

# Growth and Resilience

ANNUAL REPORT &  
ACCOUNTS 2019

2018

2017

2016

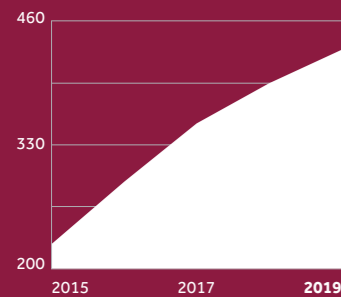
2015

OUR HOTEL ASSETS (€millions)



## AT A GLANCE

### OUR REVENUE (€ million)

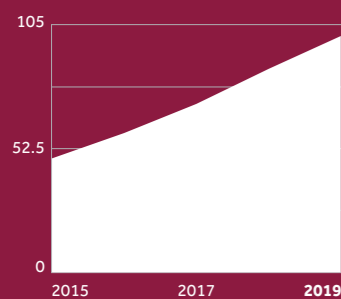


€429.2m  
2019 Revenue



€162.2m  
Adjusted EBITDA  
post IFRS 16 - Leases

### FREE CASH FLOW (€ million)

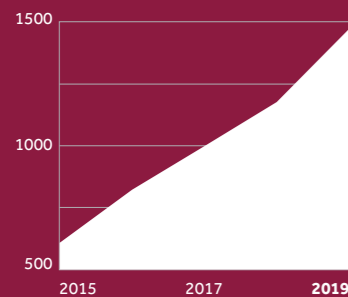


€100.6m  
Free Cash Flow



€1.47bn  
In hotel assets

### OUR HOTEL ASSETS (Hotel assets € million)

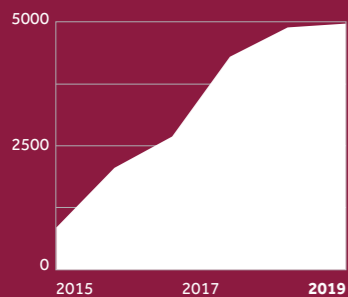


8,952  
Rooms



1,080  
New rooms  
secured in 2019

### OUR PEOPLE (Full-time and part-time)



4,871  
Employees



41  
Operating hotels &  
11 under development  
(plus 3 Managed Hotels)

Data as at 31 Dec 2019

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The Financial Statements reflect the operations of the owned and leased hotels, therefore the KPI's and other statistics refer to the 41 owned and leased hotels.

Dalata owns or  
leases 41 hotels  
and manages  
3 hotels.



Clayton Hotel  
Charlemont



Maldron Hotel Belfast

When Dalata was founded in 2007 it acquired eleven hotels and launched the Maldron Hotel brand with a vision to develop a distinctive hotel operating company with people at the heart of the business.

We adopt a differentiated, decentralised approach to managing our business and delivering on customers' expectations. We trust our hotel general managers and their teams to manage and develop their business, manage customer relationships and develop deep roots

in the local community. Our central team supports the hotels and provides strategic oversight, leveraging our strength as a group. Our experienced acquisitions and development team sources and develops the asset pipeline and adopts a clearly defined strategy to create shareholder value in every transaction. Our continual investment in our people and fostering of long-term relationships with trusted development partners and suppliers on both the capital and operational sides of the business supports a sustainable business model.

We want to make our hotels the number one choice for business and leisure travellers looking for quality service in well located and well invested hotels throughout Ireland and the UK.

This puts our people at the centre of Dalata.

Our culture has a relentless focus on success but it is never about winning at all costs. We are committed to doing business ethically and in accordance with our values of people, fairness, service and individuality.

# We Are a People Business



## OUR PEOPLE

Dalata is the place where you can do great things - individually and as a team. You will have the opportunity to develop your talent, be recognised and rewarded for your commitment and pursue a fulfilling career.



## OUR FAIRNESS

We pride ourselves on creating an objective, supportive and fair working environment for our employees, the people we deal with and the communities we work within.



## OUR INDIVIDUALITY

Our people are as individual as our hotels. They bring their own personality, character and enthusiasm, ensuring the experience we provide is always warm, welcoming, genuine and friendly.



## OUR SERVICE

We ensure our service standards are consistently high at every opportunity. We strive for success, are enthusiastic about what we do and take responsibility for doing things right.

# Growth and Resilience

As Ireland's leading hotel operator, with a growing presence in the United Kingdom, we continue to invest strongly in our people, our properties and our brands.

## Introduction

Welcome to the Annual Report of the Dalata Hotel Group for 2019. I am grateful to you for taking the time and trouble to read what I and others have to say about our business.

2019 was another busy and very successful year for the Group. The number of people in our organisation continued to grow, as did the number of hotels in the Group. As Ireland's leading hotel operator, with a growing presence in the United Kingdom, we continue to invest strongly in our people, our properties and our brands, while taking very seriously our responsibilities to the environment and to the communities in which we conduct our business.

In 2019 we delivered another strong financial performance. Total revenues in the business increased by 9.3% to €429.2m in 2019, and adjusted EBITDA (excluding the impact of IFRS 16) increased 12.8% to €134.8m in 2019 from €119.6m in the previous year. We ended the year with a very strong balance sheet. We continued our progressive dividend policy with an interim dividend of 3.5 cent per share, an increase of 17% on the prior year.

As of the date of this statement we are operating 41 Owned and Leased hotels, with a total of 8,952 rooms, and our employee numbers are 4,871. We maintain close contact with our guests, our staff, our suppliers and our investors, and we monitor carefully the feedback we receive. The information we received in 2019, including the results of our extensive surveys of staff and customers, indicates that the way we operate, and the services we deliver, are viewed very positively.

## Culture and People

Our culture drives everything that we do. This culture is very specific to Dalata, and has been developed over time under the outstanding leadership of our CEO, Pat McCann. Pat is supported by an executive team with strength in depth across the organisation, and our culture can be detected wherever we do business.

Central to our culture are the commitments we make to listen, and to empower our people to deliver outstanding service to our customers. Our people are recruited with care, and receive high-quality training, development and support at all levels of the organisation. They are then encouraged to take personal responsibility in their day-to-day activities and to progress through the organisation in accordance with their desires and abilities. The growth of the Group and the training we offer provide opportunities for advancement to all among our staff who wish to develop their careers.

Our culture is made real by our people, who make the difference in our business, and make us all proud to be part of the Dalata family. Having travelled to many of our properties over the course of 2019 and earlier years, I can assure our shareholders that the highest standards, infused with our culture, can be experienced all across the Group.

On behalf of the Board, I wish to thank all our people for their tireless dedication and commitment to excellence.

## Environmental, Social and Governance

During 2019 we decided to form a new Board committee to exercise leadership over environmental, social and governance matters within the Group. I am excited by this development as I believe strongly that businesses, including ours, have a duty to do everything they reasonably can to respect and protect those parts of the environment, society and local communities that are affected by their activities.

The Group has, of course, been conscious of these issues for many years, and several initiatives have been taken to make real progress under these headings. Elevating these matters to a level where they receive the regular attention of a Board committee demonstrates the importance we attach to them, and will allow us to ensure that our efforts in these areas continue to be real and effective.

I also believe that our duty to society extends to an obligation to observe the highest standards of governance, including corporate governance. Dalata seeks to comply with all requirements of the UK Corporate Governance Code, the Irish Corporate Governance Annex and best practice generally in respect of its corporate governance practices. Details of our approach are set out in the separate Corporate Governance report.

## Board

During 2019 it was my pleasure to announce the appointment of two new Directors to our Board. The additions of Elizabeth McMeikan as a Non-executive Director and Shane Casserly (who was appointed in January 2020) as an Executive Director bring significant new skills, experience and expertise to the Board.

Elizabeth is our first UK-based Director, recognising the growing significance of that market to Dalata, and she brings a wealth of relevant experience as a business person and as a Non-executive Director, to the Board. Shane has been an important member of the executive team for several years. His vast experience in sourcing, overseeing the development team and evaluating opportunities to expand our portfolio of hotels, negotiating with vendors and providers of finance will continue to be of immense value to the Group. I am delighted to welcome Elizabeth and Shane to the Board.

The addition of Elizabeth and Shane to the Board has allowed us to make some changes to Board committees and to permit additional roles to be taken on by Board members. Alf Smiddy was given responsibility for workforce engagement, and he has spent time in 2019 meeting with our staff in various locations and developing this new role. I am confident that this role will enable the Board to develop a better understanding of issues of importance to our people and will provide an excellent communication path between our staff and the Board.

Our new Environmental, Social and Governance (ESG) Committee will be chaired by Elizabeth McMeikan, and Robert Dix and Stephen McNally have also been appointed as members of that Committee. I have taken over the chairmanship of the Nomination Committee from Alf Smiddy. The Remuneration Committee will continue to be chaired by Margaret Sweeney, with Elizabeth McMeikan and myself as members. The Audit and Risk Committee, under Robert Dix's chairmanship, remains unchanged, and Alf Smiddy continues to exercise the role of Senior Independent Director.

I wish to thank all our people for their tireless dedication and commitment to excellence.



**Strategic Priorities**  
People  
↳ page 18



**Responsible Business Report**  
Our Culture  
↳ page 52

The Board itself continues to operate effectively, with regular Board meetings at different Group properties, and through the various Board committees. Reports from each committee chair are contained in this Annual Report.

In addition to regular meetings of the Board and its committees, the Board meets separately to discuss strategy and to receive regular training. Directors also meet informally from time to time, and the Non-executive Directors also meet as a group, separately from the Executive Directors, on a number of occasions each year.

The Group has continued to benefit from the extensive experience, knowledge and expertise of each member of our Board, and I would like to thank the Directors and the company secretarial team for their dedication and commitment during the year.

As Chairman of the Board and of the Nomination Committee, it is my responsibility to ensure that the Company is served by strong, competent and independent Non-executive Directors, and I am satisfied that the current Board continues to meet those standards. I am also of the view that the knowledge, experience and expertise built up by the current Non-executive Directors is of significant value to the Group, and that it would not be in the interests of the Company or its shareholders if that knowledge, experience and expertise were to be lost suddenly, or over a short period.

Four of the non-executive members of the Board have served since they were appointed to the Board together in February 2014 prior to our IPO. As the tenure of both individual Directors and the overall Board increases, it is appropriate that we give attention to succession planning for this group. There will be a need to introduce fresh resources in the coming years. However, it is important that we do so in a manner and over a timescale that will allow a transfer of knowledge, and will avoid a sudden loss of experience, while at all times preserving the independence of the non-executive members of the Board.

Therefore, it is my intention to oversee a phased and orderly refreshment of the non-executive membership of the Board over the next five years. Bringing

fresh thinking to the Board on a phased basis over a period of years will allow us to transfer the existing knowledge, experience and understanding of the business and its evolution, while preserving the strength and independence of the non-executive group within the Board. This approach to succession, in the particular circumstances where four Non-executive Directors were appointed together, will, in my view, best serve the interests of the Company and its shareholders.

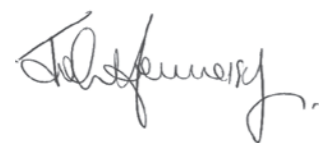
Of course, Board succession planning is not confined to the Non-executive Directors. The Nomination Committee and the Board are cognisant of the need to plan for succession among Executive Directors, to promote the development of a skilled and diverse pipeline of senior management in the business and to identify suitable candidates for Board membership among executives when the need arises.

#### Dividend

We made an interim dividend payment of 3.5 cent per share in October and the Board has recommended the payment of a final dividend of 7.25 cent per share which, subject to shareholder approval at the AGM, will be paid on 6th May 2020.

#### Outlook

In my report last year I dealt with what was then the imminent Brexit deadline of 29 March 2019. Events since then have removed much of the uncertainty that prevailed at that time. Whilst it is still not entirely clear how matters will progress following the departure of the UK from the EU, we remain confident that the Group will continue to perform well in our principal markets in the coming months. Market conditions always pose challenges, including increased supply of hotel rooms in major cities in which we operate. However, we expect our strong business model to continue to deliver profitable growth in 2020.



**John Hennessy**  
Non-executive Chair



Maldron Hotel Cork



# Our Culture of Success

Our Culture is front and centre of everything we do.

## PAT'S REVIEW

2019, as expected, turned out to be different from the past five years. We had become used to RevPAR growing strongly from year to year. At some point that had to come to an end. We are now in what I call normal growth territory. Team Dalata are well capable of continuing to thrive in this type of market. Despite some light headwinds we were able to protect the bottom line and meet the earnings expectations of the market. We protected our very strong margins without causing any damage to the business. Two metrics I look at are our customer satisfaction scores and our employee engagement scores, both well outperforming last year. I know some of you think I am overly optimistic at times. That optimism is driven by me knowing what my management colleagues are capable of. We all have a clear mandate from our Board to grow the earnings in 2020 and beyond.

Another key factor for me is our development pipeline. Here we are in fantastic shape with close to 3,000 rooms under, or about to start, construction and more to come. This will add 30% more rooms into the business. Our existing portfolio is in great shape as we continue to spend 4% of total turnover on refurbishing our existing properties. Given how young our portfolio is, this is more than adequate to ensure our hotels remain in top condition well into the future.

On our people, we are also making great progress here. We are preparing the teams that will manage our new hotels as they open over the next two years. We currently have 360 people on our Senior Development Programmes. It is a delight to see all the young and not so young growing up in Dalata. Our reputation in this space is so strong that we have very few recruitment or retention issues. This is an area closest to my heart that I nurture and protect as it is so vital to our future growth plans.

In 2019 we won a number of very prestigious awards which I am absolutely thrilled about. These awards are a recognition of the entire Dalata team and it gives them a great boost when we win something.

- > In May 2019, we won the Irish Times Company of the Year Award.
- > In September 2019, our Maldrón Hotels Ireland won the Irish Hotel Group of the Year.
- > In November 2019, we won the overall award at the Published Accounts Awards.
- > In December 2019, we won the Business and Finance Company of the Year Award.

These are just some of the main awards. Many of our people won individual awards which is fantastic.

We have a lot to live up to in 2020.

ESG has become more of a prominent issue and rightly so. In Dalata, we have a new Board subcommittee which will be chaired by Elizabeth McMeikan. This will bring further focus to this vital area. In Dalata, we have done lots of good things in the ESG space. We have been poor at telling the story of all the great things that have happened. I should say we have a long way to go but it is important to say we are starting from a positive place.

Our culture is front and centre of everything we do. It reflects on the way we do things. How we engage with our customers, our people, our suppliers, our investors, our banks is absolutely consistent across all stakeholders. Culture is a word that is tossed about and can have little or no relevance. In Dalata the behaviours and attitude came first before we decided this was our culture. Our people now believe it is something to be treasured and cultivated as it is so unique. While our culture in Ireland, one would imagine, is relatively easy to maintain, it amazes me how well our culture is embedded in the UK and this applies to our new hotels as well as the original properties.

Opening our new properties with Dalata people is key to continuing this and hence my obsession with our development programmes.

As we start 2020, we do so with confidence. There is no doubt that some things will conspire against us but other things will move in our favour. While RevPAR is an important measure it is not the only measure in our business.

We have sizeable other income that needs to be taken into account. Income like food, beverage, car parks, leisure and fitness clubs are all important contributions to our overall earnings. The outcome for 2019 shows just how good we are at maintaining the budgeted bottom line. We hit a milestone in free cash flow, crossing the €100 million mark for the first time. Our balance sheet is in great shape, well supported by fantastic assets and relatively low debt.

Sitting where I am sitting and knowing what I know, I cannot be anything but confident about the coming year. We have a great team of people, well invested hotel assets, a very strong pipeline of new hotels coming out of the ground and both cash and external funding to continue growing. In any business there are challenges and Dalata is no different. It is how you respond to these challenges that sets teams apart. Throughout its existence Dalata has taken full advantage of many of the crises we faced. Nothing has changed in that we will continue doing what we do well. I look forward to 2020 with vigour and the confidence that we will once again deliver for all our stakeholders.

**Pat McCann**  
Chief Executive

 **Strategic Priorities**  
People  
↳ page 18

 **Responsible Business Report**  
Our Culture  
↳ page 52

*In Dalata the behaviours and attitude came first before we decided this was our culture.*

**STRATEGY AND BUSINESS MODEL**

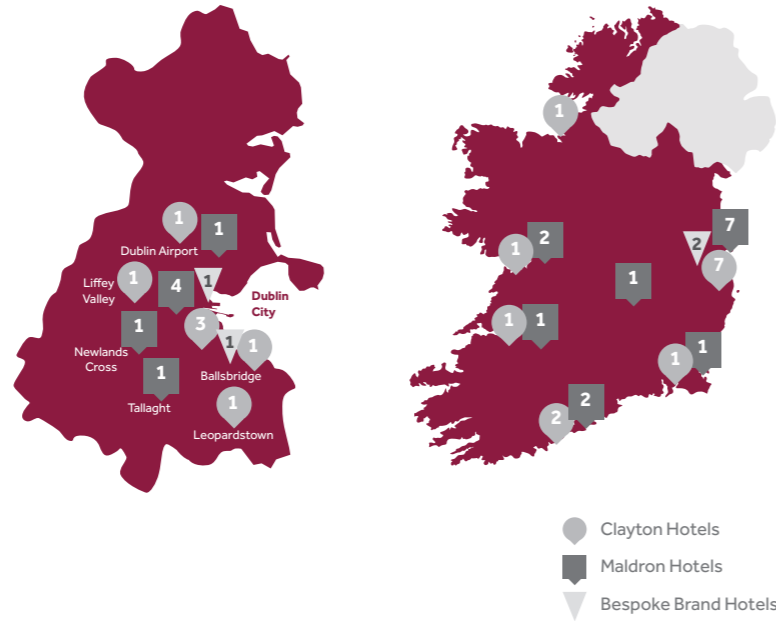
Dalata's Markets

**Republic of Ireland<sup>1</sup>**

Ireland was the fastest growing economy in Europe in 2019. After a record year in 2018 for Irish tourism and a sustained growth period of eight years, tourism growth in 2019 slowed slightly. Overseas visitors were up 1.8%, marginally ahead of the 10.6m recorded in 2018. Holiday visits grew by an estimated 1% to 5.3m, while business and corporate trips grew by 8% over the same period. The domestic economy was strong with an estimated GDP growth of 5% and consumer spending up 2.5%.

The economy is projected to enjoy another year of growth in 2020. The multinational sector continues to drive employment growth in the country. There will be increased supply of hotel rooms in Dublin putting some pressure on RevPar, but a growing economy and strong calendar of events is encouraging.

<sup>1</sup> Central Statistics Office: Overseas Travel December 2019; Irish Tourism Industry Confederation (ITIC): End of Year Review 2019 & Outlook 2020; Central Bank of Ireland: Quarterly Bulletin Q4 2019.



**UK<sup>4</sup>**

Market conditions in the UK were again challenging in 2019 due to the uncertainty around Brexit. The Bank of England estimated 2019 GDP growth of 1% (2018: 1.3%). Household spending increased by 1.1% to Q3 2019 versus 2018. Visitor numbers increased by 2.2% to an estimated 38.7m on 2018.

<sup>4</sup> Bank of England Monetary Policy Report November 2019; Office of National Statistics (ONS): Consumer Trends Q3 2019; Office of National Statistics (ONS): Overseas Travel and Tourism Q3 2019.



**Global Overview<sup>6</sup>**

A strong global economy is good for the travel and tourism industry and with it the hotel industry. The continued rise in the number of middle-class households and solid growth in consumer spending has led to the travel and tourism sector outpacing the global economy for the eighth-consecutive year. Continued competition between airlines, technological advances, strong corporate travel demand and consumers continuing to look for experiences to enrich their lives, supporting hotel sector growth.

2019 was another strong year for global travel and tourism with international tourist arrivals up 4%, although slightly behind the exceptional rates of 2017 (+7%) and 2018 (+6%). Uncertainty surrounding Brexit and geopolitical trade tensions weighed on growth.

Global GDP growth is estimated to be 2.9% for 2019 (2018: 3.6%) with USA growth of 2.3% (2018: 2.9% and Euro area growth of 1.2% (2018: 1.9%). In Q3 2019, hotel revenue per available room (RevPAR) grew 0.7% year on year in USA and 1.7% year on year in Europe.

*Tourism is the world's third largest export category after chemicals and fuels, and ahead of automotive products and food (2017)<sup>7</sup>*

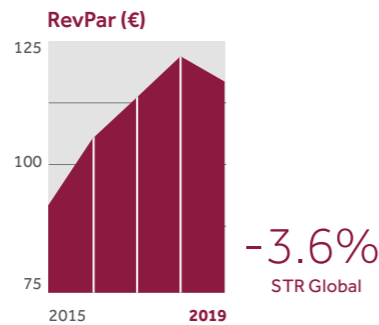
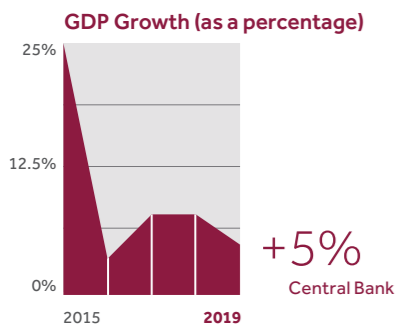
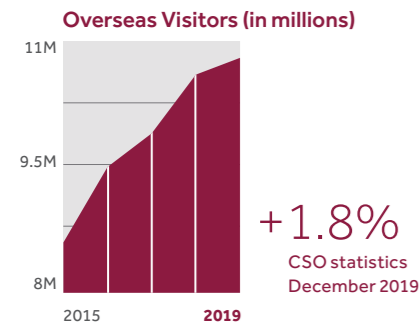
**EXPORT EARNINGS BY PRODUCT CATEGORY<sup>7</sup>**

Chemicals	1,993
Fuels	1,960
International Tourism	1,586
Automotive Products	1,470
Food	1,466

USD billion 1,000 1,500 2000

<sup>6</sup> World Tourism Organisation: World Tourism Barometer; International Monetary Fund (IMF): World Economic Outlook; STR Global.  
<sup>7</sup> World Tourism Organization (UNWTO) and World Trade Organization (WTO), 2017.

**DUBLIN**

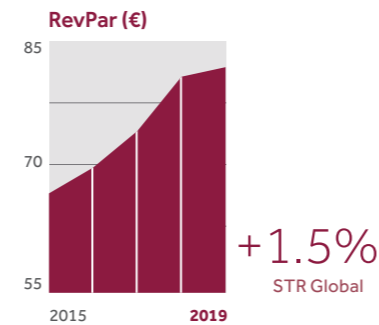


**Commentary<sup>2</sup>**  
Dublin RevPAR fell 3.57% to €116.73 in 2019 (82% occupancy) and Average Daily Rates (ADR) were down 1.98% to €142.17. The Dublin market was affected by the additional supply into the city, the 4.5% increase in VAT and a decrease in the number of events in the city for 2019. 1,500 new rooms were added to the city in 2019, bringing the total market to approximately 22,030. 1,875 new rooms are in the pipeline for 2020.

<sup>2</sup> STR Global; Savills; AMPM

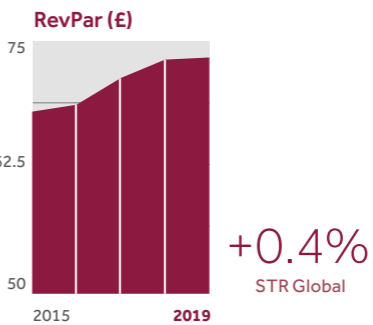
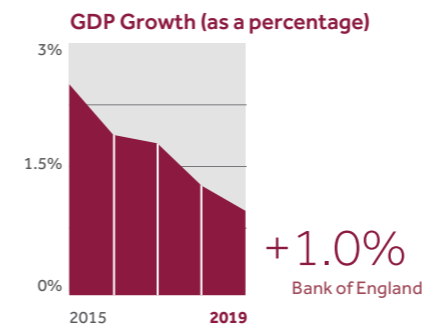
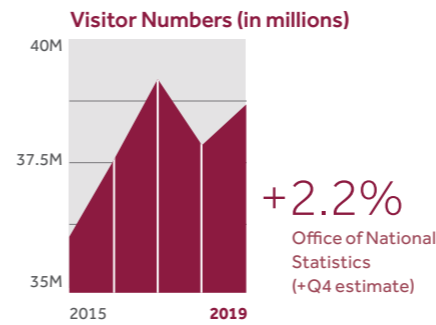
**Key Risks**  
**5** Market Concentration  
↳ page 43

**REGIONAL IRELAND**



**Commentary<sup>3</sup>**  
Regional Ireland RevPAR increased by 1.5% in 2019. Cork (-3.0%) and Galway (-2.1%) experienced a reduction in RevPARs for the year due to new supply entering the market while Limerick saw growth of 3.7%. Average occupancy for the region was up 0.4%. The region as a whole felt a pronounced effect with the increase in VAT during 2019.

<sup>3</sup> Trending.ie



**Commentary<sup>5</sup>**  
Hotel performance in the UK was mixed in 2019. Leeds, London and Manchester all performed strongly with RevPAR growths of 3.92%, 3.72% and 1.87% respectively. All other regions experienced a moderate drop in RevPARs. Belfast was the city most affected with a fall in RevPARs of 6.79% due to the significant increase in supply into that market.

<sup>5</sup> STR Global

**Key Risks**  
**6** UK Expansion Strategy  
↳ page 43

## STRATEGY AND BUSINESS MODEL

### Business Model

#### INPUTS



€1.47bn  
In hotel assets



4,871  
Employees



8,952  
Rooms



41  
Operating Hotels



218  
Average rooms  
per operating hotel



€189.3m  
Additions to Property,  
Plant and Equipment

#### OUTPUTS



4.47m  
Overnight guests



14,000  
Leisure club members



6.5m  
Meals served



€162.2m  
Adjusted EBITDA  
post IFRS 16 - Leases



€100.6m  
Free  
Cash Flow



€116.6m  
Aggregate  
Payroll Costs

#### WHAT WE DO



Dalata is a hotel  
owner and operator.

Since the Company floated  
in 2014, we have grown to be  
the most successful and largest  
hotel Group in Ireland.



We operate in Ireland and the UK  
↳ Dalata's Markets, page 10

#### HOW WE DO IT

##### Our key business drivers

We generate revenue through selling accommodation, food and beverage, meeting rooms, conferences and ancillary services to our customers.

##### Growth led by people and properties

↳ Strategic Priorities, page 16

##### Room pipeline expansion

↳ Strategic Priorities - Properties, page 20

##### Shared Service Centre

↳ Case study, page 37



#### HOW WE GENERATE VALUE

We generate value by providing quality offerings at an appropriate price that our customers want. We identify strategic investment opportunities and develop quality hotels in prime city locations.

##### Employees Development

↳ Strategic Priorities - People, page 18

##### Guest Satisfaction

↳ Strategic Priorities - Customers, page 22

##### Focus on Financials

↳ Case study, page 37



# The Difference with Dalata

#### Asset Management

Dalata is a vertically integrated hotel owner and operator. We control every aspect of asset management and the operation of our properties. Our disciplined investment strategy is designed to create shareholder value in every transaction. We own or have a long leasehold interest in almost all of our hotels, and we own all of our own brands. This means we control the overall direction of the asset, its development and its performance. This differentiates us from the market, where an owner/franchise model is predominately adopted.

#### Hotel Operation

We operate a decentralised model whereby the hotel general manager has ultimate responsibility for their hotel. This enables quick local decision making in relation to areas such as revenue and pricing, meeting customer needs and product offerings. It also encourages our managers to engage with their local communities and build strong relationships. Hotel management is supported by expert functional teams in Central Office, selected shared services and an experienced senior management team.

#### Support Service Excellence

We are able to implement common group-wide business and IT systems, and deliver expertise in areas such as procurement, finance, health and safety and marketing. We have developed and implemented group-wide training and development for our employees. We offer a range of development options to all employees, complementing our extensive training programmes. We are also able to provide a career path for our employees as we grow and add new hotels. We encourage our employees to move throughout our hotel portfolio and actively support a policy of filling vacancies internally.

*Our business model differentiates us from our peers.*

#### Our Purpose & Values, page 2



#### Our Strategic Priorities, page 16



#### Our Responsible Business Framework, page 48



#### OUR BRANDS

2

Leading  
Hotel Brands

Maldron Hotels and Clayton Hotels are our principal hotel brands\* and the majority of our hotels operate under these brands. There are 22 Clayton hotels, which are all four-star, and 17 Maldron hotels which are comprised of four- and three-star properties.

**maldron**  
HOTELS

**CLAYTON**  
HOTELS

17

Maldron Hotels

**RED BEAN**  
ROASTERY

**clubvitae**

**grain&grill**

22

Clayton Hotels

We own and manage a number of ancillary brands, which complement our hotel brands. These include Red Bean Roastery, Club Vitae and Grain & Grill.

**CRAFTY**  
KIDS

**THE ITALIAN**  
KITCHEN

**THOMAS PRIOR HALL**  
BALLSBRIDGE

\*We also own The Gibson Hotel and Samuel Hotel Brands



## STRATEGY AND BUSINESS MODEL

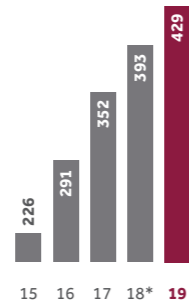
### KPIs - Financial

#### Revenue

##### Total Revenue (Millions)

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

+9.3%



##### Commentary

Key top-line Measure of the overall growth and development of the business.

##### 2019 Progress

Total Revenue increased by €36.6 million in 2019 due mainly to strong trading performance in our UK hotels.

##### Link to Strategy

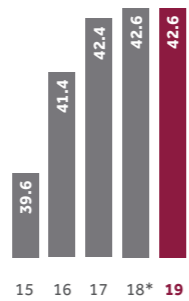


#### Margin

##### Segments EBITDAR Margin (%)

Earnings before interest and finance costs, tax, depreciation, amortisation and rent (EBITDAR) divided by revenue. By excluding rent costs, leased and owned properties are comparable with each other.

No change



##### Commentary

EBITDAR is our key measure of operational profitability. Focus on the margin allows us to monitor conversion of incremental revenue to profit.

##### 2019 Progress

The Group has achieved an EBITDAR Margin of 42.6% in 2019, which was the same as 2018.

##### Link to Strategy

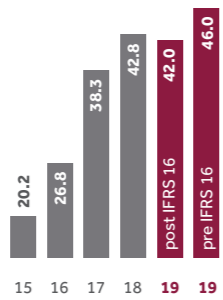


#### Earnings

##### Adjusted EPS-Basic (%)

Profit for the year divided by the number of ordinary shares and adjusted for the effect of items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses.

+7.5%



##### Commentary

Key measure of the effective delivery of profitable growth for our shareholders.

##### 2019 Progress

Adjusted EPS - basic (pre IFRS 16) has seen an increase of 3.2c on 2018, a growth of 7.5% year on year. Adjusted EPS - basic (post IFRS 16) totalled 42c for the year.

##### Link to Strategy

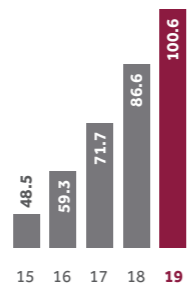


#### Cash

##### Free Cash Flow (Millions)

Net cash from operating activities less amounts paid for interest, finance costs and refurbishment capital expenditure and after adding back cash paid in respect of adjusting items to EBITDA.

+16%



##### Commentary

The Group is focused on turning profit into cash for re-investment and dividend payments.

##### 2019 Progress

Free Cash Flow of €100.6m was achieved in 2019. A 16% increase from 2018, driven by effective cost control throughout the year.

##### Link to Strategy



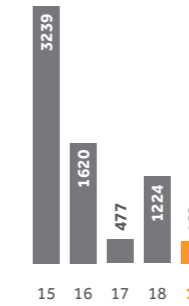
## STRATEGY AND BUSINESS MODEL

### KPIs - Non Financial

#### Growth

##### New Rooms Added

Total number of new owned and leased rooms added through acquisition or development in the group.



##### Commentary

Developing and delivering our pipeline is key to our growth strategy.

##### 2019 Progress

We have added 462 owned and leased rooms to our hotel stock in 2019. Clayton Hotel City of London and Clayton Hotel Cambridge were acquired during the year.

##### Link to Strategy



#### People

##### Internal Promotions

Number of Internal Promotions in the Group.\*

\*Measurement commenced in 2018.

+24%



##### Commentary

Development of our people is critical to ensure we have a talent pipeline for our new hotels and is a key element of managing the risk associated with new hotel openings.

##### 2019 Progress

In line with our strategy of developing our teams from within, we have seen an increase of 24% in Internal Promotions in 2019.

##### Link to Strategy

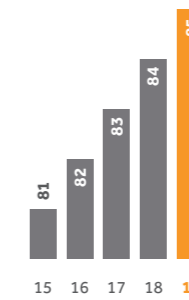


#### Customer Satisfaction

##### Customer Satisfaction (%)

A measure of the quality of our product offering and service collected from our customers.

+1.2%



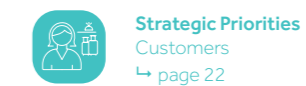
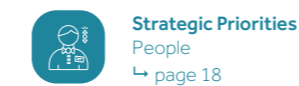
##### Commentary

We are driven to improve customer experience through continuous investment to meet ever rising expectations.

##### 2019 Progress

Our Customer Satisfaction score has increased by 1.2% year on year and is in line with our values of being dedicated to service excellence and being a people business.

##### Link to Strategy



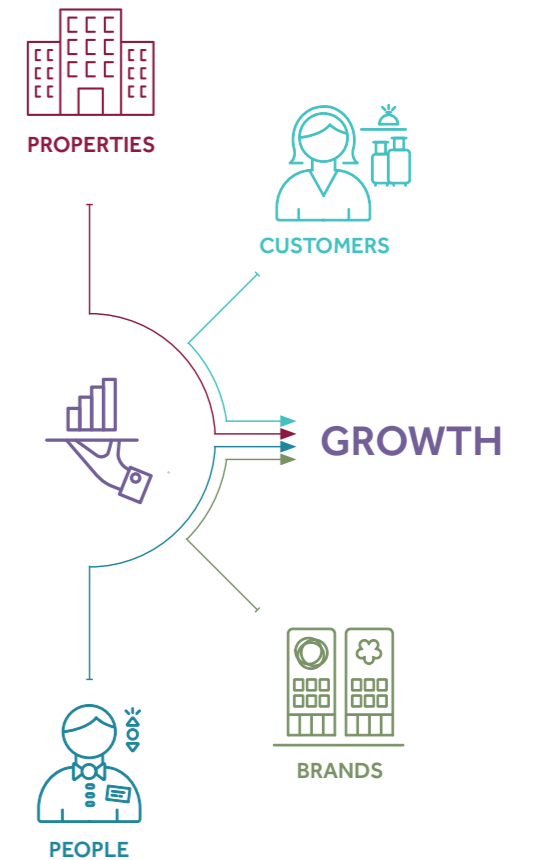
\*Prior period revenue figures have been restated in the current period to reflect the reclassification of €1.1 million of income from managed hotels from revenue to other income following the change in reportable segments during 2019.

# Growth led by People & Properties

Clayton Hotel Birmingham

*Our strategic objective is to drive long-term shareholder returns by becoming the leading four-star hotel operator in Ireland and the UK and, in the process, developing a sustainable business that respects the interests of our wider stakeholders: our employees, customers, suppliers and communities.*

## OUR STRATEGIC VISION



**Strategy in Action**  
Read more about People  
↳ page 18



**Strategy in Action**  
Read more about Properties  
↳ page 20



**Strategy in Action**  
Read more about Customers  
↳ page 22



**Strategy in Action**  
Read more about Brands  
↳ page 24

# Our People

*As the Company continues to grow, we recognise that our team members are central to the success of the Group and how we operate.*

Developing internal talent has continued to play an essential role in 2019 and will continue to be a priority for our future success.

Continuous development of our General Managers is one of our primary focuses and our Pinnacle programme provides further development with masterclasses delivered by the Irish Management Institute on the latest business trends.

Our Altitude programme is aimed at developing and upskilling our Deputy General Managers to ensure we have a pipeline of future General Managers to support our ambitious growth plans. Our focus is on their leadership and people management expertise as well as business strategy and growth.

We are incredibly proud of our Ascend Graduate Programme, and we were delighted to welcome a record 34 graduates into our Class of 2019. The Ascend programme ensures the development of talented graduates, some of whom will become leaders within our business. To date, we have retained 72% of those who graduated in 2017 & 2018. We currently have 62 Ascend graduates from different disciplines gaining valuable experience in the hospitality industry. More recently we have added Sales & Marketing, Human Resources and Revenue Management streams to the graduate programme. Our graduate programme within our growing employer brand has resulted in an increase in the number and calibre of applicants each year.

2019 saw the exciting launch of our newest programme, Navigate. This programme has been developed with the objective of upskilling our employees at the supervisory level in our hotels to give them the confidence, communication and leadership skills required for managing a team.

From our specialist stream, the Head Chef Development programme has been a phenomenal success for the business and the people who have attended. We have combined with Tralee IT to develop a bespoke blended Chef Development Programme – Certificate in Culinary Management & Innovation. This programme is an excellent example of how we continue to grow and develop great talent for our hotels and is in its second year. It is also an example of how we can work with a third-level institution to develop the specialist skills required for some categories of our people. We have seen our first 15 Senior Chefs graduate from this programme. The return on investment of this programme has been excellent with a retention of 87% and an engagement score of 97%.

In December 2018, we launched our new online learning platform, Dalata Online, which has been well received and has enjoyed excellent engagement across the Group. We will retain our 'face to face' delivery but supplement it with a very efficient and effective online platform.

These development programmes ensure that we are developing the talent necessary to continue to manage our growing portfolio using our decentralised management approach. In 2018 and early 2019, we opened six new-build hotels with 72% of the senior management coming from within the Group. This ensured that the Dalata culture, model and brand was present from the pre-opening stage. We have the same robust plans in place for the new openings in 2021 & 2022.

83% of employees feel they are growing professionally

367 employees enrolled on structured programmes

36% of current General Managers developed through our Pinnacle programme

47,524 courses have been completed in 2019



*The success of our Dalata Online training platform was one of the highlights of 2019. The quality of our learning and development programmes is central to retaining and developing the best people.*

**Dawn Wynne**  
Head of HR

## STRATEGY IN ACTION

### Learning and Development

We offer top class learning and development solutions to our current and potential talent from all backgrounds. Employees can continually learn and grow their career further, accessing a range of online, face-to-face and accredited development programmes, as well as gaining access to upskilling hospitality training.

Development of our people is a strategic priority and over the years we have developed a top class and engaging suite of learning and development programmes and workshops from which we have yielded excellent results.

We offer 14 internal development programmes; our 'Milestones' training calendar which offers over 40 personal development courses per quarter; Dalata Online our learning management system which gives access to over 50 courses available as online bite-sized courses across all our hotels, as well as hotel-specific daily upskilling training. We are also excited to launch our new Mentoring Programme in 2020, as well as a structured approach to creating pathways to work for all through development within the community, including work-experience placements, internship opportunities and apprenticeships.

Ascend graduate programme, class of 2017. Graduation: March 2019



# Our Properties

*A new hotel pipeline rising to 30% of rooms operated today.*



11  
Hotels  
in pipeline



3,000  
Circa 3,000  
bedrooms in the  
Development  
Pipeline



2  
New hotels added  
in 2019, one in the  
City of London and  
one in Cambridge

## 2019 PROGRESS

Our pipeline has expanded to almost 3,000 rooms. Over 30% of our current owned and leased room capacity.

### 2019 Highlights

- I. The company added two hotels to the portfolio, with a combined bedroom count of 367 keys.
  - ↳ Clayton Hotel City of London, 212 bedrooms – January 2019
  - ↳ Clayton Hotel Cambridge, 155 bedrooms – November 2019
- II. We secured a development site in Shoreditch, London which is on schedule to deliver a 145-bedroom Maldron in the first half of 2022.
- III. With a continued focus on growth, Dalata has also committed to 3 more new build, operating lease opportunities, in both Dublin and the UK.
  - ↳ The Samuel Hotel Dublin – Q2 2021
  - ↳ Maldron Hotel Liverpool – Mid 2022
  - ↳ Maldron Hotel Croke Park – Q4 2023 (estimated)
- IV. Within our existing portfolio, we have identified opportunities for expansion, including extensions to Clayton Hotel Birmingham – 44 bedrooms and Clayton Hotel Cardiff Lane – 88 bedrooms.

The company now has a pipeline of 11 new properties in the UK and Ireland, 7 of which have already commenced construction. With extensions this will result in over 2,000 new bedrooms in 2021 and another circa 1,000 bedrooms opening in subsequent years.

We are the leading hotel operator in Ireland and our strategy is to become the leading four star operator in the 20 cities that we are targeting for expansion in the UK. We also wish to significantly increase our presence in London. Our flexibility has enabled us to take advantage of opportunities in target locations through a variety of investment vehicles, ranging from agreements for lease through to freehold acquisition of development sites.

## 2020 FOCUS

Our focus for 2020 will be to secure further opportunities in excellent locations across our target cities whilst also exploring other potential markets that could further support the development of our pipeline. We have undertaken, and will continue to undertake, significant research to identify the most attractive geographical markets that will support our ambitious growth strategy and drive further shareholder value.



## STRATEGY IN ACTION

### Clayton Hotel Birmingham

Improving performance and delivering on shareholder value

In July 2017, Dalata initially acquired control of Hotel La Tour, a 4-star property in central Birmingham. The following month, Dalata completed a sale and leaseback with Deka Immobilien (Deka) for €30 million, with an initial rent of €1.6 million per annum for the hotel. Completed in 2012 to a high four-star standard, the property boasts 174 bedrooms, restaurant and bar facilities, as well as extensive conference and meeting facilities, all boasting high quality finishes.

Shortly after acquisition the hotel was rebranded as the Clayton Hotel Birmingham and the Dalata operations team commenced the implementation of the business plan for the hotel. The property has enjoyed considerable success over the last couple of years and the Dalata team, now led by Caitriona Delaney, have delivered the following improvements across key performance metrics:

- ↳ Increased EBITDAR by 66%\*
- ↳ Increased RevPar by 15.4%\*
- ↳ Increased overall Revenues by over 6.5%\*
- ↳ Increased EBITDAR Margin from 24% to 37%\*

One of the largest cities in the UK, Birmingham was always high on Dalata's list of target markets. With the improved performance of the hotel and the Commonwealth Games due to be hosted in the city during 2022, its appeal has only increased. During the initial acquisition in 2017, the possibility of extending the existing hotel was an opportunity that had been discussed with Deka and, in September 2018, we secured planning permission for an additional 44 bedrooms, distributed across two new floors.

In 2019, we exchanged contracts for an extensive Development Agreement with Deka, which will result in Deka investing €5.6 million in the property for the delivery of the bedroom extension whilst Dalata will invest a further €1.37 million, primarily focused on enhancing the ground floor offering for customers. Construction commenced in January 2020 and the project is on schedule to complete by the end of 2020.

Clayton Hotel Birmingham will enter 2021 reinvigorated and reinvested, perfectly placed to continue to grow its business and enjoy further success. When finished the hotel will have 218 bedrooms and a refreshed ground floor, including a considerably improved bar and restaurant. Furthermore, the additional 44 bedrooms will enter operation at a rent per key that is approximately 25% less than the current rent per bedroom.

This project further demonstrates Dalata's commitment to this dynamic city and our ability to apply our strengths and skills to an existing property and drive performance and growth so that it outpaces the market.

*We have increased earnings at Clayton Hotel Birmingham by 66% in two years. We identified an under-performing hotel on an under-utilised site, and exploited the opportunity through efficient deal execution. Our hotel management, and asset and project management expertise enabled us to transform performance and expand the hotel from 174 to 218 rooms.*

### Shane Casserly

Corporate Development Director

Clayton Hotel  
Birmingham

\*Based on results for 2019 versus 2017, when it was acquired by Dalata.

# Our Customers

*Our customer is at the centre of everything we do as a hospitality company.*

We are focused on continually improving the journey of our customers as they experience our hotels and our people who serve them. We always seek to better understand our customers so that we can better satisfy their needs and meet their expectations.

**2019 PROGRESS**

Our focus for 2019 was to further enhance our customer experience through investments in our facilities, advancements in our technologies and focus on our service delivery.

Customer satisfaction is key to our success, and so to keep our standards high, we collect customer feedback from an industry-leading online reputation management tool to help us monitor and measure satisfaction levels. In 2019 we received and processed over 150,000 customer reviews. Our response rate increased by 50% and the overall satisfaction rating went up by 1.2% to 85% overall. We examine the customer feedback results in detail and use those results to inform our decision making on areas such as capital investment, employee training requirements and service delivery standards.

Our customers book our services in a multitude of different ways. They use tour group operators, global distribution systems (GDS), our own brand websites or just walk in off the street for a coffee. Each and every customer is important to us.

We carried out an overview of the online customer journey for those booking through our own websites. It was conducted through heatmap reports to see how users behave and interact with our websites. The data received enabled us to see which elements of the page were attracting users' attention, how they flow through different pages of the site and potential issues with content. After taking account of a number of tests that were completed, we redeveloped and relaunched our websites. The changes have contributed to an increase in site performance and content consumed by users.

**2020 FOCUS**

We will continue to drive bookings through our websites, with our "Make it Maldron" and "Click on Clayton" campaigns. We will continue to seek to encourage more customers to book directly with us in 2020.

Customer data and privacy is something we take very seriously in Dalata. Over the past year, we have reviewed our systems and policies to ensure that we are GDPR compliant. Additional focus will be placed on this important and developing area in 2020.

1.2%  
Overall Customer satisfaction up 1.2%

10%  
Maldron Hotels Breakfast Satisfaction Increased by 10%

6%  
Clayton Hotels Breakfast Satisfaction Increased by 6%



STRATEGY IN ACTION

**GDS Private Label Switch**

Global Distribution Systems [GDS] Chain Code Switch from generic "UI" to private label "DA"

Global Distribution System (GDS) is a worldwide computerised reservations network that enables automated transactions between travel service providers for airlines, hotels and car rental companies.

GDS Customers (corporate clients, travel management companies and consortia partnerships) make reservations through phone, dedicated travel desks, online booking tools or platforms, all sourced through native GDS.

Our connectivity provider, Pegasus, has distributed our rooms inventory to the global distribution systems through their chain code of "UI" since Dalata Hotel Group was established.

In 2019, after in-depth research, we decided to change our GDS code to our private label code of DA. This gave us a unique identity while creating brand awareness. It allowed us to create Dalata Hotel Group as a solid independent hotel group which stands out and now provides us with prioritisation on booking channels and the ability to develop new and maximise existing partnerships through preferential status.

Since making the switch to our private label, Dalata Hotel Group has seen a 113% growth in partnership numbers from 2019 to 2020, future proofing us within the global corporate market to generate growth within existing hotels and facilitate intelligence as we enter new markets.

Through preferred partners and GDS systems, we have developed a new marketing plan with the objective of creating awareness of our chain code and brand development across global markets. Applying a communications creative concept for the identity allows us to associate all brands of Dalata, Clayton & Maldron Hotels.

*Repositioning Dalata Hotel Group within the Global Distribution System (GDS) will allow us to increase sales in this channel - maximising revenue from existing partnerships and developing new ones.*

**Patrice Lennon**

Group Head of Sales and Marketing

# Our Brands

*Our brands are central to our business model, and the development of these brands is essential to our strategy.*

Clayton and Maldron are the two largest hotel brands in Ireland.

In today's dynamic accommodation market we believe that total brand control, combined with our de-centralised operations model, allows us to maximise return on investment at each individual hotel according to its location and characteristics.

### 2019 PROGRESS

2019 was another fantastic year for our Clayton and Maldron hotel brands. We invested over €7 million in 2019 refurbishing 699 rooms in our hotels, bringing the total number of new or refurbished rooms in our portfolio to 5,773 since 2014. This means that we deliver a consistently good quality product at every location.

In 2019 we announced two future new Maldron Hotels, one in Liverpool and one in London, which will help grow further the profile of the brand in the UK. We also opened our third Clayton hotel in London – the Clayton City of London. We took over the Tamburlaine Hotel in Cambridge in November 2019 which will be rebranded as Clayton Hotel Cambridge in February 2020.

We have maintained our disciplined approach to developing or acquiring new hotels in prime city-centre locations.


We also had significant growth in our other brands. Our Red Bean Roastery, which is our stand-alone coffee brand is now available at 36 locations across both hotel brands in Ireland and the UK including two standalone coffee shops located in Cork and Dublin.


Our 13 Club Vitae Leisure Centres brand had over half a million capital investment in 2019.


### 2020 FOCUS

We have just commenced an extensive market research project which will assess matters such as awareness of our brands in Ireland and the UK, the effectiveness of our websites and consumer perception of our brands. Empowered with these insights, this research will help us refine the marketing and communications strategies of each brand. It will act as a guiding compass for us over the coming years as we continue to invest and develop our brands.

 17  
Operating Maldron Hotels

 7  
Maldron Hotels in the Pipeline

 22  
Operating Clayton Hotels

 3  
Clayton Hotels in the Pipeline



### STRATEGY IN ACTION

## From the Tamburlaine Hotel to Clayton Hotel Cambridge

The perfect fit to our Clayton family

In November 2019 the Group acquired the operating lease for The Tamburlaine Hotel in Cambridge. A decision was made to rebrand the hotel as Clayton Hotel Cambridge and this will be completed in February 2020.

To understand why this rebranding made sense to us and why it enhances the strength of the Clayton brand we considered a number of factors.

- ↳ Cambridge as a location reflects our brand criteria. It is a centre of learning, commerce and research and is home to one of the most prestigious universities in the world. Many of the world's leading multinationals are also based in the city. We locate Clayton hotels at the centre of key business and leisure cities in Ireland and the UK and the Clayton Hotel Cambridge will enhance our brand profile.
- ↳ The hotel's business mix is also suited to the Clayton brand, with a strong corporate presence supported by a healthy leisure market. This supports the hotel's outstanding meetings and events, and food and beverage offerings.
- ↳ The hotel opened in May 2017 and is fitted out to a high specification. Clayton hotels are well-appointed and well-invested properties and The Tamburlaine fits our criteria of offering a high-quality guest experience.
- ↳ Of huge importance to us is the relationship of our Clayton hotels with the local community, and the hotel's place in this community. The "Tamburlaine" name resonates deeply with the local Cambridge community. Honoring 16th century playwright, and Cambridge alumnus, Christopher Marlowe's most famous play, "Tamburlaine the Great", we have renamed the bar and restaurant "The Tamberlaine" to retain the link with the community.

Clayton Hotel Cambridge is a high quality addition to the Clayton brand. The hotel strengthens the brand and the brand will lift revenue and earnings at the hotel.



*Following the success of Clayton Hotel Birmingham (see page 21) we are excited to announce Clayton Hotel Cambridge, launching February 2020. Another high quality addition to the brand portfolio.*

### Patrice Lennon

Group Head of Sales and Marketing

Clayton Hotel Cambridge



# Our People, Powering our Growth

## OPERATIONS REVIEW

Dalata is, at its heart, a hotel operator, and I'm delighted to report on another hugely successful year for hotel operations in the company. We integrated six new hotels into our business, identified several future leaders within our emerging talent pool, protected and grew our profit margin despite softening RevPAR in our key Dublin market, improved customer satisfaction across both the Clayton and Maldron brands and saw a sharp increase in our employee engagement scores.

Our brands and accommodation product continues to benefit from our commitment to investment in rooms refurbishment.

The operations team at Dalata also plays a critical role in the new hotel development process. There is a continuous feedback loop between operations and the acquisitions and development team on due diligence, design, planning, and during the critical pre-opening phase as we take over the project and begin to turn our investment targets into reality. This relationship is an essential part of the success of Dalata's business model.

### People

The strategic importance of the development of our people is explained in detail on pages 18 and 19. We recognise the need to take care of our people as one of our primary social responsibilities (pages 50 and 51), and we underline the importance of people development and retention in our key risks on pages 44 and 45.

Our in-house development programmes support all of our key departments: operations, human resources, sales and marketing, revenue management, food and beverage and finance. Everybody has an opportunity to excel in their career, and I am delighted with the figure of 379 internal employee promotions alone during 2019. We are building fantastic teams to underpin our future growth, both in Ireland and the UK.

Hotel General Managers and their teams have full decision making responsibility and accountability for each of their respective businesses. The hotels are

ably supported by a strong, very experienced and energetic Central Office team.

The improvement in employee engagement is great to see and is a result of us listening to concerns and making sure our managers are rewarded for taking an interest in employee welfare. In 2019, we improved staff facilities at several locations, introduced an employee assistance programme, more great training courses and maintained excellent communication through regular town hall meetings at all hotels and in the central office. I am a firm believer that a happy workforce is an essential component of excellent customer service, and the combination delivers our bottom-line targets.

### Customer

There are several drivers of our thriving customer relationships. We are transparent across the business, sharing our satisfaction ratings across all the hotels, and driving a daily focus to every customer experience.

Our accommodation offering is the core of the business, and we are committed to providing a high standard of quality and service. Over the past year, we have also focused on the customer experience on our ground floors. Food and beverage performed very well, and we continue to invest in our customer offering and consistency. Red Bean Roastery coffee is now a mainstay in all our lobbies, and I was delighted when Clayton Hotel Leopardstown's cafe was voted best coffee shop in the bustling Sandyford Business District in 2019. This shows that we can produce high-quality food and beverage experiences. Improvements in our breakfast product and service was another essential part of the overall growth in customer satisfaction scoring.

Our six 2018/19 hotel openings have settled down very well and have, without exception, been very well received by customers. Each one has contributed to our earnings growth in 2019.

As well as caring for individual customers, we invest in developing

deep relationships with group customers in a variety of market subsegments. One good example of this is in the sports sector, where we cultivate partnerships with several leading organisations and clubs through sponsorships and preferred partner arrangements. These partnerships include London GAA, the FAI emerging talent programme, Munster Schools rugby and several League of Ireland football teams. These relationships also help foster healthy relationships in our local communities.

### Sustainability

I am looking forward to working on the ESG Committee chaired by Elizabeth McMeikan. We view our responsibility for our impact on society and the environment as something we must integrate into our day to day business. In 2019 we took some progressive steps; the Environmental Steering Group led by Conal O'Neill (see page 55) successfully established a sustainability benchmark across all of our properties in partnership with Green Tourism, and we concluded a two-year supply agreement Bord Gais for green-certified electricity for all our Irish hotels.

We look into 2020 with optimism. There are several key events, including football's Euro 2020, and the return of the Autumn series of rugby internationals, which will boost visitor numbers to Ireland and the UK. In Dublin, we welcome the 50th World Irish Dancing Championship in April and the College Football Classic in August, two events that attract big visitor numbers.

I am confident that we have a terrific committed team in place to make the most of the opportunities in the marketplace and to overcome any obstacles that we might meet in 2020.

**Stephen McNally**  
Deputy Chief Executive



**Strategic Priorities**  
People  
↳ page 18



**Strategic Priorities**  
Customers  
↳ page 22



**Strategic Priorities**  
Brands  
↳ page 24

*I am confident that we have a terrific committed team in place to make the most of the opportunities in the marketplace and to overcome any obstacles that we might meet in 2020.*

# Robust Performance Delivering Strong Cash Flow



Revenue up 9.3% to €429.2 million



Adjusted basic EPS<sup>1</sup> (pre IFRS 16) up 7.5% to 46.0 cents



Basic EPS (post IFRS 16) up 3.7% to 42.4 cents



Over €100 million generated in Free Cash Flow<sup>1</sup>



Property, plant and equipment of €1.5 billion at 31 December 2019



Very comfortable gearing with Debt and Lease Service Cover<sup>1</sup> of 3.2x

Generating over €100 million in Free Cash Flow<sup>1</sup> is truly a great achievement by everyone in the Dalata team in 2019. We significantly grew earnings again in 2019 despite RevPARs falling in the Irish market for the first time since we floated the company in 2014. Coupled with that, the uncertainty surrounding the outcome of Brexit hung over both the UK and Irish economies for the entirety of 2019. However, the investment in our people, improving our processes and systems, and understanding better the needs of our customers served us very well in 2019.

RevPAR<sup>1</sup> is a key metric to assess the health of hotel markets and the operators within those markets. However, it is not the only metric. Our hotel teams work very hard every day in driving sales through our food and beverage outlets, attracting clients into our excellent meeting and events facilities, retaining existing and capturing new members in our health and fitness facilities as well as generating revenues in any other way we can. Our Central Office sales team are always looking at expanding existing channels to support our teams at the hotels as well as exploring new channels to sell our services through.

Our hotel teams are also focused on delivering service to our customers in the most efficient way possible. Our decentralised model encourages them to be innovative in finding efficiencies that do not have a negative impact on our customers. Meanwhile, our Central Office team is delivering technology that is increasing overall efficiency at the Group. The Shared Service Centre in Cork, as explained later, is a big part

of that effort. In addition, technology and an ever-increasing focus on health and safety is resulting in reduced claims costs at a time of rising insurance costs in Ireland.

The net result is that despite RevPAR falling at our 'like for like' hotels in Dublin and Regional Ireland, our EBITDAR margins<sup>1</sup> increased in both those regions. That is a result that I am very proud of.

## Group Revenue and Earnings

€million	2019 Post IFRS 16	2019 Pre IFRS 16	2018 <sup>2</sup>
Revenue	429.2	429.2	392.6
Adjusted EBITDA <sup>1</sup>	162.2	134.8	119.6
Group EBITDA <sup>1</sup>	163.8	136.4	116.6
Profit before tax	89.7	98.4	87.3
Basic EPS	42.4 cents	46.4 cents	40.9 cents

We delivered strong revenue growth of €36.6 million (9.3%) to €429.2 million in 2019 driven by the full year contribution from the six new hotels and four hotel extensions which opened during 2018 and early 2019. Our existing UK hotel portfolio performed very well, which is particularly encouraging given our expansion plans for this region. RevPARs at our 'like for like' Republic of Ireland hotels decreased due to the digestion of newly added supply and the impact of the VAT increase.

The additional revenue converted strongly to the bottom line with Segments EBITDAR<sup>1</sup> increasing by €15.6 million. Segments EBITDAR margin<sup>1</sup> for the Group is unchanged at 42.6% despite a fall in RevPAR in the Irish market and lower margins at our six newly opened hotels which have yet to reach full operating performance. This demonstrates our excellent control of costs.

### Adjusting Items to EBITDA

We disclose Adjusted EBITDA to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses. The adjusting items of €1.6 million for 2019 relate to the net property revaluation movements recorded in profit or loss. The Group adopts a revaluation policy for its hotel property assets. In 2019, the value of our hotel assets were revalued upwards by €122.3 million, of which €120.7 million was recorded directly in equity.

### Earnings Per Share (EPS)

Basic EPS has grown by 3.7% to 42.4 cents. Our new and extended hotels have made a significant contribution to earnings. However, this is offset by the increase in depreciation and finance costs due to the application of IFRS 16 Leases.

Under IFRS 16, lease expenses are higher in the early years of implementation due to the front-loading effects of finance costs compared to the straight-line rent expense under IAS 17. Excluding the impact of IFRS 16, basic EPS increased by 13.4% to 46.4 cents.

The Group's effective tax rate<sup>1</sup> decreased from 13.8% in 2018 to 12.8% in 2019 largely due to the reversal of prior year valuation impairments which is not taxable and the release of an over provision from 2018. Work completed by external advisors on the level of capital allowances on the 2018 development capital expenditure resulted in a higher qualifying amount than originally estimated. In 2018, the non-deductible impairments led to a higher effective tax rate.

The current tax charge also includes a capital gains tax charge of €0.9 million on insurance proceeds received in 2018. These became taxable as a result of the Group's decision in 2019 not to redevelop the insured building which had been destroyed by fire.

*The net result is that despite RevPAR falling at our 'like for like' hotels in Dublin and Regional Ireland, our EBITDAR margins increased in both those regions.*



<sup>1, 2</sup> See endnotes page 39

<sup>1</sup> See endnotes page 39



## Transitioning for IFRS 16 Leases

At Dalata, we strive to be open, practical and straightforward in everything we do. I feel that this culture is very evident in how we approached accounting for the Group's leasing activities under the new standard, IFRS 16 Leases.

Under IFRS 16, almost all Dalata's leases are recorded on the balance sheet in the form of right-of-use assets, representing our right to use the leased assets, and corresponding lease liabilities, representing our obligation to pay rental costs. At an early stage we identified that IFRS 16 was going to have a significant impact on our financial statements and the KPI's we report. As a result, it was very important to us that we started the process early to allow sufficient time for review and reflection. Carol Phelan and her team took the lead on this project and confronted the issues head on.

We were one of the first groups to address the impact of IFRS 16. Carol Phelan presented in detail the likely impact of the new IFRS at our capital markets day back in November 2017. We wanted to share this information with our stakeholders as soon as possible.

The key area of judgement in IFRS 16 was estimating the discount rate on transition. We adopted a ground-up approach to addressing the main expected components, the risk-free rate, country risk premium, if applicable, finance spread, and asset specific adjustment. We then compared where this sits to data points such as property yields to ensure that the rates did not look unreasonable.

As permitted under IFRS 16, we adopted the modified retrospective approach and therefore have not restated prior period comparatives. Following the implementation of IFRS 16, we spent a lot of time exploring how best to present and explain our results for 2019. We decided that the clearest way to enable our stakeholders to fully understand how we have performed during the year was to disclose 2019 numbers including and excluding the impact of IFRS 16.

The following tables detail the significant change as a result of the application of IFRS 16 to Dalata's profit or loss, statement of financial position and cash flow statement presentation for the year ended 31 December 2019.

### Impact on financial statements: Consolidated statement of comprehensive income

Element of IFRS 16 Leases	Impact on profit or loss for the year ended 31 December 2019
Fixed rental expenses are excluded from profit or loss and replaced with finance costs on the lease liabilities and depreciation of the right-of-use assets.	Adjusted EBITDA has increased by €27.4 million as fixed rental expenses are removed from profit or loss. However, under IFRS 16 total expenses are higher in the early years of the lease due to the front-loading effects of finance costs versus the straight-line rent expense under IAS 17. This resulted in a €7.5 million decrease to profit after tax and a 4.0 cents decrease to basic EPS for 2019.

### Impact on financial statements: Consolidated statement of financial position ("SOPF")

Element of IFRS 16 Leases	Impact on SOPF at 31 December 2019
Recognition of assets reflecting the right-of-use of leased assets.	Right-of-use assets of €386.4 million at 31 December 2019.
Recognition of financial liabilities to pay rental costs.	Dalata's liabilities have increased by €362.1 million at 31 December 2019 as the accounting estimate of lease liabilities is brought on balance sheet. This results in an increase in Net Debt to Adjusted EBITDA <sup>1</sup> from 2.8x pre IFRS 16 to 4.5x post IFRS 16.

### Impact on financial statements: Consolidated statement of cash flows

Element of IFRS 16 Leases	Impact on cash flows for the year ended 31 December 2019
The payment of fixed rental costs is now presented within cash flows from financing activities.	Net cash flow from operating activities has increased by €27.5 million as the payment of fixed rental costs is now presented within financing activities in the form of interest on lease liabilities (€18.9 million) and repayment of lease liabilities (€8.6 million). There is a minor impact on cash flows due to the positive cash benefit from the treatment of IFRS 16 by UK Tax Authorities.

<sup>1</sup> See endnotes page 39

## Trading Review by Segment

In the following section I will analyse the results from the Group's portfolio of hotels in Dublin, Regional Ireland and the United Kingdom.

### Dublin

RevPAR in the Dublin market declined by 3.6%. There were a number of factors which made it a more challenging year for the Dublin hotel industry. The increase in the VAT rate from 9% to 13.5% was the biggest single factor but the increase in the supply of rooms, increased availability of student accommodation on OTA platforms during the summer and fewer large events compared to 2018 were also factors in the RevPAR decline. On the positive side, demand for hotel rooms continues to grow very strongly on the back of buoyant economic growth in the city.

I am very happy with our performance in Dublin where we grew revenues by 4.5%. The contribution of the rooms we opened in 2018 was very strong. We also outperformed the market with our RevPAR at our 'like for like' hotels falling by 3.1% versus market fall of 3.6%.

Food and beverage revenues grew by €2.4m (4.7%) due to full year effect of the two hotels opened in 2018 and the very strong performance of several of our other hotels.

EBITDAR margin before adjusting items grew from 48.5% to 48.8%. This is an excellent result given the fall in RevPAR.

<sup>3</sup> See endnotes page 39

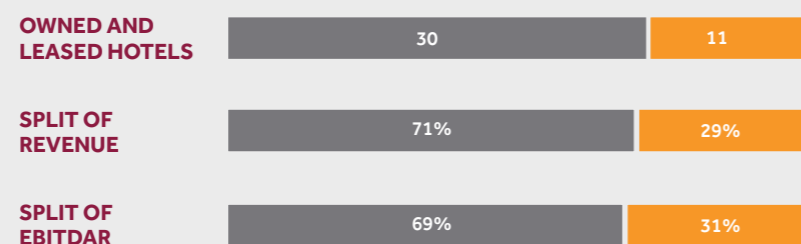
### Dublin

€million	2019	2018
Room revenue	176.3	168.7
Food and beverage revenue	53.0	50.6
Other revenue	16.1	15.6
<b>Total revenue</b>	<b>245.4</b>	<b>234.9</b>
<b>EBITDAR</b>	<b>119.7</b>	<b>114.0</b>
<b>EBITDAR margin %</b>	<b>48.8%</b>	<b>48.5%</b>

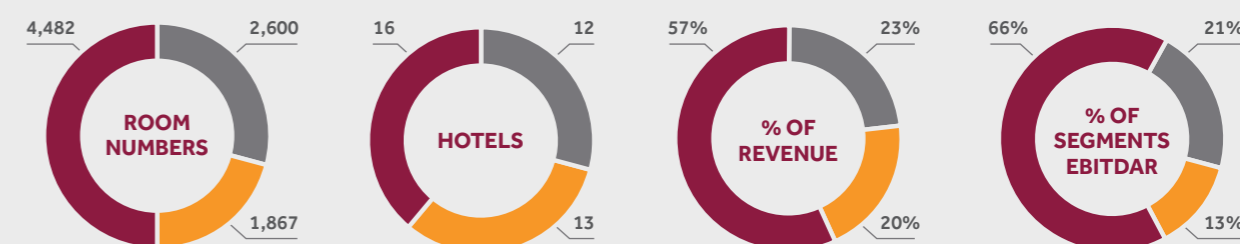
Performance statistics (like for like) <sup>3</sup>	2019	2018
Occupancy	86.5%	88.2%
Average room rate (€)	124.15	125.72
RevPAR (€)	107.41	110.89
<b>RevPAR change %</b>	<b>-3.1%</b>	

Dublin owned & leased portfolio	2019	2018
Hotels	16	16
Room numbers	4,482	4,460

### GROUP SNAPSHOT OF OWNED AND LEASED PORTFOLIO AT 31 DECEMBER 2019



● Owned Hotels ● Leased Hotels



● Dublin ● UK ● Regional Ireland

### Regional Ireland

The Regional Ireland market was negatively impacted by the increase in the VAT rate. Our Cork hotels were in line with the market with RevPAR falling 3.2% at our 'like for like' hotels. Our Limerick hotels were up by 2.4% compared to a market growth of 3.7%. One of our hotels was disproportionately impacted by a loss of airline crew when they discontinued a Shannon Airport route. Our Galway hotels had a strong year with RevPAR up 0.7% in a city where the market was down 2.1%.

Overall, revenue was up 6.8% with Maldron Hotel South Mall, Cork having a strong first year of trading. EBITDAR Margin improved further at 28.9% as we get closer to our target of 30% for this region.

Regional Ireland		
€million	2019	2018
Room revenue	49.7	45.2
Food and beverage revenue	26.8	26.4
Other revenue	8.4	8.0
<b>Total revenue</b>	<b>84.9</b>	<b>79.6</b>
<b>EBITDAR</b>	<b>24.5</b>	<b>22.7</b>
<b>EBITDAR margin %</b>	<b>28.9%</b>	<b>28.5%</b>

Performance statistics (like for like) <sup>4</sup>		
	2019	2018
Occupancy	74.9%	75.2%
Average room rate (€)	97.32	97.87
RevPAR (€)	72.87	73.57
<b>RevPAR change %</b>	<b>-1.0%</b>	

Regional Ireland owned & leased portfolio		
	2019	2018
Hotels	13	13
Room numbers	1,867	1,797

### United Kingdom (local currency)

Despite the uncertainty created by Brexit, we had an excellent year in the UK. All our provincial UK hotels outperformed their city market in terms of RevPAR change. Our London hotels were behind the city as a whole but performed well within their own local markets. The recently opened Clayton Hotel City of London, Maldron Hotel Newcastle and Maldron Hotel Belfast City contributed to a very strong growth in revenue of €17.6m (25.5%).

Despite the dampening impact of three hotels being in a ramp up phase, EBITDAR margin remained unchanged at 39.0%. As our portfolio grows and matures in the UK, we fully expect EBITDAR margin to grow strongly.

United Kingdom		
€million	2019	2018
Room revenue	62.8	48.1
Food and beverage revenue	17.8	15.2
Other revenue	6.1	5.8
<b>Total revenue</b>	<b>86.7</b>	<b>69.1</b>
<b>EBITDAR</b>	<b>33.8</b>	<b>27.0</b>
<b>EBITDAR margin %</b>	<b>39.0%</b>	<b>39.0%</b>

Performance statistics (like for like) <sup>5</sup>		
	2019	2018
Occupancy	85.2%	84.7%
Average room rate (€)	84.03	82.33
RevPAR (€)	71.57	69.70
<b>RevPAR increase %</b>	<b>2.7%</b>	

United Kingdom owned & leased portfolio		
	2019	2018
Hotels	12	10
Room numbers	2,600	2,233

<sup>4,5</sup> See endnotes page 39

### Central Costs and Share-Based Payments Expense

€million	2019	2018
Central costs	11.8	13.3
Share-based payments expense	2.7	2.8

Central costs decreased by €1.5 million due to the release of insurance provisions made in previous accounting periods totalling €1.9 million following the impact of better claims experience on original estimates. Our improving claims experience is driven by our commitment to continually look at ways to make our hotels safer each year for our guests and employees – this is a journey that never ends. Our improving claims experience is also driven by an investment in technology and a strong focus on training, which has enhanced our ability to record and track incidents, defend claims when they do arise and direct capital expenditure to prevent instances occurring in the future. Wages and salaries included within central costs increased by €0.4 million following the impact of new hires to support the growing Group.

### Depreciation

€million	2019	2018
Depreciation of property, plant and equipment	26.2	19.7
Depreciation of right-of-use assets	17.1	-
<b>Total depreciation</b>	<b>43.3</b>	<b>19.7</b>

Depreciation of property, plant and equipment increased by €6.5 million to €26.2 million driven by growth in the portfolio. €3.0 million of the increase relates to the full year impact of the new rooms added during 2018. €2.0 million relates to Clayton Hotel City of London which was acquired in January 2019. The remaining increase relates to the depreciation of refurbishment capital expenditure which replaced items that had already been fully depreciated in previous accounting periods.

The application of IFRS 16 Leases, results in a depreciation of right-of-use assets amounting to €17.1 million in 2019. Right-of-use assets are depreciated on a straight-line basis from the transition date of 1 January 2019 or the commencement date of the lease, whichever is later, typically to the end of the lease term.

### Finance Costs

€million	2019	2018
Interest expense on bank loans and borrowings	9.1	7.8
Impact of interest rate swaps	1.2	1.0
Other finance costs	1.5	2.8
Net exchange loss/ (gain) on financing activities	0.4	(0.3)
Capitalised interest	(0.5)	(1.8)
<b>Finance costs (pre IFRS 16)</b>	<b>11.7</b>	<b>9.5</b>
Interest on lease liabilities	18.9	-
<b>Finance costs (post IFRS 16)</b>	<b>30.6</b>	<b>9.5</b>

The application of IFRS 16 Leases, which results in the recognition of an interest charge on the lease liabilities, has increased finance costs by €18.9 million in 2019. Capitalised interest has reduced by €1.3 million due to a decrease in the number of development projects.

Interest on bank loans increased by €1.3 million due to the additional drawdowns from the multicurrency revolving credit facility to fund the acquisition of Clayton Hotel City of London and a site in London for the new Maldron Hotel Shoreditch. This was offset by a decrease in interest on bank loans under the improved terms of the new facility agreement secured in October 2018. The weighted average interest rate for 2019 was 2.42% (2018: 2.94%), of which 1.57% (2018: 2.15%) related to margin.

The interest on the lease liabilities for existing hotels is calculated using the estimated incremental borrowing rate applicable to each lease at the date of transition, 1 January 2019, or the date the hotel becomes operational if opened afterwards. This rate is derived from country specific risk-free interest rates over the relevant lease term, adjusted for the estimated finance margin attainable by each lessee and asset specific adjustments designed to reflect the underlying asset's location and condition. The Group's weighted average estimated incremental borrowing rate for IFRS 16 accounting purposes was 6% for the year ended 31 December 2019.

**Strong balance sheet backed by €1.5bn of prime assets. Portfolio of young, well maintained hotels continues to deliver strong cash flow.**

## Over €100 million generated in Free Cash Flow

€million	2019	2018
Net cash from operating activities	155.0	115.8
Fixed rent paid <sup>6</sup>	(27.5)	-
Finance costs paid	(11.2)	(13.2)
Refurbishment capital expenditure paid	(15.7)	(15.9)
Exclude adjusting items with a cash effect	-	(0.1)
<b>Free Cash Flow</b>	<b>100.6</b>	<b>86.6</b>

As I said earlier, I am delighted that we generated over €100 million in Free Cash Flow for the first time in the history of the Group.

Our portfolio of hotels continues to earn strong Free Cash Flow. The cash generated allows us to fund acquisitions and developments whilst also paying dividends to our shareholders. Dalata allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for our customers and adheres to brand standards. Refurbishment capital expenditure is slightly lower, compared to 4% of 2019 revenue, due to timing of projects ongoing at year end.

We exclude adjusting items to present normalised cash flows for the portfolio.

## Property, Plant and Equipment

€million	2019	2018
Property, plant and equipment at end of the year	1,471.3	1,176.3

The value of our property, plant and equipment increased by €295.1 million to just under €1.5 billion at the end of 2019. The acquisition of Clayton Hotel City of London amounted to €109.2 million (including acquisition related costs). There was a very significant net revaluation gain of €122.4 million. This was driven by uplifts on newly built hotels and extensions which were built at a cost below fair value and where trade has outperformed assumptions underpinning initial external valuations. In addition, hotel transactions in the wider market during 2019 have achieved improved valuation metrics which has led to increased valuations for the properties owned by the Group. Hotels either bought, developed or extended in the 12 months to January 2019 contributed €67.4 million of that gain, reflecting their strong financial performance.

### Additions to Property, Plant and Equipment

Additions through acquisitions and capital expenditure €million	2019	2018
<b>Development capital expenditure:</b>		
Acquisition of freeholds or site purchases	156.2	9.2
Construction of new build hotels, hotel extensions and renovations	12.5	76.1
Other development expenditure	5.4	4.3
Total development capital expenditure	174.1	89.6
Total refurbishment capital expenditure	15.2	15.9
<b>Additions to property, plant and equipment</b>	<b>189.3</b>	<b>105.5</b>

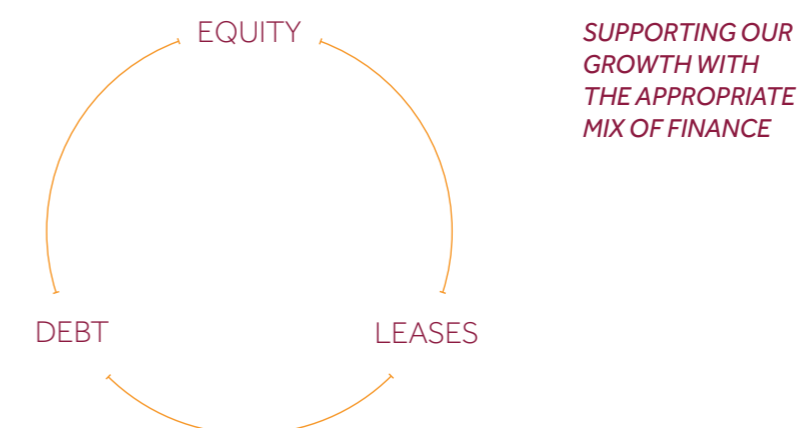
<sup>6</sup> See endnotes page 39

We typically allocate 4% of revenue to refurbishment capital expenditure. In 2019, we allocated €6.2 million to refurbishing our bedrooms and a further €9.0 million on public areas, back of house areas and completing health and safety works.

In 2019, Dalata achieved a Normalised Return on Invested Capital<sup>1</sup> of 12.1% (2018: 12.7%). This figure excludes the capital cost and trading impact of the five new owned hotels, which opened during 2019 or 2018 and assets under construction at year end. In addition to this, the Group also adds value through the acquisition and development of hotels. In 2019, the value of our property assets increased by a further €122.3 million. The total uplift in value to our property assets since 2014 is now €397 million highlighting our excellent ability to acquire strategic assets and develop hotels in an efficient manner.

## Capital Structure

We are committed to carefully managing our capital structure to ensure we have the right mix of leases, debt and equity.



### Leases

The adoption of IFRS 16 Leases has brought an accounting estimate of lease liabilities on to the balance sheet, increasing the Group's liabilities at year end by €362.1 million. We have always viewed leases as another form of debt. We look for a strong stabilised rental cover of 1.85x for all new leases we commit to. Our Debt and Lease Service Cover<sup>1</sup> amounted to 3.2x at year end showing we are comfortably able to meet our interest and rent commitments.

### Debt

Excluding the impact of IFRS 16 Leases, the Group's Net Debt to Adjusted EBITDA<sup>1</sup> using traditional bank debt was 2.8x at year end (31 December 2018: 2.3x). Post IFRS 16, our Net Debt and Lease Liabilities to Adjusted EBITDA<sup>1</sup> was 4.5x. The undrawn loan facilities as at 31 December 2019 were €121.2 million (2018: €216.2 million).

### Dividends

Dalata adopts a progressive dividend policy with the level of payment based on a percentage of profit after tax. An interim dividend for 2019 of 3.5 cents per share was paid on 4 October 2019 on the ordinary shares in Dalata Hotel Group plc amounting to €6.5 million. On 24 February 2020, the Board proposed a final dividend of 7.25 cents per share amounting to €13.4 million based on shares in issue at 31 December 2019. Subject to shareholders' approval at the Annual General Meeting on 29 April 2020, the payment date will be 6 May 2020 for the final dividend to shareholders registered on the record date 14 April 2020.

<sup>1</sup> See endnotes page 39



Maldron Hotel South Mall Cork  
Red Bean Roastery

CASE STUDY

## Shared Service Centre

Delivering efficiencies at our hotels.

Another strong attribute of our culture is that we are always striving to improve. An example of this is how we enhanced our processes and procedures within the finance function and achieved significant efficiencies and cost savings.

As a large number of our hotels were acquired in multiple separate transactions since mid-2014, we had inherited a range of different systems that did not integrate with one another. It was vital that we addressed this to ensure we could scale our various functions for further growth. In 2017, Stephen Clarke and Edel Conran led the project that set up a shared service centre (SSC) in Cork with the remit to streamline processes across the Group, enhance controls and provide a platform for future growth.

In its first year, the SSC introduced a single accounting platform across all hotels and began implementing a new procurement system across the Group. This system manages the ordering process from start to finish at the hotels and results in significant efficiencies. For example, in 2016, there was circa 120k purchase orders in the Group per annum. These had to be manually raised, manually approved and the invoices were manually posted to the accounting system. Now, all purchase ordering and invoice processing is automated and integrated with the accounting system. Our procurement system ensures that our hotels only use nominated suppliers and benefit from the prices negotiated by our central procurement team. As a result, we have seen substantial savings in our food and beverage gross profit costs. Our food gross profit margin has increased from 69.0% in 2016 to 71.5% in 2019, realising €1.6 million in savings for the Group in 2019. In the same period, our beverage gross profit margin has increased from 68.1% to 70.3%, realising €0.6 million in savings in 2019.

In its second year, the SSC started preparing supplier reconciliations and payments. Large suppliers now have one Dalata account as opposed to previously having one account per hotel. This has enabled us to achieve a 90% reduction in the number of payments. We also extended the procurement system to cover capital expenditure.

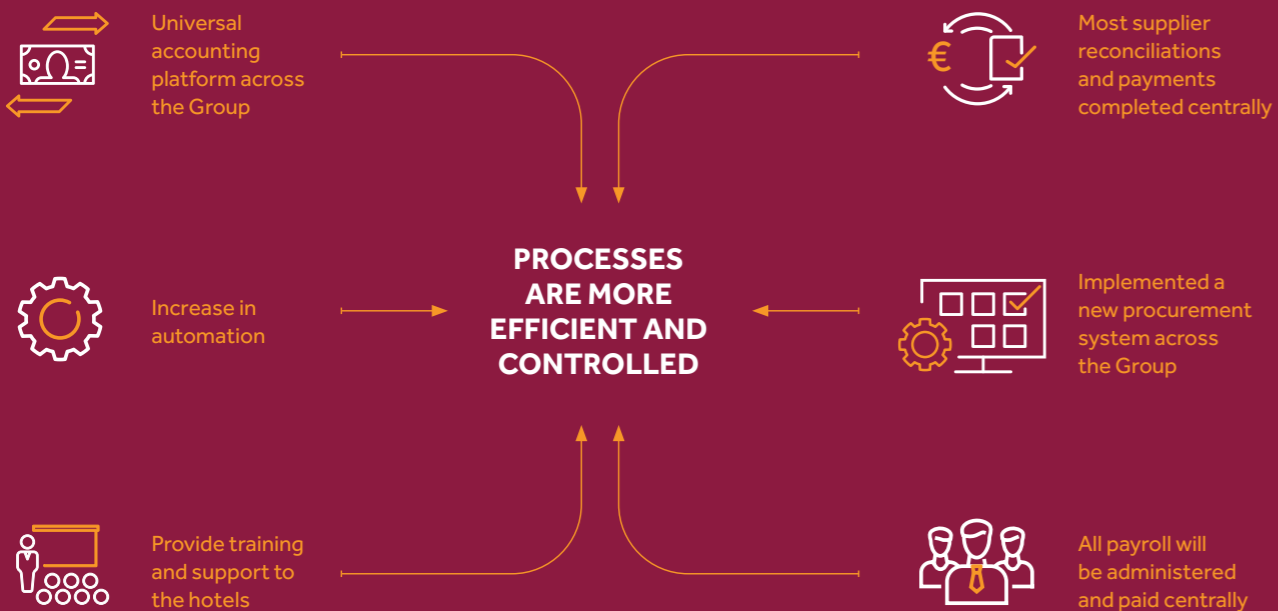
In 2019, the SSC introduced a new payroll system across the Group. We are in the process of moving the administration and payment of payroll for the Group to the team in SSC. In 2017, we processed and paid 4,300 employees in 26 different locations. By the middle of 2020, we will pay all employees from just one location in Cork.

All these examples are tasks that were previously done at a hotel level. The SSC team now manages routine administration work in a highly efficient manner. This in turn allows the hotels to focus on value adding activities such as serving our customers and analysing the business. The SSC is now a centre of excellence which provides support and training to the finance teams in the hotels. It is now much easier and faster to bring a finance team up to date when we open or acquire a new hotel.

We will continue to realise the benefits of this investment in 2020 and beyond.

*The SSC team now manages routine administration work in a highly efficient manner. This in turn allows the hotels to focus on value adding activities such as serving our customers and analysing the business.*

ACHIEVEMENTS TO DATE



## Growth Strategy

2019 was another exciting year in terms of hotel openings and development. Shane Casserly and his development team continue to deliver new hotels for us to operate. We completed the acquisition of the Clayton Hotel City of London in early January 2019 and successfully opened it later that month. The hotel has traded strongly in its first year of operation. We also secured a prime site in Shoreditch, London with planning permission for a hotel in August and we expect to start construction later this year. Our success in securing these two projects has been a catalyst to us being considered for other projects in London. We now see this city as being a location within which we have the financial, development and operational expertise to expand further.

Our strong performance in our provincial UK properties reaffirms our belief that there is a significant opportunity for us to expand in the larger provincial UK cities. The quality of the four-star hotels in those cities is very mixed. The market is fragmented in terms of brands, operating companies and owners. In addition, the product is very tired due to its age. The average age of our current UK portfolio is nine years and this will fall to eight years by the time the current pipeline of rooms is in operation in 2022. This will be of significant advantage to us. The addition of The Tamburlaine Hotel (to be rebranded as Clayton Hotel Cambridge) in November was a very positive addition to the portfolio. We were also very happy to secure an agreement to lease a new Maldron hotel in the centre of Liverpool. We are actively chasing other opportunities in our target cities.

Although the focus of our growth ambitions will be in the UK, we will still exploit any attractive opportunities in Dublin. I look forward to the opening of Maldron Hotel Merrion Road and The Samuel Hotel in the city in 2021. I was delighted that we also secured an agreement to lease a new Maldron hotel adjacent to the iconic Croke Park Stadium.

We continue to have a very strong relationship with fixed income investors. Deka Immobilien, Aberdeen Standard and M&G Real Estate all own one or more of our current hotels. We are delighted that Aviva and Union Investment have also contracted to buy three of our current pipeline properties in the UK.

I am very confident that we will continue to grow our pipeline in 2020.

### Conclusion

2020 is a year in which we are very focused on maximising the performance of our existing portfolio. However, we are also focused on ensuring that we are ready to take on the additional 1,800 rooms that are scheduled to open next year.

To that end, we will continue to invest in our people. Our people are key to delivering returns from our existing properties as well as providing the internal expertise to open our new hotels. We will continue to grow our development programmes which in turn allows us to continue our policy of promoting from within. We are a people centric organisation which is as it should be for a hospitality company.

We will continue to invest in technology and centralise more of the processing tasks, leaving local hotel management to focus on operating their hotels and ensuring that our customers continue to rate our services so highly. Happy and motivated employees equate to happy customers. Our decentralised management approach is core to our operating model.

2019 was a year that we proved we could still deliver on the bottom line when RevPARs were lower than expected. Our teams rose to the challenges and exploited any opportunities – we are all excited about doing the same in 2020.



**Dermot Crowley**  
Deputy Chief Executive  
Business Development & Finance



*Our people are key to delivering returns from our existing properties as well as providing the internal expertise to open our new hotels.*

**1** See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.

**2** Prior year comparatives and the KPI's calculated thereon have been restated to reflect the reclassification of income from managed hotels from revenue to other income in the year ended 31 December 2019. The comparatives also do not include any adjustments for IFRS 16.

**3** In Dublin, performance statistics exclude the new hotels which opened during 2018 (Maldron Hotel Kevin Street and Clayton Hotel Charlemont) and the Tara Towers Hotel which closed in

September 2018. To achieve an accurate 'like for like' comparison we have also excluded hotels with a significant increase in available rooms year on year (> 10%); (i) Maldron Hotel Parnell Square due to the significant extension completed during 2018 and (ii) Clayton Hotel Liffey Valley due to the significant acquisition of rooms during 2018 and 2019. We also excluded Clayton Hotel Burlington Road due to the redevelopment works ongoing in the hotel which distorts comparability.

**4** In Regional Ireland, performance statistics exclude the new Maldron Hotel South Mall, Cork which opened in December 2018 and

Maldron Hotel Sandy Road, Galway which had a significant extension added during 2018.

**5** In the UK, performance statistics exclude the new Maldron Hotel Belfast City, Maldron Hotel Newcastle and Clayton Hotel City of London which opened in March 2018, December 2018 and January 2019 respectively and Clayton Hotel Cambridge which was leased from November 2019.

**6** Fixed rent was included in net cash from operating activities in 2018 in line with previous applicable accounting standards. Under IFRS 16, in 2019 fixed rent paid is represented by lease repayments and interest.

## RISK MANAGEMENT

*Identifying and managing risks is a key part of running our business successfully, and planning for our future growth and development. We recognise that risk management is an ongoing process and is part of how we manage our business on a day-to-day basis.*

The Board is responsible for risk management and a risk management policy is in place, which is reviewed annually. The Audit & Risk Committee reviews the Group's risks at each of its meetings with a particular focus on new and emerging risks and changes to risk profiles.

We have a risk management framework in place, which provides us with the basis for managing our risks within the business. The framework is designed to be flexible and reactive. In practical terms this means that emerging risks, or those where the risk profile has changed materially, can be discussed and reviewed promptly and mitigations designed and planned.

### Risk Management Framework

We adopt the principles of the "three lines of defence" risk management model, with distinct yet integrated structures that combine to provide us with a sound framework to managing risk. The key elements of this are:

- ↳ Major strategic decisions concerning the Group are made by the Board. There is detailed analysis and discussion on these and the associated risks are also considered by Board.
- ↳ Executive management are responsible for implementing Board decisions and managing risk within the business areas. There are clear lines of responsibility within the Group's management structure.

There are specific management functions assigned responsibility for managing risks, either in full or as part of their overall responsibilities. These are clearly defined.

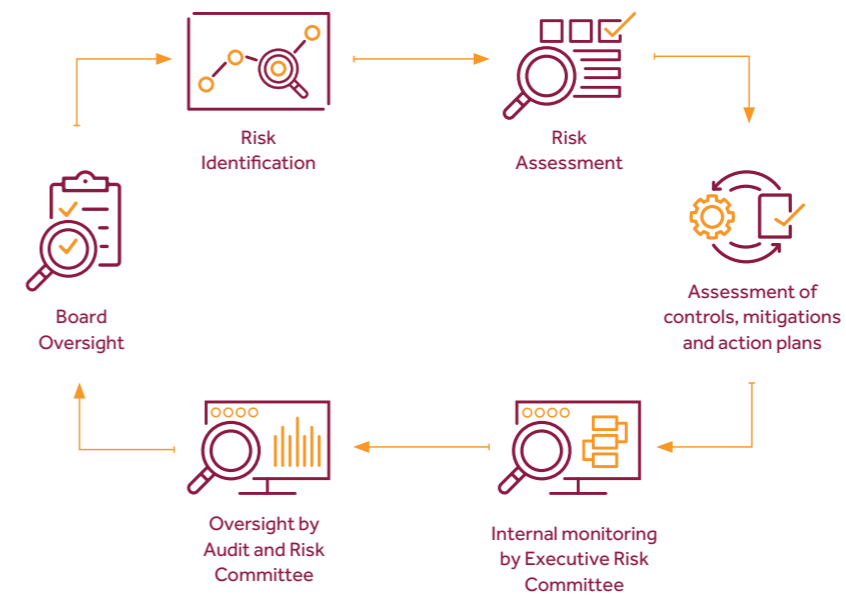
- ↳ We have an Executive Risk Committee structure in place, with meeting agendas led by the Head of Risk & Compliance. These meetings provide a forum where detailed review and discussion on risks occur, and are held usually 5 times a year.

The Executive Directors and members of the senior management team attend these meetings. The output of these meetings is then the basis for the risk review undertaken by the Audit & Risk Committee at each of its meetings. This structure enables us to keep abreast of developments in our risk management environment and enables ongoing focus on risks facing the Group.

- ↳ We operate over 40 hotels and managing risks across diverse locations and properties is a key focus area. Over the past years the Group has invested in property refurbishments and also in IT, health & safety and operational systems to help us better manage our risks. We have also invested in our people, providing them with both the knowledge and systems to manage risks in their businesses. This investment will continue and is regularly reviewed.

The process by which we consider and document our risks is set out opposite. This is an ongoing and "live" process.

## OUR ASSURANCE FRAMEWORK



FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Hotel and business management	Financial Control Health and Safety Management	Internal Audit

### How We Manage Our Risks

For us, risk management is not a standalone or oversight function but is an integrated element in the way we manage our business. We see our teams as being risk managers, even though this specific term may not be included in their role titles. Everyone has a role in managing risks.

To embed this in the organisation we have, what we believe is, a risk-focused culture. We focus on risks every day. We have embedded structures in all our hotels relating to financial controls, business forecasting, health & safety, training, employee development and target setting (both financial and non-financial). This aim of this approach is to manage risks from the bottom up, identifying risks, dealing effectively with them at a local level and ensuring that more material risks are notified and

highlighted to Executive management. It also supports a regular information flow from our hotels to Executive management and vice-versa.

Risks are also approached from a top-down level. The Board determines the Group's strategic goals and assesses the "big-picture" risks that could affect the delivery of this strategy.

In Central Office, the Company Secretary and Head of Risk & Compliance has oversight responsibility for risk management in the Group, reporting to the Chief Executive. The Chief Executive is incentivised to continually improve the Group's risk management processes.

The Audit & Risk Committee reviews the risk register as a standing meeting agenda item. This provides a challenge to Executive management on how risks are

being mitigated and also sets the tone from Board to management on risk management matters.

The Group has specific internal resources and expertise in relation to risk management areas. This is supplemented by external advisors, notably in relation to food safety, health & safety, property facilities, insurance risks and cyber/privacy matters. Our internal audit function plays a key role, providing additional oversight and reporting on how risks are being managed to the Audit and Risk Committee. This process of bottom-up and top-down analysis and oversight provides the basis for the monitoring and assessment of risks, including the identification of emerging risks.

Over the past number of years we have invested heavily in our hotels. The result of this investment is a modern hotel infrastructure, which has reduced our associated risk profiles. From an information and IT system perspective, we have invested in up-to-date business systems, which provide additional controls and information to better manage risks. Our capital expenditure processes are designed to enable prompt investment should a specific risk area be identified.

### Our Principal Risks

Our assessment of the key risks likely to have the greatest impact on our business in the foreseeable future is set out in the following pages. Where we believe risks are inter-dependent, we have grouped these together to better set out these linkages.

In particular, we note the impact of uncertainty around factors outside the Group's control, mainly relating to economic conditions, geopolitical factors and the UK's future relationship with the EU.

We continue to focus on the risks that could affect our expansion strategy, our people as key to this strategy, the operational risks associated with managing hotels and other business-wide risks.

## RISK MANAGEMENT

### Principal Risk Analysis

#### External

1. The economic cycle
2. Geopolitical events – including Brexit
3. International terrorism or the worldwide spread of disease



The hotel sector is vulnerable to a variety of external events that may negatively impact economic activity as a whole or may have the effect of reducing expenditure on travel and leisure services.

#### Potential impact

A short-term or more prolonged, mild or severe, reduction in revenues or disruption to supplies, or both. At present, on-going Brexit negotiations and the international response to the outbreak of the Coronavirus are of near-term concern.

#### Mitigation

The Company relies on corporate governance structures that require management to monitor external threats. This analysis supports strategy development and investment decision making. Management actively prepares for adverse external events affecting the business as a whole, maintaining flexibility in the cost base to allow for a timely reaction, maintenance of a critical incident plan, and the development and maintenance of strong relationships and good communication with key customers and suppliers.

**Trend:** Increased

#### 2019 Commentary

2019 saw progress on the UK's future relationship with the EU, but much was uncertain, and the international political environment remains unsettled.

#### 2020 Focus

We will closely watch the emerging threat of the Coronavirus outbreak and monitor developments in the trade negotiations between the UK and the EU and other events and maintain our ongoing monitoring of travel demand trends across our source markets.

#### Financial

4. Fluctuation in EUR/GBP exchange rate



Fluctuation in the EUR/GBP exchange rate may adversely affect customer behaviour.

#### Potential impact

Loss of revenue and earnings; fluctuation of asset values in euro terms; translation of GBP earnings.

#### Mitigation

There are a number of natural hedges in the business with a trade-off between visitors travelling between the UK and the Eurozone. GBP asset values are hedged by the value of the company's borrowings weighted towards GBP. Interest paid in GBP partially offsets GBP earnings.

**Trend:** Unchanged

#### 2019 Commentary

The exchange rate was more volatile in 2019 than the previous years, varying from 0.93 to 0.83 in the course of the year.

#### 2020 Focus

Continued agile marketing in anticipation of continuing volatility.



#### Strategic Priorities

People

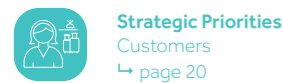
↳ page 16



#### Strategic Priorities

Properties

↳ page 18



#### Strategic Priorities

Customers

↳ page 20



#### Strategic Priorities

Brands

↳ page 22

#### Strategic

5. Market Concentration



66% of 2019 Group Segments EBITDAR came from Dublin, making it vulnerable to changes in market dynamics in the city.

#### Potential impact

A decline in revenue and profitability in the event of either a significant decline in demand in Dublin or an increase in supply.

#### Mitigation

Dublin is the key market for Dalata, and the Group's strategy is to maintain its market share through carefully targeted new property development and investment in our existing properties to maintain superior quality. Further growth focuses on new markets, reducing dependence on Dublin. As new supply enters the Dublin market, we will focus on maintaining strong relationships with key customers and on new business development activities as well as closely managing the cost base to off-set any softening of sales.

**Trend:** Increased

#### 2019 Commentary

Although the growth rate of international arrivals to Dublin slowed, demand remained steady; new room supply, and the increase in the rate of value-added tax combined to dampen RevPAR growth.

#### 2020 Focus

While delivering on our UK growth plan and our own new Dublin capacity to maintain our share, we will concentrate on effective execution in the market where we have well located and well-invested hotels.

#### Strategic

6. Growth and Expansion Strategy



The pace of growth planned for the next three years presents several risks, presented collectively here: failure to deliver returns (for either market or operational reasons), overstretch of management resources, erosion of the culture and values of the Company.

#### Potential impact

The Company's growth opportunity also runs the risk of failure to achieve financial objectives and return for shareholders, and potentially other management failures.

#### Mitigation

The Company adopts a disciplined and broad-reaching due-diligence process for all new projects with the development team receiving key input from operations. The Board scrutinises all new projects before proceeding. Preparations for new openings start early, the Company maintains a consistent focus on talent development, and management regularly reviews the group structures and the resources required to manage effectively at both new and existing properties.

**Trend:** Increased

#### 2019 Commentary

Two new hotels added. An increase in the pipeline to almost 3,000 rooms, is an increase of 30% on existing room capacity.

#### 2020 Focus

Preparation for the 2021 openings: identifying and appointing management teams, backfilling the vacancies created, continuing investment in learning and development.

#### Financial

7. Level of Debt



The risk associated with ineffective debt management and excessive levels of debt.

#### Potential impact

Excessive debt levels expose the Group to solvency risks in the event of a severe downturn in business.

#### Mitigation

Dalata practises a disciplined and consistent approach to financial risk management, including investment appraisal and financing, the level of traditional bank and lease debt, and interest rate exposures. The Company discloses its maximum leverage targets and regularly stress tests its resilience to potential financial shocks. The Group's corporate governance structure enables effective oversight of financial risk management.

**Trend:** Unchanged

#### 2019 Commentary

Following a re-finance of all bank debt in 2018, the group exercised an option to extend existing facilities during the year to 2024 and secured a number of new hotel development projects through agreements to enter long-term lease finance.

#### 2020 Focus

Continued monitoring of market developments, management of banking covenants, and rigorous stress testing of financial projections.

## RISK MANAGEMENT

### Principal Risk Analysis (continued)

#### Operational

##### 8. Development and retention of expertise



Inability to attract people to work in the business and to retain and develop future leaders.

**Potential impact**

Risk to successful execution of the expansion programme. Upward pressure on costs.

**Mitigation**

The Company recognises, as a strategic priority, the importance of the development of its people. Its objective is to become the employer of choice in the sector, through its people-centred culture and its commitment to learning and development for all employees. The Company carries out regular employee engagement research surveys and uses the results to improve the employee experience.

**Trend:** Unchanged

**2019 Commentary**

Over 1,000 applications for the Dalata graduate programme; 367 participants on structured learning programmes and the roll-out of Dalata Online, our online training platform.

**2020 Focus**

Continued development of the Dalata employer brand.

#### Reputational

##### 9. Health and safety



Risk of material operational health and safety related event (eg fire, food safety or public health).

**Potential impact**

Injury or loss of life or major property damage. Financial loss and damage to reputation.

**Mitigation**

The development of a health and safety culture is a Group priority, with the promotion of health and safety training focussed on prevention, incident management, and reporting. We have a critical incident management plan in place and reserve a portion of the capital expenditure budget to address identified risks. We invest in safety management and reporting systems, and the independent audit of health and safety, and food safety standards at all hotels. The Audit and Risk Committee provides oversight.

**Trend:** Unchanged

**2019 Commentary**

We saw a continuation of the 2018 trend of the reduced cost of claims in our self-insurance programme.

**2020 Focus**

We will continue to prioritise health and safety risk management and complete a detailed review of the effectiveness of our audit processes.

#### Reputational

##### 10. Cyber-attack – data loss



Information systems are subject to an external or internal cyber event with the potential for data loss/theft.

**Potential impact**

Denial of service, data breach, loss of revenue, business disruption, reputational damage.

**Mitigation**

In recent years, the Company has upgraded IT systems across the business with an emphasis on establishing common platforms. The reduced number of software vendors improves the management of data and facilitates greater standardisation of processes. The Company retains third-party cybersecurity experts to support the IT department and has a Privacy Committee to monitor compliance with data privacy regulations and the Company's policies. Internal Audit is supported by external expertise to carry out independent reviews of cybersecurity risk management. The Audit and Risk Committee provides oversight.

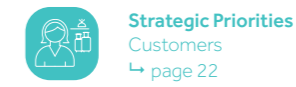
**Trend:** Increased

**2019 Commentary**

The journey towards fewer and more centralised, cloud-based software applications continued, and the Privacy Committee was established with a focus on risk management.

**2020 Focus**

Continuing to monitor risks and evolve risk management processes through the IT department, Privacy Committee, and Internal Audit.



#### Strategic

##### 11. Senior Management succession



Failure to manage succession at the senior level may stall corporate development.

**Potential impact**

Loss of strategic direction, faltering leadership, or both.

**Mitigation**

The Company emphasises the development of people at all levels in the organisation with a philosophy that there should always be one or more potential internal candidates qualified to fill any vacancy that may arise in the Company. Regarding senior management positions, the succession process is subject to the oversight of the Board through the Nomination Committee.

**Trend:** Unchanged

**2019 Commentary**

At the end of 2019 Shane Casserly, an internal candidate, was appointed to the Board as Corporate Development Director and several senior executives participated in leadership development programmes.

**2020 Focus**

Continuity of development programmes for senior executives.

#### Reputational

##### 12. Environmental and climate change



Failure to recognise and respond to the impact of our business activities on the environment.

**Potential impact**

Damage to corporate reputation, loss of customer, employee, and other stakeholder's confidence.

**Mitigation**

Action to reduce the Group's impact on the environment focusing on three areas: carbon footprint, waste management, and water usage. The Group Environmental Steering Committee, formed in early 2019, is tasked with developing the appropriate strategies to manage the environmental impact of our operations, target setting, measurement, and communication with stakeholders.

**Trend:** Increased

**2019 Commentary**

The environment and climate change came into sharp focus in 2019 with an increase in stakeholder concern and expectations. The Company is committed to addressing stakeholder concerns and announced the formation of a Board subcommittee responsible for environmental, social and governance oversight, effective from 1 January 2020.

**2020 Focus**

Performance improvement across all of our hotels.

#### Operational

##### 13. Changing distribution environment for accommodation sales



New entrants to the accommodation sector (e.g. short-term private lets) and disruptive online sales channels.

**Potential impact**

Loss of market share, increased intermediary commission, lower revenue and profits.

**Mitigation**

Continuous education of our revenue management and sales and marketing professionals and our expert service providers to meet the marketing challenge of reaching and attracting potential customers, and optimising the use of competing online marketing channels.

**Trend:** Increased

**2019 Commentary**

There was a notable increase in the marketing of student accommodation during the summer months in the Irish market.

**2020 Focus**

Continuous focus on on-line marketing innovation and exploitation of the benefits of the adoption of private label branding in the Global Distribution System (GDS) segment, see page 23.



## RISK MANAGEMENT

### Viability Statement

The Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three years to December 2022. This assessment is made based on an analysis of the Group's current position, trading performance, contracted capital expenditure and future prospects, in severe but plausible scenarios.

The Directors assessed the prospects of the Group over a three year period as in previous years for the following reasons:

- ↳ It aligns with the Group's risk assessment timeline of current risks facing the Group;
- ↳ All current committed projects are expected to be substantially completed during this period and the risks associated with this phase of development are fully considered; and
- ↳ A longer period would lead to less certainty around market performance and expectations.

The Directors have carried out a robust assessment of the principal risks that could potentially threaten the business model, future performance, solvency or liquidity of the Group within the viability period. These risks are included in pages 42 to 45 and are linked to the overall Group strategy.

The following risks are the most significant to the assessment of the viability of the Group:

- ↳ Risks 1, 2 and 3 (page 42): Risks relating to the general economic backdrop to the business involving the specific risks to the economic environment including geopolitical events (eg. Brexit) or shocks to the system (eg. Terrorist attacks or widespread outbreak of disease).
- ↳ Risk 7 (page 43): Risks relating to the level of bank borrowings, the associated interest payments and covenants.

The other risks, are also deemed very important. However, these risks are difficult to model for sensitivity analysis as the financial impact would vary depending on the extremity of the situation. However, the potential impact of these other risks are not believed to be as potentially material as those tested in the above scenarios.

All these risks are managed through the adoption of the 'three lines of defence' risk management model and are reviewed and discussed at each Audit and Risk Committee meeting.

Based on these risks, the Group has chosen robust downside financial scenarios which could affect the viability of the Group. The Group operates in an established sector with strong cash flows and mature patterns of demand and supply. However, the Group carefully considers events that may have a negative impact on the hotel market in Ireland and the UK and consequently demand for its services. In order to assess its future prospects, the Group has examined the cyclical trading patterns in the Irish and UK hotel sector over several decades and considered the market dynamics in each of these two markets. During periods of slowdown, whatever the catalyst, hotel revenues may decline sharply as consumers reduce or alter their travel plans.

The Group has stress-tested its projections based on how the hotel market has reacted to previous shocks and considered what mitigating actions in terms of cost and cash management would be taken to protect the Group. The Group's operations are spread across a number of locations and therefore it has focused on risks that would have a Group-wide impact as these pose a greater risk to Group viability. The Group also manages its debt profile to ensure it has adequate headroom

to withstand a severe shock and is in compliance with its banking covenants.

In our scenario analysis RevPar was reduced by up to 25% within six months of the onset of the downturn with a resultant impact on all other sales.

The receipt of proceeds from the sale of the Merrion Road, Dublin residential development in 2021 was delayed by three months.

In mitigation

- ↳ Non-essential and non-committed capital expenditure was reduced.
- ↳ Strategic cost reduction was modelled.

The above scenarios were firstly evaluated on a standalone basis, and then collectively. Once the mitigation plans were applied to these scenarios, there was no threat to the viability of the Group. The Group has a €525 million multicurrency facility and on 19 August 2019, it availed of its option to extend the facility by an additional year to 26 October 2024. As a result, the Group has reduced refinancing risk, and has additional flexibility and headroom which reduces liquidity risk. Sufficient available funds headroom was maintained in addition to being in compliance with all debt covenants at each semi-annual review date in the modelled scenarios.

It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

*The Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three years to December 2022. This assessment is made based on an analysis of the Group's current position, trading performance, contracted capital expenditure and future prospects, in severe but plausible scenarios.*



Maldron Hotel Newcastle



## RESPONSIBLE BUSINESS REPORT

Dear Shareholder,

Our commitment to operating our business responsibly underpins our entire strategy and the reputation of our hotels and brands.

This responsibility starts with the example set by the Board and is, I hope, reflected in the decisions and behaviours of colleagues throughout the Group, whether in one of our hotels or in Central Office.

In 2019 each of the three Executive Directors had specific incentives targets related to environmental and social objectives (see page 89 and 90).

Given the importance of sustainability to the Board, a new ESG Board subcommittee was established in January 2020. This Committee will work with management in areas such as emission targets, inclusion and diversity, employee engagement, health and safety and sustainability reporting.

As we embark on this next stage of our journey, we do so from a solid base which is reflected in an AA score from ESG rating agency MSCI.

We have an illustrated framework (see below) to allow the business to respond in a structured and progressive way to our responsibilities to society and our impact on the environment.

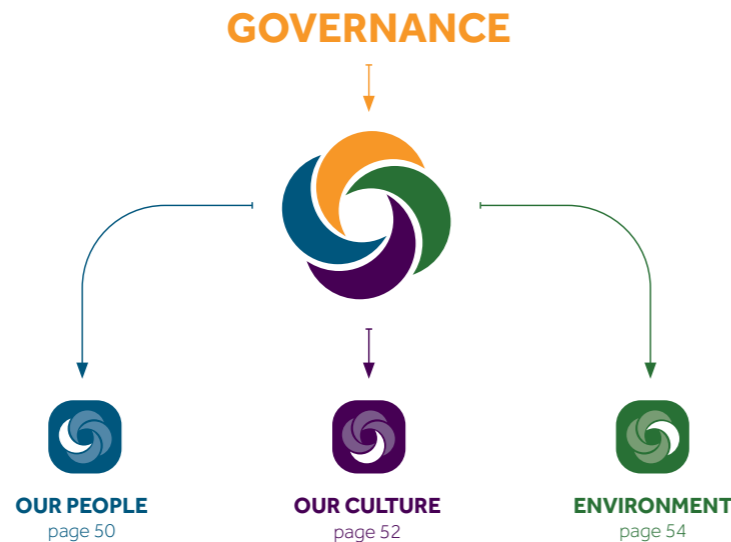
In 2019 we developed a Supplier Code of Conduct, updated our group environmental policy and rolled out our online learning and development platform. We launched our new corporate website to enhance our engagement with stakeholders outside the organisation and in 2020 we will finalise our Group Code of Conduct.

I would like to thank all my colleagues for their dedication in 2019 for making Dalata the company it is today. We will continue our dedication to our sustainability initiatives in 2020 and will continue our commitment to live the Dalata values in everything we do.

Dalata aims to comply with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017. In the table opposite, we set out the company's response to managing its non-financial priorities and advise where further information on compliance may be found in this report.

Pat McCann  
Chief Executive

### OUR RESPONSIBLE BUSINESS FRAMEWORK



See our Responsible Business Framework policies on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

### Our Response To Managing Our Non-Financial Priorities.

Reporting requirement	Policies and standards	Further information and risk management
Environmental matters	Environmental policy Supplier Code of Conduct	<b>Responsible Business</b> Environment ↳ page 54
Employee matters	Employee handbook  Health and safety policy  Safe work practices policy Bullying and harassment – dignity in the workplace policy Equal opportunities policy Whistleblowing Statutory Training	<b>Strategic Priorities</b> People ↳ page 18  <b>Responsible Business</b> People ↳ page 50
Social matters	Food standards and traceability Community support Privacy policy	<b>Responsible Business</b> People ↳ page 50
Human rights	Modern slavery statement Data protection policy Supplier Code of Conduct Privacy policy	<b>Responsible Business</b> People ↳ page 50
Anti-bribery and corruption	Anti-bribery & Corruption policy	<b>Responsible Business</b> People ↳ page 50
Business model		<b>Business Model</b> ↳ page 12
Policies followed, due diligence and outcome		<b>Our Assurance Framework</b> ↳ page 41  <b>Risk Management in Practice</b> ↳ page 41
Description of principal risks and impact of business activity		<b>Key Risk Summary and Analysis</b> ↳ page 42
Non-financial key performance indicators		<b>Non-Financial KPIs</b> ↳ page 15



# Our People

The growth of our people is an essential element of the sustainable development of our business.

As our business has grown, so too have our people. We have experienced rapid growth in employee headcount and have invested consistently to support individual career development within Dalata. The growth of our people is an essential element of the sustainable development of our business.

## TRAINING & SUCCESSION

We invest in our talent and encourage their growth by delivering an exciting and forward-thinking workplace for them to develop their skills and knowledge within. We provide them with opportunities to grow with our business. Talent development and succession planning is a strategic priority (see page 18) and is at the centre of our HR strategy in Dalata.

In 2019, internal promotions of our people have increased by 24% year on year from 305 to 379.

Dalata has a vital role to play in introducing people to first-time employment to develop a career in hospitality. In 2019 Dalata employed 1,152 new hires under the age of 30.

In December 2019, 83% of our people reported that they feel they are developing professionally in Dalata and a further 86% say that their manager encourages them to grow.

With 367 employees on structured development programmes and 1,324 people attending training courses in the last 12 months, our learning and development programmes help our employees to reach their potential while delivering an exceptional guest experience.

## DIVERSITY

We communicate our Equal Opportunities Policy to all employees, and our senior management team actively promotes our commitment to diversity and inclusion as part of the company culture. This commitment is practised across recruitment, terms and conditions of employment, promotion, training and development, discipline and grievance processes, and termination of employment.

We are committed to providing a harmonious and fair working environment with real and equal opportunities for all in which no form of intimidation or discrimination exists. We enjoy and take pride in the diversity of our workplace.

Of our total workforce, 52% are female and 48% are male; amongst the group of the 100 most senior managers in the organisation, 47% are female, and 53% are male, and participants in our structured development programmes are evenly balanced - 50% female and 50% male.

In our December 2019 employee engagement survey, we found that 89% of our people believe that people from all backgrounds are treated fairly in Dalata.

As part of our commitment to equal opportunities, we provide dignity at work training for all managers across the business.

Further training on equal opportunities and fair recruitment practices is a focus for 2020.

We are incredibly proud of the diversity of our people with employees from 121 different countries working in Dalata.

## LABOUR STANDARDS AND HUMAN RIGHTS

The Board has adopted a Modern Slavery Policy and we have published our 2019 modern slavery statement on the company website. In 2019 the company adopted a Supplier Code of Conduct that applies to all suppliers and includes provisions designed to give assurance about labour standards and respect for human rights through the supply chain. In 2020 we will implement supplier compliance procedures using a risk-based approach to provide further assurance.

## LISTENING TO OUR PEOPLE

We have measured employee engagement since 2016, and it continues to play an essential role in the further development of the Group by helping us understand the employee experience.

Our participation rate remains consistently high, with 3,929 employees responding to our December 2019 employee engagement feedback survey with 15,777 pieces of qualitative feedback received from employees. We actively encourage all of our managers to listen to and act on this feedback to improve the employee experience.

- ↳ The overall engagement result of 83% grew from 77% in December 2018, which places Dalata 5% above the our peer benchmark.
- ↳ 86% of people would recommend Dalata's products and services to friends and family.
- ↳ 85% believe strongly in the Company values and its strategic direction.
- ↳ 88% of team members feel that they are empowered to do their job.

The overall satisfaction of our high-potential employees, who are currently completing structured development programmes, is at 91%.

## HEALTH AND WELLNESS OF OUR PEOPLE

In 2020, Dalata is committed to actively promoting and supporting wellbeing for all employees and to have tools to assist our staff in everyday life matters. Developing a healthy and active mind is part of our culture in Dalata.

Our newly launched wellness app, which focuses on living a healthy and enjoyable life, has been well received across the organisation. To promote good mental health, we have launched a helpline and online chat function in which employees can contact professionals for support should they need to discuss any personal concerns.

The Board and Senior Management work to promote a culture of best practice for health and safety at work, and we work with all of our employees to ensure that their wellbeing is to the forefront of their employment experience with us.

## CASE STUDY

### Gerard's Road to Success

Gerard Madden was introduced to Maldron Hotel Dublin Airport in June 2015 through the Momentum Programme, a back to work placement scheme, for people unemployed for twelve months or more, run by the Irish government agency Solas.

Gerard started in the maintenance department and, having impressed with his positive attitude and determination, was offered a permanent full-time position within the accommodation team.

He later moved from accommodation to food & beverage, developing new skills at each stage of his journey, and in 2018 was promoted to the meeting and events department. Gerard has received recognition as employee of the month on numerous occasions and in 2018 was Maldron Hotel Dublin Employee of the Year.

His career journey in hospitality continues.





# Our Culture

For Dalata, a healthy business culture is - fundamentally - about doing the right thing.

Our Board is focused on promoting a healthy and responsible culture across the business. Our CEO and senior executives are accountable for embedding our unique culture into the business.

Our culture is reflected in the way that we engage with our customers, communities and suppliers and through our values of fairness, people, service and individuality.

## CUSTOMERS

### True Hospitality

We recognise that customer feedback is the most effective way for us to improve the experience at our hotels. We have made customer feedback and our actions from it key performance indicators of the Group as a whole, and we are committed to responding to customer desires as best we can.

### Safety & Security

The Board has approved numerous policies aimed at promoting high standards of safety and security in the Group. These include the Group Health & Safety Policy, Data Protection Policy and Privacy Policy. We take the privacy of our customers very seriously. In 2019 we established a privacy committee, which meets quarterly to ensure our systems and policies and ongoing practices reflect customers expectations for respect of their privacy.

The safety and security of our guests and employees remain a priority at all times. We have implemented an online fire

safety monitoring system across all of our hotels, and rigorous safety measures are in place.

Access to hotel facilities and guest rooms is strictly controlled, and additional night-time measures are in place.

## COMMUNITIES

### Employment and employability

At Dalata, we are an Equal Opportunities employer, and we encourage people from all backgrounds to apply for positions at the Group, from the hotels to central office. We discuss this further on page 50.

### Community engagement

For us, it is important we work closely with our neighbourhoods, and make positive contributions to our local communities and to the people who live there. We encourage all our hotels to engage actively in the community, by supporting local organisations, sports clubs and community events.

We are active in the business community and in 2019 our CEO Pat McCann became IBEC President. IBEC is Ireland's largest business representative and lobby group which represents 70% of Ireland's workforce. Several other managers participate in hotel and tourism sector representative organisations.

We have continued to support our three chosen charities in 2019 - Great Ormond Street Hospital in the UK, Cancer Focus NI and CMRF Crumlin in the Republic of Ireland. Read more about this on page 53.

## SUPPLIERS

### Responsible Supply Chain

We have successfully implemented a centralised purchasing and invoice payment system across the Group which all of our suppliers now use.

The system simplifies the order and delivery processes along with more efficient invoice clearing and supplier payments. Along with better purchasing

information, this enhances the management of our supply chain.

The Audit & Risk Committee approved our supplier code of conduct in late 2019, and we are currently in the process of implementing this with our supplier base to ensure compliance with the code's requirements.

The code sets out, amongst other things, the requirements and principles Dalata

has adopted to promote ethical conduct in the workplace, safe working conditions in our supply chain, the treatment of persons with respect and dignity, and environmentally responsible practices.

The Board has approved an Anti-Bribery and Corruption policy, an Anti-Money Laundering Policy, and Modern Slavery Policy and statement. The report on our Whistleblowing Policy is detailed on page 76.

## CASE STUDY

### Dalata Digs Deep

The #dalatadigsdeep charity fundraising programme has developed as an internal brand in its own right as the company has grown, and this is all driven by employee participation.

Our employees have taken the lead on many initiatives, making new connections with colleagues, community, suppliers, and customers. In 2019 alone, we had over 2,000 volunteer hours and organised 160 fundraising events.

Four years ago, the idea was simply to raise money for good causes. Since then, through the commitment and enthusiasm of our employees and management, it has grown into something bigger. We adopted three charity partners, CMRF Crumlin, Cancer NI, and Great Ormond Street Hospital Children's Charity, and in the four years have raised €1.3 million.

So much of our employees' impact will not only be felt today but long into the future as the research they funded will benefit the sick children and their families of generations to come.

The Dalata Team at the Cork City Marathon 2019





# Environment

## GREENHOUSE GAS (GHG) EMISSIONS

The management of our energy use has always been important to the Group and we continue to make strides in reducing the carbon footprint in our hotels.

This progress is reflected in the B- score we achieved for our 2019 CDP response, in our second year of participation. We have scope for further improvement and have set a target of reducing our carbon emissions by 20% by 2022 from our 2018 baseline.

In 2019 Dalata contracted to buy 100% renewable electricity in Ireland and the UK. Green electricity is generated by using the power of wind and is therefore completely renewable. This commitment helps to achieve our carbon emissions targets.

We are exploring ways to reduce carbon emissions and improve energy efficiency across the Group by continuing to upgrade our lighting systems in our hotels to use more energy-efficient LED bulbs, upgrading the building management systems in our hotels (BMS) and adding solar panels. All hotels receive monthly energy reports which allow us to receive accurate updates on all our energy consumption. This information provides us with the ability to monitor peaks and troughs in usage. The benefits of this are not only commercial, but will also allow us to explore ways to reduce our carbon footprint.

## WASTE

As part of our broader efforts to reduce plastic waste, we are committed to reduce the consumption of single-use plastics in our hotels. In 2018, we eliminated over 500,000 plastic straws from our hotels. We have eliminated

plastic bottles from all our meeting rooms and in our bedrooms in all hotels. In 2020, we will continue to look at ways in which we can further reduce single-use plastics in our business. See our case study on the next page for more information.

We continue to increase the amount diverted away from landfill every year in Ireland and the UK. We ensure our waste is separated and sent to recycling facilities and food waste is treated by anaerobic digestion. In 2019 the food waste in Ireland that was sent for anaerobic digestion was as follows:

	2019	2018
Total Food waste ROI	1,236 tonne	1,155 tonne
Renewable Energy produced	494.5 MWH	461.9 MWH
CO <sub>2</sub> emissions savings by diverting from landfill	618.1 tonne	577.4 tonne
Amount of fertiliser digestate	247.2 tonne	230.9 tonne

## WATER

We have a strategy in place to minimise consumption of water in our hotels. By the end of 2020 all our hotels will have tap or shower aerators. These water saving devices will control the amount of water that flows through the tap or shower head without affecting the water pressure as they mix the water with air, thus reducing flow without affecting guest satisfaction.

## 2020 FOCUS

For 2020 we have established a €1 million Green Fund from our capital expenditure budget. Hotels will submit projects for consideration on a competitive basis.

## CASE STUDY

### Environment Steering Group

The Environment Steering Group was setup in 2019 with the aim of responding in a more comprehensive manner to the growing expectations among all our stakeholders on the impacts our business has on the environment. The group is led by Conal O'Neill (Group General Manager - Maldron Hotels) and comprises of ten members from a range of functions, locations and brands across the Group. The group acts as an umbrella for all activities in this area, and picks up from significant works already done by the company that included an extensive LED lamp exchange programme, CHP unit installations and voltage optimisation works.

Looking ahead the group are focusing on the following key areas:

- ↳ Framework and culture
- ↳ Utilities and energy consumption
- ↳ Waste & recycling
- ↳ Water consumption
- ↳ Capital projects including new build hotels
- ↳ Communication with stakeholders

On establishment, the priority of the group was to set about building a framework for implementation and progress that would also grow the necessary culture across all hotels. To this end we partnered with Green Tourism, a hospitality specialist accreditation partner. Green Tourism conducted

*Stephen McNally and Stephen Clarke from Dalata with Adrienne Volpe of Bord Gais Energy.*

*Everybody has to play their part. We're no different to anybody else. If we all play a part in some way it will have a significant impact on the environment that we all need to live in.*

**Pat McCann**  
Chief Executive Officer



"Energy & Sustainability Audits" in all our hotels during Q4 2019 with each hotel gaining accreditation as part of the process. The audits in turn now provide a road map for our hotel based "Environment Impact Teams" to drive the agenda and respond to the expectations of our stakeholders in a meaningful way.

On the procurement front, we now buy all our electricity from 100% renewable sources. The steering group also led the introduction of improved measurement and reporting processes around our consumption of utilities, with reporting that gives our hotel teams the information they need to make informed and quick decisions. We are engaging with all our large suppliers on initiatives to reduce the volume of packaging waste being taken into our hotels. We have made great strides in the past year in our war on plastics with the removal of most single use plastic products from our hotels. This includes a commitment to remove all single use bath and shower products from guest bedrooms. The steering group will co-ordinate the allocation of a €1 million Green Fund that hotels will compete for with green capital investment projects. In tandem with these projects, our steering group also works with our Development team to ensure we avail of the latest technologies and building methods that will make our new build hotels as efficient as possible. Finally we are developing a communications strategy to keep our team members and customers abreast of our progress.

We are at the start of our journey but excited by the prospect of the really positive impacts we can make.





# Corporate Governance

## CHAIR'S OVERVIEW

Dear Shareholder,

I am pleased to present the Corporate Governance Report of Dalata Hotel Group plc for 2019. In this report, I describe our Corporate Governance framework and explain how the Board works to ensure that this framework remains appropriate and effective.

The following Corporate Governance Report, including the Committee Reports and the Directors' Report, sets out how we apply our governance standards in practice and demonstrates our compliance with the UK Corporate Governance Code 2018.

Under my Chairmanship, I continue to focus on ensuring that the Board remains effective and leads by example to demonstrate the desired values and culture of the Company. The Board recognises that strong Corporate Governance is essential to deliver the strategy, to drive success and to create long term value for its stakeholders. In 2019, the Board was pleased to welcome Elizabeth McMeikan, as an independent Non-executive and in January 2020 Shane Casserly as an Executive Director.

Both Directors bring skills and expertise that will strengthen the Board. Further details of the appointment process for the new Non-executive Director are provided in the Nomination Committee report on pages 70 to 71.

The Board operates effectively, and each Board member demonstrates the correct balance of skills, experience, independence, knowledge, and the ability to commit sufficient time to undertake their duties and responsibilities appropriately. This year, in accordance with our re-election policy, all Directors will be subject to re-election at our AGM.

The Board is committed to the highest standards of integrity and accountability. It oversees a system of prudent and effective risk management and internal control systems and has a well-established Audit and Risk Committee to assist it in the undertaking of its duties.

The Board ensures ongoing engagement with stakeholders throughout the year and acknowledges the clear responsibility it has to promote the long-term success of the Company for its stakeholders. This long-term approach defines how the

strategy is set and allows the Board to assess risk and deliver sustainable value for stakeholders.

We present a new three-year Remuneration policy (set out on pages 80 to 85) this year which we will submit voluntarily, to an advisory vote at our AGM on the 29th April 2020. This policy has been developed to ensure as far as possible that the Group will continue to attract and retain people necessary for the delivery of long-term sustainable growth for the Dalata group.

I am proud to serve as Chair of Dalata, and we will continue to focus on building on our success and creating long term value for all our stakeholders. If any shareholder wishes to contact me about the content of the annual report, please do so through the Company Secretary at the company's address.

**John Hennessy**  
Non-executive Chair

The Company has complied in full during 2019 and to the date of this report with the provisions of the UK Corporate Governance Code published in 2018. The Code is publicly available at the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).



See the UK Corporate Governance Code on: [www.frc.org.uk](http://www.frc.org.uk)

***I continue to focus on ensuring that the Board remains effective and leads by example to demonstrate the desired values and culture of the Company.***

## BOARD OVERVIEW

### Principal Responsibilities include

- ↳ Establishing the Group strategy, business objectives and long-term plans.
- ↳ Review and approval of acquisitions, capital projects and group financing.
- ↳ Overseeing the business and affairs of the Group in light of emerging risks and opportunities.
- ↳ Selecting and maintaining a succession plan for the position of the Chief Executive and key members of management.
- ↳ Review and approval of the annual budget.

### Board meetings and attendance

The Board held eight formal meetings in 2019 and also met on four separate occasions for training and strategy days.

Member	No. of meetings
John Hennessy	8/8
Pat McCann	8/8
Dermot Crowley	8/8
Stephen McNally	8/8
Margaret Sweeney	8/8
Alf Smiddy	8/8
Robert Dix	8/8
Elizabeth McMeikan	2/2

Clayton Hotel  
Charlemont Dublin



Corporate Governance

## LEADERSHIP

### Board of Directors



**John Hennessy**  
Non-Executive Chair

**Nationality:** Irish

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

He is also Non-Executive Chair of CPL Resources plc.

**Principal Skills:** International Business, Business Leadership, Governance, Finance, Legal.



**Pat McCann**  
Chief Executive

**Nationality:** Irish

**Expertise:** Pat began his career with The Ryan Hotels plc. In 1989 he joined Jurys Hotel Group plc as a general manager and in 1994 was appointed to the Board as Operations Director. From 2000 - 2006 Pat was the Chief Executive of Jurys Doyle Hotel Group plc and in 2007 founded Dalata Hotel Group.

He is also a Non-executive Director of Glenveagh Properties plc and is President of IBEC.

**Principal Skills:** International Business, Business Leadership, Governance, Hotel Operations, Industry, Customer, People Management.



**Stephen McNally**  
Deputy Chief Executive

**Nationality:** Irish

**Expertise:** Stephen started his career with Ramada Hotels in the UK and Germany. In 1989 he joined Jurys Doyle Hotel Group plc where he worked for 17 years. He managed hotels in the UK and Ireland before he was appointed as Head of Group Operations. Stephen became Deputy Chief Executive at Dalata Hotel Group in 2007.

**Principal Skills:** International Business, Hotel Operations, Industry, Customer, People Management.



**Robert Dix**  
Non-Executive Director

**Nationality:** Irish

**Expertise:** Robert was a partner in KPMG Ireland where he headed up the Transaction Services Division. Currently, Robert owns his own company Sopal Limited, providing advice to different 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.

He is also Non-executive Director of Glenveagh Properties plc and Non-executive Director of a number of private companies.

**Principal Skills:** International Business, Risk Management, Finance, Governance, M&A.



**Elizabeth McMeikan**  
Non-Executive Director

**Nationality:** British

**Expertise:** Elizabeth is an experienced Non-executive Director. Previously she was Senior Independent Director at J.D. Wetherspoon plc and Remuneration Committee Chair at Flybe plc.

Elizabeth is currently the Senior Independent Director at Unite Group plc; where she chairs the Board's Remuneration Committee and is also Non-executive Director of McBride plc. Elizabeth is also a Non-executive Director at private company Fresca Group Ltd.

**Principal Skills:** International Business, Business Leadership, Governance, Customer, People Management.



**Margaret Sweeney**  
Non-Executive Director

**Nationality:** Irish

**Expertise:** Margaret is CEO of Ires Reit plc and previously led DAA plc and Postbank Ireland Limited as CEO. Margaret worked with KPMG for 15 years as Director in Audit and Advisory Services. She is a Fellow of Chartered Accountants Ireland and a Chartered Director.

**Principal Skills:** International Business, Business Leadership, Finance, Governance, Risk Management, M&A.

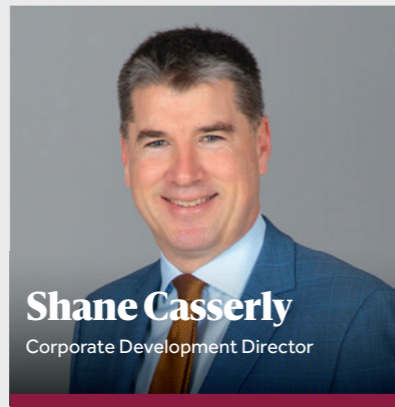


**Dermot Crowley**  
Deputy Chief Executive -  
Business Development and Finance

**Nationality:** Irish

**Expertise:** Dermot worked with PwC, Procter & Gamble, Forte Hotels and Renault before joining Jurys Doyle Hotel Group plc in 2000 as Head of Development. He spent six years with Ion Equity before joining Dalata in 2012 as Deputy Chief Executive - Business Development and Finance. Dermot is a Fellow of Chartered Accountants Ireland. He is a graduate of University College Cork.

**Principal Skills:** International Business, Finance, Industry, M&A.



**Shane Casserly**  
Corporate Development Director

**Nationality:** Irish

**Appointed:** 1 January 2020

**Expertise:** A graduate of University College Cork and Chartered Accountant, Shane joined Dalata in March 2014 as Head of Strategy and Development and has been instrumental in driving the Company's growth through acquisition and development activity in Ireland and the UK. He previously worked as Head of Development at Jurys Doyle Hotel Group plc and held senior positions with Ion Equity, Microsoft Europe and Musgrave Group.

**Principal Skills:** International Business, Finance, Industry, M&A.



**Alf Smiddy**  
Non-Executive Director and  
Senior Independent Director

**Nationality:** Irish

**Expertise:** Former Chair and Managing Director of Beamish and Crawford plc. Alf has over 25 years' experience in the Irish and international hospitality and beverage sector. He is a Fellow of Chartered Accountants Ireland and the Irish Marketing Institute. He has a Diploma in Corporate Direction and a Masters in Executive Leadership.

He is a Non-executive Director and Chair of Marketing Brand and Customer Committee of ESB and Chair and Non-executive Director of a number of private companies.

**Principal Skills:** International Business, Business Leadership, Finance, Governance, Customer, People Management.

#### BOARD MATRIX

Name	Age	Director Since	Independent	Committee memberships 2019			Other current listed boards
				A&R	RemCo	NomCo	
John Hennessy	63	2014	N*	Member	Chair		1
Pat McCann	68	2014	N				1
Stephen McNally	55	2014	N			Member	
Dermot Crowley	52	2014	N				
Robert Dix	67	2014	Y	Chair		Member	1
Alf Smiddy	57	2014	Y	Member		Member	
Margaret Sweeney	59	2014	Y	Member	Chair	Member	1
Elizabeth McMeikan	57	2019	Y	Member		Chair	2
Shane Casserly	52	2020	N				

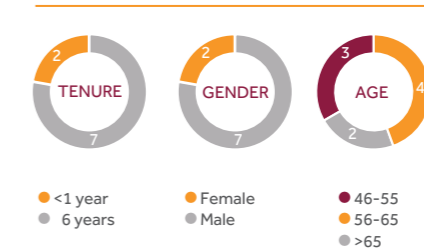
\*Independent on appointment

#### PRINCIPAL SKILLS



Number of Board Members 0 3 6 9

#### BOARD DIVERSITY IN FIGURES



Number of Board Members



**Sean McKeon**  
Company Secretary,  
Head of Risk and Compliance

**Expertise:** Sean joined Dalata after several years in senior Finance roles in retail and FMCG including Dunnes Stores, Keelings, Roches Stores (now Debenhams), Aer Rianta International and Diageo.

Sean is a fellow of Chartered Accountants Ireland and an MBA graduate of the UCD Michael Smurfit Graduate Business School.

## LEADERSHIP

### Our Executive Management Team



# Success Backed by People

Dalata has a strong and diverse leadership team with the skills and experience to effectively manage our current business along with the resources and capabilities to grow our portfolio.

Our leadership team are responsible for the long term success of the Group, setting the strategy, and providing appropriate challenges to ensure management remains focused on achieving the strategic objectives and for delivering value to the shareholders and other stakeholders.

## MEET THE TEAM

**Top row from left to right:** Eoin Manley, Group Facilities Manager; Tony McGuigan, Head of Procurement & F&B Projects; Adrian Sherry, Head of Marketing Development; Patrice Lennon, Head of Sales and Marketing; Aine Doyle, Group Learning & Development Manager; Karen Halpin, Group Marketing Communications Manager; Paul Maloney, Projects Development Manager; Martha Mannion, Head of Rooms Revenue and Distribution; Stephen McNally, Deputy CEO; Pat McCann, CEO; Dermot Crowley, Deputy CEO- Business Development and

Finance; Josephine Norton, Group Marketing and E-Commerce Manager; Conal O'Neill, Group General Manager- Maldron Hotels; Anthony Murray, Group IT Manager; Shane Casserly, Corporate Development Director; Keith Rynhart, Financial Planning and Analysis Manager; Duncan Little, Group Capital and Development Manager; Stephen Clarke, Group Financial Controller.

**Bottom row from left to right:** Niall Macklin, Acquisitions and Development Manager; Emma Dalton, UK Group General Manager;

Caitriona Conroy, Group Insurance, Risk, Health & Safety Manager; Michael McCann, Head of Ancillary Revenue; Des McCann, Group General Manager- Clayton Hotels; Sean McKeon, Company Secretary- Head of Risk & Compliance; Carol Phelan, Group Head of Financial Reporting, Treasury and Tax; Dawn Wynne, Head of Human Resources; Macarten McGuigan, Group Internal Auditor; Sinead O'Toole, Group HR Manager.



See full bios of our Executive Management Team on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)



**The New UK Code**

The Financial Reporting Council's 2018 U.K. Corporate Governance Code ('the Code') came into effect for Dalata from 1 January 2019. The Board welcomed the shift in focus under the new Code, which places emphasis on a company's purpose and its interaction with stakeholders – areas where the company has made significant strides. Throughout 2019 the Board, with support from senior staff, took a number of steps to refine its approach to reflect the altered focus of the Code, which are:

- ↳ Board Leadership and Company Purpose
- ↳ Division of Responsibilities
- ↳ Composition, Succession and Evaluation
- ↳ Audit, Risk and Internal Control
- ↳ Remuneration

**Our Governance Framework**

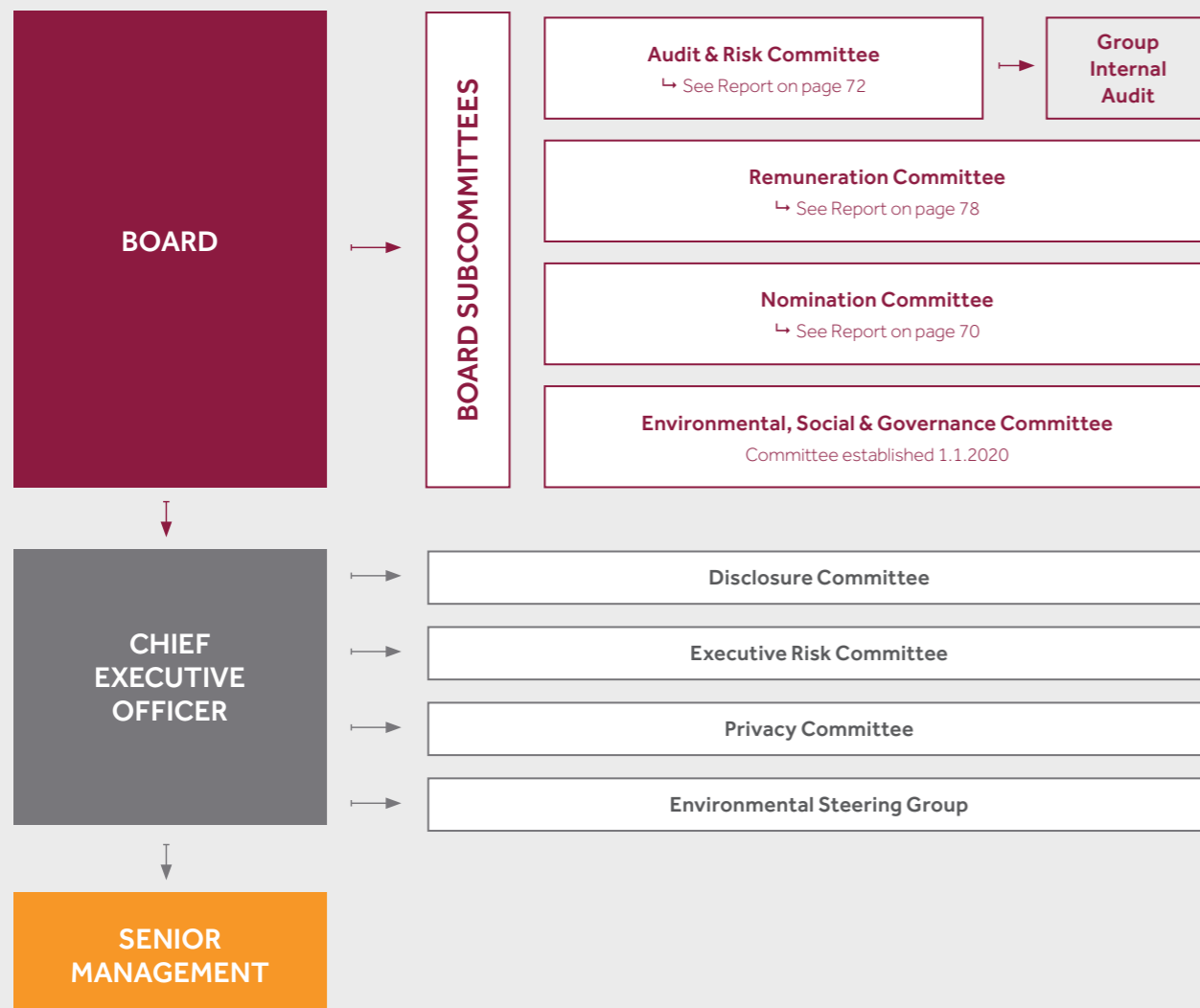
The Board oversees the Group's governance framework, reviews and approves the strategy, monitors management's performance against agreed targets and ensures appropriate controls are in place and operating effectively.

The Board ensures leadership through effective oversight and review. Executive decisions, and development and implementation of strategy are delegated to management.

The Board fulfills a number of its responsibilities directly and others through its committees.

See the list of matters reserved to the Board on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

**OUR GOVERNANCE FRAMEWORK**



***The Board is primarily responsible for the long-term success of the Group, for setting the strategy, for the leadership and control of the Group and to provide appropriate challenge to ensure management remains focused on achieving the strategic objectives for delivering value to the shareholders and other stakeholders.***

**Board membership**

As of the date of this report, the Board comprises nine members, a Non-executive Chair, four Non-executive Directors and four Executive Directors.

The Directors believe that the composition of the Board provides the necessary skills, knowledge and experience, gained from a diverse range of industries and backgrounds, required to manage the Group.

The experience of each Director is set out in their biographies which are detailed on pages 58 to 59 and the Board considers that their biographies reflect suitable breadth and depth of strategic management experience.

**Role of the Board**

The Board is primarily responsible for the long-term success of the Group, for setting the strategy, for the leadership and control of the Group and to provide appropriate challenge to ensure management remains focused on achieving the strategic objectives for delivering value to the shareholders and other stakeholders.

The Board defines the Company's purpose and then sets a strategy to deliver it, underpinned by the values and behaviours that shape our culture. A sound understanding of how value is created over time has been key in steering strategies toward the level of sustainable value creation we have delivered. A cornerstone of safeguarding our long-term ambitions has been a commitment to high standards of corporate governance, as well as a Board of Directors with a depth of experience and expertise. In making and implementing actions, the Board aims to manage the contrast between short-term pressures and the long-term impacts of decisions.

**Division of Responsibility**

There is a clear division of responsibilities within the Group between the Board and executive management, with the Board retaining control of strategic and other major decisions. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. One of the key roles for the Chair in doing so is demonstrating objective judgement throughout their tenure and promoting a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all Non-executive Directors, and ensures that Directors receive accurate, timely and clear information.

The Board includes an appropriate combination of Executive and Non-executive (and, in particular, Independent Non-executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business.

**Time 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 November 2019, each Non-executive Director confirmed that they continue to be able to allocate sufficient time to discharge their responsibilities effectively.

In addition, any potential appointment to the Board of another company must be approved by the Board.

The Board has delegated a number of responsibilities to standing committees of the Board as detailed below and also to the executive management team of the Group. The roles of the Chair and the Chief Executive Officer are separately held and the division of their responsibilities is clearly established and has been set out in writing and approved by the Board. A summary of the formal roles of the Board's leadership is set out on page 64.

**Conflicts of interest**

The Boards considers potential conflicts of interest as a standing agenda item at each Board meeting and each Director is obliged to notify the Company in advance of any interest in any transaction to be considered by the Board.

On 16 November 2018, the Company announced the development of a new hotel and adjoining residential complex at Merrion Road in Dublin (on the site of the former Tara Towers Hotel) and that Irish Residential Properties REIT plc had contracted to purchase the entire residential development on completion. The development of the property has commenced and is scheduled to be completed in mid-2021. Non-executive Director Margaret Sweeney is CEO and an Executive Director of Irish Residential Properties REIT plc.

**CHAIR**

- > Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information to monitor, challenge and guide and make sound decisions;
- > Promotes a culture of open debate between executive and Non-executive Directors and holds meetings with the Non-executive Directors, without the Executive Directors present;
- > Regularly meets with the Chief Executive and other senior management to stay informed;
- > Ensures effective communication with shareholders and other stakeholders;
- > Promotes high standards of corporate governance;
- > Promotes and safeguards the interests and reputation of the Company.

**CHIEF EXECUTIVE**

- > Provides coherent leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public and enhances the Group's reputation;
- > Leads the Executive Directors and senior management team in running the Group's business;
- > Develops and implements Group objectives and strategy having regard to shareholders and other stakeholders;
- > Manages the Group's risk profile and ensures appropriate internal controls are in place;
- > Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements.

**SENIOR INDEPENDENT DIRECTOR**

- > Working closely with the Chair, acts as a sounding board and providing support;
- > Responsible for conducting an annual performance review of the Chair;
- > Provides advice and judgement to the Chair as necessary, serving as an intermediary to the other Directors when necessary;
- > Is available for shareholders who have concerns that cannot be addressed through the normal channels of Chair, Chief Executive Officer or Deputy Chief Executive, Business Development and Finance.

**NON-EXECUTIVE DIRECTORS**

- > Review the performance of management;
- > Review Group financial information and provide advice to management;
- > Assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place.

**COMPANY SECRETARY**

- > Ensures compliance with Board procedures and provides support to the Chair, to ensure Board effectiveness;
- > Ensures the Board has high-quality information, adequate time and appropriate resources in order to function effectively and efficiently;
- > Assists the Chair by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- > Provides advice and keeps the Board updated on corporate governance developments; and
- > Facilitates the Directors' induction programmes and assists with professional development.

The Company appointed a firm of reputable international property agents and conducted a competitive tender process for the sale of the residential development. In advance of each meeting of the Board at which the proposed transaction was due for consideration, Margaret Sweeney declared her potential conflict of interest. Accordingly, she did not receive board papers prepared relating to the proposed transaction and was excused from board meetings when the proposed transaction was discussed and considered for approval.

This is a once-off, arm's length transaction and the Board has carefully applied good governance procedures to ensure the Director having a potential conflict of interest played no part in the decision-making process.

**Meetings and attendance**

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. Board meetings are intentionally held at Dalata hotels in different locations to broaden the Board's exposure to the markets in which the Group operates and to provide opportunities to meet frontline staff and other colleagues.

During 2019, the Board held eight formal Board meetings and four other full-day meetings dealing with strategy and Board training and management presentations. There was full attendance by all members.

**Board Committees**

The principal committees of the Board in 2019 were the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. In January 2020 the Board established a new Environmental Social and Governance Committee. They support the operation of the Board through their focus on specific areas of governance. Reports on the activities of the individual Committees are presented to the Board by the respective Committee Chair.

Further details on the activities of each Committee can be found in their respective reports on:

- ↳ Nomination Committee page 70
- ↳ Audit & Risk Committee page 72
- ↳ Remuneration Committee page 78

**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, save for the Chair who was independent on appointment, to be independent within the meaning of the term as defined in the Code.

Robert Dix is a Director of The Quinn Property Group and of Glenveagh Properties plc. boards on which Pat McCann is also currently a Non-executive Director. The Board has concluded that notwithstanding this relationship, Robert can apply objective, unfettered and independent judgement and act in the best interests of the Company. The Board also considered the impact of Margaret Sweeney's position as CEO of IRES Reit on her independence in view of the Merrion Road transaction agreed between Dalata and IRES Reit in 2018 (see page 63 Conflicts of Interest). The Board is satisfied that there is no ongoing conflict of interest that impairs the ability of Margaret Sweeney to act as an independent Non-executive Director of the Company.

**Appointments to Board**

The Nomination Committee is responsible for a formal, rigorous and transparent procedure for the appointment of new Directors. There was one appointment to the Board during 2019, Elizabeth McMeikan. 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.

**Re-election of Directors**

The Company's Articles of Association provide that one third of the Directors retire by rotation each year and that each Director seeks re-election at the Annual General Meeting every three years. New Directors are subject to election by shareholders at the next Annual General Meeting following their appointment. However, in accordance with the provisions of the Code, the Board has decided that all Directors should retire at the 2020 Annual General Meeting and offer themselves for re-election.

**New Director inductions**

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. See Governance in action on page 68.

**Ongoing Director training and development**

The Board as a whole engages in development through a series of presentations with experts on a range of topics including risk management, corporate governance and strategy.

The Board received two full days of presentations made by senior management on various topics through the year about their areas of responsibility. In November 2019, a Directors' Training Day was facilitated by the Company Secretary and was attended by both Executive and Non-executive Directors.

Each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director. Each Committee is supported by the Company Secretary and his Deputy. In addition, each Committee is able to seek independent professional advice.

**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.**

### Information flow at meetings

Eight formal Board meetings and four additional full day meetings dealing with strategy and Board training were held during 2019. Prior to each Board meeting the Directors receive their papers on a fully encrypted electronic portal system. Included in these papers are detailed monthly accounts together with reports from the Chief Executive, Deputy Chief Executive, and Deputy Chief Executive – Business Development and Finance.

The Chief Executive and the Deputy Chief Executive-Business Development and Finance 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 Chair and Chief Executive, the Company Secretary manages the provision of information to the Board for their formal Board meetings and at other appropriate times.

The Chair and Chief Executive also maintain regular informal contact with all Directors.

### Board diversity

The Board has adopted a Board Diversity Policy which is reviewed annually, most recently in December 2019. The objective of the policy is to help achieve the optimum Board composition of skills and experience.

In accordance with the policy, all Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The policy statement also acknowledges that an effective Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately.

Further detail on the application of the policy is set out in the Nomination Committee Report on page 70.

### Board evaluation

We recognise the importance of evaluating the performance of the Board, its main Committees and all Directors, in line with the Code. Following the externally facilitated evaluation in 2017, Senior Independent Director Alf Smiddy conducted an internal evaluation at the end of 2019. The Chair also met with each Director individually during the year to discuss Board effectiveness and composition.

The Senior Independent Director met with the other Directors to evaluate the performance of the Chair. For further details see the Nomination Committee report on page 70.

### Risk management

On page 40 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.

### Assessment of the principal risks facing the Group

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Audit 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 42 to 45.

### Annual assessment of the effectiveness of risk management, internal control and financial reporting systems

The Board and Audit and Risk Committee received and reviewed reports from Group Internal Audit and the Group's External Auditor, to help with their annual assessment of the effectiveness of the Group's risk management, 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.

### AGM

The Annual General Meeting will be held on 29 April 2020 at The Gibson

Hotel, Point Square, North Dock, Dublin.

Formal notification will be sent to shareholders at least 20 working days before the meeting in accordance with the provisions of the Code. Other general meetings may also, be convened from time to time upon at least 14 working days' notice or where certain requirements are met, including prior approval by shareholders by way of a special resolution, upon 14 working days' notice in accordance with the Code. The Annual General Meeting gives shareholders an opportunity to hear about general development of the business and to ask questions of the Chair and, through him, the Chairs of the various Committees and its Committee members. 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.

**The Board has adopted a Board Diversity Policy which is reviewed annually, most recently in December 2019. The objective of the policy is to help achieve the optimum Board composition of skills and experience.**

## ENGAGEMENT WITH STAKEHOLDERS

The Board recognises that, for the Group to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders.

This is formalised within the ongoing comprehensive investor relations programme conducted by the Chief Executive and/or Deputy Chief Executive– Business Development and Finance. Throughout the year meetings are held with institutional investors and sell-side analysts. These meetings allow us to discuss the Company's strategy, business model and the markets we operate in. In addition, the Chair and Senior Independent Director are available to meet with shareholders on request,

should they want to discuss any concerns they may have. The Board is kept informed of the views of the shareholders by receiving updates at Board meetings on any engagement undertaken. Analyst research on the Company is also shared with the Board.

The Group makes every effort to ascertain investor perceptions and regular reports of investor and analyst feedback are provided to the Board. During 2019, over 280 separate meetings and conference calls were held with existing and prospective shareholders; and the Board commissioned an in-depth survey of investor perception in September 2019.

The annual report and accounts are sent to all shareholders who wish to receive a copy and they are also available in the investor section of the Group's website [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com).

Also, as outlined in the Remuneration Committee Chair's introduction to the Remuneration Committee report on page 78, there was extensive engagement with the Group's major shareholders in late 2019 on the Remuneration Committee's proposals regarding the 2020 Directors Remuneration policy.



The annual report and accounts are also available on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

### The Board's engagement with shareholders included:

- ↳ Meeting with shareholders and responding to any queries raised at the 2019 AGM.
- ↳ Investor Roadshows events in USA, Dublin, Europe and UK.
- ↳ Attendance at key institutional investor conferences.
- ↳ Seeking feedback via an investor perception survey.
- ↳ A programme of one to one meetings with major institutional shareholders.
- ↳ Extensive engagement by the Chair of Remuneration Committee with major shareholders during the year.

### Stakeholder engagement during the year

As an Irish incorporated company, Dalata is not subject to the provisions of the UK Companies Act 2006, however, the Board is cognisant of the principle underpinning Provision 5 of the New UK Code, which asks Boards to have regard for engagement mechanisms with stakeholders. The Board is fully aware of its responsibilities in this area and other areas of this report set out clearly the long-lasting partnerships we have developed with customers, employers, suppliers and communities.

Specifically, during the year, the Board engaged with a number of key stakeholders, including:

- ↳ Meetings with the workforce and guests during various hotel visits.
- ↳ Joining the annual general manager conference in Cork.
- ↳ Meeting suppliers in Cork.

In addition, in April 2019 Alf Smiddy, Senior Independent Director, was appointed as the Director with responsibility for workforce engagement. See page 68 for further details of our governance in action.



## GOVERNANCE IN ACTION

### Board Engagement with the Workforce

The Board welcomed the 2018 Code's emphasis on stakeholder engagement and adopted a Board Policy for Workforce Engagement.

The policy seeks to deepen Board engagement with the workforce in several ways:

- ↳ holding Board and subcommittee meetings at a wide variety of company locations to promote access by employees to the board on an informal basis;
- ↳ the receipt of presentations from functional managers in the business and hotel general managers to gain deeper insights and reflect a more extensive diversity of interested opinion in board discussions;
- ↳ Executive Director participation in employee engagement activities and delivery of content on our learning and development programs, and;
- ↳ by the designation of a Non-executive Director with responsibility for workforce engagement.

The board designated responsibility for workforce engagement to Senior Independent Director Alf Smiddy:

*"Almost immediately upon the announcement of the new role and appointment, I was being asked to attend meetings almost every week. There was just a huge level of interest among management and staff, and I found it very interesting as a board member to engage with staff and give them comfort about our willingness as a Board of Directors to listen carefully to points raised and to provide assurance that management and staff issues, HR, training and development, succession planning, and so on, are taken very seriously at board level and are regularly discussed."*

**Alf Smiddy**



## GOVERNANCE IN ACTION

### New Director Induction

**New Non-executive Director Elizabeth McMeikan, appointed to the Board October 2019**

#### OVERVIEW

The Chair, supported by the Company Secretary, is responsible for ensuring that new Directors have a thorough and appropriate induction.

Each newly appointed Director has participated in a structured induction programme and has received a comprehensive suite of resources providing detailed information on the Group.

Each induction has been based on the individual Directors requirements and included meetings with relevant Directors, senior management and external advisors. This ensures that each new Director understands the Company's strategy and governance structure.

#### OBJECTIVE

To provide our new Directors with the resources they need in order to be able to maximise their effectiveness in the shortest time practicable.

#### PROCESS

##### Resources

- ↳ Provision of resources including papers and minutes from previous Board meetings and key corporate governance policies.

##### Meetings

- ↳ Business briefings with the Executive Directors and the Chair.
- ↳ Meetings with members of the Executive Team and senior management.
- ↳ Meetings with external advisers, as appropriate to the role.
- ↳ Meetings with General Managers of Maldron Hotels and Clayton Hotels.
- ↳ Meetings with Head of HR, Head of Revenue, and Head of Sales & Marketing.

##### Specific Activities to help understand the business

- ↳ Visits to our hotels and meeting our General Managers.

##### Future Plans

- ↳ Meet with external advisors.
- ↳ Opportunity to visit more of our hotels.
- ↳ Meet with more members of the executive management team.

## Board Activities

WHAT THE BOARD DID IN 2019

### BUSINESS PERFORMANCE AND STRATEGIC DEVELOPMENTS

#### Business performance

- > Received detailed management accounts and financial update from the management team as each scheduled board meeting.
- > Received detailed operations update from the management team at each scheduled board meeting covering HR matters, revenue management, marketing, health and safety, employee engagement and customer satisfaction, as well as more detailed reports on progress at recently opened properties.
- > Received detailed presentations from members of the management team including the group general managers for Clayton Hotels Ireland, Maldron Hotels Ireland and our UK business, sales and marketing, revenue management, HR, financial control and IT.
- > Received and approved a detailed presentation on the budget for the forthcoming year.

#### Strategic development

- > Received a detailed presentation from management on the activities of the acquisitions and development team, at each scheduled board meeting, including the search for new pipeline opportunities and progress updates on projects already secured.
- > Approved several transactions during the year, including agreements to lease new properties in Cambridge, Liverpool, and Croke Park, Dublin, and the acquisition of the Shoreditch, London site.
- > Considered projections presented by management for the forthcoming three years and approved the company's long-term viability statement.

### FINANCIAL REPORTING AND CONTROLS

- > Reviewed and approved the half and full-year financial results, including the financial statements, the results announcement, and the investor presentation.
- > Reviewed and approved the group's annual report.
- > Considered the level of distributable reserves, approved the payment of the interim dividend and recommendation to shareholders in respect of the final dividend.
- > Approved the extension of the group's bank borrowing facilities up to 2024.

### GOVERNANCE

- > Reviewed and approved the Notice of AGM and corporate governance disclosures.
- > Considered the key provisions of the new UK Corporate Governance Code and the application of it to the Company.
- > Reviewed and approved the Matters Reserved for the Board and each of the Committees' terms of reference.
- > Discussed the findings of the internally facilitated Board evaluation and agreed actions for the following year.
- > Chair and Non-executive Directors met without the Executive Directors present.
- > Reviewed the composition of board subcommittees.
- > Reviewed a broad range of corporate policies including risk management, modern slavery, bribery and corruption, and environmental.
- > Received a detailed presentation on shareholder perception.
- > Approved the appointment of new Non-executive Director Liz McMeikan and new Executive Director Shane Casserly.

### PEOPLE AND CULTURE

- > Reviewed and approved the Board Diversity Policy.
- > Discussed talent and succession planning.
- > Reviewed the results of the employee engagement surveys carried out in June and December.
- > Reviewed updates regarding health and safety within the Group.
- > Received a detailed presentation on monitoring corporate culture as part of its board training activity.
- > Adopted a policy for board engagement with the workforce and designated responsibility for workforce engagement to Senior Independent Director Alf Smiddy.
- > Approved the offer of share options to all group employees under the Sharesave Scheme.



**It was another busy year for the committee with two new Director appointments, the first appointments since our stock market listing in 2014.**

## NOMINATION COMMITTEE REPORT

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for 2019. It was another busy year for the committee with two new Director appointments, the first appointments since our stock market listing in 2014.

The committee met on five occasions during the year dealing with, in addition to the appointments, many other matters, including succession planning, the appointment and designation of a Non-executive Director with responsibility for workforce engagement, board evaluation, board training, and the composition of board subcommittees.

### Board Composition

We commenced 2019 with a board composed of seven Directors; a Non-executive Chair, three independent Non-executive Directors and three Executive Directors. The committee concluded, following a review process commenced in 2018, that the time was right, in light of the group's expansion into the UK and the existing board composition, to recruit one additional Non-executive Director. The committee also fully reviewed the executive representation on the board, taking into account the structure of the business, its growth strategy, and the relative contribution of the individual functional leaders within the executive team to achieving our strategic objectives.

### Non-executive Director appointment

We were delighted to recommend the appointment of Elizabeth McMeikan to the board as a Non-executive Director, and she took up the position in October. Her appointment came following a thorough recruitment process. The committee appointed specialist search consultants Russell Reynolds Associates

to assist with the process (Russell Reynolds Associates is an accredited firm under the enhanced code for executive search firms and has no other connection with the company other than the provision of recruitment services).

We completed the assignment in several stages:

1. Engagement of the search consultancy.
2. A meeting of the committee and the search consultants, with each member of the board in attendance, to identify the skills, attributes, and qualities to be sought in prospective candidates.
3. Shortlisting of candidates by the committee.
4. The interview of candidates by the company Chair and Senior Independent Director.
5. A recommendation to the Board of the chosen candidate.
6. Appointment terms drafted and agreed with the selected candidate.

Following her appointment, Elizabeth received an induction programme (see page 68 for details).

### Executive Director appointment

In December, we announced the appointment of Shane Casserly to the board as Corporate Development Director with effect from 1 January 2020. Shane joined the Company in March 2014 as Head of Acquisitions and Development at the time of the company's stock market listing. In the six years since then, Shane has been instrumental in the execution of multiple acquisition and development projects each of which has created significant shareholder value and which collectively have transformed Dalata from being a company with no asset base

to today having almost €1.5 billion in property assets, a substantial leased hotel portfolio and an exciting pipeline of hotels under development.

We welcome Shane to the board and look forward to his continuing contribution to the Company's growth, and he too is participating in the Board induction process.

### Succession planning

The committee considers succession planning on an ongoing basis. I am very happy to report that the company fosters a strong ethos of continuous learning and development, and this is visible throughout the organisation. Board members have regular opportunities to engage with members of the executive management team (presented on pages 60 and 61). Accordingly, the committee is in a position to evaluate internal succession options in the event of a contingency as well as for the medium and long-term.

The Nominations Committee will continue to keep under review succession and refreshment of the board at both executive and non-executive level, to also include board committee make up. In this regard, John Hennessy, in his Chair's statement on page 5, outlines the Company's planned approach to refreshing the board in the coming years.

### Designated Non-executive Director with responsibility for workforce engagement

The Board asked the Committee to consider the Company's response to the Code's call for boards to establish an engagement mechanism with the company's workforce. Following deliberation on the options proposed in the Code, the committee recommended that one of the Non-executive Directors be designated responsible for workforce engagement. I was pleased to accept this role in

April on behalf of the Board and have enjoyed meeting many members of staff throughout our hotels and the central office in Ireland in the UK in the past year (see page 68 for more details).

### Board Evaluation

In keeping with the requirements of the Code, Dalata conducts an annual evaluation of the Board and the Board committees. This year the process was facilitated by the Committee and involved the completion of a detailed online survey by each member of the board, the preparation of a report by the Committee and its presentation to the Board with findings, setting out some topics for discussion and follow-up, including a comparison with summary findings of the 2018 evaluation. In addition, the Board Chair met individually with each Director during the year, and I, in my role as the Senior Independent Director, completed an evaluation of the Board Chair, meeting and consulting with each of the other Directors individually. In 2020 our board evaluation will be externally facilitated.

### Board training

The Board met at the Clayton Hotel, City of London, in November for a full day of training. This annual session has become an integral part of the board calendar, and this year we received stimulating presentations on the following topics:

- ↳ Leadership decision-making
- ↳ Assessing, monitoring and influencing culture
- ↳ The role of the proxy adviser
- ↳ ESG from the investor perspective
- ↳ The outlook for European capital market development post Brexit

### Diversity

The company acknowledges the value of a diverse Board and has adopted a Board Diversity Policy. Under this policy, candidates for Board appointments

are considered on merit against objective criteria having due regard to the benefits of the diversity of gender, skills, regional and industry experience, background, and race. Last year we made some progress with gender diversity following Elizabeth's appointment. The policy does not set out a quota target for female participation; however, the Board acknowledges the benefit of increasing the number of women amongst its number, and this forms part of the Committee's mandate.

### Composition of Board subcommittees

Following Elizabeth McMeikan's appointment, the board took the opportunity to make some changes to the board committees and specific other individual Non-executive Director responsibilities. These changes are set out in detail in the Chair's Statement on page 5 and became effective on 1 January 2020. As part of the changes, John Hennessy becomes chair of the Nomination Committee from January 2020 and I will continue as a member of the Committee, as designated Non-executive Director with responsibility for workforce engagement, and as the Senior Independent Director.

It has been my pleasure to serve as Chair of the Nomination Committee for the past six years, and I look forward to continuing my work with the Board and the Committee during 2020.

### Alf Smiddy

Senior Independent Non-Executive Director and Outgoing Chair, Nomination Committee

## COMMITTEE MEETINGS AND ATTENDANCE

The Committee met five times during 2019.

Member	No. of meetings
Alf Smiddy	5/5
John Hennessy	5/5
Margaret Sweeney	5/5

All members of the Committee are considered by the Board to be independent (the Company Chair being independent on appointment).



See the Committee's terms of reference on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

## ROLE OF THE COMMITTEE

- ↳ 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.

- ↳ 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 input required from Non-executive Directors.



**The Committee pays close attention to the Group's accounting policies and areas of judgement. In advance of both the interim and annual reporting cycles management brief the Committee on key accounting judgement areas.**

## AUDIT & RISK COMMITTEE REPORT

Dear Shareholder,

As Chair of the Audit and Risk Committee, I am pleased to present this report setting out the work of the Committee during 2019.

As the business continues to thrive and grow, it was also a busy year for the Committee. 2019 was the first reporting year where IFRS 16 Leases became effective. As regards the business itself, this accounting standard change will not impact our strategy or the role of leases in our continued growth. However, it does have a very significant impact on how the Group's results and financial position are presented in our financial statements. Given the scale of the impact, the Committee has engaged proactively with management and external advisors in planning for, communicating and applying the provisions of the standard. As far back as 2017, the Group set out the expected impact of the standard on the Group at our Capital Markets Day having undertaken a wide-ranging initial review.

During 2019, the Committee received presentations on IFRS 16 from management. These included the calculation of the transition and ongoing impacts. They also covered the approach to ensure that how we implemented and communicated the changes would provide the most clarity and insight for users of our financial statements. In particular, the Committee reviewed the calculation and approach to the setting of the discount rate for the individual leases under IFRS 16. This introduced a new

source of estimation uncertainty into the financial statements due to the relatively long length of our leases and the lack of directly comparable rates. From our review of both the interim financial statements to 30 June 2019 and the 2019 full year financial statements, along with our External Auditor assessment of the application of the standard, we are satisfied that this accounting standard's provisions have been properly applied.

The Committee pays close attention to the Group's accounting policies and areas of judgement. In advance of both the interim and annual reporting cycles management brief the Committee on key accounting judgement areas. A full review of these is then completed by the Committee and the findings of the External Auditors are considered prior to the approval of the financial statements. Details on the significant financial judgements and sources of estimation uncertainty in 2019 are set out on page 74 and 75.

We oversee the company's relationship with our External Auditors, KPMG, and details on our review of their work and their independence is set out on page 76.

During 2019, the Committee reviewed and considered a wide range of reports and presentations from both management and also external advisors. These enabled the Committee to meet our oversight responsibilities, while also providing us with the ability to challenge management and to also provide insight on the financial, risk and compliance matters affecting the Group.

### COMMITTEE MEETINGS AND ATTENDANCE

The Committee met five times during 2019.

Member	No. of meetings
Robert Dix	5/5
Alf Smiddy	5/5
Margaret Sweeney	5/5

All members of the Committee are considered by the Board to be independent.

The Board considers that the Committee Chair 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.



See the Committee's terms of reference on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

### Financial Reporting and External Auditor-areas considered and reviewed

- ↳ Full year and interim financial statements and related reports
- ↳ Key accounting judgements, estimates and disclosures
- ↳ KPMG key findings reports from review of interim financial statements and audit of year end financial statements
- ↳ KPMG audit planning documentation, information relating to audit and non-audit fees and consideration of independence
- ↳ Revised accounting policy for Adjusting Items and the Use of Underlying Performance Measures
- ↳ Update on Treasury Management policies
- ↳ Dividend Policy update
- ↳ Review of Viability Statement

### Risk and Compliance – areas considered and reviewed

- ↳ The Group's risk register, key risks and material changes to risk profiles, which are considered at each Committee meeting
- ↳ Group risk management policy
- ↳ The health and safety frameworks in place across the Group, our incident management recording/reporting and Health and Safety initiatives for 2019
- ↳ The self-insurance programme and an update on the insurance market and claims environment
- ↳ The extent of data protection compliance after the implementation of GDPR in 2018, along with a review of the Group's data protection policy
- ↳ Outcome of the insurance broker tender process

- ↳ Directors' compliance statement for inclusion in the annual report and supporting organisational structures
- ↳ Update on Market Abuse Regulation

### Governance and Reporting

- ↳ Review and consideration of internal controls and fraud management structures within the Group
- ↳ Consideration of policies relating to modern slavery, Anti-bribery and Corruption, and Anti-Money Laundering
- ↳ Consideration of the Group's supplier code of conduct

### Internal Audit

We work closely with the Group's internal audit function and oversee the work that it completes. The Group Internal Auditor presents findings from his reviews to us and we also consider management's responses to matters raised. EY provide us with technical IT internal audit support in relation to our IT infrastructure. The Committee meets with the Group Internal Auditor without management present after each Committee meeting. We have also separately met with EY during 2019.

My thanks to the management team, internal audit and the Group's advisors for their support and co-operation in assisting the Committee in its work during 2019. I look forward to our work in 2020, where there will be undoubtedly new challenges in the financial reporting, risk and compliance areas.

**Robert Dix**  
Chair, Audit and Risk Committee

### ROLE OF THE COMMITTEE

- ↳ Monitor the integrity of the Group's financial statements, accounting policies and the key judgements made in the financial statements.
- ↳ Assess whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- ↳ Oversee the Group's relationship with our External Auditor.
- ↳ Review the effectiveness of the Group's internal control systems.
- ↳ Monitor the Group's risk management systems and the identification of our principal risks.

**During 2019, the Committee reviewed and considered a wide range of reports and presentations from both management and also external advisors. These enabled the Committee to meet our oversight responsibilities, while also providing us with the ability to challenge management.**

## Significant Financial Judgements and Key Sources of Estimation Uncertainty in 2019

Matter	Significant financial judgements and key sources of estimation uncertainty
<p><b>PROPERTY REVALUATIONS</b></p> <p>In line with the Group's revaluation policy for land and buildings, valuations are carried out by suitably qualified professional valuers at each reporting period end.</p>	<p>The net carrying value of land and buildings at 31 December 2019 was €1.32 billion (note 10, pages 137 to 141). The carrying value of land and buildings is determined using fair value. The calculation of fair value and the allocation of fair value to land and buildings requires judgement.</p> <p>The assumptions utilised by the valuation specialists are disclosed in note 10 to the Group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates. Management has engaged appropriately qualified professional valuation specialists to determine the value attributable to land and buildings.</p> <p>Management have reported in detail to the Committee in relation to the valuation approach, as determined by suitably qualified professionals, of land and buildings at 31 December 2019. The Committee has discussed the valuation approach undertaken with management.</p> <p>Through discussion with management and considering the findings of the External Auditor, the Committee is satisfied that the property valuations at 31 December 2019 are reasonable and that the revaluation movements have been appropriately presented in the Group consolidated financial statements.</p>
<p><b>DETERMINATION OF INCREMENTAL BORROWING RATE</b></p> <p>The application of IFRS 16 <i>Leases</i> introduces a new source of estimation uncertainty when setting the appropriate discount rate for individual leases.</p>	<p>On transition to IFRS 16 <i>Leases</i>, lease liabilities were measured at the present value of the remaining lease payments. The Group has chosen the modified retrospective approach and the discount rates applied to each lease on transition were the applicable estimated incremental borrowing rates at 1 January 2019. The relative length of our leases with a weighted average lease term of 30.3 years on transition and the absence of bank lending for this tenor means that such rates were not readily available.</p> <p>Management adopted a ground up approach to identify the transition date rates and additional data points which would provide a robust estimate and repeatable process for future leases. The components of this rate for each lease included the risk-free rate, a country-risk premium, if applicable, a finance spread with due regard to the Group's existing arrangements and discussion with our funding partners, and asset specific adjustments. The discount rate established from this process was then compared to secondary data points such as property yields to ensure that the rates are not unreasonable. In most cases, the discount rate is determined in the first year of the lease and will not change for the remainder of the term unless an event such as a change in lease term or a modification of the lease occurs.</p> <p>The weighted-average incremental borrowing rate applied for leases at the transition date was 6.03%. The lease liabilities are sensitive to movements in the rate with a 1% increase in the discount rate resulting in a €28.2 million decrease in the lease liabilities while a 1% decrease in the rate results in a €32.9 million increase in lease liabilities at the date of transition.</p> <p>Management have reported in detail to the Committee in relation to the determination of the incremental borrowing rate. The Committee have discussed the approach with management and the External Auditor and are satisfied that the assumptions used are reasonable.</p> <p>Accordingly, the Committee is satisfied that the lease liabilities are correctly stated in the Group consolidated financial statements.</p>

Matter	Significant financial judgements and key sources of estimation uncertainty
<p><b>ACCOUNTING FOR ACQUISITIONS</b></p> <p>The Group completed a number of hotel acquisitions during the year.</p>	<p>During 2019, the Group acquired the Clayton Hotel City of London. In addition, the Group entered a lease on the Tamburlaine Hotel (being rebranded as Clayton Hotel Cambridge). Details of both transactions are set out in notes 10 and 12 to the Group consolidated financial statements on page 137 to 141 and 146 to 149.</p> <p>The Committee has evaluated the accounting treatment of the consideration paid and costs incurred as presented by management for each of these transactions. In addition, the Committee discussed the transactions during the year with management and with the External Auditor. Accordingly, the Committee is satisfied that the correct accounting method has been chosen for each of the transactions.</p>
<p><b>CARRYING VALUE OF GOODWILL</b></p> <p>Detailed impairment reviews are undertaken on an annual basis to determine whether the carrying value of Goodwill is impaired.</p>	<p>Goodwill amounted to €33.9 million at 31 December 2019 (2018: €33.3 million).</p> <p>The carrying values of hotel cash-generating units (CGUs) to which goodwill has been allocated are required to be tested annually for impairment. Management undertook detailed impairment reviews on a hotel by hotel basis, taking account of the valuations prepared by the qualified professional valuation specialists and other factors. The assumptions utilised by management in conducting these analyses are disclosed in note 9 to the Group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates.</p> <p>The Committee has reviewed the approach taken by management, as outlined in management's report to the Committee, in conducting these impairment reviews and in particular, the assumptions utilised by management. As part of their audit, the External Auditor assessed the Group's impairment calculations on a CGU by CGU basis.</p> <p>Discussions were undertaken between management and the External Auditor as to the underlying assumptions. Following discussions with management and with the External Auditor, the Committee is satisfied that these are reasonable. As the recoverable amounts of certain CGUs were determined to be higher than their carrying values at 31 December 2019, no impairment of goodwill was recognised.</p> <p>Accordingly, the Committee has concluded that the carrying value of goodwill is appropriately stated at 31 December 2019 and that the disclosures included within note 9 of the Group consolidated financial statements are adequate.</p>

## Whistleblowing

The Board has approved a Confidential Disclosure Policy (Whistleblowing Policy) which is reviewed annually. The Committee considers the matter of Whistleblower reports at each of its meetings. No concerns were raised by employees using this procedure during the year. A copy of the Confidential Disclosure Policy is included in the Employee Handbook, which is provided to all employees.

## External Audit

Our External Auditor is KPMG, who were appointed in 2014 and reappointed in 2016 when the company became an EU Public Interest Entity (PIE) following its admission to the main markets of Euronext Dublin (formerly Irish Stock Exchange) and the London Stock Exchange. An important part of the Committee's remit is in relation to overseeing the Group's relationship with KPMG, including safeguarding independence, consideration of non-audit fees and the continuing appointment of KPMG.

During 2019, we evaluated KPMG based on their work completed, management feedback and our review of the documentation provided to the Committee. Based on these, the Committee is satisfied with their effectiveness, objectivity and independence. The Committee also reviewed KPMG's internal process for monitoring independence and objectivity and we are satisfied that this process has operated effectively.

The Company has adopted a policy in relation to the employment of former employees of the External Auditor.

In 2019, the Committee agreed, following a detailed analysis, a revised fee structure with KPMG in relation to their audit services.

The Committee has an agreed process in place over the pre-approval of non-audit services by KPMG to the Group. During 2019, KPMG provided non-audit services, principally, in relation to two specific business transactions and tax depreciation services. KPMG fees for 2019 are set out on page 128. The ratio of non-audit to audit fees for 2019 was 37%.

The External Auditor is subject to mandatory rotation after ten years, from the date that the Company became an EU PIE. The Company has no immediate plan to tender for external audit services voluntarily. KPMG attend all of the Committee's meetings and are provided with all meeting documentation. During 2019, the Committee met with KPMG twice without the presence of management.

## Internal Control and Risk Management

The Board has overall responsibility for risk management and it has delegated this task to the Committee. A consideration of the Group's risk register, with particular emphasis on key risks and changing risk profiles, is a standing agenda item for each meeting. The Committee reviews documentation prepared by management in this regard. Additional details on risk management are set out on pages 40 to 46.

The Committee also has responsibility for the oversight of the internal control and fraud management structures. These are reviewed on an ongoing basis throughout the year through the consideration of internal audit reports and other relevant papers. In December, the Committee also considered a detailed analysis of the Group's internal control and fraud management environment.

### Internal Audit

The Committee is responsible for overseeing the scope, work and effectiveness of the Group's internal audit function. Internal Audit operates to formal terms of reference. At each meeting, the Committee considers the findings noted in the internal audit reviews and management's responses to matters noted.

On an annual basis, the Group Internal Auditor sets out the planned approach and scope of work for the following year for consideration by the Committee. This plan is reviewed on an ongoing basis and updated at each Committee meeting.

The Committee meets with the Group Internal Auditor after each Committee meeting without management present.

Maldron Hotel  
Parnell Square







**The strategy for growth for the Company has now shifted more significantly to development of new hotels with attendant risks and need for management focus.**

## REMUNERATION COMMITTEE REPORT

Dear Shareholder,

I am pleased to present the report of the Remuneration Committee of Dalata Hotel Group plc for the year ended 31 December 2019.

### Performance in 2019

2019 was another very successful year of growth and development for the company. Pre-IFRS 16 adjusted EBITDA grew by 12.8%, driven by the positive impact of the six new hotels opened in 2018 and early 2019. Management successfully integrated all of the new hotels into our business operations, our pipeline of hotels at prime city-centre locations in the UK and Ireland has grown to almost 3,000 rooms, and the Company has generated free cash flow above €100 million for the first time. Although demand in the Irish market, particularly in Dublin, remains strong, there were some notable headwinds, including an increase from 9% to 13.5% in the VAT rate in Ireland, an increased hotel bed capacity in our key Dublin market, and Brexit uncertainty. The strategy for growth for the Company has now shifted more significantly to development of new hotels with attendant risks and need for management focus.

### Review of Directors Remuneration Policy

During the year, the Committee reviewed the Directors' Remuneration Policy in advance of submitting a revised Policy to shareholders for an advisory vote at the forthcoming AGM on 29 April 2020. The Committee last submitted a Directors' Remuneration Policy to the AGM in 2017. Since this time, the business has changed significantly; Total Shareholder Return (TSR) was 27.5% in the three years to December 2019, revenue has increased by 48%, profit before tax has increased by 103%, and basic EPS is up 122% (2019 performance compared to 2016). We have

been continuously adding hotel capacity over this period in line with strategy, and we continue to invest in driving future success and shareholder value creation.

Against this backdrop of the accelerated growth and evolving strategy for the business, the Committee considered that it was appropriate to review remuneration arrangements for our Executive Directors to ensure that they continue to promote long-term value creation, and are aligned with the business's strategic objectives and with the interests of shareholders within an acceptable risk framework. The Committee conducted the review with careful regard for the provisions of the revised UK Corporate Governance Code (the Code) and the Investment Association Principles of Remuneration (the Principles) published in November 2018.

As an Irish-incorporated company, Dalata is not formally required to comply with the Directors' Remuneration Reporting Regulations. However, the company is committed to maintaining a high standard of governance in keeping with our UK listing and voluntarily submits the Directors' Remuneration Policy to an advisory vote.

The Committee believes that the current remuneration structure and the incentive framework, comprising annual bonus and LTIP, is effective in focusing executives on delivery of the business strategy and is linked to and promotes sustainable long-term value creation. It is proposed that salary increases will continue in line with those of the rest of the workforce. Taking into account the increase in the size of the Group and the complexity of the roles, the Committee proposes to increase the annual bonus opportunity to a maximum of 125% of salary (currently 110% of salary for the Chief Executive and 100% of salary for other Executive Directors). The Committee considers that this level of

annual bonus opportunity better reflects the current size and stage of growth of the Company, and the increasing complexity, risk and international reach of the organisation.

Given the increase in bonus opportunity, the proportion of the bonus deferred for bonuses earned in respect of 2020 onwards will be increased to 30% of the total bonus (currently 20%). This enhances alignment with shareholders and brings our approach to deferral more closely in-line with market practice. For the Chief Executive, this increase in deferral means that under the new structure, the cash bonus opportunity remains the same as it is currently, with only a small increase in cash opportunity for the other Executive Directors.

A post-employment shareholding policy is proposed to be introduced such that individuals who step down as an Executive Director after 1 January 2020 will normally be expected to retain a shareholding in the Company of half of their shareholding requirement (or actual shareholding if lower) for two years after leaving. This guidance will normally apply to share incentives that vest following the adoption of this Policy.

No changes are proposed to LTIP opportunities or the performance measures for the annual bonus or LTIP. 50% of the LTIP performance condition is earnings based, measured by EPS. Bearing in mind the significant impact that the new accounting standard, IFRS 16, has on the early years of reported earnings for new leased hotels, the EPS performance targets for the 2020 LTIP awards have been set based on the outgoing lease accounting standard, IAS 17, rather than IFRS 16. This maintains consistency with previous years and allows us some time to better understand the implications of the change. The Committee will further review performance measures and targets in advance of the grant of the 2021 LTIP awards, having regard to the market's

adoption of the new standard, to ensure that they remain appropriate.

The LTIP is subject to a two-year holding period following vesting, and malus and clawback provisions apply to incentive awards. We therefore already comply with the 2018 UK Corporate Governance Code in these areas. The Committee has taken steps to ensure that the Policy and supporting documentation contains sufficient flexibility to enable the use of discretion should this be appropriate.

### Shareholder engagement

The Committee undertook a detailed consultation with our shareholders concerning the proposed changes to the remuneration policy. We contacted the 20 largest shareholders, representing 62% of the share register, with almost all engaging with and providing feedback to us. I also spoke with analysts from proxy agencies ISS and Glass Lewis. This was a very valuable exercise generating useful feedback, which has been used to shape the final proposals and will inform our discussions in the future. I am grateful for the broad input and support from shareholders for this remuneration policy for the next three years.

### Board changes

During the year, we welcomed Elizabeth McMeikan as a new Non-executive Director on our board, and, in December, we announced the executive appointment of Shane Casserly as Corporate Development Director with effect from 1 January 2020. His salary has been set at €325,000 per annum, and his annual bonus and LTIP opportunities are aligned with those of the Deputy Chief Executives - 125% and 150% of salary respectively. The Company's contribution to Mr Casserly's pension is 5% of salary. This contribution is aligned to the contribution rate provided to the majority of pension eligible staff in Ireland. Further details of compensation arrangements for the new Directors are contained in this report.

### Salary review

The committee reviewed Executive Director salaries for 2020 and granted a 2% increase with effect from 1 January 2020. This increase is in line with that awarded to the majority of the workforce.

### Incentive outcomes for 2019

Each of the Executive Directors received a bonus payment for 2019 which was 62.5% of the maximum amount; full details of the bonus outcome are set out on pages 89 and 90.

LTIP awards granted in 2017, contingent on performance achieved over the three years up to the end of 2019, will vest at a rate of 67% of the maximum; details are set out on page 91.

In finalising the incentive outcomes, the Committee considered whether the outcomes were appropriate in the context of the underlying performance of the business and the experience of shareholders and other stakeholders over the performance periods as well as considering whether there was any other significant negative event that would warrant an adjustment. The committee was satisfied that the incentive outcomes were merited.

### Gender Pay Gap

During the year, the Committee examined the gender pay gap across the Group. We observed a mean gender pay gap of 6% at the basic pay level. The company is committed to achieving gender pay equality in the coming years.

### Conclusion

It has been a pleasure to report on another successful year for Dalata, and I am grateful for the continuing support of our shareholders generally and concerning our remuneration arrangements.

**Margaret Sweeney**  
Chair, Remuneration Committee

## COMMITTEE MEETINGS AND ATTENDANCE

The Committee met five times during 2019.

Member	No. of meetings
Margaret Sweeney	5/5
John Hennessy	5/5
Robert Dix	5/5

All members of the Committee are considered by the Board to be independent (the Company Chair being independent on appointment).

The Board considers that the Committee Chair has sufficient recent and relevant experience for the role and that there is sufficient experience within the Committee as a whole.

## ROLE OF THE COMMITTEE

- Review the ongoing appropriateness and relevance of the remuneration policy, having regard to the pay and employment conditions across the Group.
- Consider and recommend to the Board the Group framework for the remuneration of the Executive Directors.

- Within the terms of the agreed policy, determine the total individual remuneration package of the Chair and each Executive Director, including salary benefits, bonuses and incentive payments.

- 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.



See the Committee's terms of reference on: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

# Directors' Remuneration Policy 2020 – 2022

This Policy will be submitted as an advisory vote to shareholders at the 2020 AGM and will apply to payments made on or after 29 April 2020, subject to shareholder approval of the Policy.

As an Irish-incorporated company, Dalata does not have the benefit of the statutory protections afforded by the UK Companies Act 2006 concerning the remuneration reporting regime. Accordingly, if there is any inconsistency between the Company's Policy (as approved by shareholders) and any contractual entitlement or another right of a Director, the Company may be obliged to honour that existing entitlement or right. On this basis, the report is submitted to shareholders as an advisory rather than a binding vote.

## Summary of policy making process

In determining the new Remuneration Policy, the Committee followed a robust process that commenced in May 2019 and concluded following an engagement process during which shareholders representing 62% of the share register were consulted. The Committee considered input from the Chief Executive and our independent advisors, as well as considering best practice, shareholder guidance, and the specific feedback received from our consultation with major shareholders.

## Policy Table for Executive Directors

The Group's policy on Executive Directors' remuneration is designed to ensure that employment and remuneration conditions support the delivery of strategy and promote long-term sustainable success for all stakeholders. 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.

Element	Purpose, link to strategy 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 normally reviewed annually by the Committee, taking into account all relevant factors, which may include the size and scope of the role, the experience and performance of the individual, and appropriate market data.	There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce.  Salary increases may be above this level in certain circumstances, such as: an increase in the size or complexity of the Group; an increase in the size or responsibilities of the role; or changes in the competitive market place.  Where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, then larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience.	N/A

In reaching its decisions on the new Remuneration Policy, the Remuneration Committee considered the following principles as recommended in the revised 2018 UK Corporate Governance Code (the Code).

**Clarity** – The Remuneration Policy is designed to allow our remuneration arrangements to be structured such that they support, in a sustainable way, the financial objectives and the strategic priorities of the Company. The Remuneration Committee remains committed to reporting on its remuneration practices in a transparent, balanced, and understandable way.

**Simplicity** – The policy consists of three main elements: fixed pay (salary, benefits, and pension), an annual bonus award, and a long-term incentive award. The annual bonus is based on one key financial measure and individual strategic objectives tied to our key strategic objectives and risk framework. The LTIP is based on two measures: relative TSR and EPS, which provide a clear link to the shareholder experience. The Committee will keep under review the measures used and may apply different measures for future years to ensure they continue to be aligned with strategy.

**Risk** – Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the

shareholder experience. The new post-employment shareholding policy adopted this year further ensures Executive Directors are motivated to deliver sustainable performance that extends beyond their departure from the company.

**Predictability** – Annual bonus and LTIP awards levels are capped as set out in this policy. The Committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts on page 83.

**Proportionality** – A substantial portion of the package comprises a performance-based reward linked to the achievement of solid company performance and the delivery of strategy. The Committee uses discretion where required to ensure that performance outcomes are appropriate.

**Alignment to culture** – In determining executive remuneration policies and practices, the Remuneration Committee considers remuneration structures and opportunities at other companies of a similar size and complexity as well as our approach to remuneration internally to ensure that remuneration is appropriate compared to these reference points. The Committee also considers other wider workforce themes as part of its review, including workforce demographics, engagement levels, and diversity to ensure executive remuneration is appropriate from a cultural perspective.

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
Pension	Contributions into the Company's defined contribution pension scheme, or an equivalent cash supplement.	0% of base salary for the Chief Executive.  15% of base salary for the Deputy Chief Executives.  5% of salary for the Corporate Development Director.  For new Executive Directors appointed to the Board pension will be set on appointment, taking into account best practice, the pension contributions or allowances available to the wider pension eligible workforce, and market practice at similar-sized companies.	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.  Directors are eligible to participate in the Company's Sharesave Scheme on the same basis as all other employees.  Directors may be reimbursed for reasonable business expenses (and any associated tax liabilities).  Where an Executive Director is required to relocate to perform their role, appropriate one-off or on-going expatriate benefits may be provided (e.g. housing, schooling, etc.).	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.  Participation in Sharesave Scheme up to statutory limits.	N/A
Annual Bonus	To drive and reward the delivery of business objectives over the financial year.  The bonus is discretionary, and the Committee determines any pay-out based on performance. Targets are set and assessed by the Committee each year.  At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust.  Malus and clawback provisions apply.	The maximum opportunity is:  > Chief Executive: 125% of salary.  > Other Executive Directors: 125% of salary.	Payment is determined by reference to performance assessed over one financial year, and will normally be measured against a combination of financial and individual strategic performance targets.  The Committee determines the weightings of the performance measures each year. The overall framework will normally be weighted towards financial measures of performance.  The Committee will consider the Group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment the Committee may take into account such factors as the Committee considers relevant. 40% of the maximum bonus typically pays out for achieving threshold levels of performance with 50% of maximum paying out for target levels of performance. The Committee retains the discretion to vary the level of payout if appropriate.

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
Long-term Incentive Plan (LTIP)	<p>To reward Executive Directors for the delivery of long term performance and align their interests with shareholders.</p> <p>Awards are made under, and subject to the terms of, the 2017 LTIP approved by shareholders at the 2017 AGM.</p> <p>Awards are in the form of conditional share awards or nil-cost options (or in such other form that the Committee determines has the same economic effect) which vest as soon as reasonably practicable after the end of the performance period, subject to performance conditions.</p> <p>Vested shares are subject to an additional holding period of at least two years. Shares subject to a holding period may be placed in a restricted share trust.</p> <p>Malus/clawback and dividend equivalent provisions apply (see notes).</p>	<p>The maximum annual award level is</p> <ul style="list-style-type: none"> <li>&gt; Chief Executive: 150% of salary.</li> <li>&gt; Other Executive Directors: 125% of salary.</li> </ul>	<p>Performance targets are normally measured over three financial years, using performance measures aligned with the strategy and shareholder value. This may include measures such as total shareholder return (TSR), earnings per share (EPS), or other financial or strategic measures.</p> <p>25% normally vests for threshold performance.</p> <p>The Committee has the discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned to the business strategy and objectives.</p> <p>The Committee will consider the Group's overall performance before determining the final vesting level and may adjust the vesting level if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment the Committee may take into account such factors as the Committee considers relevant.</p>
Shareholding Guidelines	<p>To increase long term alignment between executives and shareholders.</p> <p>Executive Directors are required to build up and maintain a beneficial holding of at least 200% of base salary.</p> <p>Unvested deferred bonus shares and vested LTIP shares within a holding period will count towards the guideline (on a net of tax basis).</p>	N/A	N/A

Notes to the table:

- Dividend equivalents** - LTIP awards may incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting (or where the award is subject to a holding period, release).
- Adjustment of LTIP** -LTIP awards may be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend, or other events that may affect the Company's share price.
- Malus and clawback** - The annual bonus and the LTIP contain malus and clawback provisions. The cash and share elements of the annual bonus may be clawed back during the three years following payment, and awards under LTIP may be cancelled (prior to vesting), reduced, or clawed back for two years post vesting, in the event of a material misstatement of results or serious misconduct.
- Performance measures** - The choice of the performance measures applicable to the annual bonus reflects the Committee's belief that any incentives should be aligned to the Group's financial and strategic objectives. In the LTIP, the current measures provide a balance between incentivising long term profit growth from the execution of the strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to sector peers. For both the bonus and the LTIP, the Committee sets challenging targets taking into account the Board's objectives for the business and shareholder expectations. Bonus targets are not disclosed in advance as they are considered to be commercially sensitive. The Committee intends to disclose bonus targets following the financial year to which they relate unless they remain commercially sensitive at that point. Performance conditions may be amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy.
- Other payments** - The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' remuneration policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company ( or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.
- Key changes to this Policy** - The key changes to this Policy compared to the 2017 - 2019 Policy are the increase in the annual bonus opportunity and the corresponding increase in the annual bonus deferral as well as the revised approach to pension contribution for new hires and the introduction of a post-employment shareholding requirement. Other minor changes have also been made to the wording of the policy to aid operation and to increase clarity.

### Remuneration Policy for other Group Employees

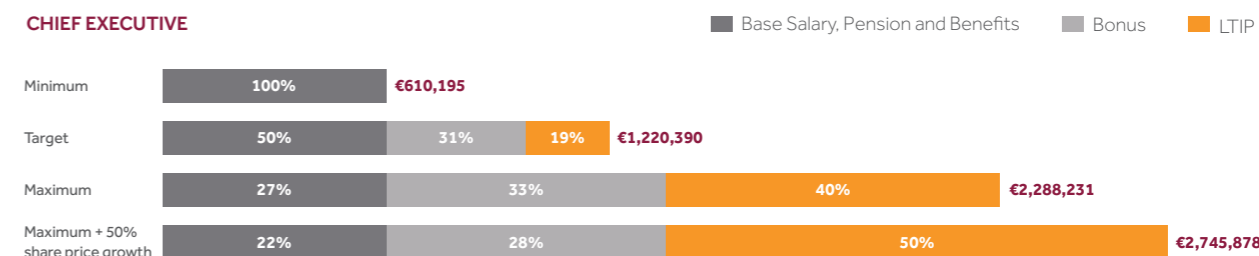
The Committee regularly reviews workforce remuneration and broader employment practices taking these into account when determining remuneration policy for Executive Directors. The remuneration framework for other employees is based on broadly consistent principles used to determine the policy for Executive Directors. All executives and senior managers are

generally eligible to participate in an annual bonus plan. Participation in the LTIP is extended to executives and senior managers, with LTIP performance conditions consistent across all levels. Individual salary and pension levels and incentive award sizes vary according to the level of seniority and responsibility, in line with market data. The Committee also reviews analysis of the gender pay gap periodically; the company is committed to achieving gender pay equality.

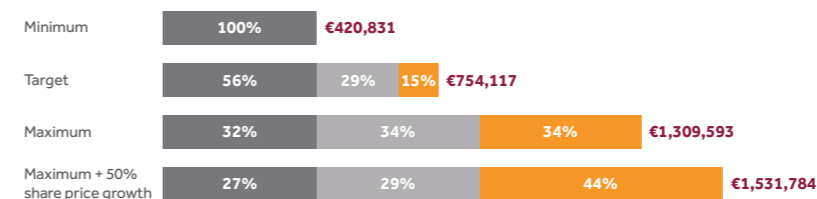
### Illustration of application of Remuneration Policy 2020 - 2022

The chart below illustrates the composition of the Executive Directors' remuneration packages at different levels of performance, both as a percentage of total remuneration opportunity and as a total value.

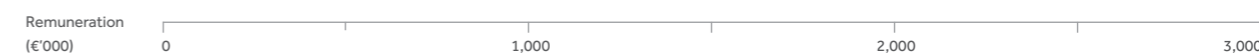
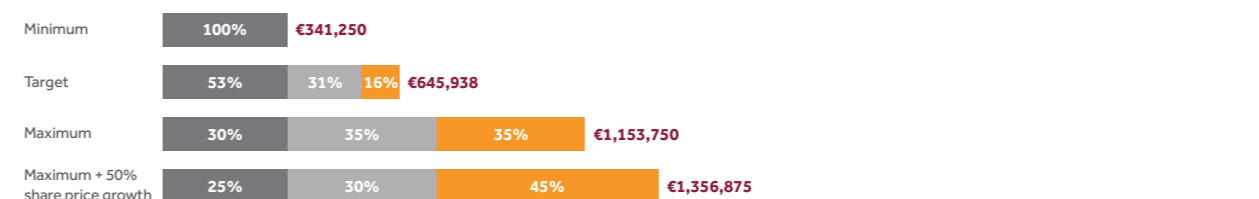
Any dividend equivalents payable are not included in the below.



### DEPUTY CHIEF EXECUTIVES



### CORPORATE DEVELOPMENT DIRECTOR



Notes:

- "Minimum"** includes the value of fixed pay components only – annual base salary effective from 1 January, pension (zero for the Chief Executive, 15% of base salary for Deputy Chief Executives and 5% for Corporate Development Director), and benefits (assumed for FY20).
- "Target"** includes fixed pay and "target" annual bonus (50% of the maximum) and threshold vesting of the maximum LTIP awards (25% of the maximum). No share price growth is assumed.
- "Maximum"** includes fixed pay and maximum annual bonus (125% for all Executive Directors) and full vesting of LTIP awards (Chief Executive: 150% of salary, Deputy Chief Executives and Corporate Development Director 125% of salary). No share price growth is assumed.
- "Maximum with 50% share price growth"** shows the "Maximum" scenario as described above but assuming 50% share price growth for the LTIP awards.

## Policy Table for Non-executive Directors

Element	Purpose, link to strategy and operation	Opportunity
Chair and Non-executive Director ("NED") Fees	<p>To attract and retain Non-executive Directors with the required qualities, skills, and experience.</p> <p>Fees for the Chair are determined by a subcommittee of the Board comprising the Chief Executive and the Non-executive Directors but excluding the Chair.</p> <p>Fees for Non-executive Directors, other than the Chair, are determined by a subcommittee of the Board comprising the Chief Executive and the Chair.</p> <p>The Chair receives a single fee. NED fees include a base fee and may include additional fees for other Board or Committee duties.</p> <p>The Chair and Non-executive Directors do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided.</p> <p>Non-executive Directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in the performance of duties. Additional benefits may be introduced if considered appropriate.</p>	<p>There is no prescribed maximum annual increase or fee level.</p> <p>Fee levels are normally reviewed every two years, with reference to the time commitment of the role and market levels (for example, in companies of comparable size and complexity).</p> <p>Fees are next due for review in 2021.</p>

### Service contracts/letters of appointment

Pat McCann and Stephen McNally are employed under service contracts commencing on 9 August 2007. Dermot Crowley is employed under a service contract commencing on 3 December 2012 and Shane Casserly's service contract commenced on 3 March 2014. Service contracts do not have a fixed end date but can be terminated by serving notice. The service contracts have a notice period of 24 weeks for Pat McCann and Stephen McNally and six months for Dermot Crowley and Shane Casserly. Other than entitlement to notice and payment of salary and contractual benefits in lieu of notice, the Executive Directors are not entitled to compensation on termination of their respective contracts. These terms would normally apply to a service contract for a new Executive Director.

Non-executive Directors, Alf Smiddy, Margaret Sweeney, Robert Dix, and the Chair, John Hennessy, have been appointed under the terms of letters of appointment commencing on 27 February 2014. Elizabeth McMeikan was appointed under the terms of a letter of appointment commencing on 8 October 2019. The appointment is renewed annually, and, under the Company's Director's re-election policy, all Directors

are subject to annual re-election by shareholders. Non-executive Director's appointment is terminable by either party giving one month's written notice.

### Policy on payments for loss of office

In addition to a payment in lieu of notice referred to above, a departing Executive Director may be eligible for incentive awards, which will be treated under the rules of the relevant plan, as summarised in the table below:

Incentive plan	Summary of leaver provisions
Annual bonus	Annual bonuses may be payable for performance in the financial year of cessation (pro-rated for time, unless the Committee determines otherwise). The Committee retains the discretion to deliver any such bonus solely in cash, without any deferred share element.
Deferred bonus	Awards will normally continue to vest on the original vesting date, subject to the malus provisions, unless the Committee determines otherwise.
LTIP	The default treatment is that any unvested awards lapse on cessation of employment.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying

any fees for outplacement assistance, and the Director's legal, or professional advice fees in connection with his or her cessation of office or employment.

### Post-employment interest in shares

The Committee has a policy to promote interests in share awards following cessation of employment to enable former Executive Directors to remain aligned with the interest of shareholders for an extended period after leaving the Company.

Individuals who cease to be an Executive Director from 1 January 2020 onwards will normally be expected to retain a shareholding in the Company for two years after stepping down as an Executive Director at the lower of half of the shareholding requirement in place before departure or the actual shareholding on departure.

This requirement applies to shares acquired from incentive plans that vest after the introduction of the Policy and will normally include the net value of outstanding deferred bonus share awards and LTIP awards subject only to a holding period. The Committee will have the discretion to operate the Policy flexibly and may waive part or all of the requirement where considered appropriate, for example, in compassionate circumstances.

### Treatment in the event of a change of control

The default treatment is that any unvested LTIP awards vest in the event of a change of control to the extent the Committee determines, taking into account the satisfaction of the relevant performance conditions and, unless the Committee determines otherwise, the proportion of the performance period served. Shares subject to deferral or holding periods would normally be released on a change of control.

### Remuneration on recruitment

The remuneration package for a new Executive Director would be set under the terms of the Policy Table for Executive Directors. Salaries would be set at an appropriately competitive level to reflect the skills and experience of the individual, and the scope of the role.

Where an individual forfeits remuneration with a previous employer as a result of an appointment to the Company, the Committee may offer compensatory payments or awards to facilitate recruitment. Any such payments or awards would be in such form as the Committee considers

appropriate and would normally reflect the nature, time horizons, and performance requirements attaching to that remuneration. There is no limit on the value of such compensatory awards, but the Committee intends that the value awarded would be no higher than the value forfeited.

The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to above) in respect of recruitment is 275% of salary, which is in line with the maximum current limit receivable by the Chief Executive under the annual bonus and LTIP.

Where an Executive Director is required to relocate from their home location to take up their role, the Committee may assist with relocation (either via one-off or ongoing payments or benefits). Any ongoing benefits would normally be time-limited.

If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards. Future pension provision will be aligned with our policy set out above.

### Consideration of conditions elsewhere in the Company

When determining remuneration arrangements for Executive Directors, the Committee considers the pay and conditions of employees throughout the Group. In particular, the Committee considers the general level of salary increases and incentive award outcomes within the wider population. While the Committee does not directly consult with employees as part of the process of determining executive pay, the company carries out detailed employee surveys, and our designated employee Non-executive Director regularly engages with employees to understand their views on a range of issues including pay and employment conditions throughout the Group. The Board takes such feedback into account when reviewing executive pay. To the extent that employees are shareholders, they can vote on remuneration resolutions at the AGM.

### Consideration of shareholder views

The Committee undertook a consultation exercise with major shareholders, representing 62% of the share register, in respect of the development of this Remuneration Policy, and the feedback received was taken into account in finalising the proposals.

During each year, the Committee considers shareholder feedback received at the time of the AGM, plus any additional feedback received through other means of dialogue. The Committee also regularly reviews the policy in the context of published shareholder guidelines.

This report will be submitted as an advisory vote to shareholders at the 2020 AGM on 29 April 2020.

## Statement of Implementation for 2020

This section summarises the remuneration arrangements for the Directors for the 2020 financial year.

### Base salaries

The following table shows the base salaries effective 1 January 2020 with comparative figures for 2019:

€'000	2020	2019	Increase
Pat McCann	610.2	598.2	2%
Stephen McNally	355.5	348.5	2%
Dermot Crowley	355.5	348.5	2%
Shane Casserly	325.0	n/a	n/a

Salaries for Executive Directors are set at a competitive market level for the scope of the roles and the size and complexity of the business. A 2% increase was awarded for 2020, in line with pay increases for the general workforce.

In recommending the 2020 salary increase, the Committee took account of the review of wages and salaries across the Group, trading circumstances for the Group, and the personal performance of each individual.

Shane Casserly was appointed to the Board on 1 January 2020 and his salary was set at €325,000 from this date.

### Pension

The Chief Executive does not receive a pension contribution. Deputy Chief Executives will receive a contribution to the defined contribution pension scheme or an equivalent cash salary supplement, of 15% of base salary, in line with the Policy.

The pension contribution for Shane Casserly has been set at 5% of base salary. This contribution is aligned to the contribution rate provided to the majority of pension eligible staff in Ireland. The Committee will keep the pension contribution for Shane Casserly under the review in the context of any changes in pension provision across the Group.

For new Executive Directors, the Board will determine pension arrangements on appointment to the board, taking into account best practice, the rate available to the wider pension eligible workforce, and market practice at similar sized companies at the time of appointment.

### Annual bonus

Each of the Executive Directors will be eligible for a maximum bonus of 125% of salary under the proposed policy. The performance measures for the Chief Executive and Deputy Chief Executives are weighted 75/25 between profitability and individual strategic objectives. The performance measure for the Corporate Development Director is weighted 50/50 between profitability and individual strategic objectives. The Committee considered carefully the weighting for the Corporate Development Director, whose office is concerned with the sourcing and the delivery of the company's new hotel pipeline within a framework of defined investment criteria. The Corporate Development Director's individual strategic objectives include quantifiable targets for sourcing new and completing existing pipeline projects and the committee is satisfied that the weighting of his performance measures is better aligned with strategy and the interests of shareholders than if it were the same as the other Executive Directors.

Maximum Annual Bonus (as a % of salary)	CEO and Deputy CEOs	Corporate Development Director
Profitability <sup>1</sup>	93.75%	62.5%
Individual strategic objectives	31.25%	62.5%
Total	125%	125%

<sup>1</sup> Financial performance for annual bonus purposes is measured using an adjusted measure of EBIT 'Modified EBIT' described in detail on page 187.

30% of the total bonus earned will be deferred for at least three years (increased from 20% for 2019). This deferral enhances alignment with shareholders and brings our approach to deferral more closely in-line with market practice.

The Committee has determined that the specific targets for 2020 are commercially sensitive and cannot be disclosed at this time. To the extent that the targets for 2020 are no longer deemed to be commercially sensitive, they will be disclosed in next year's report.

### LTIP

Awards will be granted in 2020 of 150% of salary for the Chief Executive and 125% of salary for the other Executive Directors in line with the proposed Policy. Awards will vest after a three-year performance period based 50% on TSR and 50% on EPS targets shown in the table below. Vested shares will be subject to a minimum additional two-year post-vesting holding period.

€'000	TSR (50% of award)	EPS (50% of award)
Definition	TSR performance against the Index	Basic EPS (calculated under IAS 17: Leases) achieved in the year ending 31 December 2022
Threshold vesting (25% of maximum)	TSR equal to Index	€0.44
Maximum vesting	TSR equal to 10% or more per annum above Index	€0.55

- No vesting below threshold performance.
- Straight-line vesting between points.
- For TSR, the "Index" referred to in the table is the STOXX Europe 600 Travel and Leisure Index. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2020 to 31 December 2022).
- Basic EPS may be adjusted to exclude items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either period or period or with other similar businesses. For reference, the relevant adjustments to EPS for 2018 and 2019 are set out in note 29 to the consolidated financial statements on pages 172 and 173. We want to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, we drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders.
- When setting the EPS threshold and maximum targets, the Committee had regard to company forecasts and underlying assumptions, the approach to target setting in previous years, comparison with base year performance (2019), consensus forecasts for 2022, targets set in previous years and previous LTIP and bonus outcomes. Taking into account all of these reference points, the Committee considers that the EPS targets set for the 2020 award are as stretching as those set in previous years and, if achieved, will deliver value for shareholders. The maximum EPS target does not represent an increase on that set for the performance condition in 2019 (2021 EPS) with the threshold target being 1 cent lower. Readers are guided to consider that the Company has announced the opening of ten new hotels in 2021 and 2022 which represents an increase of approximately 30% of the current owned and leased hotel portfolio. New hotels do not normally reach their full profit potential until years three to five following opening, therefore, the EPS profile in 2021 and 2022 reflects this business-building phase of the company's development. The Committee is satisfied that the successful delivery of the planned new hotels will create long-term value for shareholders and that EPS targets set for 2022 represents a stretching but achievable target at the threshold level.
- The Committee considered, in detail, the impact on reported EPS of the adoption of the accounting standard IFRS 16 (from 1 January 2019) in place of IAS 17 for accounting for lease costs. IFRS 16 introduces additional complexity to accounting for leases and affects a pronounced weighting of costs towards the early years of a lease contract compared with IAS 17 (which typically apportioned costs on a straight-line basis over the term of the lease). Market participants and other interested parties continue to evaluate the impact of the new standard. Accordingly, the Committee determined that, for the 2020 awards performance condition, it was preferable to continue to calculate EPS using IAS 17. The Committee is satisfied that this approach is fair for both shareholders and plan participants. The Committee will further review this element of the performance condition for 2021.
- EPS targets may be amended if an event occurs which causes the Committee to determine an amended or substituted performance condition that would be more appropriate and not materially more or less difficult to satisfy.

### Non-executive Director fees

The following table shows the fees effective 1 January 2020. There will be no underlying increase in fees for 2020. However, some amendments are made to reflect the change in Committee composition and individual Director responsibilities. Fees were last reviewed and increased in 2019 following the biennial review of Non-executive Director compensation for 2019/20 under the Policy. On 1 January 2020, the Board formed a subcommittee with responsibility for Environmental Social and Governance, the Board estimates that the workload of this committee chair will be equivalent to that of the Remuneration and Audit and Risk Committee chairs and determined that compensation be similar for this role. The board also determined that additional compensation be paid to the Non-executive Director with designated responsibility for workforce engagement by reference to the time commitment for this role.

€'000	2020	2019
Board Chair	150	150
Basic Non-executive Director	65	65
Chair Audit and Risk Committee	20	20
Chair Remuneration Committee	20	20
Chair Nomination Committee	n/a	10
Chair ESG Committee	20	n/a
Senior Independent Director	10	10
Non-executive Director with designated responsibility for workforce engagement	10	n/a

# Outcomes in Respect of 2019

Where indicated the disclosure has been audited in accordance with the UK reporting regulations.

Directors' remuneration in 2019 was awarded in line with the Remuneration Policy, which was approved by shareholders at the AGM in May 2017.

## Single total figure of remuneration (audited)

The following table summarises the remuneration received by the Directors for the 2019 financial year (with the 2018 prior year comparator also shown).

€'000	Year	Base Salary / Fees	Pension	Benefits	Bonus	LTIP	Total
<b>EXECUTIVE DIRECTORS</b>							
Pat McCann	2019	598	-	-	411	624	1,633
	2018	587	-	-	645	279	1,511
Stephen McNally	2019	349	52	3	218	303	925
	2018	342	51	3	342	162	900
Dermot Crowley	2019	349	52	12	218	303	934
	2018	342	51	12	342	162	909
<b>NON-EXECUTIVE DIRECTORS</b>							
John Hennessy	2019	150	-	-	-	-	150
	2018	125	-	-	-	-	125
Robert Dix	2019	85	-	-	-	-	85
	2018	75	-	-	-	-	75
Alf Smiddy	2019	85	-	-	-	-	85
	2018	75	-	-	-	-	75
Margaret Sweeney	2019	85	-	-	-	-	85
	2018	75	-	-	-	-	75
Elizabeth McMeikan	2019	15	-	-	-	-	15
	2018	n/a	-	-	-	-	n/a

Notes:

- Base salary / fees represent all amounts received in respect of the financial year.
- Pension represents payments into the Company's defined contribution pension plan. For 2019 (and 2018) the Chief Executive, Pat McCann, did not participate in the pension plan. Other Executive Directors received pension contributions of 15% of salary.
- Benefits include 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 the Group's annual bonus plan for the relevant financial year. 20% of the bonus shown above will be deferred into Dalata shares for a minimum period of three years.
- For the LTIP, the value shown for 2019 reflects the final vesting outcome of the 2017 LTIP award with performance measured over the three-year performance period from 1 January 2017 to 31 December 2019. Vesting of the 2017 award is based 50% on TSR performance compared to the STOXX Europe 600 Travel & Leisure Index and 50% on EPS performance achieved in FY19 (see page 91 for further details). The values shown for 2019 have been calculated using the three-month average share price to 31 December 2019 of €5.3475. 8% of the value disclosed in respect of the 2017 LTIP relates to the increase in share price from the date of the award.
- Concerning both the bonus and LTIP outcome for 2019, the Committee considered whether the outcomes were appropriate in the context of the underlying performance of the business and the experience of shareholders and other stakeholders over the performance period(s) as well as considering whether there was any other significant negative event that would warrant an adjustment. The Committee was satisfied that the incentive outcomes were merited, and no discretion was exercised by the Committee to adjust either award.
- The LTIP value for 2018 is restated to reflect the final vesting outcome of 46% (compared to the estimated vesting of 53%) for the LTIP award granted on 3 March 2016. The award vested on 2 March 2019 and the share price on the date of vesting was €6.00 compared to the share price used to estimate vesting, which was €5.23. The restated LTIP outcomes are €279,000 for Pat McCann (€280,000 estimated), and €162,000 for Stephen McNally and Dermot Crowley (€163,000 estimated). Readers will observe that the final vesting outcome is almost identical to the estimate owing to the off setting variances between the final vesting percentage and the share price compared with the estimates.
- Alf Smiddy received compensation of €6k for expenses incurred in traveling to and from board meetings (2018 €4k). Robert Dix received similar compensation of €1k (2018 €0k).
- Elizabeth McMeikan was appointed Non-executive Director of the Board on 8 October 2019. Her fees for 2019 reflect her time in service during the year.

## Annual bonus plan outcome for 2019 (audited)

The maximum bonus for 2019 was 110% of salary for CEO Pat McCann and 100% of salary for Stephen McNally and Dermot Crowley, in line with the previous 2017-2019 Policy. This was based 75% on the achievement of a stretching profitability target and 25% on individual strategic objectives aligned to the delivery of key strategic and operational objectives. Overall, the bonus outcome for 2019 was 62.5% of the maximum amount, for each Executive Director, based on performance as set out below.

## Profitability

Financial performance for annual bonus evaluation is measured using Modified EBIT for Bonus Calculation (Modified EBIT). EBIT is thus modified to remove the effect of fluctuations between the annual and budgeted EUR/GBP exchange rate and other items including, for 2019, the effect of IFRS16, and the net revaluation movements through profit and loss, which were considered, by the Remuneration Committee, to fall outside of the framework of the budget target set for the year. Modified EBIT is described in detail and reconciled to Profit Before Tax on page 187.

€'000	Threshold (40% payout)	Target (50% payout)	Maximum (100% payout)	Actual	Outcome
Modified EBIT	€102.6m	€108.0m	€115.6m	€108.0m	Performance met 100% of the target leading to 50% of maximum bonus payout for this element

## Individual strategic objectives

The Committee considered carefully each Directors' performance against individual strategic objectives set and the outcomes. The Committee also had regard to the progress made by the senior management team as a whole toward delivering the company's strategic objectives.

Objectives set	Summary of performance achieved	2019 Outcomes
<b>PAT MCCANN</b>		
<b>Culture</b> Nurture, promote, and monitor the culture and values of the business to ensure continuity of the entrepreneurial spirit and capacity for future growth and development within the Company.	The continued strength in the company culture was evidenced in the upward trend in customer satisfaction scores, employee engagement scores, a record number of applicants to our graduate programmes, and public accolades received by the Company in the business community during the year.	2019 <b>maximum</b> : 27.5% of base salary  2019 <b>achieved</b> : 27.5%
<b>Team Growth</b> Continue to develop the senior executive team and each individual within it.	The number of internal promotions and intra-property transfers grew in 2019 despite the absence of new hotel openings; increased number of participants on structured development programmes.	
<b>Risk</b> Development of the risk management process, including the identification of new and emerging risks. A review of insurable risk management.	Maintained a downward trend in public liability claims costs per room let and employers liability claims costs to payroll ratio.  Accelerated the move towards centralised IT platforms, revised business continuity plans across all locations, and increased investment in cyber risk management processes including the establishment of the Group Privacy Committee. Established environmental risk management as a high priority focus for the business through the formation of the Group Environmental Steering Committee.	

Objectives set	Summary of performance achieved	2019 outcomes
<b>STEPHEN MCNALLY</b>		
Complete integration of six newly opened hotels to achieve investment targets and resolve any build completion issues.	We have achieved overall financial and non-financial targets for the new properties.	2019 <b>maximum:</b> 25% of base salary
Identify future leaders for hotels opening through 2021.	75% of the potential General Managers identified; development programmes in place for high-potential employees identified for other management roles at the new hotels.	2019 <b>achieved:</b> 25%
Strategic cost management to protect margins in light of market headwinds.	Maintained and grew EBITDAR margins despite the RevPAR drop in key markets.	
Prepare pro-active Brexit action plan.	Engaged with the strategically important suppliers to understand the potential implications of a disruptive Brexit under various scenarios and developed contingency plans; engaged with hotel and leisure industry peers to communicate risks and input to industry-wide risk management.	
Improve Customer satisfaction scores.	Stretch targets for customer satisfaction were achieved for both Clayton and Maldron brands	
Improve levels of employee engagement.	The group-wide employee engagement score improved from 78% to 85%, exceeding the targets set for the year.	
<b>DERMOT CROWLEY</b>		
Finance function team development.	Achieved delegation of key management responsibility objectives within the department, including in investor relations, banking, and management of the external audit process. Achieved development objectives for the shared services centre.	2019 <b>maximum:</b> 25% of base salary  2019 <b>achieved:</b> 25%
Maintain the reach and effectiveness of the investor relations programme in light of challenges encountered as a result of regulatory changes arising from MIFID 2.	Shareholder sentiment survey conducted on behalf of the company indicated very strong levels of support for the investor relations programme.	
Maintain and develop strategic relationships with funding partners including banking syndicate and institutional property investors.	12-month extension to banking facilities agreed and two additional institutional property investment partners secured.	
Secure additional 1,200 rooms for hotel pipeline and effectively manage the progress of hotels and hotel extensions under development.	Rooms pipeline development objectives achieved, all live projects proceeding to plan.	
Group strategy development.	Completed agreed projects and presented findings to the Board to increase the range of strategic options for business development. Shoreditch, London site acquisition was a product of this activity.	

#### LTIP – vesting outcome of the 2017 award (audited)

The 2017 LTIP award granted to Executive Directors on 22 May 2017 became eligible for vesting following the completion of the Performance Period on 31 December 2019. Vesting of the award is subject to two performance criteria: 50% of the award is based on TSR performance compared to the STOXX Europe 600 Travel and Leisure Index, and 50% is based on EPS performance for the year ended 31 December 2019.

Previously, we reported that TSR performance would be compared with the Dow Jones European STOXX Travel and Leisure Index. This index has been rebranded, and therefore, we will now be comparing TSR to the STOXX Europe 600 Travel and Leisure Index, which represents the same sector, geographic focus, size, and complexity, and which is comprised of virtually the same companies as the original Dow Jones Index. The same performance conditions apply. This change will impact the 2017 and 2018 awards. The updated index is reflected in the vesting outcomes for the 2017 award, as set out below.

Overall, 67 % of the award will vest based on the assessment of the TSR and EPS performance, as shown below.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting outcome
TSR <sup>1</sup>	50%	Equal to index	Equal to or greater than 10% per annum above the index	1.2% per annum above the index	34%
EPS <sup>2</sup>	50%	37.0 cent	46.0 cent	46.0 cent	100%
				Overall Vesting	67% of maximum

<sup>1</sup> TSR vesting is relative to the STOXX Europe 600 Travel and Leisure Index. TSR was calculated using a 3-month average at the start and end of the performance period (1 January 2017 to 31 December 2019).

<sup>2</sup> The maximum EPS vesting target was achieved based on the calculation of Pre-IFRS 16 Adjusted Basic EPS (under the accounting treatment of leases per IAS 17). A detailed calculation of Pre-IFRS 16 Adjusted Basic EPS (in accordance with IAS 17) is set out in note 29 to the financial statements on pages 172 and 173.

When considering the level of annual bonus payout and long-term incentive vesting, the Committee also considered the underlying performance of the Group over the performance period, taking into account performance against key financial and non-financial indicators as well as the share price performance and the experience of shareholders and other stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event), which would warrant an adjustment. The Committee concluded the proposed pay-out outcomes detailed above to be appropriate. Overall, the Committee considers that the Remuneration Policy has operated as it was intended during 2019.

#### Share incentive plan interests awarded during 2019 (audited)

The table below provides details of the LTIP awards made during the year to the Executive Directors.

Director	Type of award	Face value of the award at grant	Number of shares awarded	Vesting at threshold (% of maximum)	Performance period
Pat McCann	LTIP	150% of salary	150,121	25%	1 Jan 2019 to 31 Dec 2021
Dermot Crowley	LTIP	125% of salary	72,885	25%	1 Jan 2019 to 31 Dec 2021
Stephen McNally	LTIP	125% of salary	72,885	25%	1 Jan 2019 to 31 Dec 2021

a. Vesting is based on two separate performance criteria: 50% of the award is based on TSR performance compared with the STOXX Europe 600 Travel and Leisure Index. Threshold vesting occurs for TSR equal to the index and maximum vesting where TSR is equal to or greater than 10% per annum above the index. The remaining 50% is based on Pre-IFRS 16 Adjusted Basic EPS (calculated under the accounting treatment of Leases per IAS 17) achieved in FY21 with threshold vesting for EPS equal to €0.45 and maximum vesting if EPS is equal to or greater than €0.55.

b. The number of shares awarded was calculated using the volume-weighted average share price on 5 March 2019 (€5.9775), the day prior to the date of the grant.

## Additional Disclosures

### Directors' and Company Secretary's share interests

	Shares beneficially owned as at 31 December 2018	Shares beneficially owned as at 31 December 2019	Option to acquire shares under Sharesave Scheme	Conditional LTIP share awards subject to performance conditions			Total Conditional LTIP Awards
				2017 Award (vesting after 31/12/19)	2018 Award (vesting after 31/12/20)	2019 Award (vesting after 31/12/21)	
Pat McCann	1,274,515	1,406,860	5,000	174,130	145,221	150,121	469,472
Dermot Crowley	439,454	489,383	5,000	84,541	70,506	72,885	227,932
Stephen McNally	449,538	498,335	5,000	84,541	70,506	72,885	227,932
John Hennessy	100,000	120,000					
Robert Dix	67,858	67,858					
Alf Smiddy	66,646	66,646					
Margaret Sweeney	46,787	46,787					
Elizabeth McMeikan	n/a	2,100					
Sean McKeon	77,938	98,460	5,000	34,069	28,413	29,372	91,854

- a. Shares beneficially owned include those of connected persons and include shares held in trust which are subject to deferral or holding periods.
- b. On 2 December 2019, each of the Executive Directors and the Company Secretary exercised options (granted on 2 December 2016) to acquire 6,132 shares each under the Irish Sharesave Scheme. On 2 October 2019 these four individuals were granted options to acquire 5,000 shares each under the Irish Sharesave Scheme which may be exercised between 2 March 2023 and 2 September 2023.
- c. Total conditional LTIP awards include LTIP awards to Executive Directors representing the maximum number of shares which may vest under 2017, 2018, and 2019 LTIP awards based on the performance conditions as described elsewhere in this report. As described on page 91, 67% of the 2017 award will vest as soon as practicable after December 2019 based on the achievement against the performance conditions.
- d. There was no change in the beneficial interests of the Directors between the year-end and the date of this report.

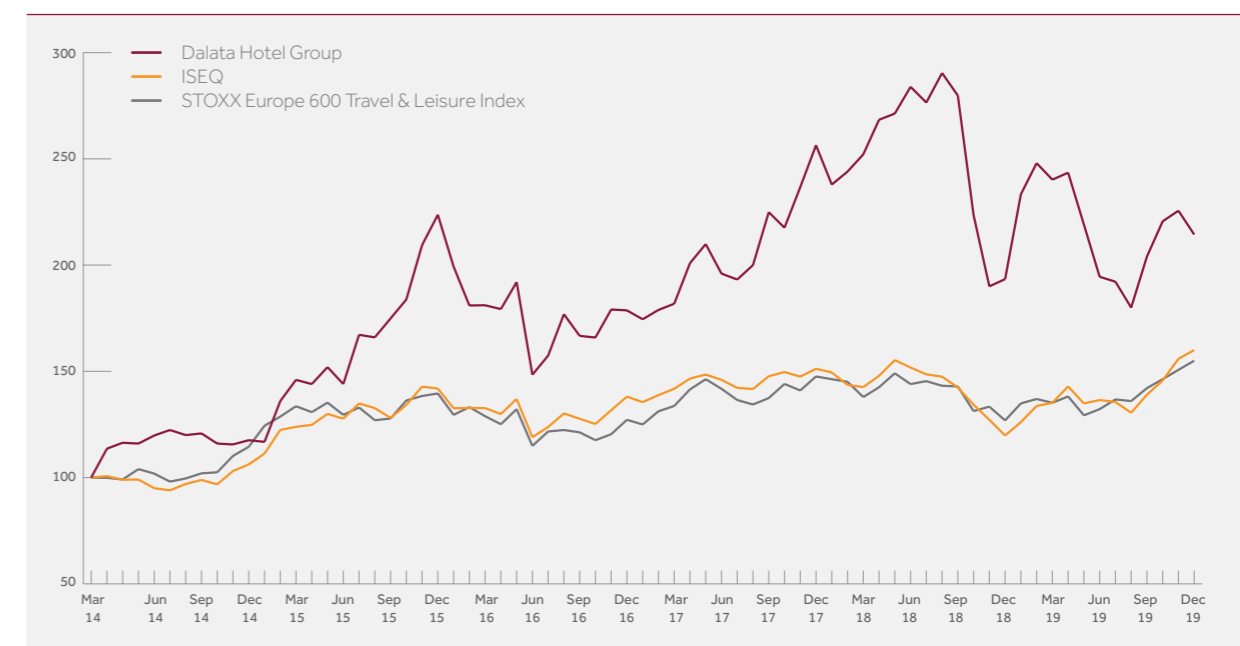
### Shareholding guidelines

Executive Directors are required to build up and maintain a beneficial holding of at least 200% of base salary. Based on the closing share price on 31 December 2019 of €5.15, the Executive Director's beneficial holdings as a percentage of 2019 base salary were as follows:

	Beneficial shareholding % base salary
Pat McCann	1211%
Stephen McNally	736%
Dermot Crowley	723%

### TSR performance summary and historic remuneration outcomes

The graph below compares the TSR (re-based to 100) over the period since listing to the performance of the ISEQ Index and the median of the STOXX Europe 600 Travel and Leisure Index.



The following table shows the total remuneration for the Chief Executive for each financial year over the same period.

	2014 <sup>1</sup>	2015	2016	2017	2018 <sup>2</sup>	2019
Single figure (€'000)	441	840	1,603	1,764	1,511	1,633
Annual bonus outcome (% of maximum)	67%	100%	90%	100%	100%	62.5%
LTIP vesting (% of maximum)	N/A	N/A	100%	100%	46%	67%

- <sup>1</sup> Includes remuneration prior to IPO.  
<sup>2</sup> 2018 single figure is restated to reflect the final vesting outcome of LTIP awards granted in 2016 which vested in March 2019.

### Relative spend on pay

The following table shows the Group's aggregate actual spend on pay (for all employees) and dividends in respect of the current and previous financial year. There were no share buy backs in either year.

	2018	2019	Change
Dividend	€5.5m	€ 19.4m	253%
Aggregate employee remuneration	€99.0m	€ 106.1m	7.2%



### Payments to past Directors

There were no payments to past Directors during the year.

### Payments for loss of office

There were no payments for loss of office during the year.

### AGM voting

At last year's Annual General Meeting, the following votes were received on the resolution to receive and consider the Director's Report on Remuneration for the year ended 31 December 2018.

	Votes	%
Votes For	139,005,024	99.64%
Votes Against	508,254	0.36%
Total Votes	139,513,278	100.00%
Votes Withheld	1,010,415	

At the 2017 AGM, the following votes were received on the resolution to approve the Directors Remuneration Policy.

	Votes	%
Votes For	134,056,854	99.11%
Votes Against	1,197,842	0.89%
Total Votes	135,254,696	100.00%
Votes Withheld	0	

### Remuneration Committee and advisors

In addition to the Remuneration Committee members, Non-executive Director Alf Smiddy attended each meeting during 2019 at the invitation of the Chair. The Chief Executive and the Company Secretary attended at the invitation of the Committee Chair (but were not present for discussions on their own remuneration).

The Committee's independent advisor Deloitte LLP and the Group HR Manager also attended some meetings.

The members of the Committee 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 carrying out its duties, the Committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange or Euronext Dublin and associated guidance and investor guidelines on executive remuneration. The Committee received a detailed report from the Group Head of HR in September detailing remuneration trends throughout the Group, including the general workforce as a whole, benchmarked against the market. The Board approves the remuneration of the Non-executive Directors.

During 2019, the Committee continued to receive independent advice from Deloitte LLP, based in London, in respect of the development of the Remuneration Policy. Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its code concerning executive remuneration consulting. Deloitte Ireland also provided unrelated corporate finance advisory services during the year.

Clayton Hotel  
City of London

The Committee appointed Deloitte LLP. It is the view of the Committee that the Deloitte LLP engagement team that provide remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence.

The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. The Committee considers that the advice received from the advisors is independent, straightforward, relevant, and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

Fees charged by Deloitte LLP during the year were £46,900. These fees were charged on a time and materials basis.

On behalf of the Board

### Margaret Sweeney

Chair, Remuneration Committee

24 February 2020



## DIRECTORS' REPORT

The Directors present their 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 2019.

### Principal activities and business review

Dalata Hotel Group plc is the largest hotel operator in the Republic of Ireland and operates eleven hotels in the UK. Shareholders are referred to the Chair's Statement, Chief Executive Officer's Review and the Financial Review which contain a review of operations and the financial performance of the Group for 2019, the outlook for 2020 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated in the Directors' Report.

### Results for the year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and the consolidated statement of financial position at that date are set out on pages 109 and 110 respectively.

### Dividends

An interim dividend of 3.5 cent per share, amounting to €6.5 million, was paid to shareholders on 4 October 2019. The Directors recommend the payment of a final dividend of 7.25 cent per share in respect of the year ended 31 December 2019. Subject to shareholders' approval at the Annual General Meetings on 29 April 2020, the payment date for the final dividend is 06 May 2020 to shareholders registered on the record date of 14 April 2020.

### Future developments

A review of future developments of the business is included in the Financial Review on pages 28 to 39.

### Directors and Company Secretary

The names of the Directors and Company Secretary and a biographical note on each appear on pages 58 to 59.

In accordance with the provisions contained in the UK Corporate Governance Code, all Directors will voluntarily retire and be subject to election by shareholders at the 2020 Annual General Meeting.

### Directors' and Company Secretary's interests

Details of the Directors' and Company Secretary's share interests and interests in invested share awards of the Company and Group companies are set out in the Remuneration Committee report on page 92.

### Audit Committee

The Group has an established Audit and Risk Committee comprising of three Independent Non-executive Directors. Details of the Committee and its activities are set out on pages 72 to 77.

### Share capital

The issued share capital of Dalata Hotel Group plc at 24 February 2020 consists of 185,166,504 ordinary shares. Each share has a nominal value of €0.01. All shares have equal voting and dividend rights. The Group has in place a number of employee share schemes, the details of which are set out in the Remuneration Committee Report and in Note 7 to the consolidated financial statements.

### Substantial holdings

As at 24 February 2020, the Company has been notified of the following interests of 3% or more in its share capital:

Holder	Number of Ordinary Shares	% of Shares in issue
Ameriprise Financial, Inc	16,739,432	9.04%
FMR LLC	9,148,450	4.94%
Pioneer Asset Management S.A.	7,936,156	4.29%
TimesSquare Capital Management, LLC	7,601,901	4.11%
Blackrock, Inc	7,466,529	4.03%
I.G. International Limited	6,867,668	3.71%
Allianz Global Investors GmbH	5,755,071	3.11%

### 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 40 to 47. The Financial Risk Management policies are set out in Note 24 to the consolidated financial statements.

### Non-financial reporting directive

Dalata aims to comply with the requirements of the Non-Financial Reporting Directive (S.I 360/2017) and these requirements are addressed throughout the Strategic Report. Information pertaining to each of the matters addressed by these regulations is set out on page 49.

Additionally, non-financial concerns are reflected in our Strategy and Business Model on pages 10 to 25 and in our risk management report on pages 40 to 47. The Company uses a number of non-financial metrics, several of which are disclosed in this report, including in our key performance indicators on page 15.

### 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 its registered office: 4th Floor, Burton Court, Burton Hall Drive, Sandyford Industrial Estate, Dublin 18.

### Takeover regulations 2006

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given in note 7 to the consolidated financial statements and in the Remuneration Committee report on pages 78 to 95 in relation to the Long-Term Incentive Plan, employee share schemes, Directors' service contracts and appointment and compensation for loss of office of Directors is deemed to be incorporated in the Directors' Report.

### Transparency regulations 2007

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the Group, the Responsible Business Report set out on pages 48 to 55, is deemed to be incorporated in this part of the Directors' Report together with details of earnings per share in note 29 to the consolidated financial statements, employment details in note 6 and details of financial instruments in note 24.

### Corporate Governance regulations

As required by company law, the Directors have prepared a Report on Corporate Governance which is set out on pages 56 to 95, and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Directors' Report. Details of the capital structure and employee share schemes are included in notes 18 and 7 to the consolidated financial statements respectively.

### Relevant audit information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as, they are each aware, there is no relevant audit information of which the Company's External Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant

audit information and to establish that the Company's External Auditor is aware of that information.

### Compliance statement

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Prospectus (Directive 2003/71/EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007 and Tax laws ('relevant obligations').

The Directors confirm that:

- ↳ a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- ↳ appropriate arrangements and structures have been put in place that are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and a review has been conducted, during the financial year, of those arrangements and structures.

### Going concern

The current activities of the Group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report. Principal risks and uncertainties affecting the Group, and the steps taken to mitigate these risks are described in the Risk Management section of the Strategic Report on pages 40 to 47. Critical accounting estimates affecting the carrying values of assets and liabilities of the Group are discussed in note 1 to the consolidated financial statements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for three years (in line with the Viability Statement on pages 46 to 47). In making this assessment, the Directors

considered the going concern status for a period of at least 12 months from the date of signing this Annual Report and Accounts. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Political contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

### Independent auditors

KPMG, Chartered Accountants, were appointed statutory auditor in 2014 and reappointed on 30 June 2016 and pursuant to section 383(2) of the Companies Act 2014 will continue in office.

### Subsidiaries

Information on the Group's subsidiaries is set out in note 28 to the consolidated financial statements.

### Subsequent events

Details of subsequent events are set out in note 27 to the consolidated financial statements.

### Approval of Financial Statements

The Financial Statements were approved by the Board on 24 February 2020.

On behalf of the Board



**John Hennessy**  
Chair



**Pat McCann**  
Director

24 February 2020

# Financial Statements

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## 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 for each financial 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 applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of 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 assets, liabilities and financial position of the Group and Company and of the Group's profit or loss 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- > assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- > use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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 Company comply with the provisions of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014 and Article 4 of the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility 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 also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

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](http://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 58 to 59 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 Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2019 and of the profit of the Group for the year then ended;
- > The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- > The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable 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**  
Chair



**Patrick McCann**  
Director

24 February 2020

# Independent Auditor's Report

to the members of Dalata Hotel Group plc

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Dalata Hotel Group plc ('the Company') for the year ended 31 December 2019, 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 related notes, including the summary of significant accounting policies set out in note 1. 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.

In our opinion:

- » the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2019 and of the Group's profit for the year then ended;
- » 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 consolidated financial statements and Company 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were appointed as auditor by the Directors on 30 June 2016. The period of total uninterrupted engagement is the three years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

## Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

### Property valuations – carrying value of land and buildings €1,324.5 million (2018: €1,077.2 million)

Refer to page 74 (Audit and Risk Committee Report), note 1(xi) to the consolidated financial statements (accounting policy for property, plant and equipment), and note 10 to the consolidated financial statements (financial disclosures – property, plant and equipment).

The key audit matter	How the matter was addressed in our audit	Our findings
The Group has a large owned hotel property portfolio 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 periodic hotel revaluations, which are 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 and buildings, and fixtures and fittings and equipment for accounting purposes.	Our audit procedures included among others: <ul style="list-style-type: none"> <li>» Evaluating the approach and findings of the work performed by the independent external experts engaged by the Group in relation to hotel valuations, including assessing and challenging the key assumptions applied in their discounted cash flow valuation calculations;</li> <li>» Considering the allocation of hotel valuations to land and buildings and fixtures, fittings and equipment;</li> <li>» Testing the amounts of individual property revaluation movements and their presentation either in other comprehensive income or in profit or loss, as appropriate; and</li> <li>» Evaluating the adequacy of the Group's disclosures in relation to property valuations.</li> </ul>	Our audit procedures did not identify any material issues with the assumptions adopted in the property valuations. The allocation of valuations between land and buildings and fixtures, fittings and equipment and the inclusion of revaluation movements in other comprehensive income or in profit or loss are appropriate. The disclosures in the financial statements relating to property valuations are adequate to provide an understanding of the basis of the valuations.

# Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

## IFRS 16 lease accounting – carrying value of right of use assets €386.4 million (2018: €nil) and lease liabilities of €362.1 million (2018: €nil)

Refer to page 74 (Audit and Risk Committee Report), note 1(vii) to the consolidated financial statements (accounting policy for leases), note 11 to the consolidated financial statements (transition impact of IFRS 16 *Leases*), and note 12 to the consolidated financial statements (financial disclosures – leases).

The key audit matter	How the matter was addressed in our audit	Our findings
<p>The first-time application of IFRS 16 <i>Leases</i> in 2019 has a highly material impact on the Group's financial statements because the Group operates a significant number of hotels through lease arrangements.</p> <p>Potential risks of material misstatement associated with IFRS 16 <i>Leases</i> implementation are as follows:</p> <ul style="list-style-type: none"> <li>» Accounting differences and impacts relating to IFRS 16 adoption are not completely identified;</li> <li>» The accounting treatments applied do not reflect the key terms of the leases;</li> <li>» Key judgements applied in IFRS 16 accounting (e.g. in relation to discount rates) are not adequately supported;</li> <li>» Transition options and practical expedients are not appropriately applied;</li> <li>» Transition date recognition and measurement adjustments are not accurately recorded;</li> <li>» New leases, or changes to leases, after the transition date are not accounted for in accordance with IFRS 16; and</li> <li>» Required disclosures under IFRS 16 are omitted, incomplete, inaccurate or not fairly presented.</li> </ul>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>» Considering the appropriateness of the selection of accounting policies based on the requirements of IFRS 16;</li> <li>» Determining whether the transition approach applied was consistent with the requirements of IFRS 16;</li> <li>» Reviewing the design and implementation of relevant controls over IFRS 16 accounting;</li> <li>» Evaluating the reasonableness of, and support for, management's key judgements and estimates made in the application of IFRS 16, and in particular the discount rate applied;</li> <li>» Evaluating the completeness, accuracy and relevance of data used in IFRS 16 calculations, including in relation to lease length, payments and other relevant factors;</li> <li>» Independently recalculating lease liabilities and right-of-use assets and comparing them to management's calculations; and</li> <li>» Evaluating the completeness, accuracy and relevance of the relevant disclosures in the financial statements.</li> </ul>	<p>Our audit procedures did not identify any material issues with regard to the implementation of IFRS 16 <i>Leases</i>. In our view, the financial statements contain appropriately detailed disclosures in relation to the impact of IFRS 16 <i>Leases</i>, primarily in notes 11 and 12 to the consolidated financial statements.</p>

# Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

## Accounting for hotel acquisitions

Refer to page 75 (Audit and Risk Committee Report), note 1((iv),(vii) and (xi)) to the consolidated financial statements (accounting policies for business combinations, leases, and property plant and equipment), note 10 to the consolidated financial statements (financial disclosures – property, plant and equipment) and note 12 to the consolidated financial statements (financial disclosures – leases).

The key audit matter	How the matter was addressed in our audit	Our findings
<p>The following hotel acquisitions were completed in the year: (i) the Clayton Hotel City of London; and (ii) the Tamburlaine Hotel, Cambridge.</p> <p>Hotel acquisitions give rise to a risk of material misstatement, if each acquisition is not correctly identified as (i) a business combination or (ii) an asset purchase or (iii) another type of transaction (e.g. lease), according to the substance of the transactions, and accounted for in accordance with the relevant accounting standards.</p> <p>In particular, for any business combinations, the consideration paid, the costs incurred, the fair value of the assets and liabilities acquired and any goodwill arising must all be identified, measured and recorded appropriately.</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>» Inspecting acquisition agreements and related documentation;</li> <li>» Examining the accounting papers prepared by Group management on the accounting treatment for each transaction, and evaluating the substance of the transactions;</li> <li>» Independently considering whether the acquisitions were business combinations or asset purchases or leases;</li> <li>» Reviewing the accounting for the amounts recorded in relation to these transactions and evaluating whether the relevant accounting standards had been applied; and</li> <li>» Considering the adequacy of the Group's disclosures in relation to acquisitions in the year.</li> </ul>	<p>Our audit procedures did not identify any material issues with regard to the determination as to whether the hotel acquisitions in the year were business combinations, asset purchases, or leases, and the associated accounting applied for same.</p>

# Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

## 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 €4.4 million (2018: €4.3 million). This has been calculated with reference to a benchmark of consolidated profit before taxation. Materiality represents approximately 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. The Group has a significant asset base which we also consider in establishing materiality. Total assets at 31 December 2019 amounts to €1,984.0 million (2018: €1,319.1 million) and our materiality measure represents 0.22% of total assets (2018: 0.33%) which is below the materiality measure of 0.5%- 1.0% typically used for this measure, where applicable, in public company audits.

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.2 million (2018: €0.2 million), in addition to other audit misstatements below that threshold that we believed 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.

Materiality for the Company financial statements as a whole was set at €4.0 million (2018: €4.0 million), determined with reference to a benchmark of total assets, of which it represents 0.52% (2018: 0.51%).

## We have nothing to report on going concern

We are required to report to you if:

- » we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- » if the related statement under the Listing Rules set out on page 97 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

## Other information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report, Chair's Statement, Chief Executive's Review, Purpose and Values section, Strategy and Business Model section, Operations Review, Financial Review, Risk Management section, Responsible Business Report, Chair's Overview – Corporate Governance section, Board of Directors section, Executive Management Team section, Corporate Governance Report, Nomination Committee Report, Remuneration Committee Report, Audit and Risk Committee Report, and Supplementary Financial Information section.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information we report that, in those parts of the Directors' Report specified for our consideration:

- » we have not identified material misstatements in the Directors' Report;
- » in our opinion, the information given in the Directors' Report is consistent with the financial statements; and
- » in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

## Disclosures of principal risks and longer-term viability

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

- » the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- » the Directors' confirmation within the Viability Statement on page 46 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- » the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

## Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- » *Fair, balanced and understandable:* if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- » *Audit and Risk Committee Report:* if the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee;
- » *Statement of compliance with UK Corporate Governance Code:* if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and/or the UK Listing Authority for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 56 to 69, and the Directors' Report that:

- » based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC)) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;

- » based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- » the Directors' Report contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

## Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

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

In our opinion, the accounting records of the Group and Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

## We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- » the Directors' Statements, set out on pages 46 and 97, in relation to going concern and longer-term viability;
- » the part of the Corporate Governance Statement on pages 56 to 69 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.

## Respective responsibilities and restrictions on use

### Directors' responsibilities

As explained more fully in their statement set out on pages 100 and 101, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf)

### The purpose of our audit work and to whom we owe our responsibilities

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 our report, or for the opinions we have formed.



**Patricia Carroll**  
for and on behalf of  
**KPMG**

**Chartered Accountants,  
Statutory Audit Firm**

1 Stokes Place  
St. Stephen's Green  
Dublin 2

24 February 2020

## Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Note	2019 €'000	Restated* 2018 €'000
<b>Continuing operations</b>			
Revenue	2	429,184	392,568
Cost of sales		(154,584)	(142,275)
<b>Gross profit</b>		<b>274,600</b>	250,293
Administrative expenses		(155,505)	(157,515)
Other income	4	1,206	4,037
<b>Operating profit</b>		<b>120,301</b>	96,815
Finance costs	5	(30,613)	(9,514)
<b>Profit before tax</b>		<b>89,688</b>	87,301
Tax charge	8	(11,476)	(12,077)
<b>Profit for the year attributable to owners of the Company</b>		<b>78,212</b>	75,224
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property	10	120,723	102,946
Related deferred tax	23	(17,272)	(9,634)
		<b>103,451</b>	93,312
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange difference on translating foreign operations		23,592	(2,667)
(Loss)/gain on net investment hedge		(16,987)	1,625
Fair value movement on cash flow hedges	22	(4,238)	(554)
Cash flow hedges – reclassified to profit or loss	22	1,177	1,026
Related deferred tax	23	382	(59)
		<b>3,926</b>	(629)
<b>Other comprehensive income for the year, net of tax</b>		<b>107,377</b>	92,683
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>185,589</b>	167,907
<b>Earnings per share</b>			
Basic earnings per share	29	42.4 cents	40.9 cents
Diluted earnings per share	29	42.0 cents	40.4 cents

\* Income from managed hotels has been reclassified from revenue to other income for the year ended 31 December 2019. The prior year figures have been restated for this reclassification (note 1).

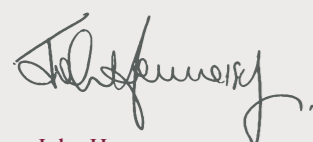


## Consolidated statement of financial position

at 31 December 2019

	Note	2019 €'000	2018 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets and goodwill	9	36,133	54,417
Property, plant and equipment	10	1,471,315	1,176,260
Right-of-use assets	12	386,407	-
Investment property	13	2,149	1,560
Deferred tax assets	23	3,527	2,613
Contract fulfilment costs	14	13,346	9,066
Other receivables	15	6,760	14,759
<b>Total non-current assets</b>		<b>1,919,637</b>	<b>1,258,675</b>
<b>Current assets</b>			
Trade and other receivables	15	21,802	22,566
Inventories	16	1,927	1,954
Cash and cash equivalents	17	40,586	35,907
<b>Total current assets</b>		<b>64,315</b>	<b>60,427</b>
<b>Total assets</b>		<b>1,983,952</b>	<b>1,319,102</b>
<b>Equity</b>			
Share capital	18	1,851	1,843
Share premium	18	504,488	503,113
Capital contribution	18	25,724	25,724
Merger reserve	18	(10,337)	(10,337)
Share-based payment reserve	18	4,900	4,232
Hedging reserve	18	(3,958)	(1,279)
Revaluation reserve	18	351,869	248,418
Translation reserve	18	(6,593)	(13,198)
Retained earnings		204,897	144,061
<b>Total equity</b>		<b>1,072,841</b>	<b>902,577</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	21	411,739	301,889
Lease liabilities	12	331,544	-
Deferred tax liabilities	23	59,358	41,129
Derivatives	22	4,434	1,306
Provision for liabilities	20	4,804	4,783
<b>Total non-current liabilities</b>		<b>811,879</b>	<b>349,107</b>
<b>Current liabilities</b>			
Lease liabilities	12	30,557	-
Trade and other payables	19	66,163	65,250
Derivatives	22	89	-
Current tax liabilities		664	309
Provision for liabilities	20	1,759	1,859
<b>Total current liabilities</b>		<b>99,232</b>	<b>67,418</b>
<b>Total liabilities</b>		<b>911,111</b>	<b>416,525</b>
<b>Total equity and liabilities</b>		<b>1,983,952</b>	<b>1,319,102</b>

On behalf of the Board:



John Hennessy  
Chair



Patrick McCann  
Director

## Consolidated statement of changes in equity

for the year ended 31 December 2019

	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	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2019	1,843	503,113	25,724	(10,337)	4,232	(1,279)	248,418	(13,198)	144,061	902,577
<b>Comprehensive income:</b>										
Profit for the year	-	-	-	-	-	-	-	-	78,212	78,212
<i>Other comprehensive income</i>										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	23,592	-	23,592
Loss on net investment hedge	-	-	-	-	-	-	-	(16,987)	-	(16,987)
Revaluation of properties (note 10)	-	-	-	-	-	-	120,723	-	-	120,723
Fair value movement on cash flow hedges (note 22)	-	-	-	-	-	(4,238)	-	-	-	(4,238)
Cash flow hedges – reclassified to profit or loss (note 22)	-	-	-	-	-	1,177	-	-	-	1,177
Related deferred tax (note 23)	-	-	-	-	-	382	(17,272)	-	-	(16,890)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(2,679)	103,451	6,605	78,212	185,589
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments (note 7)	-	-	-	-	2,679	-	-	-	-	2,679
Vesting of share awards and options (note 7)	8	1,375	-	-	(2,011)	-	-	-	2,011	1,383
Dividends paid (note 18)	-	-	-	-	-	-	-	-	(19,387)	(19,387)
<b>Total transactions with owners of the Company</b>	<b>8</b>	<b>1,375</b>	<b>-</b>	<b>-</b>	<b>668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,376)</b>	<b>(15,325)</b>
<b>At 31 December 2019</b>	<b>1,851</b>	<b>504,488</b>	<b>25,724</b>	<b>(10,337)</b>	<b>4,900</b>	<b>(3,958)</b>	<b>351,869</b>	<b>(6,593)</b>	<b>204,897</b>	<b>1,072,841</b>

## Consolidated statement of changes in equity

for the year ended 31 December 2018

	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	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2018	1,837	503,113	25,724	(10,337)	2,753	(1,692)	155,106	(12,156)	73,045	737,393
<b>Comprehensive income:</b>										
Profit for the year	-	-	-	-	-	-	-	-	75,224	75,224
<i>Other comprehensive income</i>										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(2,667)	-	(2,667)
Gain on net investment hedge	-	-	-	-	-	-	-	1,625	-	1,625
Revaluation of properties (note 10)	-	-	-	-	-	-	102,946	-	-	102,946
Fair value movement on cash flow hedges (note 22)	-	-	-	-	-	(554)	-	-	-	(554)
Cash flow hedges – reclassified to profit or loss (note 22)	-	-	-	-	-	1,026	-	-	-	1,026
Related deferred tax (note 23)	-	-	-	-	-	(59)	(9,634)	-	-	(9,693)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	413	93,312	(1,042)	75,224	167,907
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments (note 7)	-	-	-	-	2,800	-	-	-	-	2,800
Vesting of share awards (note 7)	6	-	-	-	(1,321)	-	-	-	1,321	6
Dividends paid (note 18)	-	-	-	-	-	-	-	-	(5,529)	(5,529)
<b>Total transactions with owners of the Company</b>	6	-	-	-	1,479	-	-	-	(4,208)	(2,723)
<b>At 31 December 2018</b>	<b>1,843</b>	<b>503,113</b>	<b>25,724</b>	<b>(10,337)</b>	<b>4,232</b>	<b>(1,279)</b>	<b>248,418</b>	<b>(13,198)</b>	<b>144,061</b>	<b>902,577</b>

## Consolidated statement of cash flows

for the year ended 31 December 2019

	2019 €'000	2018 €'000
<b>Cash flows from operating activities</b>		
Profit for the year	78,212	75,224
Adjustments for:		
Depreciation of property, plant and equipment	26,183	19,698
Depreciation of right-of-use assets	17,127	-
Amortisation of intangible assets	195	44
Net revaluation movements through profit or loss	(1,601)	3,137
Share-based payment expense	2,679	2,800
Interest on lease liabilities	18,945	-
Other interest and finance costs	11,668	9,514
Tax charge	11,476	12,077
	164,884	122,494
Increase in trade and other payables and provision for liabilities	1,569	7,950
Increase in current and non-current receivables	(793)	(2,414)
Decrease/(increase) in inventories	85	(191)
Tax paid	(10,776)	(12,085)
<b>Net cash from operating activities</b>	<b>154,969</b>	<b>115,754</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(176,933)	(112,692)
Contract fulfilment cost payments	(3,528)	(304)
Costs paid on entering new leases and agreements for leases	(5,790)	(3,734)
Deposits and costs paid for future acquisitions	-	(5,613)
Purchase of intangible assets	(1,076)	-
<b>Net cash used in investing activities</b>	<b>(187,327)</b>	<b>(122,343)</b>
<b>Cash flows from financing activities</b>		
Interest paid on lease liabilities	(18,945)	-
Other interest and finance costs paid	(11,196)	(13,188)
Receipt of bank loans	134,437	137,902
Repayment of bank loans	(42,158)	(92,563)
Repayment of lease liabilities	(8,569)	-
Dividends paid	(19,387)	(5,529)
Proceeds from vesting of share awards and options	1,383	6
<b>Net cash from financing activities</b>	<b>35,565</b>	<b>26,628</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,207</b>	<b>20,039</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>35,907</b>	<b>15,745</b>
Effect of movements in exchange rates	1,472	123
<b>Cash and cash equivalents at the end of the year</b>	<b>40,586</b>	<b>35,907</b>

# 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 2019 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 24 February 2020.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU. In the preparation of these consolidated financial statements 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.

In preparing these financial statements, the critical judgements made by Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018 with the exception of estimates surrounding the implementation of IFRS 16 *Leases*, which is effective for the first time in the financial year ended 31 December 2019. Estimates surrounding the determination of the appropriate rate to discount lease payments under IFRS 16 *Leases* is a new source of estimation uncertainty.

The key judgements and estimates impacting these consolidated financial statements are as follows:

#### Significant judgements

- » Carrying value of own-use property measured at fair value (note 10);
- » Carrying value of goodwill including assumptions underpinning the impairment tests (note 9); and
- » Accounting for hotel acquisitions (notes 10,12).

#### Key source of estimation uncertainty

- » Appropriate discount rate for lease payments with regard to the implementation of IFRS 16 *Leases* (note 11).

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of assets and liabilities at fair value. When measuring the fair value of an asset or liability, the Group uses observable market 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 24 – Financial instruments and risk management (in relation to financial assets and financial liabilities) and note 10 – Property, plant and equipment.

#### (i) Going concern

The Directors have assessed the Group's ability to continue in operational existence for the foreseeable future by preparing detailed financial forecasts and carrying out stress testing on projections, with consideration of the macro-economic backdrop. The Directors also evaluated the strategy of the Group as set out on page 10 to 25 of the annual report. Note 24 to the consolidated financial statements includes: the Group's objectives, policies and processes for managing its capital; details of its financial instruments and hedging activities; and its exposures to credit, currency and liquidity risks.

Having assessed the business risks, the cash flow forecasts and available bank facilities, the Directors believe that the Group is well placed to manage these risks successfully, and they 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.

#### (ii) 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.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (ii) Statement of compliance (continued)

The following standards and interpretations were effective for the Group for the first time from 1 January 2019:

- » IFRS 16 *Leases*;
- » *Annual Improvements to IFRS Standards 2015-2017 Cycle*;
- » *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*;
- » *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*;
- » *IFRIC 23 Uncertainty over Income Tax Treatments*;
- » *IFRIC 22 Foreign Currency Transactions and Advance Consideration*; and
- » *Amendments to IFRS 9 Prepayment Features with Negative Compensation*.

With the exception of IFRS 16 *Leases*, the above standards, amendments and interpretations have no material impact on the consolidated results of the Group. The IFRS 16 *Leases* impact on the consolidated results of the Group is discussed hereafter.

#### Changes in accounting policies

##### Leases

The accounting policy for lease payments as included in the 2018 consolidated financial statements has been replaced with the accounting policy as set out in (vii) *Leases* effective, from the date of initial application of IFRS 16 *Leases* being 1 January 2019.

IFRS 16 *Leases* introduces an on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments in its statement of financial position. The Group has applied IFRS 16 *Leases* using the modified retrospective approach. Accordingly, the comparative information for 2018 has not been restated.

The impact of IFRS 16 *Leases* is detailed in notes 11 and 12 to the consolidated financial statements.

#### Change in reportable segments

During the year ended 31 December 2019, the Group changed the composition of operating segments. This reflected the decreasing importance of management fees as an element of the business and reflects the way the information is now reported and analysed internally by the chief operating decision makers.

The change in the revenue recognition accounting policy is isolated to a change in classification. In the year ended 31 December 2018, management fees, earned from hotels managed by the Group were recognised within revenue. From 1 January 2019, the Group has included income earned from managed hotels within other income as a consequence of the change in reportable segments referred to hereafter.

The effect of the change on the prior year would have resulted in a decrease in revenue of €1.2 million for the year ended 31 December 2018, with a corresponding increase in other income of the same amount. These comparatives have been restated. The impact of this change on the comparatives for the Group for the year ended 31 December 2019 is presented hereafter.

	As reported in		
	31 December 2018	31 December 2018	31 December 2018
	Financial Statements	Adjustments	Restated
	€'000	€'000	€'000
Revenue	393,736	(1,168)	392,568
Other income	2,869	1,168	4,037

If the Group had applied the previous composition of operating segments in the current year, this would have resulted in an increase in reported revenue of €0.9 million for the year ended 31 December 2019, with a corresponding decrease in other income of the same amount.

#### Standards issued but not yet effective

The following amendments to standards have been endorsed by the EU, are available for early adoption and are effective from 1 January 2020 as indicated below. The Group has not adopted these amendments to standards early, and instead intends to apply from their effective date as determined by the date of EU endorsement. The potential impact of these amendments to standards on the Group is under review:

- » *Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform* (issued on 26 September 2019).
- » *Amendments to IAS 1 and IAS 8 Definition of Material* (issued on 31 October 2018).
- » *Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018).

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

- » IFRS 17 *Insurance Contracts* (issued on 18 May 2017), IASB effective date 1 January 2021.
- » *Amendment to IFRS 3 Business Combinations* (issued on 22 October 2018), IASB effective date 1 January 2020.
- » *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020), IASB effective date 1 January 2020.

#### (iii) 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 or million and this is clearly set out in the financial statements where applicable.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (iv) Basis of consolidation

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

### Business combinations

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

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. Where the Group solely purchases the freehold interest in a property, this is accounted for as an asset purchase and not as a business combination on the basis that the asset(s) purchased do not constitute a business. Asset purchases are accounted for as additions to property, plant and equipment.

### 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.

### (v) Revenue recognition

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

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, car park revenue and leisure centre membership in leased and owned hotels operated by the Group. Revenue is recognised when rooms are occupied and food and beverages are sold. Car park revenue is recognised when the service is provided. Leisure centre membership revenue is recognised over the life of the membership.

Revenue in respect of contracts with customers for sale of residential property is based on when the performance obligations inherent in the contract are completed. The contract for sale is assessed in line with IFRS 15 *Revenue from Contracts with Customers* and revenue is recognised when the performance obligations inherent in the contract are met.

Management fees are earned from hotels managed by the Group. Management fees are normally a percentage of hotel revenue and/or profit and are recognised when earned and recoverable under the terms of the management agreement. Management fee income is included within other income.

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

### (vi) 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.

### (vii) Leases

**Lease payments pre application of IFRS 16 Leases**  
Prior to 1 January 2019 and the application of IFRS 16 Leases the following accounting policy was effective. As permitted upon transition to IFRS 16 Leases and under the modified retrospective approach selected by the Group, the comparative 2018 information has not been restated.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

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

Initial direct costs associated with entering into a new lease were recognised as a prepayment and were amortised to profit or loss on a straight-line basis over the term of the lease.

### Lease payments post application of IFRS 16 Leases with effect from 1 January 2019

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control, the Group assesses whether:

- » the contract involves the use of an identified asset;
- » the Group has the right to obtain substantially all of the economic benefits from the use of the asset; and
- » the Group has the right to direct the use of the asset.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate, which is defined as the estimated rate of interest that the lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The estimated incremental borrowing rate for each leased asset is derived from country specific risk-free interest rates over the relevant lease term, adjusted for the finance margin attainable by each lessee and asset specific adjustments designed to reflect the underlying asset's location and condition.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (vii) Leases (continued)

**Lease payments post application of IFRS 16 Leases with effect from 1 January 2019 (continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- » fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- » variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- » amounts expected to be payable under a residual value guarantee;
- » the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- » penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Variable lease payments linked to future performance or use of an underlying asset are excluded from the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses in profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments.

The Group remeasures the lease liability where lease payments change due to changes in an index or rate, changes in expected lease term or where a lease contract is modified. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are reviewed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group applies IAS 36 *Impairment of Assets* to determine whether a cash-generating unit with a right-of-use asset is impaired and accounts for any identified impairments through profit or loss. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies the fair value model in IAS 40 *Investment Property* to right-of-use assets that meet the definition of investment property.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of fixtures, fittings and equipment that have a lease term of 12 months or less and leases of low-value assets. Assets are considered low value if the value of the asset when new is less than €5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (viii) Share-based payments

The grant date fair value of equity-settled share-based payment awards and options granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards and options. This incorporates the effect of market-based conditions, where applicable, and the estimated fair value of equity-settled share-based payment awards issued with non-market performance conditions.

The amount recognised as an expense is adjusted to reflect the number of awards and options 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.

On vesting of the equity-settled share-based payment awards and options, the cumulative expense recognised in the share-based payment reserve is transferred directly to retained earnings. An increase in ordinary share capital and share premium, in the case where the price paid per share is higher than the cost per share, is recognised reflecting the issuance of shares as a result of the vesting of the awards and options.

The dilutive effect of outstanding awards is reflected as additional share dilution in calculating diluted earnings per share.

### (ix) Tax

Tax charge comprises current and deferred tax. Tax charge 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 except for the initial recognition of goodwill and other assets that do not affect accounting profit or taxable profit at the date of recognition.

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

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (ix) Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Deferred tax liabilities have been recognised where the carrying value of land and buildings for financial reporting purposes is greater than their tax cost base.

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.

### (x) Earnings per share ('EPS')

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 and potential 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 or non-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.

### (xi) 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.

Assets under construction include sites where new hotels are currently being developed and significant development projects at hotels which are currently operational. These sites and the capital investment made are recorded at cost. Borrowing costs incurred in the construction of major assets or development projects which take a substantial period of time to complete are capitalised in the financial period in which they are incurred. Once construction is complete and the hotel is operating, the assets will be transferred to land and buildings at cost, and will subsequently be measured at fair value. Depreciation will commence when the asset is available for use.

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. In the application of the Group's accounting policy, judgement is exercised by management in the determination of fair value at each reporting date, residual values and useful lives.

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 as follows:

Buildings	50 years
Fixtures, fittings and equipment	3 – 15 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 *Fair Value Measurement*.

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 amounts, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs 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.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (xii) Investment property

Investment property is held either to earn rental income, or for capital appreciation, or for both, but not for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs, (or fair value when acquired through business combinations) and subsequently revalued 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.

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 and IFRS 13 *Fair Value Measurement*.

### (xiii) 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.

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 purposes of impairment testing, assets are grouped together into the smallest group of assets that generate 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. Impairment losses of goodwill are not reversed once recognised.

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the cash-generating unit. Management evaluates and updates the judgements and estimates which underpin this process on an ongoing basis.

The impairment methodology and key assumptions used by the Group for testing goodwill for impairment are outlined in note 9.

The assumptions and conditions for determining impairment of goodwill reflects management's best estimates and judgements, but these items involve significant inherent uncertainties, many of which are not under the control of management. As a result, accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in the future.

### (xiv) Intangible assets other than goodwill

An intangible asset is only recognised where the item lacks a physical presence, is identifiable, non-monetary, controlled by the Group and expected to provide future economic benefits to the Group.

Intangible assets are measured at cost (or fair value when acquired through business combinations), less accumulated amortisation and impairment losses.

An intangible asset is determined to have an indefinite useful life when, based on the facts and circumstances, there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the Group. Intangible assets with indefinite lives are reviewed for impairment on an annual basis and are not amortised. The useful life of an intangible asset that is not subject to amortisation is reviewed at least annually to determine whether a change in the useful life is appropriate.

Other intangible assets are amortised over the period of their expected useful lives by charging equal annual instalments to profit or loss. The useful life used to amortise finite intangible assets relates to the future performance of the asset and management's judgement as to the period over which economic benefits will be derived from the asset.

### (xv) Inventories

Inventories are stated at the lower of cost (using the first-in, first-out (FIFO) basis) and net realisable value. Inventories represent assets that are sold in the normal course of business by the Group and consumables.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (xvi) Contract fulfilment costs

Contract fulfilment costs are stated at the lower of cost and recoverable amount. Contract fulfilment costs represent assets that are to be sold by the Group but do not form part of normal trading. Costs capitalised as contract fulfilment costs include costs incurred in fulfilling the specific contract. The costs must enhance the asset, be used in order to satisfy the obligations inherent in the contractual arrangement and should be recoverable. Costs which are not recoverable are written off to profit or loss as incurred.

### (xvii) Trade and other receivables

Trade and other receivables are stated initially at their fair value and subsequently at amortised cost, less any expected credit loss provision. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Bad debts are written off to profit or loss on identification.

### (xviii) Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method. Liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

### (xix) Finance costs

Finance costs comprise interest expense on borrowings and related financial instruments, amortisation of capitalised costs directly related to debt raises, commitment fees and other costs relating to financing of the Group.

Interest expense is recognised using the effective interest method. The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Finance costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use or sale. The Group uses two capitalisation rates being the weighted average interest rate after the impact of hedging instruments for Sterling borrowings which is applied to United Kingdom qualifying assets and the weighted average interest rate for Euro borrowings which is applied to Republic of Ireland qualifying assets. Capitalisation commences on the date on which the Group undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation of borrowing costs ceases when the asset is ready for its intended use.

Finance costs also include interest on lease liabilities since the date of initial application of IFRS 16 *Leases*.

### (xx) 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.

### (xxi) 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.

The provision in respect of self-insured risks includes projected settlements for known claims and incurred but not reported claims.

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.

### (xxii) Ordinary shares

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

### (xxiii) Loans and borrowings

Loans and borrowings are recognised initially at fair value of consideration received, less directly attributable transaction costs. Subsequent to initial recognition, loans and 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. Directly attributable transaction costs are amortised to profit or loss on an effective interest rate basis over the term of the loans and borrowings. This amortisation charge is recognised within finance costs. Commitment fees incurred in connection with loans and borrowings are expensed as incurred to profit or loss.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (xxiv) Derecognition of financial liabilities

The Group removes a financial liability from its statement of financial position when it is extinguished (when its contractual obligations are discharged, cancelled, or expire).

The Group also derecognises a financial liability when the terms and the cash flows of a modified liability are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any fees paid net of any fees received, is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability, the '10% test'.

If the financial liability is deemed substantially modified (greater than ten percent different), a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.

If the financial liability is deemed non-substantially modified (less than ten percent different), the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate is adjusted to reflect the current market terms at the time of the modification. Any costs and fees directly attributable to the modified financial liability are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over its remaining term by re-computing the effective interest rate on the instrument. Any unamortised costs attributable to the original financial liability, with the exception of unamortised arrangement fees, are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over its remaining term by re-computing the effective interest rate on the instrument. Unamortised arrangement fees relating to the original liability are expensed to profit or loss on modification.

### (xxv) 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.

Interest rate swaps convert part of the Group's Sterling denominated borrowings from floating to fixed interest rates. The interest rate cap limits a portion of the exposure of the Group's Euro denominated borrowings to upward movements in floating interest rates. The Group does not use derivatives for trading or speculative purposes.

Derivative financial instruments are recognised at fair value on the date a derivative contract is entered into plus directly attributable transaction costs 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 hedging instrument is more than twelve months and as a current asset or current liability if the remaining maturity of the hedging instrument 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.

### (xxvi) 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 a semi-annual 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.

# Notes to the consolidated financial statements

(continued)

## 1 Significant accounting policies (continued)

### (xxvii) 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 a Group entity that is 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.

### (xxviii) Adjusting items

Consistent with how business performance is measured and managed internally, the Group reports both statutory measures prepared under IFRS and certain alternative performance measures ('APMs') that are not required under IFRS.

These APMs are sometimes referred to as 'non-GAAP' measures and include, amongst others, Adjusted EBITDA, Adjusted Profit and Adjusted EPS.

The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with the financial information presented under IFRS, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted to show the underlying operating performance of the Group and exclude items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses.

### (xxix) Pre IFRS 16 alternative performance measures

As set out in note 11 and note 12, the adoption of IFRS 16 Leases has had a significant impact on the Group's consolidated financial statements. Additionally, in line with the transition approach selected by the Group under the standard, the modified retrospective approach, the 2018 comparative information has not been restated.

Given the scale of the impact and the non-restatement of the comparatives, the Group has elected to also disclose 2019 numbers as if IFRS 16 Leases had not applied. This is to provide additional quality and depth to users' understanding of the performance and financial position of the business. This is particularly important given key metrics, which users have heretofore placed significant reliance on, have been considerably impacted.

# Notes to the consolidated financial statements

(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, Deputy CEOs and the Board of Directors.

The Group segments its leased and owned business by geographical region within which the hotels operate being Dublin, Regional Ireland and United Kingdom. These comprise the Group's three reportable segments.

### Dublin, Regional Ireland and United Kingdom segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 31 December 2019, the Group owns 28 hotels (31 December 2018: 27 hotels) and has effective ownership of one further hotel which it operates (31 December 2018: one hotel). It also owns the majority of one of the other hotels which it operates (31 December 2018: one hotel). The Group also leases 11 hotel buildings from property owners (31 December 2018: ten hotels) and is entitled to the benefits and carries the risks associated with operating these hotels.

The Group's revenue from leased and owned hotels is primarily derived from room sales and food and beverage sales in restaurants, bars and banqueting. The main operating costs arising are payroll, cost of goods for resale, commissions paid to online travel agents on room sales, other operating costs, and, in the case of leased hotels, variable rent payments (where linked to turnover or profit) made to lessors. In 2019, fixed rental costs are no longer included in operating costs in accordance with IFRS 16 Leases which instead reflects interest on lease liabilities and depreciation of right-of-use assets.

	2019 €'000	Restated* 2018 €'000
<b>Revenue</b>		
Dublin	245,401	234,907
Regional Ireland	84,925	79,554
United Kingdom	98,858	78,107
<b>Total revenue</b>	<b>429,184</b>	<b>392,568</b>

\* Income from managed hotels has been reclassified from revenue to other income in the year ended 31 December 2019 following the change in reportable segments during 2019, which is described in note 1. The prior year figures have been restated for this reclassification.

## Notes to the consolidated financial statements

(continued)

### 2 Operating segments (continued)

	2019 €'000	Restated* 2018 €'000
<b>Segmental results - EBITDAR</b>		
Dublin	119,745	114,007
Regional Ireland	24,528	22,679
United Kingdom	38,505	30,494
<b>EBITDAR for reportable segments</b>	<b>182,778</b>	167,180
<b>Segmental results - EBITDA</b>		
Dublin	112,922	86,368
Regional Ireland	24,426	21,577
United Kingdom	38,109	26,298
<b>EBITDA for reportable segments</b>	<b>175,457</b>	134,243
<b>Reconciliation to results for the year</b>		
Segmental results - EBITDA	175,457	134,243
Other income	1,206	1,439
Central costs	(11,770)	(13,299)
Share-based payments expense	(2,679)	(2,800)
<b>Adjusted EBITDA</b>	<b>162,214</b>	119,583
Net property revaluation movements through profit or loss	1,601	(3,137)
Proceeds from insurance claim	-	2,598
Hotel pre-opening expenses	(9)	(2,487)
<b>Group EBITDA</b>	<b>163,806</b>	116,557
Depreciation of property, plant and equipment	(26,183)	(19,698)
Depreciation of right-of-use assets	(17,127)	-
Amortisation of intangible assets	(195)	(44)
Interest on lease liabilities	(18,945)	-
Other interest and finance costs	(11,668)	(9,514)
<b>Profit before tax</b>	<b>89,688</b>	87,301
Adjusted tax charge	(10,561)	(12,452)
Tax adjustment for adjusting items	(58)	375
Tax impact of proceeds from insurance claim	(857)	-
<b>Profit for the year attributable to owners of the Company</b>	<b>78,212</b>	75,224

\* Income from managed hotels has been reclassified from revenue to other income in the year ended 31 December 2019 following the change in reportable segments during 2019, which is described in note 1. The prior year figures have been restated for this reclassification.

Group EBITDA to 31 December 2019 represents earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets.

Group EBITDA to 31 December 2018 represents earnings before interest and finance costs, tax, depreciation of property, plant and equipment and amortisation of intangible assets.

In 2018, Group EBITDA is calculated after deduction of fixed rent of €25.4 million and variable rent of €7.5 million under IAS 17 Leases. From 1 January 2019, as a result of the application of IFRS 16, Group EBITDA has no comparative fixed rent deduction, however, Group EBITDA continues to include a deduction for variable rent. Interest on lease liabilities and depreciation of right-of-use assets are now recognised instead and appear below Group EBITDA. If the Group accounted for rent under IAS 17 to 31 December 2019, rental expenses would include fixed rent of €27.4 million and EBITDA would decrease by the same amount.

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses. Consequently, Adjusted EBITDA represents Group EBITDA before:

- » Net property revaluation movements through profit or loss (note 10,13);
- » Hotel pre-opening expenses (note 3); and
- » Proceeds from insurance claim in 2018 (note 4).

## Notes to the consolidated financial statements

(continued)

### 2 Operating segments (continued)

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.

Share-based payments expense is presented separately from central costs as this expense relates to employees across the Group.

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

'Segmental results – EBITDAR' for Dublin, Regional Ireland and United Kingdom represents 'Segmental results – EBITDA' before rent (fixed and variable).

Adjusted tax charge shows the tax charge excluding the tax effect of items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses.

Tax impact of proceeds from insurance claim reflects the capital gains tax which is now payable following the Group's decision not to reinstate the asset that was the subject of the insurance claim in 2018. The tax adjustment for adjusting items reflects the impact of tax on other adjusting items. The adjusted tax charge excludes these two amounts.

#### Disaggregated revenue information

Disaggregated revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the CEO, Deputy CEOs and the Board of Directors.

The key components of revenue reviewed by the chief operating decision makers are:

- » Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- » Food and beverage revenue which relates to sales of food and beverages at the hotel property. Revenue is recognised at the point of sale; and
- » Other revenue includes revenue from leisure centres, car parks, meeting room hire and other revenue sources at the hotels. Leisure centre revenue is recognised over the life of the membership while the other items are recognised when the service is provided.

Revenue review by segment – Dublin	2019 €'000	2018 €'000
Room revenue	176,318	168,642
Food and beverage revenue	53,019	50,640
Other revenue	16,064	15,625
<b>Total revenue</b>	<b>245,401</b>	234,907

Revenue review by segment – Regional Ireland	2019 €'000	2018 €'000
Room revenue	49,695	45,167
Food and beverage revenue	26,767	26,441
Other revenue	8,463	7,946
<b>Total revenue</b>	<b>84,925</b>	79,554

Revenue review by segment – United Kingdom	2019 €'000	2018 €'000
Room revenue	71,503	54,416
Food and beverage revenue	20,373	17,167
Other revenue	6,982	6,524
<b>Total revenue</b>	<b>98,858</b>	78,107



## Notes to the consolidated financial statements

(continued)

### 2 Operating segments (continued)

#### Other geographical information

	2019			Restated* 2018		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<b>Revenue</b>						
Owned hotels	227,237	76,278	303,515	204,487	62,801	267,288
Leased hotels	103,089	22,580	125,669	109,974	15,306	125,280
<b>Total revenue</b>	<b>330,326</b>	<b>98,858</b>	<b>429,184</b>	<b>314,461</b>	<b>78,107</b>	<b>392,568</b>

	2019			Restated* 2018		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<b>EBITDAR</b>						
Owned hotels	96,268	30,362	126,630	84,398	24,894	109,292
Leased hotels	48,005	8,143	56,148	52,288	5,600	57,888
<b>Total EBITDAR</b>	<b>144,273</b>	<b>38,505</b>	<b>182,778</b>	<b>136,686</b>	<b>30,494</b>	<b>167,180</b>

\* Income from managed hotels has been reclassified from revenue to other income in the year ended 31 December 2019 following the change in reportable segments during 2019, which is described in note 1. The prior year figures have been restated for this reclassification.

	2019			2018		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<b>Other information</b>						
Variable rent	6,927	394	7,321	7,175	371	7,546
Depreciation of property, plant and equipment	17,798	8,385	26,183	14,001	5,697	19,698
Depreciation of right-of-use assets	14,371	2,756	17,127	-	-	-
Interest on lease liabilities	13,237	5,708	18,945	-	-	-
Hotel fixed rental expense under IAS 17	-	-	-	21,568	3,823	25,391

## Notes to the consolidated financial statements

(continued)

### 2 Operating segments (continued)

#### Other geographical information (continued)

Assets and liabilities	At 31 December 2019			At 31 December 2018		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
<b>Assets</b>						
Intangible assets and goodwill	23,309	12,824	36,133	41,588	12,829	54,417
Property, plant and equipment	1,052,442	418,873	1,471,315	930,676	245,584	1,176,260
Right-of-use assets	250,179	136,228	386,407	-	-	-
Contract fulfilment costs	13,346	-	13,346	9,066	-	9,066
Investment property	1,560	589	2,149	1,560	-	1,560
Other receivables	1,959	4,801	6,760	3,659	11,100	14,759
Current assets	38,851	25,464	64,315	44,016	16,411	60,427
<b>Total assets excluding deferred tax assets</b>	<b>1,381,646</b>	<b>598,779</b>	<b>1,980,425</b>	<b>1,030,565</b>	<b>285,924</b>	<b>1,316,489</b>
Deferred tax assets			3,527			2,613
<b>Total assets</b>			<b>1,983,952</b>			<b>1,319,102</b>
<b>Liabilities</b>						
Loans and borrowings	98,505	313,234	411,739	102,508	199,381	301,889
Lease liabilities	231,808	130,293	362,101	-	-	-
Trade and other payables	50,886	15,277	66,163	54,225	11,025	65,250
<b>Total liabilities excluding provision for liabilities, derivatives and tax liabilities</b>	<b>381,199</b>	<b>458,804</b>	<b>840,003</b>	<b>156,733</b>	<b>210,406</b>	<b>367,139</b>
Provision for liabilities			6,563			6,642
Derivatives			4,523			1,306
Current tax liabilities			664			309
Deferred tax liabilities			59,358			41,129
<b>Total liabilities</b>			<b>911,111</b>			<b>416,525</b>
<b>Revaluation reserve</b>	<b>317,165</b>	<b>34,704</b>	<b>351,869</b>	<b>225,290</b>	<b>23,128</b>	<b>248,418</b>

The above information on assets, liabilities and revaluation reserve is presented by country as it does not form part of the segmental information routinely reviewed by the chief operating decision makers.

Loans and borrowings are categorised according to their underlying currency. Loans and borrowings denominated in Sterling (£266.5 million (€313.2 million)) are classified as liabilities in the United Kingdom and act as a net investment hedge as at 31 December 2019 (2018: £176.5 million (€197.3 million)) (note 21). Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland.

## Notes to the consolidated financial statements

(continued)

### 3 Statutory and other information

	2019	2018
	€'000	€'000
Depreciation of property, plant and equipment	26,183	19,698
Depreciation of right-of-use assets	17,127	-
Operating lease rentals: Land and buildings (including central office lease costs)	7,321	33,171
Hotel pre-opening expenses	9	2,487

Hotel pre-opening expenses relate to costs incurred by the Group in advance of the six new hotels which opened in 2018 (five) and early 2019 (one). These costs primarily relate to payroll expenses, sales and marketing costs and training costs of new staff.

Auditor's remuneration	2019	2018
	€'000	€'000
Audit of Group, Company and subsidiary financial statements	405	321
Other assurance services	25	20
Tax services	37	262
Other non-audit services	87	39
	554	642

Auditor's remuneration for the audit of the Company financial statements was €15,000 (2018: €10,000).

Other assurance services primarily relate to review of the interim condensed consolidated financial statements.

The majority of the fees for tax and other non-audit services in 2019 relate to review of capital allowances, financial due diligence in acquiring the lease of the Tamburlaine Hotel in Cambridge and other miscellaneous projects.

The fees for tax and other non-audit services in 2018 relate to taxation advice on the sale, at completion, of the residential property which the Group is developing at the site of the Tara Towers hotel (note 14), review of capital allowances and other miscellaneous projects.

Directors' remuneration	2019	2018
	€'000	€'000
Salary and other emoluments	2,158	2,617
Gains on vesting of awards granted in 2015 under the 2014 LTIP	-	1,250
Gains on vesting of awards granted in 2016 under the 2014 LTIP	603	-
Gains on vesting of options granted under the Ireland Share Save scheme	44	-
Fees	420	350
Pension costs – defined contribution	104	103
	3,329	4,320

Gains associated with the shares which issued to the Directors on vesting of awards granted in 2015 and 2016 under the 2014 Long Term Incentive Plan ("LTIP") and granted in 2016 under the Ireland Share Save scheme represent the difference between the quoted share price per ordinary share and the exercise price on the vesting date (note 7). The shares granted under the LTIP schemes are held in a restricted share trust and may not be sold or dealt in any way for a period of five years and 30 days from the vesting date.

Details of the Directors' remuneration and interests in conditional share awards are set out in the Remuneration Committee Report on pages 78 to 95.

## Notes to the consolidated financial statements

(continued)

### 4 Other income

	2019	Restated* 2018
	€'000	€'000
Rental income from investment property (note 13)	351	271
Proceeds from insurance claim	-	2,598
Income from managed hotels	855	1,168
	1,206	4,037

\* Income from managed hotels has been reclassified from revenue to other income in the year ended 31 December 2019 following the change in reportable segments during 2019, which is described in note 1.

Income 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.

In October 2018, the Group received a commercial settlement amounting to €2.6 million from an insurance claim as a result of a fire in December 2016 at Clayton Hotel Silver Springs, Cork in which a vacant building located on the grounds, but separate to, and unused by the hotel, was destroyed.

### 5 Finance costs

	2019	2018
	€'000	€'000
Interest on lease liabilities (note 12)	18,945	-
Interest expense on bank loans and borrowings	9,126	7,801
Cash flow hedges – reclassified from other comprehensive income	1,177	1,026
Other finance costs	1,536	2,760
Net exchange loss/(gain) on financing activities	366	(325)
Interest capitalised to property, plant and equipment (note 10)	(400)	(1,748)
Interest capitalised to contract fulfilment costs (note 14)	(137)	-
	30,613	9,514

The Group incurred interest amounting to €18.9 million on lease liabilities since the date of initial application of IFRS 16 Leases (note 12).

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate (note 22). The cash flow hedge amount reclassified from other comprehensive income is shown separately within finance costs and primarily represents the additional interest the Group paid as a result of the interest rate swaps.

Other finance costs include the amortisation of capitalised debt costs, commitment fees and other banking fees. As a result of refinancing in 2018, the write-off of unamortised arrangement fees relating to the original loan facility on modification of €0.9 million were also included in finance costs in 2018 (note 21).

Exchange gain/loss on financing activities relates principally to loans which did not form part of the net investment hedge (note 24).

Interest on loans and borrowings amounting to €0.4 million was capitalised to assets under construction on the basis that this cost was directly attributable to the construction of qualifying assets (note 10) (2018: €1.7 million). Interest on loans and borrowings amounting to €0.1 million was capitalised to contract fulfilment costs on the basis that this cost was directly attributable to the construction of qualifying assets (note 14) (2018: €nil). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, were 1.4% (2018: 2.03%) and 2.9% (2018: 3.43%) respectively.

## Notes to the consolidated financial statements

(continued)

### 6 Personnel expenses

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

	2019	2018
Administration	568	510
Other	2,962	2,869
	<b>3,530</b>	<b>3,379</b>

Full-time equivalents split by geographical region was as follows:

	2019	2018
Dublin (including the Group's central functions)	1,892	1,845
Regional Ireland	976	950
United Kingdom	662	584
	<b>3,530</b>	<b>3,379</b>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	€'000	€'000
Wages and salaries	102,043	95,077
Social welfare costs	10,514	9,925
Pension costs – defined contribution	1,314	1,087
Share-based payments expense	2,679	2,800
Severance costs	33	35
	<b>116,583</b>	<b>108,924</b>

€0.6 million of payroll costs relating to the Group's internal development employees were capitalised to land and buildings as these costs are directly related to development and other construction work completed in the year to 31 December 2019 (note 10).

## Notes to the consolidated financial statements

(continued)

### 7 Share-based payments expense

The total share-based payments expense for the Group's employee share schemes charged to profit or loss during the year was €2.7 million (2018: €2.8 million), analysed as follows:

	2019	2018
	€'000	€'000
Long Term Incentive Plans	2,268	2,374
Share Save schemes	411	426
	<b>2,679</b>	<b>2,800</b>

Details of the schemes operated by the Group are set out below:

#### Long Term Incentive Plans

During the year ended 31 December 2019, the Board approved the conditional grant of 839,373 ordinary shares ('the Award') pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was made to senior employees across the Group (96 in total). Vesting of the Award is based on two independently assessed performance targets, each one representing 50% of the Award. The first is based on earnings per share ('EPS') and the second on total shareholder return ('TSR'). The performance period for the award is 1 January 2019 to 31 December 2021 and 25% of the award will vest at threshold performance, provided service conditions attaching to the awards are met. Threshold performance for the TSR condition is performance in line with the Dow Jones European STOXX Travel and Leisure Index with 100% vesting for outperformance of the index by 10% per annum. Threshold performance for the EPS condition, which is a non-market based performance condition, is based on the achievement of Adjusted Basic EPS pre IFRS 16, as disclosed in the Group's 2021 audited consolidated financial statements, of €0.45 with 100% vesting for Adjusted Basic EPS pre IFRS 16 of €0.55 or greater. Awards will vest on a straight-line basis for performance between these points. EPS targets may be amended in restricted circumstances if an event occurs which causes the Remuneration Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy. Further details of the plans are set out in the Remuneration Committee Report on pages 78 to 95.

Movements in the number of share awards are as follows:

	2019	2018
	Awards	Awards
Outstanding at the beginning of the year	2,159,409	2,114,579
Granted during the year	839,373	743,795
Forfeited during the year	(15,763)	(30,415)
Lapsed unvested during the year	(335,444)	-
Exercised during the year	(285,809)	(668,550)
<b>Outstanding at the end of the year</b>	<b>2,361,766</b>	<b>2,159,409</b>

	2019	2018
	Awards	Awards
March 2016	-	621,253
May 2017	804,976	816,407
March 2018	717,417	721,749
March 2019	839,373	-
<b>Outstanding at the end of the year</b>	<b>2,361,766</b>	<b>2,159,409</b>

During the year ended 31 December 2019, the Company issued 285,809 shares on foot of the vesting of awards granted in March 2016 under the terms of the 2014 LTIP. Over the course of the three year performance period, 18,658 share awards lapsed due to vesting conditions which were not satisfied. 335,444 shares lapsed unvested due to TSR performance below maximum target. The weighted average share price at the date of exercise for awards exercised during the year was €6.00.

## Notes to the consolidated financial statements

(continued)

### 7 Share-based payments expense (continued)

#### Measurement of fair values

The fair value, at the grant date, of the TSR-based conditional share awards was measured using a Monte Carlo simulation model. Non-market based performance conditions attached to the awards were not taken into account in measuring fair value at the grant date. The valuation and key assumptions used in the measurement of the fair values at the grant date were as follows:

	March 2019	March 2018	May 2017	March 2016
Fair value at grant date	€3.43	€3.03	€2.14	€2.45
Share price at grant date	€5.98	€6.06	€5.09	€4.69
Exercise price	€0.01	€0.01	€0.01	€0.01
Expected volatility	29.96% p.a.	29.77% p.a.	25.89% p.a.	30.20% p.a.
Dividend yield	1.5%	1.5%	1.5%	1.5%
Performance period	3 years	3 years	3 years	3 years

For measurement purposes, a future dividend yield of 1.5% per annum has been assumed for the purpose of informing the projected Company dividend in the LTIP fair value calculation model. This percentage is not in any way indicative of the expected dividend yield of the Group. This will be decided by the Board of Directors as appropriate. Expected volatility is based on the historical volatility of the Company's share price.

Awards granted in 2017, 2018 and 2019 under the 2017 LTIP include EPS-based conditional share awards. The EPS-related performance condition is a non-market performance condition and does not impact the fair value of the award at the grant date, which equals the share price less exercise price. Instead, an estimate is made by the Group as to the number of shares which are expected to vest based on satisfaction of the EPS-related performance condition, and this, together with the fair value of the award at grant date, determines the accounting charge to be spread over the vesting period. The estimate of the number of shares which are expected to vest is reviewed in each reporting period over the vesting period of the award and the accounting charge is adjusted accordingly.

#### Share Save schemes

The Remuneration Committee of the Board of Directors approved the granting of share options under the UK and Ireland Share Save schemes (the 'Schemes') for all eligible employees across the Group in 2016, 2017, 2018 and 2019. 527 employees availed of the Schemes granted in 2019 (379 employees availed of the Schemes granted in 2018). Each Scheme is for three years and employees may choose to purchase shares at the end of the three year period at the fixed discounted price set at the start of the three year period. The share price for the Schemes has been set at a 25% discount for Republic of Ireland based employees and 20% for United Kingdom based employees in line with the maximum amount permitted under tax legislation in both jurisdictions.

During the year ended 31 December 2019, the Company issued 465,145 shares on maturity of the share options granted as part of the Scheme granted in 2016. The weighted average share price at the date of exercise for options exercised during the year was €5.23.

Movements in the number of share options and the related weighted average exercise price ("WAEP") are as follows:

	2019		2018	
	Options	WAEP € per share	Options	WAEP € per share
Outstanding at the beginning of the year	1,638,119	3.85	1,429,099	3.52
Granted during the year	947,434	3.66	411,966	5.02
Forfeited during the year	(336,286)	4.47	(202,794)	3.94
Exercised during the year	(465,145)	2.96	(152)	2.91
<b>Outstanding at the end of the year</b>	<b>1,784,122</b>	<b>3.89</b>	<b>1,638,119</b>	<b>3.85</b>

The weighted average remaining contractual life for the Schemes' share options outstanding at 31 December 2019 is 2.5 years (2018: 1.7 years).

## Notes to the consolidated financial statements

(continued)

### 8 Tax charge

	2019 €'000	2018 €'000
<b>Current tax</b>		
Irish corporation tax	10,148	9,094
UK corporation tax	1,673	2,320
(Over)/under provision in respect of prior periods	(770)	127
	<b>11,051</b>	11,541
Deferred tax charge (note 23)	425	536
	<b>11,476</b>	12,077

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

	2019 €'000	2018 €'000
Profit before tax	89,688	87,301
Tax on profit at standard Irish corporation tax rate of 12.5%	11,211	10,913
<b>Effects of:</b>		
Income taxed at a higher rate	673	445
Expenses not deductible for tax purposes	501	481
Impact of revaluation (gains)/losses not subject to tax	(144)	392
Insurance proceeds subject to capital gains tax	857	-
Insurance proceeds non-taxable	-	(325)
Overseas income taxed at higher rate	696	770
Losses utilised at higher rate	(673)	(445)
(Over)/under provision in respect of current tax in prior periods	(770)	127
(Over)/under provision in respect of deferred tax in prior periods	(176)	53
Losses and similar deductions not previously recognised	-	(8)
Other differences	(699)	(326)
	<b>11,476</b>	12,077

In October 2018, the Group received a commercial settlement amounting to €2.6 million from an insurance claim as a result of a fire in December 2016 at Clayton Hotel Silver Springs, Cork in which a vacant building located on the grounds, but separate to, and unused by the hotel, was destroyed. During the year, the Group elected not to proceed with the redevelopment of this site resulting in a €0.9 million capital gains tax charge on the commercial settlement.

## Notes to the consolidated financial statements

(continued)

### 9 Intangible assets and goodwill

	Goodwill €'000	Other indefinite-lived intangible assets €'000	Other intangible assets €'000	Total €'000
<b>Cost</b>				
Balance at 1 January 2018	79,126	20,500	676	100,302
Effect of movements in exchange rates	(96)	-	(5)	(101)
Balance at 31 December 2018	79,030	20,500	671	100,201
Balance at 1 January 2019	79,030	20,500	671	100,201
Transfer to investment property (note 13)	-	-	(671)	(671)
Transfer to right-of-use assets (note 11)	-	(20,500)	-	(20,500)
Transfer from non-current prepayments (note 15)	-	-	1,200	1,200
Addition of software licence agreement	-	-	1,216	1,216
Effect of movements in exchange rates	598	-	-	598
<b>Balance at 31 December 2019</b>	<b>79,628</b>	<b>-</b>	<b>2,416</b>	<b>82,044</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance at 1 January 2018	(45,716)	-	(24)	(45,740)
Amortisation of intangible assets	-	-	(44)	(44)
Balance at 31 December 2018	(45,716)	-	(68)	(45,784)
Balance at 1 January 2019	(45,716)	-	(68)	(45,784)
Transfer to investment property (note 13)	-	-	68	68
Amortisation of intangible assets	-	-	(195)	(195)
<b>Balance at 31 December 2019</b>	<b>(45,716)</b>	<b>-</b>	<b>(195)</b>	<b>(45,911)</b>
<b>Carrying amounts</b>				
<b>At 31 December 2018</b>	<b>33,314</b>	<b>20,500</b>	<b>603</b>	<b>54,417</b>
<b>At 31 December 2019</b>	<b>33,912</b>	<b>-</b>	<b>2,221</b>	<b>36,133</b>

#### Goodwill

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.

Based on our annual impairment review conducted at 31 December 2019, goodwill was not considered to be impaired and accordingly, no impairment was recognised during 2019. During 2016, following revaluation gains increasing the carrying value of assets an element of goodwill was impaired on eight of the Group's cash-generating units (CGUs), primarily relating to Moran Bewley Hotel Group acquisitions which resulted in a €10.3 million reduction in goodwill which was charged to profit or loss.

In 2007, the Group acquired a number of Irish hotel operations for consideration amounting to €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. That goodwill was subsequently impaired in 2009 and the carrying value of that goodwill at the beginning and end of the year amounted to €6.9 million.

Included in the goodwill figure is €12.8 million (£10.9 million) which is attributable to goodwill arising on acquisition of foreign operations. Consequently, such goodwill is subsequently retranslated at the closing rate. The retranslation at 31 December 2019 resulted in a foreign exchange gain of €0.6 million and a corresponding increase in goodwill. The comparative retranslation at 31 December 2018 resulted in a foreign exchange loss of €0.1 million.

## Notes to the consolidated financial statements

(continued)

### 9 Intangible assets and goodwill (continued)

#### Goodwill (continued)

Carrying amount of goodwill allocated	Number of Cash-Generating Units At 31 December 2019	2019 €'000	2018 €'000
Moran Bewley Hotel Group (i)	7	25,023	24,491
Other acquisitions (i)	3	2,022	1,956
2007 Irish hotel operations acquired (ii)	4	6,867	6,867
		<b>33,912</b>	<b>33,314</b>

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2019.

#### Annual goodwill testing

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Due to the Group's policy of revaluation of land and buildings, and the allocation of goodwill to individual CGUs, impairment of goodwill can occur as the Group realises the profit and revenue growth and synergies which underpinned the goodwill. As these materialise, these are recorded as revaluation gains to the carrying value of the property and consequently, elements of goodwill may be required to be written off if the carrying value of the CGU (which includes revalued property and allocated goodwill) exceeds its recoverable amount on a value in use basis. The impairment of goodwill is through profit or loss though the revaluation gains are taken to reserves through other comprehensive income.

Future under-performance in any of the Group's major CGUs may result in a material write-down of goodwill which would have a substantial impact on the Group's profit and equity. The Group continues to monitor the ongoing uncertainty surrounding the potential impact of the United Kingdom's departure from the European Union but has seen no impact on trading and there is no indicator of impairment at 31 December 2019 as a result of this.

#### (i) Moran Bewley Hotel Group and other single asset 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 each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the value in use of the CGU is assessed.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2019: Ireland 9.96%, UK 6.8%, 2018: Ireland 8.46%, UK 6.8%). Purchasers costs are a key difference between value in use and fair value less costs of disposal as prepared by external valuers. The increase in purchasers' costs in the Republic of Ireland versus 2018 was due to the increase in stamp duty relating to commercial property from 6% to 7.5%.

At 31 December 2019, the recoverable amounts of the ten CGUs were based on value in use, 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. This period was chosen due to the nature of the hotel assets and is consistent with the valuation basis used by independent external property valuers when performing their hotel valuations (note 10);
- » Revenue and EBITDA for the first year of the projections is based on budgeted figures for 2020 prepared by management. Budgeted revenue and EBITDA are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue and cost growth;
- » Cash flow projections assume a long-term compound annual growth rate of 2% in EBITDA for assets in the Republic of Ireland and 2.5% for assets in the United Kingdom;
- » Cash flows include an average annual capital outlay on maintenance for the hotels dependent on the condition of the hotel or typically 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% for Irish and 2.5% for UK properties;
- » The cash flows are discounted using a risk adjusted discount rate specific to each property which ranged from 8.25% to 11.25% (Ireland: 8.50% to 10.75%; UK: 8.25% to 11.25%) (2018: 8.25% to 11.50% (Ireland: 9.50% to 11.25%; UK: 8.25% to 11.50%)). The discount rates were consistent with those used by the external property valuers; and
- » Following the application of IFRS 16 Leases, the right-of-use asset for a hotel with a land lease is included in the CGU. Cash flow projections are forecast for the entire term of the lease and fixed rent is excluded from EBITDA. The discount rate is derived by applying a comparative risk adjusted discount rate for a similar property to the equity portion of the CGU and the incremental borrowing rate used in the calculation of the lease liability is applied to the debt portion. A weighted average discount rate is then derived which is applied to the cash flow projections.

## Notes to the consolidated financial statements

(continued)

### 9 Intangible assets and goodwill (continued)

#### Annual goodwill testing (continued)

##### (i) Moran Bewley Hotel Group and other single asset acquisitions (continued)

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

At 31 December 2019, the recoverable amount was determined to be 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 this goodwill. The Directors concluded that the carrying value of this goodwill is not impaired at 31 December 2019.

##### (ii) 2007 Irish hotel operations acquired

For the purposes of impairment testing, goodwill has been allocated to each of the cash-generating units (CGUs) representing the Irish hotel operations acquired in 2007. Eight hotels were acquired at that time but only four of these hotels have goodwill associated with them. Three of these hotels which have since been purchased by the Group are valued annually by independent external valuers, as the freehold interest in the property is owned by the Group. One property is leased by the Group. Where hotel properties are valued annually by independent external valuers, the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the value in use of the CGU is assessed. The recoverable amount at 31 December 2019 of each of these four CGUs which have associated goodwill was based on value in use. Value in use is determined by discounting the future cash flows generated from the continuing use of these hotels.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2019: 9.96%, 2018: 8.46%). Purchasers costs are a key difference between value in use and fair value less costs of disposal as prepared by external valuers. The increase in purchasers' costs in the Republic of Ireland versus 2018 was due to the increase in stamp duty relating to commercial property from 6% to 7.5%.

The assumptions underpinning these value in use calculations were as follows:

- » Cash flow projections are based on current operating results and budgeted forecasts prepared by management covering a ten year period;
- » Revenue and EBITDA for the first year of the projections is based on budgeted figures for 2020 prepared by management. Budgeted revenue and EBITDA are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue and cost growth;
- » Cash flow projections assume a long-term compound annual growth rate of 2% in EBITDA;
- » Cash flows 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 specific to each property which ranged from 6.75% to 9.5% (2018: 10.25% to 11.25%). In the case of owned hotels, the discount rates were consistent with rates used by the valuers. Discount rates applied to calculate value in use in respect of leased properties are comparative rates used by external property valuers in their valuations of similar hotels; and
- » Following the application of IFRS 16, the right-of-use asset for a leased hotel is included in the CGU. Cash flow projections are forecast for the entire term of the lease and fixed rent is excluded from EBITDA. The discount rate is derived by applying a comparative risk adjusted discount rate for a similar property to the equity portion of the CGU and the incremental borrowing rate used in the calculation of the lease liability is applied to the debt portion. A weighted average discount rate is then derived which is applied to the cash flow projections.

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

At 31 December 2019, the recoverable amount was determined to be 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 this goodwill. The Directors concluded that the carrying value of this goodwill is not impaired at 31 December 2019.

#### Key sources of estimation uncertainty

The key assumptions used in estimating the future cash flows in the impairment test are subjective and include projected EBITDA (as defined in note 2), discount rates and the duration of the discounted cash flow model. Expected future cash flows are inherently uncertain and therefore liable to change materially over time.

## Notes to the consolidated financial statements

(continued)

### 9 Intangible assets and goodwill (continued)

#### Other indefinite-lived intangible assets

##### Acquired leasehold interests

The indefinite-lived intangible asset amounting to €20.5 million at 31 December 2018, related to the Group's acquired leasehold interest in The Gibson Hotel, was transferred to right-of-use asset on 1 January 2019 in accordance with the transition provisions of IFRS 16 (note 11).

##### Other intangible assets

Other intangible assets of €0.6 million at 31 December 2018 represented the Group's interest in a sub-lease (as sub-lessor) retained in respect of part of the Clayton Hotel Cardiff, UK following the sale and leaseback (operating lease) of that hotel property. The asset was transferred to investment property on 1 January 2019 upon recognition of a right-of-use asset with respect to the head lease in accordance with IFRS 16.

Additions to other intangible assets of €2.4 million represent the Group's cost of entering into a software licence agreement during 2019. At the commencement date, there were €1.2 million of prepayments relating to the software licence which were transferred to intangible assets. This software licence will run to 31 January 2024 and is being amortised on a straight line basis over the life of the asset.

The Group reviews the carrying amounts of other intangible assets annually to determine whether there is any indication of impairment. If any such indicators exist then the asset's recoverable amount is estimated.

At 31 December 2019, there were no indicators of impairment present and the Directors concluded that the carrying value of other intangible assets was not impaired at 31 December 2019.

### 10 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
<b>At 31 December 2019</b>				
Valuation	1,324,468	-	-	1,324,468
Cost	-	59,600	135,676	195,276
Accumulated depreciation (and impairment charges) *	-	-	(48,429)	(48,429)
<b>Net carrying amount</b>	<b>1,324,468</b>	<b>59,600</b>	<b>87,247</b>	<b>1,471,315</b>
At 1 January 2019, net carrying amount	<b>1,077,208</b>	<b>26,404</b>	<b>72,648</b>	<b>1,176,260</b>
Additions through freehold or site purchases	105,543	45,539	5,117	156,199
Other additions through capital expenditure	2,643	9,756	20,741	33,140
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	15,848	(18,336)	2,488	-
Capitalised labour costs (note 6)	550	-	-	550
Capitalised borrowing costs (note 5)	-	400	-	400
Reclassification from assets under construction to other receivables for assets disposed of as part of a contractual arrangement (note 15)	-	(4,163)	-	(4,163)
Revaluation gains through OCI	124,962	-	-	124,962
Revaluation losses through OCI	(4,239)	-	-	(4,239)
Reversal of revaluation losses through profit or loss	1,967	-	-	1,967
Revaluation losses through profit or loss	(322)	-	-	(322)
Depreciation charge for the year	(11,786)	-	(14,397)	(26,183)
Translation adjustment	12,094	-	650	12,744
<b>At 31 December 2019, net carrying amount</b>	<b>1,324,468</b>	<b>59,600</b>	<b>87,247</b>	<b>1,471,315</b>

\* Accumulated depreciation of buildings is stated after the elimination of depreciation, revaluation, disposals and impairments.

## Notes to the consolidated financial statements

(continued)

### 10 Property, plant and equipment (continued)

The equivalent disclosure for the prior year is as follows:

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
<b>At 31 December 2018</b>				
Valuation	1,077,208	-	-	1,077,208
Cost	-	26,404	106,680	133,084
Accumulated depreciation (and impairment charges) *	-	-	(34,032)	(34,032)
<b>Net carrying amount</b>	<b>1,077,208</b>	<b>26,404</b>	<b>72,648</b>	<b>1,176,260</b>
At 1 January 2018, net carrying amount	848,777	97,365	52,670	998,812
Additions through freehold or site purchases	9,187	-	-	9,187
Other additions through capital expenditure	1,133	76,231	18,971	96,335
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	140,194	(152,047)	11,853	-
Transfer from land and buildings to asset under construction for land which is being developed into a new hotel	(6,615)	6,615	-	-
Transfer from land and buildings to contract fulfilment costs (note 14)	(8,085)	-	-	(8,085)
Capitalised borrowing costs (note 5)	-	1,748	-	1,748
Transfer of capitalised borrowing costs from assets under construction to land and buildings for assets that have come into use	3,300	(3,300)	-	-
Revaluation gains through OCI	111,221	-	-	111,221
Revaluation losses through OCI	(8,275)	-	-	(8,275)
Reversal of revaluation losses through profit or loss	290	-	-	290
Revaluation losses through profit or loss	(3,402)	-	-	(3,402)
Depreciation charge for the year	(8,927)	-	(10,771)	(19,698)
Translation adjustment	(1,590)	(208)	(75)	(1,873)
<b>At 31 December 2018, net carrying amount</b>	<b>1,077,208</b>	<b>26,404</b>	<b>72,648</b>	<b>1,176,260</b>

\* Accumulated depreciation of buildings is stated after the elimination of depreciation, revaluation, disposals and impairments.

The carrying value of land and buildings (revalued at 31 December 2019) is €1,324.5 million (2018: €1,077.2 million). The value of these assets under the cost model is €927.8 million (2018: €803.4 million). In 2019, unrealised revaluation gains of €125.0 million and unrealised losses of €4.2 million have been reflected through other comprehensive income and in the revaluation reserve in equity. A revaluation loss of €0.3 million and a reversal of prior period revaluation losses of €2.0 million have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2019 is land at a carrying value of €499.8 million (2018: €412.7 million) which is not depreciated.

Additions to land and buildings and fixtures, fittings and equipment during the year ended 31 December 2019 primarily include the following asset purchase:

- » On 3 January 2019, the Group completed the acquisition of the long leasehold (effective freehold) interest of a newly built hotel, located in Aldgate, London for total consideration of €91.0 million (€107.0 million) (through acquiring the entire issued share capital of Hintergard Limited) plus acquisition related costs of €1.9 million (€2.2 million). The hotel opened on 24 January 2019 and has been branded Clayton Hotel City of London.

## Notes to the consolidated financial statements

(continued)

### 10 Property, plant and equipment (continued)

Additions to assets under construction during the year ended 31 December 2019 include the following:

- » On 12 August 2019, the Group acquired a site with planning approval for a new hotel on Paul Street in Shoreditch, London for €32.1 million (€37.7 million) plus acquisition related costs of €1.7 million (€2.0 million);
- » On 8 January 2019, the Group acquired a site adjacent to Clayton Hotel Cardiff Lane, Dublin for €5.5 million plus capitalised acquisition costs of €0.4 million. The Group has plans to redevelop the area into circa 88 bedrooms and ancillary facilities and it is classified as assets under construction and not depreciated as the asset is not in use in its current form;
- » Development expenditure incurred on new hotel builds of €5.6 million;
- » Development expenditure incurred on hotel extensions and renovations of €4.2 million; and
- » Interest capitalised on loans and borrowings relating to qualifying assets of €0.4 million (note 5).

Property previously classified as assets under construction (€18.3 million) has been transferred to land and buildings and fixtures, fittings and equipment as a result of the assets coming into use during the year ended 31 December 2019. This includes the following:

- » Final completion works at Maldron Hotel South Mall, Cork;
- » Final completion works at Maldron Hotel Parnell Square, Dublin; and
- » Final completion works at Clayton Hotel Charlemont, Dublin.

Property previously classified as assets under construction (€4.2 million) relating to a renovation project ongoing at Clayton Hotel Burlington Road, Dublin has been transferred to other receivables as a result of a contractual arrangement entered into in 2019, whereby assets totalling €7.5 million are to be transferred to the landlord for €7.5 million (note 15).

Capitalised labour costs (€0.6 million) include labour costs relating to the Group's internal development team which are directly related to asset acquisitions and other construction work completed in relation to the Group's land and buildings.

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.

At 31 December 2019, properties included within land and buildings with a carrying amount of €1,101.8 million (2018: €895.9 million) were pledged as security for loans and borrowings.

The value of the Group's property at 31 December 2019 reflects open market valuations carried out in December 2019 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 Royal Institution of Chartered Surveyors (RICS) Valuation Standards.

## Notes to the consolidated financial statements

(continued)

### 10 Property, plant and equipment (continued)

#### 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. At 31 December 2019, 30 properties were revalued by independent external valuers engaged by the Group (31 December 2018: 29).

The principal valuation technique used by the independent external valuers engaged by the Group 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). Valuers' forecast cash flow included in these calculations represents the expectations of the valuers for EBITDA (driven by revenue per available room ("RevPAR") calculated as total rooms revenue divided by rooms available) for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 4% of revenue per annum. This does not always reflect the profile of actual capital expenditure incurred by the Group. On specific assets, refurbishments are, by nature, periodic rather than annual. Valuers' expectations of EBITDA are based off their trading forecasts (benchmarked against competition, market and actual performance). 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 final valuation also includes a deduction of full purchaser's costs based on the valuers' estimates at 9.96% for Republic of Ireland domiciled assets (2018: 8.46%) and 6.8% for United Kingdom domiciled assets (2018: 6.8%). The increase in purchasers costs in the Republic of Ireland versus 2018 was due to the increase in stamp duty relating to commercial property from 6% to 7.5%.

The valuers use their professional judgement and experience to balance the interplay between the different assumptions and valuation influences. For example, initial discounted cash flows based on individually reasonable inputs may result in a valuation which challenges the price per key metrics in recent transactions. This would then result in one or more of the inputs being amended for preparation of a revised discounted cash flow. Consequently, the individual inputs may change from the prior period or may look individually unusual and therefore must be considered as a whole in the context of the overall valuation.

The significant unobservable inputs and drivers thereof are summarised in the following table:

#### Significant unobservable inputs

	31 December 2019			Total
	Dublin	Regional Ireland	United Kingdom	
	<i>Number of hotel assets</i>			
<b>RevPAR</b>				
< €75/€75	1	7	5	13
€75-€100/€75-€100	3	4	2	9
> €100/€100	6	1	1	8
	10	12	8	30
<b>Terminal (Year 10) capitalisation rate</b>				
<8%	9	8	6	23
8%-10%	1	4	2	7
	10	12	8	30
<b>Price per key*</b>				
< €150k/€150k	1	10	6	17
€150k-€250k/€150k-€250k	1	1	-	2
> €250k/€250k	8	1	2	11
	10	12	8	30

\* Price per key represents the valuation of a hotel divided by the number of rooms in that hotel.

## Notes to the consolidated financial statements

(continued)

### 10 Property, plant and equipment (continued)

#### Measurement of fair value (continued)

#### Significant unobservable inputs (continued)

	Dublin	31 December 2018		Total
		Regional Ireland	United Kingdom	
	<i>Number of hotel assets</i>			
<b>RevPAR</b>				
< €75/€75	2	7	5	14
€75-€100/€75-€100	3	4	2	9
> €100/€100	5	1	-	6
	10	12	7	29
<b>Terminal (Year 10) capitalisation rate</b>				
<8%	4	2	2	8
8%-10%	6	10	5	21
	10	12	7	29
<b>Price per key*</b>				
< €150k/€150k	1	10	5	16
€150k-€250k/€150k-€250k	2	2	1	5
> €250k/€250k	7	-	1	8
	10	12	7	29

\* Price per key represents the valuation of a hotel divided by the number of rooms in that hotel.

The valuers also applied risk adjusted discount rates of 7.25% to 10.75% for Dublin assets (31 December 2018: 9.25% to 11.25%), 6.75% to 11.00% for Regional Ireland assets (31 December 2018: 9.50% to 12.00%) and 7.25% to 11.25% for United Kingdom assets (31 December 2018: 8.25% to 12.00%).

The most significant factors which have impacted valuations this year are the uplifts on newly built hotels and extensions which were built at a cost below fair value and where trade has outperformed assumptions underpinning initial external valuations. Hotel transactions in the wider market during the year have achieved improved valuation metrics which has led to increased valuations for the properties owned by the Group.

The potential impact of the United Kingdom's departure from the European Union may have a negative impact on both the United Kingdom and Irish economies. The Group continues to monitor the ongoing uncertainty surrounding the potential impact of Brexit but has seen no impact on trading and there is no indicator of impairment at 31 December 2019 as a result of this.

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

- » Valuers' forecast cash flow was higher or lower than expected; and/or
- » The risk adjusted discount rate and terminal capitalisation rate was lower or higher.

Valuations also had regard to relevant price per key metrics from hotel sales activity.



# Notes to the consolidated financial statements

(continued)

## 11 Transition impact of IFRS 16 Leases

IFRS 16 Leases was effective for the first time in the financial year commencing 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of right-of-use assets and lease liabilities at the commencement of most leases. This has a significant impact on the Group's financial statements as the Group is a lessee in a number of material property leases, which were formerly accounted for as operating leases. The requirements for lessor accounting remain largely unchanged.

The Group has applied IFRS 16 using the modified retrospective method. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 January 2019. Right-of-use assets have been measured at an amount equal to the lease liabilities adjusted by the amounts of any lease prepayments and accruals and reclassifications from intangible assets, where applicable. The comparative information has not been restated and is presented as previously reported under IAS 17 and related interpretations. Details of the impact of the change in accounting policies as well as the new accounting policies are disclosed hereafter.

### Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on/or after 1 January 2019.

### As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases and these are no longer excluded from the statement of financial position.

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 January 2019. Determining the discount rate introduces a new source of estimation uncertainty into the financial statements. The Group has calculated the incremental borrowing rate by adding country specific risk-free government bonds to the Group finance spread to create a Group yield curve.

The Group finance spread was calculated by weighting the Group interest margin on loans and borrowings entered into in October 2018 (senior debt) and a hypothetical junior debt margin available to the Group using an appropriate loan-to-value ratio for the senior debt. Each lease was matched against the Group yield curve and subsequently adjusted for lessee and asset specific factors to reflect the underlying asset's location and condition. In most cases, the discount rate is determined in the first year of the lease and does not change for the remainder of the term unless an event such as a change in lease term or a modification of the lease occurs. The weighted-average incremental borrowing rate applied on transition was 6.03% (Republic of Ireland: 5.86%, United Kingdom: 6.49%).

The sensitivity of the Group's lease liabilities to a one percent (100bps) movement in the incremental borrowing rate is as follows:

	At existing rate €'000	Sensitised upwards by 100 bps €'000	Sensitised downwards by 100 bps €'000
Lease liabilities at 1 January 2019	314,430	286,246	347,350

# Notes to the consolidated financial statements

(continued)

## 11 Transition impact of IFRS 16 Leases (continued)

### As a lessee (continued)

A reconciliation from the operating lease commitments at 31 December 2018 to the opening balance for the lease liabilities at 1 January 2019 is shown below:

	€'000
Operating lease commitments at 31 December 2018	672,708
Discounted using the incremental borrowing rates at 1 January 2019	(358,278)
<b>Lease liabilities recognised at 1 January 2019 (note 12)</b>	<b>314,430</b>

Right-of-use assets have been measured at an amount equal to the lease liabilities adjusted by the amounts of any lease prepayments and accruals and reclassifications from intangible assets, where applicable. Fixed rental expenses under IAS 17 were removed from profit or loss under IFRS 16 and replaced with finance costs on the lease liabilities and depreciation of the right-of-use assets. Variable lease payments which are dependent on hotel performance continue to be recognised directly in profit or loss.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- » Applied a single discount rate to a portfolio of leases with similar characteristics;
- » Relied on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review; and
- » Applied the exemption not to recognise right-of-use assets and lease liabilities for leases with a remaining lease term of less than 12 months as at 1 January 2019.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value equipment. The Group did not recognise any finance leases under IAS 17 prior to the date of initial application of IFRS 16.

Banking covenants as currently calculated under the existing debt facility agreement have not been amended as their calculation is in accordance with generally accepted accounting principles, policies, standards and practices applicable on the date of entry into the agreement which was prior to the adoption of IFRS 16.

### As a lessor

Under IAS 17, the Group leased out its investment properties to lessees under operating leases. IFRS 16 does not substantially change how a lessor accounts for leases as a lessor continues to classify leases as either finance or operating leases. The Group's lessor contracts continue to be classified as operating leases under IFRS 16. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group sub-leases part of one of its properties and on transition to IFRS 16 the right-of-use asset recognised from the head lease is presented in investment property and measured at fair value on transition to IFRS 16.

### Sale and leaseback

Under IFRS 16, the Group continues to account for Clayton Hotel Cardiff (completed in June 2017) and Clayton Hotel Birmingham (completed in August 2017) transactions as sale and leaseback transactions. As a result of IFRS 16, the Group has recognised right-of-use assets and lease liabilities for these leases on 1 January 2019. €1.1 million arising from the sale and leaseback of Clayton Hotel Birmingham, representing the difference between the proceeds received and the acquisition price, has been transferred from non-current receivables to right-of-use asset on this date.

# Notes to the consolidated financial statements

(continued)

## 11 Transition impact of IFRS 16 Leases (continued)

### Impact on financial statements

The tables below show the adjustment for each financial statement line item affected by the application of IFRS 16 for the year ended 31 December 2019.

#### Excerpt from consolidated statement of profit or loss and other comprehensive income

*Only lines which are impacted are presented below	*As if IAS 17 still applied €'000	IFRS 16 impact €'000	*As presented €'000
Administrative expenses	(165,762)	10,257	(155,505)
<b>Operating profit</b>	110,044	10,257	120,301
Finance costs	(11,668)	(18,945)	(30,613)
<b>Profit before tax</b>	98,376	(8,688)	89,688
Tax charge	(12,711)	1,235	(11,476)
<b>Profit for the year</b>	85,665	(7,453)	78,212
<b>Earnings per share</b>			
Basic earnings per share	46.4 cents	(4.0) cents	42.4 cents
Diluted earnings per share	46.0 cents	(4.0) cents	42.0 cents

#### Excerpt from operating segments note (note 2)

*Only lines which are impacted are presented below	*As if IAS 17 still applied €'000	IFRS 16 impact €'000	*As presented €'000
<b>Segmental results - EBITDA</b>			
Dublin	92,761	20,161	112,922
Regional Ireland	23,429	997	24,426
United Kingdom	32,126	5,983	38,109
<b>EBITDA for reportable segments</b>	148,316	27,141	175,457
Central costs	(12,013)	243	(11,770)
<b>Adjusted EBITDA</b>	134,830	27,384	162,214
Net property revaluation movements through profit or loss	1,645	(44)	1,601
<b>Group EBITDA</b>	136,466	27,340	163,806
Depreciation of right-of-use assets	-	(17,127)	(17,127)
Amortisation of intangible assets	(239)	44	(195)
Interest on lease liabilities	-	(18,945)	(18,945)
<b>Profit before tax</b>	98,376	(8,688)	89,688
Tax charge	(12,711)	1,235	(11,476)
<b>Profit for the year</b>	85,665	(7,453)	78,212

The Group's profit has decreased by €7.5 million and basic earnings per share by 4.0 cents for the year ended 31 December 2019 due to the implementation of IFRS 16. Under the standard, total lease expenses increase in the early years of implementation due to the front-loading effect of finance costs versus the straight-line rent expense under IAS 17, resulting in a decrease in profit.

EBITDA for reportable segments and Adjusted EBITDA (existing alternative performance measures as defined in note 2), are significantly impacted by the implementation of IFRS 16 and have increased by €27.1 million and €27.4 million respectively due to the removal of fixed rent. Under IFRS 16, variable rents based on turnover or profit do not form part of the lease liability measurement and remain in administrative expenses and EBITDA.

Depreciation and finance costs, as currently reported in the Group's profit or loss, have increased, as under the new standard the right-of-use assets are depreciated over the term of the lease and interest costs are applied to the lease liabilities.

# Notes to the consolidated financial statements

(continued)

## 11 Transition impact of IFRS 16 Leases (continued)

### Impact on financial statements (continued)

#### Excerpt from consolidated statement of financial position

On implementation of IFRS 16 on 1 January 2019, the following line items in the consolidated statement of financial position were affected:

	As previously reported at 31 December 2018 €'000	IFRS 16 impact €'000	As presented at 1 January 2019 €'000
<b>Non-current assets</b>			
Intangible assets and goodwill	54,417	(21,103)	33,314
Right-of-use assets	-	343,713	343,713
Other receivables	14,759	(5,422)	9,337
Investment property	1,560	603	2,163
<b>Current assets</b>			
Trade and other receivables	22,566	(4,307)	18,259
<b>Total impact on assets</b>		<b>313,484</b>	
<b>Current liabilities</b>			
Trade and other payables	(65,250)	946	(64,304)
Lease liabilities	-	(26,259)	(26,259)
<b>Non-current liabilities</b>			
Lease liabilities	-	(288,171)	(288,171)
<b>Total impact on liabilities</b>		<b>(313,484)</b>	
<b>Impact on net assets</b>		<b>-</b>	

On transition, the Group recognised lease liabilities amounting to €314.4 million and right-of-use assets of €343.7 million. The measurement of the right-of-use assets includes the amount of the lease liabilities and a further €29.3 million of items that were recognised elsewhere in the statement of financial position at 31 December 2018 as follows:

- » Favourable terms relating to the Gibson hotel operating lease acquired as part of a business combination amounting to €20.5 million previously recognised in intangible assets;
- » Lease prepayments amounting to €8.6 million previously recognised in non-current other receivables (€4.3 million) and current trade and other receivables (€4.3 million);
- » €1.1 million arising from the sale and leaseback of Clayton Hotel Birmingham previously recognised in non-current receivables; less
- » Lease accruals amounting to €0.9 million previously recognised in trade and other payables.

#### Consolidated statement of cash flows

The adoption of IFRS 16 does not have any impact on Group leasing cash flows but the UK tax authorities have decided to follow the accounting changes and allow deductions for interest on lease liabilities and depreciation of right-of-use assets in lieu of lease payments which impact the tax cash flows. There are lower UK tax cash flows in the early years of the leases in line with the front-loading of expenses. There is no cash flow impact in Ireland as the basis for tax deduction remains unchanged.

The presentation of cash flows in the consolidated statement of cash flows is also impacted. Under IFRS 16, lessees must present short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities as part of operating activities.

Lease liability payments are split into payments of interest and payments of principal and are presented separately in the consolidated statement of cash flows. The Group has opted to include the element of cash flows recorded as interest as part of financing activities as permitted by IAS 7 *Statement of Cash Flows*. Cash payments for the principal portion have also been presented as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities and consequently, as a result of the implementation of IFRS 16, the net cash flow from financing activities has decreased by €27.5 million while the net cash generated from operating activities has increased by the same amount.

## Notes to the consolidated financial statements

(continued)

### 12 Leases

#### Group as a lessee

The Group leases assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below:

	Land and buildings €'000	Fixtures, fittings and equipment €'000	Total €'000
<b>Right-of-use assets</b>			
<b>Net book value at 1 January 2019 (note 11)</b>	<b>343,562</b>	<b>151</b>	<b>343,713</b>
Additions	45,656	56	45,712
Depreciation charge for the year (note 3)	(17,068)	(59)	(17,127)
Remeasurement of lease liabilities	9,239	-	9,239
Translation adjustment	4,869	1	4,870
<b>Net book value at 31 December 2019</b>	<b>386,258</b>	<b>149</b>	<b>386,407</b>

Right-of-use assets comprise leased assets that do not meet the definition of investment property.

	€'000
<b>Lease liabilities</b>	<b>€'000</b>
Current	<b>26,259</b>
Non-current	<b>288,171</b>
<b>Lease liabilities at 1 January 2019 (note 11)</b>	<b>314,430</b>

Additions	<b>42,391</b>
Interest on lease liabilities (note 5)	<b>18,945</b>
Lease payments	<b>(27,514)</b>
Remeasurement of lease liabilities	<b>9,239</b>
Translation adjustment	<b>4,610</b>
<b>Lease liabilities at 31 December 2019</b>	<b>362,101</b>

Current	<b>30,557</b>
Non-current	<b>331,544</b>
<b>Lease liabilities at 31 December 2019</b>	<b>362,101</b>

The remeasurement of lease liabilities relates to the reassessment of the lease liabilities of two leases following completion of rent reviews and extension of the lease term at a third hotel during the year ended 31 December 2019.

Additions principally relate to the Group entering into a 30 year lease in November 2019 of the Tamburlaine Hotel in Cambridge, England which has resulted in a right-of-use asset and lease liability of €45.5 million (£38.9 million) and €42.4 million (£36.3 million) respectively. The Group included €3.1 million (£2.6 million) of lease prepayments and initial direct costs in the measurement of the right-of-use asset.

## Notes to the consolidated financial statements

(continued)

### 12 Leases (continued)

#### Group as a lessee (continued)

Non-cancellable undiscounted lease cash flows payable under lease contracts are set out below:

	At 31 December 2019			At 31 December 2018		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
Year ended 31 December 2019	-	-	-	20,876	5,098	26,576
During the year 2020	<b>22,112</b>	<b>7,159</b>	<b>30,526</b>	18,717	4,821	24,106
During the year 2021	<b>22,256</b>	<b>7,090</b>	<b>30,590</b>	18,815	4,821	24,204
During the year 2022	<b>19,442</b>	<b>7,217</b>	<b>27,925</b>	19,152	4,969	24,707
During the year 2023	<b>19,308</b>	<b>7,295</b>	<b>27,882</b>	19,033	5,048	24,676
During the year 2024	<b>17,155</b>	<b>7,363</b>	<b>25,809</b>	16,680	5,075	22,353
During the year 2025	<b>16,843</b>	<b>7,437</b>	<b>25,584</b>	16,568	5,075	22,241
During the year 2026	<b>16,921</b>	<b>7,437</b>	<b>25,662</b>	16,646	5,075	22,320
During the years 2027 – 2036	<b>166,401</b>	<b>78,997</b>	<b>259,251</b>	166,103	54,191	226,683
During the years 2037 – 2046	<b>101,182</b>	<b>87,055</b>	<b>203,504</b>	101,432	59,653	168,118
From 2047 onwards	<b>27,878</b>	<b>60,565</b>	<b>99,064</b>	27,878	52,639	86,724
	<b>429,498</b>	<b>277,615</b>	<b>755,797</b>	441,900	206,465	672,708

Sterling amounts have been converted using the closing foreign exchange rate of 0.8508 as at 31 December 2019 (0.89453 as at 31 December 2018).

The weighted average lease life of future minimum rentals payable under leases is 29.4 years (31 December 2018: 30.3 years). The Group does not face a significant liquidity risk with regard to its lease liabilities which are expected to be capable of being paid from operating cash flows over the life of the leases. Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 December 2019, the total fixed cash outflows amounted to €27.5 million for land and building leases and €0.3 million for leases of fixtures, fittings and equipment.

#### Proforma unwind of right-of-use assets and release of interest charge

The proforma unwinding of the right-of-use assets and the release of the interest on the lease liabilities through profit or loss over the terms of the leases have been disclosed in the following table:

	Depreciation of right-of-use assets			Interest on lease liabilities		
	Republic of Ireland €'000	United Kingdom €'000	Total €'000	Republic of Ireland €'000	United Kingdom €'000	Total €'000
During the year 2020	15,198	3,544	19,363	12,990	6,721	20,890
During the year 2021	15,166	3,536	19,322	12,529	6,697	20,400
During the year 2022	12,127	3,535	16,282	12,093	6,673	19,936
During the year 2023	11,957	3,535	16,112	11,678	6,638	19,480
During the year 2024	10,085	3,535	14,240	11,286	6,597	19,040
During the year 2025	10,003	3,535	14,158	10,954	6,548	18,650
During the year 2026	9,999	3,535	14,154	10,605	6,495	18,239
During the years 2027 – 2036	94,609	35,353	136,162	81,744	60,010	152,278
During the years 2037 – 2046	56,113	35,353	97,666	29,314	41,885	78,544
From 2047 onwards	14,922	20,442	38,948	4,497	18,498	26,239
	<b>250,179</b>	<b>115,903</b>	<b>386,407</b>	<b>197,690</b>	<b>166,762</b>	<b>393,696</b>

Sterling amounts have been converted using the closing foreign exchange rate of 0.8508 as at 31 December 2019.

## Notes to the consolidated financial statements

(continued)

### 12 Leases (continued)

#### Group as a lessee (continued)

The actual depreciation and interest charge through profit or loss will depend on the composition of the Group's lease portfolio in future years and is subject to change, driven by:

- » commencement of new leases;
- » modifications of existing leases;
- » reassessments of lease liabilities following periodic rent reviews; and
- » impairments of right-of-use assets.

There are no events or changes in circumstances which indicate that the carrying value of the right-of-use assets may not be recoverable.

#### Leases of land and buildings

The Group leases land and buildings for its hotel operations and office space. The leases of hotels typically run for a period of between 25 and 35 years and leases of office space for ten years.

Some leases provide for additional rent payments that are based on a percentage of the revenue/EBITDAR that the Group generates at the hotel in the period. The Group sub-leases part of one of its properties to a tenant under an operating lease.

#### Variable payments based on revenue/EBITDAR

These terms are common in hotel leases in the Republic of Ireland and the United Kingdom and link rental payments to hotel cash flows and reduce fixed payments. Variable lease payments based on revenue/EBITDAR for the year ended 31 December 2019 are as follows:

	Variable rent element €'000	Estimated impact on variable rent of 5% increase in revenue/ EBITDAR €'000
Leases with lease payments based on revenue/EBITDAR	7,321	600

#### Extension options and termination options

The Group, as a hotel lessee, does not have any extension options. The Group holds a single termination option in an office space lease. The Group assesses at lease commencement whether it is reasonably certain not to terminate the option and reassesses if there is a significant event or change in circumstances within its control. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted) €'000	Potential future lease payments not included in lease liabilities (discounted) €'000
Office building	372	486

#### Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 31 December 2019 and details of the non-cancellable lease rentals and other contractual obligations payable under these agreements are set out hereafter. These represent the minimum future lease payments (undiscounted) in aggregate that the Group is required to make under the agreements. An agreement for lease is a binding agreement between external third parties and the Group to enter into a lease at a future date. The dates of commencement of these leases may change based on the hotel operating dates. The amounts payable may also change slightly if there are any changes in room numbers delivered through construction.

## Notes to the consolidated financial statements

(continued)

### 12 Leases (continued)

#### Group as a lessee (continued)

##### Leases of land and buildings (continued)

	At 31 December 2019 €'000	At 31 December 2018 €'000
<b>Agreements for lease</b>		
Less than one year	1,910	2,585
One to two years	17,314	9,947
Two to five years	66,656	55,660
Five to fifteen years	236,011	181,086
Fifteen to twenty five years	249,344	192,114
After twenty five years	307,763	240,088
<b>Total future lease payments</b>	<b>878,998</b>	<b>681,480</b>

The significant movement since the year ended 31 December 2018 is due principally to the following:

- » The Group has signed an agreement to lease the Maldron Hotel Croke Park, to be built in Dublin. On completion of construction, the Group will commence operations in the hotel through a 35 year lease; and
- » The Group has signed an agreement to lease a Maldron Hotel, to be built in Liverpool. On completion of construction, the Group will commence operations in the hotel through a 35 year lease.

Also, included in the above table are future lease payments for agreements for lease, with a lease term of 35 years, for Maldron Hotel Glasgow, Clayton Hotel Glasgow, Clayton Hotel Bristol, Maldron Hotel Birmingham, Maldron Hotel Manchester, Clayton Hotel Manchester City and The Samuel, Dublin.

#### Leases of fixtures, fittings and equipment

The Group leases a small number of vehicles, IT equipment and hotel equipment with lease terms of up to five years. The Group has applied the short-term and low value exemptions available under IFRS 16 Leases where applicable and recognises lease payments associated with short-term leases or leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term. Where the exemptions were not available, right-of-use assets have been recognised with corresponding lease liabilities.

	2019 €'000
Expenses relating to short-term leases recognised in administrative expenses	172
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets recognised in administrative expenses	111

#### Group as a lessor

Lease income from lease contracts in which the Group acts as lessor is outlined below:

	2019 €'000	2018 €'000
Operating lease income (note 4)	351	271

The Group leases its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of these assets to the lessee. Operating lease income from sub-leasing right-of-use assets for the year ended 31 December 2019 amounted to €0.1 million.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments receivable:

	2019 €'000	2018 €'000
Less than one year	313	231
One to two years	283	231
Two to three years	249	231
Three to four years	238	231
Four to five years	238	231
More than five years	1,488	1,667
<b>Total undiscounted lease payments receivable</b>	<b>2,809</b>	<b>2,822</b>

## Notes to the consolidated financial statements

(continued)

### 13 Investment property

	2019	2018
	€'000	€'000
<b>Cost or valuation</b>		
At 1 January	1,560	1,585
Transfer from intangible assets on transition to IFRS 16 (note 9)	603	-
Effect of movements in exchange rates	30	-
Loss on revaluation recognised in profit or loss	(44)	(25)
<b>At 31 December</b>	<b>2,149</b>	<b>1,560</b>

Investment property at 31 December 2019 reflects the following assets and movements during the year:

- » Two commercial properties which are leased to third parties for lease terms of 25 and 30 years, with 11 and 7 years remaining at 31 December 2019 (€1.2 million); and
- » An intangible asset amounting to €0.6 million at 31 December 2018 was transferred to investment property on 1 January 2019 upon recognition of a right-of-use asset with respect to the head lease in accordance with IFRS 16 Leases. This asset represents the Group's interest in a sub-lease (as sub-lessor) retained in respect of part of the Clayton Hotel Cardiff, UK following the sale and leaseback of that hotel property in 2017.

Also included in investment property is a sub-lease of part of Clayton Whites Hotel, Wexford which has a carrying value of €0.4 million (2018: €0.4 million).

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

An investment property with a carrying value of €0.6 million (2018: €nil) was pledged as security for loans and borrowings at 31 December 2019.

### 14 Contract fulfilment costs

	2019	2018
	€'000	€'000
<b>Non-current asset</b>		
At 1 January	9,066	-
Transfer from land and buildings to contract fulfilment costs (note 10)	-	8,085
Other costs incurred in fulfilling contract to date	4,143	981
Capitalised borrowing costs (note 5)	137	-
<b>At 31 December</b>	<b>13,346</b>	<b>9,066</b>

Contract fulfilment costs, within non-current assets, relate to the Group's contractual agreement with Irish Residential Properties REIT plc ("IRES"), entered into on 16 November 2018, for IRES to purchase a residential development the Group is developing (comprising 69 residential units) on the site of the former Tara Towers hotel.

Revenue and the associated cost will be recognised on this contract in profit or loss when the performance obligation in the contract has been met. Based on the terms of the contract this will be on legal completion of the contract which will occur on practical completion of the development project which is expected to be in 2021. As a result, revenue will be recognised at a point in time in the future when the performance obligation is met, rather than over time.

Arising from the change in use by the Group of previously recognised property, plant and equipment during 2018, following the closure of the former Tara Towers Hotel, there was a transfer to contract fulfilment costs within non-current assets (€8.1 million) relating to the element of the land on the site of the former Tara Towers hotel (note 10) which will be used for the residential development.

Other costs incurred in fulfilling the contract of €4.1 million (2018: €1.0 million), which relate directly to this contractual agreement with IRES, are also included within non-current assets at 31 December 2019. These costs have enhanced the asset which will be used for the residential development, have been used in order to satisfy the contract and the costs are expected to be recovered. They primarily relate to build costs, legal costs, architectural and planning costs and other professional fees incurred up to 31 December 2019 in fulfilling the contract.

Interest capitalised on loans and borrowings relating to this development (qualifying asset) was €0.1 million in the year to 31 December 2019 (2018: €nil) (note 5).

The overall sale value of the transaction is expected to be up to €42.4 million (excluding VAT). The overall value of the transaction will vary depending on how Part V obligations (Social and Affordable housing allocation) are settled with Dublin City Council.

Contract fulfilment costs paid have been included in investing activities in the consolidated statement of cash flows as they are not primarily derived from the principal revenue-producing activities of the Group.

## Notes to the consolidated financial statements

(continued)

### 15 Trade and other receivables

	2019	2018
	€'000	€'000
<b>Non-current assets</b>		
Other receivables	1,400	900
Deposit paid on acquisitions	-	5,086
Prepayments	5,360	8,773
	<b>6,760</b>	<b>14,759</b>
<b>Current assets</b>		
Trade receivables	7,920	9,300
Prepayments	6,135	8,943
Contract assets	2,456	2,614
Accrued income	1,886	1,709
Other receivables	3,405	-
	<b>21,802</b>	<b>22,566</b>
<b>Total</b>	<b>28,562</b>	<b>37,325</b>

Non-current other receivables includes a non-current deposit required as part of a hotel property lease contract of €0.9 million (2018: €0.9 million). The deposit is interest-bearing and is refundable at the end of the lease term.

At 31 December 2019, non-current other receivables and current other receivables include €0.5 million and €3.0 million (€3.4 million including VAT) respectively relating to a renovation project at a leased hotel where the landlord will pay €7.5 million (excluding VAT) to the Group in return for the transferring of assets worth €7.5 million to the landlord. This contractual arrangement was entered into during 2019. Prior to signing the arrangement, €4.2 million of expenditure was incurred and capitalised as assets under construction within property, plant and equipment in relation to this project. On signing of the contractual arrangement this €4.2 million was transferred to other receivables from assets under construction (note 10). A further €3.3 million has been spent on the renovation project from the date of signing of the contractual arrangement to 31 December 2019. As this expenditure is directly related to this contractual arrangement, the Group has included these costs as receivables in line with the contractual arrangement. On 7 May 2019, the Group received a first instalment of €4 million in relation to the total agreed sum of €7.5 million. €3.0 million (€3.4 million including VAT) of the remaining €3.5 million was requested for payment in December 2019. This has been received in January 2020. The remaining €0.5 million will be received in January 2021 and is recognised as a non-current other receivable. No revenue or cost will be recognised in profit or loss on this contractual arrangement as the Group is acting as an agent in this arrangement with no gain or loss on the transfer of the assets as the Group is being reimbursed for the costs.

Included in non-current prepayments at 31 December 2019 is an amount of €5.2 million (31 December 2018: €1.4 million) of professional fees directly related to future lease agreements for hotels currently being constructed or in planning. When these leases are initiated, these costs will be reclassified to right-of-use assets.

At 31 December 2018, lease prepayments of €5.4 million were included in non-current prepayments and €4.3 million in current trade and other receivables which have now been included in the measurement of right-of-use assets in accordance with IFRS 16 Leases (note 11).

Included in non-current prepayments at 31 December 2018 was €0.9 million relating to a prepayment made for IT costs. The Group entered into a software licence agreement in 2019 and these costs, together with other payments made in 2019 to the commencement date totalled €1.2 million and were transferred to intangible assets (note 9).

Included in non-current assets at 31 December 2018 was a deposit paid of €5.1 million (€4.6 million) relating to the acquisition of Hintergard Limited, which owns the hotel subsequently rebranded as Clayton Hotel City of London. This was reclassified to property, plant and equipment after completing the transaction on 3 January 2019 (note 10). Professional fees included in non-current prepayments at 31 December 2018 of €1.1 million (€1.0 million) associated with this transaction were also reclassified to property, plant and equipment upon acquisition.

Trade receivables are subject to the expected credit loss model in IFRS 9 *Financial Instruments*. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

## Notes to the consolidated financial statements

(continued)

### 15 Trade and other receivables (continued)

Aged analysis of trade receivables

	Gross receivables 2019 €'000	Expected credit loss rate 2019	Impairment provision 2019 €'000	Net receivables 2019 €'000
Not past due	1,719	0.1%	(2)	1,717
Past due < 30 days	2,905	0.4%	(11)	2,894
Past due 30 - 60 days	2,016	0.8%	(16)	2,000
Past due 60 - 90 days	543	3.3%	(18)	525
Past due > 90 days	1,045	25.0%	(261)	784
	<b>8,228</b>		<b>(308)</b>	<b>7,920</b>

	Gross receivables 2018 €'000	Expected credit loss rate 2018	Impairment provision 2018 €'000	Net receivables 2018 €'000
Not past due	4,607	0.1%	(5)	4,602
Past due < 30 days	2,313	0.4%	(9)	2,304
Past due 30 - 60 days	1,011	0.8%	(8)	1,003
Past due 60 - 90 days	320	3.8%	(12)	308
Past due > 90 days	1,569	31.0%	(486)	1,083
	<b>9,820</b>		<b>(520)</b>	<b>9,300</b>

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

### 16 Inventories

	2019 €'000	2018 €'000
Goods for resale	1,542	1,584
Consumable stores	385	370
	<b>1,927</b>	<b>1,954</b>

Inventories recognised as cost of sales during the year amounted to €29.2 million (2018: €27.8 million).

### 17 Cash and cash equivalents

	2019 €'000	2018 €'000
Cash at bank and in hand	40,586	35,907
	<b>40,586</b>	<b>35,907</b>

## Notes to the consolidated financial statements

(continued)

### 18 Capital and reserves

Share capital and share premium

At 31 December 2019

Authorised share capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000

Allotted, called-up and fully paid shares

Ordinary shares of €0.01 each	Number	€'000
	185,100,620	1,851

Share premium

504,488

At 31 December 2018

Authorised share capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000

Allotted, called-up and fully paid shares

Ordinary shares of €0.01 each	Number	€'000
	184,349,666	1,843

Share premium

503,113

All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2019, the Company issued 285,809 shares of €0.01 per share following the vesting of awards granted in March 2016 under the 2014 LTIP (note 7). 465,145 shares were also issued during 2019 under the Share Save schemes granted in 2016 which had a weighted average exercise price of €2.96 per share (note 7).

Dividends

The dividends paid in respect of ordinary share capital were as follows:

	2019 €'000	2018 €'000
Final dividend paid 7.0 cents per Ordinary Share (2018: €nil)	12,925	-
Interim dividend paid 3.5 cents per Ordinary Share (2018: 3.0 cents)	6,462	5,529
	<b>19,387</b>	<b>5,529</b>

A final dividend for 2018 of 7.0 cents per share was paid on 8 May 2019 on the ordinary shares in Dalata Hotel Group plc and amounted to €12.9 million (2018: €nil).

An interim dividend for 2019 of 3.5 cents (2018: 3.0 cents) per share was paid on 4 October 2019 on the ordinary shares in Dalata Hotel Group plc and amounted to €6.5 million (2018: €5.5 million).

On 24 February 2020, the Board proposed a final dividend for 2019 of 7.25 cents per share. This proposed final dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 6 May 2020 to shareholders registered on the record date 14 April 2020. These consolidated financial statements do not reflect this dividend. Based on shares in issue at 31 December 2019, the amount of dividends proposed is €13.4 million.

## Notes to the consolidated financial statements

(continued)

### 18 Capital and reserves (continued)

#### Nature and purpose of reserves

##### (a) Capital contribution and merger reserve

As part of a Group reorganisation in 2014, the Company became the ultimate parent entity of the then existing Group, 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 €40.0 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 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.

##### (b) Share-based payment reserve

The share-based payment reserve comprises amounts equivalent to the cumulative cost of awards by the Group under equity-settled share-based payment arrangements being the Group's Long Term Incentive Plans and the Share Save schemes. On vesting, the cost of awards previously recognised in the share-based payments reserve is transferred to retained earnings. Details of the share awards, in addition to awards which vested in the year, are disclosed in note 7 and on pages 78 to 95 of the Remuneration Committee report.

##### (c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, net of deferred tax.

##### (d) Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings in line with the Group's policy to fair value these assets at each reporting date (note 10), net of deferred tax.

##### (e) Translation reserve

The translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (note 24).

## Notes to the consolidated financial statements

(continued)

### 19 Trade and other payables

	2019 €'000	2018 €'000
Trade payables	15,598	18,490
Accruals	32,135	34,072
Contract liabilities	10,348	9,421
Value added tax	5,278	775
Payroll taxes	2,804	2,492
	<b>66,163</b>	<b>65,250</b>

Accruals include capital expenditure accruals including work in progress at year end which has not yet been invoiced (2019: €7.5 million, 2018: €9.5 million).

Value added tax liability ('VAT') as at 31 December 2019 has increased since 2018 due to the reduced levels of input VAT on construction costs relative to the prior year, as construction was completed at these newly completed hotel developments at the end of 2018. Additionally, the VAT rate at which the Group makes the majority of its sales in Ireland has increased from 9% in 2018 to 13.5% in 2019.

### 20 Provision for liabilities

	2019 €'000	2018 €'000
<b>Non-current liabilities</b>		
Insurance provision	4,804	4,783
<b>Current liabilities</b>		
Insurance provision	1,759	1,859
	<b>6,563</b>	<b>6,642</b>

The reconciliation of the movement in the provision during the year is as follows:

	2019 €'000	2018 €'000
At 1 January	6,642	4,716
Provisions made during the year – charged to profit or loss	2,500	2,784
Utilised during the year	(723)	(858)
Reversed to profit or loss during the year	(1,856)	-
<b>At 31 December</b>	<b>6,563</b>	<b>6,642</b>

This provision relates to actual and potential obligations arising from the Group's insurance arrangements where the Group is self-insured. The Group has third party insurance cover above specific limits for individual claims and has an overall maximum aggregate payable for all claims in any one year. The amount provided is principally based on projected settlements as determined by external loss adjusters. The provision also includes an estimate for claims incurred but not yet reported and incurred but not enough reported.

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. The Group expects the majority of the insurance provision will be utilised within five years of the period end date, however, due to the nature of the provision, there is a level of uncertainty in the timing of settlement as the Group generally cannot precisely determine the extent and duration of the claim process. The provision has been discounted to reflect the time value of money though the effect is not significant.

The self-insurance programme commenced in July 2015 and increasing levels of claims data is becoming available. Claim provisions are assessed in light of claims experience and amended accordingly to ensure provisions reflect recent experience and trends. This has resulted in a reversal of provisions made in prior periods of €1.9 million (2018: €nil) which has been credited within administrative expenses.

## Notes to the consolidated financial statements

(continued)

### 21 Loans and borrowings

	2019 €'000	2018 €'000
Bank borrowings	415,432	306,078
Less: unamortised debt costs	(3,693)	(4,189)
<b>Total loans and borrowings</b>	<b>411,739</b>	<b>301,889</b>

On 26 October 2018, the Group successfully completed the refinancing of its existing debt facility with a banking club of six lenders - four original lenders who had participated in the previous facility and two new lenders to the Group. A new €525 million five year multicurrency facility was entered into consisting of a €200 million term loan facility and a €325 million revolving credit facility, with a maturity date of 26 October 2023. On 19 August 2019, the Group availed of its option to extend the €525 million multicurrency facility for an additional year to 26 October 2024.

In line with IFRS 9 derecognition criteria, the Group assessed whether the terms and cash flows of the modified liability were substantially different on refinancing.

Based on the '10% test' referred to in note 1 (xxiv) (derecognition of financial liabilities accounting policy), the loans and borrowings which were repriced to current market terms and which related to the original lenders were deemed to be non-substantially modified. As they are floating rate liabilities, the amortised cost of the loans and borrowings relating to the original lenders was recalculated by discounting the modified cash flows at an effective interest rate which reflected the market terms of the refinanced liabilities on 26 October 2018, which resulted in no gain or loss. These loans and borrowings are recognised at amortised cost with directly attributable costs being amortised to profit or loss on an effective interest rate basis over the term. Unamortised arrangement fees of €0.9 million on the original loans, which were not reflective of market terms at the refinancing date, were recognised immediately in finance costs in profit or loss in 2018 (note 5).

The loans and borrowings drawn with the two new lenders on 26 October 2018 were accounted for as new financial liabilities and accounted for at fair value less directly attributable transaction costs on initial recognition and subsequently, stated at amortised cost with directly attributable costs amortised to profit or loss on an effective interest rate basis.

As at 31 December 2019, the drawn loan facility is €415.4 million consisting of Sterling term borrowings of £176.5 million (€207.5 million) and revolving credit facility borrowings of €207.9 million - €102.1 million in Euro and €90 million (€105.8 million) in Sterling. Unamortised debt costs at that date total €3.7 million.

During 2019, €60 million and €30.5 million were drawn to fund the acquisition of the effective freehold interest in Clayton Hotel City of London (note 10) and €30 million was drawn to fund the purchase of a site on Paul Street in Shoreditch, London (note 10), from the revolving credit facility. The undrawn loan facilities as at 31 December 2019 were €121.2 million (2018: €216.2 million).

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 (note 22). The loans are secured on 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.

## Notes to the consolidated financial statements

(continued)

### 21 Loans and borrowings (continued)

#### Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2019

	Liabilities			Equity				Total €'000
	Loans and borrowings €'000	Lease liabilities €'000	Trade and other payables €'000	Derivatives €'000	Share capital €'000	Share premium €'000	Retained earnings €'000	
<b>Balance as at 31 December 2018</b>	<b>301,889</b>	<b>-</b>	<b>65,250</b>	<b>1,306</b>	<b>1,843</b>	<b>503,113</b>	<b>144,061</b>	<b>1,017,462</b>
<b>Changes from financing cash flows</b>								
Proceeds from vesting of share awards	-	-	-	-	8	1,375	-	<b>1,383</b>
Borrowing costs	(300)	-	(9,875)	(1,021)	-	-	-	<b>(11,196)</b>
Receipt of bank loans	134,437	-	-	-	-	-	-	<b>134,437</b>
Repayment of bank loans	(42,158)	-	-	-	-	-	-	<b>(42,158)</b>
Repayment of lease liabilities	-	(8,569)	-	-	-	-	-	<b>(8,569)</b>
Interest on lease liabilities	-	(18,945)	-	-	-	-	-	<b>(18,945)</b>
Dividends paid	-	-	-	-	-	-	(19,387)	<b>(19,387)</b>
<b>Total changes from financing cash flows</b>	<b>91,979</b>	<b>(27,514)</b>	<b>(9,875)</b>	<b>(1,021)</b>	<b>8</b>	<b>1,375</b>	<b>(19,387)</b>	<b>35,565</b>
<b>Liability-related other changes</b>								
The effect of changes in foreign exchange rates	17,075	4,610	62	67	-	-	-	<b>21,814</b>
Changes in fair value	-	-	-	4,171	-	-	-	<b>4,171</b>
Interest expense on bank loans and borrowings	-	-	9,126	-	-	-	-	<b>9,126</b>
Other finance costs - net amortisation of debt costs	796	-	-	-	-	-	-	<b>796</b>
Other finance costs - other	-	-	1,600	-	-	-	-	<b>1,600</b>
Additions to lease liabilities at 1 January 2019	-	314,430	-	-	-	-	-	<b>314,430</b>
Additions to lease liabilities during the year	-	42,391	-	-	-	-	-	<b>42,391</b>
Interest on lease liabilities	-	18,945	-	-	-	-	-	<b>18,945</b>
Other movements in lease liabilities	-	9,239	-	-	-	-	-	<b>9,239</b>
<b>Total liability-related other changes</b>	<b>17,871</b>	<b>389,615</b>	<b>10,788</b>	<b>4,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>422,512</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,223</b>	<b>80,223</b>
<b>Balance as at 31 December 2019</b>	<b>411,739</b>	<b>362,101</b>	<b>66,163</b>	<b>4,523</b>	<b>1,851</b>	<b>504,488</b>	<b>204,897</b>	<b>1,555,762</b>



## Notes to the consolidated financial statements

(continued)

### 21 Loans and borrowings (continued)

#### Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2018

	Liabilities			Equity		Total €'000
	Loans and borrowings €'000	Trade and other payables €'000	Derivatives €'000	Share capital €'000	Retained earnings €'000	
<b>Balance as at 31 December 2017</b>	<b>260,139</b>	<b>64,853</b>	<b>1,778</b>	<b>1,837</b>	<b>73,045</b>	<b>401,652</b>
<b>Changes from financing cash flows</b>						
Proceeds from vesting of share awards	-	-	-	6	-	6
Interest and finance costs paid	(3,693)	(8,469)	(1,026)	-	-	(13,188)
Receipt of bank loans	137,902	-	-	-	-	137,902
Repayment of bank loans	(92,563)	-	-	-	-	(92,563)
Dividends paid	-	-	-	-	(5,529)	(5,529)
<b>Total changes from financing cash flows</b>	<b>41,646</b>	<b>(8,469)</b>	<b>(1,026)</b>	<b>6</b>	<b>(5,529)</b>	<b>26,628</b>
<b>Liability-related other changes</b>						
The effect of changes in foreign exchange rates	(1,570)	-	-	-	-	(1,570)
Changes in fair value	-	-	554	-	-	554
Interest expense on bank loans and borrowings	-	7,801	-	-	-	7,801
Other finance costs - net amortisation of debt costs	1,674	-	-	-	-	1,674
Other finance costs - other	-	1,065	-	-	-	1,065
<b>Total liability-related other changes</b>	<b>104</b>	<b>8,866</b>	<b>554</b>	<b>-</b>	<b>-</b>	<b>9,524</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,545</b>	<b>76,545</b>
<b>Balance as at 31 December 2018</b>	<b>301,889</b>	<b>65,250</b>	<b>1,306</b>	<b>1,843</b>	<b>144,061</b>	<b>514,349</b>

## Notes to the consolidated financial statements

(continued)

### 21 Loans and borrowings (continued)

#### Reconciliation of movement in net debt for the year ended 31 December 2019

	Sterling facility €'000	Sterling facility €'000	Euro facility €'000	Total €'000
<b>Loans and borrowings (excluding unamortised debt costs)</b>				
At 1 January 2019	178,352	199,381	106,697	306,078
<b>Cash flows</b>				
Facilities drawn down	90,000	98,937	35,500	134,437
Loan repayments	(1,852)	(2,158)	(40,000)	(42,158)
<b>Non-cash changes</b>				
Effect of foreign exchange movements	-	17,075	-	17,075
<b>At 31 December 2019</b>	<b>266,500</b>	<b>313,235</b>	<b>102,197</b>	<b>415,432</b>
<b>Cash and cash equivalents</b>				
At 1 January 2019				35,907
Movement during the year				4,679
<b>At 31 December 2019</b>				<b>40,586</b>
<b>Net debt at 31 December 2019</b>				<b>374,846</b>

#### Reconciliation of net debt and lease liabilities

<b>Net debt at 31 December 2019</b>	<b>374,846</b>
Lease liabilities as at 1 January 2019 (note 12)	314,430
Additions (note 12)	42,391
Interest on lease liabilities (note 12)	18,945
Lease payments (note 12)	(27,514)
Remeasurement of lease liabilities (note 12)	9,239
Translation adjustment (note 12)	4,610
<b>Lease liabilities at 31 December 2019</b>	<b>362,101</b>
<b>Net debt and lease liabilities at 31 December 2019</b>	<b>736,947</b>

Net debt is calculated in line with banking covenants and includes external loans and borrowings before deduction of amortised debt costs less cash and cash equivalents. The above table also includes a reconciliation to net debt and lease liabilities. Interest rate swaps of €4.5 million are not included in the above tables (2018: €1.3 million).

#### Reconciliation of movement in net debt for the year ended 31 December 2018

	Sterling facility €'000	Sterling facility €'000	Euro facility €'000	Total €'000
<b>Loans and borrowings (excluding unamortised debt costs)</b>				
At 1 January 2018	174,352	196,512	65,797	262,309
<b>Cash flows</b>				
Facilities drawn down	43,251	48,726	89,176	137,902
Loan repayments	(39,251)	(44,287)	(48,276)	(92,563)
<b>Non-cash changes</b>				
Effect of foreign exchange movements	-	(1,570)	-	(1,570)
<b>At 31 December 2018</b>	<b>178,352</b>	<b>199,381</b>	<b>106,697</b>	<b>306,078</b>
<b>Cash and cash equivalents</b>				
At 1 January 2018				15,745
Movement during the year				20,162
<b>At 31 December 2018</b>				<b>35,907</b>
<b>Net debt at 31 December 2018</b>				<b>270,171</b>

## Notes to the consolidated financial statements

(continued)

### 22 Derivatives

The Group have entered into interest rate swaps and a cap agreement with a number of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (note 21).

Interest rate swaps are employed by the Group to partially convert the Group's Sterling denominated borrowings from floating to fixed interest rates. An interest rate cap was employed to limit the exposure to upward movements in floating interest rates on Euro denominated borrowings. The interest rate cap matured on 30 September 2019.

On 26 October 2018, as a result of the refinancing (note 21), the Group decided to hedge the floating interest rate on all the term borrowings for a five year term.

The terms of the derivatives are as follows:

- » On refinancing, the interest rate swaps with a maturity date of 3 February 2020 were retained which fix the LIBOR benchmark rate to 1.5025% on a notional of £101.5 million Sterling denominated borrowings.
- » On 26 October 2018, two new interest rate swaps were employed with an effective date of 3 February 2020 which hedge the LIBOR benchmark rate on £101.5 million of the Sterling denominated borrowings for the period to the maturity of the term borrowings on 26 October 2023. These swaps fix the LIBOR benchmark rate to 1.39%.
- » On 26 October 2018, two new interest rate swaps were employed with an effective date of 26 October 2018 and a maturity date of 26 October 2023 to hedge the LIBOR benchmark rate on a total notional of £75 million of the Group's term Sterling denominated borrowings. These swaps fix the LIBOR benchmark rate at 1.27% on a notional of £63 million and 1.28% on a notional of £12 million of Sterling denominated borrowings.

During the year ended 31 December 2019, the Group entered into the following interest rate swaps which hedge the floating rate on Sterling borrowings:

- » On 9 January 2019, two interest rate swaps were entered into with an effective date of 29 March 2019 and a maturity date of 31 December 2020 to hedge the LIBOR benchmark rate on £25 million of the Sterling revolving credit facility borrowings. The swaps hedge the LIBOR benchmark rate to 1.086%.
- » As a result of the loan facility being extended for an additional year to 26 October 2024 (note 21), four new interest rate swaps were employed with an effective date of 26 October 2023 and a maturity date of 26 October 2024 which hedge the LIBOR benchmark rate on the Sterling term denominated borrowings. These swaps fix the LIBOR benchmark rate between 0.95% and 0.96%.

As at 31 December 2019, the interest rate swaps cover 100% of the Group's Term Sterling denominated borrowings. As at 31 December 2019, the interest rate swaps cover 28% of the Group's Sterling revolving credit facility borrowings.

All derivatives have been designated as hedging instruments for the purposes of IFRS 9.

## Notes to the consolidated financial statements

(continued)

### 22 Derivatives (continued)

Fair value	2019 €'000	2018 €'000
<b>Current liabilities</b>		
Interest rate swap liabilities	(89)	-
<b>Non-current liabilities</b>		
Interest rate swap liabilities	(4,434)	(1,306)
<b>Total derivative liabilities</b>	<b>(4,523)</b>	<b>(1,306)</b>
	2019 €'000	2018 €'000
<b>Included in other comprehensive income</b>		
<b>Fair value losses on derivative instruments</b>		
Fair value loss on interest rate swap liabilities	(4,238)	(553)
Fair value loss on interest rate cap asset	-	(1)
	<b>(4,238)</b>	<b>(554)</b>
Reclassified to profit or loss (note 5)	1,021	1,026
Other amounts reclassified to profit or loss (note 5)	156	-
	<b>(3,061)</b>	<b>472</b>

The amount reclassified to profit or loss during the year represents the incremental interest expense arising under the interest rate swaps because actual LIBOR rates were lower than the swap rates.

Other amounts reclassified to profit or loss relate to the release of the cap asset on maturity in September 2019.

### 23 Deferred tax

	2019 €'000	2018 €'000
Deferred tax assets	3,527	2,613
Deferred tax liabilities	(59,358)	(41,129)
<b>Net liability</b>	<b>(55,831)</b>	<b>(38,516)</b>
	2019 €'000	2018 €'000
<b>Movements in year</b>		
At 1 January – net liability	(38,516)	(28,287)
Charge for year – to profit or loss (note 8)	(425)	(536)
Charge for year – to other comprehensive income	(16,890)	(9,693)
<b>At 31 December – net liability</b>	<b>(55,831)</b>	<b>(38,516)</b>

The majority of the deferred tax liabilities result from the Group's policy of ongoing revaluation of land and buildings. Where the carrying value of a property in the financial statements is greater than its tax base cost, the Group recognises a deferred tax liability. This is calculated using applicable Irish and UK corporation tax rates. The use of these rates in line with the applicable accounting standards reflects the intention of the Group to use these assets for ongoing trading purposes. Should the Group dispose of a property, the actual tax liability would be calculated with reference to rates for capital gains on commercial property.

The Group acquired Hotel La Tour Birmingham Limited in July 2017. At that time, the company had tax trading losses forward of €8.2 million (€9.6 million) which were not recognised as an asset in the statutory accounts of that company. Hotel La Tour Birmingham Limited sold Hotel La Tour Birmingham (now Clayton Hotel Birmingham) in August 2017, at which time a taxable capital gain of €6.0 million (€7.0 million) arose. The Group opted to roll over this capital gain by correspondingly reducing the future tax base cost of capital assets.

The Group immediately recognised this deferred tax liability of €1.0 million (€1.2 million) and recognised a matching deferred tax asset relating to the trading losses to the extent of the capital gain arising. A further €2.2 million (€2.6 million) of tax trading losses remain unrecognised. The tax effect of these losses is €0.4 million (€0.4 million).

## Notes to the consolidated financial statements

(continued)

### 23 Deferred tax (continued)

Deferred tax arises from temporary differences relating to:

	Balance as at 31 December 2019					
	Net balance at 1 January 2019	Recognised in profit or loss 2019	Recognised in OCI 2019	Net deferred tax 2019	Deferred tax assets 2019	Deferred tax liability 2019
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(38,204)	(811)	(17,272)	(56,287)	753	(57,040)
Intangible assets	(2,562)	764	-	(1,798)	520	(2,318)
Tax losses carried forward	2,069	(378)	-	1,691	1,691	-
Other	181	-	382	563	563	-
Net deferred tax	(38,516)	(425)	(16,890)	(55,831)	3,527	(59,358)

	Balance as at 31 December 2018					
	Net balance at 1 January 2018	Recognised in profit or loss 2018	Recognised in OCI 2018	Net deferred tax 2018	Deferred tax assets 2018	Deferred tax liability 2018
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(27,647)	(923)	(9,634)	(38,204)	363	(38,567)
Intangible assets	(2,562)	-	-	(2,562)	-	(2,562)
Tax losses carried forward	1,682	387	-	2,069	2,069	-
Other	240	-	(59)	181	181	-
Net deferred tax	(28,287)	(536)	(9,693)	(38,516)	2,613	(41,129)

### 24 Financial instruments and risk management

#### 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 throughout its business: loans and borrowings and cash and cash equivalents are used to finance the Group's development and operations; trade and other receivables, trade payables and accruals arise directly from operations; and derivatives are used to manage interest rate risks and to achieve a desired profile of borrowings. The Group uses Sterling denominated borrowings as a net investment hedge to hedge the foreign exchange risk from investments in certain UK operations. The Group does not trade in financial instruments.

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 2019. 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. A fair value disclosure for lease liabilities is not required.

	Financial assets measured at fair value	Financial assets at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2019	2019	2019	2019	2019	2019	2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Assets							
Trade and other receivables excluding prepayments (note 15)	-	17,067	17,067				
Cash at bank and in hand (note 17)	-	40,586	40,586				
	-	57,653	57,653				

## Notes to the consolidated financial statements

(continued)

### 24 Financial instruments and risk management (continued)

#### Risk exposures (continued)

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2019	2019	2019	2019	2019	2019	2019
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Liabilities							
Bank loans (note 21)	-	(411,739)	(411,739)		(411,739)		(411,739)
Trade payables and accruals (note 19)	-	(47,733)	(47,733)				
Derivatives (note 22) – hedging instruments	(4,523)	-	(4,523)		(4,523)		(4,523)
	(4,523)	(459,472)	(463,995)				

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 2018. 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	Financial assets at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2018	2018	2018	2018	2018	2018	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Assets							
Trade and other receivables excluding prepayments and deposits paid on acquisitions (note 15)	-	14,523	14,523				
Cash at bank and in hand (note 17)	-	35,907	35,907				
	-	50,430	50,430				

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2018	2018	2018	2018	2018	2018	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Liabilities							
Bank loans (note 21)	-	(301,889)	(301,889)		(301,889)		(301,889)
Trade payables and accruals (note 19)	-	(52,562)	(52,562)				
Derivatives (note 22) – hedging instruments	(1,306)	-	(1,306)		(1,306)		(1,306)
	(1,306)	(354,451)	(355,757)				

#### 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 based on 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 year ended 31 December 2019, 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.

# Notes to the consolidated financial statements

(continued)

## 24 Financial instruments and risk management (continued)

### Estimation of fair values

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

### 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.

### 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 any expected credit loss 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 floating rate interest-bearing loans and borrowings is considered to be a reasonable approximation of fair value. There is no difference between margins available in the market at year end and the margins that the Group was paying at the year end.

### (a) Credit risk

#### Exposure to credit risk

Credit risk is the risk of financial loss to the Group arising 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 due to the large number of customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Outstanding customer balances are regularly monitored and reviewed for indicators of impairment (evidence of financial difficulty of the customer or payment default). The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The ageing profile of trade receivables at 31 December 2019 is provided in note 15. Management does not expect any significant losses from receivables that have not been provided for as shown in note 15.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and give rise to credit risk on the amounts held with 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 review regularly the credit rating of each bank and if necessary, take appropriate action to ensure there is appropriate cash and cash equivalents held with each bank based on their credit rating.

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 2019 €'000	Carrying amount 2018 €'000
Trade receivables	7,920	9,300
Other receivables	4,805	900
Contract assets	2,456	2,614
Accrued income	1,886	1,709
Cash at bank and in hand	40,586	35,907
	<b>57,653</b>	<b>50,430</b>

# Notes to the consolidated financial statements

(continued)

## 24 Financial instruments and risk management (continued)

### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity risk 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.

The Group's treasury function ensures that sufficient resources are available to meet its liabilities as they fall due through a combination of cash and cash equivalents, cash flows and undrawn credit facilities.

On 26 October 2018, the Group successfully completed the refinancing of its existing debt facility with a banking club of six lenders. A new €525 million five year multicurrency facility was entered into consisting of a €200 million term loan facility and a €325 million revolving credit facility. The maturity date of this facility on completion of the refinancing was 26 October 2023, however on 19 August 2019, the Group availed of its option to extend the €525 million multicurrency facility for an additional year, to 26 October 2024. As at 31 December 2019, the entire term facility was drawn in Sterling equating to €176.5 million (€207.5 million) and €207.9 million was drawn from the revolving credit facility - €102.1 million in Euro and €90.0 million (€105.8 million) in Sterling. The Group had undrawn revolving credit facilities of €121.2 million as at 31 December 2019.

The Group also monitors its Debt and Lease Service Cover, which is 3.2 times for the year ended 31 December 2019 (31 December 2018: 2.7 times) and seeks to ensure that if a significant temporary drop in revenues were to occur, there would be sufficient liquid resources to meet ongoing requirements.

The following are the contractual maturities of the Group's financial liabilities at 31 December 2019, including estimated interest payments. In the below table, bank loans are repaid on 26 October 2024, even though the Group has the flexibility to repay and draw the revolving credit facility throughout the term of the facility which would improve its liquidity position.

	Carrying value 2019 €'000	Total 2019 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(411,739)	(452,639)	(5,126)	(5,148)	(10,098)	(432,267)
Trade payables and accruals	(47,733)	(47,733)	(47,733)	-	-	-
Interest rate swaps	(4,523)	(4,523)	(572)	(707)	(1,299)	(1,945)
	<b>(463,995)</b>	<b>(504,895)</b>	<b>(53,431)</b>	<b>(5,855)</b>	<b>(11,397)</b>	<b>(434,212)</b>

The equivalent disclosure for the prior year is as follows:

	Carrying value 2018 €'000	Total 2018 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(301,889)	(341,809)	(3,844)	(3,909)	(7,665)	(326,391)
Trade payables and accruals	(52,562)	(52,562)	(52,562)	-	-	-
Interest rate swaps	(1,306)	(1,306)	(459)	(353)	(333)	(161)
	<b>(355,757)</b>	<b>(395,677)</b>	<b>(56,865)</b>	<b>(4,262)</b>	<b>(7,998)</b>	<b>(326,552)</b>

## Notes to the consolidated financial statements

(continued)

### 24 Financial instruments and risk management (continued)

#### (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 profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (i) Interest rate risk

The Group is exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. This is achieved by entering into interest rate swaps (note 22) which hedge the variability in cash flows attributable to the interest rate risk. All such transactions are carried out within the guidelines set by the Board. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. LIBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for LIBOR. The Group's derivatives continue to hedge the LIBOR variable interest rate on Sterling borrowings. As a result, the Group continues to apply hedge accounting as at 31 December 2019.

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	
	2019 €'000	2018 €'000
<b>Variable rate instruments</b>		
Financial liabilities – borrowings	415,432	306,078
Effect of interest rate swaps	(236,836)	(197,310)
Effect of interest rate cap	-	(8,212)
	<b>178,596</b>	<b>100,556</b>

The weighted average interest rate for 2019 was 2.42% (2018: 2.94%), of which 1.57% (2018: 2.15%) related to margin.

The interest expense for 2019 has been sensitised in the following table for a reasonably possible change in variable interest rates.

In relation to the downward sensitivity, the Group has used a zero benchmark interest rate as the lowest variable interest rate due to floors embedded in the loan facilities and as a result, the Group does not benefit from any reduction in benchmark rates below zero.

For the upward sensitivity, the Group have reviewed eight years historical data for the 3 month Euribor and 3 month LIBOR rates and 3 month Euribor and 3 month LIBOR forward curves for the term of the loan facility. Based on this review, the Group believe that a reasonable change in the rates would be 1.1% for both 3 month LIBOR and for 3 month Euribor based on historical data for each benchmark interest rate.

At 31 December 2019, all Sterling term borrowings (€176.5 million) were hedged with interest rate swaps and €25 million of the €90 million revolving credit facility borrowings was hedged with interest rate swaps. €65 million of Sterling borrowings are unhedged and are affected by changes in variable interest rates. The Group does not currently hedge its variable interest rates on its Euro borrowings.

## Notes to the consolidated financial statements

(continued)

### 24 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

The impact on profit or loss is shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2019 actual weighted average variable benchmark rate	If rate sensitised upwards	If rate sensitised downwards
Euribor	0%	1.07%	0%
LIBOR	1.25%	1.31%	1.08%

The rates above are the weighted average interest rates including the impact of hedging on both the hedged and unhedged portions of the underlying loans.

#### Cash flow sensitivity analysis for variable rate instruments

	Effect on profit or loss	
	Increase in rate* €'000	Decrease in rate* €'000
<b>2019</b>		
(Increase)/decrease in interest on loans and borrowings	(1,600)	486
Decrease/(increase) in tax charge	200	(61)
<b>(Decrease)/increase in profit</b>	<b>(1,400)</b>	<b>425</b>
<b>2018</b>		
(Increase)/decrease in interest on loans and borrowings	(1,555)	419
Decrease/(increase) in tax charge	194	(52)
<b>(Decrease)/increase in profit</b>	<b>(1,361)</b>	<b>367</b>

\* Only the interest on the unhedged portion of the loans has been sensitised. The sensitivity has no impact on the hedged portion.

#### Contracted maturities of estimated interest payments from swaps

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.

	Carrying Amount €'000	31 December 2019		
		Total €'000	12 months or less €'000	More than 1 year €'000
<b>Interest rate swaps</b>				
Liabilities	(4,523)	(4,523)	(1,279)	(3,244)

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.

	Carrying Amount €'000	31 December 2019		
		Total €'000	12 months or less €'000	More than 1 year €'000
<b>Interest rate swaps</b>				
Liabilities	(4,523)	(4,523)	(1,279)	(3,244)

## Notes to the consolidated financial statements

(continued)

### 24 Financial instruments and risk management (continued)

#### (c) Market risk (continued)

##### (ii) Foreign currency risk

As per the Risk Management section of the annual report on pages 40 to 47, the Group is exposed to fluctuations in the Euro/ Sterling rate.

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency and to foreign currency translation risk on the retranslation of foreign operations to Euro.

The Group's 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. This risk is mitigated by the earnings from UK subsidiaries which are denominated in Sterling.

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 limits its exposure to foreign currency risk by using Sterling debt to hedge part of the Group's investment in UK subsidiaries. The Group financed certain acquisitions and developments in the UK by obtaining funding through external borrowings denominated in Sterling. These borrowings amounted to €266.5 million (€313.2 million) at 31 December 2019 (2018: £176.5 million (€197.3 million)) and are designated as net investment hedges. The net investment hedge was fully effective during the year.

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 those UK operations.

##### Sensitivity analysis on transactional risk

The Group have reviewed the historical average monthly Euro/Sterling foreign exchange rates for the previous thirteen years. The lowest average foreign exchange rate of 0.66 has been used in calculating the impact of Euro weakening against Sterling as it is reflective of a period of market volatility due to strong economic growth. On the upward sensitivity, due to current volatility in the market and the unknown impact of Brexit, the Group have used a Euro/Sterling foreign exchange rate of 1 (parity) in the sensitivity.

The aforementioned rates are broadly in line with market forecasts which display a wide variation in foreign exchange rates. The actual weighted average foreign exchange rate for interest expense in 2019 was 0.88 (2018: 0.88). The interest cost on Sterling loans in 2019 was €7.3 million (€8.3 million).

	Profit		Equity	
	Strengthening of Euro €'000	Weakening of Euro €'000	Strengthening of Euro €'000	Weakening of Euro €'000
Decrease/(increase) on interest costs of Sterling loans	1,022	(2,664)	1,022	(2,664)
Impact on tax charge	(128)	333	(128)	333
Increase/(decrease) in profit/equity	<b>894</b>	<b>(2,331)</b>	<b>894</b>	<b>(2,331)</b>

#### (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 at least 15% on investments and a rent cover of at least 1.85 times in year three for new leased assets.

The Group monitors capital using a ratio of Net Debt to Adjusted EBITDA in line with its banking covenants.

The Net Debt to Adjusted EBITDA pre IFRS 16 as at 31 December 2019 is 2.8 (2018: 2.3).

## Notes to the consolidated financial statements

(continued)

### 24 Financial instruments and risk management (continued)

#### (d) Capital management (continued)

##### Net Debt to Adjusted EBITDA (pre IFRS 16):

	2019 €'000	2018 €'000
Adjusted EBITDA (note 2)	162,214	119,583
Deduct: fixed rent costs* (note 11)	(27,384)	-

**Adjusted EBITDA pre IFRS 16** **134,830** 119,583

**Net debt as at 31 December (note 21)** **374,846** 270,171

**Net Debt to Adjusted EBITDA as at 31 December** **2.8** 2.3

\*No adjustment required to 2018 figures as prior year figures have not been restated for IFRS 16.

**Net debt and lease liabilities to Adjusted EBITDA:**

**2019  
€'000**

**Adjusted EBITDA (note 2)** **162,214**

**Net debt and lease liabilities as at 31 December (note 21)** **736,947**

**Net debt and lease liabilities to Adjusted EBITDA** **4.5**

The comparative information is not shown above as it has not been restated for IFRS 16.

### 25 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 the Republic of Ireland registered subsidiary companies which are listed below:

- Suvanne Management Limited	- Candlevale Limited
- Carasco Management Limited	- DHG Arden Limited
- Heartside Limited	- Merzolt Limited
- Palaceglen Limited	- Pondglen Limited
- Songdale Limited	- Bayvan Limited
- Amelin Commercial Limited	- Lintal Commercial Limited
- DHG Burlington Road Limited	- Dalata Management Services Limited
- Dalata Support Services Limited	- Pillo Hotels Limited
- Bernara Commercial Limited	- Loadbur Limited
- Adelka Limited	- DHG Cordin Limited
- DS Charlemont Limited	- Leevlan Limited
- DHG Barrington Limited	- Swintron Limited
- Vizmol Limited	- Fonteyn Property Holdings Limited
- Fonteyn Property Holdings No. 2 Limited	- DHG Dalton Limited
- DHG Eden Limited	- Sparrowdale Limited
- Galsay Limited	- Cavernford Designated Activity Company
- DHG Fleming Limited	- DHG Glover Limited
- DHG Indigo Limited	- DHG Harton Limited

## Notes to the consolidated financial statements

(continued)

### 25 Commitments (continued)

#### Capital commitments

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

	2019 €'000	2018 €'000
Contracted but not provided for	<b>61,270</b>	26,701

This relates primarily to the development of the following new-build hotels and extensions to currently operational hotels which are now contractually committed:

- » New build hotel development of Maldron Merrion Road;
- » New build residential development (comprising 69 residential units) on the site of the former Tara Towers hotel (note 14); and
- » Extensions and renovations of Clayton Hotel Cardiff Lane, Clayton Hotel Birmingham and Clayton Hotel Burlington Road.

It also includes committed capital expenditure at other hotels in the Group.

The Group has further commitments in relation to fixtures, fittings and equipment in some of its leased hotels. Under certain lease agreements, the Group has committed to spending a percentage of turnover on capital expenditure in respect of fixtures, fittings and equipment in the leased hotels over the life of the lease. The Group has estimated the commitment in relation to these leases to be €58.3 million (31 December 2018: €60.6 million) spread over the life of the various leases with the majority ranging in length from 25 years to 35 years. The turnover figures used in this estimate have been based on 2019 revenues.

### 26 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with shareholders and Directors of the Company.

#### Remuneration of key management

Key management is defined as the Directors of the Company and does not extend to any other members of the Executive Management Team. The compensation of key management personnel is set out in the Remuneration Committee Report on pages 78 to 95. In addition, the share-based payments expense for key management in 2019 was €1.0 million (2018: €0.9 million).

### 27 Subsequent events

#### Proposed final dividend

On 24 February 2020, the Board proposed a final dividend of 7.25 cents per share. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 6 May 2020 to shareholders registered on the record date 14 April 2020. These consolidated financial statements do not reflect this dividend. Based on shares in issue at 31 December 2019, the amount of dividends proposed is €13.4 million.

#### Vesting of share options

On 2 January 2020, the Company issued 49,245 shares of €0.01 per share following the partial vesting of the Share Save schemes granted in 2016.

On 3 February 2020, the Company issued 16,639 shares of €0.01 per share following the partial vesting of the Share Save schemes granted in 2016.

## Notes to the consolidated financial statements

(continued)

### 28 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2019 is set out below:

Subsidiary undertaking	Country of Incorporation	Activity	Ownership	
			Direct	Indirect
DHG Glover Limited <sup>1</sup>	Ireland	Holding company	100%	-
DHG Fleming Limited <sup>1</sup>	Ireland	Financing company	100%	-
DHG Harton Limited <sup>1</sup>	Ireland	Holding company	100%	-
Cenan BV <sup>2</sup>	Netherlands	Financing company	-	100%
DHGL Limited <sup>1</sup>	Ireland	Holding company	-	100%
Dalata Limited <sup>1</sup>	Ireland	Holding company	-	100%
Hanford Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Anora Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Ogwell Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Caruso Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
CI Hotels Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Dalata Management Services Limited <sup>1</sup>	Ireland	Hotel management	-	100%
Tulane Business Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Dalata Support Services Limited <sup>1</sup>	Ireland	Hotel management	-	100%
Fonteyn Property Holdings Limited <sup>1</sup>	Ireland	Hotel management	-	100%
Fonteyn Property Holdings No. 2 Limited <sup>1</sup>	Ireland	Asset management	-	100%
Suvarne Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Carasco Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Amelin Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Lintal Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Bernara Commercial Limited <sup>1</sup>	Ireland	Property investment	-	100%
Pillo Hotels Limited <sup>1</sup>	Ireland	Management company	-	100%
Loadbur Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Swintron Limited <sup>1</sup>	Ireland	Holding company	-	100%
Heartside Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Pondglen Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Candlevale Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Songdale Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Palaceglen Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Adelka Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Bayvan Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Leevian Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Arden Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Barrington Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Cordin Limited <sup>1</sup>	Ireland	Property holding company	-	100%
DS Charlemont Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Cavernford DAC <sup>1</sup>	Ireland	Intermediate holding company	-	100%
Vizmol Limited <sup>1</sup>	Ireland	Intermediate holding company	-	100%
Sparrowdale Limited <sup>1</sup>	Ireland	Intermediate holding company	-	100%
Galsay Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Merzolt Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Burlington Road Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DT Sussex Road Operations Limited <sup>1</sup> (In Liquidation)	Ireland	Dormant company	-	100%
DHG Eden Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Dalton Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Williamsberg Property Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Oak Lodge Management Company Limited by Guarantee <sup>1</sup>	Ireland	Management company	-	100%
DHG Indigo Limited <sup>1</sup>	Ireland	Holding company	-	100%

<sup>1</sup> The registered address of these companies is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.

<sup>2</sup> The registered address of this company is Van Heuven Goedhartlaan 935A, 1181 LD Amstelveen, The Netherlands.

## Notes to the consolidated financial statements

(continued)

### 28 Subsidiary undertakings (continued)

Subsidiary undertaking	Country of Incorporation	Activity	Ownership	
			Direct	Indirect
DHG Belfast Limited <sup>3</sup>	N Ireland	Hotel and catering	-	100%
DHG Derry Limited <sup>3</sup>	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited <sup>3</sup>	N Ireland	Property holding company	-	100%
DHG Brunswick Limited <sup>3</sup>	N Ireland	Hotel and catering	-	100%
Dalata UK Limited <sup>4</sup>	UK	Holding company	-	100%
Dalata Cardiff Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Trackdale Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Islandvale Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Crescentbrook Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Hallowridge Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Rush (Central) Limited <sup>4</sup>	UK	Property holding company	-	100%
Hotel La Tour, Birmingham Limited <sup>4</sup>	UK	Hotel and catering	-	100%
SRD (Trading) Limited <sup>4</sup>	UK	Hotel and catering	-	100%
SRD (Management) Limited <sup>4</sup>	UK	Hotel and catering	-	100%
Hintergard Limited <sup>5</sup>	Jersey	Property holding company	-	100%

<sup>3</sup> The registered address of these companies is Butcher Street, Londonderry, County Derry BT48 6HL, United Kingdom.

<sup>4</sup> The registered address of these companies is St Mary Street, Cardiff, Wales, CF10 1GD, United Kingdom.

<sup>5</sup> The registered address of this company is 12 Castle Street, St Helier Jersey, JE2 3RT.

### 29 Earnings per share

Basic earnings per share 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 available to ordinary shareholders by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings per share for the years ended 31 December 2019 and 31 December 2018.

	2019	2018
Profit attributable to shareholders of the parent (€'000) – basic and diluted	<b>78,212</b>	75,224
Adjusted profit attributable to shareholders of the parent (€'000) – basic and diluted	<b>77,535</b>	78,821
Earnings per share – Basic	<b>42.4 cents</b>	40.9 cents
Earnings per share – Diluted	<b>42.0 cents</b>	40.4 cents
Adjusted earnings per share – Basic	<b>42.0 cents</b>	42.8 cents
Adjusted earnings per share – Diluted	<b>41.6 cents</b>	42.3 cents
Weighted average shares outstanding – Basic	<b>184,601,191</b>	184,125,709
Weighted average shares outstanding – Diluted	<b>186,305,549</b>	186,156,827

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2019 is due to the dilutive impact of the conditional share awards granted in 2016 (for the period prior to exercise), 2017, 2018 and 2019 (note 7). There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic earnings per share and adjusted diluted earnings per share.

Adjusted earnings per share (basic and diluted) is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either period on period or with other similar businesses (note 2).

## Notes to the consolidated financial statements

(continued)

### 29 Earnings per share (continued)

	2019 €'000	2018 €'000
<b>Reconciliation to adjusted profit for the year</b>		
Profit before tax	<b>89,688</b>	87,301
Finance costs	<b>30,613</b>	9,514
Profit before tax and finance costs	<b>120,301</b>	96,815
<b>Adjusting items (note 2)</b>		
Proceeds from insurance claim	-	(2,598)
Hotel pre-opening expenses	<b>9</b>	2,487
Net revaluation movements through profit or loss	<b>(1,601)</b>	3,137
<b>Adjusted profit before tax and finance costs</b>	<b>118,709</b>	99,841
Finance costs	<b>(30,613)</b>	(9,514)
<b>Adjusting items in finance costs</b>		
Write off of unamortised arrangement fees on original loans (note 5)	-	946
<b>Adjusted profit before tax</b>	<b>88,096</b>	91,273
Tax charge	<b>(11,476)</b>	(12,077)
<b>Adjusting items in tax charge (note 2)</b>		
Tax impact of proceeds from insurance claim	<b>857</b>	-
Tax adjustment for adjusting items	<b>58</b>	(375)
<b>Adjusted profit for the year</b>	<b>77,535</b>	78,821

Earnings per share as restated to remove the impact of IFRS 16 Leases in 2019 is presented in the following table. There is no comparative information for 2018 as IFRS 16 had not been applied in that year.

	2019
Pre IFRS 16 Earnings per share – Basic	<b>46.4 cents</b>
Pre IFRS 16 Earnings per share – Diluted	<b>46.0 cents</b>
Pre IFRS 16 Adjusted earnings per share – Basic	<b>46.0 cents</b>
Pre IFRS 16 Adjusted earnings per share – Diluted	<b>45.6 cents</b>

There have been no adjustments made to the number of weighted average shares outstanding in calculating the pre IFRS 16 earnings per share. A reconciliation of profit for the year as reported in accordance with prevailing IFRS to pre IFRS 16 profit for the year is included below.

	Profit for the year €'000	Adjusted profit for the year €'000
As presented in accordance with prevailing IFRS	<b>78,212</b>	<b>77,535</b>
IFRS 16 impact on profit and adjusted profit for the year (note 11)	<b>7,453</b>	<b>7,453</b>
Loss on investment property (note 13)	-	<b>(44)</b>
<b>Pre IFRS 16 profit and adjusted profit for the year</b>	<b>85,665</b>	<b>84,944</b>

### 30 Approval of the financial statements

The financial statements were approved by the Directors on 24 February 2020.



## COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2019



Maldron Hotel  
South Mall Cork

## Company statement of financial position

at 31 December 2019

	Note	2019 €'000	2018 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	2	48,408	46,704
<b>Total non-current assets</b>		<b>48,408</b>	<b>46,704</b>
<b>Current assets</b>			
Trade and other receivables	3	49	36
Amounts owed by subsidiaries	4	725,697	744,203
Cash and cash equivalents	5	167	676
<b>Total current assets</b>		<b>725,913</b>	<b>744,915</b>
<b>Total assets</b>		<b>774,321</b>	<b>791,619</b>
<b>Equity</b>			
Share capital	7	1,851	1,843
Share premium	7	504,488	503,113
Share-based payment reserve		4,900	4,232
Retained earnings		259,682	263,113
<b>Total equity</b>		<b>770,921</b>	<b>772,301</b>
<b>Current liabilities</b>			
Trade and other payables	6	3,400	19,318
<b>Total current liabilities</b>		<b>3,400</b>	<b>19,318</b>
<b>Total liabilities</b>		<b>3,400</b>	<b>19,318</b>
<b>Total equity and liabilities</b>		<b>774,321</b>	<b>791,619</b>

On behalf of the Board:

**John Hennessy**  
Chair

**Patrick McCann**  
Director

## Company statement of changes in equity

for the year ended 31 December 2019

	Attributable to equity holders of the Company					Total €'000
	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Hedging reserve €'000	Retained earnings €'000	
At 1 January 2019	1,843	503,113	4,232	-	263,113	772,301
<b>Comprehensive income:</b>						
Profit for the year	-	-	-	-	13,945	13,945
<b>Total comprehensive income for the year</b>	-	-	-	-	13,945	13,945
<b>Transactions with owners of the Company:</b>						
Equity-settled share-based payments	-	-	2,679	-	-	2,679
Vesting of share awards (note 7)	8	1,375	(2,011)	-	2,011	1,383
Dividends paid (note 8)	-	-	-	-	(19,387)	(19,387)
<b>Total transactions with owners of the Company</b>	8	1,375	668	-	(17,376)	(15,325)
<b>At 31 December 2019</b>	<b>1,851</b>	<b>504,488</b>	<b>4,900</b>	<b>-</b>	<b>259,682</b>	<b>770,921</b>
At 1 January 2018	1,837	503,113	2,753	(1,692)	(13,154)	492,857
<b>Comprehensive income:</b>						
Profit for the year	-	-	-	-	280,475	280,475
Other comprehensive income	-	-	-	1,692	-	1,692
<b>Total comprehensive income for the year</b>	-	-	-	1,692	280,475	282,167
<b>Transactions with owners of the Company:</b>						
Equity-settled share-based payments	-	-	2,800	-	-	2,800
Vesting of share awards and options (note 7)	6	-	(1,321)	-	1,321	6
Dividends paid (note 8)	-	-	-	-	(5,529)	(5,529)
<b>Total transactions with owners of the Company</b>	6	-	1,479	-	(4,208)	(2,723)
<b>At 31 December 2018</b>	<b>1,843</b>	<b>503,113</b>	<b>4,232</b>	<b>-</b>	<b>263,113</b>	<b>772,301</b>

## Company statement of cash flows

for the year ended 31 December 2019

	2019 €'000	2018 €'000
<b>Cash flows from operating activities</b>		
Profit for the year	13,945	280,475
<b>Adjustments for:</b>		
Dividends received from subsidiary undertakings	(15,310)	(88,259)
Finance costs	64	10,545
Foreign exchange loss/(gain) on borrowings	154	(56)
Share-based payment expense	975	874
Distribution income	-	(200,000)
	(172)	3,579
Decrease in trade and other payables	(784)	(521)
(Increase)/decrease in trade and other receivables	(13)	34
<b>Net cash (used in)/from operating activities</b>	<b>(969)</b>	<b>3,092</b>
<b>Cash flows from investing activities</b>		
Cash movements on amounts due from subsidiaries	3,372	72,679
Distribution received	-	200,000
Dividends received	15,310	-
<b>Net cash from investing activities</b>	<b>18,682</b>	<b>272,679</b>
<b>Cash flows from financing activities</b>		
Interest and finance costs paid	-	(8,146)
Receipt of bank loans	-	74,459
Repayment of bank loans	-	(336,937)
Dividends paid	(19,387)	(5,529)
Proceeds from issue of share capital	1,383	6
<b>Net cash used in financing activities</b>	<b>(18,004)</b>	<b>(276,147)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(291)</b>	<b>(376)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>676</b>	<b>849</b>
Effect of movements in exchange rates	(218)	203
<b>Cash and cash equivalents at the end of the year</b>	<b>167</b>	<b>676</b>

# Notes to the Company financial statements

forming part of 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 consolidated financial statements are detailed below.

IFRS 16 Leases has no impact on the individual financial statements of the Company.

### (i) 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.

### (ii) 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

	2019 €'000	2018 €'000
Investment in subsidiaries	48,408	46,704
	2019 €'000	2018 €'000
<b>Movements in year</b>		
At 1 January	46,704	42,519
Cost of share-based payments in respect of subsidiaries	1,704	1,926
Additions to investments	-	2,259
<b>At 31 December</b>	<b>48,408</b>	<b>46,704</b>

On 25 October 2018, DHGL Limited declared a dividend in specie in favour of the Company of 2,000,100 ordinary €1 shares in Cenana BV (€2.3 million). This is the entire ordinary share capital of Cenana BV, and the Company was the sole shareholder in Cenana BV at that date.

On 11 December 2019, the shares the Company held in Cenana BV were gifted to DHG Harton Limited, a wholly owned subsidiary of the Company. As a result of this transaction, Cenana BV has become a direct subsidiary of DHG Harton Limited rather than the Company. The Company has derecognised its investment in Cenana BV and recognised an investment in DHG Harton Limited of the same value. As both Cenana BV and DHG Harton Limited are subsidiaries of the Company, there has been no impact on investments in subsidiaries in the financial statements.

On 26 October 2018, DHG Glover Limited, a wholly owned subsidiary, acquired the Company's investment in DHGL Limited for €200 million. The Company retained control of DHGL Limited as a result of the transaction. Accordingly, the €200 million proceeds were treated as distribution income by the Company in profit or loss in 2018. The €200 million received was used to repay a portion of the outstanding debt facilities in 2018.

Details of subsidiary undertakings are included in note 28 of the consolidated financial statements.

# Notes to the Company financial statements

(continued)

## 3 Trade and other receivables

	2019 €'000	2018 €'000
Prepayments	45	31
Value added tax	4	5
	<b>49</b>	<b>36</b>

## 4 Amounts owed by subsidiaries

	2019 €'000	2018 €'000
Amounts owed by subsidiaries	725,697	744,203
	<b>725,697</b>	<b>744,203</b>

Amounts owed by subsidiaries are non-interest bearing and are repayable on demand.

The amounts owed by subsidiaries have been reviewed and no credit losses are expected based on the financial position of subsidiaries. As a result, no expected credit loss provision has been recognised.

## 5 Cash and cash equivalents

	2019 €'000	2018 €'000
Cash at bank and in hand	167	676
	<b>167</b>	<b>676</b>

## 6 Trade and other payables

	2019 €'000	2018 €'000
Trade payables	31	7
Accruals	1,050	1,720
Payroll taxes	78	216
Amounts due to subsidiary undertakings	2,241	17,375
	<b>3,400</b>	<b>19,318</b>

Amounts due to group undertakings at 31 December 2019 include an interest-bearing loan of €0.7 million (2018: €nil) which is repayable on demand. The Company incurred interest on a loan from a group undertaking at an interest rate of 1.4%. Other amounts due to subsidiaries are non-interest bearing and are repayable on demand.

## 7 Share capital and premium

### At 31 December 2019

Authorised share capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000
<b>Allotted, called-up and fully paid shares</b>	<b>Number</b>	<b>€'000</b>
Ordinary shares of €0.01 each	185,100,620	1,851
<b>Share premium</b>		<b>504,488</b>

# Notes to the Company financial statements

(continued)

## 7 Share capital and premium (continued)

At 31 December 2018

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	184,349,666	1,843
Share premium		503,113

All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2019, the Company issued 285,809 shares of €0.01 per share following the vesting of awards granted in March 2016 under the 2014 LTIP. 465,145 shares were also issued during 2019 under the Share Save schemes granted in 2016 which had a weighted average exercise price of €2.96 per share.

## 8 Dividends

The dividends paid and proposed in respect of ordinary share capital were as follows:

	2019 €'000	2018 €'000
Final paid 7.0 cents per Ordinary Share (2018: €nil)	12,925	-
Interim paid 3.5 cents per Ordinary Share (2018: 3.0 cents)	6,462	5,529
	<b>19,387</b>	<b>5,529</b>

A final dividend for 2018 of 7.0 cents per share was paid on 8 May 2019 on the ordinary shares in the Company and amounted to €12.9 million (2018: €nil).

An interim dividend for 2019 of 3.5 cents (2018: 3.0 cents) per share was paid on 4 October 2019 on the ordinary shares in the Company and amounted to €6.5 million (2018: €5.5 million).

On 24 February 2020, the Board proposed a final dividend for 2019 of 7.25 cents per share. This proposed final dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 6 May 2020 to shareholders registered on the record date 14 April 2020. These consolidated financial statements do not reflect this dividend. Based on shares in issue at 31 December 2019, the amount of dividends proposed is €13.4 million.

During the year ended 31 December 2019, the Company received dividend income which has been included in profit or loss amounting to €15.3 million (2018: €88.3 million) from its subsidiary undertakings.

## 9 Attributable profit or loss of the Company

The profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2019 was €13.9 million (2018: profit of €280.5 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.

Profit for the year ended 31 December 2019 primarily includes dividend income from subsidiary undertakings of €15.3 million (note 8).

Profit for the year ended 31 December 2018 principally included distribution income of €200 million (note 2) and dividend income from subsidiary undertakings of €88.3 million (note 8).

# Notes to the Company financial statements

(continued)

## 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 (note 28 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 78 to 95 and note 26 of the consolidated financial statements.

### Transactions with related parties

During the year ended 31 December 2019, the Company charged fees amounting to €2.8 million (2018: €3.6 million) to its subsidiary undertakings for services provided during the year.

In 2018, the Company repaid its external borrowings therefore the Company did not charge interest relief to its subsidiaries in 2019. In 2018, the Company charged €3.6 million to its subsidiaries for use of interest relief.

## 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 which are listed below:

- Suvanne Management Limited	- Candlevale Limited
- Carasco Management Limited	- DHG Arden Limited
- Heartside Limited	- Merzolt Limited
- Palaceglen Limited	- Pondglen Limited
- Songdale Limited	- Bayvan Limited
- Amelin Commercial Limited	- Lintal Commercial Limited
- DHG Burlington Road Limited	- Dalata Management Services Limited
- Dalata Support Services Limited	- Pillo Hotels Limited
- Bernara Commercial Limited	- Loadbur Limited
- Adelka Limited	- DHG Cordin Limited
- DS Charlemont Limited	- Leevlan Limited
- DHG Barrington Limited	- Swintron Limited
- Vizmol Limited	- Fonteyn Property Holdings Limited
- Fonteyn Property Holdings No. 2 Limited	- DHG Dalton Limited
- DHG Eden Limited	- Sparrowdale Limited
- Galsay Limited	- Cavernford Designated Activity Company
- DHG Fleming Limited	- DHG Glover Limited
- DHG Indigo Limited	- DHG Harton Limited

## Notes to the Company financial statements

(continued)

### 11 Commitments (continued)

#### Other guarantees

At 31 December 2019, the Company has undertaken to guarantee the obligations of its subsidiaries in relation to the following:

Property	Subsidiary	Term (years)	Term remaining (years)
<b>Lease</b>			
Clayton Hotel Burlington Road	DHG Burlington Road Limited	25	21.9
The Gibson Hotel	Galsay Limited	35	33.0
Clayton Hotel Cardiff	Dalata UK Limited	35	32.4
Maldron Hotel Smithfield	Anora Commercial Limited	25	22.1
Clayton Hotel Birmingham	Hotel La Tour Birmingham Limited	35	32.6
Maldron Hotel Newcastle	Dalata Cardiff Limited	35	33.9
Clayton Hotel Cambridge	SRD (Trading) Limited	30	29.9
<b>Agreement for Lease</b>			
Maldron Hotel, Glasgow	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Glasgow	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Bristol	Dalata Cardiff Limited	35	35.0
Maldron Hotel, Birmingham	Dalata Cardiff Limited	35	35.0
Maldron Hotel, Manchester	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Manchester City	Dalata Cardiff Limited	35	35.0
Maldron Hotel Liverpool	Dalata Cardiff Limited	35	35.0
Maldron Hotel Croke Park, Dublin	Tulane Business Management Limited	35	35.0
The Samuel, Dublin	Tulane Business Management Limited	35	35.0
<b>Loans and borrowings</b>			
DHG Fleming Limited	DHG Fleming Limited	6*	4.8
DHG Glover Limited	DHG Glover Limited	6*	4.8

\* The initial term of the loan facility was five years which was entered into on 26 October 2018. In August 2019, the Group availed of its option to extend the multicurrency facility for an additional year. The new maturity date of the facility is 26 October 2024.

### 12 Subsequent events

#### Proposed final dividend

On 24 February 2020, the Board proposed a final dividend for 2019 of 7.25 cents per share. This proposed final dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 6 May 2020 to shareholders registered on the record date 14 April 2020. These financial statements do not reflect this dividend. Based on shares in issue at 31 December 2019, the amount of dividends proposed is €13.4 million.

#### Vesting of share options

On 2 January 2020, the Company issued 49,245 shares of €0.01 per share following the partial vesting of the Share Save schemes granted in 2016.

On 3 February 2020, the Company issued 16,639 shares of €0.01 per share following the partial vesting of the Share Save schemes granted in 2016.

### 13 Approval of the financial statements

The financial statements were approved by the Directors on 24 February 2020.

# Supplementary Financial Information

## Alternative Performance Measures ("APM") and other definitions

The Group reports certain alternative performance measures ('APMs') that are not defined under International Financial Reporting Standards ('IFRS'), which is the framework under which the consolidated financial statements are prepared. These are sometimes referred to as 'non-GAAP' measures.

The Group believes that reporting these APMs provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more comprehensive understanding of the underlying financial and operating performance of the Group and its operating segments.

These APMs are primarily used for the following purposes:

- » to evaluate the historical and planned underlying results of our operations; and
- » to discuss and explain the Group's performance with the investment analyst community.

The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results in the consolidated financial statements which are prepared under IFRS. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The definitions of and reconciliations for certain APMs are contained within the consolidated financial statements. A summary definition of these APMs together with the reference to the relevant note in the consolidated financial statements where they are reconciled is included below. Also included below is information pertaining to certain APMs which is not mentioned within the consolidated financial statements but which are referred to in other sections of this annual report. This information includes a definition of the APM in addition to a reconciliation of the APM to the most directly reconcilable line item presented in the consolidated financial statements. References to the consolidated financial statements are included as applicable.

#### (i) Adjusted EBITDA

Adjusted EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax, adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses. *Reconciliation: Note 2*

#### (ii) EBITDA and Segments EBITDA

EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax. *Reconciliation: Note 2*

Segments EBITDA represents 'Adjusted EBITDA' before central costs, share-based payments expense and other income for each of the reportable segments: Dublin, Regional Ireland and United Kingdom. It is presented to show the net operational contribution of leased and owned hotels in each geographical location. *Reconciliation: Note 2*

#### (iii) EBITDAR and Segments EBITDAR

EBITDAR is an APM representing earnings before rent (fixed and variable), interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax. *Reconciliation: Note 2*

Segments EBITDAR represents Segments EBITDA before rent (fixed and variable) for each of the reportable segments: Dublin, Regional Ireland and United Kingdom. *Reconciliation: Note 2*

#### (iv) Adjusted basic earnings per share (EPS)

Adjusted Basic EPS is presented as an APM to show the underlying performance of the Group excluding the effects of items considered by management to not reflect normal trading activities or distort comparability either year on year or with other similar businesses. *Reconciliation: Note 29*

#### (v) Segments EBITDAR margin

Segments EBITDAR margin represents 'Segments EBITDAR' as a percentage of the total revenue for the following Group segments: Dublin, Regional Ireland and United Kingdom. Also referred to as Hotel EBITDAR margin.

#### (vi) Effective tax rate

The Group's annual tax charge divided by the profit before tax presented in the consolidated statement of profit or loss and other comprehensive income. *Reconciliation: Refer below*

#### (vii) Net Debt

Net Debt represents loans and borrowings (gross of unamortised debt costs) less cash and cash equivalents at year end. *Reconciliation: Note 21*

#### (viii) Net Debt and Lease Liabilities

Net Debt and lease liabilities recorded at year end. *Reconciliation: Note 21*

#### (ix) Net Debt to Adjusted EBITDA

Net Debt divided by the 'Adjusted EBITDA' after deducting fixed rent for the year. This APM is presented to show the Group's financial leverage before the application of IFRS 16 Leases. *Reconciliation: Note 24*

#### (x) Net Debt and Lease Liabilities to Adjusted EBITDA

Net Debt and Lease Liabilities divided by the 'Adjusted EBITDA' for the year. This APM is presented to show the Group's financial leverage after including the accounting estimate of lease liabilities following the application of IFRS 16 Leases. *Reconciliation: Note 24*

## Supplementary Financial Information

(continued)

### (xi) Free Cash Flow

Net cash from operating activities less amounts paid for interest, finance costs, refurbishment capital expenditure and after adding back cash paid in respect of adjusting items to EBITDA. The Group allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards. Following the adoption of IFRS 16, fixed rent is also deducted. This APM is presented to show the cash generated to fund acquisitions, development expenditure, repayment of debt and dividends.  
*Reconciliation: Refer below*

### (xii) Debt and Lease Service Cover

Free Cash Flow before payments of rent, interest and finance costs divided by the total amount paid for rent, interest and finance costs. Debt and Lease Service Cover is presented to show the Group's ability to meet its debt and lease commitments.  
*Reconciliation: Refer below*

### (xiii) Normalised Return on Invested Capital

Adjusted EBIT for the year divided by the Group's average invested capital. The Group defines invested capital as total assets less total liabilities at the year end and excludes the accumulated revaluation gains/losses included in property, plant and equipment, Net Debt, derivative financial instruments, taxation related balances and is restated to remove the impact of adopting IFRS 16 Leases, including removing the accounting estimate for right-of-use assets and lease liabilities. The Group also excludes the impact of the investment in the construction of future assets or newly opened, owned assets in 2018 or 2019 which have not yet reached full operating performance.

The Group's net assets are adjusted to reflect the average level of acquisition investment spend and the average level of working capital for the accounting period. The average invested capital is the simple average of the opening and closing invested capital figures.

Adjusted EBIT represents the Group's Adjusted EBITDA after deducting the depreciation of property, plant and equipment, amortisation of intangible assets and is restated to remove the impact of adopting IFRS 16 by deducting the rental expense under IAS 17. The earnings from owned assets newly opened in 2018 or 2019 are excluded as they have not yet reached full operating performance.

The Group presents this APM to provide stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group. The Group excludes assets which have not yet reached full operating performance and assets under construction at year end and therefore did not generate a return to show the underlying performance of the Group.  
*Reconciliation: Refer below*

### (xiv) Pre IFRS 16 numbers

Due to the significant impact from the adoption of IFRS 16 Leases on the consolidated financial statements, the Group has also disclosed numbers for the year ended 31 December 2019 as if they had been prepared under the previous accounting standard IAS 17 Leases. As the Group is not restating prior year comparatives under the transition method selected, these additional disclosures will provide the reader with more information to assist in interpreting the underlying operating performance of the Group. See note 11 to the consolidated financial statements for the year ended 31 December 2019 for more information on the transition to IFRS 16.

In particular, the Group refers to the following APMs to enable comparison between years following the adoption of IFRS 16 Leases in the year.

### Adjusted EBITDA pre IFRS 16

Earnings before adjusting items, interest and finance costs, tax, depreciation, amortisation of intangible assets and restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expenses under IAS 17. Earnings are adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.

*Reconciliation: Note 11*

### Profit before tax pre IFRS 16

Profit before tax restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expense under IAS 17.

*Reconciliation: Note 11*

### Profit for the year pre IFRS 16

Profit for the year restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expense under IAS 17.

*Reconciliation: Note 11*

### Basic earnings per share pre IFRS 16

Basic earnings per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expense under IAS 17.

*Reconciliation: Note 11*

### Diluted earnings per share pre IFRS 16

Diluted earnings per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expense under IAS 17.

*Reconciliation: Note 11*

### Adjusted basic earnings per share pre IFRS 16

Basic EPS before adjusting items and restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of use asset depreciation and lease liability interest with rental expense under IAS 17.

*Reconciliation: Note 29*

## Supplementary Financial Information

(continued)

### Reconciliation of pre IFRS 16 statement of financial position

A reconciliation of the reported consolidated statement of financial position at 31 December 2019 to what would have been presented had IAS 17 still applied is shown in the table below.

	31 December 2019	IFRS 16 impact	31 December 2019 As Reported
<b>Calculation - €'000</b>			
<b>Non-current assets</b>	Pre IFRS 16		Post IFRS 16
Property, plant and equipment	1,471,315	-	1,471,315
Right-of-use assets	-	386,407	386,407
Goodwill and intangible assets	57,191	(21,058)	36,133
Other non-current assets	33,044	(7,262)	25,782
<b>Current assets</b>			
Trade and other receivables and inventories	29,260	(5,531)	23,729
Cash and cash equivalents	40,586	-	40,586
<b>Total assets</b>	<b>1,631,396</b>	<b>352,556</b>	<b>1,983,952</b>
Equity	1,080,371	(7,530)	1,072,841
Loans and borrowings	411,739	-	411,739
Lease liabilities (non-current & current)	-	362,101	362,101
Trade and other payables	67,718	(1,555)	66,163
Other liabilities	71,568	(460)	71,108
<b>Total equity and liabilities</b>	<b>1,631,396</b>	<b>352,556</b>	<b>1,983,952</b>

### (xv) Modified earnings before interest and tax (Modified EBIT)

For the purposes of the annual bonus evaluation, EBIT is modified to remove the effect of fluctuations between the annual and budgeted EUR/GBP exchange rate, the effect of IFRS 16 and other items which are considered, by the Remuneration Committee, to fall outside of the framework of the budget target set for the year.

*Reconciliation: Refer below*

### Calculation of Effective tax rate (APM definition vi)

€'000	Reference in financial statements	2019	2018
Tax charge	Statement of profit or loss and other comprehensive income	11,476	12,077
Profit before tax		89,688	87,301
<b>Effective tax rate</b>		<b>12.8%</b>	13.8%

### Calculation of Free Cash Flow (APM definition xi) and Debt and Lease Service Cover (APM definition xii)

€'000	Reference in financial statements	2019	2018
Net cash from operating activities	Statement of cash flows	154,969	115,754
Other interest and finance costs paid	Statement of cash flows	(11,196)	(13,188)
Refurbishment capital expenditure paid		(15,625)	(15,868)
Exclude adjusting items with a cash effect		9	(111)
<i>Fixed rent paid<sup>1</sup>:</i>			
Interest paid on lease liabilities	Statement of cash flows	(18,945)	-
Repayment of lease liabilities	Statement of cash flows	(8,569)	-
<b>Free Cash Flow</b>		<b>100,643</b>	86,587
Add back total rent paid <sup>2</sup>		34,982	37,375
Add back interest and finance costs paid	Statement of cash flows	11,196	13,188
Free Cash Flow before rent and finance costs (A)		146,821	137,150
Total rent paid <sup>2</sup>		34,982	37,375
Interest and finance costs paid	Statement of cash flows	11,196	13,188
Total rent, interest and finance costs paid (B)		46,178	50,563
<b>Debt and Lease Service Cover (A/B)</b>		<b>3.2x</b>	2.7x

<sup>1</sup> In the prior year fixed rent paid was included in net cash from operating activities in accordance with the applicable accounting standards. Following the application of IFRS 16, fixed rent is now presented under net cash from financing activities.

<sup>2</sup> Total rent paid relates to payments of fixed and variable rent during the year in accordance with the lease agreements if they relate to the year.

## Supplementary Financial Information

(continued)

### Calculation of Normalised Return on Invested Capital (APM definition xiii)

€'000	Reference in financial statements	2019		
		As Reported Post IFRS 16	2019 Pre IFRS 16	2018 <sup>2</sup>
Adjusted EBITDA	Note 2/11	162,214	134,830	119,583
Depreciation of property, plant and equipment	Note 2	(26,183)	(26,183)	(19,698)
Amortisation of intangible assets	Note 2/11	(195)	(239)	(44)
Fixed rent	Note 11	(27,384)	-	-
Adjusted EBIT from recently opened owned hotels <sup>1</sup>		(11,631)	(11,631)	(2,298)
<b>Adjusted EBIT pre IFRS 16 excluding results from recently opened owned hotels (A)</b>		<b>96,821</b>	<b>96,777</b>	<b>97,543</b>

€'000	Reference in financial statements	31 December		
		2019 As reported Post IFRS 16	31 December 2019 Pre IFRS 16	31 December 2018 <sup>2</sup>
Net assets at balance sheet date	Statement of financial position	1,072,841	1,080,371	902,577
Revaluation uplift in Property, Plant and Equipment <sup>3</sup>		(396,797)	(396,797)	(273,774)
<i>Remove impact of IFRS 16:</i>				
Right-of-use assets	Statement of financial position	(386,407)	-	-
Lease liabilities	Statement of financial position	362,101	-	-
Intangible asset reclassified to RoU assets under IFRS 16		20,500	-	-
Working capital adjustment		3,976	-	-
Capitalised lease costs that existed under IAS 17		7,993	-	-
Net Debt	Note 21	374,846	374,846	270,171
Net deferred tax liability	Note 23	55,831	56,004	38,516
Current tax liabilities	Statement of financial position	664	1,124	309
Derivative liabilities	Note 22	4,523	4,523	1,306
Less assets under construction at year end	Note 10	(59,600)	(59,600)	(26,404)
Less contract fulfilment costs	Statement of financial position	(13,346)	(13,346)	(9,066)
Less new owned assets <sup>4</sup>		(235,141)	(235,141)	(110,479)
<b>Normalised invested capital</b>		<b>811,984</b>	<b>811,984</b>	<b>793,156</b>
<b>Average normalised invested capital (B)</b>		<b>802,570</b>	<b>802,570</b>	<b>769,482</b>
<b>Normalised Return on Average Invested Capital (A/B)</b>		<b>12.1%</b>	<b>12.1%</b>	<b>12.7%</b>

1 The Adjusted EBIT from the five new, owned hotels which recently opened in 2018 or 2019 are excluded as these hotels have not benefited from a full twelve months of trading or have yet to reach normalised operating levels.

2 The calculation was redefined during the period primarily to exclude contract fulfilment costs. This change does not have a material impact on prior period comparatives. Under the previous calculation, the Group's Normalised Return on Average Invested Capital amounted to 12.6% for 2018.

3 Includes the combined net revaluation uplift included in property, plant and equipment since the revaluation policy was adopted in 2014 or in the case of hotel assets acquired after this date, since the date of acquisition. The carrying value of land and buildings, revalued at 31 December 2019, is €1,324.5 million (2018: €1,077.2 million). The value of these assets under the cost model is €927.8 million (2018: €803.4 million). Therefore, the revaluation uplift included in property plant and equipment is €396.7 million (2018: €273.8 million). Refer to note 10 to the financial statements.

4 The cost of constructing the five new owned, hotels which opened during 2018 or 2019 are excluded as these hotels have not benefited from a full twelve months of trading or have yet to reach normalised operating levels.

## Supplementary Financial Information

(continued)

### Calculation of Modified earnings before interest and tax (Modified EBIT) – APM definition xv

€'000	Reference in Consolidated Financial Statements	2019	2018
Profit before tax	Statement of profit or loss and other comprehensive income	-	87,301
Profit before tax as if IAS 17 still applied	Note 11	<b>98,376</b>	-
<b>Add back:</b>			
Finance costs	Note 5	-	9,514
Finance costs as if IAS 17 still applied	Note 11	<b>11,668</b>	-
Foreign exchange gains* (see note below)		<b>(457)</b>	(324)
<b>Adjusting items:</b>			
Proceeds from insurance claim	Note 2	-	(2,598)
Hotel pre-opening expenses	Note 2	<b>9</b>	2,487
Net revaluation movements through profit or loss	Note 2	-	3,137
Net revaluation movements through profit or loss as if IAS 17 still applied	Note 11	<b>(1,645)</b>	-
<b>Modified EBIT</b>		<b>107,951</b>	99,517

\* Foreign exchange losses represent the difference on converting EBITDA as calculated as if IAS 17 still applied from UK hotels at actual foreign exchange rates during 2019 versus budgeted foreign exchange rates, after depreciation. In 2019 the budgeted EUR/GBP exchange rate was 0.90 (2018: 0.90). A reconciliation is presented in the table below.

€'000	Reference in Consolidated Financial Statements	2019	2018
UK hotels' EBITDA - GBP		<b>28,306</b>	23,290
UK hotels' EBITDA at budgeted FX rate - Euro		<b>31,451</b>	25,878
UK hotels' EBITDA at actual FX rates as if IAS 17 still applied - Euro	Note 11	<b>32,126</b>	-
UK hotels' EBITDA at actual FX rates - Euro	Note 2	-	26,298
Foreign exchange gains on EBITDA - Euro		<b>(675)</b>	(420)
Depreciation and amortisation on UK assets - GBP		<b>7,389</b>	5,041
Depreciation and amortisation on UK assets at budgeted FX rate - Euro		<b>8,210</b>	5,601
Depreciation and amortisation on UK assets at actual FX rates as if IAS 17 still applied - Euro		<b>8,428</b>	-
Depreciation and amortisation on UK assets at actual FX rates - Euro		-	5,697
Foreign exchange losses on depreciation - Euro		<b>218</b>	96
<b>Foreign exchange gains - Euro</b>		<b>(457)</b>	(324)

## Glossary

### 1. Revenue per available room (RevPAR)

Revenue per available room is calculated as total rooms revenue divided by the number of available rooms, which is also equivalent to the occupancy rate multiplied by the average daily room rate achieved.

### 2. 'Like for like' RevPAR

'Like for like' RevPAR excludes the (i) hotels which were not in operation for a full year in the current year and substantially all of the preceding year, (ii) hotels with a significant change in available rooms year on year, which the Group defines as greater than 10% and (iii) hotels with significant renovations on-going in either the current or preceding year which significantly impacts the hotels ability to operate on a normal basis.

The Dublin portfolio excludes (i) Maldron Hotel Kevin Street and Clayton Hotel Charlemont which opened during 2018, (ii) Tara Towers Hotel which closed in September 2018, (iii) Maldron Hotel Parnell Square due to the significant extension completed during 2018, (iv) Clayton Hotel Liffey Valley due to the acquisition of rooms over the past two years and (v) Clayton Hotel Burlington Road due to the redevelopment works ongoing at the hotel.

The Regional Ireland portfolio excludes the new Maldron Hotel South Mall, Cork which opened in December 2018 and Maldron Hotel Sandy Road, Galway which had a significant extension added during 2018.

The UK portfolio excludes the new Maldron Hotel Belfast City, Maldron Hotel Newcastle and Clayton Hotel City of London which opened in March 2018, December 2018 and January 2019 respectively and also The Tamburlaine Hotel, Cambridge which was leased from November 2019.

'Like for like' Group RevPAR is also stated on a constant currency basis with the KPIs for the prior year restated at the foreign currency rates applicable in the current year.

### 3. ARR

Average Room Rate (also ADR – Average Daily Rate)

### 4. Hotel assets

Hotel assets represents the value of property, plant and equipment per the consolidated statement of financial position at 31 December 2019.

### 5. Refurbishment capital expenditure

The Group allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards.

### 6. Food and beverage gross profit margins

Food and beverage gross profit margins are calculated as total food or beverage revenue less total food or beverage cost of goods sold divided by total food or beverage revenue.

### 7. OTA

Online Travel Agents

### 8. GM

General Manager

### 9. IPO

Initial Public Offering (Dalata Hotel Group plc listed in March 2014)

### 10. LTIP

Long-Term Incentive Plan

### 11. MAR

Market Abuse Regulation

### 12. NED

Non-executive Director

### 13. SID

Senior Independent Director

### 14. STR

Global hotel industry market research specialists

### 15. TSR

Total Shareholder Return

### 16. VAT

Value Added Tax (also known as Goods and Services Tax)

## Advisor and Shareholder Contacts

### Advisors

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#### Principal Banks

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##### Allied Irish Bank plc

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Ballsbridge  
Dublin 4  
Ireland

##### Bank of Ireland plc

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Ireland

##### Barclays Bank Ireland plc

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##### HSBC Bank Plc

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### Shareholder Information

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##### Seán McKeon

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#### Registered Number

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**Front cover:** a graphic depiction of the growth of our Hotel Assets from €52 million in 2014 to €1.47 billion in 2019.

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