A Year of Growth in Revenue, Earnings, Portfolio & Pipeline

ISE: DHG LSE: DAL

Dublin & London | 28 February, 2017: Dalata Hotel Group plc ("Dalata" or the "Group"), the leading hotel operator in Ireland, today announces results for the year ended 31 December 2016

Key Highlights

- Revenue up 28.8% to €290.6 million
- Adjusted EBITDA[1] increased by 35.9% to €85.1 million
- Profit before tax up by 55% to €44.1 million
- Net upward property revaluation of €66.6 million
- Adjusted Diluted EPS[1],[2] increased from 24.76 cents to 26.58 cents
- Pipeline of over 1,200 new rooms:
    - Four hotels under construction (Dublin x2, Belfast and Newcastle) with fifth in planning (Cork)
    - Extensions planned in four hotels (Dublin x3, Galway x1)
    - 500 jobs being created in Ireland and UK

Financial KPIs

- Segments EBITDAR margin increased from 39.5% to 41.4% as a result of strong conversion of like-for-like revenue growth
- Group RevPAR up 14.9% to €80.20
- Dublin hotels outperformed market with RevPAR growth of 19.9% versus city 16.1%
- Net debt to Adjusted EBITDA ratio of 2.40x
- If 2015 average exchange rate had applied in 2016, EBITDA would have been €3.3million higher, depreciation €0.8 million higher and interest €0.7 million higher

Strategic and Operating Highlights

- Total of €150.9 million invested in portfolio expansion in 2016 adding seven hotels and c. 1,600 rooms to owned and leased portfolio:
    - €38.9 million on acquisition of leasehold interests and businesses of four Choice hotels
    - €70.4 million on acquisition of freehold interest of five hotels
    - €39.9 million on acquisition of five hotel development sites in Dublin[3], Cork and Belfast creating c. 750 rooms on the island of Ireland
    - Entered into 25 year lease for the Clayton Hotel Burlington Road from Deka Immobilien – a transaction that demonstrates the attractiveness of the Dalata covenant to investors
    - Entered into an agreement to lease a new 226 room Maldron hotel in Newcastle
- €25.4 million invested in hotel redevelopment and refurbishment of existing hotels during the year, including the refurbishment of 748 bedrooms
- Completed the rebranding of four hotels to Clayton in the last two months of the year
- Admitted to the main market listing of the Irish Stock Exchange and the London Stock Exchange

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[1] Adjusted to exclude impairment of goodwill, Ballsbridge site sale, acquisition-related costs, revaluation gains/losses and stock exchange listing costs
[2] Tax impact of adjustments in [1] above also excluded
[3] Including the acquisition of a site adjacent to our Maldron Hotel Parnell Square with plans to expand that hotel

Results Summary

Key Figures	Year ended December 2016	Year ended December 2015	Variance
Revenue	€290.6m	€225.7m	1.29x
Segments EBITDAR	€120.3m	€89.3m	1.35x
Adjusted EBITDA	€85.1m	€62.6m	1.36x
Profit before tax	€44.1m	€28.5m	1.55x
Basic earnings per share	€0.1909	€0.1455	1.31x
KPIs			
Occupancy (%)	82.1%	80.2%	
Average Room Rate (€)	€97.6	€87.0	
RevPAR (€)	€80.2	€69.8	

Outlook

Trading has been marginally ahead of our expectations for the first two months of 2017. RevPAR growth in our Dublin and Regional Ireland properties has been in line with expectations whilst RevPAR growth in our London, Northern Ireland and provincial UK properties has been stronger than we anticipated. Prospects remain positive for all the markets we operate in.

Construction work is now underway at four of our new hotel developments in Dublin, Belfast and Newcastle. We expect construction to begin on our new Maldron hotel in Cork and on the planned extensions in three of our Dublin hotels and the Maldron Hotel Sandy Road in Galway during 2017. We are very focused on delivering the 1,200 rooms in the development pipeline on time and within budget.

Investment in the Clayton and Maldron brands will continue through our refurbishment programme and brand awareness campaign. We will continue to invest in the training and development of our people as well as rolling out new systems to further improve our operating efficiencies and the quality of internal management information. These programmes underpin our expansion plans and will enable the Group to scale operations and maximise returns from the expanded portfolio.

We are now actively seeking opportunities to expand our presence in the UK. We are encouraged by the reaction of developers and potential investors to the strength of our covenant. Our focus is to build on our existing UK portfolio in 2017.

Principal Risks and Uncertainties

The Group's principal risks and uncertainties for 2017 are:

- Significant fluctuations in the value of sterling could affect the reported earnings and asset values of the Group as UK subsidiaries are reported in sterling and translated into Euro
- A significant reduction in the value of sterling would also make Ireland a more expensive destination for UK visitors which in turn could impact on the number of UK residents staying in Irish hotels
- Geo-political events could result in uncertainty and have an impact on general economic activity in the UK and Ireland and further afield which in turn would impact on the numbers of people looking to stay at hotels in both countries

Pat McCann, Dalata Group CEO, said:

"2016 was a year that saw further significant growth in our portfolio adding seven hotels and c. 1,600 rooms to the business. We have also locked in a growth pipeline of 1,200 new hotel rooms which will come into operation during 2018. Beyond building a stronger portfolio, 2016 was a year in which we demonstrated our ability to drive improved performance from our existing hotel portfolio where we delivered improvements against all key performance indicators.

The Clayton and Maldron brands are now the two largest hotel brands in Ireland. We successfully rebranded four hotels with over 1,000 rooms to Clayton in the final two months of the year. The brands are now of a scale in Ireland that presents us with opportunities to significantly increase consumer awareness and to engage directly with more of our customers.

We have continued to invest in the training and development of our people. We are determined to develop our own future managers to allow our decentralised model to be scaled up to support further growth in the size of the Group. I am excited by the quality and enthusiasm of the people within Dalata.

2016 saw the completion of redevelopment projects at our Clayton hotels in Chiswick and Silver Springs, Cork as well as the Maldron Hotel Pearse Street. I am delighted with the way in which the projects have turned out. We saw further significant growth in earnings at Maldron Hotel Pearse Street in 2016. We have already started to see increased bookings at the newly refurbished Ballroom and Event Centre at the Clayton Hotel Silver Springs while trading has been very strong in the Clayton Hotel Chiswick since November 2016.

We refurbished 748 rooms in the portfolio during 2016 in addition to the 633 rooms completed in 2015. We spent a total of €12.4 million on refurbishment projects in 2016. We are already well progressed in the refurbishment of a further 937 rooms in 2017. The quality of our portfolio is improving all the time and helping us further improve customer satisfaction levels.

The Dublin hotel market continued to perform very strongly in 2016. I was very pleased with our own RevPAR growth of 19.9% versus the city as a whole at 16.1%. There does finally appear to be some additional supply coming into the market from the second half of 2018 but I believe that demand in the city will comfortably absorb new capacity. The Regional Ireland hotels also continued to perform very strongly for us and, with a minimal amount of new supply in the pipeline, we believe that the outlook for Cork, Limerick and Galway remains very positive.

Given our ambition to grow in the large cities of provincial UK, I was particularly happy to see the extent to which we outperformed the market in terms of RevPAR growth in Manchester, Cardiff and Leeds.

During 2016, we spent €150.9 million on a combination of leasehold and freehold interests of hotels new to the Group, new leases, sites for new hotels and the freehold of hotels we previously leased. In all, seven hotels with c. 1,600 rooms were added to the portfolio during the year. In addition, we have created a pipeline of 1,200 rooms in prime locations in Dublin, Cork, Belfast, Galway and Newcastle. These acquisitions and pipeline provide an engine of growth right through to the end of 2019.

The addition of the Clayton Hotel Burlington Road to the portfolio in November 2016 was a very important milestone for the Group for two reasons. Firstly, it allowed us to take over the operation of the largest hotel and conference venue in Dublin city centre. Secondly, it is clear evidence of how attractive the Dalata covenant is to international investors which is important for our expansion plans in the UK. The hotel is now fully integrated into the Group and the management team are implementing the Dalata decentralised model.

I am already looking forward with enthusiasm to what we can achieve in 2017. We will continue to focus on improving returns from our current portfolio. We also intend to expand our hotel portfolio, particularly in the UK, seeking new or existing hotel opportunities which match our investment criteria."

About Dalata

Dalata Hotel Group plc is Ireland's largest hotel operator, with a current portfolio of 41 hotels with over 8,000 rooms. Dalata successfully operate Ireland's two largest hotel brands, Clayton Hotels and Maldron Hotels across Ireland and the UK, as well as managing a portfolio of partner properties. 24 of the hotels are owned by Dalata, 10 hotels are operated under lease agreements and 7 are operated under management agreements.

For the full year 2016, Dalata reported revenue of €290.6 million. Dalata is listed on the Main Market of the Irish Stock Exchange (DHG) and the London Stock Exchange (DAL).

For further information visit: www.dalatahotelgroup.com

Conference Call Details | Analysts & Institutional Investors
Management will host a conference call for analysts and institutional investors at 08.30 BST, today 28 February, 2017 and this can be accessed as follows:

From Ireland dial: **(01) 696 8154**
From the UK dial: **0203 139 4830**
From the USA dial: **(1) 718 873 9077**
From other locations dial: **+353 1 696 8154**
The participant PIN code is 14934841#

Contacts

Dalata Hotel Group plc **Tel +353 1 206 9400**

Pat McCann, CEO
Dermot Crowley, Deputy CEO, Business Development & Finance
Sean McKeon, CFO

Davy Corporate Finance **Tel +353 1 679 6363**

Ronan Godfrey
Brian Ross
Anthony Farrell

Investor Relations and PR | FTI Consulting **Tel +353 1 66 33 686**
Jonathan Neilan/Paddy Berkery dalata@fticonsulting.com

Note on forward-looking information

This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Company will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

2016 Performance Overview

Year Ended 31 December 2016 - € million

	Dublin	Regional Ireland	UK	Managed Hotels	Central Office	Total
Revenue	152.0	68.5	67.5	2.6		**290.6**
Segments EBITDAR	73.0	18.2	26.5	2.6		**120.3**
Rent	(19.5)	(1.9)	(4.0)	-		**(25.4)**
Segments EBITDA	53.5	16.3	22.5	2.6		**94.9**
Central overhead					(10.4)	**(10.4)**
Rental income					0.6	**0.6**
Adjusted EBITDA						**85.1**
Acquisition-related costs						**(2.7)**
Stock exchange listing costs						**(1.3)**
Impairment of goodwill						**(10.3)**
Net revaluation movements through profit or loss						**0.3**
Group EBITDA						**71.1**

Year Ended 31 December 2015 - € million

	Dublin	Regional Ireland	UK	Managed Hotels	Central Office	Total
Revenue	120.7	43.0	58.4	3.6		**225.7**
Segments EBITDAR	53.8	9.7	22.2	3.6		**89.3**
Rent	(14.5)	(2.0)	(2.7)	-		**(19.2)**
Segments EBITDA	39.3	7.7	19.5	3.6		**70.1**
Central overhead					(8.1)	**(8.1)**
Rental income					0.6	**0.6**
Adjusted EBITDA						**62.6**
Acquisition-related costs						**(15.8)**
Net revaluation movements through profit or loss						**(1.6)**
Net impact of Ballsbridge site sale						**2.0**
Impairment of goodwill						**(0.2)**
Group EBITDA						**47.0**

The Group continued to increase earnings in 2016 through (i) further acquisition of hotel properties, (ii) increasing the profitability of the hotels acquired since floating in 2014 and (iii) increasing the profitability of those assets that it held under leasehold interests prior to 2014:

- Group revenue has increased by 28.8% to €290.6 million on the back of strong revenue management, buoyant markets and further acquisitions
- Adjusted EBITDA (excluding acquisition-related costs, goodwill impairment, revaluation gains/losses, Ballsbridge site sale and stock exchange listing costs) increased by 35.9% to €85.1 million
- Revenue from managed contracts decreased in line with the Group's expectation as receivers continued to sell managed hotels over the last year
- Segments EBITDAR margin increased from 39.5% to 41.4%
- Rent increased by €6.2 million due to the acquisition of leasehold properties and increases in performance related rents. These increases were offset to a degree by the purchase of the freehold interest of three of the Group's previously leased assets
- Acquisition costs decreased significantly due to a reduction in acquisition activity
- Impairment of goodwill of €10.3 million recognised following revaluation gains on some of the hotels in which goodwill had been recognised on acquisition

The Group's total number of rooms at leased and owned hotels has increased from 5,484 at 31 December 2015 to 7,104 at 31 December 2016. The split of room numbers across the three regions is as follows:

Region	**Room numbers**	**%**
Dublin	3,699	52.1%
Regional Ireland	1,637	23.0%
UK	1,768	24.9%
Total room numbers	**7,104**	

Split of assets and liabilities at 31 December 2016

€million	**ROI**	**UK**	**Total**
Assets			
Intangible assets and goodwill	41.6	12.7	54.3
Property, plant and equipment	575.8	246.7	822.5
Investment property	1.7	1.5	3.2
Other non-current assets	4.7	-	4.7
Current assets	88.2	10.6	98.8
Total assets excluding derivatives and deferred tax assets	**712.0**	**271.5**	**983.5**
Liabilities			
Loans and borrowings	76.8	203.6*	280.4
Trade and other payables	42.8	9.3	52.1
Total liabilities excluding provisions, derivatives and tax liabilities	**119.6**	**212.9**	**332.5**

* Includes €203.6 million (£174.4 million) of Sterling loans held in Ireland

Profit Bridge

The table below highlights the key drivers of the strong performance in 2016.

€000	Year ending 31 December 2015	Dublin: Full year impact of properties acquired in 2015	Dublin: Properties acquired in 2016*	Dublin: Effect of Clyde Court closure	Dublin: Like for Like performance increase	Regional Ireland: Full year impact of properties acquired in 2015	Regional Ireland: Properties acquired in 2016*	Regional Ireland: Like for Like performance increase	United Kingdom: Full year impact of properties acquired in 2015	United Kingdom: Properties acquired in 2016*	United Kingdom: Effect of FX	United Kingdom: Like for Like performance increase	Net loss of managed contracts	Year ending 31 December 2016
Revenue	**225.7**	3.3	19.0	(9.6)	18.4	1.7	20.3	3.5	4.4	6.7	(7.3)	5.3	(0.9)	**290.6**
Segments EBITDAR	89.3	1.1	7.4	(3.6)	14.4	(0.1)	6.0	2.6	1.0	2.2	(2.9)	3.9	(0.9)	**120.3**
Rent	(19.2)	0.2	(4.7)	2.3	(2.9)	0.1	0.0	(0.1)	(0.1)	(1.4)	0.3	(0.1)	-	**(25.4)**
Segments EBITDA	**70.1**	**1.3**	**2.7**	**(1.3)**	**11.5**	**0.0**	**6.0**	**2.5**	**0.9**	**0.8**	**(2.6)**	**3.8**	**(0.9)**	**94.9**
Segments EBITDAR margin					*78.2%*			*73.3%*				*73.8%*		

* Dublin –The Gibson Hotel (leased), Tara Towers Hotel and Clayton Hotel Burlington Road (leased); Regional Ireland – Clayton Hotel Cork City, Clayton Hotel Limerick, Clayton Hotel Sligo and the freehold interest of Maldron Hotel Cork; UK – Croydon Park Hotel (leased) and the freehold interest of Clayton Hotel Cardiff.

- The increase in revenue and EBITDA is driven by a combination of (i) results from new hotels acquired in 2016 (ii) the full year impact of hotels acquired in 2015 and (iii) the uplift due to enhanced performance across all segments except Managed Hotels.
- Performance at the UK hotels has been mixed with the provincial UK and Northern Ireland hotels growing revenue and EBITDA strongly but with the London hotels being impacted by a reduction in RevPAR in that city in addition to construction works continuing at Clayton Hotel Chiswick in the first half of the year.

Segmental Review

The next section analyses the results of the Group's portfolio of hotels by the following regions:

1. Dublin hotel portfolio
2. Regional Ireland hotel portfolio
3. United Kingdom hotel portfolio

1. Dublin Hotel Portfolio

Earnings Summary

€million	**Year ended December 2016**	**Year ended December 2015**
Room revenue	107.4	82.6
Food and beverage revenue	35.4	30.4
Other	9.2	7.8
Revenue	152.0	120.8
EBITDAR	73.0	53.8
Rent	(19.5)	(14.5)
EBITDA contribution	**53.5**	**39.3**
EBITDAR margin	**48.0%**	**44.5%**

Performance Statistics (reflect full twelve month performance of the hotels in this portfolio for both periods regardless of when acquired. Clayton Hotel Burlington Road is excluded due to the relatively short time it was in the portfolio during 2016):

	1 Jan 16 to 31 Dec 16	**1 Jan 15 to 31 Dec 15**
Occupancy	85.7%	83.1%
ARR	€107.09	€92.18
RevPAR	€91.83	€76.57

The 14 hotels in the Dublin portfolio consists of six Maldron hotels, five Clayton hotels and three individually branded hotels. The Dublin portfolio represents 52.1% of the Group's total owned and leased room count. The results from the Dublin portfolio account for 52.3% of the Group's revenue and 56.4% of the Group's Segments EBITDA.

Total revenue from the Dublin hotels increased by €31.1 million (25.8%) versus 2015. The full year impact of hotels acquired during 2015 contributed an additional €3.3 million and hotels acquired during 2016 contributed a further €19.0 million. These increases were offset by a loss in revenue of €9.6 million due to the closure of the Clyde Court Hotel in early January 2016. Of the remaining €18.4 million increase in revenue, 78.2% was converted to the EBITDAR line.

The Dublin hotel market had another very strong year with RevPAR up 16.1% for the city as a whole. The Group's Dublin hotels have significantly outperformed the market with a RevPAR increase of 19.9% reflecting benefits from the ongoing refurbishment programme and continued benefits from the introduction of our own decentralised revenue management strategies across the portfolio.

The significant increase in rent is caused by the addition of the Gibson Hotel and Clayton Hotel Burlington Road as well as increased performance-related rents at Ballsbridge Hotel and Maldron Hotel Dublin Airport. These increases were counterbalanced to a degree by the closure of the Clyde Court Hotel in January 2016.

The increase in the EBITDAR margin from 44.5% to 48.0% is the result of strong conversion of additional revenue to the EBITDAR line.

2. Regional Ireland Hotel Portfolio

Earnings Summary

€million	**Year ended December 2016**	**Year ended December 2015**
Room revenue	36.1	20.6
Food and beverage revenue	25.2	17.7
Other	7.2	4.7
Revenue	68.5	43.0
EBITDAR	18.2	9.7
Rent	(1.9)	(2.0)
EBITDA contribution	**16.3**	**7.7**
EBITDAR margin	26.5%	22.6%

Performance Statistics (reflect full twelve months performance of the hotels in this portfolio for both periods regardless of when acquired)

	1 Jan 16 to 31 Dec 16	**1 Jan 15 to 31 Dec 15**
Occupancy	74.0%	72.2%
ARR	86.16	78.94
RevPAR	63.68	57.03

The 12 hotels in Regional Ireland comprise six Maldron hotels and six Clayton hotels and contain a total of 1,637 rooms. The Regional Ireland portfolio represents 23.0% of the Group’s total owned and leased room count. RevPAR in the Regional Ireland hotels increased on a like for like basis by 11.7%.

The results from the Regional Ireland portfolio account for 23.6% of the Group’s revenue and 17.1% of the Group’s Segments EBITDA.

69% of Regional Ireland revenue is generated from the three main cities of Cork, Galway and Limerick. These three cities all grew RevPAR significantly in 2016 with an increase of 13.3% in Cork, 10.7% in Galway and 16.4% in Limerick. The Group’s hotels outperformed the market in Galway and Limerick with RevPAR increases of 11.2% and 19.1% respectively. The Group’s Cork hotels were in line with the market with growth of 13.3% despite disruption caused by refurbishment works at Clayton Hotel Silver Springs.

Revenue has increased by €25.5 million (59.3%) versus 2015. The full year impact of hotels acquired during 2015 contributed an additional €1.7 million and hotels acquired during 2016 contributed €20.3 million. These hotels were Clayton Hotel Cork City, Clayton Hotel Limerick and Clayton Hotel Sligo. Of the remaining €3.5 million increase in revenue, 73.3% was converted to the EBITDAR line.

Food and beverage revenue accounts for 36.8% of total revenue in Regional Ireland compared to 23.3% in the Dublin region. EBITDAR margin is lower in the Regional Ireland hotels due to lower average room rates and this higher mix of food and beverage revenue. EBITDAR margin has increased from 22.6% to 26.5% due to strong conversion of additional revenue and the addition of higher margin hotels such as Clayton Hotel Cork City and Clayton Hotel Limerick.

3. United Kingdom Hotel Portfolio

Earnings Summary

£million	**Year ended December 2016**	**Year ended December 2015**
Room revenue	37.9	28.9
Food and beverage revenue	13.4	10.4
Other	4.2	2.8
Revenue	55.5	42.1
EBITDAR	21.9	16.1
Rent	(3.3)	(2.0)
EBITDA contribution	**18.6**	**14.1**
EBITDAR margin	39.4%	38.1%

Performance Statistics (reflect full twelve months' performance of the hotels in this portfolio for both periods regardless of when acquired)

	1 Jan 16 to 31 Dec 16	**1 Jan 15 to 31 Dec 15**
Occupancy	81.4%	81.3%
ARR (£)	73.35	70.35
RevPAR (£)	59.70	57.19

The UK hotel portfolio comprises three hotels in London, three hotels in provincial UK and two hotels in Northern Ireland. There are six Clayton hotels, one Maldron hotel and the Croydon Park Hotel and these contain a total of 1,768 rooms. The portfolio represents 24.9% of the Group's total owned and leased room count. RevPAR in the UK portfolio increased on a "like-for-like" basis by 4.4%.

The results from the United Kingdom portfolio account for 23.2% of the Group's revenue and 23.7% of the Group's Segments EBITDA.

Revenue has increased by £13.3 million (31.6%) versus 2015. The full period impact of the hotels acquired during 2015 and the new hotel acquired in 2016 accounted for £8.9 million of the increase. The remaining increase in revenue of £4.4 million is driven by strong RevPAR increases of 8.0% in the three provincial UK hotels and 7.5% in the two Northern Ireland hotels. The Clayton hotels in Cardiff, Manchester and Leeds outperformed the market as did the Maldron Hotel in Derry. Of this £4.4 million increase in revenue, we converted 73.8% to the EBITDAR line.

RevPAR in the London hotels fell by 3.1% on a "like-for-like" basis due to additional rooms in Clayton Hotel Chiswick and the general weakness of RevPAR in the London market which fell by 0.9%.

Rent increased by £1.3 million due to the addition of the leased Croydon Park Hotel to the portfolio in March 2016.

The strong EBITDAR conversion noted above was counterbalanced to some degree by the addition of Croydon Park Hotel which has a lower EBITDAR margin than the average of the other UK properties.

Financial Review

Central Office Costs

€million	Year ended December 2016	Year ended December 2015
Central office overhead	10.4	8.1
Integration costs relating to acquired hotels	1.0	1.9
Professional fees incurred on acquisitions	0.3	2.8
Stamp duty incurred on acquisitions	1.3	11.1
Stock exchange listing costs	1.3	-
Adjusted central office overheads	**14.3**	**23.9**

Central overheads increased as the Group continued to invest in additional resources in accounting and finance, internal audit, marketing, business development and operations. The central function has been strengthened to support the enlarged business, manage the governance and financial management obligations of operating as a listed company and increase the Group's capacity to evaluate and develop further business growth opportunities.

€2.6 million was spent on acquisition-related costs in 2016 which were expensed to profit or loss, €1.3 million related to stamp duty and €0.3 million related to professional fees. €1.0 million was spent on restructuring costs to integrate the hotels acquired into the Group during 2016. Acquisition and integration costs have significantly reduced due to the level and type of acquisitions in 2016 compared to 2015. €1.3 million was spent on stamp duty in 2016 compared to €11.1 million in 2015.

Stock exchange costs include professional fees and listing costs associated with the admission to the main market listings on the Irish Stock Exchange and the London Stock Exchange in June 2016.

Depreciation, Revaluation of Asset Values and Impairment of Goodwill

€million	Year ended December 2016	Year ended December 2015
Depreciation	15.5	10.0
Impairment of goodwill	10.3	0.2
Net revaluation movements of land and buildings through profit or loss	(0.3)	1.6
	25.5	**11.8**

Depreciation

The Group's depreciation charge increased by €5.5 million to €15.5 million in the year ended 31 December 2016. The increase is primarily driven by the following:

- An increase of €3.9 million in depreciation on fixtures, fittings and equipment driven by the additional capital investment in the hotels during 2015 and 2016
- Increased depreciation of €1.6 million on property, plant and equipment following the acquisition of hotels during 2015 and 2016

Impairment of Goodwill

The Group recorded an impairment on goodwill of €10.3 million following impairment testing at year-end where the carrying value of the asset was in excess of the "value in use" estimates. Goodwill arises on the acquisitions where the price paid for the hotel exceeds the external valuers' assessments of fair value at date of acquisition. This is due to the potential increase in profitability that Dalata believes it can deliver through increased revenues, cost synergies etc. The Group has a policy of revaluation of its owned hotels to fair value by independent external qualified valuers. The principal valuation technique used in the valuations is discounted cash flows based off projected earnings. Consequently, as the Group exploits and delivers the improved profitability, the external valuations increase and move closer to the Group's original "value in use" on acquisition which effectively crystallises an element of the goodwill.

Under accounting standards, the Group is required to "impair" this element of the goodwill where the judgement is formed that there is not sufficient evidence that this element of goodwill can be carried following the revaluation gains recorded on the property. This results in a mismatch in that goodwill is impaired through profit or loss, thereby impacting earnings and EPS though the revaluation gains are taken to reserves through other comprehensive income.

Net revaluation movements of land and buildings through profit or loss

The Group reports land and buildings at fair value at each reporting date. There is a net reversal of revaluation losses in profit or loss for the year. There was a reduction in the value of Clayton Hotel Chiswick of €1.2 million which is charged against profit. The valuations of the land and buildings at the Clayton Hotel Cork City and Maldron Hotel Derry improved during the first half of 2016. As a result, the Group recorded a reversal of prior year losses on revaluation of these two properties totalling €1.3 million. There were also other minor reversals of prior year losses.

In other comprehensive income, net revaluation gains of €66.4 million were recorded.

Finance Costs

€million	**Year ended December 2016**	**Year ended December 2015**
Interest expense on loans	7.5	8.7
Impact of interest rate swaps	1.2	0.7
Other finance costs	1.8	1.0
Net exchange loss on loans, borrowings and cash	1.0	-
	11.5	**10.4**

Interest expense of €8.7 million (including hedging costs) are lower than 2015 due to a reduction in the interest rate margin and the impact of a reduced sterling exchange rate on euro translated sterling loan interest costs. This is counterbalanced by the impact of further loan drawdowns during the year. Other finance costs comprises commitment fees, negative money-market yields and amortisation of capitalised debt costs. Exchange losses occurred on sterling deposits which were held at different stages of the year for acquisition and trading purposes.

Balance Sheet

Financial Structure

On 6 May 2016, the Group entered into a new multi-currency loan facility of €80 million with a maturity date of 3 February 2020 and increased the existing revolving credit facility from €20 million to €30 million. Under this new facility, on 9 June 2016, the Group drew down £18 million (€22.9 million) and €7.7 million. On 24 October 2016, the Group drew down a further £24 million (€27 million). On 31 December 2016, the Group had cash and cash equivalent balances of €81.1 million of which €31.5 million was held in money-market funds. The Group had bank debt of €280.4 million (net of deferred issue costs) at 31 December 2016, of which £174.4 million (€203.6 million) was held in Sterling. Net debt to full year Adjusted EBITDA was 2.4x at 31 December 2016. The Group also had undrawn facilities of €52.2 million at year end.

Revaluation Reserve

In accordance with the Group's accounting policies, land and buildings are stated at fair value. Reductions in value (where there was previously no revaluation reserve for the asset) are accounted for in the profit for the period, whereas upward revaluations are generally accounted for in the revaluation reserve on the balance sheet. The Group is permitted to recognise an increase in value in the profit for the period to the extent that it reverses a previous revaluation loss for that property which was charged against profits in prior periods.

At 31 December 2016, the Group recognised a net revaluation gain of €66.6 million on its properties. €66.4 million of net upward revaluations on land and buildings were recognised in other comprehensive income and €0.2 million was recognised as a net revaluation gain including reversal of prior year losses in the profit for the year.

Acquisitions

During the first half of 2016, the Group spent €38.9 million on the acquisition of the leasehold interests and businesses of four hotels from the Choice Hotel Group, €26.0 million on the acquisition of the Tara Towers Hotel and Clarion Sligo Hotel and €8.7 million on the freehold interest of the Clarion Limerick Hotel (for which it had acquired the leasehold interest). A further €34.8 million was spent on the acquisition of four hotel development sites in Dublin, Cork and Belfast.

The freehold interest of Maldron Hotel Cork (€8.3 million) and Clayton Hotel Cardiff including its investment property (£24 million; €27 million) were acquired in the second half of the year. A site adjacent to Maldron Hotel Parnell Square was also bought for €5.1 million.

Intangible assets and goodwill

Following the goodwill impairment, an asset remains of €33.8 million at year end which relates to the remaining goodwill from the acquisition of the former Moran Bewley group (€24.9 million), other single asset acquisitions made in 2015 (€2.0 million) and the remaining goodwill from the original 2007 acquisitions following the formation of Dalata (€6.9 million).

At 31 December 2016, there are intangible assets of €20.5 million which represent the acquired leasehold interest in The Gibson Hotel.

Capital Expenditure

In addition to acquisitions, the Group spent €28.5 million in capital expenditure including €16.1 million on recently commenced new hotel developments and redevelopment projects at existing hotels in particular Clayton Hotel Chiswick, Clayton Hotel Silver Springs and Maldron Hotel Pearse Street. €6.0 million was spent on other room refurbishments with a further €6.4 million on other refurbishment related capital spend. This will support the enhancement of the Clayton and Maldron brands and deliver a superior experience to our guests.

Dalata Hotel Group plc

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Note	2016 €000	2015 €000
Continuing operations			
Revenue	2	**290,551**	225,673
Cost of sales		**(109,864)**	(86,907)
Gross profit		**180,687**	138,766
Administrative expenses, including goodwill impairment of €10.325 million (2015: €0.199 million), acquisition-related costs of €2.671 million (2015: €15.802 million) and main market listing costs of €1.293 million (2015: €nil)		**(125,717)**	(104,554)
Other income		**637**	2,745
Operating profit		**55,607**	36,957
Finance income		**-**	1,863
Finance costs		**(11,496)**	(10,363)
Profit before tax		**44,111**	28,457
Tax charge		**(9,188)**	(6,831)
Profit for the year attributable to owners of the Company		**34,923**	21,626
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property	5	**66,403**	46,567
Related deferred tax		**(6,382)**	(6,398)
		60,021	40,169
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(35,730)**	5,169
Gain/(loss) on net investment hedge		**24,876**	(4,329)
Fair value movement on cash flow hedges		**(3,740)**	(1,670)
Cash flow hedges – reclassified to profit or loss		**1,206**	655
Related deferred tax		**316**	127
		(13,072)	(48)
Other comprehensive income for the year, net of tax		**46,949**	40,121
Total comprehensive income for the year attributable to owners of the Company		**81,872**	61,747
Earnings per share			
Basic earnings per share	9	**€0.1909**	€0.1455
Diluted earnings per share	9	**€0.1893**	€0.1447

Dalata Hotel Group plc

Condensed consolidated statement of financial position

At 31 December 2016

	Note	**2016**	2015
Assets		**€000**	€000
Non-current assets			
Intangible assets and goodwill	*4*	**54,267**	46,803
Property, plant and equipment	*5*	**822,444**	608,792
Investment property	*6*	**3,245**	37,285
Deferred tax assets		**1,894**	3,936
Other receivables		**4,748**	2,216
Derivatives		**7**	26
Total non-current assets		**886,605**	699,058
Current assets			
Trade and other receivables		**15,874**	11,774
Inventories		**1,817**	1,349
Cash and cash equivalents		**81,080**	149,155
Total current assets		**98,771**	162,278
Total assets		**985,376**	861,336
Equity			
Share capital		**1,830**	1,830
Share premium		**503,113**	503,113
Capital contribution		**25,724**	25,724
Merger reserve		**(10,337)**	(10,337)
Share-based payment reserve		**2,126**	912
Hedging reserve		**(3,106)**	(888)
Revaluation reserve		**107,531**	47,510
Translation reserve		**(9,974)**	880
Retained earnings		**3,475**	(31,448)
Total equity		**620,382**	537,296
Liabilities			
Non-current liabilities			
Loans and borrowings	*7*	**264,681**	250,168
Deferred tax liabilities		**25,051**	15,859
Derivatives		**3,401**	885
Provision for liabilities		**3,040**	890
Total non-current liabilities		**296,173**	267,802
Current liabilities			
Loans and borrowings	*7*	**15,734**	15,970
Trade and other payables		**52,050**	39,290
Current tax liabilities		**1,037**	978
Total current liabilities		**68,821**	56,238
Total liabilities		**364,994**	324,040
Total equity and liabilities		**985,376**	861,336

Dalata Hotel Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2016

	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 2016	1,830	503,113	25,724	(10,337)	912	(888)	47,510	880	(31,448)	**537,296**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	34,923	**34,923**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(35,730)	-	**(35,730)**
Gain on net investment hedge	-	-	-	-	-	-	-	24,876	-	**24,876**
Revaluation of property	-	-	-	-	-	-	66,403	-	-	**66,403**
Fair value movement on cash flow hedges	-	-	-	-	-	(3,740)	-	-	-	**(3,740)**
Cash flow hedges – reclassified to profit or loss	-	-	-	-	-	1,206	-	-	-	**1,206**
Related deferred tax	-	-	-	-	-	316	(6,382)	-	-	**(6,066)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(2,218)**	**60,021**	**(10,854)**	**34,923**	**81,872**
Transactions with owners of the Company:										
Issue of shares	-	-	-	-	-	-	-	-	-	**-**
Share issue costs	-	-	-	-	-	-	-	-	-	**-**
Equity-settled share-based payments	-	-	-	-	1,214	-	-	-	-	**1,214**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**1,214**	**-**	**-**	**-**	**-**	**1,214**
At 31 December 2016	**1,830**	**503,113**	**25,724**	**(10,337)**	**2,126**	**(3,106)**	**107,531**	**(9,974)**	**3,475**	**620,382**

Dalata Hotel Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2015

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

Dalata Hotel Group plc
Condensed consolidated statement of cash flows
for the year ended 31 December 2016

	2016	2015
	€000	€000
Cash flows from operating activities		
Profit for the year	**34,923**	21,626
Adjustments for:		
Depreciation of property, plant and equipment	**15,477**	10,039
Impairment of goodwill	**10,325**	199
Net revaluation movements through profit or loss	**(241)**	1,576
Share-based payment expense	**1,214**	639
Finance costs	**11,496**	10,363
Finance income	**-**	(1,863)
Tax charge	**9,188**	6,831
	82,382	49,410
Increase in trade and other payables	**3,092**	6,683
(Increase)/decrease in trade and other receivables	**(909)**	1,568
Increase in inventories	**(64)**	(317)
Tax paid	**(6,688)**	(2,941)
Net cash from operating activities	**77,813**	54,403
Cash flows from investing activities		
Acquisitions of undertakings through business combinations, net of cash acquired	**(62,428)**	(479,087)
Purchase of property, plant and equipment	**(108,604)**	(28,551)
Purchase of investment property	**-**	(35,897)
Deposits paid on acquisitions	**(1,024)**	(1,316)
Interest received	**-**	6
Net cash used in investing activities	**(172,056)**	(544,845)
Cash flows from financing activities		
Interest and finance costs paid	**(9,983)**	(13,753)
Receipt of bank loans	**57,607**	283,090
Repayment of bank loans	**(16,800)**	(17,890)
Proceeds from issue of share capital, net of expenses	**-**	168,700
Payment for derivative asset	**-**	(156)
Net cash from financing activities	**30,824**	419,991
Net decrease in cash and cash equivalents	**(63,419)**	(70,451)
Cash and cash equivalents at the beginning of the year	**149,155**	217,807
Effect of movements in exchange rates	**(4,656)**	1,799
Cash and cash equivalents at the end of the year	**81,080**	149,155

Dalata Hotel Group plc
Notes to the condensed consolidated financial statements

1 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 financial information presented here in these condensed consolidated financial statements does not comprise full statutory financial statements for 2016 or 2015 and therefore does not include all of the information required for full annual financial statements. The condensed consolidated financial statements of the Group for the year ended 31 December 2016 comprise the Company and its subsidiary undertakings and were authorised for issue by the Board of Directors on 27 February 2017. Full statutory financial statements for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, together with an unqualified audit report thereon under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies. The full statutory financial statements for 2015 have already been filed with the Registrar of Companies with an unqualified audit report thereon.

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

Key judgements and estimates impacting these condensed consolidated financial statements are:

- Accounting for acquisitions, including allocation of consideration to assets and liabilities acquired and treatment of acquisition costs (note 3);
- Carrying value of goodwill and intangible assets including assumptions underpinning the impairment tests (note 4); and
- Carrying value and depreciation of own-use property measured at fair value (note 5).

The accounting policies applied in these condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended 31 December 2015, except for the application for the first time of the accounting policy for intangible assets other than goodwill as described below.

Intangible assets other than goodwill

All identifiable intangible assets acquired as part of a business combination are recognised separately from goodwill provided the criteria for recognition are satisfied. Such intangible assets are initially recognised at fair value in line with IFRS 3 *Business Combinations*.

An intangible asset is only recognised where the item lacks a physical presence, is identifiable, non-monetary, is controlled by the Group and is expected to provide future economic benefits to the Group.

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.

2 Operating segments

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

The Group segments its leased and owned business by geographical region within which the hotels operate – Dublin, Regional Ireland and United Kingdom. These, together with Managed Hotels, comprise the Group's four reportable segments.

Dublin, Regional Ireland and United Kingdom segments:

These segments are concerned with hotels that are either owned or leased by the Group. The Group leases ten hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating these hotels. As at 31 December 2016, the Group also owns 23 hotels and has effective ownership of one further hotel which it operates. It also owns part of one of the other hotels which it operates.

At 31 December 2015, the Clarion Cork hotel was classified as an investment property as the Group did not operate the hotel. The Group acquired the leasehold interest as part of a wider acquisition (see note 3) during 2016. As a result, this hotel is now operated by the Group and the results of the hotel are included in the segmental analysis presented below for the year ended 31 December 2016.

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 costs arising are payroll, cost of goods for resale, other operating costs and, in the case of leased hotels rent paid to lessors.

Managed Hotels segment:

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

Revenue	**2016**	2015
	€000	€000
Dublin	**151,945**	120,759
Regional Ireland	**68,467**	42,989
United Kingdom	**67,498**	58,370
Managed Hotels	**2,641**	3,555
Total revenue	**290,551**	225,673

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

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

Dalata Hotel Group plc
Notes to the condensed consolidated financial statements

2 Operating segments *(continued)*

	2016	2015
	€000	€000
Segmental results - EBITDA		
Dublin	**72,992**	53,754
Regional Ireland	**18,170**	9,695
United Kingdom	**26,505**	22,249
Managed Hotels	**2,641**	3,555
EBITDAR for reportable segments	**120,308**	89,253
Segmental results - EBITDA		
Dublin	**53,472**	39,262
Regional Ireland	**16,231**	7,734
United Kingdom	**22,511**	19,535
Managed Hotels	**2,641**	3,555
EBITDA for reportable segments	**94,855**	70,086
Reconciliation to results for the period		
Segmental results - EBITDA	**94,855**	70,086
Rental income	**637**	608
Central costs	**(10,360)**	(8,068)
Adjusted EBITDA	**85,132**	62,626
Impairment of goodwill	**(10,325)**	(199)
Acquisition-related costs	**(2,671)**	(15,802)
Stock exchange listing costs	**(1,293)**	-
Net revaluation movements through profit or loss	**241**	(1,576)
Net impact of Ballsbridge site sale	**-**	1,947
Group EBITDA	**71,084**	46,996
Depreciation of property, plant and equipment	**(15,477)**	(10,039)
Finance income	**-**	1,863
Finance costs	**(11,496)**	(10,363)
Profit before tax	**44,111**	28,457
Tax	**(9,188)**	(6,831)
Profit for the period	**34,923**	21,626

2 Operating segments *(continued)*

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

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation, revaluation movements, goodwill impairment and items considered by management to be non-recurring or unusual in nature. Acquisition costs have been excluded to give a more meaningful measure given the scale of acquisitions in 2015 and 2016. Consequently, adjusted EBITDA represents Group EBITDA before:

- Stock exchange listing costs and acquisition-related costs;
- Net revaluation movements through profit or loss;
- Loss on revaluation of property;
- Impairment of goodwill (note 4); and
- Net impact of the Ballsbridge site sale (see below).

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

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

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

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

'Segmental results – EBITDAR' for Dublin, Ireland Regional and United Kingdom represents 'Segmental results – EBITDA' before rent. For leased hotels, rent paid to lessors amounted to €25.5 million in 2016 *(2015: €19.2 million)*.

Other geographical information

Revenue	**2016**			2015		
	Republic of Ireland	**United Kingdom**	**Total**	Republic of Ireland	United Kingdom	Total
	€000	**€000**	**€000**	€000	€000	€000
Leased and owned hotels	**220,412**	**67,498**	**287,910**	163,748	58,370	222,118
Managed hotels	**2,488**	**153**	**2,641**	3,327	228	3,555
Total revenue	**222,900**	**67,651**	**290,551**	167,075	58,598	225,673

Dalata Hotel Group plc

Notes to the condensed consolidated financial statements

2 Operating segments *(continued)*

Other geographical information *(continued)*

Assets and liabilities	At 31 December 2016			At 31 December 2015		
	Republic of Ireland	**United Kingdom**	**Total**	Republic of Ireland	United Kingdom	Total
	€000	**€000**	**€000**	€000	€000	€000
Assets						
Intangible assets and goodwill	**41,588**	**12,679**	**54,267**	28,875	17,928	46,803
Property, plant and equipment	**575,782**	**246,662**	**822,444**	365,198	243,594	608,792
Investment property	**1,750**	**1,495**	**3,245**	37,285	-	37,285
Other non-current assets	**4,748**	**-**	**4,748**	2,216	-	2,216
Current assets	**88,169**	**10,602**	**98,771**	155,194	7,084	162,278
Total assets excluding derivatives and tax assets	**712,037**	**271,438**	**983,475**	588,768	268,606	857,374
Derivatives			**7**			26
Deferred tax assets			**1,894**			3,936
Total assets			**985,376**			861,336
Liabilities						
Loans and borrowings	**76,776**	**203,639**	**280,415**	85,810	180,328	266,138
Trade and other payables	**42,760**	**9,290**	**52,050**	29,729	9,561	39,290
Total liabilities excluding provisions, derivatives and tax liabilities	**119,536**	**212,929**	**332,465**	115,539	189,889	305,428
Provisions			**3,040**			890
Derivatives			**3,401**			885
Current tax liabilities			**1,037**			978
Deferred tax liabilities			**25,051**			15,859
Total liabilities			**364,994**			324,040
Revaluation reserve	**98,238**	**9,293**	**107,531**	41,359	6,151	47,510

The above information on assets and 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, which act as a net investment hedge, of €203.6 million (£174.4 million) at 31 December 2016 (2015: €180.3 million, (£132.4 million)) are classified as liabilities in the United Kingdom. Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland.

Dalata Hotel Group plc
Notes to the condensed consolidated financial statements

3 Business combinations

Acquisition of Choice Hotel Group

On 11 March 2016, the Group completed the acquisition of the leasehold interests in four hotels from the Choice Hotel Group for a consideration of €38.9 million, as a result of which the Group directly operates the hotel businesses in these properties. The transaction increases the scale of the Group and strengthens its position in these locations.

The hotel leasehold interests acquired were as follows:

- The Gibson Hotel Dublin;
- The Clarion Hotel Limerick, now trading as Clayton Hotel Limerick;
- The Clarion Hotel Cork, now trading as Clayton Hotel Cork City; and
- The Croydon Park Hotel, Croydon, UK.

	11 March 2016 Fair Value €000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Non-current assets	
Property, plant and equipment	**14,001**
Intangible assets (note 4)	**29,400**
Current assets	
Inventories	**223**
Trade and other receivables	**2,509**
Cash	**1,121**
Non-current liabilities	
Provisions	**(300)**
Deferred tax liability	**(2,562)**
Current liabilities	
Trade and other payables	**(5,469)**
Total identifiable net assets	**38,923**
Total consideration	**38,923**
Satisfied by:	
Cash	**38,923**

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

3 Business combinations *(continued)*

Acquisition of Choice Hotel Group *(continued)*

No goodwill has been recognised on acquisition as the fair value of the net assets acquired equated to the consideration paid. Intangible assets acquired as part of this acquisition are disclosed in note 4 to these condensed consolidated financial statements. Acquisition-related costs of €1.3 million were charged to administrative expenses in profit or loss.

The Group previously purchased the freehold of the Clarion Hotel Cork, now trading as Clayton Hotel Cork City, in a separate transaction in November 2015 and this was accounted for as an investment property in the financial statements for the year ended 31 December 2015. As a result of the acquisition of the leasehold interest subsequently in March 2016, this property was transferred to property, plant and equipment during the year (notes 5 and 6).

In a separate transaction to this business combination, the Group purchased the freehold of the Clarion Hotel Limerick, now trading as Clayton Hotel Limerick, in June 2016 for €8.7 million (note 5). As a result, the intangible asset which represented the value of the leasehold interest acquired as part of the business combination was transferred from intangible assets to property, plant and equipment during the year (note 4 and note 5).

Acquisition of Tara Towers Hotel, Dublin

On 15 January 2016, the Group acquired full ownership of the property and business of Tara Towers Hotel, Dublin for a total cash consideration of €13.2 million. The fair value of the identifiable assets and liabilities acquired related to hotel property (land and buildings) of €13.2 million. The fair value of fixtures, fittings and equipment and net working capital assets was minimal. No goodwill arose on this acquisition.

Acquisition of Clarion Hotel, Sligo

On 18 March 2016, the Group acquired full ownership of the property and business of the Clarion Hotel Sligo, now trading as Clayton Hotel Sligo, for a total cash consideration of €12.8 million. The Group had been managing the property on behalf of an appointed receiver since April 2013. The fair value of the identifiable assets and liabilities acquired was: hotel property (land and buildings) €12.9 million, fixtures, fittings and equipment €0.2 million and net working capital liabilities of €0.3 million. No goodwill arose on this acquisition.

Impact of new acquisitions on trading performance

The post-acquisition impact of acquisitions completed during 2016 on the Group's profit for the financial year ended 31 December 2016 were as follows:

	Choice Hotel Group €million	Tara Towers, Dublin €million	Clarion Hotel, Sligo €million	2016 €million
Revenue	34.9	3.1	5.3	43.3
Profit before tax and acquisition-related costs	5.4	0.7	0.7	6.8

3 Business combinations *(continued)*

Impact of new acquisitions on trading performance *(continued)*

If the acquisitions had occurred at 1 January 2016, the acquisitions would have contributed the following to the consolidated results of the Group:

	Choice Hotel Group €million	Tara Towers, Dublin €million	Clarion Hotel, Sligo €million	2016 €million
Revenue	41.4	3.1	6.2	50.7
Profit before tax and acquisition-related costs *	7.0	0.7	0.8	8.5

*This assumes that the Group also owned the freehold of the Clarion Hotel Limerick, now trading as Clayton Hotel Limerick, which was acquired separately on 10 June 2016, for the full period.

Prior year acquisitions

Acquisition of Moran Bewley Hotel Group

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

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

During 2015, the Group also acquired full ownership of the property and business of the following hotels:

- Clayton Hotel, Galway: acquired 21 January 2015;
- Whites Hotel, Wexford (now trading as Clayton Whites Hotel, Wexford): acquired 13 February 2015;
- Pillo Hotel, Galway (now trading as Maldron Hotel Sandy Road, Galway): acquired 13 February 2015; and
- Holiday Inn, Belfast (now trading as Clayton Belfast Hotel): acquired 24 March 2015.

The goodwill arising on the acquisitions is attributable to expected profitability and revenue growth, increased market share, and the synergies expected to arise within the Group after acquisition.

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3 Business combinations *(continued)*

Prior year acquisitions *(continued)*

	Moran Bewley Hotel Group €million	Clayton Hotel, Galway €million	Whites Hotel, Wexford €million	Pillo Hotel, Galway €million	Holiday Inn, Belfast €million
Hotel property (land and buildings)	419.1	16.0	13.3	8.0	20.7
Fixtures, fittings and equipment	6.1	0.4	0.4	0.2	0.4
Investment properties	-	-	-	0.6	-
Net deferred tax liabilities	(2.0)	-	-	-	-
Net working capital assets/(liabilities)	(3.1)	0.1	(0.2)	(0.1)	0.6
Total identifiable assets	**420.1**	**16.5**	**13.5**	**8.7**	**21.7**
Goodwill	32.2	0.1	1.5	1.8	4.0
Total consideration	**452.3**	**16.6**	**15.0**	**10.5**	**25.7**
Satisfied by:					
Cash	418.7	16.6	15.0	10.5	25.7
Issue of 12.2 million ordinary shares at €2.75 per share	33.6	-	-	-	-
	452.3	**16.6**	**15.0**	**10.5**	**25.7**

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4 Intangible assets and goodwill

	Goodwill €000	Other indefinite-lived intangible assets €000	Total €000
Cost			
Balance at 1 January 2015	42,258	-	42,258
Acquisitions through business combinations (see note 3)	39,557	-	39,557
Effect of movements in exchange rates	379	-	379
Balance at 31 December 2015	82,194	-	82,194
Balance at 1 January 2016	82,194	-	82,194
Acquisitions through business combinations (see note 3)	-	29,400	29,400
Transferred to property, plant and equipment (note 5)	-	(8,900)	(8,900)
Effect of movements in exchange rates	(2,711)	-	(2,711)
Balance at 31 December 2016	**79,483**	**20,500**	**99,983**
Impairment losses			
Balance at 1 January 2015	(35,192)	-	(35,192)
Impairment loss during the year	(199)	-	(199)
Balance at 31 December 2015	(35,391)	-	(35,391)
Balance at 1 January 2016	(35,391)	-	(35,391)
Impairment loss during the year	(10,325)	-	(10,325)
Balance at 31 December 2016	**(45,716)**	**-**	**(45,716)**
Carrying amounts			
At 1 January 2015	7,066	-	7,066
At 31 December 2015	**46,803**	-	**46,803**
At 31 December 2016	**33,767**	**20,500**	**54,267**

4 Intangible assets and goodwill *(continued)*

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.

Additions to goodwill of €39.6 million in 2015 relate to the acquisition of the Moran Bewley Hotel Group (€32.2m), Clayton Hotel Galway (€0.1m), Whites Hotel Wexford (€1.5m), Pillo Hotel Galway (€1.8m) and Holiday Inn Belfast (€4.0m) (see note 3).

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) 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 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. 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 €12.7 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 year end resulted in a foreign currency translation loss of €2.7 million and a corresponding decrease in goodwill. The comparative year end translation for the year ended 31 December 2015 resulted in an increase to goodwill of €0.4 million.

Carrying amount of goodwill allocated	**Number of Cash - Generating Units**		
	At 31 December 2016	**2016** **€000**	2015 €000
Moran Bewley Hotel Group (i)	**7**	**24,886**	32,563
Other acquisitions (i)	**3**	**2,014**	7,373
2007 Irish hotel operations acquired (ii)	**4**	**6,867**	6,867
		33,767	46,803

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2016, subsequent to the impairment of goodwill which was recognised during the year of €10.3 million.

4 Intangible assets and goodwill *(continued)*

Goodwill (continued)

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 cash-generating units, 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 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 cash-generating unit (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 cash-generating units may result in a material write-down of goodwill which would have a substantial impact on the Group's income and equity.

(i) Moran Bewley 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 the CGUs is based on a fair value less costs of disposal estimate, or where this value is less than carrying value of the asset, a value in use calculation is prepared.

At 31 December 2016, the recoverable amount of eleven 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 corresponds to the valuation basis used by independent external property valuers when performing their hotel valuations (note 5);
- Revenue and EBITDA for the first year of the projections is based on budgeted figures for 2017. Budgeted revenue and EBITDA are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth;
- Cash flow projections conservatively 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 calculation also includes 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 8.75% to 11.75% (Ireland: 9.50% to 11.75%; UK: 8.75% to 11.50%). The discount rates were consistent with the external property valuers.

4 Intangible assets and goodwill *(continued)*

Goodwill (continued)

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 cash flows typically associated with these factors.

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 (Ireland 4.46%, UK 6.8%). This is a key difference between the value in use calculations and valuations prepared by external valuers.

At 31 December 2016, the recoverable amount was deemed lower than the carrying amount of the CGUs for eight of the eleven CGUs tested. Consequently, goodwill was impaired by €10.3 million. The carrying values of the CGUs were based on their value in use. The total impairment of €10.3 million is comprised as follows:

	Recoverable amount €000	**Impairment recognised €000**
Moran Bewley Hotel Group	369,308	5,550
Other acquisitions	48,725	4,775
	418,033	**10,325**

The recoverable amounts stated above relate only to CGUs were which impaired during the year. The impairment recognised which amounted to €10.3 million is analysed by geographical segment as follows:

	2016 €000	**2015 €000**
Dublin	**5,050**	-
Regional Ireland	**2,615**	-
United Kingdom	**2,660**	199
	10,325	199

4 Intangible assets and goodwill *(continued)*

Goodwill (continued)

(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. As two of these hotel properties which have since been acquired are valued annually by independent external valuers, the recoverable amount of the CGU is based on a fair value less costs of disposal estimate. Where this value is less than the carrying value of the asset, a value in use calculation is prepared. The recoverable amounts of the remaining CGUs are calculated based on value in use calculations. Value in use is determined by discounting the future cash flows generated from the continuing use of these hotels. 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 for the first year of the projections is based on budgeted figures for 2017;
- 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 10.50% to 11.0%. The discount rates used were consistent with similar hotels valued by external property valuers.

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 cash flows typically associated with these factors.

At 31 December 2016, the recoverable amount was determined to be significantly higher than the carrying amount of the group of CGUs. There is no reasonably foreseeable change in assumptions that would impact adversely on the carrying value of this goodwill. The directors concluded that the carrying value of this goodwill is not impaired at 31 December 2016.

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.

Other indefinite-lived intangible assets

Acquired leasehold interests

Other indefinite-lived intangible assets represent the intangible value of the leasehold interests acquired as part of the Choice Hotel Group business combination which completed in March 2016 (note 3). These assets also reflect the future economic benefits which are expected to flow to the Group arising from the acquisition of these interests.

4 Intangible assets and goodwill *(continued)*

Other indefinite-lived intangible assets (continued)

On acquisition of these leasehold interests, intangible assets were recognised at their fair value and amounted to €29.4 million. Arising from the subsequent purchase by the Group of the freehold interest in the Clarion Hotel Limerick (now trading as the Clayton Hotel Limerick), in June 2016, an intangible asset, with a carrying value of €8.9 million, which represented the value of the leasehold interest previously acquired in the Clayton Hotel Limerick, was transferred from intangible assets to property, plant and equipment (note 5).

The carrying value of €20.5 million at 31 December 2016 represents the leasehold interest in The Gibson Hotel and is recognised as an asset with an indefinite life based upon the intentions of the Group for the long term operation of the business of this hotel and the statutory renewal rights which exist in Ireland to the benefit of the lessee. The Group tests intangible assets annually for impairment or more frequently if there are indicators it may be impaired.

At 31 December 2016, the recoverable amount of the CGU (The Gibson Hotel) was based on value in use, determined by discounting the future cash flows generated from the operation of this hotel by the Group. This value in use estimate 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. This period was chosen as it corresponds to the valuation basis used by independent external property valuers when performing their hotel valuations (note 5) for similar properties;
- Revenue and EBITDA for the first year of the projections is based on budgeted figures for 2017. Budgeted revenue and EBITDA are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth;
- Cash flow projections conservatively assume a long-term compound annual growth rate of 2% in EBITDA;
- Cash flows include an average annual capital outlay of 4% of revenues but assume no enhancements to the 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 the property of 10.5%. This discount rate was consistent with discount rates used by the external property valuers in valuing similar properties.

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 cash flows typically associated with these factors.

At 31 December 2016, the recoverable amount was determined to be higher than the carrying amount of the CGU. There is no reasonably foreseeable change in assumptions that would impact adversely on the carrying value of intangible assets. The directors concluded that the carrying value of intangible assets is not impaired at 31 December 2016.

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5 Property, plant and equipment

	Land and buildings €000	Assets under construction €000	Fixtures, fittings and equipment €000	Total €000
At 31 December 2016				
Valuation	744,611	-	-	744,611
Cost	-	42,865	50,205	93,070
Accumulated depreciation (and impairment charges)*	-	-	(15,237)	(15,237)
Net carrying amount	**744,611**	**42,865**	**34,968**	**822,444**
At 1 January 2016, net carrying amount	585,101	-	23,691	608,792
Acquisitions through business combinations	38,195	-	2,071	40,266
Other additions through freehold or site purchases	42,715	39,868	-	82,583
Transfers from intangible assets (note 4)	8,900	-	-	8,900
Other additions through capital expenditure	7,228	3,043	18,211	28,482
Transfer from investment properties (note 6)	36,032	-	-	36,032
Revaluation gain through OCI	67,901	-	-	67,901
Revaluation loss through OCI	(1,498)	-	-	(1,498)
Reversal of revaluation loss through profit or loss	988	-	-	988
Revaluation loss through profit or loss	(1,244)	-	-	(1,244)
Depreciation charge for the year	(7,489)	-	(7,988)	(15,477)
Translation adjustment	(32,218)	(46)	(1,017)	(33,281)
At 31 December 2016, net carrying amount	**744,611**	**42,865**	**34,968**	**822,444**

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
At 31 December 2015				
Valuation	585,101	-	-	585,101
Cost	-	-	31,173	31,173
Accumulated depreciation (and impairment charges)	-	-	(7,482)	(7,482)
Net carrying amount	585,101	-	23,691	608,792
At 1 January 2015, net carrying amount	46,709	-	5,585	52,294
Acquisitions through business combinations	477,081	-	7,875	484,956
Other additions	16,644	-	14,275	30,919
Disposals	-	-	(240)	(240)
Elimination of depreciation on disposal	-	-	233	233
Revaluation gain through OCI	46,567	-	-	46,567
Revaluation loss through profit or loss	(1,131)	-	-	(1,131)
Depreciation charge for the year	(5,905)	-	(4,134)	(10,039)
Translation adjustment	5,136	-	97	5,233
At 31 December 2015, net carrying amount	585,101	-	23,691	608,792

*Accumulated depreciation of buildings is stated after the elimination of depreciation, revaluation, disposals and impairments

5 Property, plant and equipment *(continued)*

The carrying value of land and buildings is stated after the elimination of depreciation on revaluation.

The carrying value of land and buildings (revalued at 31 December 2016) is €744.6 million. The value of these assets under the cost model is €621.0 million. In 2016, unrealised revaluation gains of €67.9 million and unrealised losses of €1.5 million have been reflected through other comprehensive income and in the revaluation reserve in equity. A revaluation loss of €1.2 million and a reversal of prior period revaluation losses of €1.0 million have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2016 is land at a carrying value of €124.7 million (2015: €101.6 million) which is not depreciated.

Acquisitions through business combinations in the year ended 31 December 2016 includes the following:

- Clarion Hotel Sligo (see note 3);
- Tara Towers Hotel Dublin (see note 3); and
- Property, plant and equipment relating to the acquisition of the Choice Hotel Group (see note 3).

On the basis that the acquisition of the Clarion Hotel Cork leasehold interest as part of the Choice Hotel Group business combination represents an underlying increase in the fair value of the hotel, this acquisition has been accounted for as an addition to property, plant and equipment during the year of €12.2 million.

Other additions to land and buildings in the year ended 31 December 2016 include extensions to certain properties and the purchase of the following properties where the Group was already operating a hotel business:

- Freehold of Clayton Hotel Cardiff for €25.7 million (£23.0 million);
- Freehold of Clarion Hotel Limerick for €8.7 million; and
- Freehold of Maldron Hotel Cork for €8.3 million.

These amounts are inclusive of costs incurred in relation to the acquisition.

Additions to assets under construction in the year ended 31 December 2016 include the following:

- Development site at Charlemont Mall, Dublin 2 for €12.1 million;
- Part completed hotel at Beasley Street, Cork for €10.5 million;
- Development site at Kevin Street, Dublin for €8.3 million;
- Development site Brunswick Street, Belfast for €3.9 million (£3.3 million); and
- Adjacent site to Maldron Hotel Parnell Square for €5.1 million acquired with a view to extending that hotel.

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.

5 Property, plant and equipment *(continued)*

The value of the Group's property at 31 December 2016 reflects open market valuations carried out in December 2016 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.

At 31 December 2016, properties included within land and buildings with a carrying amount of €744.6 million were pledged as security for loans and borrowings.

Measurement of fair value

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

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

The significant unobservable inputs are:

- Forecast EBITDA;
- Risk adjusted discount rates of 8.50% to 12.00% (Ireland: 8.50% to 12.00%; UK: 8.50% to 11.75%) (Years 1-10); and
- Terminal (Year 10) capitalisation rates of 6.00% to 10.00% (Ireland: 6.50% to 10.00%; UK: 6.00% to 9.25%).

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

- EBITDA 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 recent data on hotel sales activity metrics.

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6 Investment property

	2016	2015
	€000	€000
Cost or valuation		
At beginning of period	**37,285**	1,248
Transfer to property, plant and equipment (note 5)	**(36,032)**	-
Acquisitions through business combinations	**1,431**	585
Other additions - cost	**-**	35,098
Capitalised transaction costs	**-**	799
Gain/(loss) from fair value adjustments	**497**	(445)
Translation adjustment	**64**	-
	3,245	37,285

Investment properties with a carrying value of €3.2 million were pledged as security for loans and borrowings at 31 December 2016. Gains or losses arising from fair value adjustments are included within administrative expenses.

Investment property comprises:

- Two commercial properties which were acquired on 29 August 2014 as part of the Maldron Hotel Pearse Street acquisition. The investment properties are leased to third parties for lease terms of 25 and 30 years, with 14 and 10 years remaining.
- Commercial properties which were acquired on 13 February 2015 as part of the Pillo Hotel Galway acquisition. The investment properties are leased to third parties for lease terms of 20 years, with 15 years remaining and a break clause in two years.
- A commercial property acquired as part of the acquisition of the freehold of Clayton Hotel Cardiff on 25 October 2016. The restaurant of this hotel is leased to a third party for a lease term of 20 years, with 16 years remaining.

The freehold interest in the Clarion Hotel Cork was acquired on 2 November 2015 for a total cash consideration of €35.1m plus direct transaction costs of €0.8m. As at 31 December 2015, this investment property was leased to a third party for a lease term of 35 years, with 24 years remaining. On 11 March 2016, the Group acquired the leasehold interest of the Clarion Cork hotel as part of a wider Choice Hotel Group acquisition (see note 3) and became the operator of that hotel. Consequently, this property was transferred to property, plant and equipment in the condensed consolidated financial statements for the year ended 31 December 2016.

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

The value of the Group's investment properties at 31 December 2016 reflect an open market valuation carried out in December 2016 by independent external valuers having appropriately recognised professional qualifications and recent experience in the location and category of property being valued. The valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

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

The valuation technique adopted is the investment method of valuation. This method is based on a review of the current passing rent, open market rent and comparable investment sales. The valuations use a yield specific to each property and ranged from 6.8% to 11.5% (2015: 6.5%).

6 Investment property *(continued)*

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

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

7 Interest-bearing loans and borrowings

	2016	2015
	€000	€000
Repayable within one year		
Bank borrowings	**16,800**	16,800
Less: deferred issue costs	**(1,066)**	(830)
	15,734	15,970
Repayable after one year		
Bank borrowings	**266,936**	252,728
Less: deferred issue costs	**(2,255)**	(2,560)
	264,681	250,168
Total interest-bearing loans and borrowings	**280,415**	266,138

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7 Interest-bearing loans and borrowings *(continued)*

Net debt is calculated in line with the Group's loan facility agreements. As a result, at 31 December 2016 it excludes amortised debt costs of €3.3 million (2015: €3.4 million) and interest rate swap liabilities of €3.4 million (2015: €0.9 million).

Reconciliation of movement in net debt

	Sterling facility £'000	**Sterling facility €000**	**Euro facility €000**	**Total €000**
Interest-bearing loans and borrowings (excluding amortised debt costs)				
At 1 January 2016	132,352	180,328	89,200	269,528
New facilities drawn down	42,000	49,910	7,697	57,607
Effect of foreign exchange	-	(26,599)	-	(26,599)
Capital repayment	-	-	(16,800)	(16,800)
At 31 December 2016	**174,352**	**203,639**	**80,097**	**283,736**
Cash and cash equivalents				
At 1 January 2016				149,155
Movement during the year				(68,075)
At 31 December 2016				**81,080**
Net debt at 31 December 2016				**202,656**
Net debt at 1 January 2016				120,373

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

On 6 May 2016, the Group entered into a new multicurrency loan facility of €80.0 million with a maturity date of 3 February 2020 and increased the revolving credit facility from €20.0 million to €30.0 million. On 9 June 2016 under this facility, the Group drew down £18.0 million (€22.9 million) and €7.7 million. On 24 October 2016, the Group drew down a further £24.0 million (€27.0 million).

The revolving credit facilities of €30.0 million were not drawn since entering the facility and remained undrawn as at 31 December 2016. €22.2 million of the other loan facilities were undrawn at 31 December 2016.

7 Interest-bearing loans and borrowings *(continued)*

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. The 2016 actual weighted average interest rate paid including the impact of interest rate swaps was 3.25%. The loans are secured on the Group's hotel 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.

8 Subsequent events

There were no events subsequent to 31 December 2016 which would require an adjustment to or a disclosure thereon in these condensed financial statements.

9 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 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 2016 and 31 December 2015:

	2016	2015
	€000	€000
Profit attributable to shareholders of the parent (€000) – basic and diluted	**34,923**	21,626
Adjusted profit attributable to shareholders of the parent (€000) – basic and diluted	**49,040**	37,004
Earnings per share – Basic	**19.09 cents**	14.55 cents
Earnings per share – Diluted	**18.93 cents**	14.47 cents
Adjusted earnings per share – Diluted	**26.58 cents**	24.76 cents
Weighted average shares outstanding – Basic	**182,966,666**	148,648,310
Weighted average shares outstanding – Diluted	**184,499,060**	149,427,201

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2016 is due to the dilutive impact of the conditional share awards granted in 2014, 2015 and 2016.

Adjusted diluted earnings per share is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of revaluation movements, goodwill impairment and items considered by management to be non-recurring or unusual in nature (see note 2). Acquisition costs have been excluded to give a more meaningful measure given the scale of acquisitions in 2015 and 2016.

Dalata Hotel Group plc
Notes to the condensed consolidated financial statements

9 Earnings per share *(continued)*

	2016	2015
	€000	€000
Reconciliation to adjusted profit for the period		
Profit before tax	**44,111**	28,457
Adjusting items (see note 2)		
Impairment of goodwill	**10,325**	199
Acquisition-related costs	**2,671**	15,802
Stock exchange listing costs	**1,293**	-
Net revaluation movements through profit or loss	**(241)**	1,576
Net impact of Ballsbridge site sale	**-**	(1,947)
Adjusted profit before tax	**58,159**	44,087
Tax	**(9,188)**	(6,831)
Tax adjustment for adjusting items	**69**	(252)
Adjusted profit for the period	**49,040**	37,004

10 Board approval

This announcement was approved by the Board on 27 February 2017.