DALATA
HOTEL GROUP PLC

Strengthening Valued Partnerships
Annual Report and Accounts 2015

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At A Glance

Dalata operates 42 hotels* under the Clayton Hotel and Maldron Hotel brands in Ireland and the UK.

Revenues

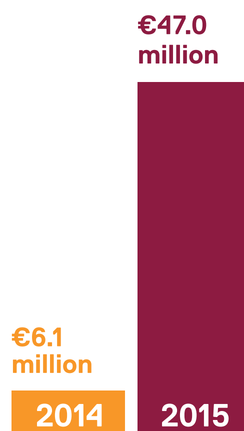
↑185% to €225.7 million

Adjusted EBITDA

Increased 7 times to €62.6 million

Adjusted EBITDA

EBITDA



Hotels that provide a gateway to a great experience.

Collection of distinctive hotels, each with its own sense of individuality and character.

No. 1

Hotel Operator in Ireland

7,717

Rooms*

€484.2

million

Raised €202.2 million (after costs) in equity, €282 million in debt

↑21.4%

RevPAR increased by 21.4%

>3,000

Employee Volunteer Hours

In local charities, sports clubs and community activities

52

Nationalities

Employed throughout our hotels

* Includes hotel acquisitions subject to CCPC approval

A Word From Our Chairman

2015 was a year of very considerable growth for Dalata - a year in which we continued to convert significant potential and opportunity into successful reality.

Introduction

I am pleased to present the annual report and accounts of Dalata Hotel Group plc ("Dalata") for the 12 months ended 31 December 2015.

2015 was a year of very considerable growth for Dalata - a year in which we continued to convert significant potential and opportunity into successful reality. During the year we raised €484.2 million (after costs) in equity and debt funding, and acquired 15 hotels for a total consideration of €558.8 million, including the transformational acquisition of nine hotels in the Moran Bewley Hotel Group for €452.3 million. Since the start of 2016 we have completed the acquisition of one further hotel for €13.2 million. These acquisitions have consolidated our position as the largest hotel operator in Ireland.

Although we have devoted significant time and resources to building our portfolio of hotel properties, our core business is that of hotel operators, and this business continues to perform very well. In 2015 we sold approximately two million rooms, and more than two million breakfasts, to our guests. Our EBITDA for the year was €47.0 million, compared with €6.1 million in 2014. This performance reflects the significant impact of our acquisitions, improvements in the marketplace and the hard work of Dalata's management and staff in all our properties and at the Group's centre. Further details of our performance are contained in our Financial Review on pages 21 to 26.

Board

During the year, the Board devoted considerable time to the Group's acquisition strategy and to our strategic and operational plans for the integration of new acquisitions and for the operation of our hotels. I would like to thank the Directors for their hard work and commitment during the year. Each member of our Board continues to bring a wealth of experience and knowledge, and considerable commitment and energy to the Group. I look forward to continuing to work with them for the benefit of the Group in the years ahead.

Corporate Governance

At Dalata we are firmly committed to maintaining the highest standards of corporate governance. The Company applies, on a voluntary basis, the UK Corporate Governance Code (September 2014) 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.

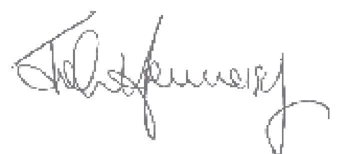
People and Culture

The culture of Dalata is one of openness, inclusiveness and clear communication. We attempt to set clear goals for everyone, and to encourage and support them in their efforts to achieve those goals. We are committed to providing the training, infrastructure and incentives to our people that will enable them to deliver at the highest level to our guests and for all of our stakeholders.

We are fortunate to have exceptional people at all levels in the organisation. They have embraced the challenges associated with rapid growth in the business and continue to demonstrate extraordinary dedication and commitment. On behalf of the Board and our shareholders I would like to express my appreciation for all the efforts of our people during 2015, and I look forward to their ongoing contribution in the years ahead.

Future Strategy

We have a very clear strategy for the Group's future. We intend to complete our acquisition programme in Ireland by the end of 2016, and to continue the programme in the UK during 2016. We will continue to integrate our newly acquired hotels into the Dalata network in 2016. We anticipate that economic recovery will continue in our key Irish markets in 2016, and we expect to deliver further increases in revenues and profits in the year ahead.



John Hennessy
Non-Executive Chairman

Pat's Review

2015 has been a transformational year for Dalata. The results for 2015 highlight the momentous change that the Group has undergone as a result of the acquisition of 15 hotels. We now have a strong operating platform and management capacity from which we will continue to grow and create value for our stakeholders.

2015 has been a great year for Dalata. As I look back on the plans we had at the start of the year I am delighted to tell you that we have achieved much more than I planned at the time.

While we continue to be very busy on the acquisition front, we have made fantastic progress on the integration of all the new hotels into the Group. This was one of the key highlights for me during the year. Bringing companies together is fraught with difficulties. The culture and method of operation are just two of the areas where integration comes unstuck. All of the hotels behave like they have been in Dalata for years. The hotel teams have settled extremely well and are now operating as a cohesive unit. A business is a bit like a football team in that it needs to find its rhythm. It is also about having a winning attitude. We are definitely getting there on all fronts. This is not to say that we do not have a lot more work to complete to reach peak performance. The teams are well aware of what they need to achieve in the coming year.

I am also thrilled with the performance of the Pre IPO Portfolio. It can only be described as outstanding. Not alone did we have the distraction of integration of the new hotels, we were also very busy on the acquisition side. It gives me great encouragement that we have a team of depth and quality that can deliver great results.

Another area of great pride to me is the area of people development. We have a range of training and development programmes in the Group. These will ensure that we have sufficiently skilled people developing within the Group to satisfy our future growth needs.

This does a number of things for us:

- We attract a higher quality person in the first instance because of the opportunity to develop in Dalata.
- It de-risks the process when we buy or build new hotels as we have an internal team to put into that property.

In January 2016, we held our second annual staff awards ceremony. Over three hundred of our colleagues gathered to celebrate the achievements of many of our people. It's a wonderful event where an invitation is coveted and an award is treasured.

The most important element of our business is our customers. To ensure our hotels are of the highest quality, we commenced our capital refurbishment programme across many of our hotels which was mainly bedroom upgrades. We introduced *Trust You*, a reputational management tool which collates customer feedback from all sources across all our hotels. This allows us to fine tune our product offering and provides us with excellent feedback from our customers.

Our suppliers are extremely important to us, as we believe in a partnership approach. We apply this principle to all our suppliers. While there are many initiatives in this area, the one that delights me the most is where a number of small local suppliers have been given a route to market by Dalata. This means we get great quality products and these small suppliers can grow their business. There is more detail on this in the corporate responsibility section of the annual report, where three of our suppliers are featured.

I almost forgot to mention the roll out of our new Clayton brand (it feels like it has been around forever). I am delighted with the progress here and I look forward to the continued roll out in 2016. We have great plans for our food philosophy, our meeting room offering and many other new initiatives. Clayton now complements Maldron and both brands have added greatly to the development of Dalata.

I digress...

"During 2015 we successfully integrated the 15 acquired hotels into the Group. These properties have performed above our expectations which is a testament to the effectiveness of our integration process."

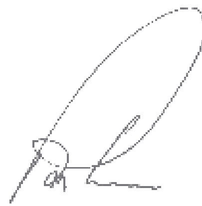
Dalata takes its responsibilities to the wider community very seriously. At a local level our hotels support many worthwhile charitable causes, and we encourage our hotel teams to do this. Not only do we offer financial assistance, our team members also get involved in many of these projects. At group level we have chosen *Crumlin Childrens' Hospital* as our primary charity partner for 2016. This hospital will benefit greatly from the efforts of Dalata and its team members. We also support many sporting activities both at local and national level. We believe that sport plays a huge role in community development.

As I look back on our plans for Dalata before the IPO, we have surpassed our most optimistic projections for the Group. We have created a young vibrant business, bubbling with enthusiasm. At this point we are beginning to move beyond "recovery" and are becoming an earnings led business. In Ireland we feel that Dublin is now getting back to a more normalised environment.

Outside Dublin there is still a way to go before we can say we are in a normal environment.

As we move into 2016 our strategic vision is taking shape. In terms of timeliness we are ahead of our plans. This current year will be another vital year for Dalata. By the end of 2016 we will be more or less complete in our plans for Ireland. We will continue to look for new build projects as most of the acquisition opportunities will be gone as we predicted. Many of the remaining hotels which will come to the market for sale will not be of interest to Dalata. Our key focus for 2016 will be on maximising the returns on all those hotels acquired both last year and the new acquisitions this year. Our focus of attention will start to switch to new build leasehold hotels in the UK where we see great opportunity for our two brands.

Finally I would like to say thanks to all my colleagues in Dalata. Normally I am "giving out" or up on my "high horse" about something that I feel we are not doing well enough and this will continue. But I like to admit they have all done a great job and helped me to start building a wonderful company. I promised myself that we would have nice, genuine people in Dalata. I am delighted to say this is the case everywhere. I look forward to building on this over the coming years. Dalata is a company with ethical standards and fairness seeps through our veins, matched only by a driven ambition.



Pat McCann
Chief Executive

I digress...

"We have now spent €113 million of the funds we raised in October of last year. We have circa €130 million remaining for further acquisitions and are very comfortable with the pipeline of opportunities."

€558.8 million

Invested €558.8 million in the acquisition of 15 hotels throughout Ireland and the UK in 2015.

€44.9 million

Net revaluation gains on owned properties at the end of 2015.

€24.9 million

Invested €24.9 million in development and refurbishment projects during 2015.

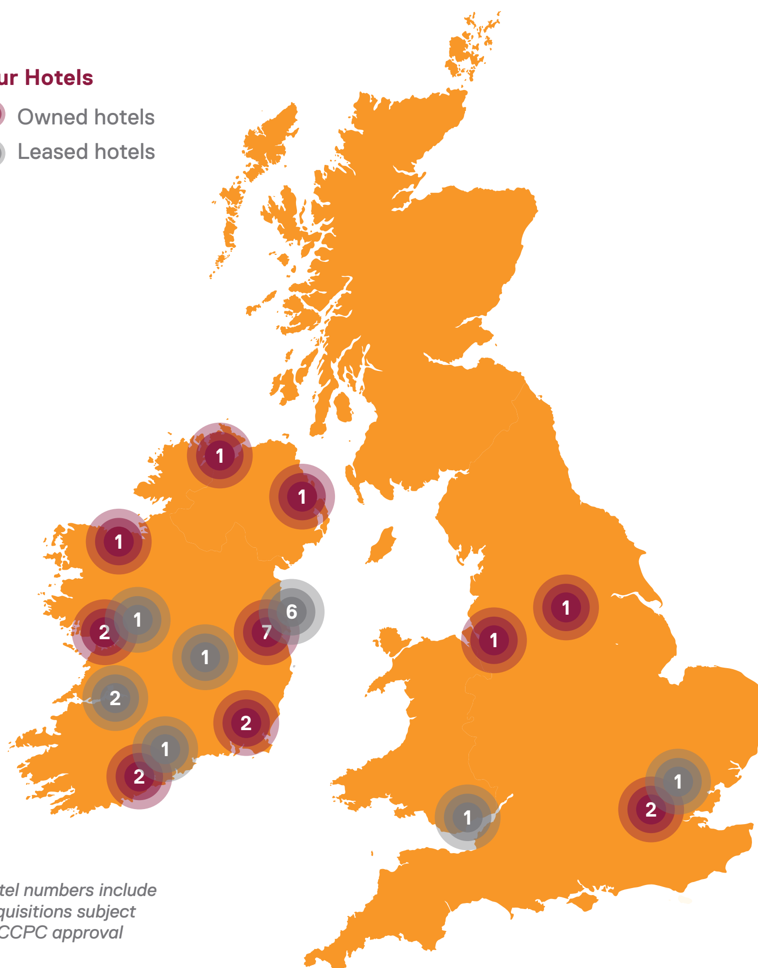
Strategy and Business Model

Our Markets

We are the largest hotel operator in Ireland. We successfully operate the Maldron and Clayton brands throughout Ireland and the UK, as well as managing partner hotels.

We currently own twenty hotels across a number of prime locations in Ireland and the UK. We lease ten hotels in Dublin, Cork, Galway, Limerick, Portlaoise and Cardiff. We provide management solutions to eight partner hotels.

We recently announced the acquisition of leasehold interests in four hotels in Dublin, Cork, Limerick and London, and a management contract in Dublin. These acquisitions are subject to approval by the Competition and Consumer Protection Commission ("CCPC") and will be completed in the coming weeks.



Hotel numbers include acquisitions subject to CCPC approval

↑ 4%

The Central Bank of Ireland is forecasting growth of 4% in 2016.

↑ 2.2%

The Bank of England is forecasting growth of 2.2% in 2016.

"With the exception of London, the cities within which we operate all performed very strongly in 2015. Given the continued recovery in the economy and the very limited number of new hotels being developed, the outlook for the hotel market in Ireland remains very positive."

Dermot Crowley, Deputy CEO – Business Development and Finance

Our Markets / Dublin

Hotel numbers include acquistions subject to CCPC approval

↑ 13.7%

Visitor numbers grew by 13.7% in 2015, with growth of 12.1% and 14% from the UK and North American markets.

↑ 25 million

Passenger numbers at Dublin Airport increased by 15.4% in 2015 to 25 million passengers.

↑ 23.4%

Revenue per available room ("RevPAR") increased by 23.4%.

Limited supply of new hotel rooms in Dublin in 2015 and 2016.

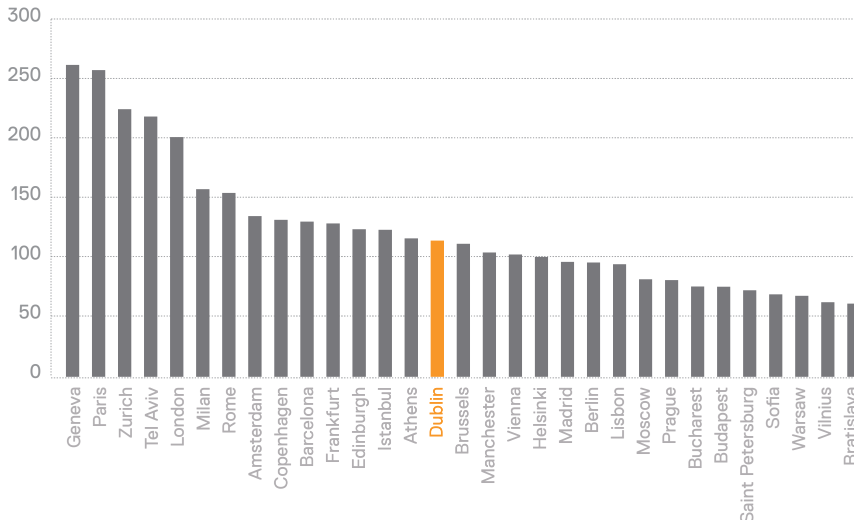
Our Hotels

- Owned hotels
- Leased hotels

Our Dublin City Centre Hotels

- Maldron Hotel Pearse Street
- Maldron Hotel Parnell Square
- Clayton Hotel Cardiff Lane
- Ballsbridge Hotel
- The Gibson Hotel

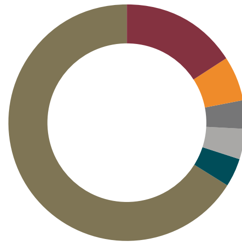
Average Room Rate (€)



15th

Dublin remains relatively inexpensive compared to other European capitals with the city average room rate ("ARR") ranked 15th out of a basket of 31 European cities.

Dublin Market Share



- Dalata Hotel Group
- Hilton Worldwide
- Tetrarch Hospitality
- Windward Management
- Tifco Hotel Group
- Others

Source: STR 2015

19.2%

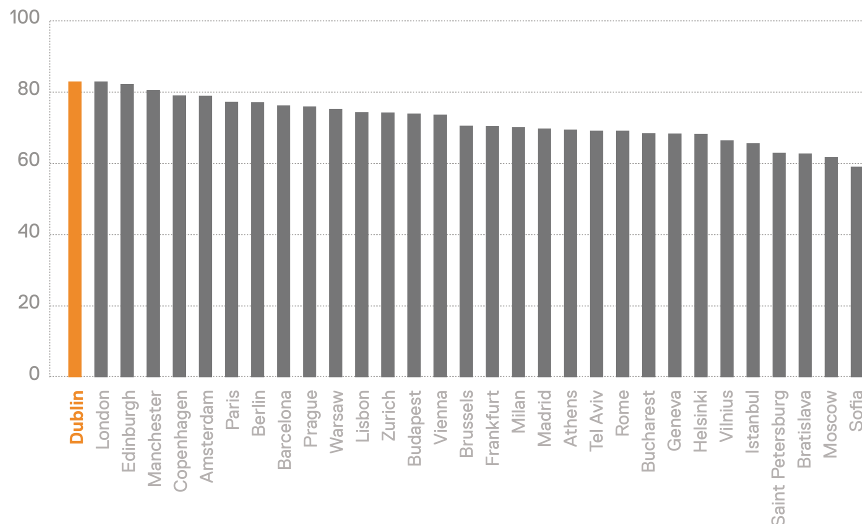
Dalata operates 19.2% of the hotel rooms in Dublin including the hotel acquisitions subject to CCPC approval.

RevPAR – Market Trends

City	Occupancy % 2015	ARR 2015	RevPAR 2015	Increase RevPAR v 2014
Dublin (€)	82.2%	€112.29	€92.26	+23.4%

Source: STR 2015

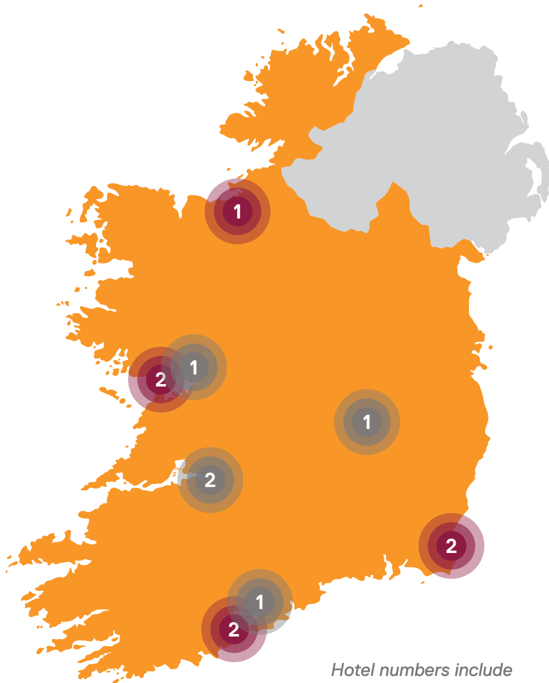
Occupancy Rates (%)



1st

Dublin has the joint highest occupancy rate compared to other European capitals.

Our Markets / Republic of Ireland excluding Dublin



Hotel numbers include acquisitions subject to CCPC approval

↑ 3%

Domestic consumption in Ireland increased by 3% in 2015. Rest of Ireland is more reliant on domestic consumption.

↑ 13.7%

Visitor numbers grew by 13.7% in 2015.

Our Hotels

- Owned hotels
- Leased hotels

Market Share
Cork

- Dalata Hotel Group
- Carlson Rezidor
- Fota Collection
- Tifco Hotel Group
- Others

Source:
AMPM Hotel Database 2015

Market Share
Limerick

- Dalata Hotel Group
- Lalco Hotel Group
- McGettigan Management Service
- Smorgs
- Others

Source:
AMPM Hotel Database 2015

Market Share
Galway

- Dalata Hotel Group
- Byrne Hotel Group
- Carlson Rezidor
- Others

Source:
AMPM Hotel Database 2015

17%

Dalata operates 17% of the hotel rooms in Cork including the hotel acquisition subject to CCPC approval.

16.3%

Dalata operates 16.3% of the hotel rooms in Limerick including the hotel acquisition subject to CCPC approval.

13.3%

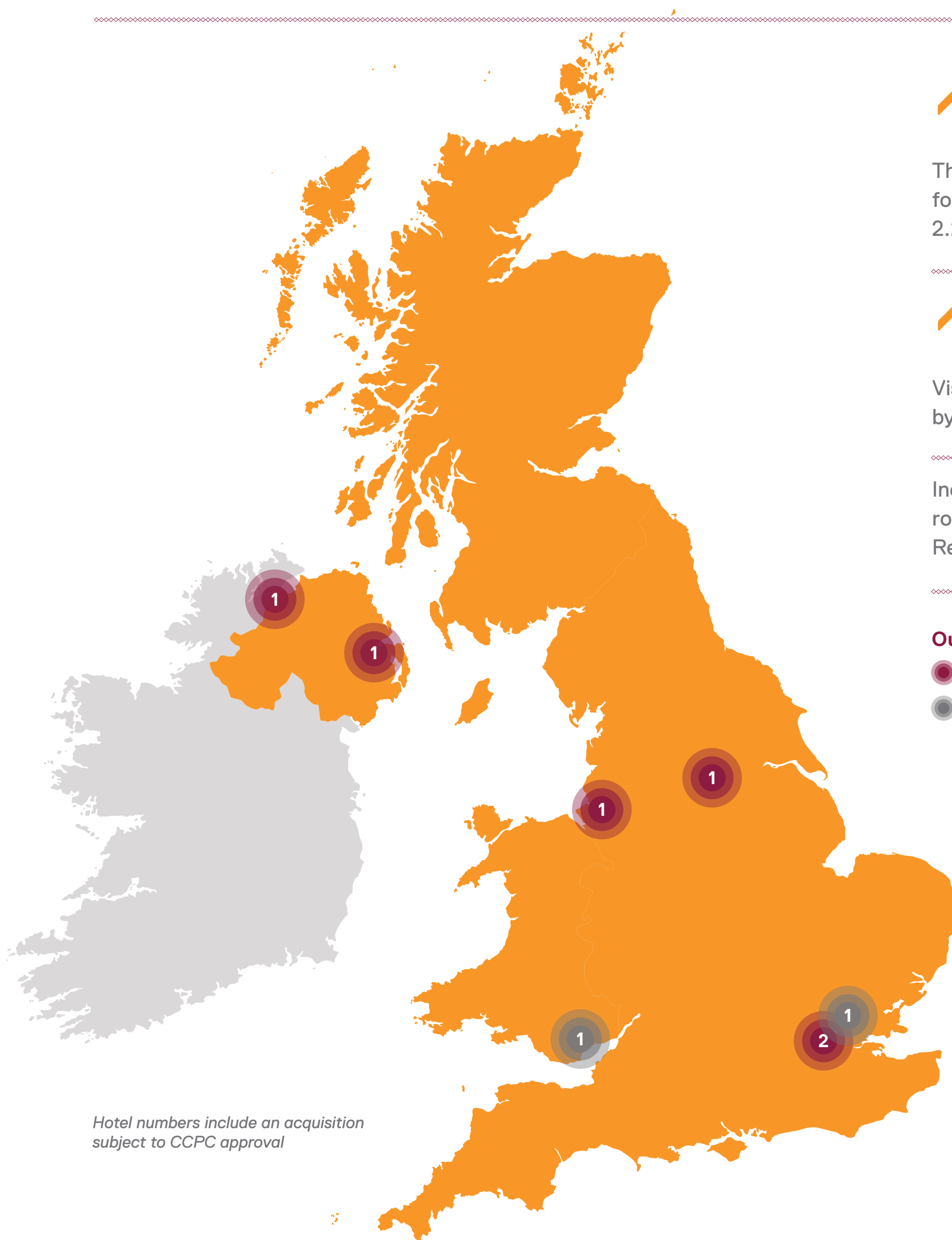
Dalata operates 13.3% of the hotel rooms in Galway.

RevPAR – Market Trends

City	Occupancy % 2015	ARR 2015	RevPAR 2015	Increase RevPAR v 2014
Cork (€)	77.5%	€78.20	€60.60	+9.6%
Galway (€)	75.7%	€88.04	€66.68	+13.3%
Limerick (€)	68.3%	€60.00	€40.98	+23.4%

Source: Trending.ie

Our Markets / UK/Northern Ireland



Hotel numbers include an acquisition subject to CCPC approval

↑ 2.2%

The Bank of England is forecasting growth of 2.2% in 2016.

↑ 12.1%

Visitor numbers increased by 12.1% in 2015.

Increased supply of hotel rooms in London impacting RevPAR growth.

Our Hotels

- Owned hotels
- Leased hotels

RevPAR – Market Trends

City	Occupancy % 2015	ARR 2015	RevPAR 2015	Increase RevPAR v 2014
Belfast (£)	+78.5%	£65.11	£51.10	+11.9%
London (£)	+82.2%	£143.92	£118.24	+1.5%
Manchester (£)	+79.8%	£74.19	£59.24	+7.2%
Leeds (£)	+78%	£66.36	£51.75	+8%
Cardiff (£)	+78.2%	£68.46	£53.59	+14.2%

Source: STR 2015

Our Strategy

Strategic Objective

Our strategic objective is to be the leading 3 and 4 star hotel operator in the major cities in Ireland and provincial UK, where we achieve excellence in customer service, develop, reward and retain highly motivated people and deliver sustainable growth to maximise shareholder returns.

Key Strategic Priorities

—
Acquisition and Development Strategy

Deliver strategic hotel acquisitions and hotel development sites

—
Asset Management Strategy

Deliver strategic capital investment programmes

—
Brand Strategy

Position Maldron Hotels and Clayton Hotels as the leading leisure and corporate hospitality brands

—
People Strategy

Develop, reward and retain highly motivated people to meet our growing business needs

Our Strategy / Acquisition and Development Strategy

Our acquisition and development strategy is to target 3 and 4 star hotels primarily in the main cities in Ireland and the provincial cities in the UK.

The strategy has four elements:

- Acquisition of freehold and leasehold properties on island of Ireland
- Acquisition of freehold interest in leased assets within portfolio
- New hotel builds on island of Ireland
- Roll-out Clayton and Maldron brands in the UK through leases of new build hotels

Since 1 January 2015, the Group has announced and/or completed the following acquisitions:

Acquisitions announced and/or completed in 2015

Clayton Hotel, Galway	Clayton Crown Hotel, London (formerly Crown Moran Hotel, London)
Maldron Hotel, Sandy Lane, Galway (formerly Pillo Hotel, Galway)	Clayton Hotel Chiswick, London (formerly Chiswick Moran Hotel, London)
Clayton Whites Hotel, Wexford (formerly Whites of Wexford)	Maldron Hotel, Wexford
Clayton Hotel, Belfast (formerly Holiday Inn, Belfast)	Tara Towers Hotel, Ballsbridge, Dublin (January 2016)
Clayton Hotel, Ballsbridge, Dublin (formerly Bewleys Hotel, Ballsbridge, Dublin)	Maldron Hotel, Wexford
Clayton Hotel, Dublin Airport (formerly Bewleys Hotel, Dublin Airport)	Clarion Hotel, Cork (freehold interest – November 2015)
Clayton Hotel, Leopardstown, Dublin (formerly Bewleys Hotel, Leopardstown, Dublin)	Clarion Hotel, Sligo (March 2016)
Maldron Hotel, Newlands Cross, Dublin (formerly Bewleys Hotel, Newlands Cross, Dublin)	Clarion Hotel, Limerick (subject to CCPC approval)
Clayton Hotel, Silver Springs, Cork (formerly Silver Springs Moran Hotel, Cork)	Clarion Hotel, Liffey Valley, Dublin (subject to CCPC approval)
Clayton Hotel, Manchester Airport (formerly Bewleys Hotel, Manchester Airport)	The Gibson Hotel, Dublin (subject to CCPC approval)
Clayton Hotel, Leeds (formerly Bewleys Hotel, Leeds)	Croydon Park Hotel, London (subject to CCPC approval)

We recently announced the acquisition of a development site in Charlemont Street, Dublin 2 which we intend to develop into a Clayton Hotel.

"We anticipated that there would be significant hotel disposals at the time of the IPO in March 2014. We are very happy with the quality of the portfolio we have acquired over the past two years and we expect to complete our acquisition programme in Ireland by the end of 2016."

Shane Casserly, Head of Development and Strategy

Our Strategy / Asset Management Strategy

Our asset base has changed over the past number of years, with a significant increase in the number of owned hotels which aligns with our acquisition and development strategy. Dalata has 7,717 rooms in 42 hotels (including partner hotels) across Ireland and the UK as at 1 March 2016 (including the hotel acquisitions subject to CCPC approval).

Number of rooms
Owned, Leased and Managed
March 2014

Leased **37%**
Managed **63%**

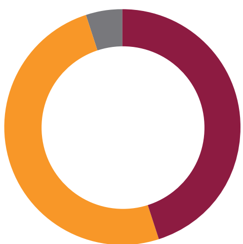
Number of rooms
Owned, Leased and Managed
March 2016

Leased **31%**
Managed **15%**
Owned **54%**

Includes rooms in hotel acquisitions subject to CCPC approval.

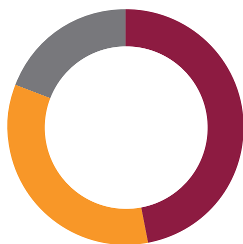
Since our IPO in March 2014, our asset base has transformed from a hotel operator with a managed and leased portfolio to an owned and leased portfolio in 2016.

Number of rooms
By Region
March 2014



Dublin **45%**
Rest of Ireland **50%**
United Kingdom **5%**

Number of rooms
By Region
March 2016



Dublin **47%**
Rest of Ireland **34%**
United Kingdom **19%**

Includes rooms in hotel acquisitions subject to CCPC approval.

The addition of four new hotels in the UK in 2015 as part of the Moran Bewley Hotel Group acquisition has changed the geographical concentration of our hotel portfolio.

Number of rooms
Maldron and Partner Hotels
March 2014

- Maldron **34%**
- Partner **66%**

Excludes 577 rooms in Ballsbridge and Clyde Court Hotels, Dublin

Number of rooms
Maldron, Clayton and
Partner Hotels
March 2016

- Maldron **32%**
- Partner **9%**
- Clayton **59%**

Excludes 399 rooms in Ballsbridge Hotel, Dublin

Includes rooms in hotel acquisitions subject to CCPC approval.

We launched the Clayton Hotels brand in 2015. We now have two distinct brands which target the leisure and corporate markets, in addition to our partner hotels.

We are now focused on refurbishing the properties that we have acquired and exploiting development opportunities to add bedrooms and other revenue generating facilities to our portfolio.

We budget to spend 4% of our revenues on capital refurbishment. These projects are managed centrally with the help of external consultants. In 2015, we completed refurbishment programmes in Maldron Smithfield Dublin, Maldron Derry, Clayton Cardiff Lane Dublin, Clayton Dublin Airport, Clayton Leopardstown Dublin, Maldron Cork and Clayton Leeds to a value of €7 million.

In 2015, we completed significant development by building an additional eight rooms in Maldron Pearse Street Dublin within the existing envelope of the hotel and building a 92 room extension in Clayton Chiswick London at a cost of €17.9 million.

“Since our IPO in March 2014, our asset base has transformed from a hotel operator with a managed and leased portfolio to a hotel operator which now owns the majority of its portfolio. We are committed to investing in our properties to improve the customer experience, enhance the value of our hotels and extract higher returns for our shareholders.”

Stephen McNally, Deputy CEO

Our Strategy / Brand Strategy

What does the Maldron Hotels brand represent?
Maldron Hotels... a springboard for our hotel guests to 'go further' and explore more.

Any guest that stays at a Maldron Hotel, whether travelling alone on business, with a loved one for a weekend break or with the kids for a family escape, can each take advantage of our unrivalled locations and explore many fantastic places throughout Ireland. Our hotels are situated in a diverse range of locations that are perfectly placed for local attractions, events, theatre, sport and much, much more. We offer a high standard of hospitality with comfortable rooms, great food and leisure facilities. Our friendly and engaging staff create a warm and heartfelt welcome where rest and relaxation are guaranteed.

What is the strategy of the Maldron Hotels brand?
The aim is to have Maldron Hotels at the forefront of the leisure travellers' mind. We are continuously growing in size, constantly investing in the physical product of our hotels, always improving our customer service and developing our teams in-house. There's so much more to come.

Meet Gillian Pierce
Brand Manager, Maldron Hotels

"As brand manager for Maldron Hotels I eat, live and sleep the brand and I guess that's what it's all about. I love what I do and I can't wait to keep driving the brand even further to reach its full potential. Maldron Hotels and I are very similar in personality so we make a good team!"

Meet Claudia Emmett
Brand Manager, Clayton Hotels

"I am really passionate about Clayton Hotels and I am very excited about developing and growing this new brand in the Irish and UK markets. Clayton Hotels is a brand with big aspirations which is constantly evolving. Lots of new things are happening which make every day in this job so interesting. A journey which I love being part of!"

What does the Clayton Hotels brand represent?

Clayton Hotels offer our guests a home away from home experience. We offer a people-focused service with a 'your stay, your way' approach.

Clayton Hotels is a collection of distinctive hotels, each with its own sense of individuality and character. These hotels are situated in great locations throughout Ireland and the UK and offer a high level of comfort for our guests. Ideal for business, these hotels have modern meeting and events facilities backed by a team of passionate staff. The hotels' warm, comfortable tone and relaxed ambience create a myriad of memorable experiences for the leisure customer. Food and beverage is honest and appealing with many distinctive local touches and freshly sourced ingredients. Rooms are comfortable with luxurious beds and great facilities allowing our guests to relax their way.

What is the strategy of the Clayton Hotels brand?

Clayton Hotels aims to differentiate from our competitors by offering superior hospitality to meet the ever changing needs of both our corporate and leisure guests. From a simplified approach to our meetings and events whilst offering the highest of standards, to weddings that are bespoke to each bride and groom.

Our Strategy / People Strategy

Our people are our core strength and are central to our success. The key elements of our defined people strategy are:

- Development of our people
- Development of an employer brand
- Attract and retain talent
- Embed our culture, values and behaviours
- Engage our teams

As Dalata continues its expansion, the development of our people is a key part of our strategy. On-the-job skills training, structured development programmes and personal development plans are in place in the hotels to support our people to advance their careers.

We recently launched our employer brand *Dalata – Your Journey*, which focuses on helping our people progress, so that they can constantly elevate their own professional development and our customers' experience.

We continually attract and retain talent to maintain our competitive advantage in the industry through the recruitment of highly experienced people for key positions and the development of our people to enable internal promotions.

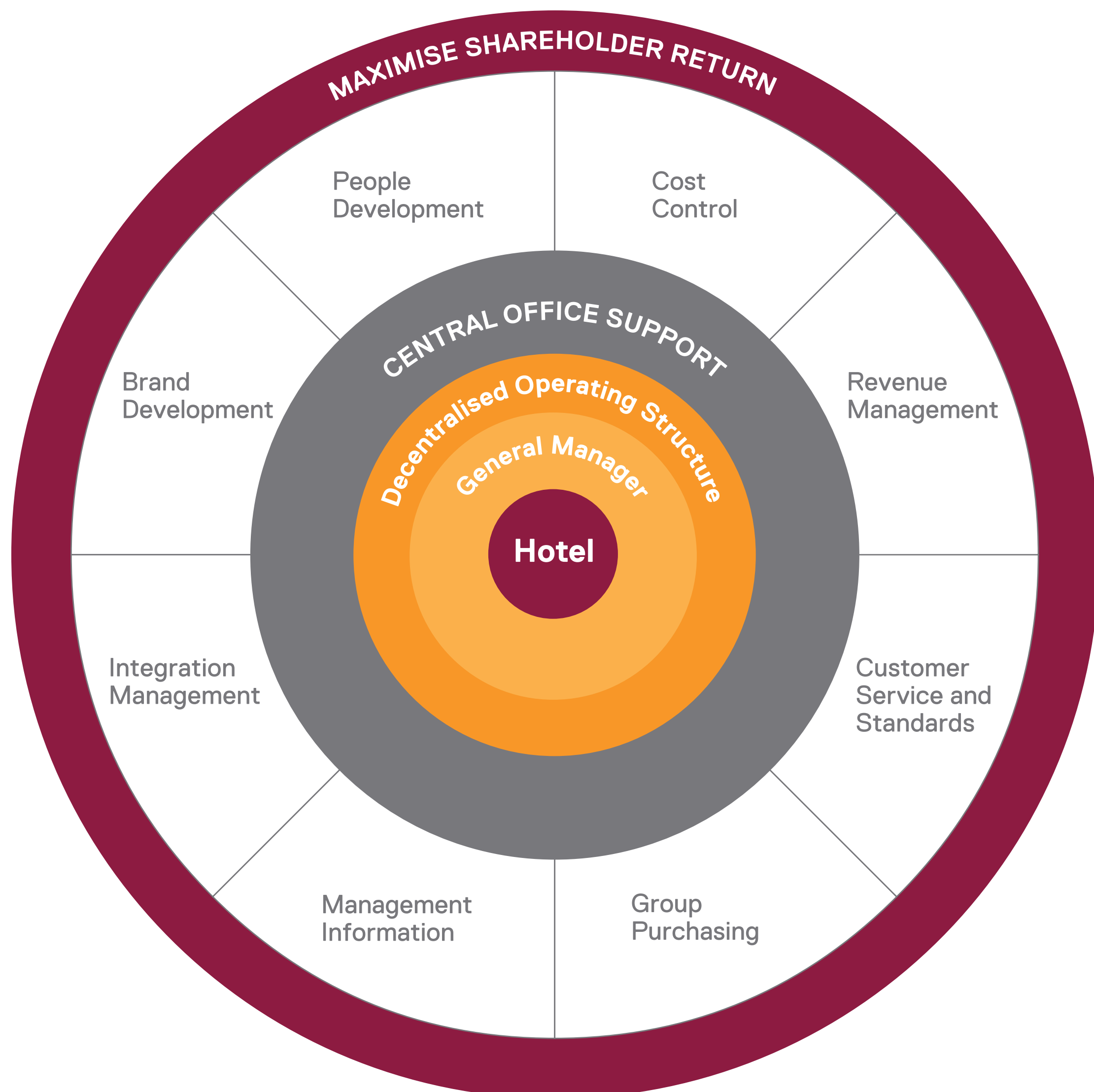
We acknowledge the importance of our values: *our people, our fairness, our service and our individuality which are embraced by all our people and reflected in our behaviours.*

We actively engage with our people, always consider their wellbeing and recognise their success.

"We pride ourselves on offering real opportunities to develop and pursue a fulfilling career while meeting the growing business needs. Our investment in our employee training programmes is paramount to ensuring we have a pipeline of excellent people as we expand our business into the future."

Dawn Wynne, Group HR Manager

Business Model



Our business model is based on optimising the value from our hotel portfolio.

We operate a decentralised approach where 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 Managers 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.

There are a number of key areas that we look to drive value in the properties that we operate.

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. With the help of technology we are developing new processes to control our costs.

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 Mangers on rate setting and distribution channel mix.

Customer Service and 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. We continue to deliver new customer propositions and enhance our customer offering.

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.

Management Information

Our business is always open 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. We continually invest in ICT infrastructure to deliver efficiencies and meet our business needs.

Integration Management

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 is delivered upon.

Brand Development

Our Group Sales and Marketing department provide marketing data and support to all our hotels. Their focus is on developing brands that deliver for our customers and resonates with the wider public.

People Development

This is covered on page 18.

Dermot's Financial Review

We have begun to demonstrate our ability to generate returns from our newly acquired portfolio with Adjusted EBITDA of €62.6 million in 2015.

2015 was another very successful year for the Group. We spent €558.8 million on acquiring 15 hotels in Ireland and the UK and have now assembled a portfolio with very exciting potential. We raised €202.2 million (after costs) in equity and €282 million in debt to help fund our ongoing acquisition strategy. We have begun to demonstrate our ability to generate returns from our newly acquired portfolio with Adjusted EBITDA of €62.6 million. We have been very busy in the short time since year end with the purchase of the Tara Towers Hotel in Dublin and a prime site in the centre of Dublin for the construction of a new Clayton Hotel. We have exchanged contracts to purchase the Clarion Hotel in Sligo. We have also contracted to buy out the leasehold interests of the Clarion Hotel Cork (the freehold of which we bought in November 2015), The Gibson Hotel Dublin, the Clarion Hotel Limerick and the Croydon Park Hotel London. We are now well positioned to benefit from the continued recovery of the Irish economy and have also established a solid base from which to build a UK portfolio.

Group Revenue and EBITDA

€'000	2015	2014
Revenue	225,673	79,073
Adjusted EBITDA	62,626	8,918
EBITDA	46,996	6,097
Profit Before Tax	28,457	4,196

The very large increase in revenue and EBITDA between 2014 and 2015 reflects the transformation of the Group due to the hotels acquired since August 2014. In order to better explain the results, in the sections below, I have broken out the performance of the hotels into three different portfolios to allow readers understand the impact of the various acquisitions on our results in 2015 compared to 2014. I have shown figures separately for the Moran Bewley portfolio given the size of that acquisition relative to the size of the overall Group. I also separately below show the performance of the Pre IPO Portfolio and the single hotel acquisitions.

Excluding the adjusting items outlined in the table below, EBITDA came in at €62.6 million for 2015. This strong performance reflects both the strength of the markets in which we are operating and our own very strong performance in terms of both revenue growth and profit conversion.

Adjusting Items to EBITDA

€'000	2015	2014
Net impact of Ballsbridge site sale	1,947	-
Net impairment charges	(1,775)	-
Integration costs relating to acquired hotels	(1,940)	-
Professional fees incurred on acquisition of hotels	(2,764)	(2,273)
Stamp Duty incurred on acquisition of hotels	(11,098)	(548)
	(15,630)	**(2,821)**

Pre IPO Portfolio

€'000	2015	2014
Revenue	88,610	72,128
Adjusted EBITDAR	35,230	23,857
Rent	(18,320)	(16,221)
Adjusted EBITDA	16,910	7,636

This portfolio comprises of the hotels that we owned or leased at the time of the IPO in March 2014. There are 13 hotels in this portfolio with 1,480 rooms in Dublin, 554 rooms in Regional Ireland and 216 rooms in Cardiff, UK. The portfolio has performed very strongly with revenue increasing by 22.8% and Adjusted EBITDA increasing by 121%.

RevPAR in the Dublin hotels increased by 32.6% compared to the market as a whole which was up 23.4%. The growth is somewhat exaggerated by the fact that the Ballsbridge and Clyde Court hotels were undergoing significant fire safety works in the first half of 2014. Excluding these two hotels, the RevPAR growth was 25.5%. RevPAR in the regional Irish properties increased by 17.9% and we outperformed the market in each of the regional cities in which we operate. Our hotel in Cardiff benefited greatly from an exceptional number of events in the city and especially Rugby World Cup. RevPAR increased by 14.7% which was in line with the market overall.

Food and Beverage sales increased by 7.2% in the Irish properties primarily due to increased occupancy at these hotels. Food and Beverage sales in Cardiff grew by 3.6%.

We always focus on our ability to convert additional sales to the EBITDAR line and I am pleased to report that our EBITDAR margin improved from 33.1% to 39.8%.

Rent increased substantially due to both the Clyde Court and Ballsbridge hotel leases containing a profit share element within their rental charges and Maldron Dublin Airport rent being linked to turnover. The increased rent in these three leases amounted to €3.1 million. This was offset by the rent saved through the purchase of the freehold interests in Maldron Parnell Square, Dublin (September 2014) and Maldron Wexford (April 2015).

Impact of Moran Bewley Portfolio since Acquisition

€'000	3 Feb – 31 Dec 2015
Revenue	100,743
Adjusted EBITDAR	41,802
Rent	(847)
Adjusted EBITDA	40,955

The former Moran Bewley hotels have performed very well since we acquired them in February 2015. RevPAR at the five Irish hotels in 2015 increased on a 'like for like' basis by 21% on the back of a continued strong recovery in the Irish hotel market. RevPAR in the four UK hotels increased by a more modest 3.1% but in line with our expectations. A strong performance in the Leeds and Manchester hotels was counterbalanced by the two London hotels which were impacted by a more challenging trading environment and in the case of Chiswick, the additional impact of the construction of a significant extension to the hotel.

Food and Beverage sales were down 1% in Ireland and 1.9% in the UK. We expected food sales would decline as we are changing our mix of room sales at these hotels as part of a revenue management strategy that is expected to increase overall profitability.

Other sales were up 27% in the Irish hotels as we have sought to maximise revenues from car parks and meeting rooms primarily. Other sales were up 3.5% in the UK.

The former Moran Bewley hotels delivered an EBITDAR margin of 41.5%. These hotels can achieve higher margins due to their size and location in larger cities with higher average room rates.

Impact of Single Hotel Acquisitions

€'000	2015	2014
Revenue	32,793	1,498
Adjusted EBITDAR/Adjusted EBITDA	8,666	333

The properties within this portfolio have been purchased in the period from August 2014 to March 2015. It includes Maldron Pearse Street, Dublin (August 2014), Maldron Derry (October 2014), Clayton Galway (January 2015), Clayton Whites, Wexford (February 2015), Maldron Sandy Road, Galway (February 2015) and Clayton Belfast (March 2015). The numbers quoted in the paragraphs below are comparing the performance of the hotels on a full year 'like for like' basis. Clarion Hotel Cork has not been included in the analysis as this was an investment property producing rental income in 2015.

RevPAR in the Irish hotels increased by 23.8% with Maldron Pearse Street, Dublin having an exceptionally strong year despite the ongoing refurbishment works. RevPAR in the two Northern Ireland properties increased by 6.2%. Food and Beverage sales increased by 3.6% in the Irish hotels and fell by 2.2% in the Northern Ireland hotels, primarily due to a fall in food sales in our Derry property. The strength of sterling in 2015 was a challenge for our Derry and Belfast hotels as they became substantially more expensive for visitors from the Republic of Ireland.

EBITDAR margin at 26.4% in these hotels is lower due to the relatively higher mix of Food and Beverage sales and the lower average room rates in regional locations. However, the margin is in line with what we had projected when we acquired these properties.

Management Services

€'000	2015	2014
Revenue and EBITDA	3,555	5,447

We do not separately allocate overheads to our Management Services segment. As anticipated, the number of hotels that we managed for receivers decreased during 2015 as they continued to sell those properties. This trend has continued in the early part of 2016 with our management contracts at the Hotel Ballina, Clarion Hotel Sligo (which we have purchased) and Dundrum House having been terminated. Pillo Hotel Ashbourne, which we manage for a receiver, is currently on the market. The sale of Diamond Coast Hotel Enniscrone, has been agreed and our management contract will be terminated in March. As part of the purchase of the assets of the Choice Group in Ireland, we will take over the management of the Clarion Hotel Liffey Valley Dublin for the receiver of that property. We continue to manage six hotels directly for owners.

Central Overheads

€'000	2015	2014
Central Overheads	23,870	7,319
Integration costs relating to acquired hotels	(1,940)	-
Professional fees incurred on acquisition of hotels	(2,764)	(2,273)
Stamp Duty incurred on acquisition of hotels	(11,098)	(548)
Adjusted Central Overheads	**8,068**	**4,498**

As the size of the Group has grown we have continued to invest in our Central Office team. A number of senior people were recruited throughout 2014 and 2015. We now have a much strengthened team that is well positioned to exploit the potential of our newly acquired portfolio. We also more than doubled our central marketing budget to just over €1 million to support the roll out of our new Clayton brand. The accounting charge associated with the Long Term Incentive Plan is also included within central overheads.

Other Income

We received an incentive fee relating to the sale by the landlord of the Ballsbridge and Clyde Court hotels of €2.1 million. Rental income of €0.6 million arose from some of the acquisitions made in 2014 and 2015. The most significant of these were Clarion Hotel Cork (€0.4 million) and the investment properties adjacent to Maldron Pearse Street Hotel Dublin (€0.1 million).

Finance Income & Costs

We made a significant exchange gain on sterling deposits of €1.8 million at the start of the year that we were retaining for the purchase of the Clayton Hotel Belfast. We incurred interest expenses of €10.4 million relating to the facility of €282 million that we raised to part fund the acquisition of the Moran Bewley Hotel Group.

Impact and Funding of Acquisitions

We spent €523.7 million acquiring 14 hotel properties in the first half of 2015. This was funded through a combination of debt and equity. We raised €282 million in debt and €48.6 million (after costs) in equity to part fund the purchase of the Moran Bewley Hotel Group. We raised a further €153.6 million (after costs) in equity in October 2015 to fund further acquisitions and developments. We completed the purchase of the freehold interest of the Clarion Hotel Cork for €35.1 million in November 2015. Since year end, we have completed the purchase of the Tara Towers Hotel Dublin (€13.2 million), exchanged contracts to acquire the Clarion Hotel Sligo (€13.1 million) and purchased a site in Dublin (€11.9 million) on which we will build a new Clayton Hotel. We have entered into a contract to purchase the leasehold interests of The Gibson Hotel Dublin, Clarion Hotel Cork, Clarion Hotel Limerick and the Croydon Park Hotel London for €40 million. This acquisition is subject to the approval of the Competition and Consumer Protection Commission.

Debt & Treasury Policy

When we drew down €282 million in debt in February 2015, €176 million was drawn down in sterling (converted to £132.3 million) as a natural hedge against the impact of sterling exchange rate fluctuations on the euro value of our UK assets. Our treasury policy states that at least 66% of our total debt should be hedged. Approximately 47% of our Euro denominated borrowings are subject to an interest rate cap until September 2019. We have taken out interest rate swaps covering 77% of our Sterling denominated borrowings up until February 2020.

At year end, our gross bank debt amounted to €269.5 million. Given that we had only spent €35.1 million of the additional equity raised in October 2015, we had cash and cash equivalents of €149.1 million at year end. Therefore our net debt was €120.4 million at the end of 2015. This translates to a Net Debt to EBITDA of 2.56 times or Net Debt to Adjusted EBITDA of 1.92 times. We are currently finalising discussions with our banking club to raise a further €90 million. We will use our cash and additional debt to fund future and already announced acquisitions in 2016. Our objective is to keep our Net Debt to EBITDA at 4 times or below when we are fully invested.

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 3 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. On 6 October 2015, we issued a further 42.7 million shares at €3.75 which raised €153.6 million after costs. Following these share issues, there are 182.97 million shares in issue.

Fixed Assets & Goodwill

We have invested €558.8 million in acquiring hotels during 2015. This is in addition to €35 million invested in 2014. We are continually investing in our portfolio. We invested €17.9 million on development projects in Clayton Hotel Chiswick London and Maldron Pearse Street Dublin. I am very excited about the returns that these two projects will deliver. We invested €7 million in our rolling property capital refurbishment programme as we are committed to continually renewing our product.

At the end of 2015, the carrying value of property, plant and equipment was €608.8 million while the carrying value of goodwill was €46.8 million. A net gain of €44.9 million arose on revaluation of our owned properties at the end of 2015.

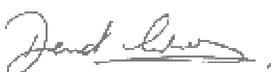
Conclusion

I am very pleased with the performance of the Group in 2015. We have integrated the acquired properties into the Group ahead of our planned timelines and these properties have performed above our expectations. I am excited about the opportunities presented by the properties that we have acquired since our equity fundraising in October 2015.

I continue to see great opportunities to complete our acquisition programme in Ireland during 2016 and we are very focused on securing properties that meet our strategic and investment criteria. Beyond that, I see the UK as being an ideal market to further grow our Maldron and Clayton brands. We are already looking for opportunities to lease new build Clayton and Maldron hotels in the UK. We will work with site owners, developers, contractors and investors in putting together deals where we will be the tenant of these new hotels.

There is plenty of work left to maximise the returns from our acquired portfolio of hotels. We continue to implement our decentralised revenue management approach across all our properties. With the help of technology we are developing new processes to control our costs. We continue to seek ways in which to exploit economies of scale from our enlarged portfolio. We commenced a rolling programme of bedroom refurbishment in 2015 and the pace of this will be increased in 2016. We are in discussions with various planning authorities on extensions to our Clayton Hotels in Ballsbridge and Dublin Airport and our Maldron Hotel in Sandy Road, Galway.

It has been another very busy year at Dalata and I am very excited about the year ahead and the opportunities that it offers.



Dermot Crowley
Deputy Chief Executive – Business Development and Finance

Risk Management

The Board of Dalata is responsible for the Group's risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives and protect our business, in particular:

- our brands and reputation across key stakeholders;
- the delivery of our strategy and commercial targets; and
- the safeguarding of physical assets, people, systems and processes.

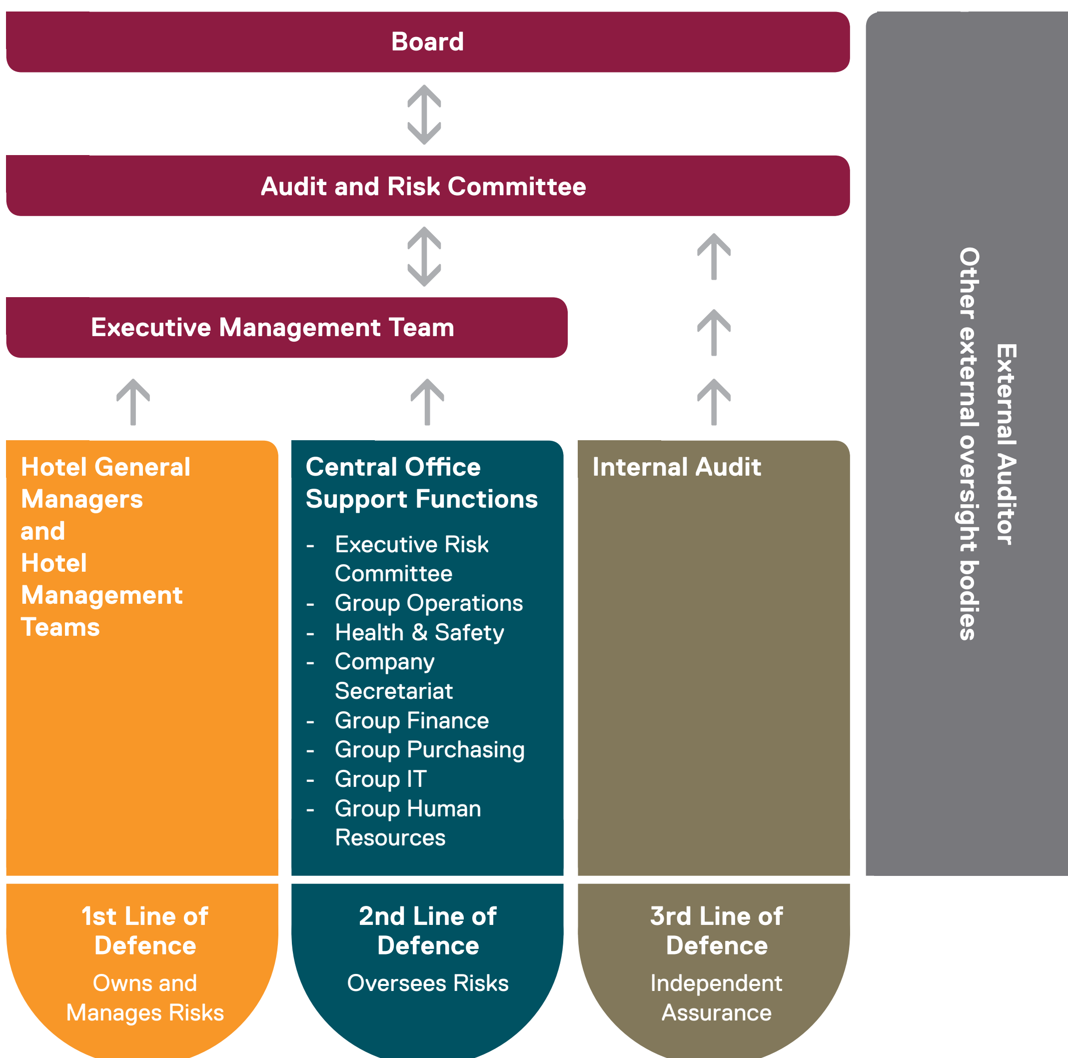
During 2015, the Group enhanced its risk management framework with the establishment of an Executive Risk Committee. Its responsibilities are to identify the risks facing the Group, to evaluate the risks, to implement controls to mitigate against these risks, and to consider any new and emerging risks that are relevant to the Group's activities or structure.

The Board approved a Risk Management Policy which sets out the delegated responsibilities and procedures for the management of risk across the Group.

The framework in place to achieve the Group's objectives is outlined below.

Risk Management Framework

The risk management framework uses a 'three lines of defence' model.



Roles and Responsibilities

The roles and responsibilities of the key elements of the framework are outlined below.

Board

- set strategic objectives
- agree the risk appetite
- review and consider the risk management policy
- continually review and monitor key risks of the Group
- set delegation of authority
- report on the effectiveness of the risk management and internal controls systems, the viability of the Group in the annual report

Audit and Risk Committee

- identify the key risks and ensure they are appropriately managed
- review the Group's risk management and internal control systems and make recommendations to the Board
- review reports from Group Internal Audit

Executive Management Team

- develop the risk management and control environment
- monitor and co-ordinate the implementation of agreed risk mitigation and control strategies

Executive Risk Committee (comprised of members of the Executive Management Team)

- review the Group's risk register in detail to identify changes in risk profiles and update the risk mitigations
- review and consider emerging or new risks and ensure the risk register reflects the Group's principal risks

Hotel Management Teams

- identify, assess, manage and report local risks
- implement key risk mitigation plans

Group Internal Audit

- monitor the risk management framework
- identify areas for improvement
- provide independent and objective assurance on risk matters to the Audit and Risk Committee

Viability Statement

The Group's Viability Statement is developed through consideration of the principal risks identified by the risk management process. The statement considers the impact of risks that could threaten the Group's future business model.

For the purposes of assessing the further prospects of the Group, the Directors have selected a three year time frame. This period corresponds with the Group's current strategic planning horizon.

The Group is in a phase of ongoing significant investment, growth and development and the Board continuously monitors the impact of investments on the Group's medium to long-term prospects. In order to assess the Group's medium term viability, prospects over a three year period have been examined to assess the potential impact of severe but plausible risks to the long-term viability of the Group.

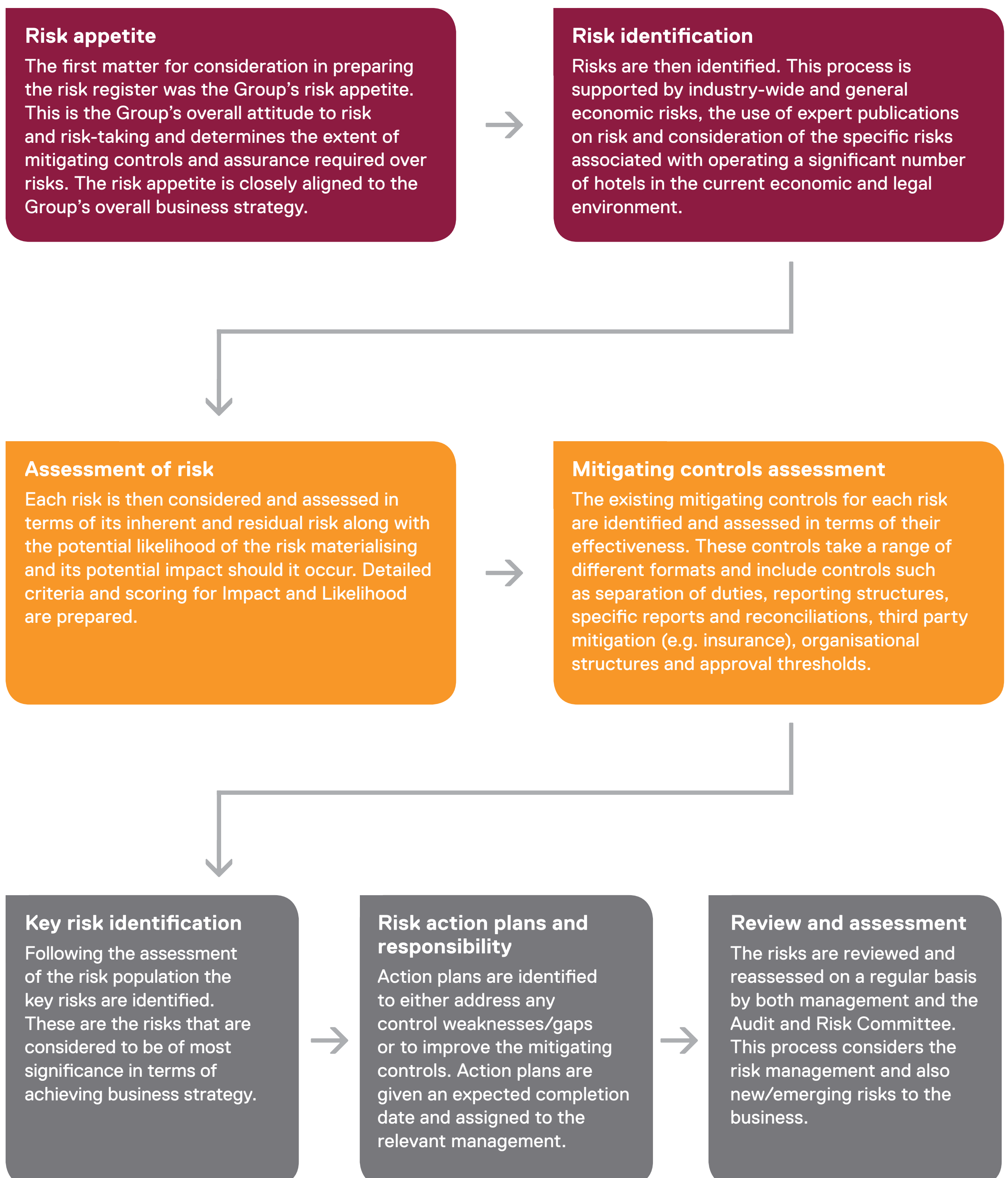
These scenarios are summarised as follows:

- A decline in rooms revenue of 25% from expected levels associated with a geo-political or economic event outside the control of the Group, affecting the hotel market at large
- A one year delay and 50% increase in the development cost of the Charlemont Street Dublin project

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due for the next three years.

Ongoing Process for Risk Identification, Evaluation and Management

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. A risk scoring matrix is used to ensure a consistent approach is taken when completing the probability and impact assessments. The content of the risk register is determined through discussions with the Executive Risk Committee. 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.



Key Risks

The principal risks and uncertainties facing the Group in the short to medium term are set out below, together with the principal mitigation measures. The change in the significance of each risk is also shown.

No.	Risk Category	Risk Status 2015 v 2014	Risk Outline	Rationale for Inclusion	Key Control & Mitigation Activities
1	Economic	No change	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 and Group Finance monitor the actual and forecasted revenue and cost base. The Group's management structure enables prompt response to market conditions.
2	Financial	No change	Material financial controls failure, or management over-ride of controls, results in either financial loss or misstatement in the financial statements.	The Group conducts a wide range of financial transactions, many of which are complex and 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.	There is a formalised organisation structure which includes the Audit and Risk Committee, supporting reviews of financial activities, financial policies and procedures. Access to Group funds and authorisation of payments is strictly limited. Additional Group Finance and oversight resources have been put in place. At a local hotel level, there is segregation of duties and review structures in place. Daily, weekly and monthly financial KPIs are reported to Group Finance.
3	Financial	New/ Emerging Risk	The accounting treatment for acquisitions is complex, subject to significant judgements and a failure to reflect the acquisitions properly is likely to have a material impact on the Group's financial statements.	During 2015 the Group completed a number of material acquisitions and this trend is expected to continue in 2016. Accounting for business combinations is complex and includes significant judgements on areas such as asset fair values and deferred tax.	Group Finance expertise; Review by the external auditors for the interim and year-end financial statements; Audit and Risk Committee review and Board review.
4	Financial	No change	Adverse currency fluctuation negatively impacts financial performance.	The Group is exposed to Euro/Sterling fluctuations in relation to the translation of its UK/NI hotel portfolio into Euro which is the presentation currency for the Group's results. A materially negative fluctuation in currency rates could impact the Group's financial performance.	The Group operates a natural hedge whereby revenues and costs are matched in so far as possible in the relevant currency. The Group has interest rate swaps in place for its sterling-denominated loan. There is a net investment hedge in place which uses sterling debt to hedge part of the Group's investment in its UK hotels. Group Finance is adequately resourced in this area and additional treasury and foreign currency reporting controls were put in place in 2015.

No.	Risk Category	Risk Status 2015 v 2014	Risk Outline	Rationale for Inclusion	Key Control & Mitigation Activities
5	Integration	No change	The financial and operational benefits expected from the hotel acquisitions do not materialise, resulting in financial performance that does not meet expectation.	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. The Group Operations Manager – Clayton Hotels has been tasked with the integration of these hotels.
6	Market	No change	The Group's activities are concentrated in the Dublin hotel market and therefore, any downturn in Dublin is likely to have a material impact on the Group's performance.	The Group's largest hotels in terms of both room numbers, revenue generation and profitability are located in the Dublin region. While this market is undergoing significant growth, any reversal or slowdown in business levels could have a material impact on the Group's performance.	The Group's strategy in relation to development and expansion has been considered in detail; Significant financial and forecasting information on hotel performance is undertaken; Detailed market analysis is also reviewed and considered.
7	Financial	New/ Emerging	Capital expenditure is not properly evaluated, approved, monitored and/ or accounted for, resulting in material overspend or finanical mis-statement.	There is a risk that the capital refurbishment programmes take longer or cost more to achieve, which could lead to a material impact on the business, profitability and financial condition of the Group.	Group Finance have developed processes and controls whereby approval is required from the Executive Management Team and the Board before the commencement of all projects. Ongoing project management and controls are also in place
8	Market	New/ Emerging	The Group has committed to the development of new hotels builds and the extension of existing hotel assets.	There is a risk that the developments and extensions 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 development plans. External advisors will provide the necessary skills and expertise for these projects.
9	Operational	No change	The ICT systems and strategy does not support the Group's operations, advances in technology and emerging security risks.	The Group's IT systems are not sufficiently developed to reflect technological advances, meet emerging security risks and optimise operational efficiencies.	The Group's ICT systems operate on a robust IT infrastructure. Appropriate ICT security structures are in place and are monitored. This is also complemented by external support providers. We continually invest in ICT infrastructure to deliver efficiencies and meet our business needs.

No.	Risk Category	Risk Status 2015 v 2014	Risk Outline	Rationale for Inclusion	Key Control & Mitigation Activities
10	Operational	No change	The Group's ICT applications are not suited to the expanded Group portfolio, the quantity of transactions to be processed and the delivery of timely and accurate management information.	The Group's operational ICT applications (relating to Finance, Purchasing and Timekeeping/HR) do not support the Group's increased hotel portfolio, require material manual interventions and include inherent inefficiencies.	The Group has implemented a Group Finance consolidation package and is also upgrading the hotel and Group Finance Sage environments. Focus will also be given on the options for delivering large transaction processing in an efficient and timely manner, though such projects, by their nature, are not deliverable in a short timeframe.
11	Operational	No change	A material operational health and safety related event occurs at a hotel and is not properly managed.	The Group operates extensive and complex 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 function and associated policies in place. Local health and safety responsibilities are assigned to qualified staff and support contracts are in place with approved health and safety providers. Regular reviews of Health and Safety policies and procedures are carried out by the Audit and Risk Committee. There are also external reviews of relevant health and safety areas completed.
12	Strategic	No change	There is a failure to retain key expertise and experiences and develop talent within the Group to ensure its ongoing and future success.	The Group's growth and operational performance is dependent both on the continued retention of key executives and business management and the ongoing development of talent and expertise within the Group.	The Board Remuneration Committee considers executive and staff remuneration and performance criteria. External advisors also provide guidance in this area. Recruitment and retention are key parts of the Group's HR strategy.

Corporate Responsibility

Dear Shareholder,

At Dalata we recognise that as our business continues to expand, we have greater responsibility to operate in an environmentally and socially responsible way. We strive to become one of the most responsible businesses in the Irish and UK hospitality sector. Our strategy to achieve this objective is to build and strengthen our partnerships with our stakeholders, the communities in which we operate, and minimise our impact on the environment.

In this report we outline the initiatives and partnerships we have developed over the past number of years in the knowledge that we have just started this journey.

Examples of initiatives introduced during 2015 included *Dalata – Your Journey* our employer training and development brand, the roll out of the *Trust You* reputational management tool, the development of distribution channels for our suppliers and the announcement of our sports sponsorships.

Our priorities for 2016 include the roll out of the employee satisfaction survey to all our employees, the development of new customer propositions, the setting of additional environmental targets, together with fundraising and volunteering for our new partner charities.

I am proud of the work that we have done to date and I look forward to continuing our corporate responsibility journey.

Pat McCann
Chief Executive Officer

Our Strategic Approach

Our approach to corporate responsibility is to engage with all stakeholders on a regular basis in order to build solid relationships. While each of our stakeholder groups have different interests and issues, we recognise the importance of them all helping us to build a sustainable business.

These engagements with our stakeholders help us to recognise risks associated with our business, and to identify further opportunities to improve our business.

By embracing our values, engaging with our stakeholders, we can achieve our strategic objectives and create shareholder value in a responsible and sustainable way.

Our Values

- Our People
- Our Service
- Our Fairness
- Our Individuality

Our Strategic Objectives

- Delivering strategic hotel acquisitions and hotel development sites
- Delivering strategic capital investment programmes
- Positioning Maldron Hotels and Clayton Hotels as the leading leisure and corporate hospitality brands
- Developing, rewarding and retaining highly motivated people
- Delivering sustainable growth
- Achieving excellence in customer service
- Identifying quality products and empowering our suppliers
- Reducing our impact on the environment
- Supporting community initiatives

Create shareholder value in a responsible and sustainable way

Dalata's General Manager Development Programme participants 2015/2016

Developing and Supporting our People

At Dalata we recognise that our people are central to our success. By strengthening our employee skills, communication and engagement, and creating a safe and healthy place to work we enable our people to achieve their potential and deliver our strategic objectives.

Development and Education

As we continue our expansion, the development of our people and their careers is a strategic focus for the Group which allows us to build a strong pool of talent to lead our hotels. On-the-job skills training, structured development programmes and personal development plans are in place in the hotels to support our employees to advance their careers.

We also understand the importance of succession planning, a process we commenced in 2015. Succession plans will be rolled out throughout the Group in 2016 to help us identify our talented people and their training needs.

We launched a new training and development employer brand *Dalata – Your Journey*. The employer brand outlines the recruitment and selection, training and development programmes in the Group and communicates opportunities available to our employees. It is about helping our people progress so that they can continue to advance their own professional development and enhance our customers' experience. The training and development programmes in *Dalata – Your Journey* are outlined below:

The General Manager Development Programme (Altitude) for future hotel General Managers is partnered with the Irish Management Institute. It provides training on strategic management and effective leadership.

"I knew when I started Dalata's General Manager Development Programme that it would be a life changing experience. This programme has opened my eyes and mind to the exciting and challenging world of being a hotel manager. It is giving me the tools and knowledge to handle all the obstacles and opportunities that this career presents. I am thoroughly enjoying this fantastic and unique experience."

Tracey Newman, Operations Manager, Clayton Hotel Silver Springs

Employee Communication and Engagement

We understand the importance of employee communication and engage with our people through a variety of channels ensuring that they are kept fully up to date about the entire business. This allows us to promote team building as well as the ability of staff to anticipate and deliver customer needs.

In October 2015 we conducted our first *Great Place to Work* employee engagement survey in 16 hotels. 81% of the staff responded to the online survey. This survey allowed us to identify key areas of improvement including enhancements to employees' working environment, developing the customer experience and improving communication within the Group.

Recognising and rewarding our people is a fundamental part of our culture. We celebrate their accomplishments through our monthly and quarterly employee awards and at the Group's annual awards ceremony. Accomplishments are also communicated through our bi-monthly newsletter – Dalata Way.

Health and Safety

The Group recognises the importance of providing a safe and secure environment for our guests, employees, suppliers and those working or visiting our hotels or corporate offices. Effective health and safety practices are encouraged through detailed policies and procedures, training, supervision and regular communication. During 2015 independent third party audits were performed in all owned and leased hotels, business continuity plans and safety statements were completed for all our hotels, trained health and safety officers were appointed to the majority of our hotels.

KEY PRIORITIES FOR 2016

- Implement an e-learning platform to improve communication, access and consistency of training to all employees.
- Increase awareness of *Dalata – Your Journey* training programmes.
- Conduct a Group wide *Great Place to Work* employee engagement survey.
- Implement the *Fire Cloud 365 app* in our larger hotels to oversee fire safety procedures.

Serving our Customers

At Dalata we recognise the value of our guests and customers and strive to develop and maintain positive relationships with them. Our focus on excellence in product quality, value and service allows us to exceed our customer expectations, win repeat business and in doing so increase our profitability and reward our shareholders.

Guest Satisfaction

Our aim is to be the hotel of choice in the markets in which we operate. Working with our employees and suppliers we identify, define and develop initiatives to improve guest satisfaction. We also recognise the importance of guest feedback, and listen to what our guests are telling us to establish how we can do better. Guest feedback is captured through various channels; guest satisfaction surveys, social media and internet based applications.

During 2015 *Trust You,* a leading reputational management tool, was rolled out to our owned and leased hotels to collate guest feedback from social media, Trip Advisor and various booking websites. According to *Trust You,* our hotels achieved an average satisfaction score of 83%. From 2016, the performance bonus of our General Managers will be linked to their hotels' *Trust You,* rating to encourage them to implement initiatives that improve the guest experience and their hotel rating.

Repeat business is the best testimony to guest satisfaction. We have developed various initiatives to secure repeat business and reward repeat guests. *Exclusive Loyal Guest Benefits & Offers* was introduced to reward repeat guests in both our Maldron and Clayton hotels. *Buy 10 Get One Free* Stamp Loyalty Card which rewards our food and beverage customers was also implemented in 2015. There is also an online points based scheme to reward our corporate bookers.

To enhance our guest experience, even before they have arrived at our hotels, and to allow us to operate more efficiently and cost effectively we implemented *Book Direct* marketing campaigns in 2015. These campaigns incentivise our guests to book directly through our websites or Central Reservations Office, and avail of the best rate guarantee and direct booking benefits.

Capital Refurbishment

We recognise that our hotels are more than just buildings. They represent our brands and define not only key aspects of our customer and employees experience, but are often beacons in our communities. The way we design our hotels is an important driver of our employees and customer experience, and the profitability of our operations.

We are committed to investing 4% of our revenue in capital expenditure on an annual basis. In 2015, we invested almost €25 million in capital development and refurbishment programmes in our hotels, including an extension at our Clayton Hotel, Chiswick London. We also developed executive and standard sample bedrooms for the Clayton hotels, and a standard sample bedroom for the Maldron hotels. The refurbishment programme for these bedrooms has commenced and will continue throughout 2016.

We have also upgraded public areas in our hotels, in keeping with today's customers' demands, and are currently developing our conference and banqueting products and services.

Food and Beverage Philosophy

Given the international focus on healthy, sustainable nutrition, Dalata is developing a philosophy that focuses on healthy, fresh, natural and locally sourced food and beverage options. Healthy and sustainably sourced food supports our commitment to the health and well-being of our customers, our employees and our communities. Dalata's commitment to sourcing good quality food and beverages from local suppliers also makes a significant impact on the local economies, reduces our environmental footprint and allows us to showcase our brands, as brands that care about people and also deliver on taste.

KEY PRIORITIES FOR 2016

- Improve *Trust You* ratings in our hotels.
- Enhance Maldron and Clayton hotels' loyalty initiatives.
- Roll out the capital refurbishment programmes.
- Develop meeting and events propositions for our customers – *Meetings made Simple*
- Develop and roll out the food and beverage philosophy to all Maldron and Clayton Hotels.

New extension at Clayton Hotel Chiswick, London

Vitality Breakfast

Collaborating with our Suppliers

Expanding our business, gives us an opportunity to leverage our purchasing power and address broader environmental, social and economic issues. As we shift towards more sustainable, local produce, we not only deliver excellence in product quality and service to our customers, but collaborate with our suppliers to expand their product reach.

Responsible Sourcing

We have a central purchasing function that works closely with our food suppliers to ensure that our requirements and standards are met. The team ensures high ethical standards in sourcing food products and our customers expect high standards of animal welfare.

Working with Local Suppliers

Our team identify high quality food products that can be sourced locally and form partnerships with these suppliers and producers to collect and distribute their products. The collaboration we have developed between Brakes (Wholesale Distributor) and our small suppliers and producers have allowed them to expand their businesses, create employment in their local communities and ensure our guests enjoy the best quality products at all times.

" Working with Dalata Hotel Group in 2015, particularly with Tony McGuigan has been a pleasure. We have developed strong sales channels for our products resulting in a very successful year for both of our companies."

Helen Gee
Managing Director
G's Gourmet Jams
Abbeyleix, Co. Laois

"I am delighted to work with G's Gourmet Jams, O'Keeffe's Bakery and Prestige Foods, suppliers of quality Irish products to our hotels. I am extremely pleased that we were in a position to develop a distribution channel for these valued suppliers through Brakes, which has allowed them to expand their businesses and product range."

Tony McGuigan
Group Head of Purchasing/
Food and Beverage Manager
Dalata Hotel Group

“ We at O’Keeffe’s Bakery, a family run business established in 1984, are delighted to be associated with Dalata Hotel Group. When producing our premium handmade scones we use kitchen cupboard ingredients which offers customers a top quality product enhancing the overall Dalata offering.”

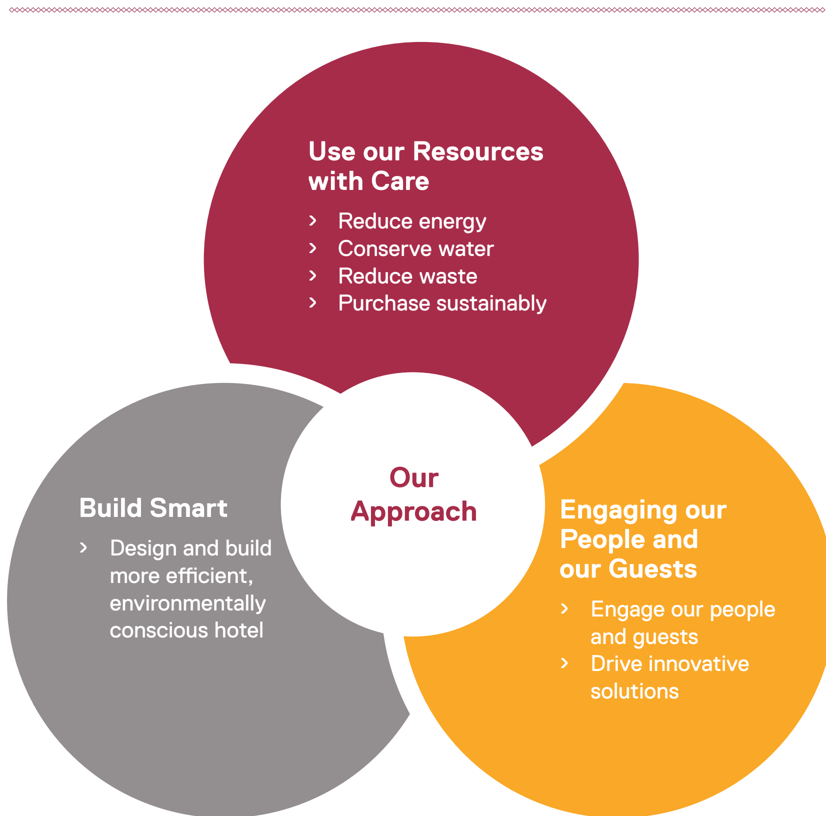
Stephen O’Keeffe
Business and Sales Development Manager, O’Keeffe’s Bakery, Ballincollig, Co. Cork

“ Prestige Foods has worked closely with Dalata Hotel Group over the past twelve months supplying quality desserts using the best of Irish ingredients. Our R&D team have forged a special relationship with Dalata’s food and beverage team. Maintaining, supporting and growing these relationships is the key to our future success.”

John O’Connor,
MD Prestige Foods, Listowel, Co. Kerry

Creating an Environmentally Sustainable Business

We recognise that our operations affect the environment and are committed to minimising their impact, not only because it is the right thing to do for our planet and our communities; it's the right thing for our business. Our approach to an environmentally sustainable business is as follows:



Using our Resources with Care

Energy Initiatives
Our aim is to improve our hotels energy efficiency without sacrificing the guest experience. During 2015, we continued to improve our energy efficiency through investments in energy efficient lighting, heating, refrigeration and energy monitoring tools.

Water Conservation
We are conscious that water is a critical and limited resource and we continued our water conservation programmes in our hotels in 2015.

Waste Management
The Group continued to develop its waste management processes in 2015 by reducing the amount of waste the hotels generate. The Group achieved the environmental target of zero waste to landfill in 2015. Over 55% of the Group's waste was recycled, the remaining 45% was used for the generation of green electricity through Attero in Holland. We are currently investigating options to convert our food waste to green electricity.

Engaging our People and our Guests

The success of environmental sustainability efforts is dependent on the passion of the people leading the projects. To motivate our staff we have appointed Green Ambassadors to our hotels. The Green Ambassadors identify and implement hotel specific environmental initiatives. Our guests are also encouraged to be environmentally friendly by managing their towel and bed linen usage.

Build Smart

The design and physical structure of the hotel is an important driver of a hotel's environmental footprint and its profitability. During 2015 Dalata completed a major extension to its hotel in Chiswick, London. This extension was completed to sustainable design guidelines. This included a high efficiency energy system, motion-sensor lighting controls, LED lighting and in-room automated temperature controls. A Combined Heat Power unit was installed and a sedum - cool/green roof was erected.

KEY PRIORITIES FOR 2016

- Develop energy consumption metrics.
- Increase our recycling rate from 55% to 65%.

Positively Impacting our Communities

Dalata recognises that supporting our local communities is an essential part of building a responsible business. We contribute positively to our communities, by supporting local economies, engaging in charitable activites and through our various sponsorships.

Supporting Local Economies
By virtue of the nature of our business, we support local economies in the role of employer. As our business continues to expand, we will create more jobs. In 2015, we provided employment to over 2,000 full time equivalent employees which represented an increase of 177% from 2014.

Our commitment to supporting government and enterprise led schemes is shown through our partnerships with JobBridge, Jobs Centre Plus and Diageo Learning for Life. The success of these schemes to both Dalata and the participants was evidenced at the recent employee awards ceremony, where David Dunne who joined Dalata through the *Diageo Learning for Life* scheme was named Student of the Year 2015.

The Group also supports local economies in its commitment to sourcing quality food from local and regional suppliers and the use of local enterprises to supply services to the hotels. A number of these suppliers are profiled in the supplier section of this corporate responsibility report.

Supporting Charities and Communities
We encourage our hotels to be involved in their local communities and community projects. Our people devote their time through fundraising and volunteering and our hotels provide facilities and resources. During 2015 our staff raised over €50,000 and volunteered over 3,000 hours for the benefit of their local charities and sport clubs.

In January 2016, we announced *Crumlin Medical Research Foundation (CMRF)* as our primary charity partner. The *CMRF* was established to raise funds for ongoing capital projects and vital medical research for *Crumlin Childrens' Hospital*. Dalata is proud to be associated with *CMRF* and is very committed to working with them in 2016.

In November 2015, we established an educational partnership with *Suas*. In Dalata we are conscious that interpersonal and literacy skills are key to the development of children. *Suas* runs literacy support programmes in schools around Ireland that are based in disadvantaged communities. This literacy support programme allows our staff to not only support children's reading and writing but to become a role model in their lives. In 2016 staff across all our Irish hotels will be participating in this literacy support programme.

Other charities we supported during the year include *Make-a-Wish, Jack & Jill Foundation, MS Ireland* and *Penny Dinners*.

Sponsorships
Sponsorships play a key role in enabling Dalata to support sport throughout Ireland and the UK and in doing so positively impact on their communities. Many of the local hotels work closely with GAA, soccer and rugby clubs through sponsorship of jerseys and prizes, and hosting of events. Examples include Maldron Hotel Tallaght sponsorship of *Shamrock Rovers F.C.* and Clarion Hotel Sligo sponsorship of *Sligo Rovers F.C.*

In May 2015 Dalata announced Clayton Hotels as the joint official sponsor of *London GAA* Senior Football and Hurling Teams to the end of 2017. This sponsorship sees Clayton Hotels provide discounted hotel rates to London GAA teams' members when travelling in Ireland.

In October 2015 Dalata announced Clayton Hotels as the Official Hotel Partner of *Paralympics Ireland* to the end of 2016. This partnership sees Clayton Hotels provide support for *Paralympics Ireland* through extensive provision of accommodation, meeting and event facilities. Dalata is also engaging staff to participate in various initiatives in support of *Paralympics Ireland*.

In February 2016, Clayton Hotels announced a partnership with *Munster Rugby* until June 2018. As part of this sponsorship Clayton Hotels will be the Official Hotel Partner to *Munster Rugby* and will sponsor the Munster Schools Senior and Junior Cups.

In addition to the sports sponsorships, Dalata is also one of the main sponsors of the R*ose of Tralee* International Festival, for the past two years. Dalata are proud of their commitment to this long running festival and welcome the tourism benefit such a festival brings to Tralee and Portlaoise.

Patrice Lennon, Head of Sales and Marketing of Dalata Hotel Group plc at the announcement of Dalata's partnership with Paralympics Ireland.

Stephen McNally, Deputy CEO of Dalata Hotel Group plc at the announcement of Dalata's sponsorship of London GAA football and hurling teams.

Governance

The Board of Dalata is firmly committed to business integrity, high ethical values and professionalism in all of the Group's activities and operations.

Chairman's Overview

Dear Shareholder,

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

The Board of Dalata is firmly committed to business integrity, high ethical values and professionalism in all of the Group's activities and operations. We promote excellence in governance practices across the business in order to deliver effectively on the Group's strategic objectives and create long-term success for all our stakeholders.

My responsibility as Chairman is to ensure that our Board has the right mix of skills, experience and knowledge so that it works effectively with our executive management team to deliver the strategic objectives of the Group. Dalata's 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.

The Company voluntarily applies the UK Corporate Governance Code (September 2014) 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.

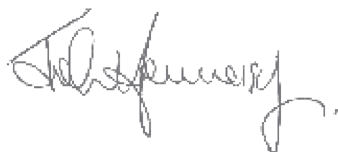
Our statement below explains how we have complied with the principles of the Codes in 2015 and, where specific provisions may not appear to have been met, we provide a detailed explanation outlining the reasons why.

During 2015, we completed the internal board evaluation, developed our remuneration policy and implemented a Group Whistleblowing Policy.

The Nomination Committee commenced a succession plan for the Executive Management Team in 2015 and have been tasked with the completion of this plan in 2016.

I am proud to be the Chairman of Dalata and I am committed to continuing the good work of our board in ensuring a well-governed and successful business and creating long-term returns for our shareholders.

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



John Hennessy
Non-Executive Chairman

Directors' Biographies

John Hennessy
Non-Executive Chairman
Member of Remuneration and Nomination Committees

Age: 59

Joined Board: 27 February 2014

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

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

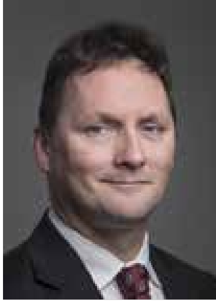
Pat McCann
Chief Executive
Member of Nomination Committee

Age: 64

Joined Board: 28 January 2014 *(previously a director of DHGL Limited, the former parent company of the Group)*

Experience: Pat has over 45 years of experience in the hotel industry having started his career with Ryan Hotels plc. He joined Jurys Hotel Group plc as General Manager of its flagship Dublin hotel in 1989. He was appointed Operations Director, and to the Board of Jurys Hotel Group plc in 1994 and was responsible for the integration of the Doyle Hotel Group following its acquisition 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 and became Chief Executive Officer of Dalata in August 2007.

Other appointments: He was non-executive director of EBS Building Society and Greencore Group plc. He served as National President of the Irish Hotels Federation, and was a Member of the National Tourism Council (Ireland) and the Irish Tourism Review Group. He is a non-executive director of a number of private companies.



Stephen McNally
Deputy Chief Executive

Age: 51

Joined Board: 28 January 2014 *(previously a director of DHGL Limited, the former parent company of the Group)*

Experience: Stephen completed his hotel studies in Rockwell Hotel and Catering School. Having worked with Ramada Hotels in the UK and Germany and completed the Ramada management development programme, he joined 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. 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 is currently a member of the Government led Tourism Leadership Group. He served as National President of the Irish Hotels Federation from February 2014 to February 2016.

Dermot Crowley
Deputy Chief Executive – Business Development and Finance

Age: 48

Joined Board: 28 January 2014 *(previously a director of DHGL Limited, the former parent company of the Group)*

Experience: Dermot joined Dalata in 2012 where he has overall responsibility for business development and finance. He led the acquisition of the Moran Bewley Hotel Group in February 2015. He also played a leading role in the IPO of the Company in March 2014 and the equity fundraising in September 2015. He is a fellow of Chartered Accountants Ireland. He previously worked with PricewaterhouseCoopers, Procter & Gamble, Forte Hotels and Renault Ireland, before joining Jurys Doyle Hotel Group plc as Head of Development from 2000 to 2006. From 2006 to 2012 he worked at Ion Equity on a number of transactions which included the establishment of Pillo Hotels.

Robert Dix
Non-Executive Director
Chairman of Audit and Risk Committee
Member of Remuneration Committee

Age: 63

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 operates 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 Chartered Accountants Ireland.

Other appointments: He is currently a board director of a number of companies, including a number of companies within the Quinn Finance Group, Allianz plc., Actavo, Blarney Woollen Mills and Bank of Ireland Private Bank and a number of other private companies.

Alf Smiddy
Senior Independent Director
Chairman of Nomination Committee
Member of Audit and Risk Committee

Age: 53

Joined Board: 27 February 2014

Experience: Alf has over 25 years' experience in the Irish and international hospitality and beverage sector, having held the roles of Chairman and Managing Director of Beamish & Crawford plc. Prior to this he worked with PricewaterhouseCoopers. He 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 is a fellow of Chartered Accountants 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 2008. He also served as a non-executive director at T&S Taverns Limited between 2009 and 2013. He is a non-executive director of a number of private companies and was Chairman of the CLGR in 2015.

Margaret Sweeney
Non-Executive Director
Chairman of Remuneration Committee
Member of Nomination Committee

Age: 55

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. She is a fellow of Chartered Accountants Ireland and holds a Diploma in Company Direction from the Institute of Directors.

Other appointments: She was non-executive director of 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). She also served as President of Dublin Chamber of Commerce from 2008 to 2009. 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 Chartered Accountants Ireland.

Seán McKeon
Company Secretary
Chief Financial Officer

Age: 48

Appointed Company Secretary: 28 January 2014 (previously Company Secretary of DHGL Limited, the former parent company of the Group)

Experience: Seán joined the Group as Chief Financial Officer and Company Secretary in 2007 having developed his career in retail and FMCG distribution. He played a central role in Dalata's 2014 IPO and the equity fundraising in September 2015. As Company Secretary he plays a leading role in the implementation of the corporate governance practices determined by the Board. He is a fellow of Chartered Accountants Ireland and an MBA graduate of the UCD Michael Smurfit Graduate Business School. He previously worked with Roches Stores, Dunnes Stores, Diageo plc, 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 2014. 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 2014) 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 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:

Board Diversity Policy
The Company adopted a Board Diversity Policy on 25 January 2016. A copy of the policy is posted on the Company's website **www.dalatahotelgroup.com**.

Notice of the AGM
The notice for the 2015 AGM was sent to shareholders 21 days in advance of the meeting in accordance with the Companies Act 1963 to 2013, which was not in compliance with the 20 working days required by the Code.

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, risk management or financial reporting policies and procedures
- 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 45 to 47.

The composition of the Board is reviewed annually by the Nomination Committee to ensure that there is an effective balance of skills, experience and knowledge.

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 overseeing 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, monitor the remuneration structures and policy through the Remuneration Committee and consider the Board composition and succession planning through the Nomination 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 45 to 47 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, facilitating the Board evaluation every three years, providing advice and judgement to the Chairman as necessary, to serve as an intermediary to the other directors when necessary, and being available for shareholders who have concerns that cannot be addressed through normal channels.

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 137 to 139.

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 2015, 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 2015 are detailed on page 52.

Board Attendance

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

The Chairman and the Non-Executive Directors met formally without the Executive Directors on 24 February 2015 to discuss the performance of the Executive Directors.

The main areas of focus for the Board in 2015 were:

Area	Activities
Strategy	Formalised the Group's strategy in May. Met the Executive Management Team in November to discuss progress on strategy implementation and initiatives for the future. Reviewed and discussed hotel acquisitions strategy and criteria for investments. Approval of acquisitions and related documentation, data and analysis. Received acquisition and development updates from Deputy Chief Executive Officer – Business Development and Finance and Head of Development and Strategy. Received regular industry updates from Deputy Chief Executive Officer. Approval of the Group's budget for 2016. Approval of Group's tax structure. Approval of placing, firm placing and open offer (legal, financing, shareholder approval and directors responsibilities). Approval of the Clayton Hotel brand. Review of the Group's debt structure.
Performance monitoring	Received regular updates from Chief Executive Officer regarding transactions. Received operational and integration updates from Deputy Chief Executive Officer. Reviewed monthly reports from Chief Financial Officer on performance versus budget and forecast. Reviewed reports from Chief Financial Officer on the financial position of the Group including treasury management. Reviewed regular reports from chairmen of the Audit and Risk, Remuneration and Nomination Committees. Approval of full and half year results. Approval of 2014 annual report and accounts.
Governance and risk	Reviewed group governance documentation. Regularly reviewed significant risks. Received Health & Safety updates from Deputy Chief Executive Officer. Approval of Group's insurance strategy. Discussed the Board evaluation process and findings.
People and values	Conducted seven hotel site visits to meet with management and review operations. Reviewed and considered management development programmes. Discussed the values of the Clayton brand.
Shareholder engagement	Received updates from Chief Executive Officer and Deputy Chief Executive Officer – Business Development and Finance, on investor meetings and roadshows. Received reports from stockbrokers on shareholder feedback from meetings with the Chief Executive Officer and Deputy Chief Executive Officer – Business Development and Finance. Received an update from stockbrokers and PR advisers on the market perception of Dalata. Reviewed 2015 AGM proxy voting figures.

Strategy Review

The Board held two strategy days in May and November 2015. At the May 2015 strategy day, areas discussed were the Group's operating business model, hotels acquisition strategy, funding strategy and investor relations. At the November 2015 strategy day, the Board received comprehensive presentations from each member of the Executive Management Team on their current and projected performance, areas for development, upcoming opportunities and initiatives for growth. The strategy presentations have provided the Board with a basis towards the development of further strategic initiatives.

Remuneration

Details of Directors' Remuneration are set out in the Remuneration Committee Report on pages 64 to 73.

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 Dix 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.

The independence of the Non-Executive Directors is fundamental to the Board's decision making. Any director who has concerns about the running of the Group or a proposed course of action is encouraged to express those concerns which are then minuted. No such concerns were raised during 2015.

Appointments to Board

The Nomination Committee is responsible for a formal, rigorous and transparent procedure for the appointment of new directors.

There were no board appointments during 2015. 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. As part of the Board evaluation process completed in December 2015, each Non-Executive Director confirmed that they had been able to allocate sufficient time to discharge their responsibilities effectively during 2015.

Induction

All new Non-Executive Directors joining the Board undertake an induction programme which covers briefings on the operation and activities of the Group, the Group's principal risks and uncertainties, the role of the Board and the matters reserved to it, the responsibilities of the Board Committees, and the strategic challenges and opportunities facing the Group. There were no board appointments during 2015.

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. As part of the Board evaluation process completed in December 2015, each director confirmed that they have kept themselves properly briefed on and informed about current issues in 2015.

Training and development needs for 2016 for individual directors and the Board were identified through the Board evaluation process. These training and development needs will be considered in greater detail at the May 2016 board meeting.

Information Flow at Board Meetings
Formal board meetings are held approximately 10 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.

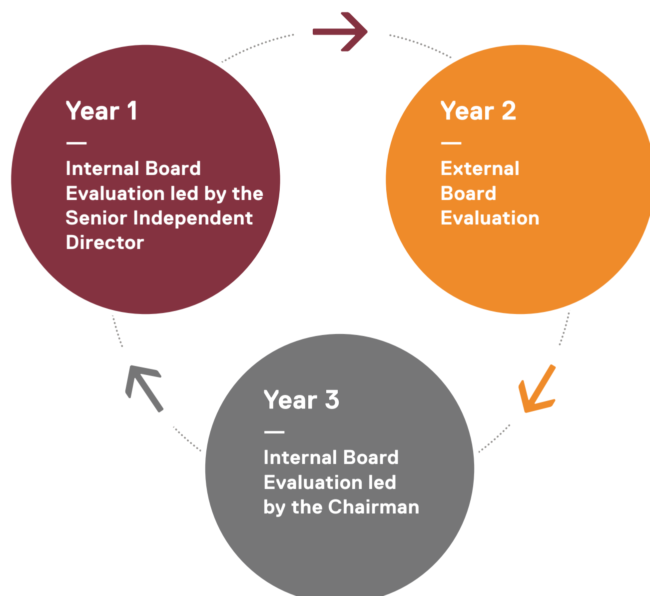
The Chief Executive Officer and the Chief Financial Officer ensure that the Board is kept fully aware on a timely basis of business issues and prospects throughout the Group.

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
An evaluation of the performance of the Board, its committees and its directors is carried out annually. The Board's three year cycle for performance evaluation is outlined in the chart below:

Dalata's Three Year Approach



In December 2015, the first performance evaluation of the Board and its Committees commenced. This process was internally facilitated by the Senior Independent Director and comprised of the following steps:

- A questionnaire covering key aspects of board effectiveness, including composition of the Board, the running of the Board and Committee meetings, corporate governance, risk, financial reporting and internal controls, directors' continuing education process and their individual training needs and time commitment requirements was circulated and completed by the Directors.
- The Senior Independent Director met with each director and the Company Secretary in January 2016.
- The Senior Independent Director held a follow up session with the Chief Executive Officer to discuss the results of the questionnaire.
- The results of the Board evaluation were presented by the Senior Independent Director to the Nomination Committee and the Board on 25 January 2016.
- Focus areas were identified and agreed with the Board on 25 January 2016.

The outcomes of the Board evaluation process have been positive, and have confirmed to the Chairman that the Board and its committees operate effectively and that each director contributes to the overall effectiveness and success of the Group.

Re-election

All directors wishing to continue will retire and offer themselves for re-election by shareholders in line with the requirements of the Codes.

Accountability

Financial and Business Reporting

On pages 7 to 20 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 27 to 32 to 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 Principal Risks Facing the Group

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Auditor, to help with their annual assessment of the principal risks facing the Group, and the controls in place to mitigate these risks. The principal risks and the mitigating factors are outlined on pages 30 to 32.

Annual Assessment of the Effectiveness of Internal Controls Systems 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.

Whistleblowing

The Board adopted a Confidential Disclosure Procedure (Whistleblowing Policy) on 9 March 2015 to ensure that any concerns are addressed confidentially, promptly and thoroughly.

No concerns were raised by employees during the year to the date of the report. This was reported by the Company Secretary to the Audit and Risk Committee on 23 February 2016.

The Confidential Disclosure Policy is included in the Employee Handbook to ensure all employees have an understanding of the whistleblowing process.

Relations with Shareholders

Share Ownership and Dealing

Details of each Directors' interests in Dalata shares are set out in the Remuneration Report on pages 64 to 73. 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 communication with all shareholders. Presentations are made to both existing and prospective institutional shareholders, principally after the release of the interim and annual results.

Significant matters relating to trading or development of the business are disseminated to the market by way of Stock Exchange announcements which appear on the Company's website **www.dalatahotelgroup.com**. The website also contains annual and interim reports and investor presentations.

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

In December 2015 the Board commissioned Davy Stockbrokers and FTI Consulting to perform a review of the Company's investor relations programme for 2015 and to carry out a survey of investors. The Board received and considered their findings in January 2016.

During 2015 over 110 separate meetings and conference calls were held with existing and prospective shareholders. These meetings were attended by the Chief Executive Officer and/or Deputy Chief Executive Officer – Business Development and Finance. The meetings focused primarily on the Group's trading operations and strategy.

On 19 May 2016, the Group will hold an Investor Day for institutional investors at the Clayton Hotel Ballsbridge, Dublin 4. It will involve detailed presentations on the Group's strategy and operations and will include site visits to a number of hotels.

This event provides investors with an opportunity to meet a wider range of the Executive Management Team and exchange information to improve their understanding of the Group.

AGM

The Annual General Meeting will be held on 27 April 2016 at the The Gibson Hotel, Point Village, Dublin 1. Formal notification will be sent to shareholders at least 20 working days before the meeting. Other general meetings may also be convened from time to time on at least 14 working 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 Chairmen 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 58 to 75.

Audit and Risk Committee Report

Dear Shareholder,

I am pleased to present to you the report of the Audit and Risk Committee for Dalata Hotel Group plc for 2015.

The Committee is made up of two independent non-executive directors and operates to formal terms of reference, which are available on the Company's website at www.dalatahotelgroup.com.

During 2015 we considered the internal audit programme, internal auditor's reports on the Group's internal controls, and management's responses to matters identified. In addition, we reviewed the risk management structure, the Group's risk register, principal risks and mitigating controls.

A programme of presentations were made to the Committee during 2015. The topics covered included the Group's health and safety structures, insurance risk, the group finance organisational structure and group financing structures.

As part of its role in providing assurance that the financial statements give 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 accounting for acquisitions, property valuations, residual values and depreciation, carrying value of goodwill and hedging arrangements. The Committee concluded that the judgements made in each of these areas were appropriate; more details can be found on pages 59 and 60.

There have been five Committee meetings during the year and details on the key matters considered are set out on in more detail on page 62.

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 2015

Matters	Judgements
Accounting for acquisitions A number of acquisitions were completed during the year.	The Group acquired 13 hotels in 2015 which were accounted for as business combinations; details of these are set out in note 10 to the Group Financial Statements on pages 104 to 107. Other property acquisitions were accounted for as asset purchases (see note 12, pages 110 to 112 and note 13, page 112). The Committee has evaluated the accounting treatment of the consideration paid and costs incurred as presented by management and is satisfied that the correct accounting method has been chosen and that management has engaged suitably qualified professional valuers to provide support for the determination of property values and, where required, values of fixtures and fittings. Based on its enquiries, the Committee is satisfied that the assumptions used and judgements made in determining the fair values are reasonable and is satisfied that the fair value of the acquired assets and liabilities has been correctly stated and appropriately disclosed in the financial statements.
Property revaluations, residual values and depreciation Review in light of material investment in land and buildings during the year.	The net book value of land and buildings at the year-end date was €585.1 million (note 12, page 110). Values are stated at fair value and, as such, the valuation of property and depreciation of buildings involve a significant level of judgement. Management has engaged appropriately qualified professional valuers to determine the value attributable to a) land b) buildings and c) residual property values. The Committee has discussed the approach taken with management and considered the analysis of the External Auditor on this matter. The Committee has evaluated the assumptions made by management including, the allocation of hotel valuations to buildings, the estimated residual values of buildings and their estimated useful lives. The Committee agrees with the valuation methodology employed by management on the advice of property valuation experts and is satisfied that the asset values are correctly stated and appropriately disclosed. The Committee is satisfied that the method of depreciation and the depreciation rates employed by management are appropriate and reflect the expected cost of the assets over their useful lives on a systematic basis.
Carrying value of goodwill Significant increase in value of goodwill due to the acquisitions completed during the year.	The carrying value of goodwill was €46.8 million at the year-end date (see note 11, pages 107 to 109). This value was tested for impairment at the year end by calculating the 'Value in Use' of the underlying assets. Value in use was arrived at by calculating the discounted future cash flows for the assets. This calculation includes assumed values for future revenues and costs, terminal value multiples and the discount rate. The Committee has reviewed the assumptions used by management in the Value in Use calculations and is satisfied that they are reasonable. Consequently the Committee has concluded that the carrying value of goodwill is appropriately stated and that adequate disclosures have been made in the financial statements.

Significant Financial Judgements in 2015 (continued)

Matters	Judgements
Hedging arrangements – derivatives The Group entered into hedging arrangements with the relevant financial institutions to mitigate interest rate risk.	Details of the use of derivatives are set out in note 14 to the Group Financial Statements on page 113. The Committee examined the accounting treatment of derivatives. The Committee discussed the inception documentation and the hedge effectiveness testing prepared by management. External advice was also obtained from hedging specialists. Having reviewed the information available, and considered the findings of the External Auditors, the Committee is satisfied that management have complied with the relevant requirements of accounting standards. Consequently the Committee is satisfied that the hedging instruments were wholly effective in hedging the associated risks during the period. The Committee is satisfied that the accounting treatment and disclosure of the derivatives is appropriate in the financial statements.
Hedging arrangements – net investment hedge The Group drew down a sterling loan of £132.4 million to finance the acquisition of the four UK former MBHG hotels.	The Group has established a net investment hedge between the value of assets held in British Sterling and the value of loans drawn in British Sterling to finance the purchase of those assets. The Committee discussed the net investment hedge with management and external advice was also obtained from hedging specialists. Having evaluated the information available, including the findings of the External Auditors in this area, the Committee is satisfied that the net investment hedge utilised in the financial statements was properly documented and tested in accordance with accounting standards. The Committee is satisfied that the hedge was effective at 31 December 2015 and therefore that it was appropriate to recognise the foreign exchange loss on British Sterling loans taken out to finance the UK business in Other Comprehensive Income.

The External Auditor

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.

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 the year KPMG were retained to provide non-audit reporting accountant services in relation to the Company's €160 million Firm Placing and Placing and Open Offer in October 2015 and the acquisition of the Choice Hotel Group which is due to be completed in March 2016. KPMG were also retained to carry out certain tax work. 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. 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 2015, 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. The Group has continued to develop its risk register. A Risk Management Policy was approved by the Board in March 2016. The Committee receives updates from Internal Audit at each meeting and has developed an agenda of action areas to be addressed in 2016 including the continual assessment of risks arising from the integration of acquisitions, health and safety and ICT reviews. The Chairman of the Committee provides an update at each regular business meeting of the Board on the activities of the Committee.

The main areas the Audit and Risk Committee focused on in 2015 were:

Area	Activities
Financial Reporting	› Considered the key accounting judgements and key matters arising from the review of the interim and full year financial statements. › Reviewed and considered the year-end financial statements. › Reviewed and considered the half-year financial statements. › Reviewed half-year results announcement and the preliminary results announcement.
Narrative Reporting	› Reviewed content of the 2014 annual report and financial statements and advised the Board in relation to its compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex.
Internal Controls and Risk Management Systems	› Reviewed and adopted the Risk Management Policy. › Reviewed updates from the Internal Auditor on the Group's principal risks. › Reviewed and considered adoption of Group Confidential Disclosure Policy. › Received an update from the Chief Financial Officer on the Group's Confidential Disclosure Policy. › Reviewed the proposed changes on risk management and internal control to ensure compliance with the 2014 UK Corporate Governance Code. › Received an update on the Group's insurance programme and emerging key risks from the Group's insurance broker.
Internal Audit	› Reviewed at each meeting, the Internal Audit reports and findings, including discussions with management on internal control matters identified. › Received regular updates on both internal audit work completed and proposed audits. › Considered the internal audit annual review for 2015 and proposed audit approach and structure for 2016. › Met Head of Internal Audit in the absence of management.
External Audit	› Reviewed External Auditor's reports and findings on year-end and half-year financial statements. › Discussed External Auditor's plan, scope and fees for the 2015 audit. › Met KPMG audit partner without management present. › Assessed qualifications, expertise, resources and independence of KPMG.
Other Relevant Areas	› Reviewed and considered Group Finance resourcing and system developments given the Group's additional reporting and accounting complexities. › Reviewed with management the level of professional fees incurred by the Group and the process for approval of such fees. › Considered and reviewed with management the Group's health and safety structures, monitoring tools and the use of external expertise in this area. › Considered the updated Treasury Risk Management Policy.

Committee membership and attendance

Members	Number of meetings attended
Robert Dix	5/5
Alf Smiddy	5/5

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 and Company, 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 Group and 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, internal controls and risk management systems.
- Maintain and consider at meetings and regularly update a risk register to include an assessment of all risks facing the Group 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, the report of the Remuneration Committee of Dalata Hotel Group plc for the year ended 31 December 2015.

The Remuneration Committee comprises three independent Non-Executive Directors and operates in accordance with its terms of reference which are available on the Company's website **www.dalatahotelgroup.com**. There have been six Committee meetings during the year and details on the key matters considered are set out on in more detail on page 73.

Disclosure

The Group remains 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. This year, we have continued to incorporate 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 2015). In this report, we have also disclosed details of the performance targets which applied to the 2015 annual bonus plan, illustrating our commitment to high standards of disclosure and transparency.

Activities and outcomes in 2015

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. During 2015, the base salaries of our executive directors were increased to ensure they remained appropriate for the size and scale of the business in the very competitive talent markets in which we operate. Based on the strong financial and operational performance of the business during 2015 (as described in detail on pages 21 to 26 of this annual report), the Committee determined that the maximum annual bonus (100% of salary) should be paid.

Plans for 2016

For 2016, the Committee agreed further salary increases for the executive directors to ensure they remain market competitive in the context of the significant increase in the size of the business over the year. Based on research commissioned by the Committee, base salary for the Executive Directors is in the bottom quartile of a group of comparable quoted companies following these increases. For 2016, the Company has introduced two provisions aimed at improving the alignment between executive directors and shareholders in line with best practice. From 2016 onwards, 20% of the bonus will be delivered in the form of Dalata shares deferred for a period of three years. The remainder is payable in cash following the year end. From 2016, malus and clawback provisions will also apply for incentive arrangements of the Executive Directors, Company Secretary and certain members of the Executive Management Team. During the year, the Committee intends to continue to develop and refine the framework.

Margaret Sweeney
Chairman, Remuneration Committee

Remuneration Committee Report

This report is divided into the following sections:

- Summary of the current executive remuneration framework (and how it will apply in 2016)
- Outcomes for 2015
- 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 will apply during 2016.

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 2016 are: Pat McCann: €475,000 Dermot Crowley: €275,000 Stephen McNally: €275,000	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.	15% 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 ("NEDs") do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided (but are not currently). Fees for the Chairman are set by the Committee and fees for the NEDs are set by the Board (excluding the NEDs). Fees effective 1 January 2016 are: Chairman fee: €100,000 Base NED fee: €60,000	There is no prescribed maximum.	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. From 2016 onwards, 20% of the bonus will be delivered in the form of Dalata shares deferred for a period of three years. The remainder is payable in cash following the year end. From 2016 onwards, malus and clawback provisions apply.	For 2016, the maximum opportunity for the CEO is 110% of salary and for other executive directors the maximum opportunity is 100% of salary.	Targets are set and assessed by the Committee each year. For 2016, the bonus will be based on the achievement of challenging adjusted EBITDA targets and on other specific non-financial objectives in line with risk policy and risk framework.
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 and other stakeholders. 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. From 2016 onwards, malus and clawback provisions apply. 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 2016 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.

During the salary review at the start of this year, the Committee determined that increases were required to reflect the sustained growth in the size of the business during 2015. The current salaries effective 1 January 2016 (as shown in the table above) represent increases of 13% (for the CEO) and 10% (for the Deputy CEOs) on the previous rates. In normal circumstances, the policy on salary increases (as set out in the table above) is that they are in line with those of the wider workforce. However, the policy also allows larger salary increases to reflect increases in the size of the Group, strategic objectives and competitive market data, as described. The Committee commissioned research to identify base salary levels at quoted companies with a similar market capitalisation to Dalata. Following the 2016 increases, base salaries for the Executive Directors are in the bottom quartile of the sample of thirty companies included in the survey.

The Committee notes that 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 2016 (and 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 Committee reviewed 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. For incentive awards made in respect of financial years commencing on or after 1 January 2016, the Committee has determined that the cash and share elements of the annual bonus may be clawed back for a period of three years and grants of awards under LTIP may be cancelled (prior to vesting) or clawed back for a period of two years post vesting, in the event of a material misstatement of results or serious misconduct of the Executives. These provisions will apply to Executive Directors, Company Secretary and certain members of the Executive Management Team.

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, and continuation of appointment is contingent on satisfactory performance. Appointment is terminable by either party giving one month's written notice.

Outcomes for 2015

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 2015 financial year.

€'000	Base Salary/Fees	Pension	Benefits	Bonus	Total
Executive Directors					
Pat McCann	420	-	-	420	840
Stephen McNally	250	38	3	250	541
Dermot Crowley	250	38	12	250	550
	920	**76**	**15**	**920**	**1,931**
Non-Executive Directors					
John Hennessy	100	-	-	-	100
Robert Dix	60	-	-	-	60
Alf Smiddy	60	-	-	-	60
Margaret Sweeney	60	-	-	-	60
	280	**-**	**-**	**-**	**280**

- Base salary/fees represent all amounts received in respect of the financial year.
- 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 2015 under the Group's annual bonus plan.
- No LTIP vested in respect of performance in 2015.

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 where applicable the period prior to Admission of the Company's shares to trading on AIM and ESM.
- 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 annual bonus plan.
- No LTIP vested in respect of performance in 2014.

Annual bonus plan outcome for 2015

Under the 2015 annual bonus, the executive directors could receive up to a maximum of 100% of salary. This was based 75% on the achievement of stretching Adjusted EBITDA targets and 25% on personal objectives aligned to the delivery of key strategic and operational objectives (for the CEO it was based solely on the Adjusted EBITDA targets).

The achieved Adjusted EBITDA for the year was in excess of the target range which represented a range of 95% - 115% around the target, with a scaled payout from 20% up to the maximum. The Board believes the target range is commercially sensitive and it would therefore be inappropriate to disclose the actual targets. The personal objectives focused on the delivery of key strategic and operational objectives in the year. The Committee assessed performance and determined that the maximum amount should payout for the personal objectives. As a result, the maximum bonus was earned by all directors and is disclosed in the "single total figure of remuneration" table above.

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 above.

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	88,889	25% - 100%	18 March 2015 – 18 March 2018
Dermot Crowley	LTIP	100% of salary	55,556	25% - 100%	18 March 2015 – 18 March 2018
Stephen McNally	LTIP	100% of salary	55,556	25% - 100%	18 March 2015 – 18 March 2018

* For the 2015 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 shares awarded has been calculated using the face value and a share price of €3.60 (being the closing share price on the day prior to the date of grant). The exercise price is €0.01. The share price range in 2015 was from a low of €2.80 to a high of €5.50.

The table below provides details of the LTIP awards made during the year ended 31 December 2014 to the Executive Directors in accordance with the TSR performance condition described in the table above.

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
Dermot Crowley	LTIP	100% of salary	80,000	25% - 100%	18 March 2014 – 18 March 2017
Stephen McNally	LTIP	100% of salary	80,000	25% - 100%	18 March 2014 – 18 March 2017

* 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.

Directors' and Company Secretary's Share Interests

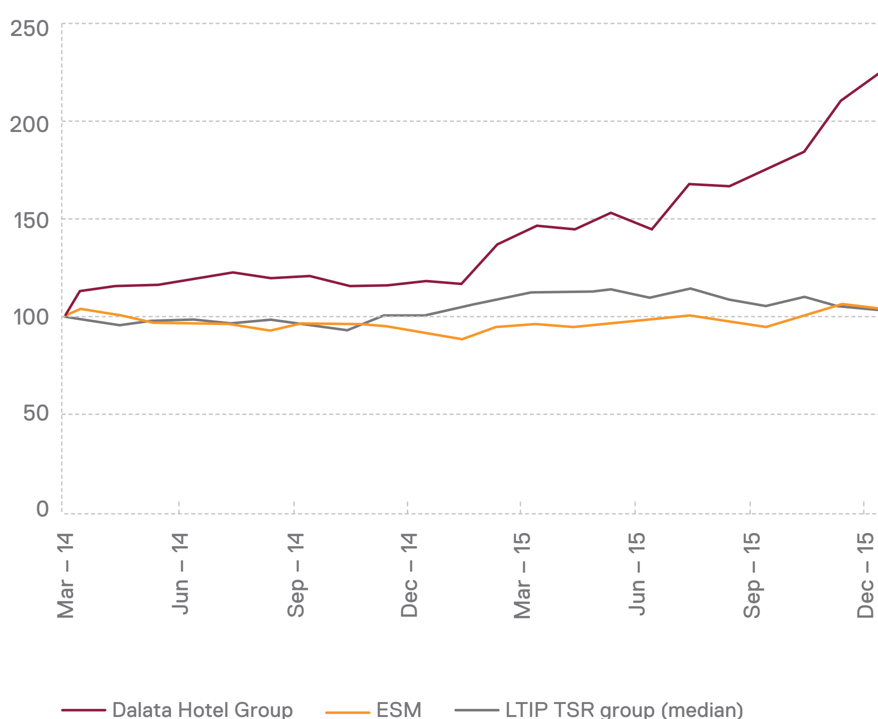
	Shares beneficially owned as at 31 December 2015	Interests in unvested share awards with performance conditions (LTIP) – Granted in 2014 and Vesting in 2017	Interests in unvested share awards with performance conditions (LTIP) – Granted in 2015 and Vesting in 2018	Total interests in unvested share awards
Pat McCann	839,927	128,000	88,889	216,889
Dermot Crowley	241,727	80,000	55,556	135,556
Stephen McNally	282,611	80,000	55,556	135,556
John Hennessy	83,000	-	-	-
Robert Dix	67,858	-	-	-
Alf Smiddy	66,646	-	-	-
Margaret Sweeney	46,787	-	-	-
Sean McKeon	80,000	51,000	35,417	86,417

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 and 2015 LTIP awards based on the TSR performance condition as described elsewhere in this report.

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 LTIP peer group.



Remuneration Committee and Advisors

The Remuneration Committee is comprised of three non-executive directors. Details of Committee membership and attendance at meetings in 2015 are outlined in the table below:

Committee membership and attendance

Members	Number of meetings attended
Margaret Sweeney	6/6
John Hennessy	6/6
Robert Dix	6/6

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.

Principal responsibilities

The principal responsibilities of the Remuneration Committee as outlined in its Terms of Reference (which are available on the Company's website) 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. Fees charged by Deloitte for material assistance to the Committee during the year were £27,000.

Key areas of focus during 2015 for the Remuneration Committee

- Considered in detail terms of reference and agreed near-term priorities.
- Reviewed and approved 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 2015.
- Considered approach to determining remuneration policy and criteria for bonus and incentive award schemes.
- Appointed specialist advisors to advise the Committee on the performance of its duties and the design of senior management remuneration structures.
- Reviewed and discussed the findings of the specialist advisors.
- Implemented provisions applicable from 2016 onwards for bonus deferral for Executive Directors and determined that for bonus awards and grants of awards under the LTIP, malus and clawback conditions would apply for awards made to Executive Directors, Company Secretary and certain members of the Executive Management Team.

Nomination Committee Report

Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee for 2015.

The Committee held its first meeting in February 2015. It comprises of three independent non-executive directors and operates to formal terms of reference which are available on the Company's website at **www.dalatahotelgroup.com**.

Activities for 2015

Board Composition and Diversity

During the year the Committee assessed the effectiveness and composition of the Board taking into account the breadth of experience and skills required. We fully recognise the value of diversity and adopted the Board Diversity Policy in January 2016.

Board Performance Evaluation

The Committee adopted the Board Evaluation Policy during the year. I led an internal board evaluation during 2015, the outcome of which has been positive. I can confirm that the Board and its committees operate effectively and that each director contributes to the overall effectiveness and success of the Group. The findings were presented to the Nomination Committee and the Board in January 2016.

Priorities for 2016

The Committee will focus on succession planning and talent development for both the Board and the Executive Management Team. We will also continue to review the composition of the Board and ensure that the Board has the right capabilities and competencies for the future. The Board will appoint an external facilitator to perform the Board evaluation in the third quarter of 2016.

Finally, the Committee appointed me as Senior Independent Director for a period of two years in February 2015. I am delighted that my fellow Non-Executive Directors recommended me for this role and look forward to continuing serving them in this role.

Alf Smiddy
Chairman, Nominations Committee

Key areas of focus during 2015 for the Nomination Committee

Terms of Reference
- Considered in detail the terms of reference of the Committee.

Senior Independent Director
- Outlined the functions of the role of Senior Independent Director.
- Appointed a Senior Independent Director.

Board Composition
- Assessed the effectiveness and performance of the Board and each of its Committees.
- Considered the Board Diversity Policy.

Succession Planning
- Reviewed the development of the Executive Management Team during 2015.

Board Performance Evaluation
- Adopted the Board Performance Evaluation Policy.
- Completed the Board Performance Evaluation process.
- Reaffirmed the time commitment of the Non-Executive Directors.
- Identified the training requirements of the Board.

Committee membership and attendance

Members	Number of meetings attended
Alf Smiddy	3/3
John Hennessy	3/3
Margaret Sweeney	3/3

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 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 2015.

Principal Activities and Business Review

Dalata Hotel Group plc is the largest hotel operator in the Republic of Ireland, and operates eight hotels in the UK. A detailed business review is included in the CEO's Review on pages 4 to 6 and in the Financial Review on pages 21 to 26.

Results for the Year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 and the consolidated statement of financial position at that date are set out on pages 85 and 86 respectively. The profit for the year after tax amounted to €21.6 million (2014: €3.5 million).

Dividends

There were no dividends paid or proposed by the Company during the year.

Future Developments

A review of future developments of the business is included in the Financial Review on pages 21 to 26.

Directors and Company Secretary

The names of the Directors and Company Secretary and a short biographical note on each appear on pages 45 to 47.

In accordance with the UK Corporate Governance Code, all directors will voluntarily retire and be subject to election by shareholders at the 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 64 to 73.

Substantial Holdings

The issued share capital of Dalata Hotel Group plc at 1 March 2016 consists of 182,966,666 ordinary shares. 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	18,062,433	9.9%
FMR LLC	14,628,364	8.0%
FIL Limited	11,232,141	6.1%
Ameriprise Financial, Inc	8,445,856	4.6%
Pioneer Asset Management S.A.	7,936,156	4.3%
Schroders plc	7,211,000	3.9%
I.G. International Limited	6,867,668	3.8%
Zurich Life Assurance plc	5,988,700	3.3%
Artmeis Fund Managers	5,757,441	3.1%
Prudential plc	5,662,144	3.1%

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 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 27 to 32. 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 Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records 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 financial statements are set out on pages 48 to 57.

Details of directors' remuneration are set out in the Remuneration Committee Report on pages 64 to 73.

Political Donations

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

Auditor

Pursuant to Section 383 (2) of the Companies Act 2014, the auditor, KPMG, Chartered Accountants, will continue in office.

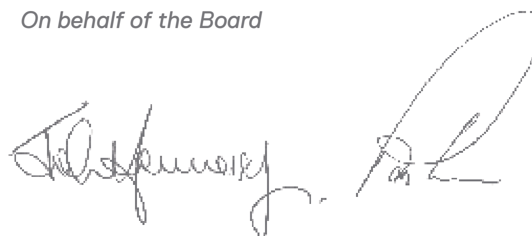
Subsidiaries

Information on the Group's subsidiaries is set out in Note 27 to the consolidated financial statements.

Subsequent events

Details of subsequent events are set out in Note 26 to the consolidated financial statements.

On behalf of the Board



John Hennessy
Chairman

Patrick McCann
Director

1 March 2016

Financial Statements

Statement of Directors' Responsibilities in respect of the Annual Report and 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, as applied in accordance with the Companies Act 2014.

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 year. 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 financial statements comply with IFRS as adopted by the European Union, and as regards the Company as applied in accordance with the Companies Act 2014; 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 also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss 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 Act 2014, 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.

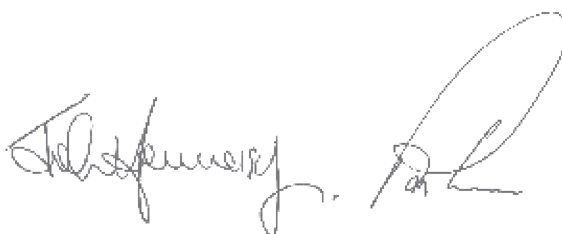
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website www.dalatahotelgroup.com. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 45 to 47 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- the consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, and the company financial statements, prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Group and Company at 31 December 2015 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 position and performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board



John Hennessy
Chairman

Patrick McCann
Director

1 March 2016

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 2015 which comprise the consolidated statement of profit or loss and other 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. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2014. 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 of the assets, liabilities and financial position of the Group as at 31 December 2015 and of its profit for the year then ended;
- the company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015;
- the consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the company financial statements and consolidated financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated 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 judgement, 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 consolidated 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 59 (Audit and Risk Committee Report), pages 91 to 92 (accounting policy for basis of consolidation) and Note 10 to the consolidated financial statements (financial disclosures – business combinations).

The risk – The scale of the Group has been transformed during 2015 due to the acquisition of nine hotels from the Moran Bewley Hotel Group and

a number of other material hotel acquisitions in the year. This gives 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, the fair value of the assets and liabilities acquired and goodwill arising 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 fair values of identifiable property and other assets and liabilities acquired, and the measurement of goodwill arising on acquisition, by considering the financial and other information pertaining to 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 relation to 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.

Property valuations and depreciation

Refer to page 59 (Audit and Risk Committee Report), page 94 (accounting policy for property, plant and equipment) and Note 12 to the consolidated financial statements (financial disclosures – property, plant and equipment)

The risk – The Group has a large owned hotel property portfolio as a result of acquisitions and under its accounting policies applies the revaluation model to its land and buildings included within property, plant and equipment. This gives rise to a risk of material misstatement if periodic revaluations are not performed on an appropriate basis or are not accounted for in accordance with relevant accounting standards. The Group engages independent external experts to perform hotel valuations at acquisition and subsequent periodic revaluations. The hotel valuations are performed inclusive of fixtures fittings and equipment, which the Group accounts for under the cost model. Appropriate allocations of hotel valuations must therefore be made between land (which is not depreciated), buildings, and fixtures fittings and equipment for accounting purposes.

Due to the size of the owned hotel property portfolio, depreciation of buildings is a significant accounting estimate. There is a risk of significant misstatement if the depreciation charge for buildings is not based on appropriate assumptions including the allocation of hotel valuations to buildings, the estimated residual values of buildings and their estimated useful lives. The Group engaged independent external experts to assist it in its determination of residual values.

Our response – Our audit procedures included, among others: evaluating the approach and findings of the work performed by the independent external experts engaged by the Group in relation to hotel valuations and residual values; considering the allocation of hotel valuations to land, buildings, and fixtures fittings and equipment; assessing the reasonableness of the assumptions made on residual values of buildings with regard to supporting

documentation; recalculating the buildings depreciation charge on the basis of the assumptions made; and testing the amounts of individual property revaluation movements and their presentation either in other comprehensive income or in profit or loss, as appropriate.

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

The materiality for the consolidated financial statements as a whole was set at €2.2m (2014: €0.4m). This has been calculated with reference to a benchmark of group profit before taxation, normalised to exclude this year's acquisition-related costs of €15.8m as disclosed in Note 3 to the consolidated financial statements. 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 Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.1m (2014: €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 on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statements on Risk Management on pages 27 to 32 and page 56, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018; or
- the disclosures in note 1 of the consolidated financial statements concerning the use of the going concern basis of accounting.

5. 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 55, in relation to going concern;
- the part of the Corporate Governance Statement on pages 48 to 57 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and 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 Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

6. Our conclusions on other matters on which we are required to report by the Companies Act 2014 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 accounting records and, in our opinion, adequate accounting records 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 consolidated financial statements is consistent with the consolidated financial statements.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on pages 78 and 79, 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 consolidated 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 expense 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 391 of the Companies Act 2014. 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

1 March 2016

Consolidated statement of profit or loss and other comprehensive income

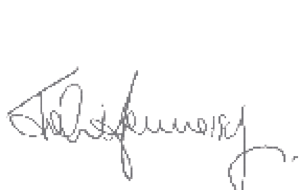
for the year ended 31 December 2015

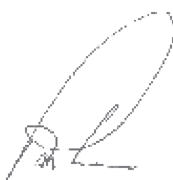
	Note	2015 €'000	2014 €'000
Continuing operations			
Revenue	2	225,673	79,073
Cost of sales		(86,907)	(29,379)
Gross profit		138,766	49,694
Administrative expenses, including acquisition-related costs of €15.802 million (2014: €2.821 million)	3	(104,554)	(44,716)
Other income	4	2,745	-
Operating profit		36,957	4,978
Finance income	5	1,863	409
Finance costs	6	(10,363)	(1,191)
Profit before tax		28,457	4,196
Tax charge	9	(6,831)	(673)
Profit for the year attributable to owners of the Company		21,626	3,523
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property	12	46,567	8,390
Related deferred tax	23	(6,398)	(1,049)
		40,169	7,341
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		5,169	88
Loss on net investment hedge		(4,329)	-
Fair value movement on cashflow hedges		(1,670)	-
Cashflow hedges – reclassified to profit or loss		655	-
Related deferred tax	23	127	-
		(48)	88
Other comprehensive income, net of tax		40,121	7,429
Total comprehensive income for the year attributable to owners of the Company		61,747	10,952
Earnings per share			
Basic earnings per share	28	€0.1455	€0.0365
Diluted earnings per share	28	€0.1447	€0.0364

Consolidated statement of financial position
At 31 December 2015

	Note	2015 €'000	2014 €'000
Assets			
Non-current assets			
Goodwill	*11*	**46,803**	7,066
Property, plant and equipment	*12*	**608,792**	52,294
Investment property	*13*	**37,285**	1,248
Deferred tax assets	*23*	**3,936**	319
Trade and other receivables	*15*	**2,216**	5,249
Derivatives	*14*	**26**	-
Total non-current assets		**699,058**	66,176
Current assets			
Trade and other receivables	*15*	**11,774**	9,544
Inventories	*16*	**1,349**	593
Cash and cash equivalents	*17*	**149,155**	217,807
Total current assets		**162,278**	227,944
Total assets		**861,336**	294,120
Equity			
Share capital	*19*	**1,830**	1,220
Share premium	*19*	**503,113**	295,133
Capital contribution	*18*	**25,724**	25,724
Merger reserve	*18*	**(10,337)**	(10,337)
Share-based payment reserve		**912**	273
Hedging reserve		**(888)**	-
Revaluation reserve		**47,510**	7,341
Translation reserve		**880**	40
Retained earnings		**(31,448)**	(46,681)
Total equity		**537,296**	272,713
Liabilities			
Non-current liabilities			
Loans and borrowings	*22*	**250,168**	-
Deferred tax liabilities	*23*	**15,859**	960
Derivatives	*14*	**885**	-
Total non-current liabilities		**266,912**	960
Current liabilities			
Loans and borrowings	*22*	**15,970**	-
Trade and other payables	*20*	**40,180**	20,345
Current tax liabilities		**978**	102
Total current liabilities		**57,128**	20,447
Total liabilities		**324,040**	21,407
Total equity and liabilities		**861,336**	294,120

On behalf of the Board:





John Hennessy
Chairman

Patrick McCann
Director

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Translation reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2015	1,220	295,133	25,724	(10,337)	273	-	40	7,341	(46,681)	**272,713**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	21,626	**21,626**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	5,169	-	-	**5,169**
Loss on net investment hedge	-	-	-	-	-	-	(4,329)	-	-	**(4,329)**
Revaluation of property	-	-	-	-	-	-	-	46,567	-	**46,567**
Fair value movement on cashflow hedges	-	-	-	-	-	(1,670)	-	-	-	**(1,670)**
Cashflow hedges – reclassified to profit or loss	-	-	-	-	-	655	-	-	-	**655**
Related deferred tax	-	-	-	-	-	127	-	(6,398)	-	**(6,271)**
Total comprehensive income for the year	-	**-**	**-**	**-**	**-**	**(888)**	**840**	**40,169**	**21,626**	**61,747**
Transactions with owners of the Company:										
Issue of shares (Note 19)	610	209,716	-	-	-	-	-	-	-	**210,326**
Share issue costs (Note 19)	-	(1,736)	-	-	-	-	-	-	(6,393)	**(8,129)**
Equity-settled share-based payments	-	-	-	-	639	-	-	-	-	**639**
Total transactions with owners of the Company	**610**	**207,980**	**-**	**-**	**639**	**-**	-	-	(6,393)	**202,836**
At 31 December 2015	**1,830**	**503,113**	**25,724**	**(10,337)**	**912**	**(888)**	**880**	**47,510**	**(31,448)**	**537,296**

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	Reverse acquisition reserve €'000	Translation reserve €'000	Revaluation reserve €'000	Retained earnings €'000	Total €'000
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	-	-	-	-	-	-	**88**	**7,341**	**3,523**	**10,952**
Transactions with owners of the Company:										
Issue of shares prior to reorganisation	40	-	-	-	-	-	-	-	-	**40**
Reorganisation – share exchange and release of shareholder loan note obligations (Note 18)	-	10,337	25,724	(10,337)	-	(4)	-	-	-	**25,720**
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**	**25,724**	**(10,337)**	**273**	**(4)**	-	-	-	**312,009**
At 31 December 2014	**1,220**	**295,133**	**25,724**	**(10,337)**	**273**	-	**40**	**7,341**	**(46,681)**	**272,713**

Consolidated statement of cash flows

for the year ended 31 December 2015

	2015 €'000	2014 €'000
Cash flows from operating activities		
Profit for the year	21,626	3,523
Adjustments for:		
Depreciation of property, plant and equipment	10,039	991
Amortisation of intangible assets	-	128
Impairment of goodwill	199	-
Impairment of property, plant and equipment	1,131	-
Decrease in fair value of investment property	445	-
Share-based payments expense	639	273
Finance costs	10,363	1,191
Finance income	(1,863)	(409)
Tax charge	6,831	673
	49,410	6,370
Increase in trade and other payables	6,683	9,159
Decrease/(increase) in trade and other receivables	1,568	(3,732)
Increase in inventories	(317)	(58)
Tax paid	(2,941)	(821)
Net cash from operating activities	54,403	10,918
Cash flows from investing activities		
Acquisitions of undertakings through business combinations	(479,087)	(20,063)
Purchase of property, plant and equipment	(28,551)	(21,105)
Purchase of investment property	(35,897)	-
Deposits paid on acquisitions	(1,316)	(4,116)
Interest received	6	115
Net cash used in investing activities	(544,845)	(45,169)
Cash flows from financing activities		
Interest and finance costs paid on bank loans	(13,753)	(152)
Receipt of bank loans	283,090	-
Repayment of bank loans	(17,890)	(9,000)
Repayment of shareholder loan notes	-	(40)
Proceeds from issue of share capital, net of expenses	168,700	256,016
Payment for derivative asset	(156)	-
Net cash from financing activities	419,991	246,824
Net (decrease)/increase in cash and cash equivalents	(70,451)	212,573
Cash and cash equivalents at the beginning of the year	217,807	4,940
Effect of movements in exchange rates	1,799	294
Cash and cash equivalents at the end of the year	149,155	217,807

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 domiciled 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 2015 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 1 March 2016.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU. 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 10)
- Carrying value and depreciation of own-use property measured at fair value (Note 12)
- Carrying value of investment property measured at fair value (Note 13)
- Carrying value of goodwill including assumptions underpinning the goodwill impairment test (Note 11)
- Hedging arrangements (Note 14 and Note 21) including mitigation of interest rate risk and mitigation of the effect of fluctuation of the Euro/Sterling exchange rate on the value of the net investment in Sterling denominated operations
- Trade receivables impairment provisions (Note 21) and accrued income (Note 15)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of assets and liabilities at 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 Property 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.

Notes (continued)

1 Significant accounting policies (continued)

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

The requirements of the *Annual Improvements to IFRSs 2011-2013 Cycle* became mandatory for the first time in the year ended 31 December 2015, but did not have a significant impact on the Group's results for the period or financial position.

A number of new standards, amendments to standards and interpretations are effective for financial periods beginning on various dates after 1 January 2015 and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early, and instead intends to apply them from their effective dates as determined by their dates of EU endorsement. With the exception of *IFRS 16: Leases* none of these standards are expected to have a material impact on the financial statements.

IFRS 16: Leases, which has an effective date of 1 January 2019 (awaiting EU endorsement, no indicative endorsement date available), will have a significant effect on the Group's financial statements as the Group is a lessee in a number of material property leases. Under the new standard the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required. The full impact of this standard on the Group's financial position and performance is currently being assessed.

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

- IFRS 14 Regulatory Deferral Accounts. No indicative endorsement date available.
- Sale or contribution of assets between an investor and its associate or joint venture (September 2014) (Amendments to IFRS 10 and IAS 28). Endorsement postponed awaiting IASB developments.
- Investment Entities: Applying the consolidation exception (December 2014) (Amendments to IFRS 10, IFRS 12 and IAS 28). Expected to be endorsed Q2 2016.
- IFRS 15: Revenue from contracts with customers (May 2014) including amendments to IFRS 15. Expected to be endorsed Q2 2016.
- IFRS 9: Financial Instruments (July 2014). Expected to be endorsed H1 2016.

(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.

Notes (continued)

1 Significant accounting policies (continued)

(d) Basis of consolidation (continued)

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.

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 10 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 membership revenue is recognised over the life of the membership.

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 recoverable under the terms of the contract.

Notes (continued)

1 Significant accounting policies (continued)

(e) Revenue recognition (continued)

Rental income from investment property is recognised on a straight-line basis over the term of the lease and is included as other income.

(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 profit or loss. These adjustments are referred to as sales discounts and allowances.

(g) Lease payments

Payments made under operating leases are recognised in profit or loss 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 any 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. The amount recognised as an expense is not adjusted for market conditions not being met.

(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 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.

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.

Notes (continued)

1 Significant accounting policies (continued)

(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 that have yet to be received related to the awards.

(k) 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.

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 and IFRS 13.

Surpluses on revaluation are recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that they reverse impairment losses previously charged to profit or loss, 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 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.

(l) 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.

Notes (continued)

1 Significant accounting policies (continued)

(l) Investment property (continued)

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.

(m) Goodwill

Goodwill represents the excess of the fair value of the consideration for an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognised. When the excess is negative (a bargain purchase gain), it is recognised immediately in profit or loss.

Goodwill is measured at its initial carrying amount 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.

(n) Inventories

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

(o) 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.

(p) 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)

(q) 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.

(r) 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.

(s) 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.

Accrued liabilities in respect of self-insured risks include projected settlements for known and incurred but not reported claims.

(t) 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.

(u) 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.

Notes (continued)

1 Significant accounting policies (continued)

(v) Derivative financial instruments

The Group's borrowings expose it to the financial risks of changes in interest rates. The Group uses derivative financial instruments such as interest rate swap agreements and interest rate cap agreements to hedge these exposures. The Group does not use derivatives for trading or speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months.

The fair value of derivative instruments is determined by using valuation techniques. The Group uses its judgement to select the most appropriate valuation methods and makes assumptions that are mainly based on observable market conditions (Level 2 fair values) existing at the reporting date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(w) Cash flow hedge accounting

For those derivatives designated as cash flow hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. Any ineffective portion is recognised immediately in profit or loss as finance income/costs.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, if a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss accumulated in equity is reclassified to profit or loss.

(x) Net investment hedges

Where relevant, the Group uses a net investment hedge, whereby the foreign currency exposure arising from a net investment in a foreign operation is hedged using borrowings held by the parent company that are denominated in the functional currency of the foreign operation.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in other comprehensive income in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is reclassified to profit or loss.

Notes (continued)

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.

In 2015 the Group has grown rapidly in size through acquisition and become more focused on maximising the returns from its portfolio of leased and owned hotels. As a result earnings from management agreements represent a significantly lower proportion of the Group's overall result. The segmental analysis has been amended in the 2015 financial statements to reflect this and is no longer segmented on the basis of results from 'Leased and owned' hotels and 'Managed' hotels.

The group now segments its leased and owned business by geographical region within which the hotels operate – Dublin, Ireland Regional and United Kingdom. These, together with Managed hotels, comprise the Group's four reportable segments. Prior year comparatives have been restated to reflect this change.

Dublin, Ireland Regional and United Kingdom segments:

These segments are concerned with hotels that are either owned or leased by the Group. 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 2015, the Group also owns 16 hotels and has effective ownership of one further hotel which it operates. It also owns part of one of the other hotels which it operates.

The Group also owns the newly acquired Clarion Cork but as of 31 December 2015 it did not operate the hotel and it is classified as an investment property. On 28 January 2016, the Group announced that it would acquire the leasehold interest of the Clarion Cork hotel as part of a wider acquisition (see Note 26) and become the operator of that hotel. Consequently, this will be accounted for as property, plant and equipment in the 2016 financial statements.

The Group drives revenue from leased and owned hotels primarily from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising are payroll, cost of goods for resale, other operating costs and, in the case of leased hotels rent paid to lessors.

Managed Hotels:

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

Revenue	**2015**	2014
	€'000	€'000
Dublin	**120,759**	51,862
Ireland Regional	**42,989**	15,491
United Kingdom	**58,370**	6,273
Managed Hotels	**3,555**	5,447
Total revenue	**225,673**	79,073

Revenue for each of the geographical locations represents the operating revenue (room revenue, food and beverage revenue and other hotel revenue) from leased and owned hotels situated in (i) Dublin, (ii) the rest of the Republic of Ireland and (iii) the United Kingdom.

Revenue from managed hotels represents the fees and other income earned from services provided in relation to partner hotels which are not owned or leased by the Group.

Notes (continued)

2 Operating segments *(continued)*

	2015 €'000	2014 €'000
Segmental results - EBITDAR		
Dublin	53,754	18,602
Ireland Regional	9,695	3,364
United Kingdom	22,249	2,224
Managed Hotels	3,555	5,447
EBITDAR for reportable segments	89,253	29,637

	2015 €'000	2014 €'000
Segmental results - EBITDA		
Dublin	39,262	6,299
Ireland Regional	7,734	1,278
United Kingdom	19,535	392
Managed Hotels	3,555	5,447
EBITDA for reportable segments	70,086	13,416
Reconciliation to results for the year		
Segments EBITDA	70,086	13,416
Rental income	608	-
Central costs	(8,068)	(4,498)
Adjusted EBITDA	62,626	8,918
Net impact of Ballsbridge site sale	1,947	-
Acquisition-related costs	(15,802)	(2,821)
Net impairment charge	(1,775)	-
Group EBITDA	46,996	6,097
Depreciation of property, plant and equipment	(10,039)	(991)
Amortisation of intangible assets	-	(128)
Finance income	1,863	409
Finance costs	(10,363)	(1,191)
Profit before tax	28,457	4,196
Tax	(6,831)	(673)
Profit for the year	21,626	3,523

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

Adjusted EBITDA represents Group EBITDA before acquisition related costs (Note 3), net impairment charges on owned and investment property and goodwill and the net impact of the Ballsbridge site sale (see below).

The line item 'Net impact of Ballsbridge site sale' represents a sales incentive fee of €2.1 million (Note 4) receivable by the Group following the sale by the landlord in 2015 of the Ballsbridge Hotel, Clyde Court Hotel and their respective sites, less associated exit costs of €0.2 million.

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.

'Segmental results – EBITDA' for Dublin, Ireland Regional and United Kingdom represents the 'Adjusted EBITDA' before central costs and excluding rental income for each geographical location. It is the net operational contribution of leased and owned hotels in each geographical location.

Notes (continued)

2 Operating segments (continued)

'Segmental results – EBITDA and EBITDAR' for managed hotels represents fees earned from services provided in relation to partner hotels. All of this activity is managed corporately and specific individual costs are not allocated to this segment.

'Segmental results – EBITDAR' for Dublin, Ireland Regional and United Kingdom represents 'Segmental results – EBITDA' before rent. For leased hotels rent paid to lessors amounted to €19.2 million in 2015 *(2014: €16.2 million)*.

Other geographical information	**2015 €'000**	2014 €'000
Revenue		
Republic of Ireland	**167,075**	72,669
United Kingdom	**58,598**	6,404
	225,673	79,073
Non-current assets (excluding deferred tax and derivatives)		
Republic of Ireland	**433,574**	59,408
United Kingdom	**261,522**	6,449
	695,096	65,857

3 Statutory and other information

	2015 €'000	2014 €'000
Depreciation of property, plant and equipment	**10,039**	991
Amortisation of intangible assets	**-**	128
Operating lease rentals	**19,229**	16,332
Acquisition-related costs	**15,802**	2,821
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements	**270**	165
Tax advisory services	**406**	282
Other non-audit services	**335**	865
	1,011	1,312
Directors' remuneration		
Salary and other emoluments	**1,855**	1,043
Fees	**280**	183
Pension contributions	**76**	38
	2,211	1,264

Acquisition-related costs for the year ended 31 December 2015 include professional fees, stamp duty costs, redundancy and other costs associated with the 2015 business combinations outlined in Note 10 and 2016 business combinations outlined in Note 26. Details of the acquisition-related costs charged to profit or loss in 2015 are outlined below.

Notes (continued)

3 Statutory and other information (continued)

	2015 €'000
Stamp duty incurred on acquisitions	11,098
Professional fees incurred on acquisitions	2,764
Integration costs	1,940
Acquisition-related costs	**15,802**

Integration costs include primarily severance costs and certain other non-recurring costs directly related to business combinations.

	2014 €'000
Stamp duty incurred on acquisitions	548
Professional fees incurred on acquisitions	2,273
Acquisition-related costs	**2,821**

The audit of Group, Company and subsidiary financial statements fees are inclusive of the fees relating to the reviews of interim condensed consolidated financial statements for the six month periods ended 30 June. Auditor's remuneration for the audit of the Company financial statements was €10,000 *(2014: €10,000)*. The majority of the fees for tax advisory and non-audit services in 2014 and 2015 relate to the acquisition of new hotels, including the acquisition of Moran Bewley Hotel Group and the related fundraising, and the subsequent fundraising in October 2015.

Details of the directors' remuneration and interests in conditional share awards are set out in the Remuneration Committee Report on pages 64 to 73.

4 Other income

	2015 €'000	2014 €'000
Rental income from investment property	**608**	-
Impact of Ballsbridge site sale (Note 2)	**2,137**	-
	2,745	-

5 Finance income

	2015 €'000	2014 €'000
Interest income on bank deposits	**6**	115
Exchange gain on cash and cash equivalents	**1,857**	294
	1,863	409

Notes (continued)

6 Finance costs

	2015 €'000	2014 €'000
Interest expense on bank loans and borrowings	9,708	152
Cashflow hedges – reclassified from other comprehensive income (Note 14)	655	-
Interest expense on unsecured shareholder loan notes	-	1,039
	10,363	1,191

7 Personnel expenses

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

	2015 Number	2014 Number
Administration	260	102
Other	1,803	642
	2,063	744

Full time equivalents spilt by geographical region was as follows:	2015 Number	2014 Number
Dublin (including Group's central functions)	1,033	505
Ireland Regional	541	195
United Kingdom	489	44
	2,063	744

The aggregate payroll costs of these persons were as follows:	2015 €'000	2014 €'000
Wages and salaries	58,778	22,712
Social welfare costs	5,477	2,441
Pension costs – defined contribution	528	300
Share-based payments expense	639	273
Severance costs	1,281	-
	66,703	25,726

8 Long-term incentive plan

Equity-settled share-based payment arrangements

During the year ended 31 December 2015, the Remuneration Committee of the Board of Directors approved the conditional grant of 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.

In March 2015 607,518 ordinary shares were conditionally awarded to eligible service employees across the Group (49 in total) and vest based on the employees staying in service for 3 years from the grant date (27 March 2015).

Notes (continued)

8 Long-term incentive plan (continued)

In October 2015 86,796 ordinary shares were conditionally awarded to eligible service employees across the Group (15 in total) and vest based on the employees staying in service for 3 years from the grant date (7 October 2015).

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. Awards shall vest on a pro-rated basis for TSR performance falling between these thresholds.

The total expected cost of the award made in March 2015 was estimated at €1.1 million of which €0.27 million has been charged against profit for the year ended 31 December 2015. The remaining €0.8 million will be charged to profit or loss in equal instalments over the remainder of the three year vesting period.

The total expected cost of the award made in October 2015 was estimated at €0.2 million of which €0.02 million has been charged against profit for the year ended 31 December 2015. The remaining €0.18 million will be charged to profit or loss in equal instalments over the remainder of the three year vesting period.

The total expected cost in relation to the award made in 2014 was estimated at €1.0 million of which €0.35 million has been charged against profit for the year ended 31 December 2015 and €0.3 million was charged against profit for the year ended 31 December 2014. The remaining €0.3 million will be charged to profit or loss in equal instalments over the remainder of the three year vesting period.

	Number of share awards granted	
	2015	2014
Outstanding share awards granted at beginning of period	**754,154**	-
Share awards granted during the period	**694,314**	754,154
Outstanding share awards granted at end of period	**1,448,468**	754,154

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:

	March 2015	October 2015	2014
Fair value at grant date	€1.92	€2.43	€1.49
Share price at grant date	€3.55	€4.27	€2.50
Exercise price	€0.01	€0.01	€0.01
Expected volatility	26.03% pa.	26.40% pa	35.29% pa.
Dividend yield	1.5%	1.5%	1.5%
Performance period	3 years	3 years	3 years

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

Notes (continued)

9 Tax charge

	2015 €'000	2014 €'000
Current tax		
Irish corporation tax	**3,015**	888
UK corporation tax	**824**	16
(Over)/under provision in respect of prior periods	**(70)**	7
	3,769	911
Deferred tax charge/(credit) (note 23)	**3,062**	(238)
	6,831	673

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:

	2015 €'000	2014 €'000
Profit before tax	**28,457**	4,196
Tax on profit at standard Irish income tax rate of 12.5%	**3,557**	525
Effects of:		
Income taxed at a higher rate	**543**	26
Expenses not deductible for tax purposes	**1,985**	448
Recognition of prior year deferred tax asset	**-**	(330)
Income tax withheld	**-**	4
Overseas income taxed at higher rate	**753**	7
Losses utilised at higher rate	**(432)**	(14)
(Over)/under provision in respect of prior periods	**(70)**	7
Other differences	**495**	-
	6,831	673

10 Business combinations

Acquisition of Moran Bewley Hotel Group

On 3 February 2015, the Group completed the acquisition of nine hotels from the Moran Bewley Hotel Group for a consideration of €452.3 million. The transaction significantly increased the scale and geographical reach of the Group. The nine hotels acquired were as follows:

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

Notes (continued)

10 Business combinations (continued)

	3 February 2015 Fair Value €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Non-current assets	
Hotel property (land & buildings)	419.1
Fixtures, fittings & equipment	6.0
Motor vehicles	0.1
Deferred tax assets	5.6
Current assets	
Inventories	0.4
Trade and other receivables	0.5
Cash	3.2
Current liabilities	
Trade and other payables	(7.2)
Non-current liabilities	
Deferred tax liabilities	(7.6)
Total identifiable assets	**420.1**
Goodwill	32.2
Total consideration	**452.3**
Satisfied by:	
Cash	418.7
Issue of 12,200,000 ordinary shares at €2.75 per share	33.6
	452.3

Included in the goodwill figure is €13.5 million which is deemed as attributable to goodwill arising on acquisition of foreign operations. Consequently such goodwill is subsequently retranslated at the closing rate. The retranslation at year end resulted in a foreign currency gain of €0.4m and a corresponding increase to goodwill (see Note 11).

The acquisition method of accounting has been used to consolidate the businesses acquired in the Group's financial statements.

The goodwill is attributable to factors including expected profitability and revenue growth, increased market share, increased geographical presence, the opportunity to develop the Group's brands and the synergies expected to arise within the Group after acquisition.

Acquisition-related costs of €12.4 million *(2014: €1.9 million)* were charged to administrative expenses in profit or loss.

From the acquisition date to 31 December 2015, this acquisition contributed revenue of €100.1 million and profit before tax of €33.4 million (excluding acquisition-related costs) to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €105.4 million and profit before tax and acquisition related costs of €34.3 million to the consolidated results of the Group.

Notes (continued)

10 Business combinations (continued)

Acquisition of Clayton Hotel, Galway

On 21 January 2015, the Group acquired full ownership of the property and business of Clayton Hotel, Galway for a total cash consideration of €16.6 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €16 million, fixtures, fittings and equipment €0.4 million and net working capital assets of €0.1 million. Goodwill of €0.1 million arose on this acquisition. From the acquisition date to 31 December 2015, this acquisition contributed revenue of €8.0 million and profit before tax of €1.5 million (excluding acquisition-related costs) to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €8.2 million and profit before tax and acquisition related costs of €1.4 million to the consolidated results of the Group.

Acquisition of Whites Hotel, Wexford

On 13 February 2015, the Group acquired full ownership of the property and business of Whites Hotel, Wexford (now trading as Clayton Whites Hotel Wexford) for a total cash consideration of €15 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €13.3 million, fixtures, fittings and equipment €0.4 million and net working capital liabilities of €0.2 million. Goodwill of €1.5 million arose on this acquisition and is attributable to expected profitability and revenue growth, increased market share, and the synergies expected to arise within the Group after acquisition. From the acquisition date to 31 December 2015, this acquisition contributed revenue of €7.8 million and profit before tax of €1.3 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €8.7 million and profit before tax of €1.2 million to the consolidated results of the Group.

Acquisition of Pillo Hotel, Galway

On 13 February 2015, the Group acquired full ownership of the property and business of Pillo Hotel, Galway (now trading as Maldron Hotel Sandy Road, Galway) for a total cash consideration of €10.5 million. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €8 million, fixtures, fittings and equipment €0.2 million, investment properties €0.6 million and net working capital liabilities of €0.1 million. Goodwill of €1.8 million arose on this acquisition and is attributable to expected profitability and revenue growth, increased market share, and the synergies expected to arise within the Group after acquisition. From the acquisition date to 31 December 2015, this acquisition contributed revenue of €3.9 million and profit before tax of €0.9 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €4.3 million and profit before tax of €0.8 million to the consolidated results of the Group.

Acquisition of Holiday Inn, Belfast

On 24 March 2015, the Group acquired full ownership of the property and business of the Holiday Inn, Belfast (now trading as Clayton Hotel Belfast) for a total cash consideration of €25.7 million (£18.7 million). The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €20.7 million (£15.0 million), fixtures, fittings and equipment €0.4 million (£0.2 million) and net working capital assets of €0.6 million (£0.5 million). Goodwill of €4.0 million (£3 million) arose on the date of this acquisition and is attributable to expected profitability and revenue growth, increased market share, the opportunity to develop a brand and the synergies expected to arise within the Group after acquisition. From the acquisition date to 31 December 2015, this acquisition contributed revenue of €5.9 million (£4.3 million) and profit before tax of €1.1 million (£0.8 million) to the consolidated results of the Group. Had the acquisition occurred at 1 January 2015 it would have contributed revenue of €7.3 million (£5.3 million) and profit before tax of €1.2 million (£0.9 million) to the consolidated results of the Group.

Notes (continued)

10 Business combinations (continued)

Prior year acquisitions

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 2014 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 2014 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 in 2014 within acquisition-related costs (see Note 3).

11 Goodwill

	2015 €'000	2014 €'000
Cost		
At beginning of year	**42,258**	42,059
Additions (see note 10)	**39,557**	199
Effect of movements in exchange rates	**379**	-
At end of year	**82,194**	42,258
Impairment losses		
At beginning of year	**(35,192)**	(35,192)
During the year	**(199)**	-
	(35,391)	(35,192)
Carrying amount		
At end of year	**46,803**	7,066
At beginning of year	**7,066**	6,867

Additions to goodwill of €39.6 million in 2015 relate to the acquisition of the Moran Bewley Hotel Group (€32.2m), Clayton Hotel Galway (€0.1m), Whites Hotel Wexford (€1.5m), Pillo Hotel Galway (€1.8m) and Holiday Inn Belfast (€4.0m) (see Note 10).

Notes (continued)

11 Goodwill (continued)

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.

Carrying amount of goodwill allocated:	2015 €'000	2014 €'000
2007 Irish hotel operations acquired	6,867	6,867
Moran Bewley Hotel Group	32,563	-
Holiday Inn Belfast	4,088	-
Other acquisitions	3,285	199
	46,803	7,066

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

2007 Irish hotel operations acquired

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 2016.
- Cash flow projections assume a long term compound annual growth rate of 2% in EBITDA.
- 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 8.5%. 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 2015, the recoverable amount was determined to be significantly higher than the carrying amount of the group of CGUs. There is no reasonably foreseeable change in assumptions that would impact adversely on the carrying value of goodwill. The directors concluded that the carrying value of this goodwill is not impaired at 31 December 2015.

Notes (continued)

11 Goodwill (continued)

2015 Moran Bewley group and other single hotel acquisitions

For the purposes of impairment testing goodwill has been allocated to each of the hotels acquired as CGUs. As these hotel properties are valued annually by independent external valuers, the recoverable amount of the CGUs is based on a fair value less costs of disposal estimate, or where this value is less than the acquisition value of the asset plus its allocated goodwill, a value in use calculation is prepared. Value in use is determined by discounting the future cash flows generated from the continuing use of these hotels. The value in use estimates were 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 2016.
- Cash flow projections conservatively assume a long term compound annual growth rate of 2% in EBITDA.
- 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 terminal (Year 10) capitalisation rates consistent with those used by the external property valuers which incorporates a long term growth rate of 2%.
- The cash flows are discounted using a risk adjusted discount rate of 8.5%. 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 2015, the recoverable amount was determined to be significantly higher than the carrying amount of the group of CGUs. There is no reasonably foreseeable change in assumptions that would adversely impact on the carrying value of goodwill. The directors concluded that the carrying value of goodwill is not impaired at 31 December 2015.

Notes (continued)

12 Property, plant and equipment

	Land and buildings €'000	Fixtures, fittings and equipment €'000	Motor Vehicles €'000	Total €'000
Cost or valuation				
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 gain	8,161	-	-	8,161
Effect of movements in exchange rates	(7)	39	-	32
At 31 December 2014	46,709	9,171	-	55,880
At 1 January 2015				
Valuation	46,709	-	-	46,709
Cost	-	9,171	-	9,171
Acquisitions through business combinations	477,081	7,765	110	484,956
Other additions	16,644	14,174	101	30,919
Disposals	-	(232)	(8)	(240)
Revaluation gain	40,713	-	-	40,713
Impairment	(1,195)	-	-	(1,195)
Effect of movements in exchange rates	5,149	92	-	5,241
At 31 December 2015				
Valuation	**585,101**	**-**	**-**	**585,101**
Cost	**-**	**30,970**	**203**	**31,173**
	585,101	**30,970**	**203**	**616,274**
Accumulated depreciation				
At 1 January 2014	-	2,821	-	2,821
Charge for the year	229	762	-	991
Elimination of depreciation on revaluation	(229)	-	-	(229)
Effect of movements in exchange rates	-	3	-	3
At 31 December 2014	-	3,586	-	3,586
At 1 January 2015	-	3,586	-	3,586
Charge for the year	5,905	4,090	44	10,039
Elimination of depreciation on disposals	-	(232)	(1)	(233)
Elimination of depreciation on revaluation	(5,854)	-	-	(5,854)
Elimination of depreciation on impairment	(64)	-	-	(64)
Effect of movements in exchange rates	13	(5)	-	8
At 31 December 2015	**-**	**7,439**	**43**	**7,482**
Net book value				
At 31 December 2015	**585,101**	**23,531**	**160**	**608,792**
At 31 December 2014	46,709	5,585	-	52,294

Notes (continued)

12 Property, plant and equipment (continued)

The carrying value of land and buildings revalued at 31 December 2015 is €585.1 million. The value of these assets under the cost model is €531.3 million. In 2015 the unrealised revaluation gains arising of €46.6 million have been reflected through other comprehensive income and in the revaluation reserve in equity, and an impairment charge of €1.2 million (together with a related goodwill impairment charge of €0.2 million - Note 11) have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2015 is land at a carrying value of €101.6 million which is not depreciated.

Acquisitions through business combinations in the year ended 31 December 2015 includes the following:

- Moran Bewley Hotel Group of nine hotels (see Note 10)
- Whites Hotel Wexford
- Clayton Hotel Galway
- Pillo Hotel Galway
- Holiday Inn Belfast

Other additions to land and buildings in the year ended 31 December 2015, include extensions to certain properties and the acquisition of the following properties where the Group was already operating a hotel business:

- Maldron Hotel, Wexford
- Ancillary buildings Maldron Hotel, Pearse Street, Dublin
- A suite at Clayton Hotel Cardiff Lane, Dublin

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 2016.

The value of the Group's property at 31 December 2015 reflects open market valuations carried out in December 2015 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 6.9% to 14.5% (Years 1-10)
- Terminal (Year 10) capitalisation rates of 4.9% to 12.5%

Notes (continued)

12 Property, plant and equipment (continued)

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 lower or higher

Valuations also had regard to relevant recent data on hotel sales activity metrics.

13 Investment property

	2015 €'000	2014 €'000
Cost or valuation		
At beginning of period	**1,248**	-
Acquisitions through business combinations	**585**	1,248
Other additions - cost	**35,098**	-
Capitalised transaction costs	**799**	-
Net loss from fair value adjustments	**(445)**	-
	37,285	1,248

Investment property comprises:

- Two commercial properties which were acquired on 29 August 2014 as part of the Maldron Hotel Pearse Street acquisition. The investment properties are leased to third parties for lease terms of 25 and 30 years, with 15 and 11 years remaining.
- Commercial properties which were acquired on 13 February 2015 as part of the Pillo Hotel Galway acquisition. The investment properties are leased to third parties for lease terms of 20 years, with 16 years remaining and a break clause in three years.
- The freehold interest in the Clarion Hotel Cork which was acquired in November 2015 for a total cash consideration of €35.1m plus direct transaction costs of €0.8m. As at 31 December 2015, this investment property was leased to a third party for a lease term of 35 years, with 24 years remaining. On 28 January 2016, the Group announced that it would acquire the leasehold interest of the Clarion Cork hotel as part of a wider acquisition (see Note 26) and become the operator of that hotel. Consequently, this will be accounted for as property, plant and equipment in the 2016 financial statements.

Changes in fair values are recognised in administrative expenses in profit or loss.

The value of the Group's investment properties at 31 December 2015 reflect an open market valuation carried out in December 2015 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 adopted is the investment method of valuation. This method is based on a review of the current passing rent, open market rent, comparable investment sales and a yield of 6.5%.

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

- Rent was higher or lower than expected
- The yield used as the capitalisation rate was higher or lower

Notes (continued)

14 Derivatives

During the year, the Group entered into interest rate swaps and a cap agreement with a syndicate of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (see Note 22). Interest rate swaps are employed by the Group to partially convert the Group's borrowings from floating to fixed interest rates.

An interest rate cap is employed to limit the exposure to upward movements in floating interest rates.

The terms of the derivatives are as follows:

- Interest rate swaps with a maturity date of 3 February 2020, covering approximately 77% of the Group's sterling denominated borrowings at 31 December 2015. These swaps fix the LIBOR benchmark rate to 1.5025%.
- Interest rate cap with a maturity date of 30 September 2019, covering approximately 47% of the Group's Euro denominated borrowings at 31 December 2015. The cap limits the Group's maximum EURIBOR benchmark rate to 0.25%.

All derivatives have been designated as hedging instruments for the purposes of IAS 39.

Fair value	**2015**	2014
Non-current	**€'000**	€'000
Interest rate cap asset	**26**	-
Total derivative asset	**26**	-
Non-current		
Interest rate swap liabilities	**(885)**	-
Total derivative liability	**(885)**	-
Net derivative financial instrument position at year-end	**(859)**	-
Included in Other Comprehensive Income		
Fair value losses on derivative instruments		
Fair value loss on interest rate swap liabilities	**(1,540)**	-
Fair value loss on interest rate cap asset	**(130)**	-
	(1,670)	-
Reclassified to profit or loss (Note 6)	**655**	-
	(1,015)	-

Notes (continued)

15 Trade and other receivables

	2015 €'000	2014 €'000
Non-current assets		
Other receivables	**900**	900
Deposits paid on acquisitions	**1,316**	4,116
Prepayments	**-**	233
	2,216	5,249
Current assets		
Trade receivables	**6,001**	3,410
Prepayments	**3,315**	4,067
Accrued income	**2,458**	2,067
	11,774	9,544
Total	**13,990**	14,793

Non-current assets includes deposits paid of €1.3 million in relation to the acquisition of the Tara Towers Hotel Dublin which completed on 15 January 2016 (see Note 26).

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

16 Inventories

	2015 €'000	2014 €'000
Goods for resale	**1,070**	456
Consumable stores	**279**	137
	1,349	593

17 Cash and cash equivalents

	2015 €'000	2014 €'000
Cash at bank and in hand	**25,202**	39,259
Money-market funds	**123,953**	178,548
	149,155	217,807

Notes (continued)

18 2014 Group reorganisation and impact on reserves

As part of a Group reorganisation, 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, shareholder loan note obligations (including accrued interest) of DHGL Limited 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. Subsequently all shareholder loan note obligations were settled in 2014, in exchange for shares issued in the Company.

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 were 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 2014 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.

19 Share capital and premium

At 31 December 2015

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	**182,966,666**	**1,830**
Share premium		**503,113**

Notes (continued)

19 Share capital and premium (continued)

At 31 December 2014

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

On 3 February 2015, the Company issued 18.3 million ordinary shares at €2.75 each which raised €48.6 million after costs of €1.7 million. 12.2 million of these shares with a value of €33.6 million were issued in a Vendor Placing, as consideration for the acquisition of the nine hotels within the Moran Bewley Hotel Group (see Note 10).

On 6 October 2015, the Company issued 42.7 million ordinary shares for cash at €3.75 each which raised €153.6 million after costs of €6.4 million. The purpose of the fundraising was to raise finance for further hotel acquisitions, capital expenditure on existing hotels and potential new hotel developments.

Following changes arising from the application of Companies Act 2014, expenses in relation to shares issued after 1 June 2015 must be charged to retained earnings, which will have a subsequent restriction on distributable reserves. Therefore the costs relating to the October 2015 issue of €6.4 million have been charged to retained earnings.

20 Trade and other payables

	2015 €'000	2014 €'000
Trade payables	**12,216**	6,155
Accruals	**21,569**	12,438
Deferred income	**3,091**	729
Value added tax	**1,894**	349
Payroll taxes	**1,410**	674
	40,180	20,345

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 for the year ended 31 December 2015. 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 2015 €'000	Loans and receivables 2015 €'000	Total carrying amount 2015 €'000	Level 1 2015 €'000	Level 2 2015 €'000	Level 3 2015 €'000	Total 2015 €'000
Financial Assets							
Derivatives (Note 14)	26	-	26		26		26
Trade and other receivables excluding prepayments and deposits paid on acquisitions (Note 15)	-	9,359	9,359				
Cash at bank and in hand (Note 17)	-	25,202	25,202				
Money-market funds (Note 17)	123,953	-	123,953	123,953			123,953
	123,979	34,561	158,540				

	Financial liabilities measured at fair value 2015 €'000	Financial liabilities measured at amortised cost 2015 €'000	Total carrying amount 2015 €'000	Level 1 2015 €'000	Level 2 2015 €'000	Level 3 2015 €'000	Total 2015 €'000
Financial Liabilities							
Secured bank loans (Note 22)	-	(266,138)	(266,138)				
Trade payables and accruals (Note 20)	-	(33,785)	(33,785)				
Derivatives (Note 14)	(885)	-	(885)		(885)		(885)
	(885)	(299,923)	(300,808)				

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy for the year ended 31 December 2014. 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	Financial liabilities measured at amortised cost 2014 €'000	Total carrying amount 2014 €'000	Level 1 2014 €'000	Level 2 2014 €'000	Level 3 2014 €'000	Total 2014 €'000
Financial Assets								
Trade and other receivables excluding prepayments and deposits paid on acquisitions (Note 15)	-	6,377		6,377				
Cash at bank and in hand (Note 17)	-	39,259		39,259				
Money-market funds (Note 17)	178,548	-		178,548	178,548			178,548
	178,548	45,636		224,184				
Financial Liabilities								
Trade payables and accruals (Note 20)			(18,593)	(18,593)				
			(18,593)	(18,593)				

Notes (continued)

21 Financial instruments and risk management (continued)

Fair value hierarchy

The Group measures the fair value of financial instruments based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements. Financial instruments are categorised by the type of valuation method used. The valuation methods are as follows:

- Level 1: Quoted prices (unadjusted in active markets for identical assets or liabilities).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not observable market data (unobservable inputs).

The Group's policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the period ended 31 December 2015, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

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.

Derivatives

Discounted cash-flow analyses have been used to determine the fair value of the interest rate swaps and interest rate cap, taking into account current market inputs and rates (Level 2).

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 carrying value is a reasonable approximation of fair value.

Bank loans

For bank loans 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. The carrying value of variable rate interest bearing loans and borrowings is a reasonable approximation of the fair value as the credit spread has not moved in the period since drawdown.

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 and risks relating to changes in interest rates and foreign currency. The Group uses financial instruments to manage exposures arising from the interest rate risks. The Group uses a net investment hedge with sterling denominated borrowings to hedge the translation risk from investments in certain UK operations.

Notes (continued)

21 Financial instruments and risk management (continued)

(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 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.

The carrying amount of the following financial assets represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	Carrying amount 2015 €'000	Carrying amount 2014 €'000
Trade receivables	**6,001**	3,410
Other receivables	**900**	900
Accrued income	**2,458**	2,067
Cash at bank and in hand	**25,202**	39,259
Money-market funds	**123,953**	178,548
	158,514	224,184

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:

Notes (continued)

21 Financial instruments and risk management (continued)

Aged analysis of trade receivables

	Gross receivables 2015 €'000	Impairment provision 2015 €'000	Net receivables 2015 €'000
Not past due	2,542	(87)	2,455
Past due < 30 days	1,902	(4)	1,898
Past due 30 - 60 days	693	(4)	689
Past due 60 - 90 days	453	(18)	435
Past due > 90 days	863	(339)	524
	6,453	(452)	6,001

	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

Management does not expect any significant losses from 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.

During the period, the Group drew down a term loan of €282 million of which €16.8 million was repaid by 31 December 2015. The Group also has an undrawn revolving facility of €20 million available (Note 22).

The following are the contractual maturities of the Group financial liabilities at 31 December 2015, including estimated interest payments.

		Contractual cashflows					
	Carrying Value 2015 €'000	Total 2015 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 Years €'000	More than 5 years €'000
Secured bank loans	266,138	(309,843)	(13,585)	(13,553)	(26,814)	(255,891)	-
Trade payables and accruals	33,785	(33,785)	(33,785)	-	-	-	-
	299,923	(343,628)	(47,370)	(13,553)	(26,814)	(255,891)	-

Notes (continued)

21 Financial instruments and risk management (continued)

The only financial liabilities of the Group as at 31 December 2014 were trade payables and accruals which all had a contractual maturity of six 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.

(i) Interest rate risk

The Group's exposure relates primarily to floating interest rates on the Group's debt obligations. The Group adopts a policy of ensuring that at least 66.67% of its interest rate risk exposure is hedged in order to mitigate its exposure to interest rate fluctuations. This is achieved by entering into interest rate swaps and an interest cap (see Note 14) which hedge the variability in cash flows attributable to the interest rate risk.

The interest rate profile of the Group's interest-bearing financial liabilities as reported to the management of the Group is as follows:

	Nominal amount	
	2015 €'000	2014 €'000
Variable rate instruments		
Financial liabilities – Borrowings	266,138	-
Effect of interest rate swap	(138,293)	-
Effect of interest rate cap	(44,614)	-
	83,231	-

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. There were no borrowings at 31 December 2014.

Cash flow sensitivity analysis for variable rate instruments	Effect on Profit or Loss	
	100 bp increase €'000	100 bp decrease €'000
31 December 2015		
Loans and borrowings	(1,624)	548
Cash flow sensitivity	(1,624)	548

The following table indicates the periods in which the cash flows associated with the interest rate swaps are expected to occur and the carrying amounts of the related hedging instruments. The interest rate cap asset was not material at 31 December 2015.

	31 December 2015			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(885)	(888)	(1,080)	192
	(885)	(888)	(1,080)	192

Notes (continued)

21 Financial instruments and risk management (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments.

	31 December 2015			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(885)	(888)	(1,080)	192
	(885)	(888)	(1,080)	192

(ii) Foreign currency risk

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than the functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures where possible. The Group's principal transactional exposure to foreign exchange risk relates to interest costs on its sterling borrowings (see below).

The Group's gain or loss on retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. The Group financed certain new operations in the UK (the four UK hotels formerly in the Moran Bewley Hotel Group) by obtaining funding at Group level through external borrowings denominated in sterling. These borrowings amounted to £132.4 million (€180.3 million) at 31 December 2015 and are designated as net investment hedges. This enables gains and losses arising on retranslation of those foreign currency borrowings to be recognised in Other Comprehensive Income, providing a partial offset in reserves against the gains and losses arising on translation of the net assets of the associated operations.

Sensitivity analysis on transactional risk

A reasonably possible strengthening (weakening) of Euro against Sterling by 10% at 31 December 2015 would have affected profit and equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit		Equity	
	Strengthening of Euro €'000	Weakening of Euro €'000	Strengthening of Euro €'000	Weakening of Euro €'000
Impact on interest costs of Sterling loans	593	(741)	593	(741)

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a pre-tax leveraged return on equity of 15% on investments.

The Group monitors capital using a ratio of net debt to EBITDA and seeks to keep it below 4.00.

Notes (continued)

22 Interest bearing loans and borrowings

	2015 €'000	2014 €'000
Repayable within one year		
Bank borrowings	16,800	-
Less: deferred issue costs	(830)	-
	15,970	-
Repayable after one year		
Bank borrowings	252,728	-
Less: deferred issue costs	(2,560)	-
	250,168	-
Total interest-bearing loans and borrowings	**266,138**	-

On 17 December 2014, the Group entered into a loan facility of €318 million (comprising of a €142 million Euro facility and a £132 million Sterling facility) with a syndicate of financial institutions. On 3 February 2015, the company drew down €282 million (comprising of a €106 million Euro facility and a £132 million Sterling facility) through five year term loan facilities with a maturity of 3 February 2020. The Group also has an undrawn revolving credit facility of €20 million available as at 31 December 2015. The total loan facility of €318 million included a standby facility of €16 million which was not drawn and has since expired.

The loans bear interest at variable rates based on 3 month EURIBOR/LIBOR plus applicable margins. The Group has entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans (see Note 14). The loans are secured by a fixed and floating charge over all of the Group's assets. Under the terms of the loan facility agreement, an interest rate floor is in place which prevents the Group from receiving the benefit of sub-zero benchmark LIBOR and EURIBOR rates.

23 Deferred tax

	2015 €'000	2014 €'000
Deferred tax assets	3,936	319
Deferred tax liabilities	(15,859)	(960)
Net liability	(11,923)	(641)

Movements in year	2015 €'000	2014 €'000
At beginning of year – net (liability)/asset	(641)	170
Acquisition through business combination – assets	5,630	-
Acquisition through business combination – liabilities	(7,579)	-
(Charge)/credit for year – to profit or loss (Note 9)	(3,062)	238
Charge for year – to other comprehensive income	(6,271)	(1,049)
At end of year – net liability	(11,923)	(641)

Deferred tax assets have only been recognised for losses that are expected to be used in the foreseeable future. As at 31 December 2015 and 31 December 2014 there are no unrecognised deferred tax assets.

Notes (continued)

23 Deferred tax (continued)

Deferred tax arises from temporary differences relating to:

					Balance as at 31 December 2015		
	Net balance at 1 January 2015 €'000	Recognised in profit or loss 2015 €'000	Recognised in OCI 2015 €'000	Acquired in business combinations 2015 €'000	**Net deferred tax 2015 €'000**	Deferred tax assets 2015 €'000	Deferred tax liability 2015 €'000
Property plant and equipment	**(1,050)**	(912)	(6,398)	(6,210)	**(14,570)**	1,289	(15,859)
Tax losses carried forward	**355**	(2,096)	-	4,261	**2,520**	2,520	-
Other	**54**	(54)	127	-	**127**	127	-
Net deferred tax (liabilities)/assets	**(641)**	(3,062)	(6,271)	(1,949)	**(11,923)**	3,936	(15,859)

					Balance as at 31 December 2014		
	Net balance at 1 January 2014	Recognised in profit or loss 2014	Recognised in OCI 2014	Acquired in business combinations 2014	**Net deferred tax 2014**	Deferred tax assets 2014	Deferred tax liability 2014
	€'000	€'000	€'000	€'000	**€'000**	€'000	€'000
Property plant and equipment	**41**	(42)	(1,049)	-	**(1,050)**	(90)	(960)
Tax losses carried forward	**42**	313	-	-	**355**	355	-
Other	**87**	(33)	-	-	**54**	54	-
Net deferred tax (liabilities)/assets	**170**	238	(1,049)	-	**(641)**	319	(960)

24 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.

	2015 €'000	2014 €'000
Less than one year	**14,182**	14,191
Between one and five years	**49,192**	50,434
After five years	**212,986**	169,451
	276,360	234,076

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 2015 was €4.5 million (2014: €0.8 million). The expiry dates of operating leases with contingent rental arrangements at 31 December 2015 ranged from April 2018 to July 2036.

Notes (continued)

24 Commitments (continued)

Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, 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 2015.

Contractual commitments for 2016 acquisitions

As at 31 December 2015 the Group had entered into an agreement to acquire Tara Towers Hotel, Dublin which was completed in January 2016. The value of the commitment under contractual agreement, net of deposits of €1.3 million paid in the period (Note 15), is approximately €11.8 million. Further information on this acquisition is provided in Note 26.

Capital expenditure commitments

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

	2015 €'000	2014 €'000
Contracted but not provided	**2,237**	4,191

25 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 64 to 73. In addition, the share-based payment expense for key management in 2015 was €0.242 million *(2014: €0.113 million)*.

(b) Transactions with related parties

A number of the executive directors of the Group are also directors of Sanjay Limited and Citywest Resort Limited. The Group operates a hotel management contract for Sanjay Limited. The Group formerly operated a hotel management contract for Citywest Resort Limited (that company has now ceased trading).

During 2015 the Group received fees of €337,198 *(2014: €274,037)* from Sanjay Limited for services provided, and fees of €130,000 *(2014: €368,646)* from Citywest Resort Limited for services provided. At 31 December 2015, the following amounts were owed in the normal course of business to the Group by these parties: Sanjay Limited €198 *(2014: €17,707)*; Citywest Resort Limited €110,700 *(2014: €30,487)*.

Notes (continued)

26 Subsequent events

Clarion Group acquisition

On 28 January 2016, the Group announced that it has conditionally agreed to acquire the leasehold interest of the following four hotels for an enterprise value of €40.0 million:

1. The Gibson Hotel Dublin

2. The Croydon Park Hotel Croydon, UK

3. The Clarion Hotel Cork

4. The Clarion Hotel Limerick

As part of the transaction, the Group will also take over the management of the Clarion Liffey Valley Hotel, Dublin under a short term management contract. The Group previously purchased the freehold of the Clarion Hotel Cork in November 2015 and this is accounted for as an investment property in the financial statements for the year end 31 December 2015.

The acquisition of the Clarion Group will be a 2016 business combination in accordance with IFRS 3. This acquisition is subject to the approval of the Competition and Consumer Protection Commission (CCPC).

Other single asset hotel business acquisitions

Two other acquisitions, which are or will be business combinations, were announced in January 2016.

On 15 January 2016, the Group completed the acquisition of Tara Towers Hotel, Dublin for a total cash consideration of €13.2 million, including the deposit paid in the period (see Note 15). The fair value of the assets acquired are currently under review and will be determined in 2016.

On 19 January 2016, the Group announced that it has entered into an agreement to acquire Clarion Hotel, Sligo for a total cash consideration of €13.1 million. The Group has been managing the property on behalf of the Receiver since April 2013. The fair value of the assets to be acquired have yet to be established.

Acquisition of development site

On 12 February 2016, the Group announced that it has acquired DS Charlemont Limited, which owns the former Charlemont Clinic Site, in Dublin 2 for a total cash consideration of €11.9 million. The site will be developed into a new hotel with construction expected to be completed in the first half of 2018. Dublin City Council has granted permission, subject to conditions, for the development of a 4 star 181 bedroom hotel, 3 residential apartments and basement car parking.

Notes (continued)

27 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2015 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]	Ireland	Asset management	-	100%
Swintron Limited[1]	Ireland	Holding company	-	100%
Heartside Limited[1]	Ireland	Hotel and catering	-	100%
Pondglen Limited[1]	Ireland	Hotel and catering	-	100%
Candlevale Limited[1]	Ireland	Hotel and catering	-	100%
Songdale Limited[1]	Ireland	Hotel and catering	-	100%
Palaceglen Limited[1]	Ireland	Hotel and catering	-	100%
Adelka Limited[1]	Ireland	Property holding company	-	100%
Bayvan Limited[1]	Ireland	Not yet commenced trading	-	100%
Leevlan Limited[1]	Ireland	Not yet commenced trading	-	100%
DHG Belfast Limited[2]	N Ireland	Hotel and catering	-	100%
DHG Derry Limited[2]	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited[2]	N Ireland	Asset management	-	100%
Dalata UK Limited[3]	UK	Holding company	-	100%
Dalata Cardiff Limited[3]	UK	Hotel and catering	-	100%
Trackdale Limited[3]	UK	Hotel and catering	-	100%
Islandvale Limited[3]	UK	Hotel and catering	-	100%
Crescentbrook Limited[3]	UK	Hotel and catering	-	100%
Hallowridge Limited[3]	UK	Hotel and catering	-	100%
Cenan BV[4]	Netherlands	Financing company	-	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 these companies is St Mary Street, Cardiff, Wales, CF10 1GD, United Kingdom.*
[4] *The registered address of this company is Jachthavenweg 109H, 1081 KM Amsterdam, The Netherlands.*

Notes (continued)

28 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 adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings per share for the years ended 31 December 2015 and 31 December 2014:

	2015 €'000	2014 €'000
Profit attributable to shareholders of the parent (€'000) – basic and diluted	**21,626**	3,523
Earnings per share – Basic	**14.55 cents**	3.65 cents
Earnings per share – Diluted	**14.47 cents**	3.64 cents
Weighted average shares outstanding – Basic	**148,648,310**	96,625,887
Weighted average shares outstanding – Diluted	**149,427,201**	96,913,563

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2015 is due to the dilutive impact of the conditional share awards granted in 2014 and 2015 (see Note 8).

29 Approval of the financial statements

The financial statements were approved by the directors on 1 March 2016.

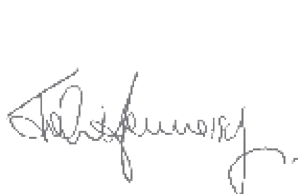
Company financial statements

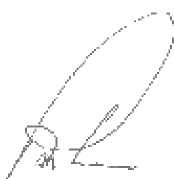
for the year ended 31 December 2015

Company statement of financial position
at 31 December 2015

	Note	2015 €'000	2014 €'000
Assets			
Non-current assets			
Investment in subsidiaries	2	40,557	40,160
Derivatives	7	26	-
Deferred tax asset		127	36
Total non-current assets		40,710	40,196
Current assets			
Trade and other receivables	3	468	2,533
Amounts owed by subsidiaries	4	584,367	50,290
Cash and cash equivalents	5	128,499	206,422
Total current assets		713,334	259,245
Total assets		754,044	299,441
Equity			
Share capital	8	1,830	1,220
Share premium	8	503,113	295,133
Share-based payment reserve		912	273
Hedging reserve		(888)	-
Retained earnings		(21,430)	(1,509)
Total equity		483,537	295,117
Liabilities			
Non-current liabilities			
Loans and borrowings	7	250,168	-
Derivatives	7	885	-
Total non-current liabilities		251,053	-
Current liabilities			
Loans and borrowings	7	15,970	-
Trade and other payables	6	3,484	4,320
Current taxation payable		-	4
Total current liabilities		19,454	4,324
Total liabilities		270,507	4,324
Total equity and liabilities		754,044	299,441

On behalf of the Board:





John Hennessy
Chairman

Patrick McCann
Director

Company statement of changes in equity

for the year ended 31 December 2015

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Hedging reserve €'000	Retained earnings €'000	Total €'000
At date of incorporation – 4 November 2013						
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**
Loss for the year	-	-	-	-	(13,528)	**(13,528)**
Other comprehensive income/(loss)	-	-	-	(888)	-	**(888)**
Total comprehensive income/(loss)	**-**	**-**	**-**	**(888)**	**(13,528)**	**(14,416)**
Transactions with owners of the Company:						
Issue of shares	610	209,716	-	-	-	**210,326**
Share issue costs	-	(1,736)	-	-	(6,393)	**(8,129)**
Equity-settled share-based payments	-	-	639	-	-	**639**
Total transactions with owners of the Company	**610**	**207,980**	**639**	**-**	**(6,393)**	**202,836**
At 31 December 2015	**1,830**	**503,113**	**912**	**(888)**	**(21,430)**	**483,537**

Attributable profit or loss of the Company

The loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2015 was €13.5 million. As permitted by Section 304 of the Companies Act 2014, the statement of profit or loss and other comprehensive income for the Company has not been separately presented in these financial statements.

Company statement of cash flows

for the year ended 31 December 2015

	2015 €'000	For the period from 4 November 2013 to 31 December 2014 €'000
Cash flows from operating activities		
Loss for the year/period	(13,528)	(1,509)
Adjustments for:		
Finance income	(1,863)	(409)
Finance costs	14,768	337
Share-based payments expense	242	113
Tax credit	-	(32)
	(381)	(1,500)
(Decrease)/increase in trade and other payables	(810)	4,320
Decrease/(increase) in trade and other receivables	2,065	(2,533)
Increase in other amounts owed by subsidiaries	(2,375)	(1,514)
Tax refunded	4	-
Net cash used in operating activities	(1,497)	(1,227)
Net cash flows from investing activities		
Loans to subsidiaries	(498,152)	(48,776)
Interest received	6	115
Net cash used in investing activities	(498,146)	(48,661)
Cash flows from financing activities		
Interest on bank loans and finance costs	(13,753)	-
Receipt of bank loans	282,000	-
Repayment of bank loans	(16,800)	-
Payment for derivative asset	(156)	-
Proceeds from issue of share capital, net of expenses	168,700	256,016
Net cash from financing activities	419,991	256,016
Net (decrease)/increase in cash and cash equivalents	(79,652)	206,128
Cash and cash equivalents at the beginning of the year/period	206,422	-
Effect of movements in exchange rates	1,729	294
Cash and cash equivalents at the end of the year/period	128,499	206,422

Notes to the company financial statements

1. Significant accounting policies

The individual financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU, and as applied in accordance with the Companies Act 2014.

Significant accounting policies specifically applicable to these individual company financial statements and 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 individual company 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

	2015 €'000	2014 €'000
Investments in subsidiaries at initial fair value	40,000	40,000
Accumulated cost of share-based payments in respect of subsidiaries	557	160
	40,557	40,160

Details of subsidiary undertakings are included in Note 27 of the consolidated financial statements.

3. Trade and other receivables

	2015 €'000	2014 €'000
Prepayments	-	2,320
Value added tax	468	213
	468	2,533

Notes (continued)

4. Amounts owed by subsidiaries

	2015 €'000	2014 €'000
Loans to subsidiaries	**580,478**	48,776
Other amounts owed by subsidiaries	**3,889**	1,514
	584,367	50,290

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

5. Cash and cash equivalents

	2015 €'000	2014 €'000
Cash at bank and in hand	**4,546**	27,874
Money-market funds	**123,953**	178,548
	128,499	206,422

6. Trade and other payables

	2015 €'000	2014 €'000
Trade payables	**319**	-
Accruals	**1,397**	4,272
Payroll taxes	**58**	42
Amounts due to subsidiary undertakings	**1,710**	6
	3,484	4,320

7. Loans and borrowings, and derivatives

Details of loans and borrowings, and derivative financial instruments, are given in Notes 14, 21 and 22 of the consolidated financial statements.

Finance costs in the Company include the foreign exchange loss of €4.3 million on the loans and borrowings which is accounted for through other comprehensive income in the consolidated financial statements.

Notes (continued)

8. Share capital and premium

Authorised Share Capital	Number	2015 €'000	2014 €'000
Ordinary shares of €0.01 each	10,000,000,000	100,000	100,000
Allotted, called-up and fully paid shares	**Number**	**€'000**	**€'000**
Ordinary shares of €0.01 each	182,966,666 (2014: 122,000,000)	1,830	1,220
Share premium		503,113	295,133

Movements in share capital and premium are detailed in Note 19 of the consolidated financial statements.

9. 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.

10. 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 27 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 64 to 73 and Note 25 of the consolidated financial statements.

Transactions with related parties

During the period ended 31 December 2015 the Company charged fees of €2,374,926 *(2014: €1,514,000)* to its subsidiary undertakings for services provided.

Notes (continued)

11. Commitments

Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, 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 2015.

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 30 years, 5 months remaining.

12. Approval of the financial statements

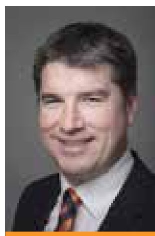
The financial statements were approved by the directors on 1 March 2016.

Additional Information

Executive Management Team

The Executive Management Team comprises the Executive Directors, Chief Financial Officer and Company Secretary, see pages 45 to 47 and the Senior Managers below.

L - R
Shane Casserly
Stephen Clarke
Caitriona Conroy
Patrice Lennon



Duncan Little
Niall Macklin
Martha Mannion
Macarten McGuigan

Tony McGuigan
Anthony Murray
Josephine Norton
Conal O'Neill

Carol Phelan
Joe Quinn
Adrian Sherry
Dawn Wynne

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 Chartered Accountants Ireland and a graduate from University College Cork.

Stephen Clarke is Group Financial Controller having joined the Group in 2008. He 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. Stephen holds a B. Comm (International) from UCD and MBS from the Michael Smurfit Graduate School of Business.

Caitriona Conroy is Group Insurance, Risk, Health and Safety Manager. She previously held the role of General Manager of Maldron Hotel Portlaoise as well as fulfilling Deputy Manager and HR roles in Maldron Hotel Smithfield & Cardiff Lane. Prior 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. She previously held the role of 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 & Radisson Hotels Ireland, holding management positions within Sales & 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 the UCD Michael Smurfit Graduate Business School.

Niall Macklin is Acquisitions and Development Executive. He joined Dalata in July 2015 having previously worked in KPMG Restructuring department for 9 years, where he managed large scale insolvency and restructuring assignments across a wide range of industries, specialising in the hotel and leisure sector. Niall is a member of Chartered Accountants Ireland and a graduate of Dublin City University.

Martha Mannion is Head of Rooms Revenue and Distribution. 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 of Galway Mayo Institute of Technology (GMIT).

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 Head of Purchasing/Food and Beverage Manager. 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.

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 General Manager – Maldron Hotels. 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 Chartered Accountants Ireland and holds a First Class Honours Master of Accounting.

Joe Quinn is Group General Manager – Clayton Hotels. 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).

Adrian Sherry is Head of Market Development. He joined Dalata in February 2015 from Moran Bewley Hotel Group where he was Marketing Director. He previously held the role of Sales and Marketing Director at Choice Hotels Ireland and held senior marketing positions at CIE Tours International, Abbey Travel and Failte Ireland. Adrian is a marketing graduate of Galway Mayo Institute of Technology (GMIT) and holds an MSc in Tourism Management from Dublin Institute of Technology.

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

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Solicitors

A&L Goodbody
IFSC
North Wall Quay
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Ireland

Auditor

KPMG
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Registrar

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Fax: 00353 1 447 5572
Email: webqueries@computershare.ie

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Ireland

Allied Irish Bank plc
Bankcentre
Ballsbridge
Dublin 4
Ireland

Bank of Ireland plc
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:

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Fax: 00353 1 206 9401

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