Annual Results for the year ending 31 December 2014

Dalata Hotel Group plc (ESM:DHG AIM:DAL), the largest hotel operator in Ireland, today (10 March, 2015) announces its full year results for the year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

- Successful completion of IPO in March 2014 raising €256 million net of costs.
- Strong operating performance with revenue up 30.4% in 2014.
- EBITDA of €6.1 million, up 14.2% in 2014.
- EBITDA (excluding impacts of acquisitions) rose by 54% from €5.34 million in 2013 to €8.23 million in 2014.

OPERATIONAL HIGHLIGHTS

- Group revpar increased by 15.7% on a 'like for like' basis primarily due to a 13.4% increase in average room rate.
- Completed the acquisition of three hotels for a total consideration of €35 million.
- Invested €3.5 million in ongoing capital refurbishment of leased hotels.
- Proceeds of IPO invested 12 months ahead of schedule.

POST YEAR END HIGHLIGHTS

- Since year end, completed the transformational acquisition of nine Moran Bewley hotels, Clayton Hotel Galway, Whites Hotel Wexford and Pillo Hotel Galway for a total consideration of €495 million.
- New Clayton brand being rolled out to thirteen of our hotels over the next six months.
- Announcing today the acquisition of the Holiday Inn Hotel in Belfast for £18.5 million (€25.7 million)
- Raised a further €48.6 million net of costs to part fund the hotel acquisitions.
- Negotiated a term loan facility of €282 million to part fund acquisitions.

Results Summary

€'000	**2014**	**2013**
Revenue	79,073	60,617
EBITDA	6,097	5,340
EBITDA (excluding impact of acquisitions)	8,230	5,340
Profit before tax	4,196	73
Profit before tax (excluding impact of acquisitions)	6,328	73

KPIs

	2014	**2013**
Occupancy (%)	75.3%	73.8%
Average Room Rate (€)	76.4	68.3
RevPar (€)	57.5	50.4

Revenue increased by 30.4% in 2014 while EBITDA grew by 14.2%. EBITDA was reduced by the once off impact of fees and stamp duty associated with the Group's acquisition activity during the year. EBITDA (excluding impact of acquisitions) increased by 54%.

Pat McCann, CEO said:
"*The business has performed very strongly in 2014. All our hotels showed revenue growth which was converted solidly to the bottom line. We have benefited from the continued strong growth of the Dublin market and the start of recovery in the cities and towns outside of Dublin. Increased market share and general market recovery resulted in a very strong year for Maldron Cardiff. The addition of Maldron Hotel Tallaght and Maldron Hotel Dublin Airport also contributed positively to the growth in EBITDA.*

Following our IPO in March 2014, we have invested the full proceeds 12 months ahead of schedule. We completed the purchase of Maldron Hotel Pearse Street (Dublin), Maldron Hotel Parnell Square (Dublin) and Maldron Hotel Derry in 2014. Since year end, we completed the purchase of Clayton Hotel (Galway), Whites Hotel (Wexford) and Pillo Hotel (Galway). We also completed the transformational Moran Bewleys deal which gave us a further nine hotels in Ireland and the UK. Today, we announce the acquisition of the Holiday Inn Hotel in Belfast. We are very excited by the opportunities presented by the portfolio we have assembled and the process of integrating the new hotels into the Dalata structure is well underway.

The outlook is encouraging for the markets we operate within. However, recovery in provincial Ireland is still fragile and I welcome the continued support of the Government for the tourist industry. This support has contributed to increased visitor numbers and the creation of 30,000 new jobs."

For further information please contact

Dalata Hotel Group plc **Tel +353 1 2069400**
Pat McCann, CEO
Dermot Crowley, Deputy CEO, Business Development & Finance
Sean McKeon, CFO

Davy Corporate Finance (NOMAD and ESM Advisor) **Tel +353 1 679 6363**
Ronan Godfrey
Brian Ross
Anthony Farrell

Public Relations Advisor **Tel +353 87 231 2632**
Padraig McKeon

RESULTS STATEMENT

Overview

Since our IPO in March 2014, we have completed the acquisition of six individual hotels in Dublin, Derry, Galway and Wexford for a total consideration of €77 million.

In February 2015, we completed the transformational acquisition of the Moran Bewleys portfolio of nine hotels in Ireland and the UK for €453 million (excluding final working capital adjustments). This significantly increased our position in the Dublin market. Over 55% of the rooms in the portfolio are in Dublin. This portfolio also gives the Group presence in key UK cities such as London, Manchester and Leeds. We have identified significant opportunities to increase revenues and implement savings through synergies.

Today, we are announcing the acquisition of the Holiday Inn Hotel in Belfast for £18.5 million (€25.7 million). Together with the additional €48.6million (net of costs) that we raised in February 2015, we have now effectively invested all the equity raised at the IPO almost a year ahead of schedule.

Operational Review

Like for Like Basis	**2014**	**2013**
Occupancy (%)	75.3%	73.8%
Average Room Rate (€)	77.6	68.4
RevPar (€)	58.4	50.5

On a like for like basis, our revpar grew by 15.7%. We experienced revpar growth across our portfolio with our Dublin hotels up 14.9%, our regional Ireland hotels up 12.7% and Maldron Cardiff up 16.1% on a 'constant currency' basis. The main markets in which we operate experienced strong revpar growth in 2014 – Dublin revpar grew by just over 11%, Cork by 8.9%, Galway by 7.6%, Limerick by 14.3% and Cardiff by 14.5%.

We are committed to investing in our properties. We budget to spend 4% of our revenues on capital refurbishment each year. In 2014, we completed significant refurbishment projects in the Maldron Wexford, Maldron Cork and Maldron Dublin Airport. In early 2015, we completed a full refurbishment programme of the bedrooms in Maldron Smithfield and refurbishment projects are currently underway in Maldron Pearse Street and Maldron Derry.

It is our plan to rebrand the Moran Bewleys hotels as well as a number of the other hotels that we have acquired. Our new brand will be Clayton Hotels. This brand will be rolled out in 13 properties over the coming six months. Our successful Maldron brand will be used in 14 of our properties.

Financial Review

€'000	2014	2013	Change
Revenue	79,073	60,617	30.4%
EBITDAR	29,637	22,447	32.0%
Rent	(16,221)	(13,828)	17.3%
EBITDA	13,416	8,619	55.6%
Central Overheads	(7,319)	(3,279)	123.2%
EBITDA	6,097	5,340	14.2%
EBITDA (excluding impact of acquisitions)	***8,230***	***5,340***	***54.1%***

The 54% growth in EBITDA (excluding the impact of acquisitions) was driven by a number of factors:

- Strong growth in revenues across all our existing properties
- Addition of the two new leased hotels in Tallaght (November 2013) and Dublin Airport (January 2014)
- This was offset by an increase in rents and a planned increase in central overheads to manage the increased scale of the Group.

Leased & Owned Hotels

€'000	2014	2013	Change
Revenue	73,626	55,447	32.8%
EBITDAR	24,190	17,277	40.0%
Rent	(16,221)	(13,828)	17.3%
EBITDA	7,969	3,449	131.0%

Revenues increased by 32.8% in this segment. Excluding the impact of the properties we did not own or lease for the entire of 2013 and 2014 (Tallaght, Dublin Airport, Pearse Street and Derry), revenues increased on a like for like basis by 10.8%. This was primarily driven by a 15.7% increase in rooms revenue while food sales increased by 1.2% and beverage sales by 5.5%. The relatively modest increase in food revenue reflects our strategy to switch our business mix from 'food inclusive' to 'room only' rates. On a like for like basis, EBITDAR margin increased from 31.1% to 32.8% which reflects our strong focus on converting revenue increases to the bottom line.

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

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

Management Services

€'000	2014	2013	Change
Revenue & EBITDA	5,447	5,170	5.4%

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

Central Overhead

€'000	2014	2013	Change
Central Overhead	7,319	3,279	123.2%
Professional Fees & Stamp Duty Incurred on Acquisitions	(2,821)	-	
Central Overheads (excl. impact of acquisitions)	4,498	3,279	37.2%

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

Impact of Acquisitions on the Balance Sheet

We spent €35m on the acquisition of hotels during 2014. Since the year - end, we have completed the acquisition of nine Moran Bewleys hotels, Whites Hotel in Wexford, The Clayton Hotel in Galway and the Pillo Hotel in Galway at a total cost of €495m. We today announce that we have exchanged contracts to purchase the Holiday Inn Hotel in Belfast for a consideration of £18.5 million (€25.7 Million). These transactions have been funded through a combination of cash, debt and additional equity. This has transformed the balance sheet as outlined below.

Debt

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

Ordinary Share Capital

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

Outlook

We are now very focused on the integration of the acquired hotels into our expanded portfolio. Our integration plans are on schedule. Trading in the first quarter is in line with our expectations and the outlook for the markets in which we operate remains positive.

ENDS

Condensed Consolidated Financial Statements

For the year ended 31 December 2014

Dalata Hotel Group plc

Condensed consolidated statement of comprehensive income

for the year ended 31 December 2014

	Note	**2014**	2013
		€'000	€'000
Continuing operations			
Revenue	*3*	**79,073**	60,617
Cost of sales		**(29,379)**	(23,011)
Gross profit		**49,694**	37,606
Administration expenses, including acquisition-related costs of **€**2.821 million (2013: **€**nil)	*4*	**(44,716)**	(32,673)
Operating profit		**4,978**	4,933
Finance income		**409**	-
Finance costs		**(1,191)**	(4,860)
Profit before tax		**4,196**	73
Tax charge	*6*	**(673)**	(650)
Profit/(loss) for the year attributable to owners of the company		**3,523**	(577)
Other comprehensive income			
Items that will never be classified to profit or loss			
Revaluation of property	*10*	**8,390**	-
Related deferred tax	*18*	**(1,049)**	-
		7,341	-
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**88**	24
Other comprehensive income, net of tax		**7,429**	24
Total comprehensive income/(loss) for the year attributable to to the owners of the company		**10,952**	(553)
Earnings per share			
Basic earnings/(loss) per share	*21*	€ 0.0365	(€60.74)
Diluted earnings/(loss) per share	*21*	€0.0364	(€60.74)

Dalata Hotel Group plc

Condensed consolidated statement of financial position

at 31 December 2014

	Note	**2014**	2013
Assets		**€'000**	€'000
Non-current assets			
Goodwill	*8*	**7,066**	6,867
Property, plant and equipment	*10*	**52,294**	4,990
Investment properties	*11*	**1,248**	-
Deferred tax assets	*18*	**319**	170
Trade and other receivables	*12*	**5,249**	900
Total non-current assets		**66,176**	12,927
Current assets			
Trade and other receivables	*12*	**9,544**	6,045
Inventories		**593**	535
Cash and cash equivalents	*17*	**217,807**	4,940
Total current assets		**227,944**	11,520
Total assets		**294,120**	24,447
Equity			
Share capital	*14*	**1,220**	-
Share premium	*14*	**295,133**	-
Capital contribution	*13*	**25,724**	-
Merger reserve	*13*	**(10,337)**	-
Share-based payment reserve		**273**	-
Revaluation reserve		**7,341**	-
Reverse acquisition reserve		**-**	4
Translation reserve		**40**	(48)
Retained earnings		**(46,681)**	(50,204)
Total equity		**272,713**	(50,248)
Liabilities			
Non-current liabilities			
Unsecured shareholder loan notes	*15*	**-**	31,497
Accrued interest on unsecured shareholder loan notes	*15*	**-**	23,228
Loans and borrowings	*15*	**-**	7,000
Deferred tax liabilities	*18*	**960**	-
Total non-current liabilities		**960**	61,725
Current liabilities			
Loans and borrowings	*15*	**-**	2,000
Trade and other payables	*16*	**20,345**	10,958
Current tax liabilities		**102**	12
Total current liabilities		**20,447**	12,970
Total liabilities		**21,407**	74,695
Total equity and liabilities		**294,120**	24,447

Dalata Hotel Group plc

Condensed consolidated statement of changes in equity

for the year ended 31 December 2014

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

Dalata Hotel Group plc

Condensed consolidated statement of cash flows

for the year ended 31 December 2014

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

Dalata Hotel Group plc

Notes to the condensed consolidated financial statements

for the year ended 31 December 2014

1. General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company incorporated in the Republic of Ireland. The Company was incorporated on 4 November 2013 as Rockmellon plc. Rockmellon plc changed its name to Dalata Hotel Group plc on 16 January 2014.

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

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

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

The financial information presented here in these condensed financial statements does not comprise full statutory financial statements for 2014 or 2013 and therefore does not include all of the information required for full annual financial statements. The consolidated financial statements of the Group for the year ended 31 December 2014 comprise the financial statements of the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 9 March 2015. Full statutory financial statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU, together with an unqualified audit report thereon under Section 193 of the Companies Act 1990, will be annexed to the annual return and filed with the Registrar of Companies. The equivalent full statutory financial statements for 2013 (of DHGL Limited) have already been filed with the Registrar of Companies with an unqualified audit report thereon.

These financial statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates.

Key judgements and estimates impacting these financial statements are:

- Accounting for acquisitions, including allocation of consideration to assets and liabilities acquired
- Trade receivables impairment provisions and accrued income
- Accounting for costs incurred in 2014 in relation to post year-end acquisitions and related fundraising
- Carrying value of own-use property measured at fair value

2. Significant accounting policies

The accounting policies applied in these financial statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2013, except for the application for the first time of IAS 33: *Earnings per share* IFRS 2: *Share-based payments*, IFRS 3 *Business Combinations,* IAS 40 *Investment Property* and the adoption of a policy of revaluation of property.

None of the new IFRSs or interpretations that are effective for the financial year ending 31 December 2014, had an impact on the Group's reported profit or net assets.

Earnings per share

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

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

Share-based payments

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

Business combinations

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

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

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

2. Significant accounting policies *(continued)*

Business combinations *(continued)*

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

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

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

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

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.

Change in accounting policy

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

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

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

The new policy is set out below.

Property, plant and equipment

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

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

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

2. Significant accounting policies *(continued)*

Property, plant and equipment (continued)

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

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

Land is not depreciated.

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

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

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

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

Investment property

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

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

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

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

3. Operating segments

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

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

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

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

Revenue

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

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

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

3. Operating segments *(continued)*

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

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

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

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

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

3. Operating segments *(continued)*

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

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

4. Acquisition-related costs

Acquisition-related costs include professional fees and stamp duty costs charged to profit or loss in 2014 in relation to the 2014 and 2015 acquisitions outlined in Notes 7 and 20. Details of the acquisition-related costs charged to profit or loss are outlined below.

	€'000
Professional fees incurred on acquisition of Moran Bewley Hotel Group up to 31 December 2014 (Note 20)	1,864
Professional fees incurred on other acquisitions up to 31 December 2014	409
Stamp duty and other costs incurred on acquisition of Maldron Pearse Street and Maldron Derry hotels (Note 7)	548
Acquisition-related costs	**2,821**

5. Long-term incentive plan

Equity-settled share-based payment arrangements

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

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

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

Measurement of fair values

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

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

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

6. Tax charge

	2014 €'000	2013 €'000
Current tax		
Irish corporation tax	**888**	682
UK corporation tax	**16**	-
Under/(over) provision in respect of prior periods	**7**	(4)
	911	678
Deferred tax credit (note 18)	**(238)**	(28)
	673	650

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

6. Tax charge *(continued)*

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

7. Acquisitions

Acquisition of Pillo Hotels Limited

On 27 February 2014 the Group acquired a 100% interest in Pillo Hotels Limited, a company registered in Ireland. The consideration paid was €1 and the carrying value of net liabilities assumed was €128,000. As part of this transaction the Group received six management contracts operated by Pillo Hotels Limited. The value of these intangible assets were €128,000 (see Note 9). No goodwill arose on this acquisition. The management contracts were amortised over 10 months up to 31 December 2014 as the contracts have short-term notice periods. From the acquisition date to 31 December 2014, this acquisition contributed revenue of €0.5 million and profit of €0.4 million to the consolidated results of the Group. Had the acquisition occurred at 1 January 2014 it would have contributed revenue of €0.6 million and profit of €0.4 million to the consolidated results of the Group.

Acquisition of Holiday Inn, Pearse Street, Dublin

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

7. Acquisitions

Acquisition of Tower Hotel, Derry

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

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

8. Goodwill

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

Additions to goodwill of €0.2 million in 2014 relate to the acquisition of Tower Hotel Derry.

Other goodwill is detailed below.

8. Goodwill *(continued)*

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

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

- Cash flow projections are based on current operating results and budgeted forecasts prepared by management covering a ten year period.
- Revenue for the first year of the projections is based on budgeted figures for 2014.
- Cash flow projections assume a long term compound annual growth rate of 3% in sales revenues.
- Cashflows include an average annual capital outlay on maintenance for the hotels of 4% of revenues but assume no enhancements to any property.
- The value in use calculations also include a terminal value based on an industry earnings multiple model which incorporates a long term growth rate of 2%.
- The cash flows are discounted using a risk adjusted discount rate of 10%. The discount rate was estimated based on past experience and the risk adjusted group weighted average cost of capital.

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

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

9. Intangible assets

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

The intangible asset resulted from the acquisition of Pillo Hotels Limited (Note 7).

10. Property, plant and equipment

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

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

10. Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Measurement of fair value

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

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

The significant unobservable inputs are:

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

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

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

11. Investment properties

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

Investment properties comprise two commercial properties which were acquired on 29 August 2014 as part of the Holiday Inn, Pearse Street acquisition (see Note 7). The investment properties are leased to third parties for lease terms of 25 and 30 years, with 16 and 12 years remaining.

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

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

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

The valuation technique used is consistent with that used for the Group's own-use property (see Note 10). The significant unobservable inputs in the measurement of fair value of investment property were:

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

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

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

12. Trade and other receivables

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

Non-current assets includes deposits paid of €4.1 million in relation to the acquisitions of the Clayton Hotel Galway, Pillo Hotel Galway and Whites Hotel Wexford which completed in 2015 (see Note 20).

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

Included in prepayments is an amount of €2.3 million related to debt funding and share issuance costs in respect of the fundraising related to the Moran Bewley Hotel Group acquisition (see Note 20).

13. Group reorganisation and impact on reserves

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

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

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

13. Group reorganisation and impact on reserves *(continued)*

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

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

14. Share capital and premium

At 31 December 2014 – Dalata Hotel Group plc

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

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

At 31 December 2013 – DHGL Limited

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

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

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

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

14. Share capital and premium *(continued)*

On 20 February 2014, as part of the reorganisation of the Group (see Note 13) the Company issued 9,500 ordinary shares of €0.01 each to the shareholders of DHGL Limited in exchange for their shares in DHGL Limited. The share premium on these shares was €10.3 million (see Note 13).

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

- 106,000,000 ordinary shares of €0.01 each were issued representing the new shares being placed by the Company at the time of admission for cash at an issue price of €2.50 per share, resulting in gross proceeds of €265 million (€256 million net of costs). Share premium of €254.9 million was recorded on these shares after deduction of Initial Public Offering costs of €9.0 million.
- 12,000,000 ordinary shares of €0.01 each were issued at €2.50 per share in settlement of all obligations arising from the shareholder loan notes (see Note 15) at an amount of €30 million. The share premium on these shares was €29.9 million.

15. Interest bearing loans and borrowings

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

Unsecured shareholder loan notes

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

On 21 February 2014 all remaining shareholder loan note obligations of DHGL Limited were novated to the Company. All obligations in relation to the shareholder loan notes were settled in exchange for the issue of 12 million ordinary shares of the Company at a value of €30 million on 19 March 2014 (see Note 14).

Bank borrowings

At 31 December 2014, the total amount due in respect of bank borrowings amounted to €nil (*31 December 2013: €9 million*). All bank loans were repaid in full on 2 April 2014. See Note 20 for details of bank loans drawn down subsequent to the year-end.

16. Trade and other payables

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

Included in accruals is an amount of €4.0 million related to acquisition costs for the Moran Bewley Hotel Group acquisition, and debt funding and share issuance costs in respect of the related fundraising (see Note 20).

17. Financial instruments and risk management

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

	Financial assets measured at fair value 2014 €'000	**Loans and receivables 2014 €'000**	**Liabilities measured at amortised cost 2014 €'000**	**Total carrying amount 2014 €'000**	**Fair value Level 1 2014 €'000**	**Level 2 2014 €'000**	**Level 3 2014 €'000**	**Total 2014 €'000**
Trade and other receivables (excluding prepayments and deposits paid on acquisitions) (Note 12)	**-**	**6,377**	**-**	**6,377**				
Cash at bank and in hand	**-**	**39,259**	**-**	**39,259**				
Money-market funds (cash equivalents)	**178,548**	**-**	**-**	**178,548**	**178,548**	**-**	**-**	**178,548**
Trade and other payables (Note 16)	**-**	**-**	**(20,345)**	**(20,345)**				
	178,548	**45,636**	**(20,345)**	**203,839**				

	Loans and receivables 2013 €'000	Liabilities measured at amortised cost 2013 €'000	Total carrying amount 2013 €'000	Fair value Level 1 2013 €'000	Level 2 2013 €'000	Level 3 2013 €'000	Total 2013 €'000
Trade and other receivables (excluding prepayments) (Note 12)	5,273	-	5,273				
Cash at bank and in hand	4,940	-	4,940				
Trade and other payables (Note 16)	-	(10,958)	(10,958)				
Unsecured shareholder loan notes including accrued interest (Note 15)	-	(54,725)	(54,725)	-	-	(40,000)	(40,000)
Bank loans – variable (Note 15)	-	(9,000)	(9,000)				
	10,213	(74,683)	(64,470)				

17. Financial instruments and risk management (continued)

Risk exposures

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

Credit risk

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

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

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

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

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

17. Financial instruments and risk management (continued)

Liquidity risk

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

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

Since the year end the Group has drawn-down a term loan of €282 million as part finance for the Moran Bewley Hotel Group transaction (see Note 20).

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

Market risk

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

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

The Group has no material transactional foreign exchange risk exposure. It is exposed to translation foreign exchange rate risk on its hotel operations in Cardiff, Wales and Derry, Northern Ireland but these were not material at 31 December 2014. The Group believes that its foreign exchange rate exposures will become more material in 2015 subsequent to its acquisition of the Moran Bewley Hotel Group, resulting in an increase in exposure to sterling income and assets (see Note 20).

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

18. Deferred tax

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

18. **Deferred tax** (continued)

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

Deferred tax arises from temporary differences relating to

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

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

19. Commitments

Operating leases

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

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

19. Commitments *(continued)*

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

Rent guarantee

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

Section 17 Companies (Amendment) Act 1986

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

Contractual commitments for 2015 acquisitions

As at 31 December 2014 the Group had entered into agreements for a number of acquisitions, which were completed in January and February 2015. The estimated value of these acquisitions under contractual agreements, net of deposits of €4.1 million paid in the period (Note 12), is approximately €491 million. Further information on these acquisitions is provided in Note 20.

Capital expenditure commitments

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

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

20. Subsequent events

Moran Bewley Hotel Group acquisition and related fundraising

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

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

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

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

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

Other hotel acquisitions

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

On 21 January 2015, the Group acquired Clayton Hotel in Galway for a total cash consideration of €16.5 million, including the deposit paid in the period (see Note 12). Land and buildings is estimated at €16.1 million, and plant and equipment at €0.4 million.

On 13 February 2015, the Group acquired Whites Hotel in Wexford for a total cash consideration of €15.2 million, including the deposit paid in the period (see Note 12). Land and buildings is estimated at €14.7 million, and plant and equipment at €0.5 million.

On 13 February 2015, the Group purchased Pillo Hotel, Galway and ancillary property interests for a total cash consideration of €10.5 million, including the deposit paid in the period (see Note 12). Land and buildings is estimated at €9.5 million, plant and equipment at €0.6 million and assumed liabilities at €0.4 million.

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

21. Earnings per share

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

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

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2014 is due to the dilutive impact of the conditional share awards granted in March 2014 (see Note 5). The weighted average number of shares outstanding for 2013 includes the effect of existing shares of DHGL Limited in 2013 being equivalent to 9,500 of the €0.01 ordinary shares of Dalata Hotel Group plc issued in 2014.

22. Approval of the financial statements

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