DALATA
HOTEL GROUP PLC

Experience Delivers

Annual Report and Accounts 2014

Contents

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34

+16 Hotels

Completed the acquisition of 16 hotels for a total consideration of €556 million.

€256 million

Successful completion of IPO in March 2014 raising €256 million net of costs. Strategy around IPO completed and delivered 12 months ahead of schedule.

Revenues ↑30.4%

Revenues up 30.4% on 2013.

EBITDA ↑54%

EBITDA (excluding impact of acquisitions) up 54% to €8.23 million.

Hannie Curtain
Food and Beverage Assistant
Maldron Cork

Hannie has worked at Maldron Cork for the past six years. She excels at recognising repeat customers and has a great memory for their particular likes and dislikes; whether it is a particular table that they like to sit at or how they like their coffee. Hannie's attention to detail, as well as her hard work, and genuine enthusiasm for her job make her a huge asset to the Dalata team.

Chairman's Statement

I am pleased to present the annual report and accounts of Dalata Hotel Group plc ("Dalata") for the 12 months ended 31 December 2014. The year 2014 was one of high levels of activity and considerable success for Dalata. On 19 March 2014, the Company successfully completed its Initial Public Offering ("IPO") on the AIM market of the London Stock Exchange and the ESM market of the Irish Stock Exchange, raising gross proceeds of €265 million. This was followed by a process of careful identification of investment opportunities, principally in Ireland. Each such opportunity was carefully evaluated by the Board before a decision was made as to whether to proceed, and a number of transactions were concluded.

During 2014 the opportunity arose to acquire most of the hotels in the Moran Bewley Hotel Group. This acquisition was concluded in early 2015, funded through a combination of existing cash resources, a term loan facility of €282 million, a Vendor Placing and a Cash Placing. As a consequence of this and the other transactions completed to date, we have invested more than €556 million in acquisitions since our IPO a year ago.

While this very significant investment activity was happening, our underlying business performed very well. Our EBITDA in 2014, excluding the impact of acquisitions, was €8.2 million, ahead of the expectations we set for ourselves early in the year. This performance reflects both improvements in the marketplace and the hard work of Dalata's management and staff in all our properties and at the Group's centre.

Board

I would like to welcome Robert Dix, Alf Smiddy and Margaret Sweeney who joined the Board as Non-Executive Directors in February 2014. Each of these Directors brings to the Board a wealth of experience and knowledge, as well as an independence of mind and a willingness to challenge. They have each contributed significantly to the Group's success this year, and I look forward to continuing to work with them for the benefit of the Group in the years ahead.

Corporate Governance

The Board of Dalata is firmly committed to maintaining the highest standards of corporate governance. The Company applies, on a voluntary basis, the UK Corporate Governance Code (September 2012) and the Irish Corporate Governance Annex in respect of its corporate governance practices. Details of our approach are set out in the separate Corporate Governance report.

Responsible Business

Dalata is committed to conducting its business in a responsible and sustainable manner, and with a sense of fairness for the benefit of our people, our customers, our suppliers, our communities, our shareholders and the environment. The Group continues to develop and communicate this commitment throughout the organisation and in particular as it goes about the integration of a significant number of new business units in 2015.

We have developed a set of values which guide our approach to doing business. This is outlined in our Corporate Responsibility section on pages 25 to 33.

Our People

The success of Dalata is due to the dedication and commitment of its people. We are fortunate to have an exceptional group of people with a wide array of talents, qualities and abilities. In a very busy and challenging year I have been particularly impressed by the willingness of all our people to work tirelessly and creatively for the benefit of the Group. I would like to thank our management and staff for their hard work, passion and commitment over the past year. I look forward to their continuing contribution to the successful growth of the business into the future.

Outlook

The Group has completed the purchase of 16 hotels since our IPO in March 2014. We now look forward to further integrating these hotels into the Dalata network in 2015 and delivering returns to our shareholders. We expect economic recovery to gain further momentum in our key markets in 2015, and this, combined with the impact of our new acquisitions and the commitment of our team, should allow us to deliver increased revenues and profits in the coming year.

John Hennessy
Non-Executive Chairman

Chief Executive's Review

The year 2014 was a truly transformational year for Dalata Hotel Group. From our very successful IPO to the series of focused acquisitions, our activities during the year have resulted in Dalata today being unrecognisable from a year ago. We are now at the beginning of a new journey and as we move into 2015 there will be little comparison with 2014 as essentially we will have an entirely new business. Our ambition and strategy is to build on this momentous start and create a business of scale and potential of which we can all be proud.

To understand Dalata we need to go back to 2007 when the idea for this business was first conceived. It would be remiss of me not to talk about the Board of Directors of Dalata prior to its IPO. We were extremely lucky that this Board came on the journey with us through some good and difficult times. The Non-Executive Directors were Rory Quirke, Gavin Bourke, David Goddard, Tomás Garvey, Ruthanne Monaghan, John Treacy, John Fagan, Anthony Weldon and Peter Fitzpatrick, all of whom served at various times over the seven years and made an enormous contribution and, for this, I am extremely grateful. One person I need to mention in particular is Rory Quirke, former Chairman of the Board. If he had not approached me on a sunny February day in 2007 it is possible that Dalata would not exist today. He was also a vital source of support in the particularly tough years of 2009 and 2010. I am delighted to have had the privilege of working with Rory and wish him and all our former Directors well in the future.

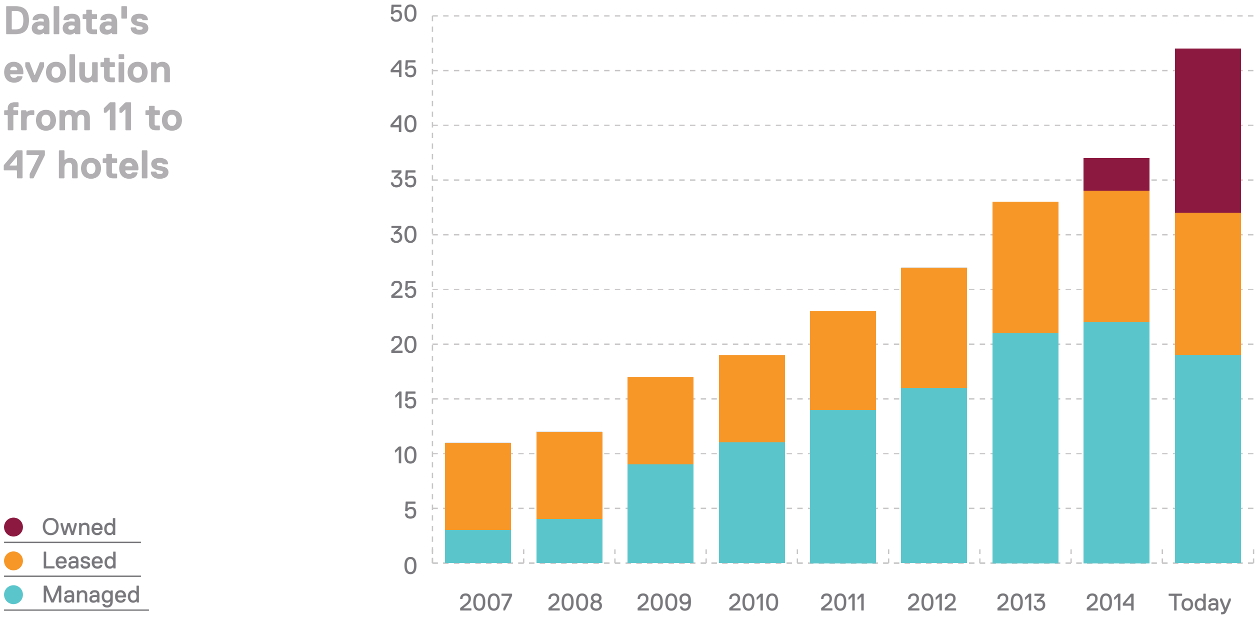
In this report I do not plan to discuss the financial aspects of the business as these are covered by Dermot Crowley in the Financial Review. Instead, I will outline the drivers of our business and the ethos and culture that exists in Dalata which are fundamental to our success.

Prior to our IPO, our business was made up of leased and managed hotels. Our business now comprises of owned, leased and managed properties. The owned and leased businesses will be the largest contributors to profits. The managed hotels will form an ever smaller part of our business. As the receivership process comes to an end our management business will focus on managing hotels for owners who require a management solution. Shareholders should be aware that we will lose management contracts and this fact has been built into our future growth models.

Following the acquisition of a number of individual hotels and the Moran Bewley Hotel Group we now own a group of very fine hotels. These hotels are generally large and well invested. They are relatively young hotels so future capital expenditure will not be as great as if they were older buildings. The hotels are located in larger urban areas where seasonality is not as big a factor. The fact that they are large hotels improves the economies of scale at each. We are not in the business of owning or leasing trophy hotel assets. While it is nice to do this, the economics do not work for us. Also, there are nice locations for hotels and good locations for hotels. Often nice locations are not good locations; we focus on good locations.

One of the cornerstones of our culture and ethos is the principle of fairness. We believe that being fair to all we do business with has a positive effect on the Group. We believe in being fair to our people, our customers, our suppliers, our shareholders, our banks and our communities.

Dalata's evolution from 11 to 47 hotels



An exciting development for Dalata was the recent launch of our new brand “Clayton Hotels”. In 2008 we launched our “Maldron Hotels” brand which has been a fantastic success and will continue to grow in the future. While Maldron is very strong on the leisure side of the business, Clayton will have more of a focus on corporate business. Many of our Maldron Hotels are in strong leisure destinations whereas many of the hotels we have recently acquired are in strong corporate areas. The Clayton brand will be rolled out over the next six months.

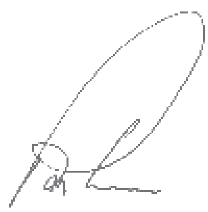
In Dalata, we operate a decentralised management structure. We empower each hotel’s General Manager to run their business as if it were their own. We do cluster some of the administrative services, and our Central Office acts as a support service to the hotel teams across all of the key areas of our business. This structure drives revenues and controls costs. All hotels are monitored on a daily basis from Central Office and issues are resolved in a timely manner. We are a flat organisation - everyone has easy access to me and my senior colleagues.

Our people are the most important part of our business. At Central Office we have built a team of like-minded people who are very focused on what we need to achieve. I am extremely lucky to have such committed and quality people on the team. We have strengthened our central team over the past twelve months and we will continue to evaluate our needs in this area as the business grows. Many of the members of our Central Office are former colleagues who have been joined by equally talented people from other organisations. I also have a list of strong potential candidates wishing to join Dalata. Our hotel General Managers are the key to our success and we put a lot of emphasis on their performance and development. One of the consequences of the economic difficulties of recent years was the reduction in training and development of our people. In 2013 we commenced a series of training programmes across the organisation. As a growing organisation, it is critical for us to have a supply of well-trained internal candidates to fill roles as they arise. This has a number of very positive consequences and reduces the risk to the business by providing us with our own pool of people familiar with our systems and culture from which to fill important roles. In addition, we attract high quality external candidates because they can see the possibility of real career progression within the organisation. We also have the philosophy that it does not matter what you are doing in Dalata, it does not matter what level of education you have, if you have ambition and drive we have the programmes to help you achieve your objectives. Within this annual report you will find examples of what some of our people have achieved within the organisation. There are many more examples of achievement within the organisation. I am so proud of all of them.

Technology will play a large part in all of our futures and the hotel sector is no different. The big changes in technology will not come in our property management systems, our point of sale systems or our control and accounting systems as these are essentially the workhorses of our business. The major changes will occur in our distribution models…. a fancy term for how we procure our business. Many of the older, traditional models still exist, for example, tour operator business and contracted corporate business. However, the relentless rise of online travel agencies and platforms the behaviour of our technologically savvy customers will challenge the entire sector. In Dalata, we are well prepared for this challenge. We have the people and the technology to exploit the inevitable opportunities that will arise. We are not complacent and understand that every day we will have to up our game to stay relevant.

So, where to from here? We had a wonderful, busy year in 2014. We delivered what we promised to our shareholders. As I look into 2015, I see another extremely busy year ahead. We are currently integrating all the hotels we have acquired and ensuring that they are driving forward, increasing revenues and profits. We will continue to look at growth opportunities as we believe there are still some acquisition opportunities within the Irish market. We will continue to build on the partnership approach with our suppliers who are vital to our continued growth. We will further reinforce our partnership with our banks and help them to understand better our needs into the future. We will continue to reinvest in our hotels to ensure we deliver our brand promise for both our Maldron and Clayton brands. We will further enhance the development programmes for our people ensuring the possibility of career opportunity for all.

The year 2014 has been a good year for Dalata. However we recognise the enormous task ahead. We are in no way complacent and are excited about the opportunities that are opening up for the Group.



Pat McCann
Chief Executive

Strategy and Business Model

Industry Overview

Ireland

The Economy and Hotel Industry
The Irish economy continued its recovery in 2014 with GDP estimated to have grown by 5.1%. The Central Bank of Ireland is forecasting growth of 3.7% in 2015. Visitor numbers grew by 8.9% in 2014 which is the fifth consecutive year of growth. The UK and North American markets continue to be the key external markets for Irish tourism and both performed strongly with growth rates of 8% and 14.7% respectively. The decline in the relative value of the Euro continues to have a positive impact on visitor numbers from these two markets. Passenger numbers at Dublin Airport grew by 8% in 2014 to 21.7 million passengers.

Statistics suggest that 65% of hotel visitors in Ireland are domestic. In Dublin, however, the international visitor is more significant and accounts for close to 50% of the market. The recovery in visitor numbers has resulted in double digit revenue per available room ("RevPAR") growth in Dublin for each of the last four years. Areas outside of Dublin rely much more heavily on domestic customers.

Since 2000, the number of hotel rooms in Ireland has increased substantially due to a combination of tax incentives and cheap finance. This led to significant oversupply of bedrooms in some parts of the country but not in cities such as Dublin, Cork and Galway. By 2009, the number of hotel rooms was 50% greater than the level in 2000. The number of rooms has declined by 4.7% since 2010. Whilst new hotels are likely to be developed in Dublin over the next few years, it is

RevPAR – Market Trends

		% RevPAR increases	
Irish Cities	**2014 RevPAR**	**2014**	**2013**
Dublin (€)	75.39	+11.3%	+11.2%
Belfast (£)	46.01	+4.7%	+7.2%
Cork (€)	55.16	+8.9%	+8.3%
Galway (€)	55.31	+7.6%	+2.1%
Limerick (€)	34.00	+14.3%	+3.9%

Source: *STR* and *Trending.ie* 2014

doubtful there will be any significant increase in room numbers outside Dublin, as hotels outside Dublin continue to trade at significant discounts to replacement cost.

As the domestic economy continues to recover, with little anticipated increase in the supply of rooms, hotels outside Dublin are well poised to experience further growth in RevPAR.

The Dublin hotel market is worthy of separate mention given its relative scale. There are approximately 18,700 rooms in the city. There has been effectively no new net supply into the city since 2008. The pipeline of new supply is only beginning to increase but given planning and construction lead times, there is unlikely to be a significant increase in supply over the next two years. Meanwhile, there has been a growth in demand since 2010 driven by the improving economy, an influx of ICT and social media companies, numerous new infrastructural projects such as the Convention Centre, Bord Gais Theatre, the Aviva stadium, the new terminal at Dublin Airport and the enlarged 3 Arena. This has led to RevPAR increases of circa 10% per annum for each of the last four years. However, Dublin remains relatively inexpensive compared to other European capitals with the city average room rate ("ARR") ranked 14th out of a basket of 20 European cities. On the basis of increasing demand and limited growth in supply, we see potential for the Dublin hotel market to continue to perform strongly.

Hotel Transactions

The Irish hotel industry was negatively impacted by the recession and financial crisis from late 2008 onwards. It is estimated that one third of all hotels in the country were in some sort of financial distress by 2012. A large number of hotels went into receivership from 2009 to 2012. These hotels have been sold in increasing numbers from 2012 onwards. Most hotel transactions outside of Dublin were at values that were significantly below replacement cost.

Irish Hotel Market

As the table below illustrates, the Irish hotel market is very fragmented. Dalata operates circa 10.5% of the hotel rooms in the Republic of Ireland (9% for Island of Ireland). The next nearest competitor is Carlson Rezidor with 2.8% of the market. International brands have very little presence outside of Dublin. This market leadership position gives Dalata significant advantages over the competition.

88% of the room capacity in Ireland is in the 3 and 4 Star segments. These are the segments that the Group is focused on.

UK

GDP is estimated to have increased by 2.6% in 2014 and forecast to grow by 2.7% in 2015. The provincial UK market experienced a significant recovery in 2014 with cities such as Leeds, Manchester and Cardiff experiencing double digit growth. London never experienced the severe falls in RevPAR that the provincial cities suffered since 2008 and its growth rates are currently more moderate with RevPAR having grown at just below 3% in 2014.

The UK hotel market is a far more mature market than Ireland. Unlike Ireland, it has a very strong budget sector which is dominated by Premier Inn and Travelodge. International brands also have a very strong presence in London and the larger provincial cities.

Republic of Ireland Market Share

Hotel Group	% Share of Rooms in ROI
Dalata Hotel Group	10.5%
Carlson Rezidor	2.8%
Tifco	2.5%
Choice Hotel Group	2.1%
Hilton	2.0%

Source: *AMP Hotel Database* 2014

47 Hotels
7,580 Rooms

45%

45% of Dalata rooms in the Republic of Ireland are located in Dublin.

Strategy and Business Model

Rationale behind Initial Public Offering

The Group operated 22 hotels for receivers under management contracts in March 2014. Ultimately all of these hotels are likely to be sold. As a result, Dalata's management contract business segment is likely to decline significantly. The Group examined the strategic options open to it to secure longer term tenure on hotels it wanted to operate. Management saw an opportunity to purchase hotel assets in Ireland at very attractive prices and below replacement cost outside of Dublin. We felt that it was a good time to buy for four key reasons:

1 The Irish economy was starting to recover strongly which had already resulted in strong RevPAR growth in Dublin. Through our portfolio, we began to see the first signs of growth outside of Dublin in the second half of 2013. This growth strengthened throughout 2014.

2 The supply of new hotels in Ireland was likely to be curtailed for some time. Outside of Dublin, it is still not economical to build new hotels. This is demonstrated by the fact that hotels outside of Dublin continue to sell at deep discounts to replacement costs. New supply in Dublin has been slow to emerge due to a lack of development finance, experienced hotel developers and rising site costs.

3 The pressure on NAMA and the banks to deleverage has significantly increased the number of hotels coming on the market at the same time.

4 Many of these assets were financially distressed and therefore, it was our belief that there would be significant opportunity to increase the profitability of any assets acquired.

Acquisition Strategy

As expected, 2014 saw a very significant increase in transactions with individual hotel asset disposals increasing from 41 to 57, and the value of those disposals doubling from €220 million to €440 million.

The table below outlines the number of hotel sales (excluding hotels sold as part of loan sales).

We targeted assets in the 3 and 4 star categories and primarily in the main cities around the country. Since the IPO, we have completed the acquisition of seven individual hotels in Dublin, Belfast, Derry, Galway and Wexford. We also targeted the Moran Bewley portfolio of nine hotels as it represented an opportunity to significantly increase our share of the Dublin market (over 55% of the rooms are in Dublin). This portfolio also increased the Group's presence in key UK cities such as London, Manchester and Leeds. Together with the additional net €48.6 million that we raised in January 2015, we have now effectively invested all the equity raised at the IPO almost a year ahead of schedule.

Hotel Sales in Ireland

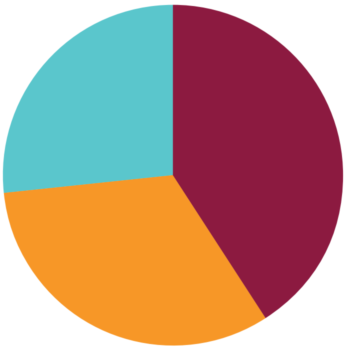
Summary	Hotels	€'m
2014	57	€440m
2013	41	€220m
2012	21	€175m
2011	8	€35m
2010	3	€10m

Source: *Savills* 2014

Asset Strategy

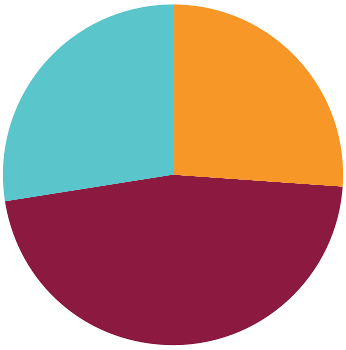
Dalata has been transformed into a large hotel operator, with 7,580 rooms in 47 hotels (including partner hotels) across Ireland and the UK as at March 2015:

Number of Rooms by Owned, Leased and Managed



Owned	3,107
Leased	2,455
Managed	2,018
Total	**7,580**

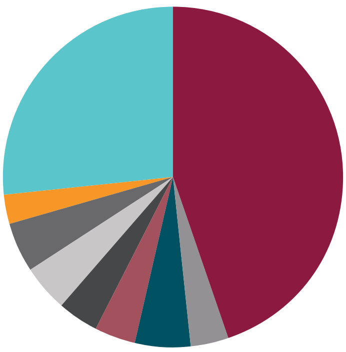
Number of Rooms in our Maldron, Clayton and Partner Hotels*



Maldron	1,840
Clayton	3,249
Partner	1,914
Total	**7,003**

*Excludes 577 rooms in Ballsbridge and Clyde Court Hotels, Dublin

Hotel Rooms by City



Dublin	3,385
London	275
Galway	412
Belfast	296
Cork	300
Leeds	334
Manchester	365
Cardiff	216
Other	1,997
Total	**7,580**

We operate hotels under three different models – owned, leased and managed. We have set criteria which we use in deciding the appropriate model for each asset.

Owned Hotels

We look to own hotels which are located in major cities and towns where we feel there is a significant potential for capital appreciation through the exploitation of profit improvement opportunities. We have extensive in-house acquisitions experience which enables us to evaluate hotels as they become available to purchase. We focus on hotels that we believe can significantly improve performance through our economies of scale, revenue management expertise and cost control techniques.

Leased Hotels

We operate a number of hotels under legacy leases which resulted from the purchase of the former Comfort Inn and Quality Hotels from Choice Hotels in 2007. We have also entered new leases in locations such as Ballsbridge, Clyde Court, Tallaght and Dublin Airport, where we saw an opportunity to generate strong cashflows but where the option to own did not exist. We will continue to look for lease opportunities but the focus will be on those locations where we do not see as much opportunity for capital growth. We will ensure that rental obligations will be at levels that can sustain significant economic downturns.

Managed Hotels

We initially entered the management contract business in Ireland in 2009, arising from an opportunity to manage distressed assets for receivers and banks. Management contracts with receivers in Ireland are not of the standard seen across the international hotel industry in that they were effectively short term arrangements which can be terminated without penalty at any time. As assets are sold, the demand for such services continues to diminish and the number of management contracts with receivers and/or banks will continue to fall during 2015. We are now focused on securing management contracts with owners on a longer term basis. The number of assets that we manage directly for owners has grown from four in January 2014 to the current level of nine. The majority of hotels that we manage for owners will be in cities and towns in which we do not already own or lease properties. We seek to generate increases in both cash flow and capital value for the owners through introducing the Dalata approach to managing hotels. We have a strong track record of significantly increasing the profitability of the assets that we manage.

Capital Refurbishment and Development Opportunities

We are committed to investing in our properties. We budget to spend 4% of our revenues on capital refurbishment. These projects are managed centrally with the help of external consultants. In 2014, we completed significant refurbishment projects in the Maldron Wexford, Maldron Cork and Maldron Dublin Airport. In early 2015, we completed a full rooms' refurbishment programme in Maldron Smithfield, and refurbishment projects are currently underway in Maldron Pearse Street and Maldron Derry.

On acquisition of new properties, we look at development opportunities that will deliver significant increased profits. We are currently:

- Building an additional 15 rooms in Pearse Street within the existing envelope of the hotel.
- Building a 100 room extension in Chiswick.
- Seeking planning permission for an additional 28 rooms in the recently acquired Pillo Hotel, Galway.
- Looking at opportunities to build additional rooms in Bewleys Dublin Airport as well as additional meeting space in Bewleys Ballsbridge, Clayton Hotel Galway and Bewleys Newlands Cross.

Brand Strategy

It is our plan to rebrand the Moran Bewley's hotels and a number of our existing hotels. We recently announced the launch of our Clayton Hotels brand. This brand will be rolled out over 13 properties over the coming six months. Our successful Maldron brand will continue to be used in 14 of our properties.

Hotel Locations by Brand

Clayton	Maldron
Cardiff Lane, Dublin	Dublin Airport
Ballsbridge, Dublin	Newlands Cross, Dublin
Leopardstown, Dublin	Pearse Street, Dublin
Dublin Airport	Parnell Square, Dublin
Silver Springs, Cork	Smithfield, Dublin
Galway	Tallaght, Dublin
Wexford	Cork
Belfast City Centre	Oranmore, Galway
Chiswick, London	Galway City Centre
Cricklewood, London	Limerick
Leeds	Wexford
Manchester	Portlaoise
Cardiff	Derry
	Belfast Airport

All our hotels have a combination of leisure and corporate business and the mix will vary by location and seasonally. Clayton Hotels will be primarily focused on corporate customers during the week while Maldron Hotels will be geared primarily towards leisure customers. Clayton Hotels will generally be larger hotels located in urban centres while Maldron Hotels will tend to be smaller, often with leisure facilities situated in a greater range of locations.

13

13 hotels under new Clayton brand

CLAYTON HOTELS

Brand Proposition	Hotels that are different because of the little differences experienced throughout the hotel. Service delivered by staff members who are warm, engaging, inquisitive and empathetic.
Bedrooms	Standard and executive room offerings.
Food & Beverage	Modern bar, restaurant and coffee areas. Food & Beverage offering based on local influences.
Conference Facilities	Extensive conference and meeting room facilities.
Target Customers	Focus on corporate conferences during the week. Leisure, functions and weddings at weekend.

maldron HOTELS

Brand Proposition	Hotels that provide a gateway to a great experience – see a show, attend an event or visit tourist attractions. Service delivered with a smile and a fun attitude.
Bedrooms	Generally standard rooms with executive rooms in some locations
Food & Beverage	Integrated bar/restaurant in some locations. Simple menus made from fresh quality produce.
Conference Facilities	Meeting room facilities.
Target Customers	Corporate and leisure but focus on leisure – family friendly.

Operating Model

We operate a decentralised approach to the management of our hotel portfolio. Our General Managers are expected to behave like owners of their hotels. They are fully responsible for the operational and financial performance of their properties. Central Office provides support to the General Manager and their local teams through the provision of training, brand standards, service standards, purchasing power, IT support, health and safety expertise, financial guidance and group sales and marketing initiatives. We also have a team of Regional Financial Controllers who have responsibility for six to ten hotels each depending on size and location. They provide financial advice to the General Managers as well as technical guidance to the local Hotel Accountants. There are a number of key areas that we look to drive values in the properties that we operate.

Service and Operating Standards

We have invested in a very strong Central Office operations team. They continually strive to ensure that our brand standards are delivered in a safe and cost efficient environment. Our customers are our primary focus and everything we do is geared to meeting their needs.

Revenue Management

This is a key area for every hotel. We operate a decentralised model where the local Revenue Manager and hotel General Manager are responsible for revenue management. Our Central Office revenue management provide guidance, macro market information, training and assistance with recruitment. We invest in our revenue managers and empower them to make decisions with the hotel General Managers on rate setting and distribution channel mix.

Cost Control

We have a standardised approach to cost control. Hotels are asked to forecast their costs on a weekly basis and compare these to forecasted sales. The largest cost in any hotel is payroll and we put a strong focus on monitoring and controlling it. Cost ratios are benchmarked against similar hotels in our portfolio and best practice is replicated throughout the Group.

Management Information

Our business never shuts and we need constant information to monitor it. Each hotel reviews sales on a daily basis and costs on weekly basis. Each week, local management teams update their forecast sales and costs for the current month and the following two months. These forecasts are reviewed by Central Office to enable us have a view on the performance of the Group as a whole, but as importantly the weekly information helps identify those hotels who may need support at any point in time. Given the significant increase in the size of our portfolio, we are

currently reviewing our Group ICT strategy to ensure that we invest in our system infrastructure in a way that will improve effectiveness and efficiencies and thereby maximise the returns from our enlarged Group.

Group Purchasing

Our Group Purchasing department utilises our significant buying power to ensure that each hotel in our portfolio benefits from very competitive pricing. We seek to buy high quality produce at the most competitive prices in the market. We seek to partner with our suppliers to ensure that the relationship is a rewarding one for both parties.

People Strategy

Our people are our core strength and we are all expected to abide by the Group's principles of behaviour:

- We look to be fair with everyone we deal with, be it customers, suppliers or colleagues.
- We keep the customer at the forefront of everything that we do.
- We strive to consistently deliver high standards.
- We are open with each other and operate in an atmosphere of trust.
- We take pride in our hotels and the products that we deliver to our customers.
- We are open minded and adaptable to change.

We want our people to have the opportunity to express their individuality when dealing with our customers. We strive to give them the opportunity to progress within the Group and provide a number of development programmes to facilitate their ambitions. We are

Emma Dalton
General Manager
Maldron Cardiff Wales

Emma joined Dalata in 2007 and played an integral role in the opening of Maldron Cardiff in 2011. "My love and drive for this business is in the operation, the team and the result. I lead by example and I feel that this is evident in the culture of my team. It is my belief that the structure and ambition of Dalata inspires confidence and brings the best out of me and my colleagues. I thrive on the buzz of a crowded lobby and a busy restaurant, that's when it's fun to be at work!"

Our people are our core strength, as a growing organisation we are developing our people across all areas of the business.

increasing our investment in training generally throughout the Group to ensure that we are continually delivering on our brand standards.

As a growing organisation, we are developing our people across all areas of the business. In order to support the rapid growth of the past year, we have recruited a number of senior people into Central Office. Our goal is to develop our own people internally to ensure that we can fill senior vacancies from within the organisation as they arise. This has a major influence on the quality of people we attract and it de-risks the execution challenge when we take on new hotels.

Growth Strategy

We are currently focused on integrating the recently acquired assets into the Dalata network. We are implementing the Dalata operating strategy in each of those assets which will ensure that the trading potential of each is delivered upon. This integration process will be the primary engine of growth in 2015.

There are further asset acquisition opportunities in Ireland. We will assess whether we should look at funding alternatives for the Group to exploit these opportunities. We will also assess our strategic options for the UK in the coming months.

Financial Review

2014 was a very exciting year for the Group. We increased EBITDA in the pre IPO business by 54%. We raised €256 million (net of costs) in our IPO and spent €35 million on the acquisition of two hotels in Dublin and one in Derry. Since the year-end we completed the purchase of two hotels in Galway, one in Wexford and one in Belfast for a total consideration of €68 million, as well as the purchase of the Moran Bewley Hotel Group of nine hotels for €453 million (subject to final working capital adjustments). We now have a very attractive portfolio of owned assets centred in large cities in Ireland and the UK.

Results Summary

€'000	2014	2013
Revenue	79,073	60,617
EBITDA	6,097	5,340
EBITDA (excluding impact of acquisitions)	8,229	5,340
Profit before tax	4,196	73
Profit before tax (excluding impact of acquisitions)	6,328	73

Revenue and EBITDA increased by 30.4% and 14.2% respectively in 2014. EBITDA was reduced by the substantial impact of fees and stamp duty associated with the Group's acquisition activity during the year. EBITDA (excluding impact of acquisitions) increased by 54%. We are highlighting EBITDA (excluding impact of acquisitions) to enable valid comparisons between 2013 and 2014 for the pre IPO business.

Impact of Acquisitions

	€'000
EBITDA of Maldron Pearse Street and Maldron Derry hotels from acquisition dates to 31 December 2014	273
Reduction in rent due to purchase of freehold of Maldron Parnell Square	416
Professional fees incurred on acquisition of Moran Bewley Hotel Group up to 31 December 2014	(1,864)
Professional fees incurred on other acquisitions up to 31 December 2014	(409)
Stamp duty and other costs incurred on acquisitions of Maldron Pearse Street and Maldron Derry hotels	(548)
	(2,132)

Leased and Owned Hotels – Results

€'000	2014	2013
Revenue	73,626	55,447
EBITDAR	24,190	17,277
Rent	(16,221)	(13,828)
EBITDA	7,969	3,449

Revenues increased by 32.8% in the Leased and Owned Hotels segment. Excluding the impact of the properties we did not own or lease for the entire of 2013 and 2014 (Tallaght, Dublin Airport, Pearse Street and Derry), revenues increased on a like for like basis by 10.8%. This was primarily driven by a 15.7%

increase in room revenue while food sales only increased by 1.2% and beverage sales by 5.5%. The relatively modest increase in food revenue reflects our strategy to switch our business mix from food inclusive to room only rates. On a like for like basis, EBITDAR margin increased from 31.2% to 32.9% which reflects our strong focus on converting revenue increases to the bottom line.

We had a particularly good year in Dublin where total revenue increased by 10.7% on a like for like basis. Room revenue increased by 14.9%. We saw the beginning of a recovery in our provincial Ireland hotels where all properties showed revenue increases. Total revenues in these hotels increased by 5.9% where again room revenue was the main driver at 12.7%. We also benefited from the recovery in the provincial UK market and improved market share in our Cardiff hotel where our revenues increased by 15.3%.

Our total rental charge increased by €2.4 million, as a result of a combination of factors. The addition of Maldron Tallaght (November 2013) and Maldron Dublin Airport (January 2014) to our leased portfolio increased our rental charge as did additional profit rental charges in the Ballsbridge and Clyde Court properties. These increases were offset by the savings from the purchase of the Parnell Square freehold in August and savings from restructuring of a number of leases.

Management Services – Results

€'000	2014	2013
Revenue and EBITDA	5,447	5,170

We do not separately allocate central overheads to our Management Services segment. Income from management contracts has increased by 5.4% versus 2013. Management Services will become a relatively smaller element of our business over the coming 12 months as banks and receivers continue to sell hotels. In three such cases, we have purchased the hotels and they will now operate under our own brands while in one other, we are now managing for the new owner. In the majority of cases though, our management contract will be terminated as the new owners will operate the hotel themselves. The increase in 2014 versus 2013 reflects the addition of a number of new contracts in 2013 and 2014. However, we also lost nine contracts in 2014. Pillo Galway, Clayton Galway and Whites of Wexford all switched from managed to owned properties in the first quarter of 2015 and as expected, our contracts in Citywest Hotel & Conference Centre and the Springhill Court Hotel were terminated in January and February 2015 respectively. Counterbalancing this trend, we gained three new contracts with owners and one with a receiver since August 2014.

Central Overheads

€'000	2014	2013
Central Overheads	7,319	3,279
Professional fees and stamp duty incurred on acquisitions	(2,821)	-
Central Overheads (excl. impact of acquisitions)	**4,498**	3,279

Excluding the fees and stamp duty associated with acquisitions, central overheads increased by €1.2 million (37.2%). This increase is the result of a significant investment in additional resources at Central Office in areas such as operations, finance, internal audit, acquisitions, human resources and sales and marketing. This has facilitated, and will continue to facilitate, the significant expansion in our owned and leased business.

Interest Received

The Board decided to invest the monies raised in the IPO in money-market funds as we prioritised security of funds over interest income. As a result, the interest received amount is relatively small considering the amounts of monies we had on deposit during the year.

Impact of Acquisitions

We spent €35 million on the acquisition of hotels during 2014. Since the year-end, we have completed the acquisition of nine Moran Bewley hotels, Whites Hotel in Wexford, the Clayton Hotel in Galway, the Pillo Hotel in Galway and the Holiday Inn in Belfast at a total cost of €521 million. These transactions have been funded through a combination of cash, debt and additional equity. This has transformed the balance sheet as outlined below.

Debt

The Group had bank debt of €9 million at the end of 2013 and at the time of the IPO in March 2014. This debt was repaid out of the proceeds of the IPO and there was no debt outstanding at 31 December 2014. Two term loan facilities totalling €282 million were raised on 3 February 2015 to part fund the purchase of the Moran Bewley Hotels.

The net debt to EBITDA ratio was circa 5.5 based on the actual 2014 earnings of Dalata (excluding impact of acquisitions), the estimated earnings of the seven infill acquisitions if the Group had owned them for all of 2014 and the unaudited earnings of the nine Moran Bewley hotels for 2014. The Group expects the ratio to fall to 5 by the end of 2015 and be in the target range of 4 to 4.5 by the end of 2016.

Ordinary Share Capital

We issued 12.2 million shares at a price of €2.75 to the shareholders of the Moran Bewley Hotel Group on 4 February 2015 to partly fund the purchase of nine hotels within that group. Those shares were subsequently sold by those shareholders. We placed 6.1 million shares at a price of €2.75 on the same date. After costs, this raised an additional €48.6 million for the Company and increased the total number of shares to 140.3 million.

Acquired Assets

The total cost of the hotels acquired since year end is €521 million which substantially relates to the value of the properties.

Treasury Policy

The Board have adopted a treasury policy whereby 66% of our debt will be subjected to a fixed interest cost. We plan to enter into interest rate hedging contracts within the next month. We have borrowed £132 million in sterling as a natural hedge against the impact of sterling exchange rate fluctuations on the euro value of our UK assets.

Conclusion

I am personally very excited about the portfolio that we have acquired since June 2014. The Dalata team will be focused on maximising the returns from the portfolio during 2015. We will approach this task on a number of fronts:

Development

We are looking at opportunities to develop the hotel assets further through extensions like that currently underway in Chiswick, converting underutilised space to meeting rooms or additional bedrooms as is currently happening in Pearse Street or sub-letting of vacant space to third parties.

Revenue Maximisation

All of the acquired assets are located in markets that are experiencing strong RevPAR growth. It is critical that we fully exploit the opportunities that this presents for the Group. The Dalata team strongly believes in a decentralised revenue management approach which we are now in the course of implementing in all of the acquired hotels.

Cost Efficiencies

Work is already well underway in extracting synergies from the acquired portfolio. We are introducing our cost control procedures in the acquired hotels to ensure that the appropriate level of cost is being incurred to deliver our brand standards to our customers.

It has been a very busy 12 months for Dalata since our IPO in March of last year and I look forward to an equally exciting and busy 2015.

Dermot Crowley
Deputy Chief Executive –
Business Development and Finance

Risk Management

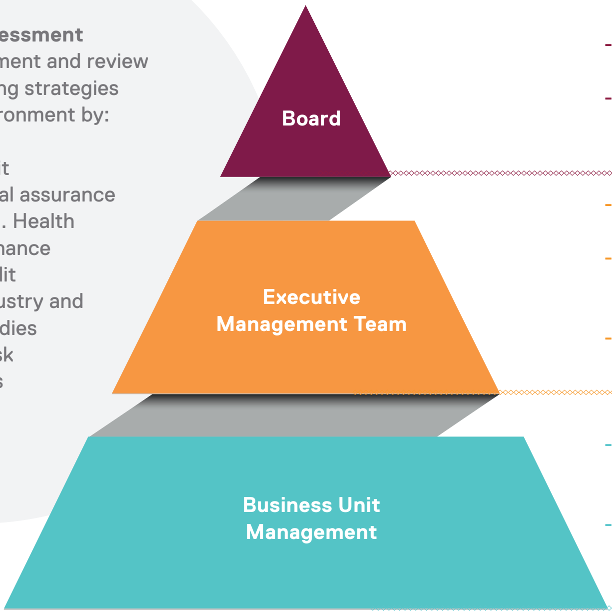
In common with any other business the Group is subject to a broad range of risks and uncertainties from a wide variety of sources. Many of these risks are outside the control of the Group and reflect the current and ever-changing nature of operating a business in today's environment.

The Board has overall responsibility for the management of the risks facing the Group. A risk management process and structure was developed during 2014 to support the identification of risks, formalise mitigating controls and identify actions to further manage these risks. It can only provide reasonable assurance against misstatement or loss. This structure is kept under regular review by the Audit and Risk Committee and Executive Management Team, and will be enhanced further during 2015.

Risk Management Organisation Structure

Review and assessment
Ongoing assessment and review of risks, mitigating strategies and control environment by:

- Internal Audit
- Other internal assurance activities e.g. Health & Safety, Finance
- External Audit
- External industry and statutory bodies
- Insurance risk assessments



- Sets the overall Group strategic objectives and determines the Group culture and standards
- Determines the overall risk appetite and reviews the key risks
- Audit and Risk Committee reviews risk register on a regular basis
- Delegates risk management responsibilities to the Executive Management Team

- Implements the Board's strategy and directs the Group's business activities
- Has executive responsibility for risk management and the control environment
- Implements agreed risk mitigation and control strategies

- Responsible for financial performance, standards, internal controls and risk management
- Implementation of risk mitigation strategies and management of local risks

Ongoing Process for Risk Identification, Evaluation and Management

Dalata has developed a process for risk identification, evaluation and management. It is continuous in nature and is reviewed regularly. These reviews consider the status of key risks facing the Group, emerging or new risks for the business as a whole, the hospitality industry, and the implementation of risk mitigating strategies.

The Group maintains a risk register, which contains the key risks faced by the Group, including their likelihood and impact, as well as the controls and procedures to mitigate these risks. The content of the risk register is determined through discussions with the Executive Management Team. The Audit and Risk Committee considers the risk register regularly and updates the Board on key risks. The Board considers the key risks at least annually.

As part of the further development of the risk management structure an Executive Risk Committee, comprising relevant senior executives, is being established and will meet regularly to discuss the key risks, potential and emerging risks and the implementation of agreed mitigating actions.

Risk Categories

Transaction and Integration	These risks relate to the Moran Bewley transaction, the other bolt-on acquisitions, and the integration of the hotels into Dalata's business. Given the relative materiality of these transactions to the Group and the importance of the hotels' successful integration, specific risks in this category have been identified.
Financial	This covers all of the financial risk areas including, interest and foreign exchange rate risk, capital structure, financial transactions (payables/payroll/receivables), taxation, banking, financial accounting and management reporting.
Operational	This risk category covers a wide range of risks associated with running a hotel business and includes areas such as health and safety, human resources, ICT and technology risks, guest standards, purchasing, supplier management and product quality. Many of these risks are managed at a local level with support from Central Office.
Market Risk	This category includes the threat of competition from new or existing hotels, technological developments, and changes in customer behaviour affecting the distribution of hotel rooms in the market.
Economic	These risks relate to the larger geo-political and market risks that could affect the wider economy and industry. While these are mainly outside the Group's direct responsibility they could impact the Group's continued activities.
Strategic	This category reflects risks that focus on the continuing strategic development of the Group, and includes areas such as talent development and retention and the availability of suitable investments.
Compliance	These risks relate to areas such as compliance with legislation, shareholder relations, licensing and insurances.

There are several distinct elements to our risk management process, as follows:

1 Risk appetite
The first matter for consideration in preparing the risk register was the Group's risk appetite. This is the Group's overall attitude to risk and risk-taking and determines the extent of mitigating controls and assurance required over risks. The risk appetite is closely aligned to the Group's overall business strategy.

2 Risk identification
Risks were then identified. This process was supported by industry-wide and general economic risks, the use of expert publications on risk and consideration of the specific risks associated with operating a significant number of hotels in the current economic and legal environment.

3 Assessment of risk
Each risk was then considered and assessed in terms of its inherent and residual risk along with the potential likelihood of the risk materialising and its potential impact should it occur. Detailed criteria and scoring for impact and likelihood were prepared.

4 Mitigating controls assessment
The existing mitigating controls for each risk were identified and assessed in terms of their effectiveness. These controls take a range of different formats and include controls such separation of duties, reporting structures, specific reports and reconciliations, third-party mitigation (e.g. insurance), organisational structures and approval thresholds.

5 Key risk identification
Following the assessment of the risk population the key risks were identified. These are the risks that are considered to be of most significance in terms of achieving business strategy.

6 Risk action plans and responsibility
Action plans were identified to either address any control weaknesses/ gaps or to improve the mitigating controls. Action plans were given an expected completion date and assigned to the relevant management.

7 Review and assessment
The risks are reviewed and reassessed on a regular basis by both management and the Audit and Risk Committee. This process considers the risk management and also new/emerging risks to the business.

Key Risks

Based on reviews of the risk register and discussions on the risks facing the Group, the key risks have been identified. These are the risks that have greatest potential to impact our Group objectives and therefore are those that most concern the Board.

No.	Risk Category	Risk Outline	Rationale for Inclusion	Key Control and Mitigation Activities
1	Transaction and Integration	The financial and operational benefits expected from the Moran Bewley hotels and the other acquisitions do not materialise, resulting in financial performance that does not meet expectations.	There is a risk that the benefits of the acquisitions either fail to materialise, are materially lower than expected, take longer or cost more to achieve, which could lead to a material impact on the business, profitability and financial condition of the Group.	There is a significant executive and Board focus on the implementation of the business plans for the acquired hotels. A detailed financial model is in place along with daily, weekly and monthly monitoring of financial performance. An Integration Manager has been appointed to manage the integration of Moran Bewley hotels, while the Group Operations Manager manages the integration of other hotel acquisitions.
2	Financial	The level of bank borrowings and the associated interest payments and covenants impact the Group's operating and financial flexibility and increase the potential of default risk.	The Group has taken on material bank lending facilities in February 2015. This reduces the Group's flexibility in relation to financing its business activities. In addition, failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to re-finance its borrowings.	The Group's financial forecasts include the appropriate debt repayment, interest payments and covenant test compliance. These areas will continue to be a key focus area. The Group is implementing hedging arrangements to minimise its exposure to interest rate fluctuations.
3	Financial	Adverse currency fluctuation negatively impacts financial performance.	The Group is now exposed to Euro/Sterling fluctuations in relation to a material number of its hotels. A materially negative fluctuation in currency rates could therefore impact the Group's net income and net assets.	The Group operates a natural hedge policy whereby revenues and costs are matched in the relevant currency. In 2015 the Group borrowed significant amounts in sterling, as a natural hedge, against the impact of sterling rate fluctuations against the Euro value of our UK assets. A hedging strategy is being developed in relation to other currency exposures to minimise any potential impact.

Key Risks (continued)

No.	Risk Category	Risk Outline	Rationale for Inclusion	Key Control and Mitigation Activities
4	Financial	Material financial controls failure results in either financial loss or misstatement in the financial statements.	The Group conducts a wide range of financial transactions across different jurisdictions and currencies. Given the volume of transactions and accounting requirements there is a risk of a material breach of the financial control systems, which could result in a material loss to the business, both in financial or reputational terms. The significant increase in the scale of the business in a short period of time creates additional risk in this area.	There is a formalised organisation structure supporting reviews of financial activities along with defined financial policies and procedures. Access to Group funds and authorisation of payments is strictly limited. At a local hotel level, there is segregation of duties and review structures in place. Daily, weekly and monthly financial KPIs are reported to Central Finance. The Group has committed to implement an upgraded software solution for its financial consolidation in 2015.
5	Operational	A material operational health and safety-related event occurs at a hotel and is not properly managed.	The Group operates extensive hotel and leisure centre activities accessed by employees/guests/general public and has significant legal health and safety responsibilities arising from these activities. A failure to have proper health and safety and food safety systems and structures could result in both reputational damage and financial loss to the Group.	The Group has a Health and Safety ("H&S") function and associated policies in place. Local H&S responsibilities are assigned to qualified staff and support contracts are in place with approved health and safety providers. There are also external reviews of relevant H&S areas completed.
6	Operational	The ICT systems and strategy does not support the Group's operations, advances in technology and emerging security risks.	The Group's ICT systems are not sufficiently developed to reflect technological advances, meet emerging security risks, optimise operational efficiencies and effectiveness.	An ICT strategy is being developed to reflect the enlarged Group structure and requirements. Appropriate ICT security structures are in place and are monitored. This is also complemented by external support providers.
7	Economic	Negative external geo-political and/or economic events impact financial performance and prospects.	Events that are outside the control of the Group occur that negatively impact wider economic activity and/or corporate/leisure travel in key Group operating markets.	There is ongoing close involvement with industry bodies to determine market sentiment. The Executive Management Team monitor the actual and forecasted revenue and cost base. The management structures enable prompt responses to market conditions.
8	Strategic	There is a failure to retain key expertise and experience and develop talent within the Group to ensure its ongoing and future success.	The Group's growth and performance is dependent both on the continued retention of key executives, their business management expertise and the ongoing development of talent within the Group.	The Board Remuneration Committee considers executive and staff remuneration and performance criteria. External advisors will also provide guidance in this area.

Corporate Responsibility

Dalata since its inception has always behaved in a responsible manner. Due to the economic crisis our priorities had to change. Our focus was on sustaining employment and growth where possible, while working with our suppliers and shareholders. During all of this difficult time we empowered each of our hotels to support and assist organisations in their community. This was achieved by providing meeting facilities, being involved in committee work or donating prizes to help raise much needed funds.

Are we where we would like to be in this area? No we are not. However, we have a very good base to work from, and we plan to have an ambitious programme of activities that will build on this into the future. The following pages outline what we do and give a flavour of the culture now well embedded in Dalata.

Core Values

Our people	Dalata is the place where you can do great things - individually and as a team.
Our fairness	We pride ourselves on creating an objective, supportive and fair working environment for our employees, shareholders, suppliers, customers and the communities we work within.
Our service	We ensure our service standards are consistently high at every opportunity.
Our individuality	Our people are as individual as our hotels. They bring their own personality, character and enthusiasm ensuring the experience we provide is always warm, welcoming, genuine and friendly.

We have identified five main pillars of our Corporate Responsibility Strategy as follows:

- Our People
- Our Customers
- Our Suppliers
- The Environment
- Our Communities

Our People

At Dalata we embrace the value of our people. We believe that motivated, highly committed people can achieve great personal success, provide our business with a strong competitive advantage and make Dalata a great place to work.

Talent Development
Dalata's goal is to be recognised as a place where people can develop their careers. Growing our own talent is very important to us and to the success of the Group. The Group's philosophy is to encourage internal promotions which enables employees to transfer between both our hotels and Central Office to achieve their ambitions.

We also place much emphasis on learning and development to facilitate our employees in achieving their potential. A significant number of our employees have progressed through the organisation which lends well to our culture and reinforces our development stance. Since 2007 we have promoted five General Managers internally.

Dalata has a number of programmes and initiatives in place to develop our employees and manage our talent base. These are formulated to deliver a wide range of training needs at all levels. They include basic technical skills offered to all our hotel staff, such as food

Paul Allen
Clyde Bar Morning Supervisor
Clyde Court Hotel
Winner of Overall Employee of the Year Award 2014

"In the Clyde Court no two days are the same. We have a lot of regular customers and it's great to see repeat visitors, knowing that they are returning because they've had a really positive experience in the past. Introducing a little bit of Dublin and Ireland to tourists is also great! I feel lucky that I enjoy my job. This is mainly due to the amazing people I work with and the support of management. It makes a difference and I think customers can see that for themselves".

safety and hygiene training right up to a Senior Management Development Programme. Some of our current offerings in training and development programmes include a Management Development Programme, Trainee Management Programme, Sales Development Programme, Graduate Trainee Programme, Graduate Management Development Programme and Head Chef Development Programme. These programmes are a blend of mentor-led, workshop based and on the job learning. 13 employees have completed the Management Development Programme since its inception in 2014.

The Group also encourages staff to gain industry-relevant qualifications where appropriate and to gain additional qualifications to support their career development. Dalata is an *Institute of Chartered Accountants* authorised training firm, sponsors professional qualifications such as *ACCA*, and *CIPD* for specialised roles in Finance and HR, as well as masters level qualifications for some employees in senior positions.

We currently have 18 hotels accredited to the *IHF Quality Employer Programme* and plan to achieve accreditation for all hotels by the end of 2015.

Performance and Recognition

The Group has a formal performance management process in place for all employees, and encourages open, face to face communication between staff and their line managers about performance standards and training.

The Group first introduced Employee of the Month and Employee of the Quarter awards in 2008. Employees can be nominated for these awards by their peers and managers. This year the Group extended this programme to an Overall Employee of the Year Award, which was presented at the Group's inaugural awards ceremony in January. *Paul Allen* was named as *Overall Employee of the Year 2014*. His profile is on this page.

We regularly put forward our team members who excel at their job for industry recognised awards such as IHF Manager of the Year, Weddings Online Wedding Coordinator of the Year and many more. This allows our employees who demonstrate excellence in their job to be recognised by industry leaders. *Breeda Lucey*, an employee with over 40 years' experience at the *Aghadoe Heights Hotel and Spa* in Killarney, was recently crowned *"Front of House Person of the Year"* at the *Gold Medal Hotel & Catering Awards*.

At Dalata we embrace the value of our people. We believe that motivated, highly committed people can achieve great personal success, provide our business with a strong competitive advantage and make Dalata a great place to work.

Communication
At Dalata, we recognise the value of sharing our ideas and information with each other. This practice of 'open communication' enhances our ability to achieve our business goals and contributes to a more satisfying work experience for everyone. We engage regularly with employees through a variety of means, including e-learning, intranet, conferences, workshops and other communication sessions. During the year the Group launched "The Dalata Way" a bi-monthly newsletter to recognise the personal and professional achievements of both individuals and teams. Such activities help to promote teambuilding, and awareness of the activities of staff members throughout the Group.

Health and Safety
The Group recognises the importance of providing a healthy and safe working environment for staff, and continues to refine our processes and procedures to ensure high safety standards and compliance with all statutory health and safety requirements. Effective health and safety practices are encouraged through detailed policies and procedures, training, supervision and regular communication. Independent third party audits are also commissioned to support our continuous improvement process. Some of the audit recommendations implemented during 2014 include, the appointment of trained Health and Safety Officers to all hotels, improved reporting and documentation in the areas of risk assessment and certification, Business Continuity Plans prepared for all hotels, and Legionella maintenance/water testing implemented across all hotels.

Equality and Diversity
Dalata is fully committed to being an equal opportunities employer regardless of nationality or ethnic origin, race, gender, sexual orientation, marital status, disability, age, religious or political belief. The Group complies with all relevant equality and anti-discrimination legislation. The Group has diverse nationalities throughout its hotels, employing 54 different nationalities.

Commitment to Government and Enterprise Led Schemes
Dalata is committed to supporting government and enterprise led schemes to support people returning to the workplace. The Group works actively with *JobBridge*, *Jobs Plus*, *The National Learning Network* and *Diageo for Life* Schemes. A significant number of the participants in these schemes have remained with the Group on completion of their internships, and many have been promoted to new roles.

Partnering with Institutes of Technology and Universities
Dalata partners with the *Institutes of Technology* and *Shannon College of Hotel Management* for the development of the hospitality sector. Many of our General Managers and Group HR Managers visit the Institutes of Technology, where they participate in career days, advise students on pursuing careers in the hospitality sector, and facilitate student placements. *Siobhan Burke* the General Manager of the *Pillo Hotel & Spa in Galway* has been a member of *GMIT Governing Body* for the past five years. Stephen McNally Deputy Chief Executive and current President of the *Irish Hotels Federation* recently presented the student awards at *Dublin Institute of Technology* and *Institute of Technology Tralee*. Dalata also offers sales and marketing placements to students at *Dublin City University* and *University College Dublin*.

Service to the Hospitality Industry
As Ireland's leading hotel group, we are actively involved with the Irish *Hotels Federation (IHF)*. Stephen McNally Deputy Chief Executive is the current President of the IHF, Michael Lally (General Manager, Maldron Cork), Conor O'Kane (General Manager, Maldron Cardiff Lane, Dublin) and Rishnoor Kaur (General Manager, Tallaght, Dublin) are elected Council Members of the IHF. Pat McCann Chief Executive is a former president of the IHF.

Our Customers

At Dalata our main focus is to ensure that our service is consistently high at every opportunity and the experience we provide is always warm, welcoming, genuine and friendly.

We continually evaluate ways of improving our service and our products to meet customers' diverse needs. This has seen us undertake a refurbishment programme, redesign our website, introduce healthier menus, and engage with our customers through social media and customer feedback tools.

54 Nationalities

Dalata is fully committed to being an equal opportunities employer. The Group has diverse nationalities throughout its hotels, employing 54 different nationalities.

We continually evaluate ways of improving our service and our products to meet customers' diverse needs.

Brand Standards

We apply brand standards across Dalata's 3 and 4 star hotels in Ireland and the UK. Our ongoing capital refurbishment programme aims to ensure that all our hotels are of the consistently high standard our customers expect. Service offerings available to guests at Maldron hotels include, amongst others, free WiFi and free access to the hotel's leisure centres.

Graham Mellon
Commis Chef
Maldron Cardiff Lane

Graham joined us through the JobBridge programme in February 2014 and made a huge impression from his first day in the job. The General Manager is delighted to have him working at the hotel and to see him progress in his role. Graham is a great example of the opportunities we can offer to people at every level in the organisation.

Our goals for our suppliers are for them to supply quality goods from ethical sources at competitive prices.

Awards
Maldron Hotel Cardiff Lane and The Academy Plaza Hotel in Dublin were recently awarded the *CIE Award of Excellence*. The *Irish Accommodation Services Institute* awarded Clayton Hotel Galway, Maldron Hotel Tallaght and Fels Point Hotel Tralee a gold medal. Aghadoe Heights Hotel and Spa won *Best 5 Star Hotel of the Year 2014*. The leisure centre at the Cavan Crystal Hotel won overall *'Best Leisure Club'* in Ireland, and Club Vitae Health and Fitness Centre at Maldron Hotel Galway was awarded the *Diamond Standard Award for Service Excellence* by Ireland Active. There are currently 17 leisure centres in the Group, 16 of which received *'The White Flag Award'* in 2014.

Customer Feedback
The Group recognises the value of customer feedback and encourages all customers to provide feedback to our General Managers. Customer feedback is obtained from various sources such as *Instant Opinion*, *Trip Advisor*, *Louder Voice* and through customer interactions, and is used to identify areas of improvements. We are currently piloting a new online reputational management tool called *"Trust You"* in ten of our hotels. The purpose of this tool is to monitor and collate all customer feedback and allow the hotel to respond. We also encourage feedback through our *Facebook* page and *Twitter* account where we have over 38,000 Likes on *Facebook* and 4,000 followers on *Twitter*.

Food Safety
Food safety in our hotels is an absolute priority for Dalata. We carry out an annual Hazard Analysis and Critical Control Point Analysis (*"HACCP"*) audit on all hotels to ensure they meet the *National Standards Authority of Ireland IS340* standard on food safety and hygiene. The annual *HACCP* audits are performed by external auditors with the results reported to the Group Food and Beverage Manager. An action plan is then prepared by the hotel General Managers within two weeks of the report date, to resolve any issues identified in the audit. The industry is also subjected to ongoing food safety audits which are conducted by the *Health Service Executive* on behalf of the *Food Safety Authority of Ireland*.

Food Quality and Choice
The Group has identified that the key areas for growth and customer satisfaction, are in the provision of good quality healthy food. The Group is committed to providing healthier menus as part of its food and beverage offerings, which includes the provision of gluten free products, and reductions in the salt content in cooking. Since December 2014 all of our hotels are compliant with the *Food Information to Consumer ("FIC")* legislation in relation to allergen labelling. In accordance with this legislation information on allergens used in food products is displayed in all our hotels.

Protecting our customer's privacy and data security
Safeguarding our customer's privacy and protecting them against the possible misuse of their personal information is very important to the Group. The Group has adopted a data protection policy, and all customer data is handled in accordance with current Data Protection legislation.

Our Suppliers

Dalata works closely with its suppliers to ensure an effective and transparent supply chain. Our goals for our suppliers are for them to supply quality goods from ethical sources at competitive prices. We embrace our value of fairness in all dealings with our suppliers.

Our aim is to achieve greater efficiency in all areas of the operation, without sacrificing the guest experience. Energy ambassadors have been appointed in many of our hotels to lead the energy reduction programmes.

High standards for our food suppliers

Dalata has a central purchasing function that works closely with our food suppliers to ensure that both our requirements and standards are met. Each supplier completes Dalata's *Food Supplier Approval Questionnaire* and undergoes a review before it is included on the Group's approved listing. Distribution capabilities and *HACCP - IS341 – National Standards Authority of Ireland* are key requirements for approval. All our suppliers are subject to audits by our purchasing team or approved external auditors. The Group also look for additional accreditations from our suppliers namely *Bord Bia Quality Assurance Award*, *Q Award*, *National Hygiene Award*, *BRC Certification* and *ISO Industry Award 2005*.

Responsible sourcing of food products

The Group has high ethical standards in sourcing food products and our customers expect high standards of animal welfare. Confirmation of origin and full traceability of food products throughout the process, through a responsible labelling system is a requirement of the Group. All red meat used in our Irish hotels is sourced in Ireland and traceable to farm. All Dalata's approved fish suppliers are fully committed to responsible sourcing of products. All fresh produce for our UK hotels is purchased from suppliers who are in compliance with *The Red Tractor Food Assurance Scheme*.

Local Suppliers

Dalata encourages the use of regional producers, and over the past couple of years there has been a significant shift towards genuine locally produced food. There continues to be plenty of opportunity for producers with innovative products, particularly good quality regional and artisanal specialities. Most of our dairy produce, fish, fruit and vegetables are sourced regionally which ensures fresh quality produce while contributing to the local economy.

The Environment

Dalata are aware that its operations affect the environment and are committed to minimising adverse impacts, leading to the sustainable use of resources and optimal management of waste. We focus on four environmental pillars namely energy initiatives, water usage, waste management and sustainable purchasing.

Energy Initiatives

Our aim is to achieve greater efficiency in all areas of the operation, without sacrificing the guest experience. Energy ambassadors have been appointed in many of our hotels to lead the energy reduction programmes. During 2014 we continued the roll out of LED and low wattage lighting, installed Power Profectors which restricts electricity flow, and sensors on non-essential lighting in many of our hotels. We introduced the Wattics energy efficiency monitoring tool in three hotels and we plan to install similar tools in our hotels in 2015. We also installed glycol refrigeration systems, energy efficient air conditioning units, and new gas boilers in a number of our hotels during 2014. We will continue to invest in energy efficiency measures as part of the hotels' upgrade programmes.

Water Usage

Our aim is to reduce water usage across the group without negatively impacting the guest experience. In 2012 we commenced a programme of installing aerator shower heads and pressure reducing valves to reduce water consumption. We also reduced the capacity of the toilet cisterns in many of our hotels and placed notices in all hotel bedrooms encouraging guests to manage their towel and bed linen usage.

As part of our ongoing capital investment programmes in our hotels, we place a primacy on water saving measures at the design phase. Initiatives being considered include rain water harvesting and waste water recycling.

Waste Management

The Group continues to develop its waste management systems as we have identified it as a significant opportunity to drive financial and environmental savings. We base our approach on *Repak's* programme of *"reduce, re-use and recycle"*. Much of this programme focuses on building staff and customer awareness.

GreenStar were engaged in 2007 to manage and measure all the Group's waste. All types of packaging are acceptable from suppliers, but we encourage our suppliers to use recyclable packaging and plastic returnable containers for food. In 2014 all our hotels became fully compliant with the *Food Waste Segregation* legislation. The Group is currently working with *Green Streets Environmental Services* to develop a self-declaration of recycling waste to Repak, in order to enable us to make improvements in the area of waste management.

Sustainable purchasing

Responsible sourcing of food is very important to the Group, currently the majority of the fish on our menus comes from sustainable fish stocks. In addition the Group having considered the environmental impact of cleaning materials, have engaged with *Ecolab* which produces solutions that maximise products and environmental performance.

Our Communities

Dalata is aware of its responsibility to contribute to the communities in which it operates. The Group's philosophy of delegating responsibilities to its local hotel managers, enables them and their staff to support local businesses, clubs, charitable activities and community initiatives.

Supporting the local economy

As Ireland's leading hotel group, each hotel makes a significant impact in the local economies in which it operates, both in the role of employer and also in terms of the impact its operations have on the local communities. The Group is also committed to sourcing good quality food from regional suppliers, and uses many local enterprises to supply services to the hotels.

Many of our employees are involved in organising events and festivals to generate business in their local communities. Michael Lally our General Manager in *Maldron Hotel Cork* is on the organising committee of the *Spirit of Mother Jones* Festival in Cork. This festival started in 2012,

Karina Kralle
Trainee Accountant
Dalata Central Office

Karina moved to Ireland from Estonia in 2008. She started her career with Dalata working as a waitress in one of our partner hotels, while completing a Bachelor of Arts Degree in Accounting. In 2012 she was given the opportunity to work in the finance department of the hotel. The Finance Manager was so pleased with her performance that she submitted an application on her behalf, for a new trainee accountant position in Dalata's Central Office. Karina's application was successful and she is currently studying for her ACCA qualification while working at Central Office.

to commemorate Mother Jones, a labour activist who was baptized in Cork 178 years ago. The festival attracted in excess of 3,000 visitors to Cork from the US and UK in 2014 and was awarded the *IHF Tourism Award* in 2014.

Dalata is also one of the main sponsors of the *Rose of Tralee International Festival*, with many events of the five day festival hosted at the Fels Point Hotel Tralee, and the regional finals hosted at Maldron Hotel Portlaoise. Stephen McNally Deputy Chief Executive was a member of the 2014 Rose of Tralee judging panel. Dalata are proud of their commitment to the festival and welcome the financial benefit such a festival brings to both Tralee and Portlaoise.

The Maldron Hotel Smithfield sponsored the *Blue Fire Event*, which was held in Smithfield Square in September 2014, to encourage social integration through artistic events.

Charitable Activities
Dalata seeks to maintain relationships with local charities, supporting them on a wide range of projects. The hotels provide meeting rooms for many local charities. Some of the charitable initiatives include coin collections for *Temple Street Children's Hospital* and *Age Action*, an ink cartridge collection for the *Jack & Jill Foundation* and donations of unclaimed lost and found property to *Enable Ireland*. Various fundraising events including coffee mornings, are held in many of our hotels to support local charities e.g. *'Kick in the Butt' for Breast Cancer*, *Fight for Girls Cancer Foundation*, *Galway Autism Partnership*, *Liam's Lodge*, *AWARE*, and *St Vincent De Paul*.

Contribution to local sports clubs
Dalata works closely with many GAA, soccer and rugby clubs through sponsorship of jerseys and prizes, and the hosting of various events. On a national level, Maldron Hotel Tallaght sponsors *Shamrock Rovers F.C.* and *Clarion Hotel Sligo* (Dalata managed hotel) sponsors *Sligo Rovers F.C.*

All employees throughout the Group are encouraged to contribute to their local sports clubs.

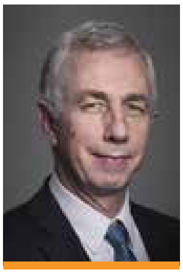
Community Initiatives
Dalata is committed to the residents of its local communities. Over the past 8 years, *Maldron Hotel, Cardiff Lane* has supported the local active retired with free aqua classes once a week. Staff at the *Maldron Hotel, Galway* provide exercise classes for the Oranmore Active in Age Group at reduced rates. Many of our General Managers work with transition year students by giving career talks and providing placements to encourage them into hospitality sector.

The Group's philosophy of delegating responsibilities to its local hotel managers, enables them and their staff to support local businesses, clubs, charitable activities and community initiatives.

Governance

From left to right:
Dermot Crowley, John Hennessy (seated),
Seán McKeon, Margaret Sweeney,
Robert Dix (seated), Stephen McNally,
Pat McCann, Alf Smiddy

Chairman's Overview



Dear Shareholder

I am pleased to present the first Corporate Governance Report of Dalata Hotel Group plc.

The Board of Dalata is made up of four non-executive directors and three executive directors. On 27 February 2014, I was appointed Non-Executive Chairman of Dalata Hotel Group plc, and Robert Dix, Alf Smiddy and Margaret Sweeney were appointed as Non-Executive Directors. Alf Smiddy has been appointed Senior Independent Director for a two year period commencing 9 March 2015. We are joined on the Board by Pat McCann, Dermot Crowley and Stephen McNally, all Executive Directors.

Our Board comprises a balanced, diverse and experienced team that is committed to developing Group strategy, supporting the Executive Management Team in the implementation of that strategy and maintaining the highest standards of corporate governance. We are firmly committed to business integrity, high ethical values and professionalism in all of the Group's activities and operations, and to promoting excellence in governance practices across the business.

The Company voluntarily applies the UK Corporate Governance Code (September 2012) published by the Financial Reporting Council in the UK and the Irish Corporate Governance Annex published by the Irish Stock Exchange (together the "Codes") in respect of its corporate governance practices.

In accordance with the Codes, all the directors will voluntarily offer themselves for re-election at the Annual General Meeting on 28 April 2015. I am satisfied that each Director continues to provide the Board with valuable knowledge and expertise and to devote sufficient time in support of the Group, and I strongly recommend their re-election.

In this section of the annual report we discuss the key features of our governance structures, provide an insight into our Board and outline our Committees, their memberships and their activities during the year.

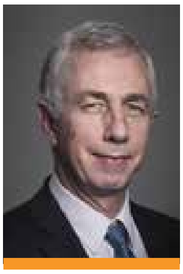
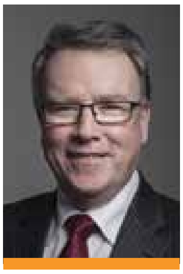
Our statement below explains how we have complied with the principles of the Codes in 2014 and, where specific provisions may not appear to have been met, we provide a detailed explanation outlining such non-compliance.

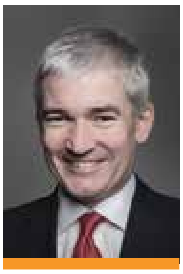
My key corporate governance objectives for 2015 will include reporting on the findings of the internal board evaluation which will commence in the third quarter of the year, further developing our remuneration policy with the assistance of independent outside advisors, and implementing a Group Whistleblowing Policy.

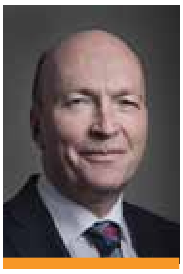
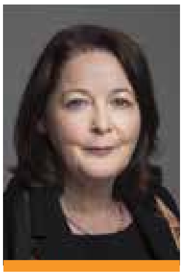
If any shareholder wishes to contact me in relation to any of the content in this section of the annual report, please do so through the Company Secretary at the Company's address.

John Hennessy
Non-Executive Chairman

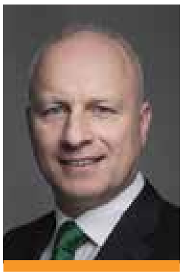
Directors' Biographies



From Top, left to right:
John Hennessy
Pat McCann
Stephen McNally
Dermot Crowley
Robert Dix
Alf Smiddy
Margaret Sweeney



Seán McKeon
Company Secretary

John Hennessy

Non-Executive Chairman
Member of Remuneration and Nomination Committees

Age 58

Joined Board
27 February 2014

Experience
John Hennessy SC is a practising barrister and a Chartered Director. He is a fellow of the Institute of Chartered Accountants in Ireland and of the Chartered Institute of Arbitrators. He is also an accredited mediator.

Other appointments
John is non-executive Chairman of CPL Resources plc and a non-executive director of H&K International Limited. He also sits on the boards of a number of voluntary and non-profit making organisations.

Pat McCann

Chief Executive
Member of Nomination Committee

Age 63

Joined Board
28 January 2014 (previously a director of DHGL Limited)

Experience
Pat has over 45 years of experience in the hotel industry, having embarked upon his career in 1969 with Ryan Hotels plc. He left that company in 1989 to join Jurys Hotel Group plc as General Manager of its flagship Dublin hotel. He was appointed Operations Director and to the main Board of Jurys Hotel Group plc in 1994 and, subsequently, had responsibility for the integration of the Doyle Hotel Group following the acquisition of that company by Jurys in 1999. In 2000, he became Chief Executive of Jurys Doyle Hotel Group plc, a position he held until 2006. Pat worked as an independent consultant until August 2007 and became the Chief Executive Officer of Dalata later in 2007. He is a non-executive director of a number of private companies.

Other appointments
Pat has held a number of non-executive positions within the hospitality and other industries, including state and public company entities. He was formerly a director of EBS Building Society and Greencore Group plc. He has served as National President of the Irish Hotels Federation, was a Member of the National Tourism Council (Ireland) and a Member of the Irish Tourism Review Group (2003).

Stephen McNally
Deputy Chief Executive
Age 50
Joined Board
28 January 2014 (previously a director of DHGL Limited)
Experience
Stephen completed his hotel studies in Rockwell Hotel and Catering School. He has extensive hotel experience having worked with Ramada Hotels in the UK and Germany, completing the Ramada management development programme, before joining Jurys Hotel Group plc in 1989. During his seventeen years with Jurys, which subsequently became Jurys Doyle Hotel Group plc, he managed the company's hotels in the UK and Ireland, and ultimately headed up operations for the entire hotel group, including its properties in the USA – a total of thirty-three properties. In August 2007 he became director and deputy chief executive of Dalata where he has overall responsibility for the Group's hotel operations.
Other appointments
He was appointed President of the Irish Hotels Federation in February 2014.

Dermot Crowley
Deputy Chief Executive – Business Development and Finance
Age 48
Joined Board
28 January 2014 (previously a director of DHGL Limited)
Experience
Dermot joined Dalata in 2012 where he has overall responsibility for business development and finance. He has extensive experience in the financing, development, acquisition and disposal of hotels. He led the acquisition of the Moran Bewley Hotel Group which completed in February 2015. He also played a leading part in the IPO of the Company in 2014.
He is a fellow of the Institute of Chartered Accountants in Ireland, having qualified in 1991. Dermot worked in Ireland and overseas with PricewaterhouseCoopers, Procter & Gamble, Forte Hotels and Renault Ireland before joining Jurys Doyle Hotel Group plc as Head of Development in 2000. During his six year period at Jurys Doyle, he oversaw the development of 15 new Jurys Inns and Hotels in Ireland, the UK and the US. He also oversaw the disposal of eight hotels in Ireland for a combined total of €450m. From 2006 to 2012 Dermot worked at Ion Equity on a number of transaction as well as establishing Pillo Hotels.

Robert Dix
Non-Executive Director
Chairman of Audit and Risk Committee
Member of Remuneration Committee
Age 62
Joined Board
27 February 2014
Experience
Robert was a partner in KPMG Ireland where he headed up the Transaction Services division until his retirement from the firm in 2008. He is currently a board director of a number of companies including a number of companies within the Quinn Finance Group, Allianz plc., Siteserv plc and Bank of Ireland Private Bank. He also runs his own company Sopal Limited, where he provides advice to organisations on capital markets, corporate governance and strategic planning issues. He is a graduate of Trinity College Dublin and is a fellow of the Institute of Chartered Accountants in Ireland.
Other appointments
Robert is a director for a number of private companies.

Alf Smiddy
Senior Independent Director
Chairman of Nomination Committee
Member of Audit and Risk Committee
Age 52
Joined Board
27 February 2014
Experience
Alf is a chartered accountant by profession, having worked with PricewaterhouseCoopers in Cork and Dublin, and also in the Irish and international hospitality and beverage sector for over 25 years. He is a director of a number of businesses across a range of sectors including financial services, marketing and technology, tourism and hospitality, agriculture and food, health and safety, and retail. He also runs his own company and works with leadership teams and boards in the private and public sectors in Ireland on organisational strategy, marketing and business development, financial management and human resource leadership. He was recently appointed as Chairman of the Cork Local Government Review Group by the Minister for the Environment, Community and Local Government. He is a member of the Institute of Chartered Accountants in Ireland, a Fellow of the Irish Marketing Institute, and has a Masters in Executive Leadership from Boston College and the University of Ulster.
Other appointments
He previously served as Chairman and Managing Director of Beamish & Crawford plc in Ireland, and on the board of the UK division of its parent company, Scottish & Newcastle plc (a FTSE 100 company) until the takeover of the Group for €12 billion by an international conglomerate in 2008. He also served as a non-executive director at T & S Taverns Limited between 2009 and 2013.

Margaret Sweeney
Non-Executive Director
Chairman of Remuneration Committee
Member of Nomination Committee
Age 54
Joined Board
27 February 2014
Experience
Margaret qualified as a Chartered Accountant with KPMG in 1985 and worked with the firm for 15 years. She has held a number of senior positions including CEO of Dublin Airport Authority plc and Postbank Ireland Limited and has worked in Ireland and overseas with international shareholders, business partners and funders. She is currently a non-executive director on the boards of a number of companies in the financial services, technology and health sectors and sits on the Governing Body of Dublin City University and the Council of The Institute of Chartered Accountants in Ireland. She is a Fellow of Chartered Accountants Ireland and holds the Diploma in Company Direction from the Institute of Directors.
Other appointments
Margaret has been a non-executive director on a number of boards in Ireland and internationally including Aer Rianta International plc, Flughafen Dusseldorf GmbH, Birmingham International Airport, Hamburg Airport, Shannon College of Hotel Management and Teagasc (Irish Agriculture and Food Development Authority). Margaret served as President of Dublin Chamber of Commerce from 2008 to 2009.

Seán McKeon
Company Secretary
Chief Financial Officer
Age 47
Appointed Company Secretary
28 January 2014
(previously Company Secretary of DHGL Limited)
Experience
Seán joined the Group as Chief Financial Officer and Company Secretary on 2007 having developed his career in retail and FMCG distribution. He is a member of the Institute of Chartered Accountants in Ireland and an MBA graduate of the UCD Michael Smurfit Graduate Business School. He played a central role in Dalata's 2014 IPO and subsequent debt fundraising and is responsible for financial reporting, compliance and risk management processes in the Group. As Company Secretary he plays a leading role in the implementation of the corporate governance practices determined by the Board. Before joining Dalata he was Group Chief Accountant at Roches Stores, and spent four years with Dunnes Stores as Head of Food Finance. Earlier in his career he gained international experience with Diageo plc, (as Global Transfer Pricing Manager for the Häagen Dazs, Green Giant and Old El Paso brands), produce distributor Keelings, Aer Rianta International and CLC World Resorts and Hotels.

Corporate Governance Statement

Statement of compliance with the UK Corporate Governance Code

As an ESM/AIM listed company, the Company is not required to comply with the UK Corporate Governance Code ("the Code") as issued by the Financial Reporting Council in September 2012. However, the Company has committed to comply on a voluntary basis with the provisions of the UK Corporate Governance Code together with the terms of the Irish Corporate Governance Annex published by the Irish Stock Exchange (together the "Codes") in respect of its corporate governance practices.

A copy of the UK Corporate Governance Code (September 2012) can be obtained from the Financial Reporting Council's website **www.frc.org.uk**. A copy of the Irish Corporate Governance Annex can be obtained from the ISE's website **www.ise.ie**.

The Company has been a publicly quoted company for less than a year and has developed its corporate governance policies steadily as the year has progressed with the objective of achieving compliance with the Codes.

The Board considers that the Company has complied with all relevant provisions of the Codes throughout the year other than in respect of the areas set out below.

Nomination Committee
The Nomination Committee was formed in February 2014 but did not meet separately until February 2015. During the year the duties normally delegated to the Nomination Committee were dealt with by the Board.

Appointment of Non-Executive Directors
The appointments of the Chairman and Non-Executive Directors were made by the Board following a process of consultation with the Company's advisors in the context of the Company's plan to apply for a public listing. Candidates were evaluated for their suitability in terms of skills, experience and independence. The Company did not retain an external search consultancy nor place an open advertisement for these positions.

Appointment of Senior Independent Director
Alf Smiddy was appointed as Senior Independent Director on 9 March 2015. Up to that date, the Company did not have a designated Senior Independent Director.

Diversity Policy
When considering appointments, the Board considers diversity, including gender. Under its terms of reference, the Nomination Committee will, on an ongoing basis, consider board effectiveness under a variety of headings including diversity. The Company has not formally adopted a policy statement on diversity.

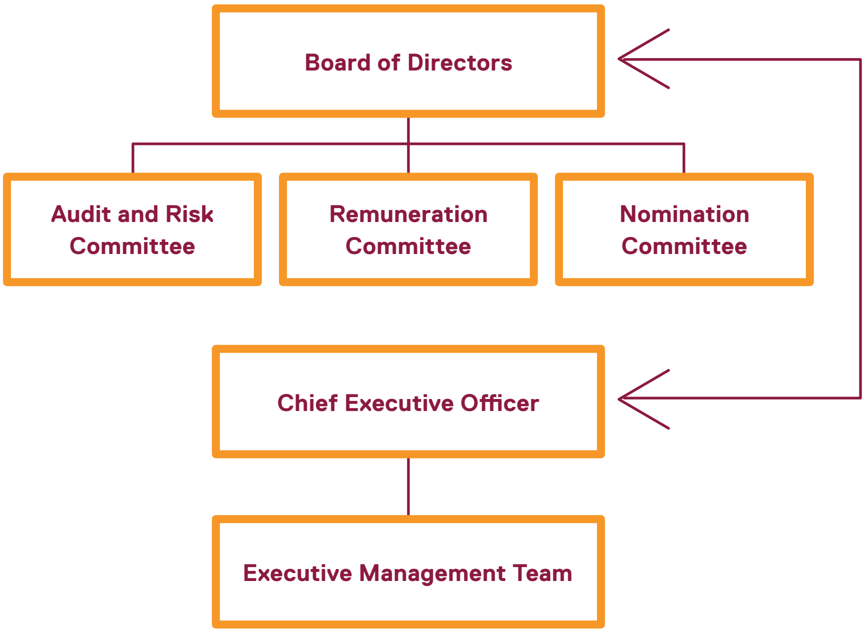
Board Evaluation
The Chairman recommends the re-election of each director having considered that they continue to provide the Board with valuable knowledge and experience and devote sufficient time in support of the Group. The Board has not yet carried out a formal evaluation process. The terms of reference for the Nomination Committee include a duty to assess board effectiveness and performance, and it is intended that an evaluation process will be undertaken in the third quarter of 2015 and annually thereafter.

Confidential Disclosure Procedure (Whistleblowing)
The Board adopted a Confidential Disclosure Procedure on 9 March 2015 with immediate effect. A copy of the policy is posted on the Company's website **www.dalatahotelgroup.com**

Leadership

Corporate Governance Framework

The Board is responsible for setting and monitoring the Group's governance framework. Implementation of governance throughout the Group is the responsibility of the Executive Management Team. Regular updates are provided to the Board and its committees by the Chief Executive Officer and the Executive Management Team. The Board regularly meets the Executive Management Team to establish how the business is progressing and to ensure that the governance framework is fully embedded within the Group.



Role of the Board

The key responsibilities of the Board are to set strategy, to monitor management, holding them accountable for performance against agreed targets and to provide appropriate challenge to ensure management remains focused on achieving the strategic objectives for delivering value to the shareholders and other stakeholders. Although not involved in the day-to-day management activities, the Board does have a formal schedule of matters reserved for its own consideration which includes:

- Group strategy, business objectives, long range plans and annual budgets;
- Determining the nature and extent of the risks the Group is willing to accept to achieve its strategic objectives;
- Board membership and senior appointments within the Group;
- Major changes to the Group's capital, corporate or management structure;
- Material acquisitions, disposals and contracts;
- Annual and interim results;
- Major changes to the Group's internal controls or to its risk management or financial reporting policies and procedures; and
- Treasury policy.

The Board has delegated a number of these responsibilities to standing committees of the Board as detailed below and also to the Executive Management Team of the Group, having first approved the terms of reference of those committees and the authority limits of management, and receives regular reports in respect of all delegated authorities.

Board composition

The Board comprises a Non-Executive Chairman, three Non-Executive Directors and three Executive Directors (Chief Executive Officer, Deputy Chief Executive and Deputy Chief Executive – Business Development and Finance).

The Board considers that there is an appropriate balance between Executive and Non-Executive Directors for governing the business effectively and promoting shareholder interests. It also considers that both Executive and Non-Executive Directors have the necessary skills, expertise and experience to enable them to govern the business effectively.

Detailed biographies of current Directors are set out on pages 36 to 38.

Division of responsibilities

The roles of the Chairman and the Chief Executive Officer are separately held and the division of their responsibilities is clearly established.

Chairman

The Chairman's primary responsibility is to lead the Board, to ensure it has a common purpose, is effective as a group and at individual director level and upholds and promotes high standards of integrity and corporate governance. He is also responsible for ensuring that all directors have full and timely access to the information necessary to enable them to discharge their duties. He ensures that Board agendas cover the key strategic issues confronting the Group and that the Board reviews and approves management's plans for the Group. He is responsible for conducting the annual Board evaluation.

The Chairman is the link between the Board and the Company. He is specifically responsible for establishing and maintaining an effective working relationship with the Chief Executive Officer, and promotes a culture of strong open dialogue between the Executive and Non-Executive Directors. He has the responsibility to ensure that there is ongoing and effective communication with shareholders and to ensure that members of the Board develop and maintain an understanding of the views of the shareholders.

Chief Executive Officer

The Chief Executive Officer is responsible for the day to day management of Group's operations and for the implementation of Group strategy and policies agreed by the Board. The Chief Executive also has a key role in the process of setting and reviewing strategy. The Chief Executive instils the Group's culture and standards which includes appropriate corporate governance throughout the Group.

Non-Executive Directors

The Non-Executive Directors' main responsibilities are to review the performance of management and the Group's financial information, assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place. The Non-Executive Directors review the relationship with external auditors through the Audit and Risk Committee, and monitor the remuneration structures/policy through the Remuneration Committee.

The Non-Executive Directors provide a valuable breadth of experience and independent judgement to Board discussions. Details of the Non-Executive Directors are set out on pages 36 to 38 and the Board considers that their biographies reflect suitable breadth and depth of strategic, management experience.

Senior Independent Director

The Senior Independent Director is responsible for conducting an annual performance review of the Chairman, providing advice and judgement to the Chairman as necessary, to serve as an intermediary for the other Directors when necessary, and being available for shareholders who have concerns that cannot be addressed through normal channels. The Board appointed Alf Smiddy as Senior Independent Director at its meeting on 9 March 2015 for a period of two years.

Company Secretary

The Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed, assisting the Chairman in relation to corporate governance matters, and ensuring compliance by the Group with its legal and regulatory requirements. The Directors have access to independent professional advice, at the Group's expense, if and when required.

Executive Management Team

The Executive Management Team has collective responsibility for the day-to-day running of the Group's business. It is chaired by the Chief Executive Officer and includes the Deputy Chief Executive, Deputy Chief Executive – Business Development and Finance, Chief Financial Officer and Company Secretary, and Senior Managers.

Detailed biographies of the Executive Management Team are set out on pages 120 and 121.

Conflicts of Interest

The Board reviews potential conflicts of interest as a standing agenda item at each board meeting. Directors have continuing obligations to update the Board on any changes to these conflicts.

D&O Insurance

The Company maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually.

Board Attendance

During 2014, the Board held nine scheduled meetings. In addition to the scheduled meetings, the Board also met on two occasions to address specific matters. Individual attendance at these meetings is set out in the table below. The main areas of focus during 2014 are detailed on page 44.

Board Attendance

Directors	Number of board meetings attended
John Hennessy	11/11
Patrick McCann	11/11
Stephen McNally	10/11
Dermot Crowley	10/11
Robert Dix	10/11
Alf Smiddy	11/11
Margaret Sweeney	11/11

The Chairman and the Non-Executive Directors met formally without the Executive Directors on 24 February 2015. Meetings between the Chairman and the Non-Executive Directors are scheduled to take place in the final quarter of each financial year, which enables them to discuss the performance of the Executive Directors.

The main areas of focus for the Board in 2014 were:

Strategy	Reviewed and discussed hotel acquisition strategy and criteria for investments. Approval of acquisition transactions and related documentation, data and analysis. Received regular industry updates from Deputy Chief Executive Officer. Approval of the Group's budget for 2015. Approval of cash and vendor placing (legal, financing, shareholder approval and Directors responsibilities). Reviewed acquisition integration strategy and key deliverables. Presentation by Chief Financial Officer on the Group's tax structure. Acquisition and development updates from Deputy Chief Executive – Business Development and Finance. Regular updates from the Head of Development and Strategy on corporate and acquisition strategy, including details on specific projects. Reviewed brand and marketing strategy and its deliverables.
Performance monitoring	Received regular updates from the Chief Executive Officer regarding transactions, opportunities and future plans. Reviewed monthly reports from Chief Financial Officer on performance versus budget and forecast, plus trading results. Received and reviewed reports from Chief Financial Officer on the financial position of the Group including treasury management. Regular Committee updates were provided by the Chairs of both the Audit and Risk, and Remuneration Committees. Topics covered included; internal controls, risk management, audit approach and appointment of advisers to the Remuneration Committee. Approval of full and half year results. Operational updates received from the Deputy Chief Executive Officer. Approval of 2014 annual report and accounts.
Governance and risk	External Auditors presented key changes arising from updated UK Corporate Governance Code 2014 and the approach to completion of the Group's first annual report. Corporate Governance documents were presented, reviewed and agreed with the Board. Reviewed and agreed share dealing policy for the Group. Received regular updates regarding Health and Safety from Deputy Chief Executive Officer. Reviewed conflicts of interest for all Directors.
People and values	Received presentations by the Executive Management Team as an introduction to the Group's operations and their individual roles. Conducted two hotel site visits to meet with management and review operations.
Shareholder engagement	Received regular updates from Chief Executive Officer and Deputy Chief Executive – Business Development and Finance, regarding investor meetings and roadshows. Discussed preparations required for the Group's first Annual General Meeting.

Remuneration

Details of Directors' Remuneration are set out in the Remuneration Committee Report on pages 53 to 60.

Effectiveness

Board Independence

The independence of each of the Non-Executive Directors is considered upon appointment, and on an annual basis by the Board. The Board has determined all of the Non-Executive Directors to be independent within the meaning of the term as defined in the UK Corporate Governance Code.

The Board gave particular consideration to the independence of Robert Dix given his directorship in The Quinn Property Group. Both Robert and Pat McCann are currently Non-Executive Directors in The Quinn Property Group. The Board has concluded that notwithstanding this relationship, his breadth of expertise, experience, knowledge and connections brings significant value to the Board. The Board remain satisfied that he is able to apply objective, unfettered and independent judgement and act in the best interests of the Company regardless of this relationship.

Appointments to Board

The Chairman and other Non-Executive Directors were appointed on 27 February 2014. Their appointments were made by the Board following a process of consultation with the Company's advisors in the context of the Company's plan to apply for a public listing. Candidates were evaluated for their suitability in terms of skills, experience and independence. The terms and conditions of the Non-Executive Directors are set out in their letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

Commitment

Under the terms of their appointment all Directors agreed to the 'Time Commitment Schedule' which requires them to allocate sufficient time to discharge their responsibilities effectively. At the Board meeting on 26 January 2015 the Directors confirmed that they had been able to allocate sufficient time to discharge their responsibilities effectively during 2014.

Induction

All the Non-Executive Directors appointed to the Board in 2014 received induction. As part of this induction programme, the Non-Executive Directors attended a presentation by members of the Executive Management Team at their first Board meeting. The purpose of this presentation was to obtain an understanding of the Group's operations and the roles of the Executive Management Team.

Training and development

In order to ensure that the Directors discharge their duties to the best extent possible, the Chairman is responsible for ensuring that all directors receive ongoing training and development. Each Director currently serving on the Board, confirmed at the Board meeting on 26 January 2015, that they have kept themselves properly briefed on and informed about current issues in 2014.

Training and development needs for 2015 were discussed at the Board meeting on 26 January 2015 and will be considered in greater detail at the April 2015 Board meeting.

Information flow at Board meetings

Formal board meetings are held approximately ten times per year. Prior to each board meeting the Directors receive an agenda item with supporting papers. Included in these papers are detailed monthly accounts together with reports from the Chief Executive Officer, Deputy Chief Executive, and Deputy Chief Executive – Business Development and Finance.

The Board uses an electronic board paper system so that directors can access all board papers quickly and securely.

The Chief Executive Officer and the Chief Financial Officer ensure that the Board is kept fully aware on a timely basis of business issues and prospects throughout the Group.

The structure of the Executive Management Team and the open communication approach in the Group enables issues to be raised easily. Many of these key issues are brought to the attention of the Board.

In consultation with the Chairman and Chief Executive Officer, the Company Secretary manages the provision of information to the Board for their formal board meetings and at other appropriate times. The Chairman and Chief Executive Officer also maintain regular informal contact with all directors.

Board Evaluation

The Board considered the process of self-evaluation at its meeting on 26 January 2015. The matter was further considered by the Nomination Committee at its meeting on 24 February 2015, where it was proposed that bearing in mind the short time since its formation, the Board will carry out a process of self-evaluation in the third quarter of 2015 and annually thereafter.

Re-election

All directors appointed to the Board will voluntarily offer themselves for re-election at the first AGM after their appointment. Thereafter one third of the Board will, by rotation, seek re-election at the AGM each year in accordance with the Articles of Association of the Company.

Accountability

Financial and Business Reporting

On pages 7 to 15 we provide an explanation of the basis on which the Group generates value over the long-term and how we intend to deliver on our strategic objectives.

Going Concern

After making enquiries, the Directors are satisfied that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Risk Management

On pages 20 to 24 we explain how the Board oversees risk management.

Internal Controls

The Board has responsibility for maintaining sound risk management and internal control systems, and at least annually reviewing the effectiveness of these systems. These internal control systems are designed to manage rather than eliminate the risk of failing to achieve a business objective. They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Annual assessment of the effectiveness of internal controls and risk management

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Audit and our External Auditor, to help with their annual assessment of the effectiveness of the Group's internal control and financial reporting systems, and are satisfied that the systems have been operating effectively throughout the year to the date of the report. They are also satisfied that the Group's risk management process has been effective since it was developed during 2014.

Relations with Shareholders

Share Ownership and Dealing

Details of each Directors' interest in the shares of the Company are set out in the Remuneration Committee Report on pages 53 to 60. The Company has a policy on dealing in shares that applies to all Directors and Management. Under the policy, Directors are required to obtain clearance from the Chairman before dealing in Company shares. Directors and Management are prohibited from dealing in company shares during designated prohibited periods and at any time when the individual is in possession of price-sensitive information.

Shareholder Communication

The Group recognises the importance of shareholder communications. There is a regular dialogue between the Executive Directors and the institutional investors as well as presentations at the time of the release of annual and half year results.

The Board is subsequently briefed on the view and concerns of institutional shareholders.

Significant matters relating to trading or development of the business are disseminated to the market by way of Stock Exchange announcements which also appear on the Company's website **www.dalatahotelgroup.com**

AGM

The Annual General Meeting will be held on 28 April 2015 at the Clyde Court Hotel, Ballsbridge, Dublin 4. Formal notification will be sent to shareholders at least 21 days before the meeting. Other general meetings may also be convened from time to time on at least 21 days' notice or where certain requirements are met, including prior approval by shareholders by way of a special resolution, on 14 days' notice. The Annual General Meeting gives shareholders an opportunity to hear about general development of the business and to ask questions of the Chairman and, through him, the chairpersons of the various committees and its committee members.

Any shareholder attending the Annual General Meeting has the right to ask questions. Any questions relating to the business will be dealt with at the meeting, unless, for example, it is undesirable to do so, whether in the interests of the company (such as disclosure of confidential information) or for good order of the meeting. Shareholders attending the meeting are informed of the number of proxy votes lodged for each resolution.

Details of the meeting and the resolutions to be proposed are sent out in the shareholders Notice of Meeting.

Board Committees

The three principal committees of the Board are the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. These committees have been established with formally delegated duties and responsibilities. Details of the Committees and their activities are outlined on pages 48 to 62.

Audit and Risk Committee Report

Dear Shareholder,

I am pleased to present to you the first report of the Audit and Risk Committee for Dalata Hotel Group plc.

The Committee comprises two independent Non-Executive Directors and operates to formal terms of reference, which are available on the Company's website at **www.dalatahotelgroup.com/investors**.

During 2014, the Committee's principal focus has been on the development and implementation of risk management and control structures appropriate to the company's status as a newly listed public company. The Committee has been guided by recommendations, prepared by the Company's advisors as part of the IPO process, as a basis for ensuring that best practice governance and risk management structures are implemented in a timely manner. The UK Corporate Governance Code ("the Code") and the Irish Corporate Governance Annex ("the Irish Annex") provide definitive guidance on these matters and we will strive to comply with their requirements.

As part of its role in providing assurance that the financial statements provide a true and fair view of the Group's financial affairs, the Committee considered the significant financial policies and judgements made during the year. It considered the restructuring of the group and the subsequent IPO, accounting for acquisitions, purchase rebates and related receivables and costs incurred in 2014 relating to post year end acquisition and fundraising. The Committee concluded that the judgements made in each of these areas were appropriate; more details can be found on page 49 of this report.

An Internal Audit function was also established in July 2014 to further strengthen the control and risk management environment. The Committee has reviewed the Internal Audit work programme along with the proposed risk management approach and company risk register.

There have been four Committee meetings during the year and details on the key matters considered are set out on in more detail on page 51.

The Committee adopts an open approach to its meetings, with relevant executive management, the Internal Auditor and the External Auditor, KPMG, also invited to attend. Papers for the Committee meetings are circulated to the attendees in advance to facilitate prior consideration of the agenda items.

Robert Dix
Chairman, Audit and Risk Committee

Significant Financial Judgements in 2014

Matters	Judgements
Group restructuring and share issues A group reorganisation was undertaken in February 2014 and in March 2014 the Group raised significant funds through a share placing.	The Committee received and considered the legal documents and various accounting papers setting out the steps involved in the Group reorganisation, including: the exchange of shares in the Company for those in the previous holding company, transfer of shareholder loan notes between the companies and their ultimate conversion to equity; accounting for net funds raised in the IPO placing including the treatment of issue costs. The Committee discussed the accounting treatment with Management and scrutinised the findings of the External Auditor before concluding that this series of transactions was correctly accounted for and is adequately disclosed in the Financial Statements.
Accounting for acquisitions A number of acquisitions were completed during the year.	The Committee considered the nature of each transaction in order to determine whether it would be accounted for as an asset purchase or a business combination. The Committee evaluated the accounting treatment of the consideration paid and costs incurred and are satisfied, having also considered the findings of the External Auditor, that these have been properly accounted for and disclosed in the financial statements. The Committee is satisfied that independent valuers' reports have been obtained for the acquired land and buildings and are satisfied the fair value of the acquired assets and liabilities has been correctly stated and appropriate disclosures made in the financial statements.
Accounting Policy for Land and Buildings Policy review in light of the material investment in land and buildings during the year.	The Committee received from, and discussed with Management a paper proposing the adoption of fair value accounting for land and buildings. Having debated the merits of the proposal and considered the alternative accounting policy options, the Committee agreed with Management's recommendation that the fair value method be adopted on the basis that maintaining and reporting up to date valuations would best serve investors' needs for transparency and the publication of relevant information.
Valuation of trade receivables and accrued income The Group is in receipt of rebates from suppliers in respect of volume purchases.	The Committee commissioned and received a detailed review from Internal Audit of amounts receivable in relation to rebates from suppliers. Having discussed the processes in this area and the review findings with Internal Audit and Management and having considered the findings of the External Auditor in this area, the Committee is satisfied that the balance of accrued income receivable at the year-end is recoverable and that adequate reserves have been made in respect of doubtful debts.
Costs incurred in 2014 in relation to post-year end fundraising and acquisition The Group completed the acquisition of the Moran Bewley Hotel Group subsequent to the year end. Significant costs in relation to the acquisition and its related fundraising were incurred in 2014.	The Committee received a detailed analysis of acquisition and fundraising costs incurred both prior to and post year-end. The Committee sought and received explanations in relation to the accounting treatment of fees relating to debt and equity fundraising activity and for corporate advice and the procedure for determining the timing of the recognition of the costs. Following discussion with Management and the External Auditor, the Committee is satisfied that costs incurred in relation to the Moran Bewley Hotel Group acquisition prior to the year-end have been identified and provided for appropriately in the financial statements, and that costs in relation to the related fundraising have been appropriately deferred as prepayments at 31 December 2014, pending issue of the equity and bank loans in 2015.

The External Auditor

KPMG were re-appointed as External Auditor to the Group in 2014.

The Audit and Risk Committee engages throughout the year with the External Auditor receiving and considering their audit plans and the findings arising from their audit of the financial statements. The Audit and Risk Committee pays particular attention to ensure that the audit work focuses on matters it considers to be important, by virtue of their size, potential impact, complexity and level of judgement.

During the year KPMG were retained to provide non-audit reporting accountant services in relation to the Company's public listing in March 2014. KPMG were also retained to carry out certain tax and due diligence services. It is the Company's practice to employ KPMG on assignments additional to their statutory audit duties where their expertise and experience with the Company are important, principally tax, compliance and transaction matters. During 2014 the Group listed on the AIM and ESM markets and entered into a reverse takeover with a materially larger counterparty which was completed in 2015. This involved extensive use of external advisers and the Audit and Risk Committee considered it appropriate and cost effective to use KPMG on tax and financial due diligences because of their familiarity with the business. This was understandably the case with respect to the Moran Bewley acquisition which was required to be completed in a very short timeframe as the Company's shares were temporarily suspended. The total fees paid to KPMG are set out in Note 3 to the financial statements. The Audit and Risk Committee has reviewed the provision of non-audit services and believes them to be cost-effective and not an impediment to the External Auditor's objectivity and independence.

The Audit and Risk Committee has evaluated the External Auditor for their work in the year ended 31 December 2014, taking into account the fees paid to KPMG, and is satisfied with their effectiveness, objectivity and their independence. The Audit and Risk Committee does not consider it necessary to require the External Auditor to tender for the audit work at this time. This matter will be reviewed on an annual basis by the Audit and Risk Committee.

Internal Control and Risk Management

The Committee is responsible for monitoring internal controls and risk management on behalf of the Board. Considerable progress has been made in developing the Group's control and risk processes and supporting management in the transition from private ownership to listed public company. Thus far highlights include the establishment of an Internal Audit function, the development of a comprehensive risk register and the approval of policy and procedures in relation to Confidential Disclosures (Whistleblowing). The Committee receives updates from Internal Audit at each meeting and has developed an agenda of action areas to be addressed in 2015 including assessment of risks arising from the integration of recent acquisitions, health and safety and a review of ICT strategy. The Chairman of the Committee provides an update at each regular meeting of the Board on the activities of the Committee.

Key areas of focus during 2014 for the Audit and Risk Committee

Financial Reporting	- Considered the key accounting judgements and key matters arising from the review of the interim and full year financial statements. - Consideration and review of the interim financial statements. - Consideration and review of annual financial statements.
Narrative Reporting	- Reviewed content of the 2014 annual report and financial statements and advised the Board in relation to its compliance with the Code.
Internal Controls and Risk Management Systems	- Reviewed and discussion of the KPMG Financial Position and Prospects Procedures (FPPP) Report prepared in relation to the Group for the IPO, and review of progress on implementation of action points identified in the report. - Received an update on Internal Audit including an overview of the control. framework, and a proposed risk management approach. - Review development of a risk register and key risk map. - Consideration of risk register and mitigating controls in respect of key risk areas.
Compliance, Whistleblowing and Fraud	- Reviewed and considered adoption of Group Confidential Disclosure Policy.
Internal Audit	- Reviewed plan for the development of Internal Audit and Internal Audit reporting and communication to the Committee. - Received an update on Internal Audit work completed to date and the proposed audit approach and review structure for 2015.
External Audit	- Considered the reappointment of the Group's External Auditor. - Reviewed the reports from the External Auditor on their key findings from their review of the interim financial statements. - Reviewed and considered the External Auditor strategy and plan for year-end 31 December 2014 audit. - Reviewed key findings of the External Auditor from year-end audit.
Health Safety and Operational Risk	- Considered key risks and commissioned report on risk environment from Group Insurance Broker. - Considered Group ICT systems environment and commissioned review of ICT strategy for the Group.

Committee membership and attendance

Members	Number of meetings attended
Robert Dix	4/4
Alf Smiddy	4/4

All members of the Committee are considered by the board to be independent. The Board considers that the Committee Chairman has sufficient recent and relevant financial experience for the role and that there is sufficient financial and commercial experience within the Committee as a whole.

In addition to the Committee members, the Chief Executive Officer and relevant members of the Executive Management Team, the Internal Auditor and the External Auditor KPMG, attend the Committee meetings by invitation.

Principal responsibilities

The principal responsibilities and duties of the Committee include:

Financial Reporting

- Monitoring the integrity of the financial statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements included.

Narrative Reporting

- Reviewing the content of the annual report and financial statements and advising the board on whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Internal Controls and Risk Management Systems

- Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems.
- Maintain and consider at meetings and regularly update a risk register to include an assessment of all risks facing the company and the effectiveness of existing or proposed mitigating or corrective actions or controls in respect of key risk areas.

Compliance, Whistleblowing and Fraud

- Reviewing the adequacy of the Group's structures and arrangements in relation to fraud detection, whistleblowing and compliance matters including anti-money laundering and bribery prevention.

Internal Audit

- Monitoring and reviewing the effectiveness of the Internal Audit function.

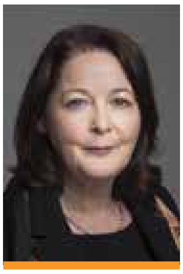
External Audit

- Considering and making recommendations in relation to the appointment of the company's external auditor.
- Overseeing the relationship with the external auditor including the approval of their remuneration and the quantum of fees for audit and non-audit services.

Health Safety and Operational Risk

- Reviewing the health, safety and operational risk control environment including health and safety policy, compliance with applicable legislation and monitoring safety culture and performance.

Remuneration Committee Report



Dear Shareholder,

I am pleased to present to you, on behalf of the Board, the first report of the Remuneration Committee of Dalata Hotel Group plc for the year ended 31 December 2014.

Activities in 2014

The Remuneration Committee was established in March 2014 and comprises three independent Non-Executive Directors. The Committee operates in accordance with its terms of reference which are available on the Company's website **www.dalatahotelgroup.com**. Our role is to establish and oversee an executive remuneration framework which allows us to recruit and retain the calibre of management required to execute our strategy. Our principal consideration when determining remuneration policy is to ensure that it supports our group strategy and business objectives. The current remuneration framework is directly aligned to the performance of the business and the value created for shareholders.

During 2014, the Committee focused on establishing an initial framework for reward which principally comprises a competitive base salary, an annual cash bonus opportunity, and a long term incentive plan (LTIP) linked to outperformance of total shareholder return (TSR) against a group of listed peers. The Committee oversaw the calibration and assessment of the 2014 annual bonus which was based on EBITDA targets.

Disclosure

The Group is committed to the objective of meeting the requirements of the UK Corporate Governance Code and the Irish Corporate Governance Annex in relation to the structure and disclosure of directors' remuneration. As you will see, this report incorporates many features of UK best practice remuneration reporting (such as a policy table which explains the components of our framework and a "single figure of remuneration" in respect of 2014), illustrating our commitment to high standards of disclosure and transparency.

Plans for 2015 – development of remuneration policy

In February 2015, the Committee appointed an independent advisor (Deloitte LLP) to assist in reviewing and refining our remuneration policy to ensure it remains appropriately aligned to the delivery of our strategy and shareholder value. Full details of the policy will be disclosed in next year's report. We are committed to an ongoing and transparent dialogue with our investors and therefore we would intend to consult with our key shareholders on any material changes to the policy.

Margaret Sweeney
Chairman, Remuneration Committee

Remuneration Committee Report

This report is divided into the following sections:

- Summary of current executive remuneration framework
- Outcomes for 2014
- Additional disclosures

Summary of current executive remuneration framework

The Group's policy on Executive Directors' remuneration is designed to ensure that employment and remuneration conditions reward, retain and motivate them to perform in the best interests of shareholders. The elements of the remuneration package which may apply to Executive Directors are base salary, pension and benefits, annual bonus, and the long term incentive plan. The table below summarises the framework which applied during 2014.

Executive remuneration framework

Element	Purpose and operation	Maximum opportunity	Performance Metrics
Base Salary	An appropriate level of fixed remuneration to reflect the skills and experience of the individual. Salaries are reviewed annually by the Committee, taking into account all relevant factors. Salaries as at 1 January 2015 are: Pat McCann: €320,000 Dermot Crowley: €200,000 Stephen McNally: €200,000	There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce. Larger increases may be awarded to reflect circumstances such as an increase in the size of the Group or the responsibilities of the role, or changes in the competitive market data.	N/A
Pension	Contributions into the Company's defined contribution pension scheme, or an equivalent cash supplement.	10% of base salary.	N/A
Benefits	To provide a market competitive benefits package. The benefits available currently comprise a company car and fuel, and benefits under the Group risk benefit scheme which includes death in service cover and disability benefit. The Committee may determine that other benefits will apply where appropriate.	The level of benefits is set at an appropriate market rate.	N/A
Chairman and Non-Executive Director Fees	To attract and retain Non-Executive Directors with the required qualities, skills and experience. Fees include a base fee and may include additional fees for other Board duties. The Chairman and Non-Executive Directors do not receive any benefits nor do they participate in any incentive plan. Fees for the Chairman are set by the Committee and fees for the NEDs are set by the Board (excluding the NEDs).	Current fees are: Chairman fee: €75,000 Base NED fee: €42,000	N/A

Executive remuneration framework

Element	Purpose and operation	Maximum opportunity	Performance Metrics
Annual bonus	To drive and reward the delivery of business objectives over the financial year. The bonus is discretionary and any pay-out is determined by the Committee based on performance. The bonus is payable in cash.	The annual bonus awarded in respect of 2014 in shown in the table on page 57.	Targets are set and assessed by the Committee each year. For 2014, the bonus was based on the achievement of challenging EBITDA targets.
Long-term incentive plan (LTIP)	To reward Executive Directors and senior management for the delivery of long term performance and align their interests with those of shareholders. Awards are made under the LTIP approved by shareholders on Admission. Awards are in the form of conditional shares which vest no earlier than the third anniversary of the award grant date. Generally, an award will lapse immediately on cessation of employment. However, in certain circumstances*, the award will vest, remaining subject to the original performance conditions and, unless the Committee decides it is inappropriate, will be reduced pro-rata for time. Awards will normally continue to the original vesting date unless the Committee determines they should vest on cessation. On a change of control, awards will vest subject to the achievement of the performance conditions and, unless the Committee decides it is inappropriate in the particular circumstances, will be reduced pro-rata for time. *death, injury or disability, redundancy, the employing Company ceasing to be a member of the Group, the transfer of the undertaking outside the Group, cessation of service in accordance with contractual requirements, or any other circumstances at the discretion of the Committee	The maximum annual award level under the LTIP rules is 100% of salary. No more than 5% of the issued ordinary share capital of the Company may be issued or reserved for issuance under the LTIP and any other executive or discretionary share scheme operated by the Company over any ten year period.	Performance targets are measured over a period of three financial years. For the 2014 LTIP awards, vesting is based on relative total shareholder return (TSR) measured against 12 listed peers[1] 25% vests for median performance rising on a linear basis to 100% vesting for upper quartile performance. The Committee may adopt different or vary the existing performance conditions without shareholder approval where the new performance conditions will, in the reasonable opinion of the Committee, be no less challenging having regard to the circumstances prevailing at the time, than the performance conditions described above.

1 Whitbread plc, Accor plc, Intercontinental Hotels plc, Millennium & Copthorne plc, Tsogo Sun Holdings, Melia Hotels International SA, CPL Resources, ICG, UTV Media plc, Total Produce plc, FBD plc, Independent News and Media.

The Committee notes the following:

- Under the LTIP as approved by shareholders, awards in the first three years of the plan (i.e. made in 2014, 2015 and 2016) will vest by reference to the TSR condition as summarised above. For awards in subsequent years, the plan currently envisages that half of the award will be subject to that TSR condition and half will be based on an EPS performance condition (25% vests for annual EPS growth equal to CPI plus 3% per annum, rising on linear basis to 100% vesting for annual EPS growth equal to CPI plus 7%). The Committee will review this approach during 2015 (and / or in future years, as appropriate) to ensure that the performance conditions for awards appropriately reflect and align with the prevailing environment and business strategy.

- The 2014 bonus was based on EBITDA, which was a key metric of financial performance in the year. Going forward, the Committee intends to review the measures used for the bonus and will consider whether other financial, operational, strategic or personal performance measures should be used as appropriate.

- The Committee intends to review the terms of the annual bonus and LTIP framework in light of the changes to the UK Corporate Governance Code introduced in September 2014 on the use of malus / claw back provisions. At present these do not exist in the Company's schemes, but this will be reflected on as part of the wider review.

As stated above, the Committee intends to review the framework during 2015 to ensure it remains aligned to the business strategy and the interests of shareholders. Any changes will be disclosed in next year's report.

Service contracts/letters of appointment

All Executive Directors have service contracts with the Group with a notice period not exceeding six months. The service contracts for Pat McCann and Stephen McNally are dated 9 August 2007. The service contract for Dermot Crowley is dated 24 October 2013. Other than entitlement to notice and a payment in lieu of notice, the Executive Directors are not entitled to compensation on termination of their respective contracts.

Each of the Non-Executive Directors has been appointed pursuant to the terms of their Non-Executive Directors' letters of appointment dated 27 February 2014. Appointment is for an initial term of three years, upon and subject to the Articles of Association of the Company, and continuation of appointment is contingent on satisfactory performance. Appointment is terminable by either party giving one month's written notice.

Outcomes for 2014

The tables below have been prepared in accordance with the remuneration reporting requirements set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Single total figure of remuneration

The following table summarises the remuneration received by the Directors for the 2014 financial year.

€'000	Base Salary/Fees	Pension	Benefits	Bonus	Total
Executive Directors					
Pat McCann	310	-	-	131	441
Stephen McNally	193	19	3	88	303
Dermot Crowley	193	19	12	113	337
	696	**38**	**15**	**332**	**1,081**
Non-Executive Directors					
John Hennessy	63	-	-	-	63
Robert Dix	35	-	-	-	35
Alf Smiddy	35	-	-	-	35
Margaret Sweeney	35	-	-	-	35
	168		**-**	**-**	**168**

- Base salary/fees represent all amounts received in respect of the financial year, including the period prior to Admission.
- Pension represents payments into the Company's defined contribution pension plan. Pat McCann does not currently participate in the pension plan.
- Benefits includes a company car and fuel, and benefits under the group risk benefit scheme which includes death in service cover and disability benefit.
- Bonus represents the value of the bonus receivable in respect of 2014 under the Group's main annual bonus plan (based on EBITDA). For Pat McCann and Dermot Crowley it also includes an additional bonus of €25,000 each based on the successful execution of the IPO in March 2014.
- No LTIP vested in respect of performance in 2014.
- John Hennessy, Robert Dix, Alf Smiddy, and Margaret Sweeney were all appointed on 27 February 2014 and the figures shown represent fees receivable for 2014 with effect from that date.

The following table summarises the remuneration received by the Directors for the 2013 financial year.

€'000	Base Salary/Fees	Pension	Benefits	Bonus	Total
Executive Directors					
Pat McCann	260	-	-	90	350
Stephen McNally	156	16	3	75	250
Dermot Crowley*	94	9	7	75	185
	510	**25**	**10**	**240**	**785**

* Appointed 22 May 2013

Share incentive plan interests awarded during the year

The table below provides details of the LTIP awards made during the year to the Executive Directors in accordance with the TSR performance condition described in the table on page 55.

Directors	Type of Award	Face value of the award at grant	Number of shares awarded	Vesting at threshold (% of maximum)*	Performance period
Pat McCann	LTIP	100% of salary	128,000	25%–100%	18 March 2014 – 18 March 2017
Stephen McNally	LTIP	100% of salary	80,000	25%–100%	18 March 2014 – 18 March 2017
Dermot Crowley	LTIP	100% of salary	80,000	25%–100%	18 March 2014 – 18 March 2017

* For the 2014 LTIP awards, vesting is based on relative total shareholder return (TSR) measured against 12 listed peers. 25% vests for median performance rising on a linear basis to 100% vesting for upper quartile performance.

The number of share awards has been calculated using the face value and a share price of €2.50 (the Admission Price).

Directors' and Company Secretary's Share Interests

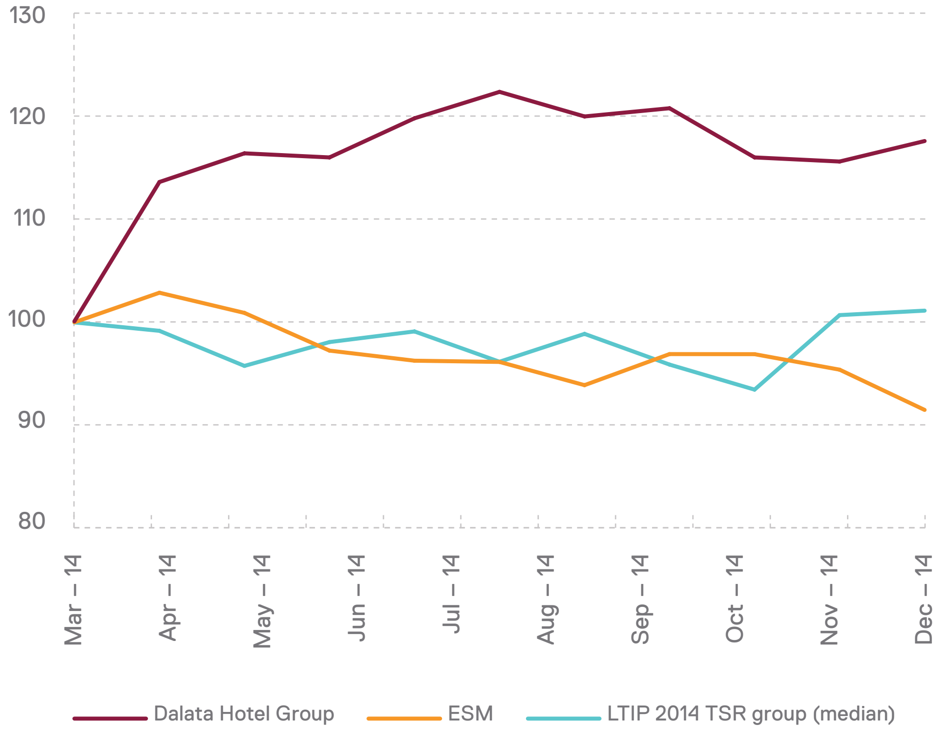
	Shares beneficially owned as at 31 December 2014	Shares beneficially owned following subscription for shares in cash placing on 4 February 2015	Interests in unvested share awards with performance conditions (LTIP)
John Hennessy	12,000	40,000	-
Pat McCann	627,200	699,927	128,000
Stephen McNally	167,218	239,945	80,000
Dermot Crowley	80,000	152,827	80,000
Robert Dix	30,000	48,181	-
Alf Smiddy	33,600	48,872	-
Margaret Sweeney	10,000	24,545	-
Seán McKeon	40,000	58,182	51,000

- Shares beneficially owned include those of connected persons.
- LTIP awards to Executive Directors represent the maximum number of shares which may vest under the 2014 LTIP awards base on the TSR performance condition as described elsewhere in this report.
- The Directors and Company Secretary subscribed for shares as part of the cash placing of shares on 4 February 2015; no other changes in the Directors' and Company Secretary interests since the year end have been notified.

Additional disclosures

TSR performance summary

The graph below compares the TSR (re-based to 100) over the period since listing to the performance of the ISE ESM Index and the median of the peer group for the 2014 LTIP.



Remuneration Committee and advisors

The Remuneration Committee was established and met for the first time in March 2014 and is comprised of three Non-Executive Directors. Details of Committee membership and attendance at meetings in 2014 are outlined in the table below:

Committee membership and attendance

Members	Number of meetings attended
Margaret Sweeney	3/3
John Hennessy	3/3
Robert Dix	3/3

All members of the Remuneration Committee are considered by the Board to be independent. The Board considers the Remuneration Committee Chairman to have relevant financial and commercial experience for the role and that there is sufficient financial and commercial experience within the Remuneration Committee as a whole.

These Directors have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided, and no day-to-day involvement in the running of the business.

In addition to the Remuneration Committee members, the Chief Executive Officer and the Company Secretary may attend the meetings by invitation. No individual is present for discussions on their own remuneration.

The principal responsibilities of the Remuneration Committee as outlined in its Terms of Reference include:

- Review the ongoing appropriateness and relevance of the remuneration policy.
- Consider and recommend to the Board the framework for the remuneration of the Executive Directors, Chairman, Company Secretary and other senior managers.
- Within the terms of the agreed policy, determine the total individual remuneration package of the Chairman, each Executive Director, the Company Secretary and other senior executives including bonuses, incentive payments and share options or other share awards.
- Review the design of all incentive plans for approval by the Board and Shareholders and, for each such plan, recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to Executive Directors and the performance targets to be used.

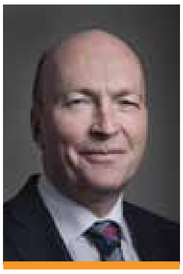
In carrying out these duties, the Committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the AIM/ESM and associated guidance. The Committee considers annually remuneration trends within the group and externally in the market with particular attention on peer companies and practice within the hospitality sector.

The remuneration of the Non-Executive Directors is approved by the Board.

During 2015, the Committee appointed Deloitte LLP following a competitive tender process, to provide independent advice to the Committee. Deloitte is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting.

Key areas of focus during 2014 for the Remuneration Committee
Considered in detail terms of reference and agreed near-term priorities.
Consideration of LTIP scheme.
Review and approval of awards under the LTIP and the vesting and performance conditions attaching to the grant of awards.
Considered pay and benefits within the Group and comparable industry benchmarks.
Reviewed and approved Senior Management bonus provisions for 2014.
Considered the drafting of the 2014 Directors' remuneration report.
Considered approach to determining remuneration policy and criteria for bonus and incentive award schemes.
Considered the appointment of specialist advisors to advise the Committee on the performance of its duties.

Nomination Committee Report



Dear Shareholder,

It is my pleasure to present the first Nomination Committee report for Dalata Hotel Group plc.

The Board was formed in February 2014 in preparation for the Company's IPO comprising three Executive Directors and four new independent Non-Executive Directors. Upon public listing of the shares in Dalata Hotel Group plc all six of the previous Non-Executive Directors (on the Board of DHGL Limited), who had served the Group during its time in private ownership, resigned.

During the past year, the Board has considered at each of its regular meetings any matters arising under the terms of reference of the Nomination Committee.
It was considered appropriate that the Committee would commence separate meetings in or around the first anniversary of the new Board's formation and the public listing. The Committee's formal terms of reference are available on the Group's website at **www.dalatahotelgroup.com/investors**

As noted in the Corporate Governance Report, the Non-Executive Directors have re-affirmed their time commitment for 2015 and will, under the auspices of the Nomination Committee, carry out a self-evaluation process in the third quarter of 2015.

All directors appointed to the Board will voluntarily offer themselves for re-election at the first AGM after their appointment. Thereafter one third of the Board will, by rotation, seek re-election at the AGM each year in accordance with the Articles of Association of the Company.

The Board is committed to conducting its affairs in accordance with the guidelines set out in the UK Corporate Governance Code and the Nomination Committee will meet as necessary but at least twice each year.

Alf Smiddy
Chairman, Nomination Committee

Committee membership and attendance

Members	Number of meetings attended
Alf Smiddy	1/1
John Hennessy	1/1
Pat McCann	1/1
Margaret Sweeney	1/1

Principal responsibilities

The principal responsibilities and duties of the Committee include:

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes.

- Assessing the effectiveness and performance of the Board and each of its Committees including consideration of the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

- Considering succession planning for directors and members of the Executive Management Team.

- Responsibility for identifying and nominating new members to the Board.

- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.

- Reviewing annually the time required from Non-Executive Directors.

Directors' Report

The Directors present the first Directors' report and the consolidated financial statements of Dalata Hotel Group plc ("Dalata" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014.

Dalata Hotel Group plc was incorporated on 4 November 2013 as Rockmellon plc under the laws of the Republic of Ireland. Rockmellon plc changed its name to Dalata Hotel Group plc on 16 January 2014.

In the period 1 January 2014 to 20 February 2014, the business of the Dalata group was conducted through DHGL Limited and its subsidiaries. On 20 February 2014, pursuant to a reorganisation, Dalata Hotel Group plc acquired 100% of the issued share capital of DHGL Limited and indirectly acquired the 100% shareholdings previously held by DHGL Limited in each of its subsidiaries.

Following that reorganisation the Group comprises Dalata Hotel Group plc and its subsidiaries. The consolidated financial statements of Dalata Hotel Group plc are prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement. Dalata Hotel Group plc presents its consolidated financial statements as if its acquisition of DHGL Limited had occurred before the start of the earliest period presented. Further details on the reorganisation of the Group are provided in Note 1 and Note 17 of the consolidated financial statements.

On 19 March 2014, Dalata Hotel Group plc shares were admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

Principal Activities and Business Review

Dalata Hotel Group plc is the largest hotel operator in Ireland. A detailed business review is included in the CEO's Review on pages 4 to 6 and in the Financial Review on pages 16 to 19.

Results for the Year

The consolidated statement of comprehensive income for the year ended 31 December 2014 and the consolidated statement of financial position at that date are set out on pages 73 and 74 respectively. The profit for the year after tax amounted to €3.5 million (2013: loss of €0.6 million).

Dividends

There were no dividends paid or proposed by the Company since its incorporation.

Future Developments

A review of future developments of the business is included in the Financial Review on pages 16 to 19.

Directors and Company Secretary

The names of the Directors and Company Secretary and a short biographical note on each appear on pages 36 to 38.

The dates of appointment of the Directors and Company Secretary are set out in the table below.

	Date of Appointment
Patrick McCann*	28 January 2014
Stephen McNally*	28 January 2014
Dermot Crowley*	28 January 2014
John Hennessy	27 February 2014
Robert Dix	27 February 2014
Alf Smiddy	27 February 2014
Margaret Sweeney	27 February 2014
Seán McKeon	28 January 2014

- *Patrick McCann, Stephen McNally and Dermot Crowley were all directors of DHGL Limited prior to their appointment to the Dalata Hotel Group plc Board. DHGL Limited was the previous holding company for the Dalata Hotel Group and Seán McKeon was the company secretary of DHGL Limited.
- Paul White and Lee Murphy were appointed directors of Rockmellon plc on 4 November 2013 and resigned on 28 January 2014. Goodbody Secretarial Limited was appointed Company Secretary on 4 November 2013 and resigned on 28 January 2014. The Company was non-trading during this period and no directors' remuneration was earned by Paul White and Lee Murphy.
- In accordance with the UK Corporate Governance Code, all directors will voluntarily retire and be subject to election by shareholders at the first annual general meeting.

Directors' and Company Secretary's Interests

Details of the Directors' and Company Secretary's share interests and interests in unvested share awards of the Company and Group companies are set out in the Remuneration Committee Report on pages 53 to 60.

Substantial Holdings

The issued share capital of Dalata Hotel Group plc at 9 March 2015 consists of 140,300,000 ordinary shares (31 December 2014: 122,000,000). Each share has a nominal value of €0.01. All shares have equal voting and dividend rights. The shareholdings in excess of 3% of the issued share capital of the Company are included in the table below.

	Number of Ordinary Shares	% of shares in issue
Franklin Templeton Institutional, LLC	16,828,798	12.0%
Marketfield Asset Management, LLC	14,086,364	10.0%
FIL Limited	11,115,676	7.9%
Schroders	9,179,075	6.5%
Pioneer Asset Management S.A.	7,936,156	5.7%
BlackRock	4,658,830	3.3%
Artemis Fund Managers	4,354,803	3.1%
Ameriprise Financial Inc	4,290,259	3.1%
Zurich Life Assurance plc	4,275,000	3.0%

Except as disclosed above, the Company is not aware of and has not received any notification from any institution or person confirming that such institution or person is interested, directly or indirectly, in 3% or more of the issued share capital of the Company, nor is it aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Group.

Principal Risks and Uncertainties

Under Irish company law (Regulation 37 of the European Communities (Companies Group Accounts)) (Regulations 1992, as amended) the Company is required to give a description of the principal risks and uncertainties which the Group faces. These principal risks and uncertainties form part of the Risk Management Report on pages 20 to 24. The Financial Risk Management policies are set out in Note 21 to the consolidated financial statements.

Accounting Records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at the registered office: 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.

Corporate Governance

Statements by the directors in relation to the Group's application of Corporate Governance principles, compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex, the Group's system of internal controls and the adoption of the going concern basis in the preparation of the consolidated financial statements are set out on pages 39 to 47.

Details of directors' remuneration are set out in the Remuneration Committee Report on pages 53 to 60.

Political Donations

During the year, the Group and Company did not make any donations disclosable under The Electoral Act, 1997.

Auditor

The auditor, KPMG, Chartered Accountants, was appointed to the Company in 2014 and, in accordance with Section 160(2) of the Companies Act 1963, will continue in office.

Subsidiaries

Information on the Group's subsidiaries is set out in Note 26 to the consolidated financial statements.

Subsequent events

Details of subsequent events are set out in Note 25 to the consolidated financial statements.

On behalf of the Board:

John Hennessy
Chairman

Patrick McCann
Director

9 March 2015

Financial Statements

Statement of Directors' Responsibilities for the Financial Statements

The directors are responsible for preparing the annual report and the consolidated and company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated and company financial statements each year. Under that law, the directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and have elected to prepare the company financial statements in accordance with IFRS as adopted by the European Union, and as applied in accordance with the Companies Acts, 1963 to 2013.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit and loss of the Group for that period. In preparing each of the consolidated and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the consolidated financial statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2013; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company, and which enable them to ensure that the financial statements of the group are prepared in accordance with applicable IFRS as adopted by the European Union and comply with the provisions of the Companies Acts, 1963 to 2013, and as regards to the consolidated financial statements Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, 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 website **www.dalatahotelgroup.com**. Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as required by the UK Corporate Governance Code

Each of the directors, whose names and functions are listed in this annual report, confirm that, to the best of each person's knowledge and belief:

- the consolidated and company financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position of the Group and Company at 31 December 2014 and of the profit of the group for the year then ended;

- the Directors' Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and

- the annual report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

On behalf of the Board:

John Hennessy Chairman	**Patrick McCann** Director	9 March 2015

Independent Auditor's Report to the members of Dalata Hotel Group plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Dalata Hotel Group plc for the year ended 31 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;

- the Company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the Company's affairs as at 31 December 2014; and

- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the group financial statements the risks of material misstatement that had the greatest effect on our group audit were as follows:

Acquisitions in the year

Refer to page 49 (Audit and Risk Committee Report), pages 79 and 80 (accounting policy for basis of consolidation) and Note 9 to the consolidated financial statements (financial disclosures - acquisitions).

The risk – The group made a number of material hotel acquisitions during 2014, giving rise to a risk of material misstatement if these acquisitions were not accounted for in accordance with relevant accounting standards. In particular the consideration paid, the costs incurred and the fair value of the assets and liabilities acquired must all be identified, measured and recorded appropriately.

Our response – Our audit procedures included, among others, inspecting acquisition agreements and related documentation, and considering whether the acquisitions were business combinations or asset purchases and accordingly whether the relevant accounting standards for each had been applied.

For business combinations, we evaluated the identification of, and allocation of the purchase price to, the identifiable property, other assets and liabilities acquired, and goodwill if applicable, by considering the financial and other information in the acquisition and related documents, and the Group's plans for the acquired businesses. We agreed the dates of commencement of control, and therefore inclusion in the Group's results, of the acquired businesses to documentary evidence. We agreed the costs incurred in making such acquisitions to relevant supporting documentation and assessed whether they had been expensed. We have also considered the adequacy of the group's disclosures in relation to acquisitions in the year.

Group restructuring and share issues
Refer to page 49 (Audit and Risk Committee Report), page 77 (accounting policy for basis of preparation) and Notes 17 and 18 to the consolidated financial statements (financial disclosures – group reorganisation, share capital and premium).

The risk – A group reorganisation in preparation for an Initial Public Offering took place in February 2014. The reorganisation involved Dalata Hotel Group plc taking control of the previous holding company, DHGL Limited. Subsequently, in March 2014, the Group raised significant funds through a share placing, at which time the Company's shares were admitted to trading on the AIM and ESM markets. These events gave rise to a number of complex accounting matters, where the risk of misstatement was significant if incorrect accounting treatments were applied, including: exchange of shares in the new holding company for those in the old holding company: transfer of shareholder loan notes between those companies; subsequent conversion of shareholder loan notes to shares; net funds raised from share issues including the treatment of issue costs.

Our response – Our audit procedures included, among others, inspecting legal and other documentation related to the various steps of the group reorganisation; evaluating the substance of the reorganisation; and considering the appropriate accounting impact on capital and reserves. We agreed proceeds raised from share issues to bank statements and assessed the completeness and accuracy of issue costs charged by the company against share premium by inspecting supporting documentation. We have also considered the adequacy of the group's disclosures in relation to the group reorganisation and share issues in the year.

Valuation of trade receivables €3.4m and accrued income €2.1m
Refer to page 49 (Audit and Risk Committee Report), page 84 (accounting policy for trade and other receivables) and Note 21 to the consolidated financial statements (financial instruments and risk management disclosures).

The risk - A significant component of the Group's trade receivables and accrued income relates to rebates in respect of purchasing. For some purchasing rebates, there may be delays between the period to which the rebate relates and the collection of amounts due. As a result, there is a risk over the recoverability of certain trade receivables and accrued income.

Our response - Our audit procedures included, among others: assessing amounts due for consistency with contractual arrangements and considering details of any disputes; testing the calculation of accrued rebates earned and assessing and challenging the directors' assumptions and when possible comparing those assumptions to external data; examining the receipt of cash after the year end and the collection history; and testing the adequacy of the Group's provisions against receivables by assessing the age profile of receivables and challenging the directors' assumptions for those provisions.

Costs incurred in 2014 in relation to post year-end fundraising and acquisition
Refer to page 49 (Audit and Risk Committee Report), pages 79 and 80 (accounting policy for basis of consolidation) and Notes 14, 20 and 25 to the consolidated financial statements (financial disclosures – in relation to prepayments, accruals, subsequent events).

The risk – The Group completed the acquisition of the Moran Bewley Hotel Group, and related fundraising through bank loans and share issues, subsequent to the year-end, and a risk arose in relation to the potential misstatement of significant costs incurred prior to the end of 2014 in relation to these matters.

Our response – Our audit procedures included, among others, inspecting records of fundraising and acquisition costs incurred in 2014. We considered the completeness and accuracy of these costs by comparing to invoices, contracts and other relevant supporting documentation. We assessed whether the costs incurred to 31 December 2014 had been appropriately treated, according to their nature, as either (i) within expenses in the statement of comprehensive income or (ii) within deferred costs included in prepayments in the statement of financial position at 31 December 2014.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at €0.4m (*2013: €0.21m*). This has been calculated with reference to a benchmark of group profit before taxation, normalised to exclude interest on unsecured shareholder loan notes (such loan notes were converted to shares in 2014) and acquisition-related costs. Materiality represents 5% of this benchmark, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.02m (*2013: €0.02m)*, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

We subjected all of the Group's reporting components to audits for Group reporting purposes. The work on all components was performed by the Group audit team.

4. We have nothing to report in respect of the matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider the annual report is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's performance, business model and strategy; or

- the Audit and Risk Committee Report does not appropriately disclose those matters that we communicated to the Audit and Risk Committee.

The terms of our engagement require us to review:

- the directors' statement, set out on page 46, in relation to going concern;

- the part of the Corporate Governance Statement on pages 39 to 47 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review; and

- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

In addition, the Companies Acts require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

5. Our conclusions on other matters on which we are required to report by the Companies Acts 1963 to 2013 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The company statement of financial position is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements.

The net assets of the Company, as stated in the company statement of financial position, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group and company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK & Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

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

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expenses as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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.

Sean O'Keefe
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

9 March 2015

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Continuing operations			
Revenue	*2*	**79,073**	60,617
Cost of sales		**(29,379)**	(23,011)
Gross profit		**49,694**	37,606
Administration expenses, including acquisition-related costs of €2.821 million (2013: €nil)	*3*	**(44,716)**	(32,673)
Operating profit		**4,978**	4,933
Finance income	*4*	**409**	-
Finance costs	*5*	**(1,191)**	(4,860)
Profit before tax		**4,196**	73
Tax charge	*8*	**(673)**	(650)
Profit/(loss) for the year attributable to owners of the company		**3,523**	(577)
Other comprehensive income			
Items that will never be classified to profit or loss			
Revaluation of property	*12*	**8,390**	-
Related deferred tax	*22*	**(1,049)**	-
		7,341	-
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**88**	24
Other comprehensive income, net of tax		**7,429**	24
Total comprehensive income/(loss) for the year attributable to owners of the company		**10,952**	(553)
Earnings per share			
Basic earnings/(loss) per share	*27*	€ 0.0365	(€60.74)
Diluted earnings/(loss) per share	*27*	€0.0364	(€60.74)

On behalf of the Board:

John Hennessy
Chairman

Patrick McCann
Director

Consolidated statement of financial position
at 31 December 2014

	Note	2014 €'000	2013 €'000
Assets			
Non-current assets			
Goodwill	*10*	**7,066**	6,867
Property, plant and equipment	*12*	**52,294**	4,990
Investment properties	*13*	**1,248**	-
Deferred tax assets	*22*	**319**	170
Trade and other receivables	*14*	**5,249**	900
Total non-current assets		**66,176**	12,927
Current assets			
Trade and other receivables	*14*	**9,544**	6,045
Inventories	*15*	**593**	535
Cash and cash equivalents	*16*	**217,807**	4,940
Total current assets		**227,944**	11,520
Total assets		**294,120**	24,447
Equity			
Share capital	*18*	**1,220**	-
Share premium	*18*	**295,133**	-
Capital contribution	*17*	**25,724**	-
Merger reserve	*17*	**(10,337)**	-
Share-based payment reserve		**273**	-
Revaluation reserve		**7,341**	-
Reverse acquisition reserve		**-**	4
Translation reserve		**40**	(48)
Retained earnings		**(46,681)**	(50,204)
Total equity		**272,713**	(50,248)
Liabilities			
Non-current liabilities			
Unsecured shareholder loan notes	*19*	**-**	31,497
Accrued interest on unsecured shareholder loan notes	*19*	**-**	23,228
Loans and borrowings	*19*	**-**	7,000
Deferred tax liabilities	*22*	**960**	-
Total non-current liabilities		**960**	61,725
Current liabilities			
Loans and borrowings	*19*	**-**	2,000
Trade and other payables	*20*	**20,345**	10,958
Current tax liabilities		**102**	12
Total current liabilities		**20,447**	12,970
Total liabilities		**21,407**	74,695
Total equity and liabilities		**294,120**	24,447

On behalf of the Board:

John Hennessy
Chairman

Patrick McCann
Director

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Attributable to owners of the company									
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Revaluation reserve €'000	Reverse acquisition reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2013	-	-	-	-	-	-	4	(72)	(49,627)	**(49,695)**
Comprehensive income:										
Loss for the financial year	-	-	-	-	-	-	-	-	(577)	**(577)**
Other comprehensive income	-	-	-	-	-	-	-	24	-	**24**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(577)**	**(553)**
At 1 January 2014	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(48)**	**(50,204)**	**(50,248)**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	3,523	**3,523**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	88	-	**88**
Revaluation of property	-	-	-	-	-	8,390	-	-	-	**8,390**
Related deferred tax	-	-	-	-	-	(1,049)	-	-	-	**(1,049)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**7,341**	**-**	**88**	**3,523**	**10,952**
Transactions with owners of the company:										
Issue of shares prior to reorganisation (Note 18)	40	-	-	-	-	-	-	-	-	**40**
Reorganisation – share exchange and release of shareholder loan note obligations (Note 17)	-	10,337	25,724	(10,337)	-	-	(4)	-	-	**25,720**
Issue of shares in public listing, net of issue costs (Note 18)	1,060	254,916	-	-	-	-	-	-	-	**255,976**
Issue of shares on conversion of shareholder loan notes			-	-	-		-	-		
(Note 18)	120	29,880	-	-	-	-	-	-	-	**30,000**
Equity-settled share-based payments	-	-	-	-	273	-	-	-	-	**273**
Total transactions with owners of the company	**1,220**	**295,133**	**25,724**	**(10,337)**	**273**	**-**	**(4)**	**-**	**-**	**312,009**
At 31 December 2014	**1,220**	**295,133**	**25,724**	**(10,337)**	**273**	**7,341**	**-**	**40**	**(46,681)**	**272,713**

Consolidated statement of cash flows
for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Cash flows from operating activities			
Profit/(loss) for the year		**3,523**	(577)
Adjustments for:			
Depreciation of property, plant and equipment		**991**	407
Amortisation of intangible assets		**128**	-
Share-based payments expense		**273**	-
Finance costs		**1,191**	4,860
Finance income		**(409)**	-
Tax charge		**673**	650
		6,370	5,340
Increase in trade and other payables		**9,159**	1,334
Increase in trade and other receivables		**(3,732)**	(2,922)
Increase in inventories		**(58)**	(101)
Tax paid		**(821)**	(917)
Net cash from operating activities		**10,918**	2,734
Cash flows from investing activities			
Acquisitions of undertakings through business combinations	*9*	**(20,063)**	-
Purchase of property, plant and equipment	*12*	**(21,105)**	(3,759)
Deposits paid on acquisitions		**(4,116)**	-
Interest received		**115**	-
Net cash used in investing activities		**(45,169)**	(3,759)
Cash flows from financing activities			
Interest on bank loans		**(152)**	(341)
Repayment of bank loans		**(9,000)**	-
Receipt of bank loans		**-**	1,000
Repayment of shareholder loan notes		**(40)**	-
Issuance of shares in public listing, net of expenses	*18*	**255,976**	-
Proceeds of other share issues		**40**	-
Net cash from financing activities		**246,824**	659
Net increase/(decrease) in cash and cash equivalents		**212,573**	(366)
Cash and cash equivalents at the beginning of the year		**4,940**	5,306
Effect of movements in exchange rates		**294**	-
Cash and cash equivalents at the end of the year		**217,807**	4,940

Notes to the consolidated financial statements

forming part of the consolidated financial statements

1 Significant accounting policies

General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company incorporated in the Republic of Ireland. The Company's registered office is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18. The consolidated financial statements of the Company for the year ended 31 December 2014 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 9 March 2015.

Dalata Hotel Group plc was incorporated on 4 November 2013 as Rockmellon plc. Rockmellon plc changed its name to Dalata Hotel Group plc on 16 January 2014.

In the period 1 January 2014 to 20 February 2014, the business of the Dalata group was conducted through DHGL Limited and its subsidiaries. On 20 February 2014, pursuant to a reorganisation, Dalata Hotel Group plc acquired 100% of the issued share capital of DHGL Limited and indirectly acquired the 100% shareholdings previously held by DHGL Limited in each of its subsidiaries.

Following that reorganisation the Group comprises Dalata Hotel Group plc and its subsidiaries. The consolidated financial statements of Dalata Hotel Group plc are prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement. Dalata Hotel Group plc presents its consolidated financial statements as if its acquisition of DHGL Limited had occurred before the start of the earliest period presented. Further details on the reorganisation of the Group are provided in Note 17.

On 19 March 2014, Dalata Hotel Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU. In 2014, the Group has changed to a policy of revaluation of property – see accounting policy (k). The accounting policies set out below have been applied consistently by all group companies.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances and are subject to continued re-evaluation. Actual outcomes could differ from those estimates.

Key judgements and estimates impacting these financial statements are:

- Accounting for acquisitions, including allocation of consideration to assets and liabilities acquired (note 9)
- Trade receivables impairment provisions (note 21) and accrued income (note 14)
- Accounting for costs incurred in 2014 in relation to post year-end acquisitions and related fundraising (see notes 14,20,25)
- Carrying value of own-use property measured at fair value (note 12)

Notes (continued)

1 Significant accounting policies (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values. When measuring the fair value of an asset or liability the Group uses market observable data as far as possible, with non-financial assets being measured on a highest and best-use basis. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in Note 21 – Financial Instruments and Risk Management in relation to financial assets and financial liabilities, with Note 12 - Property, Plant and Equipment and Note 13 - Investment Properties addressing non-financial assets.

(a) Going Concern

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU.

The individual financial statements of the Company have been prepared in accordance with IFRSs as adopted by the EU, and as applied in accordance with the Companies Acts 1963 to 2013.

The standards and interpretations that were required to be applied for the first time in the year ended 31 December 2014 are set out below and had no significant impact on the Group's results for the period or financial position.

- IFRS 10: Consolidated financial statements. Effective date: 1 January 2014;
- IFRS 11: Joint arrangements. Effective date: 1 January 2014;
- IFRS 12: Disclosure of interests in other entities. Effective date: 1 January 2014;
- IAS 27: Separate financial statements. Effective date: 1 January 2014;
- IAS 28: Investments in associates and joint ventures. Effective date: 1 January 2014;
- Offsetting Financial Assets and Liabilities (Amendment to IAS 32). Effective date: 1 January 2014.

Notes (continued)

1 Significant accounting policies (continued)

(b) Statement of compliance (continued)

Standards that are not yet required to be applied, but can be early adopted are set out below. None of these standards are expected to have a material impact on the financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). Effective date: 1 February 2015
- Annual improvement to IFRSs 2010-2012 Cycle and Annual improvements to IFRSs 2011-2013 Cycle: Effective date: 1 February 2015

The following standards and interpretations are not yet endorsed by the EU and are not available for early adoption. The date noted is the IASB effective date. The potential impact of these standards on the Group is under review.

- Accounting for acquisitions of interests in Joint Operations (Amendments to IFRS 11). Effective date: 1 January 2016
- IFRS 14: Regulatory Deferral Accounts. Effective date: 1 January 2016
- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38). Effective date: 1 January 2016
- Property, Plant and Equipment (Amendments to IAS16) and Bearer Plants (Amendments to IAS 41). Effective date: 1 January 2016
- Equity Method in Separate Financial Statements (Amendments to IAS 27). Effective date: 1 January 2016
- Sale or contribution of assets between an investor and its associate or joint venture (September 2014) (Amendments to IFRS 10 and IAS 28). Effective date: 1 January 2016
- Investment Entities: Applying the consolidation exception (December 2014) (Amendments to IFRS 10, IFRS 12 and IAS 28). Effective date: 1 January 2016
- Disclosure Initiative (Amendments to IAS 1). Effective date: 1 January 2016
- Annual improvements to IFRSs 2012-2014 Cycle. Effective date 1 January 2016
- IFRS 15: Revenue from contracts with customers. Effective date: 1 January 2017
- IFRS 9: Financial Instruments (2009, and subsequent amendments in 2010 and 2013). Effective date: 1 January 2018

(c) Functional and presentation currency

These consolidated financial statements are presented in Euro, being the functional currency of the company and the majority of its subsidiaries. All financial information presented in Euro has been rounded to the nearest thousand.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Notes (continued)

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

Business combinations (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition and then subsequently remeasured at fair value through profit or loss.

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the consolidated statement of financial position at their fair value, the determination of which requires a significant degree of estimation and judgement.

Acquisitions may also result in intangible benefits being brought into the Group, some of which may qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill.

Judgement is required in the assessment and valuation of any intangible assets, including assumptions on the timing and amount of future cash flows generated by the assets and the selection of an appropriate discount rate.

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may be associated with uncertainty and possibly adjusted subsequently as permitted by IFRS 3 “Business Combinations”.

Business combinations are disclosed in Note 9 to these consolidated financial statements.

When an acquisition does not represent a business, it is accounted for as a purchase of a group of assets and liabilities, not as a business combination. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill is recognised.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(e) Revenue recognition

Revenue represents sales (excluding VAT) of goods and services net of discounts provided in the normal course of business and recognised when services have been rendered.

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, and leisure centre sales and membership in leased and acquired hotels operated under the Group’s brand names. Revenue is recognised when rooms are occupied and food and beverages are sold. Leisure centre revenue is recognised over the life of the membership.

Notes (continued)

1 Significant accounting policies (continued)

Management fees are earned from hotels managed by the Group under contracts with the hotel owners. Management fees are normally a percentage of hotel revenue and/or profit and are recognised when earned and realised or realisable under the terms of the contract.

(f) Sales discounts and allowances

The group recognises revenue on a gross revenue basis and makes various deductions to arrive at net revenue as reported in the statement of comprehensive income. These adjustments are referred to as sales discounts and allowances.

(g) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Certain hotel operating lease agreements include minimum rental payments with further contingent rent payable depending on the financial performance of the hotel. Contingent rent is recognised in profit or loss based on performance in the period.

(h) Share based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(i) Tax

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes (continued)

1 Significant accounting policies (continued)

(i) Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

(j) Earnings per share

Basic earnings per share are calculated based on the profit for the year attributable to owners of the Company and the basic weighted average number of shares outstanding. Diluted earnings per share are calculated based on the profit for the year attributable to owners of the Company and the diluted weighted average number of shares outstanding.

Dilutive effects arise from share-based payments that are settled in shares. Conditional share awards to employees have a dilutive effect when the average share price during the period exceeds the exercise price of the awards and the market conditions of the awards are met, as if the current period end were the end of the vesting period. When calculating the dilutive effect, the exercise price is adjusted by the value of future services related to the awards.

(k) Change in accounting policy

In accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group changed its accounting policy on the treatment of property from the depreciated cost to the fair value model, as the directors believe it would provide more relevant information.

The Group made this voluntary change due to the material value of property acquisitions made in 2014 and to date in 2015, and the impact that changes in the value of these assets would have on the Group's financial position in 2014 and future years.

There was no impact on the prior year from this change in accounting policy as the carrying value of owned property at 31 December 2013, which was all acquired in 2013, was approximately equal to its fair value.

The new policy is set out below as policy (l).

(l) Property, plant and equipment

Land and buildings are initially stated at cost, including directly attributable transaction costs, (or fair value when acquired through business combinations) and subsequently at fair value.

Fixtures, fittings and equipment are stated at cost, less accumulated depreciation and any impairment provision.

Notes (continued)

1 Significant accounting policies (continued)

(l) Property, plant and equipment

Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment unless it is acquired as part of a business combination under IFRS 3, where the deemed cost is its acquisition date fair value.

Depreciation is charged through profit or loss on the cost or valuation less residual value on a straight-line basis over the estimated useful lives of the assets which are:

Buildings	50 years
Fixtures, fittings and equipment	5 – 10 years

Land is not depreciated.

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Land and buildings are revalued by qualified valuers on a sufficiently regular basis using open market value (which reflects a highest and best use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the Group's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

Surpluses on revaluation are recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that they reverse previously charged impairment losses, in which case the reversal is recorded in profit or loss. Decreases in value are charged against other comprehensive income and the revaluation reserve to the extent that a previous gain has been recorded there, and thereafter are charged as an impairment through profit or loss.

Fixtures, fittings and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash generating units. If carrying values exceed estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less cost to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(m) Investment property

Investment property is held either to earn rental income, or for capital appreciation (including future re-development) or for both, but not for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs, (or fair value when acquired through business combinations) and subsequently valued by professional external valuers at their respective fair values. The difference between the fair value of an investment property at the reporting date and its carrying value prior to the external valuation is recognised in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The Group's investment properties are valued by qualified valuers on an open market value basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

Notes (continued)

1 Significant accounting policies (continued)

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the estimated useful life.

(o) Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (a bargain purchase gain), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

The carrying amount of goodwill is reviewed at each reporting date to determine if there is an indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating' unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

(p) Inventories

Inventories are stated at the lower of cost (using the FIFO basis) and net realisable value.

(q) Trade and other receivables

Trade and other receivables are stated initially at their fair value and subsequently at amortised cost, less any allowance for doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less, which are carried at amortised cost, and money-market funds. Money-market funds are short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, and are measured at fair value through profit or loss.

In the statement of cash flows, cash and cash equivalents are shown net of any short-term overdrafts which are repayable on demand and form an integral part of the group's cash management.

Notes (continued)

1 Significant accounting policies (continued)

(s) Finance income and costs

Finance income comprises interest income and foreign currency gains on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(t) Foreign currency

Transactions in currencies other than the functional currency of a group entity are recorded at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the respective functional currency at the relevant rates of exchange ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Euro at the exchange rate ruling at the reporting date. The income and expenses of foreign operations are translated into Euro at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income, and are included in the translation reserve within equity.

(u) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

(v) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders. Interim dividends are recognised when paid.

Notes (continued)

1 Significant accounting policies (continued)

(w) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

2 Operating segments

The segments are reported in accordance with IFRS 8 *Operating Segments*. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the CEO, and Board of Directors.

The group operates in two segments – "Leased & Owned" hotels and "Managed" hotels:

Leased & owned hotels:

The Group leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating these hotels. As at 31 December 2014, the Group also fully owns three hotels and has effective ownership of one other of the hotels which it operates. It also owns part of one of the other hotels which it operates. The Group drives revenue for leased and owned hotels primarily from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising relate to rent paid to lessors and other operating costs.

Managed hotels:

Under management agreements, the Group provides management services for third party hotel proprietors.

Revenue

	2014 €'000	2013 €'000
Leased & Owned	**73,626**	55,447
Managed	**5,447**	5,170
Total revenue	**79,073**	60,617

The line item 'Leased & Owned' represents the operating revenue (Room revenue, Food and Beverage Revenue and other hotel revenue) from leased and owned hotels.

The line item 'Managed' represents the fees and other income earned from services provided in relation to managed hotels.

Notes (continued)

2 Operating segments (continued)

	2014 €'000	2013 €'000
Segmental results - EBITDA		
Leased & Owned - EBITDA	**7,969**	3,449
Managed - EBITDA	**5,447**	5,170
EBITDA for reportable segments	**13,416**	8,619
Reconciliation to results for the year		
Segments EBITDA	**13,416**	8,619
Central costs	**(4,498)**	(3,279)
Acquisition-related costs	**(2,821)**	-
Group EBITDA	**6,097**	5,340
Depreciation of property, plant and equipment	**(991)**	(407)
Amortisation of intangible assets	**(128)**	-
Finance income	**409**	-
Finance costs	**(1,191)**	(4,860)
Profit before tax	**4,196**	73
Tax	**(673)**	(650)
Profit/(loss) for the year	**3,523**	(577)

EBITDA represents earnings before interest, tax, depreciation and amortisation.

The line item 'Leased & Owned' - EBITDA' represents the net operational contribution of leased and owned hotels less related costs.

The line item 'Managed - EBITDA' represents the fees and other income earned from services provided in relation to managed hotels. All of this activity is managed corporately and specific individual costs are not allocated to this segment.

The line item 'Central costs' includes costs of the Group's central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development.

Notes (continued)

2 Operating segments (continued)

Geographical information	2014 €'000	2013 €'000
Revenue		
Republic of Ireland	72,669	55,756
United Kingdom	6,404	4,861
	79,073	60,617

	2014 €'000	2013 €'000
Non-current assets (excluding deferred tax)		
Republic of Ireland	59,408	12,247
United Kingdom	6,449	510
	65,857	12,757

3 Statutory and other information

	2014 €'000	2013 €'000
Depreciation of property, plant and equipment	991	407
Amortisation of intangible assets	128	-
Operating lease rentals	16,332	13,901
Acquisition-related costs	2,821	-
Auditor's remuneration		
Audit of Group and Company financial statements	135	85
Tax advisory services	282	8
Other non-audit services	865	-
	1,282	93
Directors' remuneration		
Salary and other emoluments	1,043	760
Fees	183	49
Pension contributions	38	25
Share-based payments expense	113	-
	1,377	834

Acquisition-related costs include professional fees and stamp duty costs charged to profit or loss in 2014 in relation to the 2014 and 2015 acquisitions outlined in Notes 9 and 25. Details of the acquisition-related costs charged to profit or loss are outlined below.

	€'000
Professional fees incurred on acquisition of Moran Bewley Hotel Group up to 31 December 2014 (Note 25)	1,864
Professional fees incurred on other acquisitions up to 31 December 2014	409
Stamp duty and other costs incurred on acquisition of Maldron Pearse Street and Maldron Derry hotels (Note 9)	548
Acquisition-related costs	2,821

Notes (continued)

3 Statutory and other information (continued)

The audit of Group and Company financial statements fee is inclusive of the fee relating to the review of interim condensed consolidated financial statements for the six months ended 30 June 2014. Auditor's remuneration for the audit of the Company financial statements was €10,000. The majority of the fees for tax advisory and non-audit services relate to the Company's Initial Public Offering, its acquisition of Moran Bewley Hotel Group and the related fundraising.

Details of the directors' remuneration and interests in conditional share awards are set out in the Remuneration Committee report on pages 53 to 60. An amount of €15,000 included in fees in 2014 (2013: €49,000) relates to those directors of DHGL Limited, the former holding company of the Group, who resigned on 19 March 2014 and did not become directors of the Company.

4 Finance income

	2014	2013
	€'000	€'000
Interest income on bank deposits	**115**	-
Exchange gain on cash and cash equivalents	**294**	-
	409	-

5 Finance costs

	2014	2013
	€'000	€'000
Interest expense on bank loans and borrowings	**(152)**	(341)
Interest expense on unsecured shareholder loan notes	**(1,039)**	(4,519)
	(1,191)	(4,860)

6 Personnel expenses

The average number of persons (full-time equivalents) employed by the Group (including executive directors), analysed by category, was as follows:

	2014	2013
	Number	Number
Administration	**102**	79
Other	**642**	503
	744	582

Notes (continued)

6 Personnel expenses (continued)

	2014 €'000	2013 €'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**22,712**	17,576
Social welfare costs	**2,441**	1,439
Pension costs – defined contribution	**300**	190
Share-based payments expense	**273**	-
	25,726	19,205

7 Long-term incentive plan

Equity-settled share-based payment arrangements

During the year ended 31 December 2014, the Remuneration Committee of the Board of Directors made the first grant of conditional share awards of 754,154 ordinary shares pursuant to the terms and conditions of the Group's Long Term Incentive Plan. The award was for eligible service employees across the Group (42 in total) and vests based on the employees staying in service for 3 years from the grant date (18 March 2014). The number of awards which will ultimately vest will depend on the Group achieving targets relating to a Total Shareholder Return ("TSR") market condition as measured against a comparator peer group of companies over a 3 year performance period.

In relation to TSR performance, 25% of an award will vest for TSR performance equal to the median TSR return of the comparator peer group of companies over the performance period. 100% of an award shall vest for TSR performance equal to the 75th percentile or greater TSR return of the comparator group. For TSR performance between those thresholds, awards shall vest on a pro-rated basis.

The total expected cost of this award was estimated at €1.04 million of which €0.27 million has been charged against profit for the year ended 31 December 2014. The remaining €0.77 million will be charged to profit or loss in equal instalments over the remainder of the 3 year vesting period.

Measurement of fair values

The fair value of the conditional share awards was measured using Monte Carlo simulation. Service conditions attached to the awards were not taken into account in measuring fair value. The valuation and key assumptions used in the measurement of the fair values at grant date were as follows:

Fair value at grant date	€1.49
Share price at grant date	€2.50
Exercise price	€0.01
Expected volatility	35.29% p.a.
Performance period	3 years

Expected volatility was based on the historical volatility of the share prices of the comparator group of companies.

Notes (continued)

8 Tax charge

	2014 €'000	2013 €'000
Current tax		
Irish corporation tax	**888**	682
UK corporation tax	**16**	-
Under/(over) provision in respect of prior periods	**7**	(4)
	911	678
Deferred tax credit (note 22)	**(238)**	(28)
	673	650

The tax assessed for the year is higher than the standard rate of income tax in Ireland for the year. The differences are explained below:

	2014 €'000	2013 €'000
Profit before tax	**4,196**	73
Tax on profit at standard Irish income tax rate of 12.5%	**525**	9
Effects of:		
Income taxed at a higher rate	**26**	-
Expenses not deductible for tax purposes	**448**	550
Recognition of prior year deferred tax asset	**(330)**	-
Income tax withheld	**4**	-
Overseas income taxed at higher rate	**7**	-
Losses (utilised)/carried forward	**(14)**	95
Under/(over) provision in respect of prior periods	**7**	(4)
	673	650

9 Acquisitions

Acquisition of Pillo Hotels Limited

On 27 February 2014 the Group acquired a 100% interest in Pillo Hotels Limited, a company registered in Ireland. The consideration paid was €1 and the carrying value of net liabilities assumed was €128,000. As part of this transaction the Group received six management contracts operated by Pillo Hotels Limited. The value of these intangible assets were €128,000 (see Note 11). No goodwill arose on this acquisition. The management contracts were amortised over 10 months up to 31 December 2014 as the contracts have short-term notice periods. From the acquisition date to 31 December 2014, this acquisition contributed revenue of €0.5 million and profit of €0.4 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2014 it would have contributed revenue of €0.6 million and profit of €0.4 million to the consolidated results of the Group.

Notes (continued)

9 Acquisitions (continued)

Acquisition of Holiday Inn, Pearse Street, Dublin

On 29 August 2014 the Group acquired full ownership of the property and business of Holiday Inn, Pearse Street, Dublin for a total cash consideration of €14.3 million. The hotel has since been rebranded as a Maldron Hotel. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €13.2 million, investment properties €1.2m and net working capital liabilities of €0.1 million. No goodwill arose on this acquisition. From the acquisition date to 31 December 2014, this acquisition contributed revenue of €1 million and profit of € 0.2 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2014 it would have contributed revenue of €2.6 million and profit of €0.1 million to the consolidated results of the Group.

Acquisition of Tower Hotel, Derry

On 1 October 2014 the Group acquired full ownership of the property and business of Tower Hotel, Derry for a total cash consideration of €5.8 million. The hotel has since been rebranded as a Maldron Hotel. The fair value of the land and buildings acquired was €5.6 million and working capital was not significant. Goodwill of €0.2 million arose on this acquisition and is attributable to the expected profitability and revenue growth of the acquired business. From the acquisition date to 31 December 2014, this acquisition contributed revenue of €0.5 million to the consolidated financial statements. This acquisition achieved an approximate break-even position in the period from acquisition to 31 December 2014. Had the acquisition occurred at 1 January 2014 it would have contributed revenue of €2.5 million and profit of €0.4 million to the consolidated results of the Group.

Transaction expenses related to the Pearse Street and Derry acquisitions of €0.55 million were charged to profit or loss within acquisition-related costs (see Note 3).

10 Goodwill

	2014 €'000	2013 €'000
Cost		
At beginning of year	**42,059**	42,059
Additions (see note 9)	**199**	-
At end of year	**42,258**	42,059
Impairment losses		
At beginning of year	**(35,192)**	(35,192)
During the year	**-**	-
	(35,192)	(35,192)
Carrying amount		
At end of year	**7,066**	6,867
At beginning of year	**6,867**	6,867

Notes (continued)

10 Goodwill (continued)

Additions to goodwill of €0.2m in 2014 relate to the acquisition of Tower Hotel Derry (see Note 9).

Other goodwill is detailed below.

In 2007, the Group acquired a number of Irish hotel operations for consideration of €41.5 million. The goodwill arising represented the excess of costs and consideration over the fair value of the identifiable assets less liabilities acquired and amounted to €42.1 million. The goodwill was subsequently impaired in 2009 and the carrying value of this goodwill at the beginning and end of the year amounted to €6.867 million.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing goodwill has been allocated to the group of cash generating units (CGUs) representing the Irish hotel operations acquired in 2007. The recoverable amount of the group of CGUs is based on a value in use calculation. Value in use is determined by discounting the future cash flows generated from the continuing use of these hotels. The value in use was based on the following key assumptions:

- Cash flow projections are based on current operating results and budgeted forecasts prepared by management covering a ten year period.
- Revenue for the first year of the projections is based on budgeted figures for 2015.
- Cash flow projections assume a long term compound annual growth rate of 3% in sales revenues.
- Cashflows include an average annual capital outlay on maintenance for the hotels of 4% of revenues but assume no enhancements to any property.
- The value in use calculations also include a terminal value based on an industry earnings multiple model which incorporates a long term growth rate of 2%.
- The cash flows are discounted using a risk adjusted discount rate of 10%. The discount rate was estimated based on past experience and the risk adjusted group weighted average cost of capital.

The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience and taking into account the stability of cashflows typically associated with these factors.

At 31 December 2014, the recoverable amount was determined to be significantly higher than the carrying amount of the group of CGUs. The directors concluded that the carrying value of goodwill is not impaired at 31 December 2014.

Notes (continued)

11 Intangible assets

	Hotel management contracts €'000
Cost	
At 1 January 2014	-
Acquisitions during the year	128
At 31 December 2014	**128**
Accumulated amortisation	
At 1 January 2014	-
Charge for the year	128
At 31 December 2014	**128**
Net book value	
At 31 December 2014	**-**
At 31 December 2013	-

The intangible asset resulted from the acquisition of Pillo Hotels Limited as outlined in Note 9.

Notes (continued)

12 Property, plant and equipment

	Land and buildings €'000	Fixtures, fittings and equipment €'000	Total €'000
Cost or valuation			
At 1 January 2013			
Cost	-	4,052	4,052
Additions	2,216	1,543	3,759
At 31 December 2013	2,216	5,595	7,811
At 1 January 2014			
Cost	2,216	5,595	7,811
Acquisitions through business combinations	18,761	10	18,771
Other additions	17,578	3,527	21,105
Revaluation	8,161	-	8,161
Translation adjustment	(7)	39	32
At 31 December 2014			
Valuation	**46,709**	**-**	**46,709**
Cost	**-**	**9,171**	**9,171**
	46,709	**9,171**	**55,880**
Accumulated depreciation			
At 1 January 2013	-	2,414	2,414
Charge for the year	-	407	407
At 31 December 2013	-	2,821	2,821
At 1 January 2014	-	2,821	2,821
Charge for the year	229	762	991
Elimination of depreciation on revaluation	(229)	-	(229)
Translation adjustment	-	3	3
At 31 December 2014	**-**	**3,586**	**3,586**
Net book value			
At 31 December 2014	**46,709**	**5,585**	**52,294**
At 31 December 2013	2,216	2,774	4,990

Included in land and buildings at 31 December 2014 is land at a carrying value of €6.3 million, which is not depreciated.

Acquisitions through business combinations in the year ended 31 December 2014 includes the following:

- Holiday Inn Pearse Street, Dublin (renamed the Maldron Hotel Pearse Street Dublin)
- Tower Hotel Derry (renamed the Maldron Hotel Derry)

Other additions to land and buildings in the year ended 31 December 2014 include the following properties, where the Group was already operating a hotel business:

- Maldron Hotel Parnell Square, Dublin
- 20 rooms in Maldron Hotel Cardiff Lane, Dublin

Notes (continued)

12 Property, plant and equipment (continued)

The carrying value of land and buildings revalued at 31 December 2014 is €46.7 million. The value of these assets under the cost model is €38.3 million. The revaluation surplus is €8.4 million which has been reflected through other comprehensive income and in the revaluation reserve in equity.

There was no impact from the change in accounting policy for land and buildings on the prior year, because the carrying value of property at 31 December 2013 (Maldron Hotel, Limerick) was not significantly different from its fair value of €2.2 million as the hotel had been acquired in 2013.

The Group operates the Maldron Hotel Limerick and since the acquisition of Fonteyn Property Holdings Limited in 2013 holds a secured loan over that property. The loan is not expected to be repaid. Accordingly the Group has the risks and rewards of ownership and accounts for the hotel as an owned property, reflecting the substance of the arrangement. It is expected that the Group will obtain legal title to the property in 2015.

The value of the Group's property at 31 December 2014 reflects open market valuations carried out in December 2014 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

Measurement of fair value

The fair value measurement of the Group's own-use property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The principal valuation technique used in the independent external valuations was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of Year 10) taking into account expected EBITDA and capital expenditure. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location.

The significant unobservable inputs are:

- Forecast EBITDA
- Risk adjusted discount rates of 10.5% - 13% (Years 1-10)
- Terminal (Year 10) capitalisation rates of 8% - 9.25%

The estimated fair value under this valuation model would increase or decrease if:

- EBITDA was higher or lower than expected
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower

Notes (continued)

13 Investment properties

	€'000
Cost or valuation	
At 1 January 2014	-
Acquisitions through business combinations	1,248
At 31 December 2014	**1,248**

Investment properties comprise two commercial properties which were acquired on 29 August 2014 as part of the Holiday Inn, Pearse Street acquisition (see Note 9). The investment properties are leased to third parties for lease terms of 25 and 30 years, with 16 and 12 years remaining.

Changes in fair values are recognised in profit or loss. There was no change in the fair value between the acquisition date and the year end.

The value of the Group's investment properties at 31 December 2014 reflect an open market valuation carried out in December 2014 by independent external valuers having appropriately recognised professional qualifications and recent experience in the location and category of property being valued. The valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

The fair value measurement of the Group's investment property has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

The valuation technique used is consistent with that used for the Group's own-use property (see Note 12).

The significant unobservable inputs in the measurement of fair value of investment property were:

- Expected EBITDA based on market rental growth
- Risk adjusted discount rate of 11% (Years 1-10)
- Terminal (Year 10) capitalisation rate (8%)

The estimated fair value under this valuation model would increase or decrease if:

- EBITDA was higher or lower than expected
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower

Notes (continued)

14 Trade and other receivables

	2014 €'000	2013 €'000
Non-current assets		
Other receivables	**900**	900
Deposits paid on acquisitions	**4,116**	-
Prepayments	**233**	-
	5,249	900
Current assets		
Trade receivables	**3,410**	3,328
Prepayments	**4,067**	1,672
Accrued income	**2,067**	1,045
	9,544	6,045
Total	**14,793**	6,945

Non-current assets includes deposits paid of €4.1 million in relation to the acquisitions of the Clayton Hotel Galway, Pillo Hotel Galway and Whites Hotel Wexford which completed in 2015 (see Note 25).

Other, non-current, receivables consists of a deposit required as part of a hotel property lease contract. The deposit is interest-bearing and refundable at the end of the lease term.

Included in prepayments is an amount of €2.3 million related to debt funding and share issuance costs in respect of the fundraising related to the Moran Bewley Hotel Group acquisition (see Note 25).

15 Inventories

	2014 €'000	2013 €'000
Goods for resale	**456**	361
Consumable stores	**137**	174
	593	535

16 Cash and cash equivalents

	2014 €'000	2013 €'000
Cash at bank and in hand	**39,259**	4,940
Money-market funds	**178,548**	-
	217,807	4,940

Notes (continued)

17 Group reorganisation and impact on reserves

As part of the Group reorganisation which is described in the Basis of Preparation in Note 1, the Company became the ultimate parent entity of the then existing group on 20 February 2014, when it acquired 100% of the issued share capital of DHGL Limited in exchange for the issue of 9,500 ordinary shares of €0.01 each. By doing so, it also indirectly acquired the 100% shareholdings previously held by DHGL Limited in each of its subsidiaries. As part of that reorganisation, the shareholder loan note obligations (including accrued interest) of DHGL Limited (see Note 19) were assumed by the Company as part of the consideration paid for the equity shares in DHGL Limited.

The fair value of the Group (as then headed by DHGL Limited) at that date was estimated at €40 million. The fair value of the shareholder loan note obligations assumed by the Company as part of the acquisition was €29.7 million and the fair value of the shares issued by the Company in the share exchange was €10.3 million.

The difference between the carrying value of the shareholder loan note obligations (€55.4 million) prior to the reorganisation and their fair value (€29.7 million) at that date represents a contribution from shareholders of €25.7 million which has been credited to a separate capital contribution reserve.

The insertion of Dalata Hotel Group plc as the new holding company of DHGL Limited did not meet the definition of a business combination under IFRS 3 "*Business Combinations*", and, as a consequence, the acquired assets and liabilities of DHGL Limited and its subsidiaries continued to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Dalata Hotel Group plc are prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement.

As a consequence, an additional merger reserve of €10.3 million arose in the consolidated statement of financial position. This represents the difference between the consideration paid for DHGL Limited in the form of shares of the Company, and the issued share capital of DHGL Limited at the date of the reorganisation which was a nominal amount of €95.

Notes (continued)

18 Share capital and premium

At 31 December 2014 – Dalata Hotel Group plc

Authorised Share Capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	**100,000**

Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	122,000,000	**1,220**
Share premium		**295,133**

At 31 December 2013 – DHGL Limited

Authorised Share Capital	Number	€
Ordinary shares of €0.00001 each	75,000,000	750
A Ordinary shares of €0.00001 each	25,000,000	250
Ordinary redeemable shares @ €1 each	100	100

Allotted, called-up and fully paid shares	Number	€
Ordinary Shares of €0.00001 each	7,499,999	75
2,000,000 A Ordinary Shares of €0.00001 each	20	20
A Ordinary shares of €0.00001 each	2,000,000	20

On incorporation of Dalata Hotel Group plc in November 2013, the issued share capital was 7 ordinary shares of €1 each. On 14 February 2014, the Company issued 39,898 ordinary shares of €1 each for cash at par.

On 20 February 2014, each of the issued and unissued shares of the Company were sub-divided into 100 ordinary shares of €0.01 each.

On 20 February 2014, as part of the reorganisation of the Group (see Note 17), the Company issued 9,500 ordinary shares of €0.01 each to the shareholders of DHGL Limited in exchange for their shares in DHGL Limited. The share premium on these shares was €10.3 million (see Note 17).

On 19 March 2014, Dalata Hotel Group plc was admitted to trading on the Enterprise Securities Market (ESM) of the Irish Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange. On Admission:

- 106,000,000 ordinary shares of €0.01 each were issued representing the new shares being placed by the Company at the time of admission for cash at an issue price of €2.50 per share, resulting in gross proceeds of €265 million (€256 million net of costs). Share premium of €254.9 million was recorded on these shares after deduction of Initial Public Offering costs of €9.0 million.
- 12,000,000 ordinary shares of €0.01 each were issued at €2.50 per share in settlement of all obligations arising from the shareholder loan notes (see Note 19) at an amount of €30 million. The share premium on these shares was €29.9 million.

Notes (continued)

19 Interest bearing loans and borrowings

	2014	2013
	€'000	€'000
Repayable within one year		
Bank borrowings – variable rate	-	2,000
Repayable after one year		
Unsecured shareholder loan notes – 9% fixed rate	-	31,497
Accrued interest on unsecured loan notes	-	23,228
Bank borrowings – variable rate	-	7,000
	-	61,725
Total interest-bearing loans and borrowings	-	63,725

Unsecured shareholder loan notes

On 14 February 2014 DHGL Limited repaid €0.04 million of shareholder loan notes.

On 21 February 2014 all remaining shareholder loan note obligations of DHGL Limited were novated to the Company. All obligations in relation to the shareholder loan notes were settled in exchange for the issue of 12 million ordinary shares of the Company at a value of €30 million on 19 March 2014 (see Note 18).

Bank borrowings

At 31 December 2014, the total amount due in respect of bank borrowings amounted to €nil (*31 December 2013: €9 million*). All bank loans were repaid in full on 2 April 2014. See Note 25 for details of bank loans drawn down subsequent to the year-end.

20 Trade and other payables

	2014	2013
	€'000	€'000
Trade payables	**6,155**	4,316
Accruals	**12,438**	5,262
Deferred income	**729**	225
Value added tax	**349**	702
Payroll taxes	**674**	453
	20,345	10,958

Included in accruals is an amount of €4.0 million related to acquisition costs for the Moran Bewley Hotel Group acquisition, and debt funding and share issuance costs in respect of the related fundraising (see Note 25).

Notes (continued)

21 Financial instruments and risk management

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value 2014 €'000	Loans and receivables 2014 €'000	Liabilities measured at amortised cost 2014 €'000	Total carrying amount 2014 €'000	Fair value Level 1 2014 €'000	Fair value Level 2 2014 €'000	Fair value Level 3 2014 €'000	Fair value Total 2014 €'000
Trade and other receivables (excluding prepayments and deposits paid on acquisitions) (Note 14)	**-**	**6,377**	**-**	**6,377**				
Cash at bank and in hand (Note 16)	**-**	**39,259**	**-**	**39,259**				
Money-market funds (Note 16)	**178,548**	**-**	**-**	**178,548**	**178,548**	**-**	**-**	**178,548**
Trade and other payables (Note 20)	**-**	**-**	**(20,345)**	**(20,345)**				
	178,548	**45,636**	**(20,345)**	**203,839**				

	Loans and receivables 2013 €'000	Liabilities measured at amortised cost 2013 €'000	Total carrying amount 2013 €'000	Fair value Level 1 2013 €'000	Fair value Level 2 2013 €'000	Fair value Level 3 2013 €'000	Fair value Total 2013 €'000
Trade and other receivables (excluding prepayments) (Note 14)	5,273	-	5,273				
Cash at bank and in hand (Note 16)	4,940	-	4,940				
Trade and other payables (Note 20)	-	(10,958)	(10,958)				
Unsecured shareholder loan notes including accrued interest (Note 19)	-	(54,725)	(54,725)	-	-	(40,000)	(40,000)
Bank loans – variable (Note 19)	-	(9,000)	(9,000)				
	10,213	(74,683)	(64,470)				

Notes (continued)

21 Financial instruments and risk management (continued)

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Cash at bank and in hand

For cash at bank and in hand the carrying value is deemed to reflect a reasonable approximation of fair value.

Money-market funds

Money-market funds are measured at fair value through profit or loss. The fair value is based on quoted market prices at year-end.

Receivables/payables

For the receivables and payables with a remaining term of less than one year or demand balances, the carrying value less impairment provision, where appropriate, is a reasonable approximation of fair value. The non-current receivables are interest-bearing at deposit rates and the carrying value is a reasonable approximation of fair value.

Bank loans

For bank loans and borrowings the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date and adjusted for movements in credit spreads. The Group's bank loans were at variable rates and facilities were repaid in April 2014.

Shareholders' loans and accrued interest

The fair value of the shareholders' loans and accrued interest was based on the estimated fair value of the underlying business, which was based on profitability and market multiples for comparable businesses in the hotels, leisure and entertainment sector, plus or minus net debt/cash. All shareholder loan note obligations were settled in 2014 (see Note 19).

Risk exposures

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties. The exposures to risks relating to changes in interest rates and foreign currency are not significant.

a) Credit risk

Exposure to credit risk
Credit risk arises from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk or dependence on individual customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Cash and cash equivalents
Cash and cash equivalents give rise to credit risk on the amounts due from counterparties. The maximum credit risk is represented by the carrying value at the reporting date. The Group's policy for investing cash is to limit risk of principal loss and to ensure the ultimate recovery of invested funds by limiting market and credit risk. The Group limits its exposure to credit risk on money-market funds by only investing in liquid securities which are held by counterparties which have AAA ratings from Standard & Poors or equivalent credit ratings from other established rating agencies.

Notes (continued)

21 Financial instruments and risk management (continued)

The carrying amount of financial assets, net of impairment provisions, represents the group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	Carrying amount 2014 €'000	Carrying amount 2013 €'000
Trade receivables	**3,410**	3,328
Other receivables	**900**	900
Accrued income	**2,067**	1,045
Cash at bank and in hand	**39,259**	4,940
Money-market funds	**178,548**	-
	224,184	10,213

Trade receivables

The Group has detailed procedures for monitoring and managing the credit risk related to trade receivables. Trade receivables are monitored by review of aged debtor reports by management. The aged analysis of trade receivables at the reporting date was as follows:

Aged analysis of trade receivables

	Gross receivables 2014 €'000	**Impairment provision 2014 €'000**	**Net receivables 2014 €'000**
Not past due	**710**	**-**	**710**
Past due < 30 days	**1,295**	**(7)**	**1,288**
Past due 30 - 60 days	**525**	**-**	**525**
Past due 60 - 90 days	**409**	**-**	**409**
Past due > 90 days	**631**	**(153)**	**478**
	3,570	**(160)**	**3,410**

	Gross receivables 2013 €'000	Impairment provision 2013 €'000	Net receivables 2013 €'000
Not past due	1,066	-	1,066
Past due < 30 days	812	-	812
Past due 30 - 60 days	386	(26)	360
Past due 60 - 90 days	432	(43)	389
Past due > 90 days	943	(242)	701
	3,639	(311)	3,328

Notes (continued)

21 Financial instruments and risk management (continued)

Aged analysis of trade receivables (continued)

Management does not expect any significant losses of receivables that have not been provided for as shown above.

b) Liquidity risk

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to:

- Fund its ongoing activities
- Allow it to invest in hotels that may create value for shareholders; and
- Maintain sufficient financial resources to mitigate against risks and unforeseen events.

Since the year end the Group has drawn-down a term loan of €282 million as part finance for the Moran Bewley Hotel Group transaction (see Note 25).

The only financial liabilities of the Group at 31 December 2014 are the trade and other payables which all have a contractual maturity of 6 months or less.

c) Market risk

Market risk is the risk that changes in market prices and indices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

As at 31 December 2014, the Group is only exposed to interest rate risk on its cash and money-market funds held on deposit. The Group monitors the available interest rates and manages this in conjunction with the objective to have funds available to invest in hotels.

The Group has no material transactional foreign exchange risk exposure. It is exposed to translation foreign exchange rate risk on its hotel operations in Cardiff, Wales and Derry, Northern Ireland but these were not material at 31 December 2014. The Group believes that its foreign exchange rate exposures will become more material in 2015 subsequent to its acquisition of the Moran Bewley Hotel Group, resulting in an increase in exposure to sterling income and assets (see Note 25).

The Group is exposed to foreign currency risk on certain of its money-market funds which are denominated in sterling. The value of the Group's sterling money-market funds at 31 December 2014 is £22 million (€28.2 million).

22 Deferred tax

	2014	2013
	€'000	€'000
Deferred tax assets	**319**	170
Deferred tax liabilities	**(960)**	-
Net (liability)/asset	**(641)**	170

Notes (continued)

22 Deferred tax (continued)

Movements in year	2014 €'000	2013 €'000
At beginning of year – net asset	**170**	142
Credit for year – to profit or loss (Note 8)	**238**	28
Charge for year – to other comprehensive income	**(1,049)**	-
At end of year – net (liability)/asset	**(641)**	170

Deferred tax arises from temporary differences relating to:

	2014 €'000	2013 €'000
Property plant and equipment	**(1,050)**	41
Tax losses carried forward	**355**	42
Other	**54**	87
Net (liability)/asset	**(641)**	170

Deferred tax assets have only been recognised for losses that are expected to be used in the foreseeable future. As at 31 December 2014 there are no unrecognised deferred tax assets. At 31 December 2013 there were unrecognised deferred tax assets of €0.33 million.

23 Commitments

Operating leases

Non-cancellable operating lease rentals payable are set out below. These represent the minimum future lease payments in aggregate that the Group is required to make under existing lease arrangements.

	2014 €'000	2013 €'000
Less than one year	**14,191**	14,923
Between one and five years	**50,434**	61,866
After five years	**169,451**	197,598
	234,076	274,387

Notes (continued)

23 Commitments (continued)

Under the terms of certain hotel operating leases, contingent rents are payable, in excess of minimum lease payments, based on the financial performance of the hotels. The amount of contingent rent expense charged to profit or loss in the year ended 31 December 2014 was €0.8 million (2013: €0.3 million). The expiry dates of operating leases with contingent rental arrangements at 31 December 2014 ranged from March 2018 to January 2024.

Rent guarantee

The company has undertaken to guarantee the obligations of its subsidiary Dalata Cardiff Limited in relation to the lease of the Maldron Hotel Cardiff for a period of 35 years of which there are 32 years remaining.

Section 17 Companies (Amendment) Act 1986

Dalata Hotel Group plc, as the parent company of the group and for the purposes of exemptions referred to in Section 17(1) of the Companies (Amendment) Act 1986, has entered into guarantees in relation to the liabilities of Republic of Ireland registered subsidiary companies Dalata Management Services Limited and Dalata Support Services Limited for the financial year ended 31 December 2014.

Contractual commitments for 2015 acquisitions

As at 31 December 2014 the Group had entered into agreements for a number of acquisitions, which were completed in January and February 2015. The estimated value of these acquisitions under contractual agreements net of deposits of €4.1 million paid in the period (Note 14), is approximately €491 million. Further information on these acquisitions is provided in Note 25.

Capital expenditure commitments

The Group has the following commitments for future capital expenditure under its contractual arrangements.

	2014	2013
	€'000	€'000
Contracted but not provided	**4,191**	602

24 Related party transactions

Under IAS 24, Related Party Disclosures, the Group has a related party relationship with shareholders and directors of the company.

(a) Remuneration of key management

Key management is defined as the directors of the Company. The compensation of key management personnel is set out in the Remuneration Committee report on pages 53 to 60.

(b) Transactions with related parties

A number of the executive directors of the Group are also directors of Sanjay Limited and Citywest Resort Limited which are in receivership. The Group operates hotel management contracts for the receiver of the respective companies.

During 2014 the Group received fees of €274,037 *(2013: €281,209)* from Sanjay Limited for services provided, and fees of €368,646 *(2013: €12,681)* from Citywest Resort Limited for services provided. At 31 December 2014, the following amounts were owed in the normal course of business to the Group by these parties: Sanjay Limited €17,707*(2013: €55,643*); Citywest Resort Limited € 30,487 *(2013: €17,048).*

Notes (continued)

25 Subsequent events

Moran Bewley Hotel Group acquisition and related fundraising

On 3 February 2015, the Group acquired nine hotels from the Moran Bewley Hotel Group for an estimated consideration of €453 million excluding working capital adjustments. The transaction significantly increases the scale and geographic reach of the Group. The nine hotels acquired are as follows:

- Bewley's Hotel Ballsbridge, Dublin
- Bewley's Hotel Dublin Airport
- Bewley's Hotel, Leopardstown, Dublin
- Bewley's Hotel, Newlands Cross, Dublin
- Silver Springs Moran Hotel, Cork
- Bewley's Hotel Manchester Airport
- Bewley's Hotel Leeds
- Crown Moran Hotel, London
- Chiswick Moran Hotel London

The acquisition is a business combination in accordance with IFRS 3. The fair value of these hotel properties based on external professional open market valuations by Jones Lang La Salle Ireland dated 27 August 2014 was €423 million, as noted in the Company's Cash Vendor Placing document dated 18 December 2014. The fair value of all assets and liabilities arising from the acquisition will be determined during 2015 at which time goodwill arising will be established.

On 3 February 2015, the Company drew down a term loan of €282 million, and on 4 February 2015, the Company issued 18,300,000 ordinary shares at €2.75 per share through a Vendor Placing and Cash Placing which raised €48.6m after costs.

The total expected costs of the transaction, including stamp duty, amounted to €17.9 million, of which €1.9 million was expensed in 2014, €9.2 million (principally stamp duty) will be expensed in 2015 and €6.8 million related to the debt and equity fundraising.

Other hotel acquisitions

Four other acquisitions, which are all business combinations, were completed in January, February and March 2015.

On 21 January 2015, the Group acquired Clayton Hotel in Galway for a total cash consideration of €16.5 million, including the deposit paid in the period (see Note 14). Land and buildings is estimated at €16.1 million, and plant and equipment at €0.4 million.

On 13 February 2015, the Group acquired Whites Hotel in Wexford for a total cash consideration of €15.2 million, including the deposit paid in the period (see Note 14). Land and buildings is estimated at €14.7 million, and plant and equipment at €0.5 million.

On 13 February 2015, the Group purchased Pillo Hotel, Galway and ancillary property interests for a total cash consideration of €10.5 million, including the deposit paid in the period (see Note 14). Land and buildings is estimated at €9.5 million, plant and equipment at €0.6 million and assumed liabilities at €0.4 million.

On 9 March 2015, the Group purchased Holiday Inn, Belfast for a total cash consideration of £18.5 million (€25.7 million). Details of assets acquired have yet to be determined.

Notes (continued)

26 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2014 is set out below:

	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
DHGL Limited[1]	Ireland	Holding company	100%	-
Dalata Limited[1]	Ireland	Holding company	-	100%
Hanford Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Anora Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Ogwell Limited[1]	Ireland	Hotel and catering	-	100%
Caruso Limited[1]	Ireland	Hotel and catering	-	100%
CI Hotels Limited[1]	Ireland	Hotel and catering	-	100%
Dalata Management Services Limited[1]	Ireland	Hotel management	-	100%
Tulane Business Management Limited[1]	Ireland	Hotel and catering	-	100%
Dalata Support Services Limited[1]	Ireland	Hotel and hotel management	-	100%
Fonteyn Property Holdings Limited[1]	Ireland	Hotel and hotel management	-	100%
Fonteyn Property Holdings No. 2 Limited[1] *	Ireland	Asset management	-	100%
Suvanne Management Limited[1]	Ireland	Hotel and catering	-	100%
Carasco Management Limited[1]	Ireland	Hotel and catering	-	100%
Amelin Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Lintal Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Bernara Commercial Limited[1]	Ireland	Property investment	-	100%
Pillo Hotels Limited[1]	Ireland	Management company	-	100%
Loadbur Limited[1] (This company has not yet commenced trading)	Ireland	Share scheme management	-	100%
DHG Belfast Limited[2]	N Ireland	Hotel and catering	-	100%
DHG Derry Limited[2]	N Ireland	Asset management	-	100%
DHG Derry Commercial Limited[2]	N Ireland	Hotel and catering	-	100%
Dalata UK Limited[3]	UK	Holding company	-	100%
Dalata Cardiff Limited[3]	UK	Hotel and catering	-	100%

[1] *The registered address of these companies is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.*

[2] *The registered address of these companies is Butcher Street, Londonderry, County Derry BT48 6HL, United Kingdom.*

[3] *The registered address of this company is St Mary Street, Cardiff, Wales, CF10 1GD, United Kingdom.*

Notes (continued)

27 Earnings per share

Basic earnings per share (EPS) is computed by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings/(loss) per share for the years ended 31 December 2014 and 31 December 2013:

	2014	2013
Profit/(loss) attributable to shareholders of the parent (€'000) – basic and diluted	**3,523**	(577)
Earnings/(loss) per share – Basic	**3.65 cents**	(€60.74)
Earnings/(loss) per share – Diluted	**3.64 cents**	(€60.74)
Weighted average shares outstanding – Basic	**96,625,887**	9,500
Weighted average shares outstanding – Diluted	**96,913,563**	9,500

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2014 is due to the dilutive impact of the conditional share awards granted in March 2014 (see Note 7). The weighted average number of shares outstanding for 2013 includes the effect of existing shares of DHGL Limited in 2013 being equivalent to 9,500 of the €0.01 ordinary shares of Dalata Hotel Group plc issued in 2014.

28 Approval of the financial statements

The financial statements were approved by the directors on 9 March 2015.

Separate financial statements

for the period from incorporation on 4 November 2013 to 31 December 2014

Company statement of financial position
at 31 December 2014

	Note	2014 €'000
Assets		
Non-current assets		
Investments in subsidiaries	*2*	**40,160**
Total non-current assets		**40,160**
Current assets		
Trade and other receivables	*3*	**2,533**
Amounts owed by subsidiaries	*4*	**50,290**
Cash and cash equivalents	*5*	**206,422**
Deferred tax asset		**36**
Total current assets		**259,281**
Total assets		**299,441**
Equity		
Share capital	*7*	**1,220**
Share premium	*7*	**295,133**
Share-based payment reserve		**273**
Retained earnings		**(1,509)**
Total equity		**295,117**
Liabilities		
Current liabilities		
Trade and other payables	*6*	**4,320**
Current taxation payable		**4**
Total current liabilities		**4,324**
Total equity and liabilities		**299,441**

On behalf of the Board:

John Hennessy
Chairman

Patrick McCann
Director

Company statement of changes in equity

for the period from incorporation on 4 November 2013 to 31 December 2014

	Attributable to equity holders of the company				
	Share capital 2014 €'000	Share premium 2014 €'000	Share-based payment reserve 2014 €'000	Retained earnings 2014 €'000	Total 2014 €'000
At beginning of period					
Comprehensive income:					
Loss for the period	-	-	-	(1,509)	**(1,509)**
Total comprehensive income/(loss)	-	-	-	(1,509)	**(1,509)**
Transactions with owners of the company:					
Issue of shares prior to reorganisation	40	-	-	-	**40**
Re-organisation – share exchange and release of shareholder loan note obligations	-	10,337	-	-	**10,337**
Issue of shares in public listing net of issue costs	1,060	254,916	-	-	**255,976**
Issue of shares on conversion of shareholder loan notes	120	29,880	-	-	**30,000**
Equity-settled share-based payments	-	-	273	-	**273**
Total transactions with owners of the company	1,220	295,133	273	-	**296,626**
At 31 December 2014	**1,220**	**295,133**	**273**	**(1,509)**	**295,117**

Attributable profit or loss of the company

The loss attributable to shareholders dealt with in the financial statements of the company for the period from incorporation on 4 November 2013 to 31 December 2014 was €1.5 million. As permitted by Section 148(8) of the Companies Act, 1963, the statement of comprehensive income for the company has not been separately presented in these financial statements.

Company statement of cash flows
for the period from incorporation on 4 November 2013 to 31 December 2014

	2014 €'000
Cash flows from operating activities	
Loss for the period	(1,509)
Adjustments for:	
Finance income	(409)
Finance costs	337
Share-based payments expense	113
Tax credit	(32)
	(1,500)
Increase in trade and other payables	4,320
Increase in trade and other receivables	(2,533)
Increase in other amounts owned by subsidiaries	(1,514)
Net cash used in operating activities	(1,227)
Cash flows from investing activities	
Loans to subsidiaries	(48,776)
Interest received	115
Net cash used in investing activities	(48,661)
Cash flows from financing activities	
Issuance of shares in public listing, net of expenses	255,976
Proceeds of other share issues	40
Net cash from financing activities	256,016
Net increase in cash and cash equivalents	206,128
Cash and cash equivalents at the beginning of the period	-
Effect of movements in exchange rates	294
Cash and cash equivalents at the end of the period	206,422

Notes to the company financial statements

1. Significant accounting policies

General information and basis of preparation

Dalata Hotel Group plc was incorporated on 4 November 2013 as Rockmellon plc. Rockmellon plc changed its name to Dalata Hotel Group plc on 16 January 2014.

In the period 1 January 2014 to 20 February 2014, the business of the Dalata group was conducted through DHGL Limited and its subsidiaries. As further detailed in Note 1 to the consolidated financial statements, on 20 February 2014, pursuant to a reorganisation, Dalata Hotel Group plc acquired 100% of the issued share capital of DHGL Limited and indirectly acquired the 100% shareholdings previously held by DHGL Limited in each of its subsidiaries.

The fair value of the Group (as then headed by DHGL Limited) at that date was estimated at €40 million. The fair value of the shareholder loan note obligations assumed by the Company in the reorganisation was €29.7 million and the fair value of shares issued by the Company in the reorganisation was €10.3 million. These separate individual company financial statements have therefore recorded the initial investment in DHGL Limited at a cost of €40 million.

Significant accounting policies applicable to these separate individual company financial statements, which are not reflected within the accounting policies for the Group financial statements, are detailed below.

(a) Investments in subsidiaries

Investments in subsidiaries are accounted for in these separate financial statements on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of investees. Investments in subsidiaries are carried at cost less impairment.

Share-based payments in respect of employees in subsidiaries are accounted for as an increase in the cost of investments in subsidiaries.

(b) Intra-group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

2. Investments in subsidiaries

	2014 €'000
At beginning of the period	-
Investments in subsidiaries at initial fair value (note 1)	40,000
Cost of share-based payments in respect of subsidiaries	160
At end of the period	**40,160**

Details of subsidiary undertakings are included in Note 26 of the consolidated financial statements.

Notes (continued)

3. Trade and other receivables

	2014 €'000
Prepayments	2,320
Value added tax	213
	2,533

Included in prepayments is an amount of €2.3 million related to debt funding and share issuance costs in respect of the fundraising related to the Moran Bewley Hotel Group acquisition (see Note 25 of the consolidated financial statements).

4. Amounts owed by subsidiaries

	2014 €'000
Loans to subsidiaries	48,776
Other amounts owed by subsidiaries	1,514
	50,290

Loans to subsidiaries are non-interest bearing and are repayable on demand.

5. Cash and cash equivalents

	2014 €'000
Cash at bank and in hand	27,874
Money-market funds	178,548
	206,422

6. Trade and other payables

	2014 €'000
Accruals	4,272
Payroll taxes	42
Amounts due to subsidiary undertakings	6
	4,320

Included in accruals is an amount of €4.0 million related to acquisition costs for the Moran Bewley Hotel Group acquisition, and debt funding and share issuance costs in respect of the related fundraising (see Note 25 of the consolidated financial statements).

Notes (continued)

7. Share capital and premium

Authorised Share Capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000

Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	122,000,000	1,220
Share premium		295,133

Movements in share capital and premium are detailed in Note 18 of the consolidated financial statements.

8. Financial instruments and risk management

Money-market funds (see Note 5) are measured at fair value and are categorised as a Level 1 fair value.

The carrying value of the Company's other financial assets and liabilities are a reasonable approximation of their fair value.

Relevant disclosures on Group financial instruments and risk management are given in Note 21 of the consolidated financial statements.

9. Company related party disclosures

Under IAS 24, Related Party Disclosures, the Company has related party relationships with directors of the Company, and with its subsidiary undertakings (see Note 26 of the consolidated financial statements).

Remuneration of key management

Key management is defined as the directors of the Company. The compensation of key management personnel is set out in the Remuneration Committee report on pages 53 to 60.

Transactions with related parties

During the period ended 31 December 2014, the Company charged fees of €1,514,000 to its subsidiary undertakings for services provided.

10. Commitments

Section 17 Companies (Amendment) Act 1986

Dalata Hotel Group plc, as the parent company of the group and for the purposes of exemptions referred to in Section 17(1) of the Companies (Amendment) Act 1986, has entered into guarantees in relation to the liabilities of Republic of Ireland registered subsidiary companies Dalata Management Services Limited and Dalata Support Services Limited for the financial year ended 31 December 2014.

11. Approval of the financial statements

The financial statements were approved by the directors on 9 March 2015.

Claire Coughlan
Deputy General Manager
Maldron Galway

Claire has been Deputy General Manager at the Maldron Hotel Galway since 2008. She has always worked in hospitality and is very dedicated to her profession. Claire leads by example and is completely focused on all elements of the business; from customer service to sales and cost management. She has an eye for detail and is the ultimate multitasker. Claire is held in high esteem by Dalata as well as hotel staff and customers alike. Her “can do attitude” always shines through.

Additional Information

Top row, left to right:
Shane Casserly
Stephen Clarke
Caitriona Conroy
Patrice Lennon
Duncan Little
Macarten McGuigan
Tony McGuigan

Bottom row, left to right:
Martha Mannion
Anthony Murray
Josephine Norton
Conal O'Neill
Carol Phelan
Joe Quinn
Dawn Wynne

Executive Management Team

The Executive Management Team comprises the Executive Directors, Chief Financial Officer and Company Secretary, and Senior Managers.

Shane Casserly is Head of Development and Strategy. He previously worked at Jurys Doyle Hotel Group as Head of Development and held senior positions at Ion Equity, Microsoft Europe and Supervalu/Centra. Shane is a fellow of the Institute of Chartered Accountants in Ireland and a graduate from University College Cork.

Stephen Clarke has been Group Financial Controller since 2008. He has a B. Comm (International) from UCD and MBS from the Michael Smurfit Graduate School of Business. Stephen started his career as a graduate trainee in AIB and progressed to senior finance roles in Roches Stores and Campus Oil. He is a member of the Institute of Chartered Management Accountants.

Caitriona Conroy is Group Leisure Club/Health and Safety Manager. Caitriona was previously General Manager of Maldron Hotel Portlaoise as well fulfilling Deputy and HR roles in Maldron Hotel Smithfield and Cardiff Lane. Previous to this Caitriona worked with Jury's Doyle Hotel Group. Caitriona holds a BA in Social Science from UCD.

Patrice Lennon is Head of Sales and Marketing since 2013, having previously worked as Sales and Marketing Manager at the Maldron Hotel Cardiff Lane since its opening in 2005.Prior to this she worked with Jurys Doyle Hotel Group and Radisson Hotels Ireland, holding management positions within Sales and Marketing. Patrice is a graduate of Dublin Institute of Technology and University College Dublin.

Duncan Little is Group Capital and Development Manager and has been with Dalata since 2008. He previously held positions at Bank of Ireland and the University of Bristol. His primary degree was in engineering technology from UCD, followed by a degree in veterinary science from Glasgow University. Duncan also holds an MBA from UCD Michael Smurfit Graduate Business School.

Macarten McGuigan is Group Internal Auditor. Prior to joining the Group he was Head of Internal Audit at The Doyle Collection Hotel Group and also at Dublin Airport Authority plc. Macarten is a fellow of the Association of Chartered Certified Accountants and also holds an MBA from the UCD Michael Smurfit Graduate Business School.

Tony McGuigan is Group Food and Beverage Manager as well as Head of Purchasing. Tony started his career as a chef and obtained his qualifications with City and Guilds London. He has previously held executive chef and food and beverage management positions with Forte Hotels in London and senior management roles with Choice Hotels in Ireland.

Martha Mannion is the Group Revenue Manager. She worked with Jurys Doyle Hotel Group plc in the UK and Ireland, progressing to Deputy General Manager of Jurys Inn Manchester and subsequently General Manager of Jurys Inn Galway. Martha is a graduate from Galway-Mayo Institute of Technology.

Anthony Murray is the Group IT Manager. He has fifteen years of experience in the hospitality industry having previously worked with both national and international hotel groups in Ireland and abroad, including Rezidor Hotel Group, Quality Hotels and Comfort Inns in Ireland. Anthony is an Honours Graduate of Dublin Institute of Technology Cathal Brugha Street with a Higher Diploma in Hotel & Catering Management. He also holds a Bachelor of Science Degree in Management.

Josephine Norton is Group Marketing and E-Commerce Manager with responsibility for creating and implementing the strategic marketing direction of the brands. Josephine joined Dalata from Carlson Rezidor Hotel Group where she worked as Regional Marketing Manager in Ireland and the UK. She is a Marketing graduate of Dublin Business School and holds a diploma in Tourism Management from Inchicore VEC.

Conal O'Neill is Group Operations Manager. He joined Dalata from Pillo Hotels where he was Managing Director. Prior to this he was employed at Jurys Doyle Hotel Group where he spent 15 years in a variety of senior roles including Group General Manager in the UK.

Carol Phelan is Group Finance Manager who joined Dalata in November 2014. She has extensive experience in corporate finance, strategy development, financial reporting and controls from previous senior roles in Ion Equity and KPMG, and is a member of the Institute of Chartered Accountants and holds a First Class Honours Master of Accounting.

Joe Quinn is Head of Integration for the Moran Bewley Hotel Portfolio. He previously worked at Jurys Inns as Chief Operations Officer and also held various senior positions in the Jurys Doyle Hotel Group plc. He also worked for Ramada Hotels, InterContinental Hotels and Hilton. He is a graduate of Galway Mayo Institute of Technology (GMIT) and Ashridge Business School (UK).

Dawn Wynne is the Group Human Resource Manager having joined the Group in 2008 following a number of HR Management appointments within the Group. She previously worked internationally in the UK, France and Italy in a regional capacity, including the Jurys Doyle Group plc where she held the position of Deputy Manager of the Burlington Hotel. Dawn is a graduate of Glasgow University and Glasgow Caledonian University and is CIPD qualified.

Advisors

Nominated Adviser, ESM Adviser and Broker

Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

Solicitors

A&L Goodbody
IFSC
North Wall Quay
Dublin 1
Ireland

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Registrar

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

Contact details:
Tel: 00353 1 447 5566
Fax: 00353 1 447 5571
Email: webqueries@computershare.ie

Principal Banks

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George's Quay
Dublin 2
Ireland

Allied Irish Banks plc
Bankcentre
Ballsbridge
Dublin 4
Ireland

Bank of Ireland
2 Burlington Plaza
Burlington Road
Dublin 2
Ireland

Shareholder information

Company Secretary and Registered Office

Seán McKeon
Dalata Hotel Group plc
4th Floor, Burton Court
Burton Hall Drive
Sandyford
Dublin 18

Registered Number

534888

Contact Details:

Tel: 00353 1 206 9400
Fax: 00353 1 206 9401

Company Website

www.dalatahotelgroup.com

Front Cover:

Conor O'Kane
General Manager
Maldron Cardiff Lane

Conor has been General Manager of Maldron Cardiff Lane since 2005 and he typifies the Dalata General Manager. He understands that being a Dalata General Manager is about leading his team and taking full ownership of his business. All our successful General Managers share these fundamental qualities.

Dalata Hotel Group PLC

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