an impairment charge of €8.2m in respect of domain names during 2016. 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. 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. 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. ***Refer to Notes 3 and 11 to the financial statements***	We obtained an understanding and assessed the Group's design and implementation of controls around determining when an impairment review is required for intangible assets. Where an impairment review was required, we challenged 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. For intangible assets other than goodwill we assessed the basis used by management in determining the expected useful lives and the resulting amortisation charge and performed an independent assessment of the appropriateness of the expected useful lives used. We assessed whether the disclosures in relation to goodwill and intangibles were appropriate and met the requirement of accounting standards.
Capitalisation of Development Costs At 31 December 2016, capitalised development costs amounted to €2.4m. 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. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and is amortised over its expected economic useful life. In determining the amount to be capitalised management make judgements regarding expected future cash generation of the asset and expected period of benefit. ***Refer to Notes 3 and 11 to the financial statements***	In response to this audit risk, we obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs. We tested the design and implementation of the controls and selected a sample of the capitalised expenditure and completed procedures to determine whether the expenditure was recorded accurately and whether it met the required capitalisation criteria in accordance with IAS 38. We agreed the amount of development costs capitalised to underlying documentation detailing cost per project. We also evaluated the period over which the costs are amortised by reference to the specific software being developed and its expected useful life.
Transfer Pricing The global nature of the Group's business means it is subject to taxation in numerous jurisdictions and cross-border transactions can be challenged by taxation authorities resulting in tax exposures. As a result of the interaction of tax laws in different jurisdictions, there is significant complexity in determining the most appropriate transfer pricing rates and thus the appropriate tax liabilities in each. ***Refer to Note 9 to the financial statements***	We obtained an understanding of the Group's tax strategy and management's process for determining the appropriate transfer pricing rates applicable to cross-border transactions. Assisted by our transfer pricing tax specialists, who are part of the audit team, we reviewed material cross-border intergroup agreements and transactions and the underlying data used in determining applicable royalty and mark-up rates and assessed the appropriateness of the royalties and mark-up rates being used . We challenged and evaluated management's assumptions and critical estimates and judgements in respect of tax exposures, based on their interpretation of the relevant tax laws in jurisdictions where the Group has significant operations.

The description of the risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 61 to 62. 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 accounts 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 €900k, equating to approximately 5% of adjusted profit before tax.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €45k, 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 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.

YES! LISBON HOSTEL

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 Auditor
Dublin, Ireland
27 March 2017

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Revenue	4	**80,514**	83,451
Administrative expenses	5	**(57,397)**	(64,087)
Depreciation and amortisation expenses	5	**(14,731)**	(12,170)
Impairment losses	5	**(8,199)**	-
Operating profit		**187**	7,194
Financial income		**5**	8
Financial costs	8	**(59)**	(30,866)
Other gains	8	**-**	104,158
Profit before taxation		**133**	80,494
Taxation	9	**651**	680
Profit for the year attributable to the equity owners of the parent company		**784**	81,174
Basic and diluted earnings per share (cents)	10	**0.01**	4.46

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 €'000	2015 €'000
Profit for the year:	**784**	81,174
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(680)**	333
Total comprehensive income for the year attributable to equity owners of the parent company	**104**	81,507

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Non-current assets			
Intangible assets	11	**139,619**	158,972
Property, plant and equipment	12	**3,058**	3,523
Deferred tax assets	13	**659**	1,325
		143,336	163,820
Current assets			
Trade and other receivables	14	**2,627**	3,249
Corporation tax		**-**	3
Cash and cash equivalents	15	**24,632**	13,620
		27,259	16,872
Total assets		**170,595**	180,692
Issued capital and reserves attributable to equity owners of the parent			
Share capital	16	**956**	956
Other reserves	17	**3,628**	3,628
Foreign currency translation reserve		**15**	695
Share based payment reserve		**351**	-
Retained earnings		**154,986**	161,418
Total equity attributable to equity holders of the parent company		**159,936**	166,697
Non-current liabilities			
Deferred tax liabilities	13	**764**	2,563
		764	2,563
Current liabilities			
Trade and other payables	18	**9,669**	11,405
Corporation tax		**226**	27
		9,895	11,432
Total liabilities		**10,659**	13,995
Total equity and liabilities		**170,595**	180,692

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2017 and signed on its behalf by:

FEARGAL MOONEY
CHIEF EXECUTIVE OFFICER

MARI HURLEY
CHIEF FINANCIAL OFFICER

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2015	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
As at 31 December 2015	**956**	**-**	**161,418**	**3,628**	**695**	**-**	**166,697**
Total comprehensive income/(expense) for the year	**-**	**-**	**784**	**-**	**(680)**	**-**	**104**
Dividends	**-**	**-**	**(7,216)**	**-**	**-**	**-**	**(7,216)**
Credit to equity for equity-settled share based payments	**-**	**-**	**-**	**-**	**-**	**351**	**351**
As at 31 December 2016	**956**	**-**	**154,986**	**3,628**	**15**	**351**	**159,936**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Profit before tax		**133**	80,494
Depreciation of property, plant and equipment	5	**886**	813
Amortisation of intangible assets	5	**13,845**	11,357
Impairment of intangible assets	5	**8,199**	-
Transaction costs (included within financing activities)		**-**	4,546
Loss on disposal of property, plant and equipment	5	**19**	251
Financial income		**(5)**	(8)
Financial expense	8	**59**	30,866
Other gains	8	**-**	(104,158)
Employee equity settled share based payment expense	20	**362**	-
Changes in working capital items:			
Decrease in trade and other payables		**(1,553)**	(940)
Increase in trade and other receivables		**(24)**	(1,117)
Cash generated from operations		**21,921**	22,104
Interest paid		**(59)**	(79)
Interest received		**5**	8
Income tax (paid)/refunded		**(280)**	319
Net cash from operating activities		**21,587**	22,352
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets		**(2,500)**	(4,321)
Purchases of property, plant and equipment		**(746)**	(3,168)
Net cash used in investing activities		**(3,246)**	(7,489)
Cash flows from financing activities			
Dividends	23	**(7,216)**	-
Repayment of shareholders' loans		**-**	(195,125)
Proceeds on issue of shares, net of expenses		**-**	173,607
Net cash used in financing activities		**(7,216)**	(21,518)
Net increase/(decrease) in cash and cash equivalents		**11,125**	(6,655)
Cash and cash equivalents at the beginning of the year		**13,620**	19,942
Effect of exchange rate changes on cash and cash equivalents		**(113)**	333
Cash and cash equivalents at the end of the year		**24,632**	13,620
Restricted cash balances	15	**-**	(2,225)
Unrestricted cash balances at the end of the year		**24,632**	11,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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").

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. On that date, the Company obtained control of the entire share capital of Wings Lux 2 S.à r.l which in turn owned the entities within the existing Hostelworld Group. 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 FRS 102. 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 consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

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

2. 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 judgment 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.
The group has adopted the following new and amended IFRSs from 1 January 2016. There has not been a material impact to the Group when adopting these new and amended standards:

IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations	*1 January 2016*
IFRS 7 (Amendment) Financial Instruments: Disclosures	*1 January 2016*
IFRS 10 (Amendments) Consolidated Financial Statements	*1 January 2016*
IFRS 11 (Amendment) Joint Arrangements	*1 January 2016*
IFRS 12 (Amendment) Disclosure of Interests in Other Entities	*1 January 2016*
IFRS 14 Regulatory Deferral Accounts	*1 January 2016*
IAS 1 (Amendment) Presentation of Financial Statements	*1 January 2016*
IAS 16 (Amendments) Property, Plant and Equipment	*1 January 2016*
IAS 19 (Amendment) Employee Benefits	*1 January 2016*
IAS 27 (Amendment) Consolidated and Separate Financial Statements	*1 January 2016*
IAS 28 (Amendments) Investments in Associates	*1 January 2016*
IAS 34 (Amendment) Interim Financial Reporting	*1 January 2016*
IAS 38 (Amendment) Intangible Assets	*1 January 2016*
IAS 41 (Amendment) Agriculture	*1 January 2016*

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:

IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions	*1 January 2018*
IFRS 9 Financial Instruments	*1 January 2018*
IFRS 15 Revenue from Contracts with Customers	*1 January 2018*
IFRS 16 Leases	*1 January 2019*

The Group is currently assessing the impact of other standards and interpretations for future periods. It is not expected that IFRS 2 will have a material impact on the classification and measurement of share-based payments. It is not expected that IFRS 9 will have a material impact on the measurement of financial instruments. Based on the Group's existing business model, the Directors do not anticipate that the implementation of IFRS 15 will have a material impact on how revenue is recognised. The Group is currently evaluating the impact of IFRS 16 for future periods.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Exceptional items

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined, Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement 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 recognised in other comprehensive income and accumulated in a separate component of equity (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.


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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

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

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

Other intangible assets including domain names and computer software are capitalised at their fair value and amortised to the consolidated income statement, generally on a straight line basis over their estimated useful lives except for the Hostelbooker domain name (see note 11):

Domain names	8-20 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill (Continued)

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 the consolidated income statement, 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 the consolidated income statement, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 trade and other payables.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

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

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.

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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 below:

Impairment of goodwill and intangible assets

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

Following an impairment review of the Hostelbookers intellectual property assets (see Note 11), the Directors reassessed the estimated remaining useful life of the related domains and reassessed the remaining useful life as being 8 years from the start of 2016. The Group had previously assessed the useful economic life as being 17 remaining years from the start of 2016. This had an impact of increasing the amortisation charge for the year by €629k.

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 against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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 on-line advertising revenue.

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

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

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

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:

	2016 €'000	2015 €'000
Europe	**49,497**	53,812
Americas	**14,938**	14,951
Asia, Africa and Oceania	**16,079**	14,688
Total revenue	**80,514**	83,451

The Group's non-current assets are located in Ireland, Luxembourg and the UK. Out of the total non-current assets in the Group of €143,336k (2015: €163,820K), the non-current assets of the group located in the UK are €4,259k (2015: €14,252k).

5. OPERATING EXPENSES

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

	Note	2016 €'000	2015 €'000
Marketing expenses		**32,842**	37,410
Credit card processing fees		**1,931**	1,958
Staff costs	7	**14,359**	12,721
Loss on disposal of property, plant and equipment		**19**	251
FX (gain)/loss		**(214)**	239
Exceptional Items	6	**449**	4,267
Other administrative costs		**8,011**	7,241
Total administrative expenses		**57,397**	64,087
Depreciation of tangible fixed assets	12	**886**	813
Amortisation of intangible fixed assets	11	**13,845**	11, 357
Impairment of intangible assets	11	**8,199**	-
Total operating expenses		**80,327**	76,257

Auditors' remuneration

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

	2016 €'000	2015 €'000
Fees payable for the statutory audit of the Company	**35**	35
Fees payable for other services:		
- statutory audit of subsidiary undertakings	**115**	115
- tax advisory services	**-**	4
- other assurance services	**-**	191
- corporate finance services	**-**	854
- other services	**12**	91
Total	**162**	1,290

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

	2016 €'000	2015 €'000
Merger and acquisition (credit)/costs	**(64)**	3,994
Redundancy costs	**526**	211
Integration and relocation (credit)/costs	**(13)**	573
Non-recurring gain	**-**	(511)
Total exceptional items	**449**	4,267

Foreign exchange rate and other movements between recognition and settlement dates drove the write back of certain previously recognised exceptional items. 2016 redundancy costs mostly relate to the restructuring of certain Group functions following the consolidation of Hostelbookers onto the Hostelworld technology platform. Merger and acquisition costs were incurred during 2015 in relation to the listing of the Company (the "IPO"), and the related reorganisation of the Group. 2015 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 in 2015 primarily related to the costs incurred for office moves in both Dublin and London. The non-recurring gain in 2015 of €511k related to the release of an accrual related to the potential indirect taxes of the Hostelbookers business where the liability was settled in 2015.

7. STAFF COSTS

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

	2016	2015
Average number of persons employed		
Administration and sales	**154**	155
Development and information technology	**87**	101
Total number	**241**	256

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

	Notes	2016 €'000	2015 €'000
Staff costs comprise:			
Wages and salaries		**14,162**	14,756
Social security costs		**1,591**	1,669
Pensions costs		**316**	240
Other benefits		**239**	233
Long term employee incentive cost	20	**362**	-
Capitalised development labour		**(2,311)**	(4,177)
Total		**14,359**	12,721

8. FINANCIAL COSTS AND OTHER GAINS

	2016 €'000	2015 €'000
Finance costs		
Interest payable on shareholders' loans	**-**	30,786
Bank charges	**59**	80
Total finance costs	**59**	30,866

Other gains

Other gains in 2015 related solely to the write off of shareholder loans of €104,158k as part of the Group reorganisation in November 2015.

9. TAXATION

	Notes	2016 €'000	2015 €'000
Corporation tax:			
Current year		**440**	297
Adjustments in respect of prior years		**27**	58
Total		**467**	355
Deferred tax	13	**(1,118)**	(1,035)
Total		**(651)**	(680)

Corporation tax is calculated at 12.5% (2015: 12.5%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the consolidated income statement as follows:

	2016 €'000	2015 €'000
Profit before tax on continuing operations	**133**	80,494
Tax at the Irish corporation tax rate of 12.5% (2015: 12.5%)	**17**	10,062
Effects of :		
Tax effect of expenses/(income) that are not taxable/ deductible in determining taxable profit	**436**	(8,228)
Tax effect of utilisation of tax losses not previously recognised	**(166)**	(1,767)
Capital allowances in excess of depreciation	**(1,753)**	(416)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**134**	280
Reversal/(recognition) of deferred tax asset on tax losses	**654**	(669)
Adjustments in respect of prior years	**27**	58
Total for the year	**(651)**	(680)

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9. TAXATION (CONTINUED)

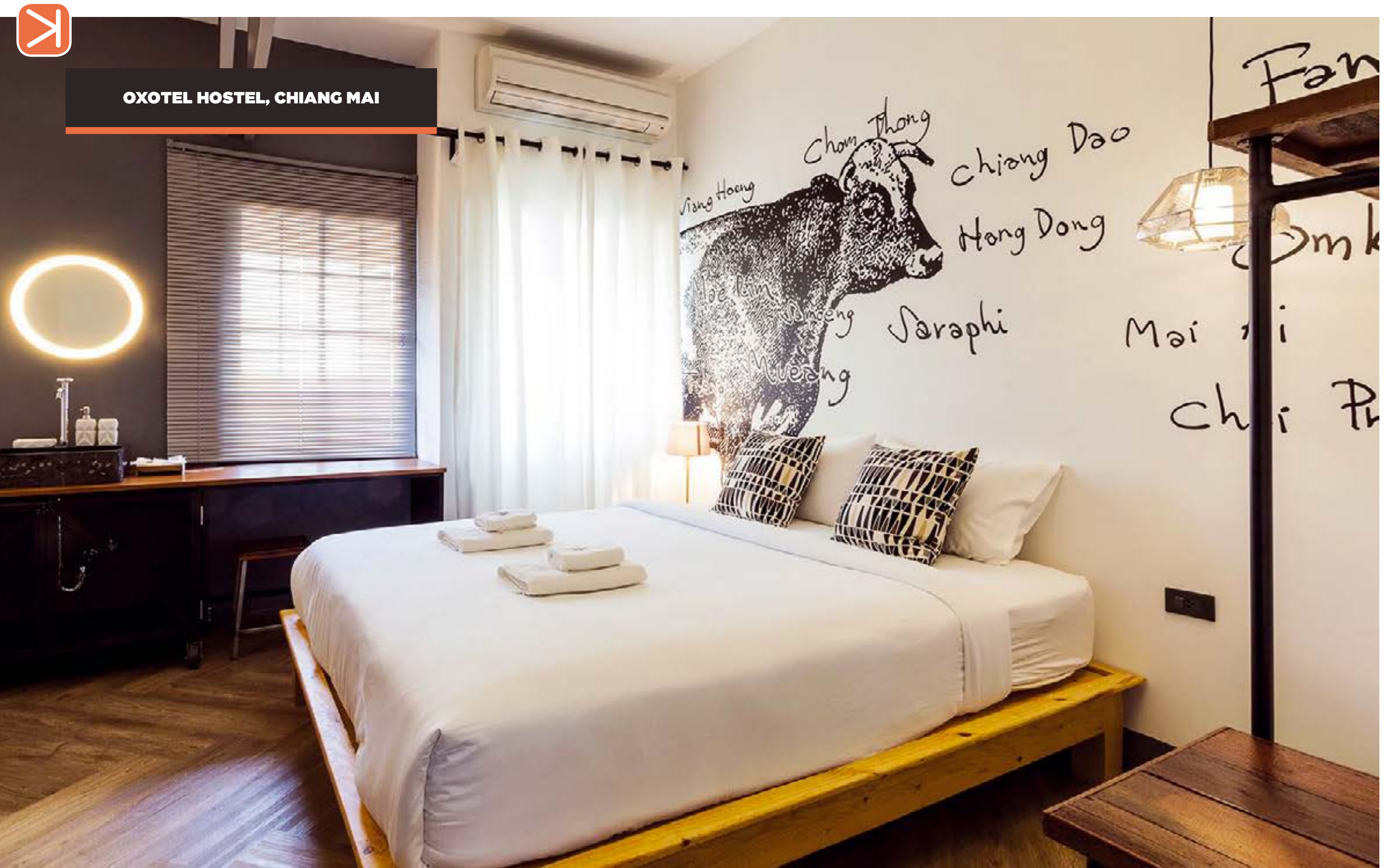
The Group has an unrecognised deferred tax asset as at 31 December 2016 of €3,527k (31 December 2015 €3,834k) which has not been recognised in the consolidated financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

10. EARNINGS PER SHARE

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

	2016	**2015**
Weighted average number of shares in issue ('000s)	**95,571**	18,217
Profit for the year (€'000s)	**784**	81,174
Basic and diluted earnings cents per share	**0.01**	4.46

Actual earnings per share, calculated by dividing the net profit attributable to ordinary shareholders by the actual number of ordinary shares in issue at 31 December 2016, is €0.01 (2015: earnings per share of €0.85).



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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
Cost						
Balance at 1 January 2015	47,274	214,640	13, 325	5,500	1,414	282,153
Additions	-	-	-	-	4,333	4,333
Disposals	-	-	-	-	-	-
Effect of foreign currency exchange difference	-	-	-	-	(12)	(12)
Balance at 31 December 2015	47,274	214,640	13, 325	5,500	5,735	286, 474
Balance at 1 January 2016	**47,274**	**214,640**	**13, 325**	**5,500**	**5,735**	**286,474**
Additions	**-**	**-**	**118**	**-**	**2,385**	**2,503**
Transfer from tangible assets	**-**	**-**	**383**	**-**	**-**	**383**
Effect of foreign currency exchange difference	**-**	**-**	**(12)**	**-**	**-**	**(12)**
Balance at 31 December 2016	**47,274**	**214,640**	**13,814**	**5,500**	**8,120**	**289,348**
Accumulated amortisation and impairment						
Balance at 1 January 2015	(29,426)	(68,102)	(12, 701)	(5,500)	(416)	(116,145)
Charge for year	-	(9,687)	(235)	-	(1,435)	(11,357)
Balance at 31 December 2015	(29,426)	(77,789)	(12,936)	(5,500)	(1,851)	(127,502)
Balance at 1 January 2016	**(29,426)**	**(77,789)**	**(12,936)**	**(5,500)**	**(1,851)**	**(127,502)**
Charge for year	**-**	**(10,316)**	**(326)**	**-**	**(3,203)**	**(13,845)**
Impairment	**-**	**(8,199)**	**-**	**-**	**-**	**(8,199)**
Transfer from tangible assets	**-**	**-**	**(187)**	**-**	**-**	**(187)**
Effect of foreign currency exchange difference	**-**	**-**	**4**	**-**	**-**	**4**
Balance at 31 December 2016	**(29,426)**	**(96,304)**	**(13,445)**	**(5,500)**	**(5,054)**	**(149,729)**
Carrying amount						
At 31 December 2015	17,848	136,851	389	-	3,884	158,972
At 31 December 2016	**17,848**	**118,336**	**369**	**-**	**3,066**	**139,619**

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill

The goodwill balance at 31 December 2016 relates to an investment in Hostelworld.com Limited in 2009 which resulted in a goodwill amount of €17,848k. The carrying value of this balance as at 31 December 2016 is €17,848k (2015: €17,848k).

Goodwill, which has an indefinite useful life, is subject to annual impairment testing, or more frequent testing if there are indicators of impairment. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 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 13.7% (2015: 11.4%). The discount rate is based on the Group estimated weighted average cost of capital adjusted for the business specific risk of the CGU. Based on the 2017 budget, growth rates are assessed based on approved budgets and forecast and range from 5% to 10% over the forecast period after 2017. Cash flows beyond the 15 year period are extrapolated using the estimated long- term growth rate of 2% (2015: 2%).

Following impairment testing, no impairment was recognised for goodwill in 2016.

Other Intangible Assets

Additions during the year comprised of internally generated additions of €2,311k (2015:€4,177k) and other separately acquired additions of €192k (2015:€156k).

In 2016, following a review of trading performance and due to bookings and revenue being less than previously projected, the directors reassessed the estimated cashflows associated with the Hostelbookers intellectual property assets. The cash flow projections are initially based on the three year budgets approved by the directors and extended out for a further 4 years in accordance with the remaining estimated useful life. The cash-flow projections take into account key assumptions including historical trading performance, anticipated changes in future market conditions, industry and economic factors and business strategies. There are no reasonable possible changes to the assumptions presented above that would result in any further impairment recorded in each of the year presented in these financial statements.

The pre-tax discount rate which was applied in determining value in use was 14.7%. The discount rate was based on the Group estimated weighted average cost of capital adjusted for business specific risk of the CGU.

Following the impairment testing, an impairment charge of €8,199k was recognised in relation to the value of the Hostelbookers domain names. There were no indicators to require an impairment test of other intangible assets in the current year.

The estimated useful life of these domain names was also reduced to a period of 8 years from 1 January 2016 to be amortised on a reducing balance basis.

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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
Cost				
Balance at 1 January 2015	621	462	3,681	4,764
Additions	1,290	714	1,139	3,143
Disposals	(610)	(479)	(2,016)	(3,105)
Effect of foreign currency exchange differences	3	15	114	132
Balance at 31 December 2015	1,304	712	2,918	4,934
Balance at 1 January 2016	**1,304**	**712**	**2,918**	**4,934**
Additions	**16**	**12**	**718**	**746**
Disposals	**-**	**(7)**	**(567)**	**(574)**
Transfer to intangible assets	**-**	**-**	**(383)**	**(383)**
Effect of foreign currency exchange differences	**(41)**	**(28)**	**(63)**	**(132)**
Balance at 31 December 2016	**1,279**	**689**	**2,623**	**4,591**
Accumulated depreciation				
Balance at 1 January 2015	(521)	(373)	(2,451)	(3,345)
Charge for year	(100)	(68)	(645)	(813)
Disposals	560	386	1,908	2,854
Effect of foreign currency exchange differences	(4)	(14)	(89)	(107)
Balance at 31 December 2015	(65)	(69)	(1,277)	(1,411)
Balance at 1 January 2016	**(65)**	**(69)**	**(1,277)**	**(1,411)**
Charge for year	**(154)**	**(125)**	**(607)**	**(886)**
Disposals	**-**	**1**	**547**	**548**
Transfer to intangible assets	**-**	**-**	**187**	**187**
Effect of foreign currency exchange differences	**6**	**4**	**19**	**29**
Balance at 31 December 2016	**(213)**	**(189)**	**(1,131)**	**(1,533)**
Carrying amount				
At 31 December 2015	1,239	643	1,641	3,523
At 31 December 2016	**1,066**	**500**	**1,492**	**3,058**

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:

	Accelerated taxation depreciation €'000	Taxation losses €'000	Total €'000
As at 1 January 2015	(2,893)	622	(2,271)
Credited to the income statement	366	669	1,035
Effect of foreign currency exchange differences	(2)	-	(2)
As at 1 January 2016	**(2,529)**	**1,291**	**(1,238)**
Credited/(charged) to the income statement	**1,772**	**(654)**	**1,118**
Effect of foreign currency exchange differences	**15**	**-**	**15**
As at 31 December 2016	**(742)**	**637**	**(105)**

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

	2016 €'000	2015 €'000
Deferred taxation assets	**659**	1,325
Deferred taxation liabilities	**(764)**	(2,563)
Net deferred taxation liabilities	**(105)**	(1,238)

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 continued to be 20% through the period, and is expected to reduce to 19% on 1 April 2017, and to 18% on 1 April 2020.

14. TRADE AND OTHER RECEIVABLES

	2016 €'000	2015 €'000
Amounts falling due within one year		
Trade receivables	**892**	621
Prepayments and accrued income	**731**	822
Value Added Tax	**1,004**	1,806
	2,627	3,249

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing and trade receivable days are 4 days (2015: 3 days). Given the nature of the business, allowance for impairment of receivables is not material.

15. CASH AND CASH EQUIVALENTS

	2016 €'000	2015 €'000
Cash and cash equivalents	**24,632**	13,620
Restricted cash balances	**-**	(2,225)
Unrestricted cash balances	**24,632**	11,395

The Group entered into a guarantee with AIB Bank plc during 2015 related to the lease of office space in Dublin. The guarantee initially required that €2,225k remain on deposit with the bank. The requirement was removed by AIB Bank plc during 2016.

16. SHARE CAPITAL

	2016 €'000	2015 €'000
Allotted, Called-up and fully paid		
95,570,778 ordinary shares of €0.01 each (2015: 95,570,778 ordinary shares of €0.01 each)	**956**	956
	956	956

The Group has one class of ordinary shares which carry no right to fixed income. The share capital of the Group is represented by the share capital of the parent company, Hostelworld Group plc. This company was incorporated on 9 October 2015 to act as the holding company of the Group, and as a management services company.

17. OTHER RESERVES

	2016 €'000	2015 €'000
Merger reserve	**3,628**	3,628
	3,628	3,628

The merger reserve arose upon acquisition of Wings Lux 2 S.á.r.l. in November 2015.

18. TRADE AND OTHER PAYABLES

	2016 €'000	2015 €'000
Amounts falling due within one year		
Trade payables	**3,344**	5,439
Accruals and other payables	**5,797**	5,168
Payroll taxes	**524**	694
Value Added Tax	**4**	104
	9,669	11,405

The average credit period for the Group in respect of trade payables is 32 days (2015: 26 days).

19. COMMITMENTS AND CONTINGENCIES

(i) OPERATING LEASES

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

	2016 €'000	2015 €'000
Operating leases		
Within one year	**933**	994
Within two to five years	**3,118**	3,682
More than five years	**1,864**	2,433
	5,915	7,109

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

The operating lease charge included in the consolidated income statement was €1,003k in 2016 (2015: €928k).

(ii) CONTINGENCIES

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

20. SHARE-BASED PAYMENTS

The Group has a share option scheme for executives and selected management of the Company and its subsidiaries. The first awards were granted in 2016. The Group recognised an expense of €362k (2015: €NIL) related to equity-settled share-based payment transactions in the consolidated income statement during the year.

2016 Long Term Incentive Plan Scheme ("LTIP")

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

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

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20. SHARE-BASED PAYMENTS (CONTINUED)

A summary of the status of the LTIP as at 31 December 2016 is presented below:

Option Series	Number	Grant date	Expiry date	Exercise price	Fair value at grant
Granted on 5 April 2016	928,464	5 April 2016	5 April 2023	€Nil	€3.88

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

	2016 Number of share options
Outstanding at beginning of year	-
Granted during the year	928,464
Forfeited during the year	-
Exercised during the year	-
Expired during the year	**-**
Outstanding at the end of the year	**928,464**
Exercisable at the end of the year	**-**

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

Share options under the LTIP scheme have an exercise price of nil. The remaining weighted average life for share options outstanding is 2.26 years.

Fair value of options granted during the year:

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

Invitation grant award date	5 April 2016
Year of potential vesting	2019
Share price at grant date	€3.11
Expected price per share option	€NIL
Expected volatility of company share price	30%
Expected life	3 years
Expected dividend yield	5.1%
Risk free interest rate	0.4%
Weighted average fair value at grant date	€3.88
Valuation model	Monte Carlo model

20. SHARE-BASED PAYMENTS (CONTINUED)

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

21. RELATED PARTY TRANSACTIONS

SUBSIDIARIES

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

Company	Place of Business and Registered Office	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
WRI Nominees DAC	Luxembourg**	100%*	Holding of IP
Hostelworld.com Ltd	Ireland	100%*	Technology trading company
Hostelworld Korea Ltd	Korea	100%	Marketing services company
Cornetto Bidco Ltd	Jersey	100%	Intermediate holding company
Hostelworld Services Limited	UK	100%	Technology trading company

* held directly by the Company

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

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

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

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.

On 14 March 2016, Hostelworld Korea Limited was incorporated.

On 12 April 2016, Anytrip.com Limited was dissolved.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

On 28 June 2016, Wings Holdco Limited and Hostelworld.com Limited converted to a private company limited by shares and WRI Nominees Limited converted to a designated activity company.

During 2016 a decision was made to wind up the following companies by way of members' voluntary winding up: Boo Travel Limited, Wings Corporate Services Limited, WRI Holdings, Wings Bidco Limited and Web Reservations International.

DIRECTORS' REMUNERATION

	2016 €'000	2015 €'000
Salaries, fees, bonuses and benefits in kind	**958**	956
Amounts receivable under long-term incentive schemes	**122**	-
Pension contributions	**57**	23
Total	**1,137**	979

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.

	2016 €'000	2015 €'000
Short term benefits	**2,090**	2,342
Share based payments	**252**	**-**
Post employment benefits	**112**	52
Total	**2,454**	2,394

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

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

In 2015, the former controlling shareholder of the Group, H&F Wings Lux 1 S.à r.l. 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.

Trading transactions made by the Group with H&F Wings Lux 1 S.à.r.l, and its related entites during the year amounted to €Nil (2015: €5,893k).

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 financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The Group had no derivative financial liabilities in the current or prior year. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Notes	2016 €'000	2015 €'000
Up to 1 year			
Trade and other payables	18	**9,669**	11,405
Total up to 1 year		**9,669**	11,405
		2016 €'000	**2015 €'000**
Over 5 years			
Trade and other payables		**-**	-
Total over 5 years		**-**	-
Total		**9,669**	11,405

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22. FINANCIAL RISK MANAGEMENT (CONTINUED)

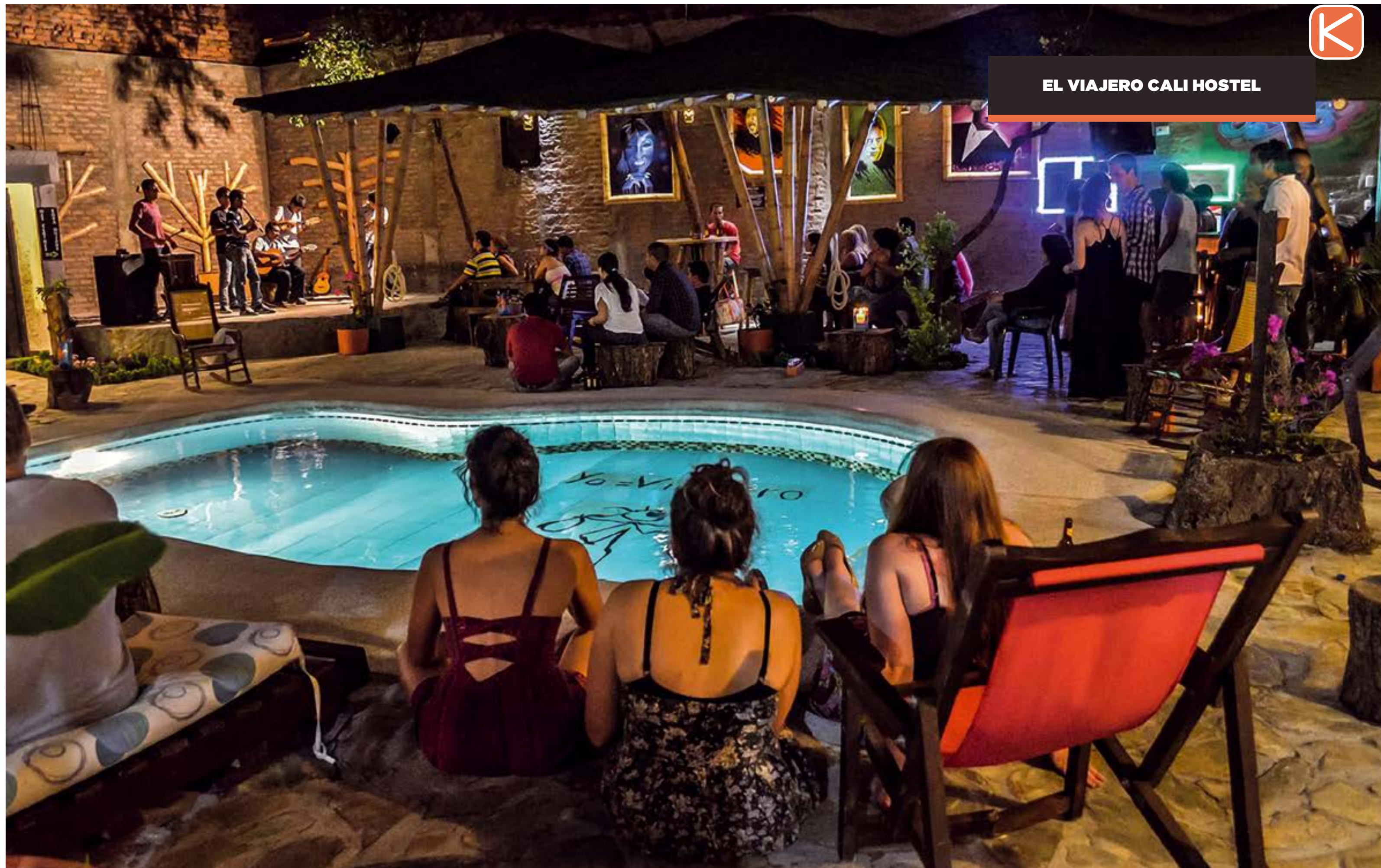
22.1 FINANCIAL RISK (CONTINUED)

Interest rate risk

The Group is not materially exposed to interest rate risk.

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 6 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.



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22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 CAPITAL 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.

The Group is not subject to any externally imposed capital requirements.

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

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

	2016 €'000	2015 €'000
Final 2015 dividend of €0.0275 per share (paid 31 May 2016)	2,628	-
Interim 2016 dividend of €0.048 per share (paid 27 September 2016)	4,588	-
	7,216	-
Proposed final dividend for the year ended 31 December 2016 of €0.104 per share (2015: €0.0275per share)	9,939	2,628
Proposed supplementary dividend of €0.105 per share (2015: €nil)	10,035	-

In accordance with the Group's dividend policy, the directors recommend the payment of a final dividend for 2016 of €0.104 per share amounting to €9.9m (2015: €0.0275 per share amounting to €2.6m).

Additionally the directors recommend the payment of a discretionary, non-recurring supplementary dividend of €0.105 per share amounting to €10.0m (2015: €nil).

The proposed dividends are to be approved by the shareholders at the 2017 AGM on 1 June 2017.

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.

25. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

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COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
ASSETS			
Investments	29	**211,122**	210,923
Total non-current assets		**211,122**	210,923
Trade and other receivables	30	**942**	907
Cash and cash equivalents		**1,179**	4,208
Total current assets		**2,121**	5,115
Total assets		**213,243**	216,038
EQUITY			
Issued capital	31	**956**	956
Share based payment reserve		**362**	-
Accumulated reserves		**207,179**	212,397
Total equity attributable to equity holders of the parent		**208,497**	213,353
Current liabilities			
Trade and other payables	32	**4,746**	2,685
Total current liabilities		**4,746**	2,685
Total liabilities		**4,746**	2,685
Total equity and liabilities		**213,243**	216,038

The Company reported a profit for the financial year ended 31 December 2016 of €1,998k (2015: loss of €25,948k).

The financial statements of Hostelworld Group plc were approved by the Board of Directors and authorised for issue on 27 March 2017 and signed on its behalf by:

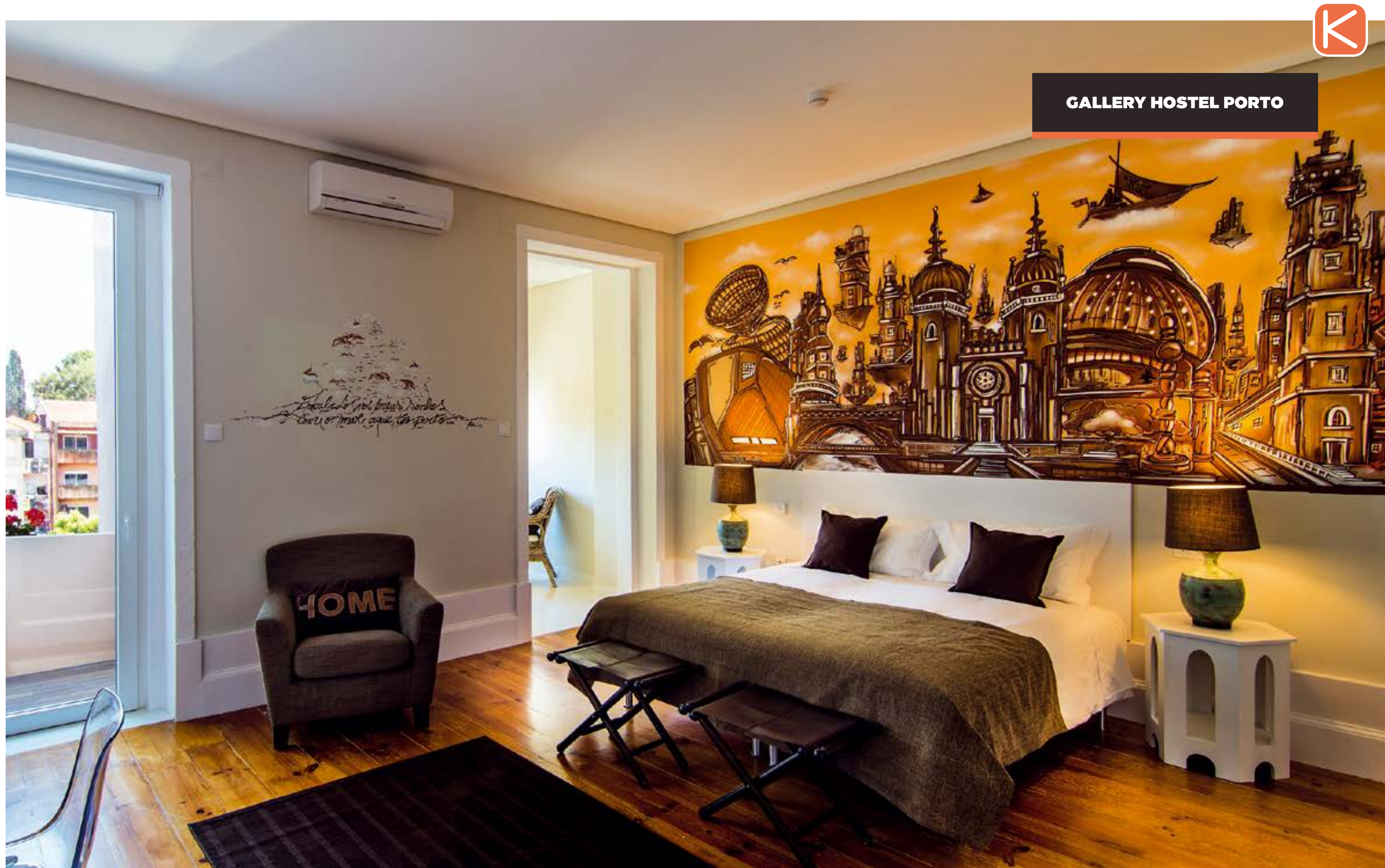
FEARGAL MOONEY
CHIEF EXECUTIVE OFFICER

MARI HURLEY
CHIEF FINANCIAL OFFICER

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

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Share Based Payment Reserve €'000	Total €'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)
As at 31 December 2015	956	-	212,397	-	213,353
Dividends	**-**	**-**	**(7,216)**	**-**	**(7,216)**
Credit to equity for equity-settled share based payments	**-**	**-**	**-**	**362**	**362**
Total comprehensive income for the year	**-**	**-**	**1,998**	**-**	**1,998**
As at 31 December 2016	**956**	**-**	**207,179**	**362**	**208,497**



GALLERY HOSTEL PORTO

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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.

Investments in subsidiaries

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.

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. 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.

26. ACCOUNTING POLICIES (CONTINUED)

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 reporting 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.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20 to the consolidated financial statements.

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

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.

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27. PROFIT FOR THE YEAR

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

The auditor's remuneration for the audit and other services is disclosed in note 5 to the consolidated financial statements.

28. STAFF COSTS

The average monthly number of people employed by the Company (including executive directors) during the year was 3 (for the period ended 31 December 2015: 3).

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

	2016 €'000	2015 €'000
Staff costs comprise:		
Wages and salaries	**965**	221
Social security costs	**111**	24
Pensions costs	**67**	-
Other benefits	**19**	-
Long-term employee incentive costs	**163**	-
Total	**1,325**	245

29. INVESTMENTS IN SUBSIDIARIES

The carrying value of the Company's subsidiaries at 31 December 2016 are as follows:

	2016 €'000	2015 €'000
At 1 January	**210,923**	9,923
Additions	**199**	210,923
At 31 December	**211,122**	210,923

The Company's subsidiaries directly owned by the Company, are disclosed in note 21 to the consolidated financial statements. Additions relate to capital contributions arising from the administration of the Group's share option scheme.

30. TRADE AND OTHER RECEIVABLES

	2016 €'000	2015 €'000
Amounts falling due within one year		
Prepayments and accrued income	**120**	71
Value added tax	**30**	392
Amount due from related parties	**792**	444
	942	907

31. SHARE CAPITAL

	2016 €'000	2015 €'000
Allotted, Called-up and fully paid		
95,570,778 ordinary shares of €0.01 each (2015: 95,570,778 ordinary shares of €0.01 each)	**956**	956
	956	956

32. TRADE AND OTHER PAYABLES

	2016 €'000	2015 €'000
Amounts falling due within one year		
Trade payables	**112**	2,561
Accruals	**216**	124
Amount due to related parties	**4,418**	-
	4,746	2,685

ADDITIONAL INFORMATION

Shareholder Information

SHAREHOLDER INFORMATION

Financial calendar

AGM	1 June 2017
Payment of 2016 Final Dividend	6 June 2017
Payment of Supplementary Divident	6 June 2017
Announcement of 2017 Interim Results	22 August 2017

Share price

During the year ended 31 December 2016, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price as at 30 December 2016	£2.2375
Lowest price during the year	£1.2650
Highest price during the year	£3.0350

Daily information on the Company's share price can be obtained on our website: **www.hostelworldgroup.com**

Shareholder's enquiries

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

UK Registrar
Computershare Investor Services plc
The 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. Paula Phelan
Hostelworld Group plc
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United Kingdom

Company registration number

9818705

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Independent auditors
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Chartered Accountants and statutory auditors
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