ANNUAL REPORT

2017

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

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".

Hostelworld **Annual Report 2017**

DOWNTOWN HOSTEL
COPENHAGEN

ABOUT HOSTELWORLD

Hostelworld Group ("the Group") operates the world's leading hostel-focussed 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 from other Online Travel Agents ("OTAs") because we focus on hostels, maintain a leading global hostel database with over 16,000 hostels and approximately 20,000 other forms of budget accommodation available globally.

We also manage an extensive customer-generated review database consisting of more than 10 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
- Access and promotion across a range of platforms to a global customer base with an attractive demographic profile
- Access to BackPack Online, the Group's online property management system
- Access to the Group's booking engine technology

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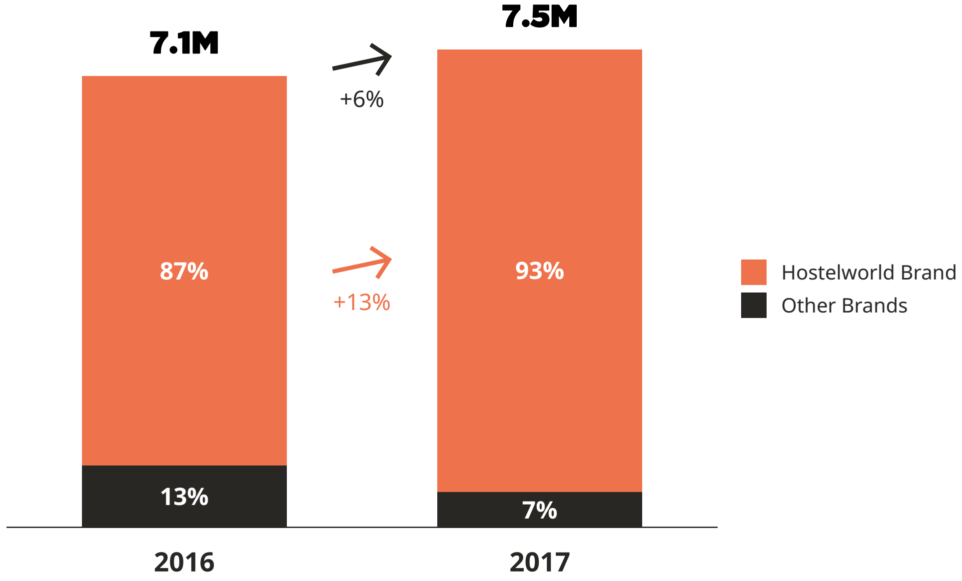
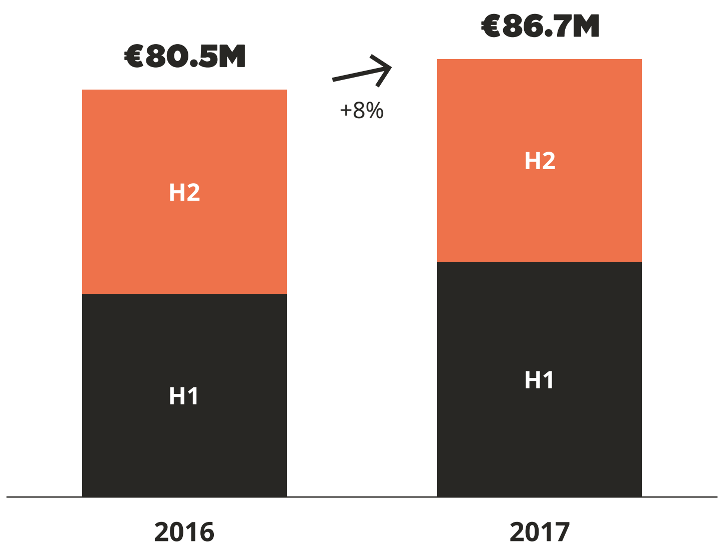
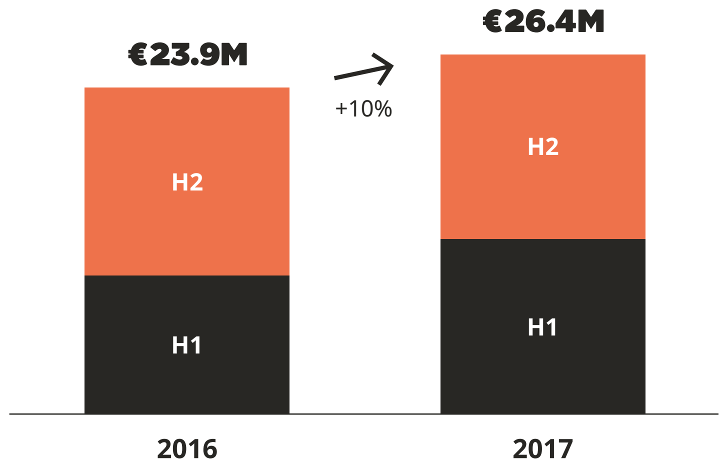


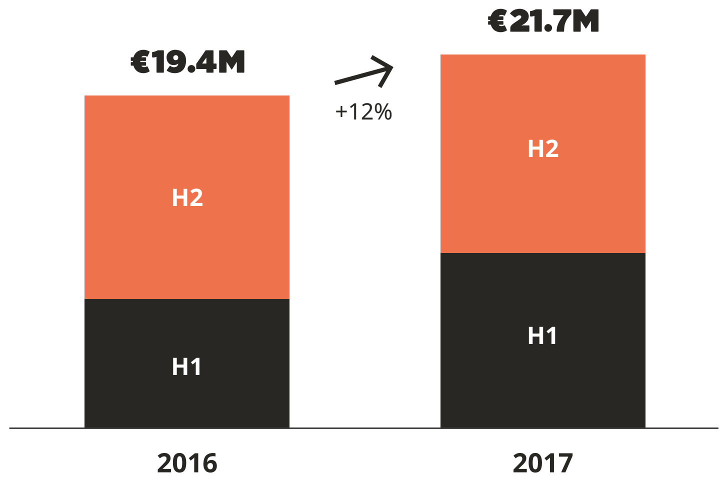
NET REVENUE



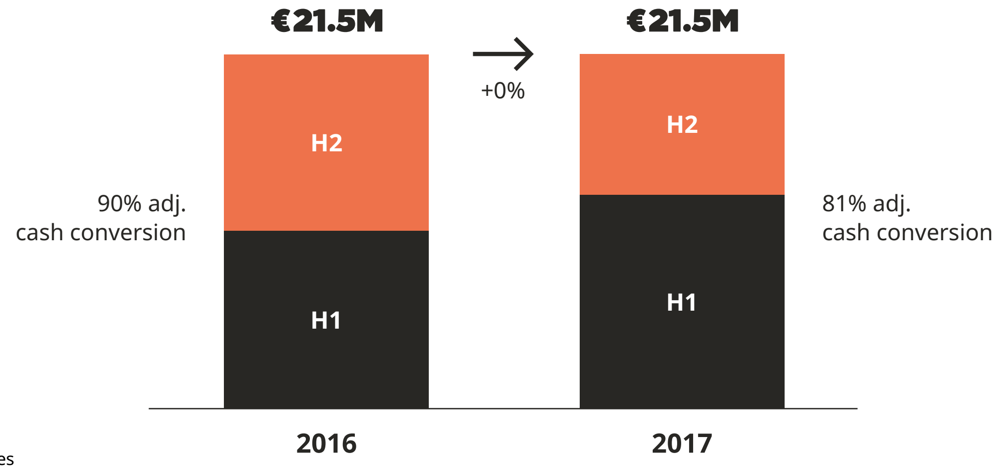
ADJUSTED EBITDA



ADJUSTED PROFIT AFTER TAX



ADJUSTED FREE CASH FLOW



Definitions for Non-GAAP measures (Adjusted EBITDA, Adjusted Profit after Tax, and Adjusted Free Cashflow) are set out on pages 27 to 31 in the Financial Review.

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 Irish Stock Exchanges

Rebranding of Hostelworld with 'Meet the world'

2016

Opened office in Seoul, South Korea

2017

Opened technology development centre in Porto, Portugal

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STRATEGIC REPORT

MICHAEL CAWLEY

Chairman

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CHAIRMAN'S STATEMENT

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

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

Results and financial position

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

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

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

Dividend and Capital Structure

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

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

Board Composition

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

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

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

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

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

People

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

Outlook

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

Michael Cawley
Chairman
9 April 2018

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Chief Executive Officer

CHIEF EXECUTIVE'S STATEMENT

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

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

Growth

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

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

Technology and Mobile

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

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

Brand marketing

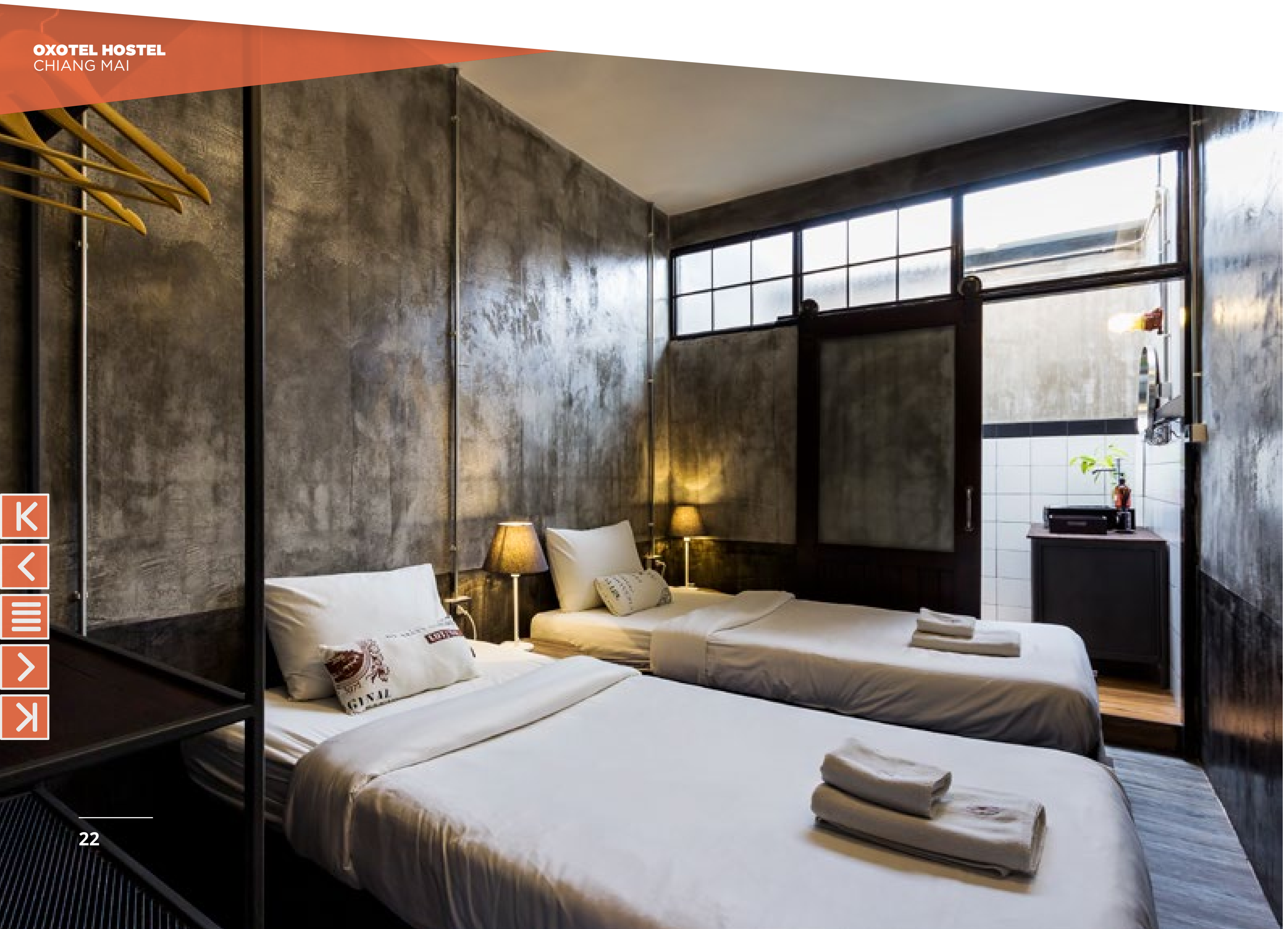
Strong performance in Hostelworld brand bookings (+13%) and bookings growth from direct channels are encouraging signs that Hostelworld's brand activity is having a positive effect for the business. The focus for brand activity has been driving reach and penetration in more markets globally, whilst also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

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

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

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

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



OXOTEL HOSTEL
CHIANG MAI

Asia

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

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

Pricing and yield management

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

The Elevate programme gives accommodation providers the opportunity to increase their prominence in search lists dynamically in exchange for a higher commission rate of up to 10% above the relevant base commission rate. We also offer a premium listing feature, which enables accommodation providers to purchase fixed slots at the top of Hostelworld's and our other brands' results on a monthly cycle. In 2017, we continued to expand the offering of revenue management services to our properties so as to assist them in improving their yield per bednight. In February 2018, we continued our program of pricing initiatives, introducing changes to base rate commissions which will contribute to ABV during 2018.

Implementing our strategy

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

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

During 2018 our strategic objectives will be:

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

Business model

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

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

The market

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

The topline findings of the most recent Second Edition include:

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

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

People

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

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

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

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

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Outlook

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

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

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

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

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

Feargal Mooney
Chief Executive
9 April 2018

ST CHRISTOPHER'S
PARIS

MARI HURLEY

Chief Financial Officer

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FINANCIAL REVIEW

Introduction

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

Key Performance Indicators

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

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

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

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

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

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

Group net revenue increased by €6.2m (2016: decline of €3.0m) during the year, an 8% increase year on year and a 10% increase in constant currency.

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

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

Adjusted EBITDA

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

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

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

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

Reconciliation between Operating Profit and Adjusted EBITDA:

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

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

Adjusted Profit after Taxation

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

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

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

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

Net Finance Costs

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

Share Based Payment Expense

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

Impairment Charge

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

Taxation

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

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

Adjusted Free Cash Flow Conversion

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

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

The Group has a business model which produces strong free cash flow conversion, with 81% of Adjusted EBITDA converting into cash during the year (2016: 90%). In 2017, there was a higher investment in capital expenditure with a total of €1.8m in the year (2016: €0.7m), primarily due to the opening of a development centre in Portugal. The movement in working capital in 2017 was at a lower level than in 2016 due to a delay in a VAT reclaim, which was received in early 2018. Adjusting for this the adjusted free cash flow conversion would have been 86% in 2017 (2016: 90%).
On 21 October 2015, in connection with the IPO, the Group entered into a working capital facility with AIB Bank plc (the "Revolving Credit Facility") for €2.5m. There were no draw downs under this facility from the date it was entered in to, and as a result during 2017 this facility was cancelled by the Group.

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

Foreign Exchange Risk

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

Dividend

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

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

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

Mari Hurley
Chief Financial Officer
9 April 2018

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.

The nature of the principal risks and uncertainties faced by the Group is on the whole unchanged, although, external geopolitical factors, including Brexit, continue to impact the Group's risk profile in certain areas. The most significant of these factors is the volatility in exchange rates to the euro, in particular that of the US dollar and the continued incidence of terrorism.

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.

FREEHAND CHICAGO

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. Increased volatility in currency markets have heightened 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 movements may impact travel decisions and travel patterns by customers, but typically there is a degree of counterbalancing movement e.g. the weakening of the US dollar against the euro means fewer US travellers visiting the Eurozone, but decreased marketing costs from US denominated suppliers such as Google. FX translation risk is mitigated through matching foreign currency cash outflows and foreign currency cash inflows and by minimising holdings of excess non-Euro currency above anticipated outflow requirements.	↔
2. 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 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 an increasingly 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 lead to 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 SEO. 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 continued 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, including actively managing our brand profile through social media channels. Our customer service team strive to ensure that customers have a positive experience at all stages of interacting with us.	↔
6. Data Security	We capture personal data from our customers, including credit card details and retain this on our systems for a certain period. 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 transactional data and detect misuse, and all credit card details are encrypted and deleted in line with our Retention Policy which itself is in line with best practice Hostelworld continues to be fully compliant with the guidelines of the payment card industry (i.e. is "PCI compliant"). The Group is currently implementing a compliance program in relation to GDPR.	↔

Risk	Description and Impact	Management and Mitigation	Direction of Change
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 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 the 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.	⟷

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 focusses 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. The Group also operates from six global offices, which provides flexibility for location of recruitment of key talent, thereby opening up a larger pool of talent for selection.	⟷

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, 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 cash flows, liquidity position and borrowing facilities are outlined in the Financial Review on pages 27 to 31. Based on this assessment, 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 period to 31 December 2020.

The directors have determined that a three year period to 31 December 2020 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 the 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, the responsive business model and the strong cash balance on the balance sheet, 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 2020.

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.

STEEL HOUSE COPENHAGEN
COPENHAGEN

CORPORATE SOCIAL RESPONSIBILITY

At Hostelworld Group, we recognise that we have a commitment to conduct ourselves in a responsible and ethical manner at all times in the wider world. We demonstrate this commitment in the way we behave towards our people, our suppliers, our customers, our shareholders and the communities in which we operate.

Our People

Our people are our most important asset. Not only do they contribute to the Group with their exceptional knowledge and skills, but they embody the Hostelworld spirit and culture. Our Group culture centres on an inclusive and open work environment for all and 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 kept informed of business decisions and are provided with opportunities to share their valuable inputs. We promote an atmosphere of transparency and openness companywide through our on-boarding process, quarterly All Hands briefings, regular manager updates, ongoing updates to our Heads of functional departments and our monthly Breakfast Mornings with Feargal, our CEO.

We understand the importance of recognising our people for their contributions to the Group overall. Bi-monthly, our Leadership Team nominates six employees whom they feel have portrayed our SPIRIT values. Our Group's values are **Service Excellence, Pace, Innovation, Respect, Initiative and Team Together** and our people are encouraged to reflect and model our SPIRIT values in all aspects of the business.

As 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, membership of the travelling community, race, religious beliefs or political opinions. The Group 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 280 people come from a variety of backgrounds, cultures and age groups, and represent 29 nationalities.

In February 2017, we were again formally recognised as a Best Workplace 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.

Gender

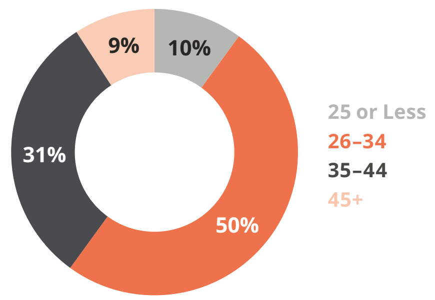
A breakdown of our Board, Senior Management Team and all employees by gender as at 31 December 2017 is set out below:

	Number		%	
	Male	**Female**	**Male**	**Female**
Directors [(1)]	5	2	71.5%	28.5%
Senior Management Team [(1)]	4	1	80%	20%
Other staff	128	142	47.5%	52.5%

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

Age

Age	Employees
25 or Less	27
26–34	141
35–44	87
45+	25



In 2017 we launched a Save as You Earn ("SAYE") scheme for employees in our Dublin and London offices. Our SAYE Plan provides employees with the chance to share in the future success of our business and align to shareholder interest.

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, the way the Group 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 Hostel Partners

We continually invest in tools and products which 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 resulting in a positive impact on our own revenue.

We work with hostel chains, which are increasingly prevalent. However, a large proportion of the accommodation suppliers we deal with continue to be independent hostels, which would not have the resources to build the tools which Hostelworld can provide. We build and nurture mutually beneficial relationships that allow both Hostelworld and our hostel partners to enhance yields.

Our Customers

We continually 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. We offer 24/7 Customer Service in 19 languages – helping our customers to Meet the World with ease.

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 2017, Hostelworld again partnered with Techies4TempleStreet Irish charity event which brings together the technology community based in Ireland to fundraise over €225,000 for Temple Street Children's Hospital, Dublin.

Other charitable initiatives during 2017 included colleagues fundraising and participating in a Tag Rugby blitz in aid of Debra Ireland, the Christmas Shoebox Appeal with Team Hope, donating to the St. Vincent de Paul Christmas Food Appeal, and organising a Christmas Market cake sale in aid of Plan International. In London colleagues organised a Christmas Jumper Day in aid of Save the Children. We also organise for employees to attend local blood donation clinics once a month, encouraging them to become regular blood donors.

In late 2017, we introduced a new printing system into the Dublin office. Our new printing system helps us to align more with corporate responsibility and environmental concerns as it is over 70% more energy efficient than our old printer fleet. It will also reduce wasted paper from uncollected printing jobs as employees have to manually release their documents from the printer before printing takes place.

Modern Slavery Act 2015

The Modern Slavery Act 2015 (the "Act") requires large organisations operating in the United Kingdom to make a public statement outlining how they keep their supply chains free from slavery and human trafficking. We published a statement on our website on 27 June 2017 outlining the steps taken by the Group to ensure that slavery and human trafficking is not taking place within the business or any supply chain and we will continue to monitor our obligations under the Act.

Greenhouse Gas Emission statement

Greenhouse Gas (GHG) emissions for the financial year ended 31 December 2017 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 (2017) to calculate the disclosures, where they are not separately disclosed by a supplier.

We believe our emissions are impacted by the growth of the business, which requires us to expand our office space, open new offices, and have our people travel more. We have therefore chosen to use an intensity ratio measured on emissions per €m of net revenue in order to put the GHG in context for the size of the business.

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

The energy consumption in the Group's Porto, 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 below disclosure.

The Group is committed to monitoring and reviewing its carbon emissions and in particular its employee business travel, which accounts for 57% of its total carbon emissions in 2017 (2016: 54%).

Greenhouse Gas Emissions 2017

	2017	2016
	tCO2e	tCO2e
Scope 1 – Emissions from operations	Nil	Nil
Scope 2 – Emissions from energy usage	190.9	159.4
Scope 3 – Emissions from employee travel	258.1	190.9
Total	449.0	350.3
Intensity Ratio (tCO2e/€m)	5.2	4.4

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

GOVERNANCE

CHAIRMAN'S INTRODUCTION

I am pleased to introduce this Report, which is my first since becoming Chairman on 1 December 2017.

The Hostelworld Corporate Governance Report for 2017 sets out how the Company has applied the main principles of good governance contained in the UK Corporate Governance Code for the year ended 31 December 2017 and reports on the activities of the Nomination, Remuneration and Audit Committees during the year.

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 UK Corporate Governance Code 2016, the Disclosure and Transparency Rules and the Listing Rules.

Compliance with UK Corporate Governance Code 2016

In April 2016, the Financial Reporting Council published an updated version of the Corporate Governance Code (the "2016 Code"). The 2016 Code applied to the Company for the first time during 2017 and, on behalf of the Board, I am pleased to report that the Company is in full compliance.

Board Composition, Diversity and Succession

Diversity and succession have been important considerations for the Board during 2017. They are reviewed by the Nomination Committee and continue to be an area of ongoing focus for the Board and management. We currently have six board members, comprising two executives, myself and three other non-executives. Of the six board members, two are female, five are resident in Europe and one is resident in the United States of America. Five have travel/leisure sector executive experience and one comes from another industry sector. In my opinion, we have an excellent mix of skills and styles which ensures good debate and well considered decisions.

On 19 December 2017 we announced that Mari Hurley had informed the Board of her intention to stand down as CFO during the first half of 2018 to pursue a new opportunity outside the Group. The Board has commenced a process to replace her.

Board Evaluation

In 2017, a formal evaluation of the Board, its Committees and individual directors was undertaken. 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.

Shareholder Engagement

We are committed to engaging regularly with our shareholders to address any queries and concerns.

We will continue to review developments in Corporate Governance best practice with the objective of ensuring 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 all our shareholders and stakeholders.

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

Michael Cawley
Chairman
9 April 2018

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DIRECTORS' BIOGRAPHIES

Michael Cawley

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

Age: 63

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: N/A*

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, Gowan Group Limited, Flybondi Limited, Linked P2P Limited and Meadowbrook Heights Unlimited. Prior to joining Ryanair, Michael was Group Finance Director of Gowan Group Limited. Michael is also Chairman of Fáilte Ireland Authority.

Independent on appointment

Feargal Mooney

Role: Chief Executive Officer; Chair of the Disclosure Committee

Age: 48

Nationality: Irish

Qualifications: Feargal has a Bachelor of Commerce degree from University College Galway and a MSc. Investment and 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: 47

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.

RESIGNATION IN 2017

Richard Segal

Role: Former Chair of the Board and Chair of the Nomination Committee

Resigned: As Chair of the Board and of the Nomination Committee on 1 December 2017 and as Board member on 31 December 2017.

Andy McCue

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

Age: 43

Nationality: British

Qualifications: Andy has a M.A. 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. Andy also holds directorships in The Restaurant Group plc and subsidiary companies.

Éimear Moloney

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

Age: 47

Nationality: Irish

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

Joined Group: November 2017

Independent: Yes

Sector Experience: Financial services

Other board and management experience: Éimear has held senior investment manager roles in Zurich Life Assurance (Ireland) plc, for 17 years up to December 2017, with responsibility for all major markets including the Irish, U.S. and U.K. equity portfolios, sector, stock analysis and selection. Éimear previously worked with Bankers Trust Funds Management Ltd in Australia and also with Crowe Horwath, Chartered Accountants in Ireland.

Carl Shepherd

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

Age: 65

Nationality: American

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

Joined Group: October 2017

Independent: Yes

Sector Experience: On-line travel industry

Other board and management experience: Carl was co-founder of HomeAway Inc. where he served on the Board of Directors and was the company's founding Chief Operating Officer and Chief Strategic and Development Officer until its sale to Expedia in 2015. Carl is currently on the board of @Leisure Group, Turnkey Vacation Rentals and OnceThere Inc. Carl's previous roles include COO and Chief Development Officer of Hoover's Online.

Hostelworld Annual Report 2017 | Governance

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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 and strategic guidance 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 six members, two executive and four non-executive directors as follows:

- Michael Cawley, the non-executive Chairman of the Board and Nomination Committee, who was independent on appointment;
- Andy McCue (Senior Independent Director and Chairman of the Remuneration Committee), Éimear Moloney (Chairperson of the Audit Committee) and Carl Shepherd; all three being independent non-executive directors; and
- Feargal Mooney (Chief Executive Officer) and Mari Hurley (Chief Financial Officer), both 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, unless otherwise agreed with the Board upon appointment, 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 AGM after the AGM 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.

An evaluation of the skills, knowledge, independence and experience of each director took place in 2017 and following recommendations from the Nomination Committee, the Board considers that all directors continue to be effective and committed to their roles, and that the non-executive directors are independent and able to devote sufficient time to their duties.

Accordingly, all Directors (with the exception of Mari Hurley given her recent resignation) will seek re-election at the Company's forthcoming AGM on 11 June 2018.

Board composition

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 collectively the Board has a broad range of sector and financial experience and that the current number of non-executive directors is sufficient for the Board to fulfil its duties.

Board role

The Board has delegated authority for the day-to-day operation of the business within defined parameters to the Executive Leadership 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 and has delegated certain responsibilities to Board Committees namely:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Disclosure Committee

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 2016 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 2016 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.

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 executive leadership 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

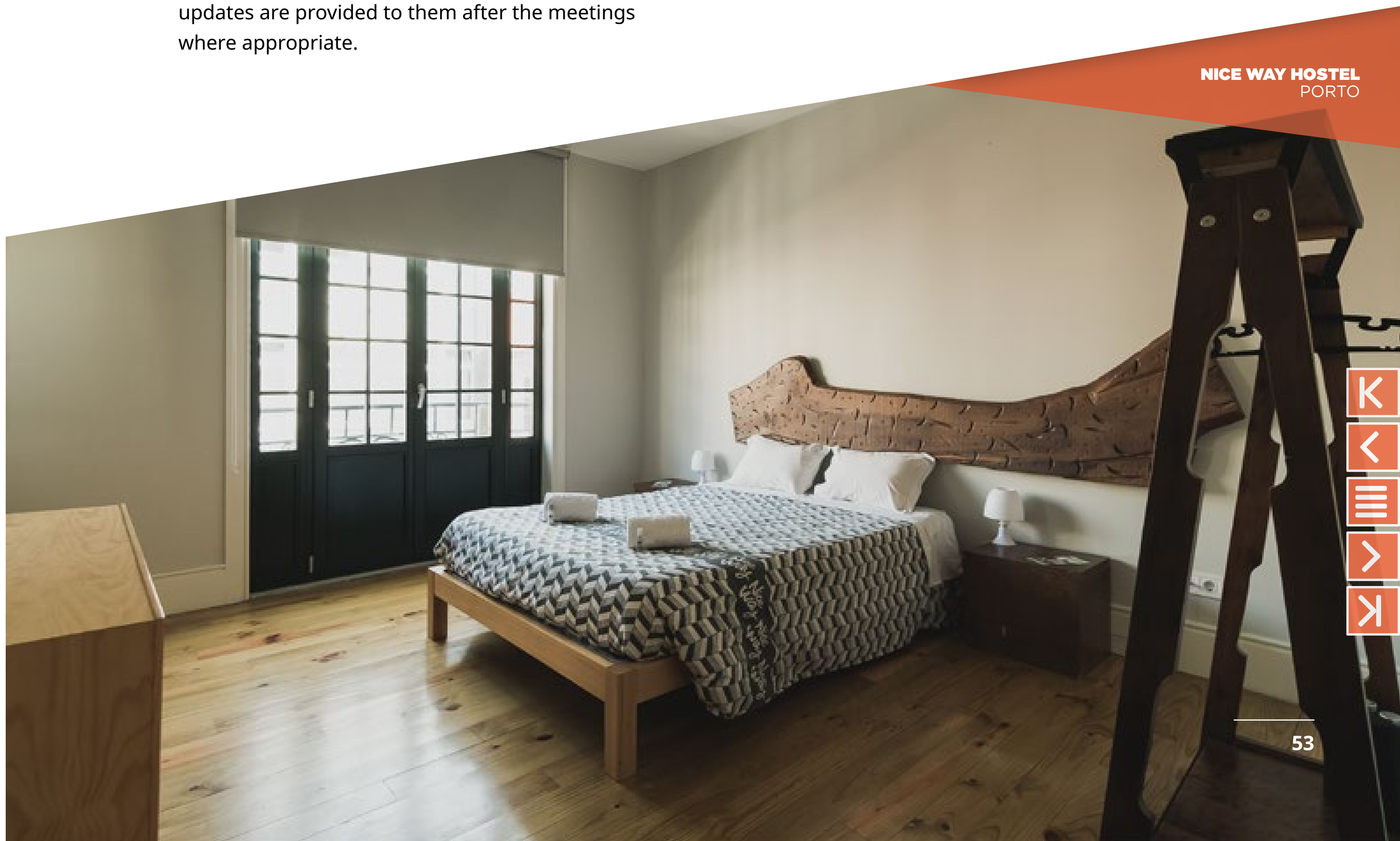
	Board/Committee (No. of Meetings held during the year when the director was a member)				
	Board	**Audit**	**Remuneration**	**Nomination**	**Disclosure**
Richard Segal [i]	9 / 9	3 / 3	3 / 3	7 / 7	-
Feargal Mooney	9 / 9	-	-	-	2 / 2
Mari Hurley	9 / 9	-	-	-	2 / 2
Michael Cawley	9 / 9	3 / 3	3 / 3	7 / 7	-
Andy McCue	7 / 9	3 / 3	3 / 3	7 / 7	-
Carl Shepherd [ii]	3 / 3	1 / 1	1 / 1	3 / 3	-
Éimear Moloney [iii]	1 / 1	1 / 1	-	-	-

i. Resigned 31 December 2017
ii. Appointed 1 October 2017
iii. Appointed 27 November 2017

There were 9 board meetings held in 2017, 7 which were scheduled board meetings and all of which had full attendance. Two board meetings were held by teleconference to deal with specific items of business and were convened at short notice.

Where a director is unable to attend a meeting, all papers for the meeting 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.

Michael Cawley, 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.

Andy McCue is the Board's Senior Independent Director ("SID") having succeeded Michael Cawley in the role on 1 December 2017. The SID's 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 views 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 executive leadership team together with briefings on the Group's business and its industry. The programme of induction takes account of prior experience and business perspectives and on the committees on which he or she will serve.

Directors have access to ongoing training as required and, as part of the annual Board evaluation and director appraisal process in 2017, the Chairman discussed any individual training and development needs with each director. The directors are also encouraged personally to identify any additional training requirements that would assist them in carrying out their role. During the year, training included a briefing and update on the Market Abuse Regulation, legal and regulatory updates and business presentations to the Board by the Chief Revenue Officer, Head of Brand and Head of Customer Acquisition. 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 Chairperson. Paula Phelan, as 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 former Chairman's performance was carried out in 2017 by the non-executive directors, led by the SID, who provided feedback to him individually that concluded that he performed effectively. Michael Cawley was appointed Chairman on 1 December 2017 following the resignation of Richard Segal as Chairman and a similar exercise will be conducted in relation to Michael Cawley's performance as Chairman during 2018.

The Board regards all of the non-executive directors as "independent non-executive directors" within the meaning of the 2016 Code and free from any relationship that could materially interfere with the exercise of their independent judgement.

The Nomination Committee reviewed the results of the Board evaluation and director appraisal process and recommended to the Board, after evaluating the balance of skills, knowledge, independence and experience of each director, that all directors (with the exception of Mari Hurley given her recent resignation) seek election/re-election at the Company's forthcoming AGM.

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 2017 (2016: 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 2017 (2016: €60,000 and €15,750).

The Chairman and certain 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 Board is kept informed of the views of shareholders through the executive directors' attendance at investor presentations and results presentations. Furthermore relevant feedback from such meetings, investor relations reports and broker notes are provided to the Board on a regular basis.

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 Chairman, in line with the 2016 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 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.

Andy McCue, 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 12 noon on 11 June 2018 at Hostelworld Group plc, Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland. 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.

At the Company's AGM held on 1 June 2017, the Company proposed a resolution to disapply pre-emption rights over a further 5% of shares in addition to a general 5% disapplication. This further 5% would only have been for use in connection with a specified capital investment. The resolution was proposed in line with Pre-Emption Group guidance in order to give the Company flexibility and not in connection with any particular need. The resolution was voted down by shareholders by a margin of 0.54% as certain Company shareholders had internal voting guidelines directing them to vote against such disapplication resolutions. The Company has decided not to propose this resolution at the 2018 AGM.

The Chairman and all 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
9 April 2018

GENERATOR
VENICE

ÉIMEAR MOLONEY

Chairperson, Audit Committee

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REPORT OF THE AUDIT COMMITTEE

Dear Shareholders

I am pleased to introduce the Report of the Audit Committee for 2017, which is my first Audit Committee Report since becoming Chairperson.

Membership

- Éimear Moloney (Chairperson – appointed 1 December 2017)
- Michael Cawley
- Andy McCue
- Carl Shepherd (appointed 6 October 2017)
- Richard Segal (resigned 31 December 2017)

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee. Appointments to the Committee are for an initial period of 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 confirm that both myself and Michael Cawley have recent and relevant financial experience and I am pleased to confirm that the Committee as a whole has competence relevant to the sector in which the Company operates. Further details of the Committee members' qualifications and experience are available on pages 48 to 49.

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 2016 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.

Fair, balanced and understandable

The 2016 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.

The Committee reviewed a draft of the whole Annual Report at a meeting in advance of giving their final opinion and ahead of final approval by the Board. The Committee was provided with all relevant information and in particular with briefings from management on how specific issues are managed and challenged management as required. The review by the Committee in considering whether the Annual Report as a whole is fair, balanced and understandable included:

> considering whether the content of the front half of the Annual Report, in particular the business review, provides a fair and balanced assessment that covers both positive and negative aspects of performance and developments;

> ensuring that the links between discussions of performance, financial position and cash flows, including the use of appropriate performance measures and the financial statements are clear;

> considering that the information provided on the Company, the environment in which it operates and the risks it faces are specific to the Group and not explained in general terms;

> removing immaterial items; and

> explaining the links between information in the Annual Report, such as objectives, KPIs and risks.

Having conducted its review, the 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 following recommendation by the Audit Committee the Board confirmed that the Annual Report and Financial Statements are fair, balanced and understandable. 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 page 98.

Meetings

Under its terms of reference, the Committee is required to meet at least twice a year. The Committee met on three occasions during 2017. Individual attendance at these meetings is set out on page 53. The Committee's agenda is linked to events in the Group's financial calendar.

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 2017.

Reporting

The Chairperson of the Audit Committee reports to the Board on the activities of the Committee. The Chairperson 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 2017 are set out under the following relevant headings.

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 2017 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 2017 of €128.1m. This represented 81% of the Group's total assets. In 2016 the Group recorded an impairment charge of €8.2m as a result of a review of trading performance of the Hostelbookers brand. 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 2017. Following these discussions, the Committee is satisfied that there was no impairment of goodwill and other intangibles as at 31 December 2017, 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 2017 €1.7m (2016: €2.4m) 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 €1.9m at 31 December 2017 (2016: €3.1m). 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 or explain reasons for non-compliance. 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

The Audit Committee oversees the relationship with the external auditor.

Deloitte were first appointed auditor to the Hostelworld Group in 2004 however the first year that they were appointed to Hostelworld Group plc as a listed plc entity was in relation to the audit for the financial year ended 31 December 2015. In the UK, mandatory audit tendering is required every ten years with mandatory rotation of auditors of Public Interest Entities ("PIEs") required at least every twenty years. Transitional arrangements require Hostelworld to put its audit out to tender by 17 June 2023. This is on the basis of Deloitte, 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 its audit contract prior to this date if it considers this necessary.

The external auditor is required to rotate the audit partner responsible for the Group audit every five years. In this regard, Daniel Murray was appointed audit partner for the year ended 31 December 2017 replacing Richard Howard.

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

All requirements to engage the external auditors for material non-audit services must be notified to the 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 2017, Deloitte were engaged to provide non-audit services to the Group totalling €4,000.

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 focussed finance function that is fully conversant with the operations of the business;
- a code of conduct setting out behavioural and ethical standards, supported by clear anti-bribery and corruption guidelines, and a whistleblowing policy with an external independent hotline.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The directors confirm that they have reviewed the effectiveness of internal control and considered the significant risks affecting the business and the way in which these risks are managed as part of its responsibility to monitor the

Company's risk management and internal control systems. The risks identified on pages 33 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. Following a review in December 2017 which concluded that 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 Committee renewed the contract with PwC.

The Internal Audit Plan, setting out areas of focus was agreed by the Audit Committee with the Internal Auditors. In 2017, the Audit Committee received five reports from PwC covering a review of data protection compliance, business continuity management, payroll key controls, third party management of a key supplier contract and Distributed Denial of Service ("DDoS") readiness. The Audit Committee subsequently follows up to ensure internal audit findings or recommendations are acted upon by management. There were three overdue internal audit findings from 2017 at year end, all of which have since been successfully closed out.

The internal audit plan for 2018 was set following consultation with the Audit Committee and focuses on a review of IT change management processes, new payment model, information security and data protection compliance/GDPR readiness.

Whistleblowing

The Audit Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements for the Company's employees. The Group's whistleblowing policy contains arrangements for an independent external service provider to receive complaints in confidence should staff not feel comfortable raising them through existing internal channels. The Committee reviewed the Group's whistleblowing facilities during the year to ensure that it continues to meet the needs of the Group.

No concerns were raised during 2017.

Annual evaluation of performance

The Committee's effectiveness was reviewed as part of an internal formal annual evaluation process in the final quarter of 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.

Éimear Moloney
Chairperson, Audit Committee
9 April 2018

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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 2017.

The Members of the Committee comprise of the following independent non-executive directors:

- Michael Cawley (Chairman appointed 1 December 2017)
- Andy McCue
- Carl Shepherd (appointed 6 October 2017)
- Éimear Moloney (appointed 9 February 2018)
- Richard Segal (resigned 31 December 2017; resigned as Chairman 1 December 2017)

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:

- Regularly 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, 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, 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 taking into account the need for diversity and a balance of skills, experience, independence and knowledge;
- 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.

Activities of the Nomination Committee

The Committee met on seven occasions during 2017. Individual attendance at these meetings is set out on page 53. The principal activities of the Committee throughout the year are detailed below:

- The Committee considered Board composition and succession to ensure that the Company has the appropriate level of skills and diversity. The Committee recommended the appointments of Carl Shepherd and Éimear Moloney to the Board and continues to ensure that there is a robust succession plan in place for senior management and Board positions;
- An internal evaluation of the Board, Committees and individual directors took place in 2017. 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; and
- The Committee recommended to the Board that all directors (with the exception of Mari Hurley given her recent resignation) be put forward for re-election/election at the Company's 2018 AGM.

Board Composition and Succession

Board composition and succession has been an important consideration for the Group during 2017 which included the appointment of two new non-executive directors.

In August 2017, Richard Segal indicated his intention to resign from the Board. On 1 December 2017 he resigned as Chairman of the Board and of the Nomination Committee and subsequently as a Board member on 31 December 2017. I succeeded Richard Segal as Chairman of the Board and of the Nomination Committee on 1 December 2017 and Andy McCue was appointed Senior Independent Director on 1 December 2017.

During the year a search was undertaken for a non-executive director with experience in the travel/accommodation/digital sector and, on the recommendation of the Nomination Committee, the Board approved the appointment of Carl Shepherd with effect from 1 October 2017. Carl brings an immense wealth of listed company experience in the international on-line travel industry.

Again, with succession in mind, the Committee oversaw and then recommended to the Board the appointment of Éimear Moloney as an additional non-executive director and Chairperson of the Audit Committee. Éimear's strong investment management experience will be of enormous benefit to the Group as we execute on our strategic objectives and continue to grow the business.

In undertaking the search for the non-executive directors during the year, the Committee identified a shortlist of candidates based on:

> A review of the list of potential candidates provided by Skill Capital prior to the IPO in 2015; and

> Identification of potential candidates in the market by the former Chairman, myself and the CEO based on the candidate's skills, knowledge and experience being complementary to the Company.

Carl Shepherd was identified by the Nomination Committee as a suitable candidate and the Committee recommended his appointment as a non-executive director to the Board.
The Committee also engaged the services of KPMG to facilitate a recruitment process to identify candidates who would be suitable to assume the role of Chair of the Audit Committee. A list of potential candidates was reviewed by the Committee and interviewed. Following this process, on the recommendation of the Nomination Committee, the Board approved the appointment of Éimear Moloney as non-executive director with effect from 27 November 2017 and as Chairperson of the Audit Committee with effect from 1 December 2017. KPMG had no other connection with the Company in 2017.

The Committee will also oversee the recruitment of a Chief Financial Officer in 2018 following the announcement, in December 2017, that Mari Hurley would be leaving the business to take up an opportunity outside of the Group during the first half of 2018.

Board evaluation and re-election of directors

The Committee carried out an evaluation of its own performance for the year ended 31 December 2017 and concluded it was satisfactory. The results of the Board evaluation and director appraisal process as described on page 55 were also noted. The process 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, with the exception of Mari Hurley given her recent resignation, will seek re-election/election at the Company's forthcoming AGM.

Board diversity

We aim to have a Board that is well-balanced and has the appropriate skills, knowledge, experience and diversity for the needs of the business. Diversity is considered in its broadest sense and includes age, gender, cultural, geographical diversity and business background. During 2018, we will review our Board policy on diversity as appropriate to ensure that the Group continues to derive the benefits of a diverse Board.

The Nomination Committee considered diversity on the Board in 2017 and in particular noted the gender imbalance on certain committees, the business background and geographical diversity of Board members. This matter was addressed by the appointment of Carl Shepherd and Éimear Moloney as non-executive directors during the year.

The Board is keen to ensure that the Group benefits from the existence of a high quality Board and it was agreed that, in relation to Board and Committee appointments, diversity remains a key value for the Company and that when there is a vacancy on the Board, selection is on the basis of merit against objective criteria to ensure that the best individual is appointed for the role.

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.

The Group will continue to monitor diversity both on the Board, its Committees and across the business to ensure diversity and equal opportunities.

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

Michael Cawley
Chairman, Nomination Committee
9 April 2018

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 2017.

The current 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.

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

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 current policy has been included in this report. However, in anticipation of formal shareholder approval being required for the renewal of the current policy at the 2019 AGM, the Committee will undertake a review of the policy in 2018. Upon completion of this review, we will engage with our major shareholders regarding our proposed approach for 2019 onwards.

Members of the Remuneration Committee

Committee membership is as follows:

> Andy McCue (Chairman)
> Michael Cawley
> Carl Shepherd (appointed 6 October 2017)
> Richard Segal (resigned 31 December 2017)
> Éimear Moloney (appointed 9 February 2018)

Key activities of the Remuneration Committee in 2017

As described earlier in this Annual Report, 2017 was a year of strong performance for Hostelworld, in the midst of continued challenges for the travel industry.

As also described earlier, there were a number of Board changes announced during the year:

> Carl Shepherd joined the Board on 1 October;

> Richard Segal stepped down as Company Chairman on 1 December and was replaced by Michael Cawley. Richard left the Board on 31 December;

> Andy McCue became Senior Independent Director on 1 December, taking over from Michael Cawley;

> Also on 1 December, Éimear Moloney (who became a Non-Executive Director on 27 November) took over from Michael Cawley as Chair of the Audit Committee; and

> On 19 December it was announced that Mari Hurley had resigned as Chief Financial Officer.

It was in this context that the Remuneration Committee met 3 times and undertook the following activities:

> Finalising the 2016 Remuneration Report;

> Determining the salary increases for the Executive Directors that applied for 2017;

> Agreeing the final outturn of the 2016 annual bonus scheme for the Executive Directors which was, as reported last year, a nil payout;

> Agreeing the structure of the 2017 annual bonus scheme for the Executive Directors, including bonus opportunity, metrics and

specific targets to be employed. As noted on page 80, the Executive Directors' bonus opportunity was unchanged from 2016 with the same metrics also used (albeit with it agreed by the Committee during the year that the weighting originally placed on Adjusted profit before tax ("Adjusted PBT") be increased with a corresponding reduction in the original weighting placed on bookings, this adjustment being made to reflect a weaker demand backdrop, and to ensure management focussed on profitable growth during this period which supports the generation of long-term returns to shareholders);

> Agreeing the approach to the second award made under the Company's Long-Term Incentive Plan (LTIP) in 2017, including the quantum, metrics, targets and award population. As noted on page 81, the 2017 awards were structured in a similar manner to the first awards made under the LTIP in 2016 with the Remuneration Committee agreeing (pursuant to policy) that subsisting and future LTIP awards will be subject to the dividend equivalent facility contained in the plan rules;

> Agreeing the establishment of employee Save As You Earn ("SAYE") share plans for colleagues in the UK and Ireland;

> Undertaking a tender exercise for the role of independent advisers to the Remuneration Committee which resulted in the appointment of Korn Ferry Hay Group as new advisers; and

> Drafting the 2017 Remuneration Report.

Remuneration outcomes for 2017

As noted above, Hostelworld delivered a strong set of results in 2017. This was reflected in the payouts under the annual bonus scheme which amounted to 75% of salary for Feargal Mooney (73% of his maximum bonus opportunity). Following her resignation, the Committee determined that Mari Hurley should not be entitled to a bonus for 2017. Full details of performance against the annual bonus targets in 2017 can be found on page 80 to 81.

No LTIP awards have thus far vested, with the first award made in 2016 capable of vesting (subject to performance) in 2019.

How we will apply our policy in 2018

The structure of remuneration arrangements for 2018 will remain largely unchanged from that applied in 2017. The Remuneration Committee reviewed Feargal Mooney's salary and determined that an increase of 2% was warranted following a benchmarking exercise (which is no higher than the typical salary increase across the wider workforce). No review of Mari Hurley's salary was undertaken due to her resignation.

Feargal Mooney will continue to have the opportunity to earn a bonus of up to 102.6% of salary. Mari Hurley will not participate in the bonus plan for 2018. The metrics used to determine bonus payouts (if any) will continue to relate to Adjusted PBT, bookings and personal performance.

A further award will also be made under the LTIP to Feargal Mooney over shares worth 125% of salary (i.e. the same quantum as last year). Mari Hurley will not receive an LTIP award. Also as was the case with the 2017 awards, the 2018 awards will be subject to a blend of stretching Adjusted Earnings Per Share ("Adjusted EPS") and absolute Total Shareholder Return ("TSR") targets.

As a result, the Committee has maintained a strong linkage between the Company's underlying strategy and its senior Executive remuneration policy.

Remuneration Committee activities for 2018

During the first part of 2018, the Committee has:

> Determined Feargal Mooney's pay arrangements for 2018;

> Agreed the fee arrangements for Michael Cawley as new Chairman;

> Agreed the termination arrangements for Mari Hurley (as described more fully on page 83); and

> Finalised this report.

Furthermore, as noted above, in addition to its normal duties and responsibilities, the Committee will conduct a full review of the Directors' Remuneration Policy in 2018 with a view to presenting a new policy for formal shareholder approval at the 2019 AGM. When conducting this review, the Committee will take due account of market conditions and best practice (noting any proposed changes to the regulatory landscape) while also ensuring that the policy continues to reflect and be supportive of the Company's strategy and culture and takes due account of stakeholder views.

Structure of this report

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 current remuneration policy for directors.

> The Annual Report on Remuneration which sets out payments made to the directors and details the link between Company performance and remuneration for the 2017 financial year. The Annual Report on Remuneration together with this statement is subject to an advisory shareholder vote at the AGM on 11 June 2018.

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

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

Andy McCue
Chairman, Remuneration Committee
9 April 2018

SUMMARY OF DIRECTORS' REMUNERATION POLICY

Introduction

The current Directors' Remuneration 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 this policy at the AGM on 11 June 2018, although this policy will be reviewed in 2018 with a view to presenting a new policy for formal shareholder approval at the 2019 AGM.

A summary of the current policy is included below 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.hostelworldgroup.com.

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

SOPHIE'S HOSTEL
PRAGUE

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 listed companies of comparable size 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
- 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 PBT for the Group are met. The bonus payout is then determined based on the satisfaction of a range of key financial and non-financial objectives.

Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance.

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 in normal circumstances.

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 EPS growth (70%) and TSR (30%).

Discretion may also be exercised in cases where the Remuneration Committee believes that the vesting outcome is not a fair and accurate reflection of business performance.

Shareholding Requirement

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

Operation

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

Requirement

- 150% of base salary.

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.

In relation to the above bonus plan and LTIPs, 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.

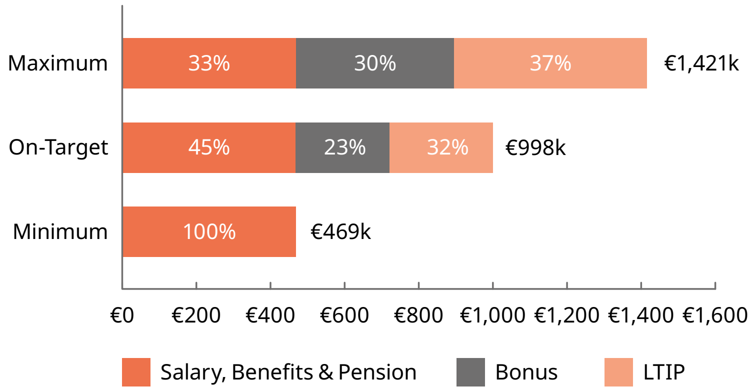
Illustration of remuneration policy

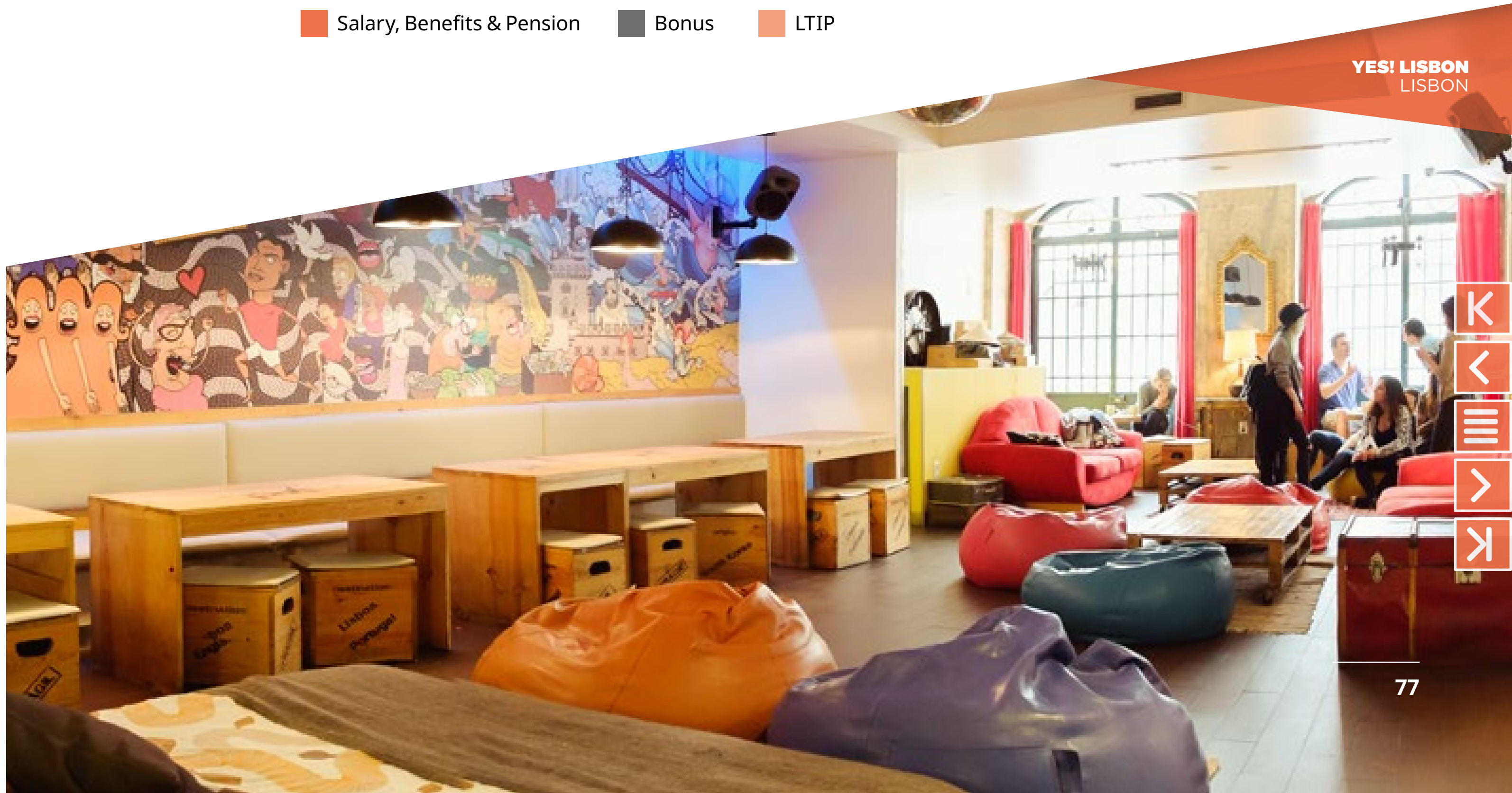
The chart below illustrates how the above policy shapes Feargal Mooney's remuneration package (based on his salary and pension with effect from 1 January 2018 and benefits assumed to be in line with 2017 levels), under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. Mari Hurley has not been included in this analysis following her resignation. 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 bonus payable	57.5% of base salary	102.6% of salary
Long-Term Incentive Plan	No LTIP vesting	62.5% of the maximum opportunity of 125% of salary	125% of base salary

In accordance with the relevant regulations, share price growth has not been included within the illustrations below, nor have dividend equivalents on the LTIP awards.

CEO





ANNUAL REPORT ON REMUNERATION

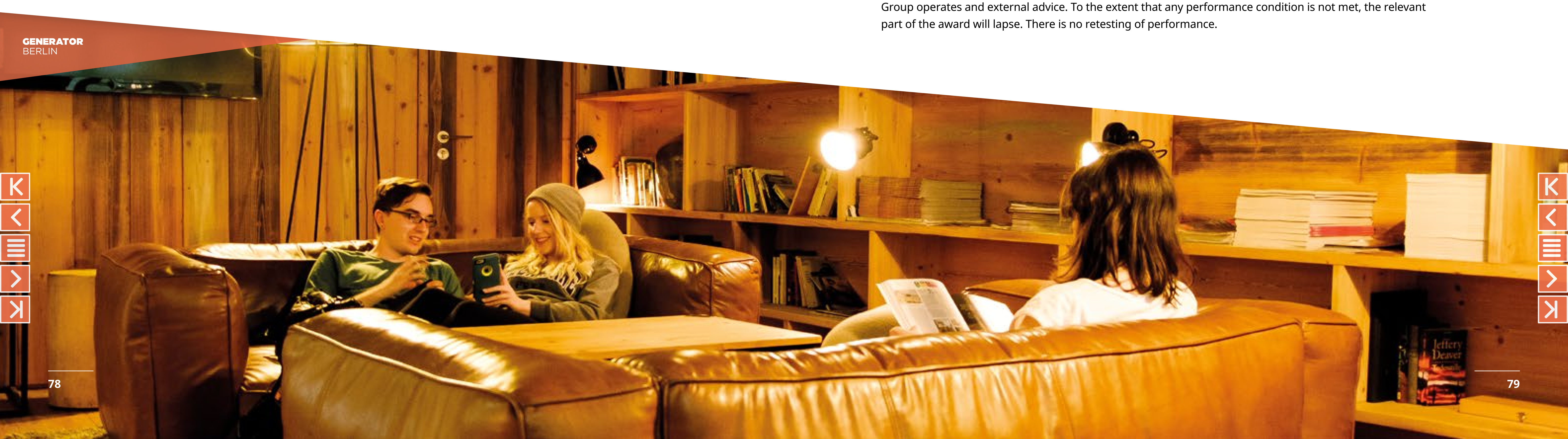
Single total figure of remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2017 financial year. Comparative figures for the 2016 financial year have also been provided. Figures provided have been calculated in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

	Salary (€'000)		Benefits [1] (€'000)		Bonus [2] (€'000)		LTIP (€'000)		Pension (€'000)		Other (€'000)		Total (€'000)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Feargal Mooney	410.0	400.0	8.9	8.7	308.9	-	-	-	41.0	40.0	-	850.0[3]	768.8	1,298.7
Mari Hurley	282.0	275.0	4.8	4.7	-	-	-	-	16.9	16.5	-	-	303.7	296.2

(1) Benefits represent payments for health insurance and life assurance policies.
(2) An explanation of the bonuses paid for 2017 is set out later in this report.
(3) As reported last year and 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 Admission document, 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.



Non-Executive Directors

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

	2017				2016			
	Fees	Taxable benefits	Other payments	Total	Fees	Taxable benefits	Other payments	Total
Richard Segal[1]	145.0	-	-	145.0	145.0	-	-	145.0
Michael Cawley[2]	74.0	-	-	74.0	63.0	-	-	63.0[4]
Andy McCue[3]	67.0	-	-	67.0	61.5	-	-	61.5[4]
Carl Shepherd[6]	15.0	-	-	15.0	-	-	-	
Éimear Moloney[5]	5.9	-	-	5.9	-	-	-	-

(1) Stepped down as Company Chairman and Chair of Nominations Committee on 1 December 2017.
(2) Senior Independent Director and Chair of Audit Committee until 1 December 2017. From 1 December 2017 Company Chairman.
(3) Chair of Remuneration Committee and, from 1 December 2017, Senior Independent Director.
(4) As reported last year, 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.
(5) Appointed to the Board on 27 November 2017 and Chair of the Audit Committee from 1 December 2017.
(6) Appointed to the Board on 1 October 2017.

Additional information regarding single figure table

The Remuneration Committee considers that performance conditions for all incentives are suitably realistic yet stretching, 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

In last year's Report, it was indicated that the intention was to use the same metrics and weightings for the 2017 bonus as were used for 2016, namely:

- Adjusted PBT – 50% weighting
- Bookings – 30% weighting
- Personal performance – 20% weighting

However, it was agreed during the year that the weighting on Adjusted PBT should be increased with a corresponding reduction in the weighting applied to bookings as set out below. This adjustment was made to reflect a weaker demand backdrop and to ensure management focussed on profitable growth, which supports the generation of long-term returns to shareholders:

- Adjusted PBT – 63.3% weighting
- Bookings – 16.7% weighting
- Personal performance – 20% weighting (i.e. as previously indicated)

The table below sets out the details of the performance conditions that were used to determine the annual bonus outturn over the 2017 financial year for Feargal Mooney. Following her resignation, the Committee determined that Mari Hurley should not be entitled to a bonus for 2017. As in previous years, no bonus is payable unless a threshold level of Adjusted PBT is met:

2017 bonus outturn – Feargal Mooney

Performance metric	Threshold performance level	% of max payout of relevant element at threshold	Maximum performance level	% of max payout of relevant element at max	Actual performance	Resulting payout (% of award)
Adjusted Profit Before Tax[(1)]	€21.5m	5.4%	€25.4m	100%	€24.3m	73.4%
Bookings	6.9m	12.2%	7.7m	100%	7.5m	82.4%
Personal Performance[(2)]	€21.5m Adjusted PBT and personal performance	6.8%	€25.4m Adjusted PBT and personal performance	100%	€24.3m Adjusted PBT with personal performance summarised below	65.9%

(1) For the 2017 financial year, Adjusted PBT before bonus payments was used as an underpin on which any payout under the annual bonus is contingent.

(2) For personal performance, the level of bonus payment was calculated relative to the achievement of individual objectives and resulting performance rating, together with the level of Adjusted PBT performance. More particularly, the objectives set for Feargal Mooney and how he performed against such targets were as follows (with the Committee considering that disclosing any further information would raise issues of commercial sensitivity and so would not be in shareholders' interests):

Objective/Metrics	Performance assessment
Group bookings growth vs budget	Partially achieved
Gross ABV of €11.39	Fully achieved
EBITDA margin performance of at least 30%	Fully achieved
Operational objectives e.g. effective delivery of at least three product enhancements, establishment of a new nearshore development centre	Fully achieved
Cultural objectives e.g. fostering a Group-wide culture of excellence which is dynamic, decisive and results oriented with robust appraisal and development processes	Fully achieved

Based on overall performance, the table below summarises the annual bonus awarded to Feargal Mooney in respect of 2017:

Director	Maximum bonus opportunity (% of salary)	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (€)
Feargal Mooney	102.6%	73.4%	75.3%	€308,894

Long term incentives awarded in 2017

The table below sets out the details of the LTIP awards granted in the 2017 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	512.5	194,121	Nil	25%	31 December 2019	Adjusted EPS (70%) Absolute TSR (30%)
Mari Hurley	LTIP – nil cost option	90% of salary	253.8	96,132	Nil	25%	31 December 2019	Adjusted EPS (70%) Absolute TSR (30%)

The awards were granted on 29 March 2017. The number of shares awarded was calculated using the closing share price on 28 March 2017, which was 228.25p. 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.

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

The Absolute TSR condition applying to 30% of the awards is provided in the table below. In summary, TSR is the change in the capital value of a listed quoted company over a period, with dividends deemed to have been re-invested, expressed as a plus or minus percentage of the opening value.

Annualised TSR of the Company over the three year period to 31 December 2019	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%

As noted above, the Committee has determined that Mari Hurley's LTIP awards will lapse due to her resignation.

Past LTIP awards

The following awards were granted under the LTIP in 2016:

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.

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

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%

As noted above, the Committee has determined that Mari Hurley's LTIP awards will lapse due to her resignation.

Payments to past directors / payments for loss of office

There were no payments to past directors in the financial year.

As noted above, on 19 December 2017 it was announced that Mari Hurley intended to resign from the Board. Details of her termination arrangements are as follows:

> Salary, benefits and pension – pursuant to her contract of employment and the remuneration policy, Mari will continue to receive salary, benefits and pension during her six month notice period (including any period of "garden leave")

> Annual bonus – the Committee has determined that Mari will not receive a bonus for 2017 and will not be eligible to participate in the 2018 bonus plan

> LTIP – the Committee has determined that Mari's subsisting awards will lapse upon her cessation of employment and that Mari will receive no further LTIP awards

Statement of directors' shareholdings and share interests

The Remuneration Committee has adopted formal shareholding guidelines that encourage the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to 150% of base salary. 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 2017 are set out in the table below.

Director	Shareholding requirement (% of salary)	Current shareholding* (% of salary)	Beneficially Owned Shares	Unvested LTIP interests subject to performance conditions	Shareholding requirement met?
Feargal Mooney	150%	253%	240,033	410,039	Yes
Mari Hurley	150%	30%	19,504	203,011	No

*The share price of 383 pence as at 31 December 2017 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.

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

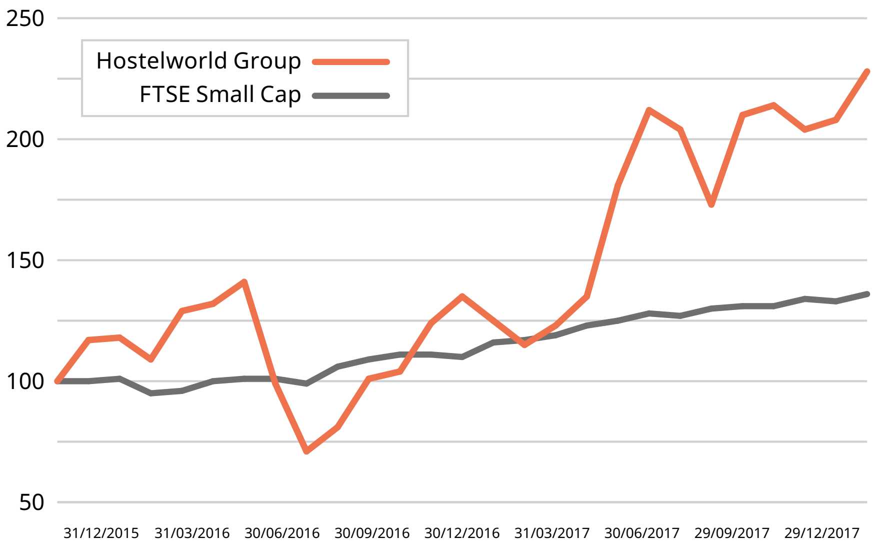
Director	Shares held 31 December 2017 or Date of resignation
Richard Segal	39,008
Michael Cawley	20,000
Andy McCue	25,000
Carl Shepherd	-
Éimear Moloney	-

No changes in the above directors' interests have taken place between 31 December 2017 and the date of this report.

Comparison of overall performance and pay (TSR graph)

The graph below shows the value of £100 invested in the Company's shares since listing compared to the FTSE SMALLCAP index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment of dividend income over the same period. The Remuneration Committee considers that the FTSE SMALLCAP index is the appropriate index given the current magnitude and nature of operations and market capitalisation. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 28 October 2015 (with grey market trading until 2 November 2015) and therefore only has a listed share price for the period from 28 October 2015 to 31 December 2017.

Total Shareholder Return (£)



Chief Executive Officer historical remuneration

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

Chief Executive Officer	2017	2016	2015	2014
Total Single Figure (€'000)	768.8	1,298.7	395.0	413.1
Annual bonus payment level achieved (% of maximum opportunity)	73.4%	0%	0%	14.9%
LTIP vesting level achieved (% of maximum opportunity)	n/a	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 2016 to 2017 compared with the average percentage change for all employees.

	Salary			Taxable benefits			Bonus		
	2017 (€'000)	**2016 (€'000)**	**% change**	**2017 (€'000)**	**2016 (€'000)**	**% change**	**2017 (€'000)**	**2016 (€'000)**	**% change**
Chief Executive Officer	410.0	400.0	2.5%	8.9	8.7	2.3%	308.9	-	n/a
Total pay	14,385	14,162	1.6%	307.6	238.5	29.0%	1,367.3	-	n/a
Average number of employees	254	241	5.4%	254	241	5.4%	254	241	5.4%
Average per employee	56.6	58.8	(3.7%)	1.2	1.0	20%	5.4	-	n/a

The Chief Executive Officer's remuneration disclosed in the table above has been calculated to take into account base salary, taxable benefits and annual bonus. To reflect the relevant regulations, the employee pay figures (on which the average percentage change is based) is calculated using the increase in the earnings of all Group employees (i.e. those based in Ireland, the UK and other jurisdictions) from calendar years 2016 and 2017 which, for base salary, gives a reduction of 3.7%. However, when the salaries of all staff employed in the UK and Ireland only are compared on a matched sample basis (i.e. comparing those employees that were employed at both 31 December 2016 and 31 December 2017) the average base salary increased by 5.5%.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2016 and 2017 financial years compared with other disbursements. All figures provided are taken from the relevant Company Accounts.

	Disbursements from profit in 2017 financial year (€m)	Disbursements from profit in 2016 financial year (€m)	% change
Profit distributed by way of dividend/share buybacks	24.8	7.2	244.4%
Overall spend on pay including Executive Directors	19.0	16.7	13.8%

Shareholder voting at general meeting

The Committee is committed to shareholder dialogue, to ensure optimal alignment for all stakeholders and to ensure shareholders' views are taken into account in shaping remuneration policy and practice. The Annual Report on Remuneration was subject to an advisory shareholder vote at the AGM on 1 June 2017, the results of which were as follows:

Resolution	For	Against	Withheld
Ordinary Resolution to approve the Directors' remuneration report for the year ended 31 December 2016	78,081,452 (99.03%)	764,544 (0.97%)	2,660

Implementation of remuneration policy in financial year 2018

The Remuneration Committee proposes to implement the policy for 2018 as set out below:

Salary
Salaries were reviewed during the year. Feargal Mooney's salary was increased with effect from 1 January 2018 as set out below:

Name	Salary (€)		Percentage Change
	2018	**2017**	
Feargal Mooney	418,200	410,000	2%

This salary increase is no higher than the typical salary increase across the wider workforce. Mari Hurley's salary was not reviewed given her resignation.

Changes to Non-Executive Director 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
Senior Independent Director Fee	7,000
Base Non-Executive Director 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 for Feargal Mooney remains at 102.6% of base salary. Mari Hurley will not participate in the bonus plan.

The proportion of the total bonus allocated to individuals will be based on the achievement of key strategic objectives which for the 2018 financial year will include:

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

To simplify the bonus structure and to align it to common practice, the linear relationship between amounts payable under the personal performance element and the Adjusted PBT target range will be removed. However, the payment of any bonus (including the personal element) will continue to be subject to the achievement of the threshold Adjusted PBT target.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed 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 plan.

LTIP award

It is intended that a grant under the LTIP will be made during 2018. Feargal Mooney will receive an award over shares worth 125% of salary as per last year. Mari Hurley will not receive an award.

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

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

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

GENERATOR
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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, apart from former Chairman Richard Segal and current Chairman Michael Cawley, who were independent on appointment. The Remuneration Committee receives assistance from the CEO, CFO, Chief HR Officer and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Remuneration Committee met 3 times during 2017. Meeting attendance is shown on page 53 of this Report.

Advisors to the Remuneration Committee

During part of the financial year the Committee took advice from PricewaterhouseCoopers LLP (PwC) who were retained as external independent remuneration advisors to the Committee. During that part of the year, PwC advised the Company on all aspects of remuneration policy for Executive Directors and members of the Executive team. The Remuneration Committee was 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 £13,500 for their advice during part of the year. Fees were charged on a cost incurred basis.

During the year the Remuneration Committee conducted a tender exercise for the role of its independent advisors, culminating in the appointment of Korn Ferry Hay Group as its new advisors in October 2017. Following this date, Korn Ferry Hay Group advised the Company on all aspects of remuneration policy for Executive Directors and members of the Executive team. The Remuneration Committee was satisfied that the advice received was objective and independent. Korn Ferry Hay Group is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Korn Ferry Hay Group received fees of £8,000 for their advice during part of the year. Fees were charged on a cost incurred basis.

On behalf of the Board

Andy McCue
Chairman, Remuneration Committee
9 April 2018

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 2017.

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 17 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 50 to 56, which sets out the Company's statement with regard to its adoption of the UK Corporate Governance Code. The Corporate Governance Statement forms part of this Directors' Report and is incorporated into it by reference;

> The Audit Committee Report on pages 59 to 64; and

> The Directors' Remuneration Report on pages 71 to 73.

> This Directors' Report, on pages 90 to 98, together with the Strategic Report on pages 17 to 43, form the Management Report for the purposes of DTR 4.1.5R.

Disclosures under Listing Rule 9.8.4R

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

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 9.2.18R (publication of unaudited financial information)	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3R	Directors' Remuneration Report on pages 71 to 73.
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 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

Requirement	Referenced
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 20 in the Financial Statements on page 145
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

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Hostelworld **Annual Report 2017** | Governance

Board of directors

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

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

> Michael Cawley (non-executive Chairman – appointed as Chairman on 1 December 2017)

> Feargal Mooney (Chief Executive Officer)

> Mari Hurley (Chief Financial Officer)

> Andy McCue (non-executive Senior Independent Director ("SID") – appointed as SID on 1 December 2017)

> Éimear Moloney (non-executive director appointed on 27 November 2017)

> Carl Shepherd (non-executive director appointed on 1 October 2017)

> Richard Segal (former non-executive Chairman – resigned as Chairman on 1 December 2017 and from the Board on 31 December 2017)

Biographical details of the directors together with membership of the various committees are set out on pages 48 to 49.

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 2017 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 15 to the Group's financial statements contained on page 139. All the information detailed in Note 15 on page 139 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 11 June 2018, 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 2019 and the conclusion of the annual general meeting of the Company held in 2019.

The directors are also seeking authority from shareholders to allot ordinary shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. The resolution seeks authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. The power will expire at the earlier of 30 June 2019 and the conclusion of the annual general meeting of the Company held in 2019.

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 2019 and the conclusion of the annual general meeting of the Company held in 2019.

Authority to purchase own shares

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

Rights attaching to shares

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

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

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

Voting rights

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

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) 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.

2018 Annual General Meeting

The Annual General Meeting ("AGM") will be held at 12 noon on 11 June 2018 at Hostelworld Group plc, Floor 2, One Central Park, Leopardstown, Dublin 18, Ireland.

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

Substantial shareholders

At 31 December 2017, the Company had been notified, in accordance with chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules ("DTR5 Notification"), of the following significant interests:

Shareholder	Number of ordinary shares / voting rights notified	Percentage of voting rights over ordinary shares of €0.01 each and nature of holding
Woodford Investment Management Limited	24,307,394	25.43% (direct)
The Capital Group Companies, Inc.	14,635,962	15.31% (indirect)
Standard Life Aberdeen plc	6,893,296	7.21% (indirect)
Burgundy Asset Management Limited	5,252,294	5.50% (indirect)
Majedie Asset Management Limited	4,722,404	4.94% (indirect)
Unicorn Asset Management Limited	4,610,000	4.82% (indirect)
Santander Asset Management UK Limited	4,392,664	4.60% (indirect)
Miton Group plc	4,365,172	4.57% (indirect)
Allianz Global Investors GmbH	4,046,400	4.23% (direct – 0.03%; indirect – 4.20%)
Legal & General Group plc	3,059,562	3.20% (direct)

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

The Capital Group Companies, Inc. notified the Company on 7 February 2018 of a decrease in their holding to 13,643,962 ordinary shares representing 14.28% of the issued share capital of the Company (14.28% – indirect holding).

Legal & General Group plc notified the Company on 20 March 2018 of an increase in their holding to 5,162,569 ordinary shares representing 5.40% of the issued share capital of the Company (4.95% direct holding; 0.45% indirect holding).

Transactions with related parties

Please refer to note 20 of the consolidated financial statements on pages 144 to 145.

Events post year end

No significant events have occurred between 31 December 2017 and the date of the signing of this Directors' Report.

Future developments

The Group will continue to pursue new developments to enhance shareholder value, through a combination of organic growth, product delivery, expansion of our software technology team in Porto and other development and investment opportunities.

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

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 pages 146 to 147 in Note 21 to the consolidated financial statements.

Political contributions

During the year, no political donations were made.

External branches

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

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

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 112 to 155. In accordance with the Group's dividend policy, the directors recommend the payment of a final dividend for the year ended 31 December 2017 of 12.0 euro cent per share amounting to €11.5m, to members appearing on the register at close of business on 11 May 2018. This is to be approved by the shareholders at the 2018 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 FRS 101 Reduced Disclosure Framework ("Relevant Financial Reporting Framework") and applicable law. 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 9 April 2018 and is signed on its behalf by:

Paula Phelan
Company Secretary
9 April 2018

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ECOMAMA
AMSTERDAM

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOSTELWORLD GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements of Hostelworld Group plc

In our opinion, the Group and Parent Company financial statements:

> give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company as at 31 December 2017 and of the profit of the Group for the financial year then ended; and

> have been properly prepared in accordance with the relevant financial reporting frameworks and, in particular, with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

The Group financial statements:

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

The Parent Company financial statements:

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

and the related notes 1 to 31, including a summary of significant accounting policies as set out in note 2 to the financial statements.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2006, International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS as issued by the International Accounting Standards Board ("the relevant financial reporting framework").

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is the Companies Act 2006 and United Kingdom Accounting Standards, including FRS101 "Reduced Disclosure Framework" ("the relevant financial reporting framework").

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: > Carrying value of intangible assets > Capitalisation of development costs > Taxation provisions There have been no significant changes to the key audit matters since the prior financial year report.
Materiality	The materiality that we used for the Group financial statements was €1m, which was determined on the basis of approximately 5% of adjusted profit before tax ("adjusted PBT").
Scoping	The structure of the Group's finance function is such that the central Group finance team in Dublin provides support to Group entities for the accounting of the majority of transactions and balances. The audit work covering all of the Group's revenues and 99% of its net assets is undertaken and performed by an audit team based in Dublin.
Significant changes in our approach	There is no significant changes to our approach since 2016. This is consistent with the fact that the operations of the Group are largely unchanged from the previous year.

Conclusions relating to principle risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures on pages 32 to 37 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 38 that they have carried out a robust assessment of the principal risks facing the Group and Parent Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1 to the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and directors' identification of any material uncertainties to the Group and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation on page 38 as to how they have assessed the prospects of the Group and Parent Company 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 and Parent Company 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.

Key audit matters

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

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

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Carrying value of Intangible Assets	
Key audit matter description	At 31 December 2017, intangible assets (including goodwill) had a carrying value of €128.1m representing 81% of the Group's total assets. The Group recorded an impairment charge of €8.2m in respect of domain names during the prior financial year. 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. There is a risk that incorrect inputs or inappropriate assumptions could be included in the impairment assessment model calculated by management leading to an impairment charge that has not been included in the Group's financial statements. The value in use calculations rely on management's assumptions, including growth rate, discount rate and cashflow projections. 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 estimation and can have an impact on the amortisation charge for the year. *Refer to Notes 3 and 11 to the financial statements.* *The Audit Committee has included their assessment of this risk on page 61.*
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of the controls in place for 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 cashflow projections and growth rates, which we compared to relevant industry data. We used our internal valuation experts to determine an acceptable range of discount rates and compared our range to that determined by management. We performed a sensitivity analysis on the underlying assumptions noted above to determine if there were any scenarios whereby a reasonably possible expectation of impairment could be present. 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.

Carrying value of Intangible Assets	
Key observations	We have no observations that impact on our audit in respect of the valuation of intangible assets.

Capitalisation of Development Costs	
Key audit matter description	At 31 December 2017, capitalised development costs amounted to €1.9m. Development expenditure in relation to internally generated intangible assets is capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met. There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and 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.* *The Audit Committee has included their assessment of this risk on page 61.*
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs. We evaluated the design and determined the implementation of the controls in place to separately identify the time on development activities. We 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, including timesheet data.
Key observations	No significant matters that impact on our audit arose from our work.

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Taxation Provisions	
Key audit matter description	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. There is a risk that tax authorities could have different interpretations to those of the directors resulting in potential misstatement of taxation provisions. *Refer to Note 3 and 9 to the financial statements.* *The Audit Committee has included their assessment of this risk on page 62.*
How the scope of our audit responded to the key audit matter	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 the royalty and mark-up rates utilised and their interpretation of the relevant tax laws in jurisdictions where the Group has significant operations.
Key observations	We have no observations that impact on our audit in respect of the amounts and disclosures related to the taxation provisions.

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. Our opinion on the financial statements is not modified with respect to any of the 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 that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group to be €1m, which is approximately 5% of adjusted PBT. The items adjusted in the adjusted PBT are explained further in the Financial Review. We have considered the adjusted PBT to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. It is also a key measure used by the Group in reporting results to allow a better understanding of the adjusted trading of the Group. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €50k (2016: €45k) for the Group, 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 was undertaken and performed by an audit team based in Dublin.

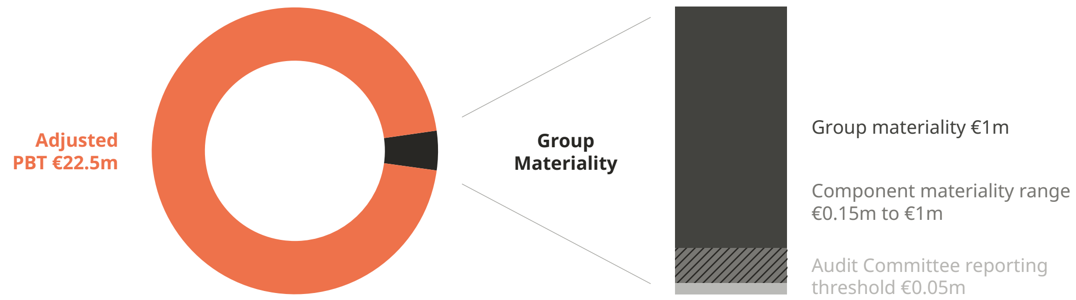
Our Group audit was scoped on an entity level basis, assessing components against the risk of material misstatement at the Group level. Based on this assessment, we focussed our work on 4 legal entities covering 100% of revenue and 99% of net assets. These legal entities, which were subject to a full scope audit, were Hostelworld Group plc, Hostelworld.com Limited, Hostelworld Services Limited and WRI Nominees DAC.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material



misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2006 which require us 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 the provisions in the Companies Act 2006 which require us to report to you 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.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board at its annual general meeting in 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 December 2015 to 31 December 2017.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (UK) 260.

Daniel Murray (Senior Statutory Auditor)
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin, Ireland
9 April 2018

MOSAIC HOUSE
PRAGUE

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
Revenue	4	**86,672**	80,514
Administrative expenses	5	**(60,380)**	(57,397)
Depreciation and amortisation	5	**(14,395)**	(14,731)
Impairment losses	5	**-**	(8,199)
Operating profit		**11,897**	187
Financial income		**9**	5
Financial costs	8	**(75)**	(59)
Profit before taxation		**11,831**	133
Taxation	9	**(582)**	651
Profit for the year attributable to the equity owners of the parent company		**11,249**	784
Basic earnings per share (euro cent)	10	**11.77**	0.82
Diluted earnings per share (euro cent)	10	**11.71**	0.82

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
Non-current assets			
Intangible assets	11	**128,108**	139,619
Property, plant and equipment	12	**3,774**	3,058
Deferred tax assets	13	**480**	659
		132,362	143,336
Current assets			
Trade and other receivables	14	**3,966**	2,627
Cash and cash equivalents		**21,294**	24,632
		25,260	27,259
Total assets		**157,622**	170,595
Issued capital and reserves attributable to equity owners of the parent			
Share capital	15	**956**	956
Other reserves	16	**-**	3,628
Foreign currency translation reserve		**18**	15
Share based payment reserve		**960**	351
Retained earnings		**145,015**	154,986
Total equity attributable to equity holders of the parent company		**146,949**	159,936
Non-current liabilities			
Deferred tax liabilities	13	**457**	764
		457	764
Current liabilities			
Trade and other payables	17	**9,832**	9,669
Corporation tax		**384**	226
		10,216	9,895
Total liabilities		**10,673**	10,659
Total equity and liabilities		**157,622**	170,595

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

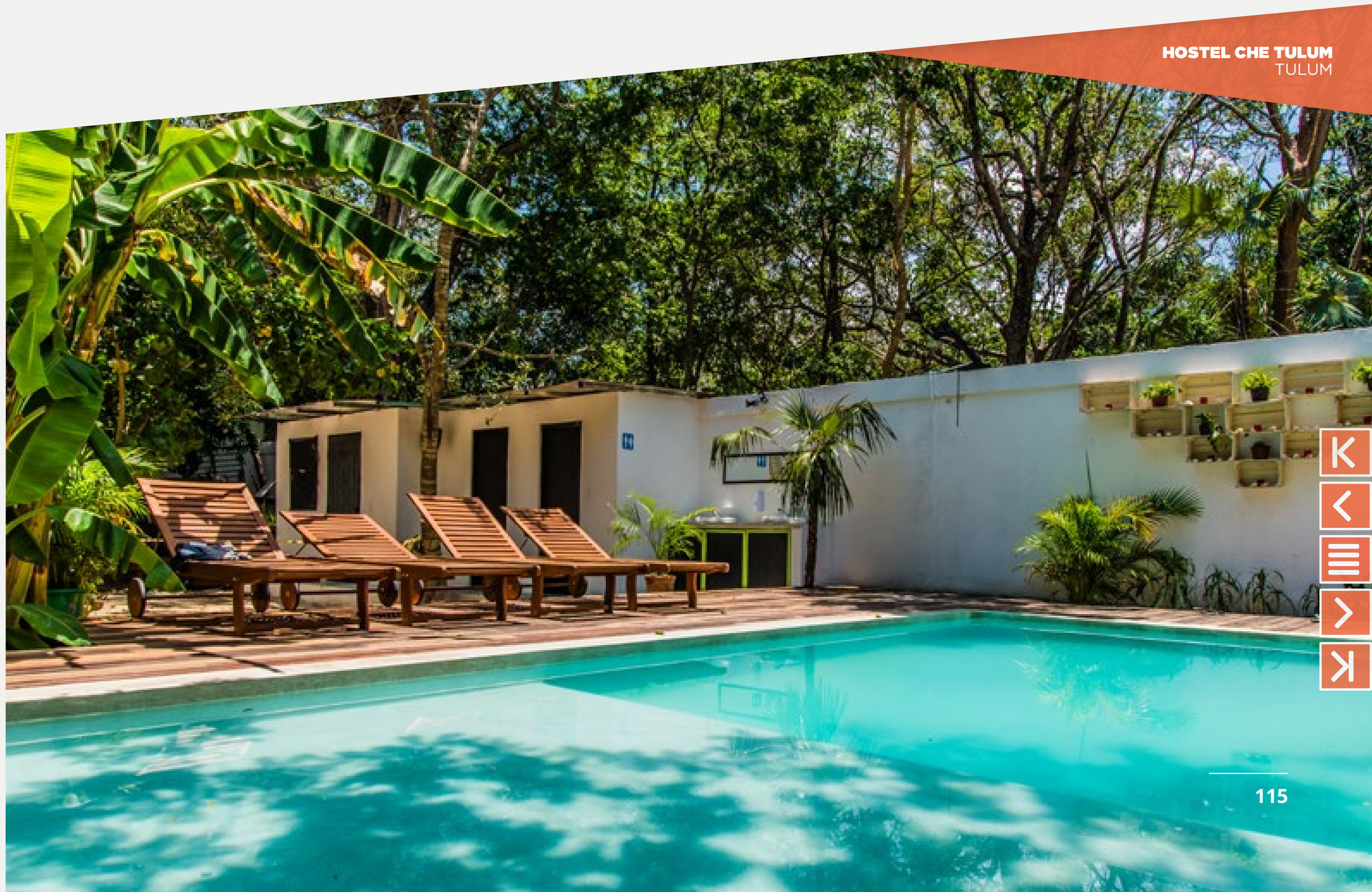
Feargal Mooney
Chief Executive Officer

Mari Hurley
Chief Financial Officer

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

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

	Notes	Share Capital €'000	Retained Earnings €'000	Other Reserves €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2016		956	161,418	3,628	695	-	166,697
Total comprehensive income for the year		-	784	-	(680)	-	104
Dividends	22	-	(7,216)	-	-	-	(7,216)
Credit to equity for equity-settled share based payments		-	-	-	-	351	351
As at 31 December 2016		**956**	**154,986**	**3,628**	**15**	**351**	**159,936**
Total comprehensive income for the year		**-**	**11,249**	**-**	**3**	**-**	**11,252**
Dividends	22	**-**	**(24,848)**	**-**	**-**	**-**	**(24,848)**
Release of merger reserve	16	**-**	**3,628**	**(3,628)**	**-**	**-**	**-**
Credit to equity for equity-settled share based payments		**-**	**-**	**-**	**-**	**609**	**609**
As at 31 December 2017		**956**	**145,015**	**-**	**18**	**960**	**146,949**



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

	Notes	2017 €'000	2016 €'000
Cash flows from operating activities			
Profit before tax		**11,831**	133
Depreciation of property, plant and equipment	5	**1,064**	886
Amortisation of intangible assets	5	**13,331**	13,845
Impairment of intangible assets	5	**-**	8,199
Loss on disposal of property, plant and equipment	5	**-**	19
Financial income		**(9)**	(5)
Financial expense	8	**75**	59
Employee equity settled share based payment expense	19	**623**	362
Changes in working capital items:			
Increase/ (decrease) in trade and other payables		**149**	(1,553)
Increase in trade and other receivables		**(1,340)**	(24)
Cash generated from operations		**25,724**	21,921
Interest paid		**(75)**	(59)
Interest received		**9**	5
Income tax paid		**(551)**	(280)
Net cash from operating activities		**25,107**	21,587
Cash flows from investing activities			
Acquisition/capitalisation of intangible assets		**(1,820)**	(2,500)
Purchases of property, plant and equipment		**(1,780)**	(746)
Net cash used in investing activities		**(3,600)**	(3,246)
Cash flows from financing activities			
Dividends paid	22	**(24,848)**	(7,216)
Net cash used in financing activities		**(24,848)**	(7,216)
Net (decrease)/ increase in cash and cash equivalents		**(3,341)**	11,125
Cash and cash equivalents at beginning of year		**24,632**	13,620
Effect of foreign exchange rate changes		**3**	(113)
Cash and cash equivalents at end of year		**21,294**	24,632

Changes in liabilities arising from financing activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

Basis of Preparation

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

The 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

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 (Amendment) Classification and Measurement of Share-based Payment Transactions	*1 January 2018*
IFRS 9 Financial Instruments	*1 January 2018*
IFRS 9 (Amendment) Financial Instruments	*1 January 2019*
IFRS 15 Revenue from Contracts with Customers	*1 January 2018*
IFRS 16 Leases	*1 January 2019*
IFRS 17 Insurance Contracts	*1 January 2021*
IAS19 (Amendment) Employee Benefits	*1 January 2019*
IAS 28 (Amendment) Long-term interests in Associates and Joint Arrangements	*1 January 2019*
IAS 40 (Amendment) Transfers of Investment Property	*1 January 2018*
Annual Improvements to IFRS Standards 2014-2016 Cycle (Amendment)	*1 January 2018*
Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendment)	*1 January 2019*
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*1 January 2018*
IFRIC 23 Uncertainty over Income Tax Treatments	*1 January 2019*

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.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. With respect to revenue from customer bookings, management believes adopting IFRS15 will have no material impact because of the following: The Group's revenue is earned by providing software and data processing services to hostel, hotel and other accommodation providers and therefore recognised on a booked basis when our performance obligations are met as per the Group's terms of business and booking conditions. However, in 2018 the Group has also introduced a new product which offers the customer the opportunity to make a booking on a free cancellation basis in certain circumstances. Such revenue will not be recognised in the income statement until the last cancellation date has passed.

The directors are currently evaluating the impact of IFRS 16 for future periods. IFRS 16, "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure material leases will be reflected on the balance sheet. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. As set out in note 18, the operating leases in the Group relate primarily to three office premises.

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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 cancellation 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 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.

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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 consolidated 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.

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 Hostelbookers domain name which is amortised on a reducing balance basis (see note 11):

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

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

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

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

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 plus 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.

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 19.

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.

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:

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.

Tax provisioning

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

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

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

Useful lives for amortisation of intangible assets

Intangible assets are disclosed in Note 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.

Impairment of goodwill and intangible assets

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

Following an impairment review of the Hostelbookers intellectual property assets in 2016 (see Note 11), the directors reassessed the estimated remaining useful life of the related domains as being 8 years from the start of that year. The Group had previously assessed the useful economic life as being 17 remaining years from the start of 2016. This had an impact of increasing the amortisation charge for that year by €629k and by €462k in 2017.

Further details on the assumptions used are set out in Note 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. Revenue is generated from a large number of customers, none of whom is individually significant.

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

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

Reportable segment information is presented as follows:

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

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

5. OPERATING EXPENSES

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

	Notes	**2017 €'000**	2016 €'000
Marketing expenses		**33,068**	32,842
Credit card processing fees		**2,048**	1,931
Staff costs	7	**17,543**	14,359
Loss on disposal of property, plant and equipment		**-**	19
FX gain		**(102)**	(214)
Exceptional Items	6	**(494)**	449
Other administrative costs		**8,317**	8,011
Total administrative expenses		**60,380**	57,397
Depreciation of property, plant and equipment	12	**1,064**	886
Amortisation of intangible fixed assets	11	**13,331**	13,845
Impairment of intangible assets	11	**-**	8,199
Total operating expenses		**74,775**	80,327

Auditors' remuneration

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

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

6. EXCEPTIONAL ITEMS

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

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

7. STAFF COSTS

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

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

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

	Notes	**2017 €'000**	2016 €'000
Staff costs comprise:			
Wages and salaries		**16,073**	14,162
Social security costs		**1,800**	1,591
Pensions costs		**356**	316
Other benefits		**438**	239
Long-term employee incentive costs	19	**623**	362
Capitalised development labour		**(1,747)**	(2,311)
Total		**17,543**	14,359

8. FINANCIAL COSTS

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

9. TAXATION

	Notes	**2017 €'000**	2016 €'000
Corporation tax:			
Current year		**686**	440
Adjustments in respect of prior years		**24**	27
Total		**710**	467
Deferred tax credit	13	**(128)**	(1,118)
Total		**582**	(651)

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

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

9. TAXATION (CONTINUED)

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

10. EARNINGS PER SHARE

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

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

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

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

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

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11. INTANGIBLE ASSETS

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

	Goodwill €'000	**Domain Names €'000**	**Technology €'000**	**Affiliates Contracts €'000**	**Capitalised Development Costs €'000**	**Total €'000**
Cost						
Balance at 1 January 2016	47,274	214,640	13,325	5,500	5,735	286,474
Additions	-	-	118	-	2,385	2,503
Transfers from tangible assets	-	-	383	-	-	383
Effect of foreign currency exchange difference	-	-	(12)	-	-	(12)
Balance at 31 December 2016	47,274	214,640	13,814	5,500	8,120	289,348
Balance at 1 January 2017	**47,274**	**214,640**	**13,814**	**5,500**	**8,120**	**289,348**
Additions	**-**	**-**	**73**	**-**	**1,747**	**1,820**
Balance at 31 December 2017	**47,274**	**214,640**	**13,887**	**5,500**	**9,867**	**291,168**
Accumulated amortisation and impairment						
Balance at 1 January 2016	(29,426)	(77,789)	(12,936)	(5,500)	(1,851)	(127,502)
Charge for year	-	(10,316)	(326)	-	(3,203)	(13,845)
Impairment	-	(8,199)	-	-	-	(8,199)
Transfer from tangible assets	-	-	(187)	-	-	(187)
Effect of foreign currency exchange difference	-	-	4	-	-	4
Balance at 31 December 2016	(29,426)	(96,304)	(13,445)	(5,500)	(5,054)	(149,729)
Balance at 1 January 2017	**(29,426)**	**(96,304)**	**(13,445)**	**(5,500)**	**(5,054)**	**(149,729)**
Charge for year	**-**	**(10,149)**	**(257)**	**-**	**(2,925)**	**(13,331)**
Balance at 31 December 2017	**(29,426)**	**(106,453)**	**(13,702)**	**(5,500)**	**(7,979)**	**(163,060)**
Carrying amount						
At 31 December 2016	**17,848**	**118,336**	**369**	**-**	**3,066**	**139,619**
At 31 December 2017	**17,848**	**108,187**	**185**	**-**	**1,888**	**128,108**

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill

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

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

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

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

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

Other Intangible Assets

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

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

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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 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
Balance at 1 January 2017	**1,279**	**689**	**2,623**	**4,591**
Additions	**474**	**98**	**1,208**	**1,780**
Disposals	**-**	**-**	**(85)**	**(85)**
Balance at 31 December 2017	**1,753**	**787**	**3,746**	**6286**
Accumulated depreciation				
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)
Balance at 1 January 2017	**(213)**	**(189)**	**(1,131)**	**(1,533)**
Charge for year	**(167)**	**(126)**	**(771)**	**(1,064)**
Disposals	**-**	**-**	**85**	**85**
Balance at 31 December 2017	**(380)**	**(315)**	**(1,817)**	**(2,512)**
Carrying amount				
At 31 December 2016	1,066	500	1,492	3,058
At 31 December 2017	**1,373**	**472**	**1,929**	**3,774**

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 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 1 January 2017	**(742)**	**637**	**(105)**
Credited/(charged) to the income statement	**348**	**(220)**	**128**
As at 31 December 2017	**(394)**	**417**	**23**

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

	2017 €'000	2016 €'000
Deferred taxation assets	**480**	659
Deferred taxation liabilities	**(457)**	(764)
Net deferred taxation assets/ (liabilities)	**23**	(105)

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 for 2017 was 27.08% (2016: 29.22%) and will reduce to 26.01% in 2018. The tax rate ruling in the UK was 20% up to 1 April 2017 when it reduced to 19%, and will reduce to 17% on 1 April 2020.

14. TRADE AND OTHER RECEIVABLES

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

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

15. SHARE CAPITAL

	2017 €'000	2016 €'000
Allotted, Called-up and fully paid		
95,570,778 ordinary shares of €0.01 each (2016: 95,570,778 ordinary shares of €0.01 each)	**956**	956
Total	**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.

16. OTHER RESERVES

	2017 €'000	2016 €'000
Merger reserve	**-**	3,628
Total	**-**	3,628

The merger reserve arose upon acquisition of Wings Lux 2 S.à r.l. in November 2015. Following the liquidation of Wings Lux 2 S.à r.l. in December 2017, this merger reserve was released.

17. TRADE AND OTHER PAYABLES

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

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

18. COMMITMENTS AND CONTINGENCIES

(i) Operating leases

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

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

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

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

(ii) Contingencies

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

19. SHARE-BASED PAYMENTS

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

Long Term Incentive Plan ("LTIP") scheme

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

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19. SHARE-BASED PAYMENTS (CONTINUED)

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

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

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

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

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

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

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

19. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options granted during the year:

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

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

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

Save As You Earn ("SAYE") scheme

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

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

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19. SHARE-BASED PAYMENTS (CONTINUED)

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

Fair value of options granted during the year:

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

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

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

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

20. RELATED PARTY TRANSACTIONS

Subsidaries

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

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

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

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

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

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

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

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' remuneration

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

Key management personnel

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

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

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

21. FINANCIAL RISK MANAGEMENT

21.1 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	2017 €'000	2016 €'000
Up to 1 year			
Trade and other payables	17	**9,832**	9,669
Total up to 1 year		**9,832**	9,669

	2017 €'000	2016 €'000
Over 5 years		
Trade and other payables	**-**	-
Total over 5 years	**-**	-
Total	**9,832**	9,669

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

21.1 Financial risk factors (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.

21.2 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.

22. DIVIDENDS

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

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

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

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

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23. 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.

24. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

LUCKY LAKE
AMSTERDAM

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 €'000	2016 €'000
ASSETS			
Investments	28	**206,306**	211,122
Total non-current assets		**206,306**	211,122
Trade and other receivables	29	**239**	942
Cash and cash equivalents		**291**	1,179
Total current assets		**530**	2,121
Total assets		**206,836**	213,243
EQUITY			
Issued capital	30	**956**	956
Share based payment reserve		**985**	362
Accumulated reserves		**186,566**	207,179
Total equity attributable to equity holders of the parent		**188,507**	208,497
Current liabilities			
Trade and other payables	31	**18,329**	4,746
Total current liabilities		**18,329**	4,746
Total liabilities		**18,329**	4,746
Total equity and liabilities		**206,836**	213,243

The Company reported a profit for the financial year ended 31 December 2017 of €4,235k (2016: €1,998k).

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

Feargal Mooney
Chief Executive Officer

Mari Hurley
Chief Financial Officer

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

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

	Share Capital €'000	Retained Earnings €'000	Share Based Payment Reserve €'000	Total €'000
As at 1 January 2016	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**
Dividends	**-**	**(24,848)**	**-**	**(24,848)**
Credit to equity for equity-settled share based payments	**-**	**-**	**623**	**623**
Total comprehensive income for the year	**-**	**4,235**	**-**	**4,235**
As at 31 December 2017	**956**	**186,566**	**985**	**188,507**

STAR HOSTEL TAIPEI MAIN STATION
TAIPEI

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. 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.

The financial statements are prepared on the historical cost basis.

Investments in subsidiaries

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

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.

25. 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.

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 19 to 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 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.

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.

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

Carrying value of investments in subsidiaries

The directors assess annually whether the carrying value of the investments in subsidiaries 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.

26. 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.

27. STAFF COSTS

The average monthly number of people employed by the Company (including executive directors) during the year was 3 (2016: 3).

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

	2017 €'000	2016 €'000
Staff costs comprise:		
Wages and salaries	**1,681**	965
Social security costs	**114**	111
Pensions costs	**75**	67
Other benefits	**23**	19
Long-term employee incentive costs	**273**	163
Total	**2,166**	1,325

28. INVESTMENTS

The carrying value of the Company's subsidiaries at 31 December 2017 are as follows:

	2017 €'000	2016 €'000
At 1 January	**211,122**	210,923
Additions	**5,199**	199
Disposal	**(10,015)**	-
At 31 December	**206,306**	211,122

The Company's subsidiaries directly owned by the Company, are disclosed in note 20. Additions relate to investments in Hostelworld Services Portugal Lda, Hostelworld Services Limited and capital contributions arising from the administration of the Group's share option scheme. The disposal relates to Wings Lux 2 S.à r.l. which was liquidated during the year.

29. TRADE AND OTHER RECEIVABLES

	2017 €'000	2016 €'000
Amounts falling due within one year		
Prepayments and accrued income	**182**	120
Value Added Tax	**23**	30
Amount due from related parties	**28**	792
Other debtors	**6**	-
Total	**239**	942

30. SHARE CAPITAL

	2017 €'000	2016 €'000
Allotted, called-up and fully paid		
95,570,778 ordinary shares of €0.01 each (2016: 95,570,778 ordinary shares of €0.01 each)	**956**	956
Total	**956**	956

31. TRADE AND OTHER PAYABLES

	2017 €'000	2016 €'000
Amounts falling due within one year		
Trade payables	**113**	112
Accruals	**863**	216
Amount due to related parties	**17,353**	4,418
Total	**18,329**	4,746

ADDITIONAL INFORMATION

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SHAREHOLDER INFORMATION

Financial Calendar

AGM	11 June 2018
Payment of 2017 Final Dividend	14 June 2018
Announcement of 2018 Interim Results	21 August 2018

Share Price

During the year ended 31 December 2017, the range of the market prices of the Company's ordinary shares on the London Stock Exchange was:

Last price as at 29 December 2017	£3.83
Lowest price during the year	£1.91
Highest price during the year	£3.85

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
High Holborn House
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Company Registration Number

9818705

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