Doing what we promise

ISE: DHG LSE: DAL

Dublin and London | 5 September 2017: Dalata Hotel Group plc ("Dalata" or the "Group"), the largest hotel operator in Ireland, announces its results for the six months ended 30 June 2017 ("H1 2017").

Key Highlights

	H1 2017	% Increase
Revenue (€m)	161.8	24.4%
Adjusted EBITDA[1] (€m)	44.9	27.0%
Profit Before Tax (€m)	32.7	80.0%
Adjusted Diluted EPS[1]	15.03 cents	40.9%
Diluted EPS	15.41 cents	82.8%

Financial KPIs

- Segments EBITDAR[1] margin increased from 38.7% to 41.0% as a result of strong conversion of 'like for like' revenue growth
- Group RevPAR[1] up 9.8% to €82.27
- Dublin hotels (excluding Clayton Hotel Burlington Road[2]) significantly outperformed the market with RevPAR growth of 11.2% versus city growth of 7.2%
- Net Debt to Amended[1] EBITDA ratio of 1.91x
- On a constant currency basis, EBITDA[1] in 2017 would have been €1.0 million higher

Announcing today

- Entered agreement to lease a new Clayton hotel to be built in the centre of Manchester by Property Alliance Group. Hotel will have circa 300 rooms and is expected to open in mid-2020 (subject to planning permission)
- Completed the acquisition of the freehold interest of certain elements of Clayton Hotel Cardiff Lane and the Clarion Hotel Liffey Valley for €62.0 million on 31 August

Strategic and Operating Highlights

- €17.1 million was invested in new builds and extensions during the period. Construction well underway at Clayton Hotel Charlemont, Maldron Hotel Kevin Street, Maldron Hotel Belfast City and Maldron Hotel Newcastle. Construction began in May on the 141 room extension at Clayton Hotel Dublin Airport
- Pipeline of over 1,280 new rooms on target to open in 2018
- €8.6 million was invested in the Group's ongoing refurbishment programme. In addition €2.4 million was spent on the continuing refurbishment of the three former Clarion hotels. €1.0 million was spent on other projects classified as development
- Completed the purchase of Hotel La Tour, Birmingham, UK for consideration amounting to €34.9 million in July and subsequently executed the sale and leaseback of the property with Deka Immoboilien in August
- Completed the disposal of the non-core Croydon Park Hotel leasehold interest in June
- Completed the sale and leaseback of Clayton Hotel Cardiff at a yield of 4.85% with M&G Real Estate in June
- Purchased the freehold interest in Maldron Hotel Portlaoise in May for €6.8 million resulting in rent savings of c€0.6 million per annum

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[1] *See glossary of alternative performance measurement ("APM") definitions and other definitions*

[2] *Clayton Hotel Burlington Road is excluded from the 'like for like' analysis because its performance in the transitional period since its November 2016 acquisition has a disproportionate impact as a result of its size*

Results Summary

Key Figures	Six months ended 30 June 2017	Six months ended 30 June 2016	Growth
Revenue (€'000)	161,801	130,050	1.24x
Segments EBITDAR[1] (€'000)	66,310	50,350	1.32x
Adjusted EBITDA[1] (€'000)	44,891	35,348	1.27x
Profit before tax (€'000)	32,707	18,166	1.80x
Basic Earnings per Share (cents)	15.476	8.485	1.82x
KPIs			
Occupancy (%)	80.2%	79.0%	120bps
Average Room Rate (€)	€102.63	€94.78	€7.85
RevPAR[1] (€)	€82.27	€74.90	€7.37

Outlook

The performance of our hotels across all three regions has been strong in July and August and the outlook remains positive for the balance of the year. Dublin remains a key market for the Group. The weakening of Sterling since the Brexit vote has negatively impacted on the number of UK visitors to the city but this has been more than compensated by an increase in the number of visitors from North America, Europe and other markets. Demand for rooms remains high in the city. The Regional Ireland cities are not as exposed to UK visitor numbers and continue to perform strongly. The UK hotel markets within which we operate also continue to perform strongly and appear to be benefiting from the weaker pound.

The second half of 2017 has seen further growth in the size of our owned and leased portfolio. The recent acquisitions of Hotel La Tour in Birmingham together with a significant part of the freehold interests of Clayton Hotel Cardiff Lane and Clarion Hotel Liffey Valley will provide further opportunities for earnings growth for the balance of 2017 and the years beyond that. We continue to explore opportunities in the UK and Irish hotel markets to expand our portfolio further.

Construction of the Group's four new hotels in Dublin, Belfast and Newcastle is well underway. In May 2017 construction of the 141 room extension at Clayton Hotel Dublin Airport commenced. Construction of the new Maldron hotel in Cork and the extensions at Maldron Hotel Parnell Square, Clayton Hotel Ballsbridge and Maldron Hotel Sandyroad will all commence in the final quarter of this year. We remain focused on delivering the current pipeline of over 1,280 rooms on time and within budget. This pipeline has the potential to significantly enhance earnings in 2019 and beyond.

[1] *See glossary of alternative performance measurement ("APM") definitions and other definitions*

Principal Risks and Uncertainties

The Group’s principal risks and uncertainties for the remainder of 2017 are:

- 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 could impact on the numbers of people looking to stay at hotels in both countries.
- 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 are translated to Euro. The Group limits its exposure to this foreign currency risk by using Sterling debt to hedge a significant element of the Group’s investment in UK subsidiaries.
- 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. UK visitors are an important part of our business in Ireland but it should be noted that 85% of our rooms in Dublin are sold to either domestic consumers or visitors from countries other than the UK. Only 6% of our rooms sold in our Regional Ireland hotels are to UK customers. Additionally, the reduction in UK visitors to Ireland is currently being more than offset by the growth in visitors from other markets such as North America and Europe.

Pat McCann, Dalata Group CEO, said:

"I am delighted that the momentum built up over the last three years has carried into 2017. We are very focused on both exploiting further opportunities to grow our portfolio while also delivering operational expertise.

I am very pleased with the opportunity that we have secured for a new 300 room Clayton hotel in the centre of Manchester. The location at Portland Street is ideal and Manchester is one of the most attractive cities in the UK to operate a hotel. This deal together with our recent acquisition and subsequent sale and leaseback of Hotel La Tour in Birmingham is evidence of our ability to source and execute deals in the UK. The strength of our balance sheet gives us the flexibility to complete deals on our own whilst also attracting strong property investment partners such as Deka Immoboilien and M&G Real Estate.

We have also been very active in Ireland to date in 2017. The purchases of Maldron Hotel Portlaoise and parts of Clayton Hotel Cardiff Lane were in line with our strategy to purchase the freehold interest of those hotels with unpredictable future rent reviews. Both deals are immediately earnings enhancing. I am also very happy that we purchased a significant element of the Clarion Hotel Liffey Valley. This hotel is currently trading very strongly and will benefit further from being rebranded as a Clayton Hotel.

Apart from Cork, where Clayton Hotel Cork City was negatively impacted by the combination of a rooms refurbishment project in Q1 2017 and teething problems of a rebranding in Q4 2016, we either matched or outperformed the market in all the cities in which we operate. I am very pleased with the way in which the Clayton Hotel Burlington Road has been integrated into the Group and it is performing ahead of our projections for 2017. Our UK portfolio has had a very strong performance to date in 2017 and we significantly outperformed the market in the cities in which we operate.

We are monitoring the reduction in UK visitors to Ireland since the Brexit vote in 2016. To date, overall visitor numbers remain robust due to growth in other markets. Our strategy of retaining substantial volumes of corporate and tour group business in our hotels makes us less reliant on the UK transient visitor.

We continued our rooms refurbishment programme in 2017, spending €5.7 million in the first half of the year. In addition €1.8 million was spent on the refurbishment of rooms in the former Clarion Hotels as part of the rebrand to Clayton. This effectively refurbished 752 rooms across the Group. A further €4.5 million was spent on refurbishing other areas of our hotels. We are seeing the benefits of our refurbishment programme with hotels such as Clayton Hotel Silver Springs (+32.4%), Clayton Hotel Leopardstown (+19.3%) and Clayton Hotel Chiswick (+20.5%) delivering very strong increases in RevPAR. We plan to refurbish a further 160 rooms in the final quarter of this year.

We spent €14.4 million on the ongoing development of our new hotels in Dublin (x2), and Belfast during the first six months of the year. Construction of the new Maldron Hotel Newcastle which we will lease is also underway. Work will commence on the construction of the new Maldron hotel in Cork in the final quarter of this year. We commenced construction of the 141 room extension at Clayton Hotel Dublin Airport in May and this project is scheduled to conclude by May 2018. Construction on the extensions at Maldron Hotel Sandyroad, Maldron Hotel Parnell Square and Clayton Hotel Ballsbridge will commence in the final quarter of this year. I am really excited about the quality of this development pipeline and the impact it will have on the Group.

Our continued focus on the training and development of our people is critical to ensure that we have the teams in place to run our new hotels. We have the senior teams already identified from within the Group to operate the hotels that are due to open next year. This greatly reduces the operating risk of opening these hotels.

There is significant IT investment planned for the next twelve months which will deliver a centralised accounting system, centralised payments and a new procurement system, as well as significant upgrades to our property management systems and website user interfaces. This investment is expected to deliver additional revenue, increased efficiencies and increased control. The centralised system will further support our decentralised approach to decision making at our hotels.

The second half of 2017 will be a busy period for the Group. We will continue to explore the exciting opportunities which exist in the UK and Irish hotels markets and will continue to work on our development projects and extensions. We will strive to further increase our service and quality levels whilst also converting strongly additional revenue to the EBITDAR line".

ENDS

About Dalata

Dalata Hotel Group plc is Ireland's largest hotel operator, with a current portfolio of 38 hotels with over 7,500 rooms. Dalata successfully operates Ireland's two largest hotel brands, Clayton Hotels and Maldron Hotels across Ireland and the UK, as well as managing a small portfolio of partner properties. 26 of the hotels are owned by Dalata, nine hotels are operated under lease agreements and three are operated under management agreements.

For the half year 2017, Dalata reported revenue of €161.8 million (full year 2016: €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 and Institutional Investors

Management will host a conference call for analysts and institutional investors at 08.30 BST, today 5 September 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 42059593#

Contacts

Dalata Hotel Group plc **Tel +353 1 206 9400**
Pat McCann, CEO
Dermot Crowley, Deputy CEO, Business Development and Finance
Sean McKeon, Company Secretary and Head of Risk and Compliance

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**
Melanie Farrell 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.

H1 2017 Performance Overview

Six months ended 30 June 2017						
€'000	**Dublin**	**Regional Ireland**	**UK**	**Managed Hotels**	**Central Office**	**Total**
Revenue	92,713	34,052	33,924	1,112	-	**161,801**
Segments EBITDAR	44,256	8,048	12,894	1,112	-	**66,310**
Rent	(14,212)	(672)	(1,458)	-	-	**(16,342)**
Segments EBITDA	**30,044**	**7,376**	**11,436**	**1,112**	**-**	**49,968**
Central overhead	-	-	-	-	(5,561)	**(5,561)**
Other income	-	-	-	-	484	**484**
Adjusted EBITDA	**30,044**	**7,376**	**11,436**	**1,112**	**(5,077)**	**44,891**
Acquisition-related costs	-	-	-	-	(71)	**(71)**
Net revaluation movements through profit or loss	-	-	-	-	700	**700**
Group EBITDA	**30,044**	**7,376**	**11,436**	**1,112**	**(4,448)**	**45,520**

Six months ended 30 June 2016						
€'000	**Dublin**	**Regional Ireland**	**UK**	**Managed Hotels**	**Central Office**	**Total**
Revenue	68,304	28,739	31,746	1,261	-	**130,050**
Segments EBITDAR	31,519	6,209	11,361	1,261	-	**50,350**
Rent	(8,590)	(1,119)	(1,995)	-	-	**(11,704)**
Segments EBITDA	**22,929**	**5,090**	**9,366**	**1,261**	**-**	**38,646**
Central overhead	-	-	-	-	(3,835)	**(3,835)**
Other income	-	-	-	-	537	**537**
Adjusted EBITDA	**22,929**	**5,090**	**9,366**	**1,261**	**(3,298)**	**35,348**
Acquisition-related costs	-	-	-	-	(2,023)	**(2,023)**
Stock exchange listing costs	-	-	-	-	(1,423)	**(1,423)**
Net revaluation movements through profit or loss	-	-	-	-	(910)	**(910)**
Group EBITDA	**22,929**	**5,090**	**9,366**	**1,261**	**(7,654)**	**30,992**

H1 2017 Performance Overview *(continued)*

The Group has continued to increase earnings in the first half of 2017 through: (i) increased profitability of existing hotels within the portfolio; (ii) full period impact of hotels acquired in 2016 and (iii) delivering integration benefits from recently acquired hotels.

- Group revenue has increased by 24.4% to €161.8 million as a result of the very strong performance of our hotels in strong markets and the full period impact of hotels acquired during 2016
- Adjusted EBITDA increased by 27.0% to €44.9 million
- Revenue from managed contracts decreased in line with the Group's expectation as some management contracts expired during the first six months of the year
- Segments EBITDAR margin increased from 38.7% to 41.0% reflecting a very strong conversion of additional revenue to EBITDAR
- Rent increased due to the acquisition of the leasehold interest of Clayton Hotel Burlington Road in November 2016, the full period impact of The Gibson Hotel and Croydon Park Hotel and additional performance-related rent. This was partially offset by the fact that Clayton Hotel Cardiff was owned for most of the period and the purchase of the freehold interest of Maldron Hotel Cork in September 2016
- Acquisition costs decreased significantly due to a reduction in acquisition activity versus H1 2016
- Central overheads increased by €1.7 million versus H1 2016 due to a continued focus on recruitment, training and development of our people, increased professional fees and increased sales and marketing spend

The Group's total number of rooms at leased and owned hotels has decreased from 7,104 at 31 December 2016 to 6,899 at 30 June 2017 (6,601 at 30 June 2016) following the disposal of the Group's non-core leasehold interest in Croydon Park Hotel, UK on 30 June 2017.

Region	**Number of Hotels**	**Room numbers**	**% of room numbers**
Dublin	14	3,699	53.6%
Regional Ireland	12	1,643	23.8%
UK*	7	1,557	22.6%
Total*	**33**	**6,899**	

**Excludes Croydon Park Hotel, as a result of the Group's disposal of this non-core leasehold interest on 30 June 2017*

Split of assets and liabilities at 30 June 2017

€'000	Republic of Ireland	UK	Total
Assets			
Intangible assets and goodwill	41,669	13,027	54,696
Property, plant and equipment	604,664	223,675	828,339
Investment property	1,165	-	1,165
Other non-current assets	10,104	-	10,104
Current assets	102,850	12,027	114,877
Total assets excluding derivatives and deferred tax assets	**760,452**	**248,729**	**1,009,181**
Other assets			1,550
Total assets			**1,010,731**
Liabilities			
Loans and borrowings*	69,195	198,278	267,473
Trade and other payables	46,658	10,117	56,775
Total liabilities excluding provisions, derivatives and tax liabilities	**115,853**	**208,395**	**324,248**
Other liabilities			33,669
Total liabilities			**357,917**

** Includes €198.3 million (£174.4 million) of Sterling denominated loans held in Ireland*

Profit Bridge

€'000		Dublin		Regional Ireland				United Kingdom						
	6 months ending 30 June 2016	**Full period impact of properties acquired in 2016***	**Like for like performance increase**	**Full period impact of properties acquired in 2016**	**Properties acquired in H1 2017***	**Full period impact of freeholds acquired in 2016**	**Like for like performance increase**	**Full period impact of properties acquired in 2016***	**Full period impact of freeholds acquired in 2016**	**Impact of sale and leaseback transaction ****	**Effect of FX**	**Like for like performance increase**	**Net loss of managed contracts**	**6 months ending 30 June 2017**
Revenue	**130,050**	**18,033**	**6,376**	**3,709**	**-**	**-**	**1,604**	**1,430**	**-**	**-**	**(2,955)**	**3,701**	**(147)**	**161,801**
Segments EBITDAR	50,350	8,016	4,719	456	-	-	1,384	279	-	-	(1,049)	2,302	(147)	**66,310**
Rent	(11,704)	(5,350)	(272)	(20)	89	362	16	(382)	905	(50)	98	(34)	-	**(16,342)**
Segments EBITDA	**38,646**	**2,666**	**4,447**	**436**	**89**	**362**	**1,400**	**(103)**	**905**	**(50)**	**(951)**	**2,268**	**(147)**	**49,968**
Segments EBITDAR margin	*38.7%*		*74.0%*				*86.3%*					*62.2%*		*41.0%*

***** *Dublin – The Gibson Hotel, Clayton Hotel Burlington Road and Tara Towers Hotel; Regional Ireland – the Clayton Hotel Cork City, Clayton Hotel Limerick, Clayton Hotel Sligo; UK – the Croydon Park Hotel*

****** *Sale and leaseback of the Clayton Hotel Cardiff*

1. Segmental EBITDA has increased by €11.3 million primarily as a result of enhanced like for like performance across all regions (€8.1 million) and the full period impact of properties acquired in 2016 (€3.0 million)
2. The purchase of the freehold interest of Clayton Hotel Cardiff, UK in October 2016 resulted in savings in rent of €0.9 million in H1 2017 versus the prior period
3. The weakening of Sterling against the Euro resulted in incremental FX losses of €1.0 million versus H1 2016

Segmental Review

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

1. Dublin
2. Regional Ireland
3. United Kingdom

1. Dublin

Earnings Summary		
€million	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Room revenue	64.5	48.2
Food and beverage revenue	22.0	15.7
Other revenue	6.2	4.4
	______	______
Revenue	**92.7**	**68.3**
	______	______
EBITDAR	44.2	31.5
Rent	(14.2)	(8.6)
	______	______
EBITDA contribution	**30.0**	**22.9**
	______	______
EBITDAR margin	47.7%	46.1%

Performance statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired with the exception of Clayton Hotel Burlington Road[3] (leasehold interest entered into in November 2016) which is excluded).

	Six months ended 30 June 2017	**Six months ended 30 June 2016**
Occupancy (%)	84.4%	82.8%
Average room rate (€)	€112.52	€103.07
RevPAR (€)	€94.91	€85.34

Performance statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired including Clayton Hotel Burlington Road (leasehold interest entered into in November 2016).

	Six months ended 30 June 2017	**Six months ended 30 June 2016**
Occupancy (%)	83.1%	82.4%
Average room rate (€)	€116.02	€108.38
RevPAR (€)	€96.36	€89.30

[3] *Clayton Hotel Burlington Road is excluded from the 'like for like' analysis because its performance in the transitional period since its November 2016 acquisition has a disproportionate impact as a result of its size*

1. Dublin *(continued)*

The Dublin hotel portfolio includes six Maldron Hotels, five Clayton Hotels, Ballsbridge Hotel, Tara Towers Hotel and The Gibson Hotel. The Dublin market represents 57.3% of the Group's revenue and 60.1% of the Group's segments EBITDA.

Revenue in Dublin increased by 35.7%. RevPAR at the Group's hotels in Dublin increased on a like for like basis (excluding Clayton Hotel Burlington Road) by 11.2% compared to the market increase of 7.2%.

RevPAR growth for the period was particularly strong in the Tara Towers Hotel, Clayton Hotel Leopardstown, Maldron Hotel Tallaght, Clayton Hotel Dublin Airport and The Gibson Hotel.

Clayton Hotel Burlington Road contributed €4.9 million of the additional €6.3 million of food and beverage revenue during the period. On a 'like for like' basis food and beverage sales were up 3.1%.

EBITDAR margin increased by 1.6 percentage points to 47.7% demonstrating a consistently strong conversion of revenue to the bottom line in this segment.

Rent has increased due to the impact of the leasehold interest in Clayton Hotel Burlington Road which commenced in November 2016 and strong trading in Ballsbridge Hotel and Maldron Hotel Dublin Airport which have performance related rent clauses.

2. Regional Ireland

Earnings Summary		
€million	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Room revenue	18.1	14.6
Food and beverage revenue	12.0	10.9
Other revenue	4.0	3.2
	______	______
Revenue	**34.1**	**28.7**
	______	______
EBITDAR	8.0	6.2
Rent	(0.6)	(1.1)
	______	______
EBITDA contribution	**7.4**	**5.1**
	______	______
EBITDAR margin	23.6%	21.6%
Performance statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired).		
	Six months ended 30 June 2017	**Six months ended 30 June 2016**
Occupancy (%)	71.5%	69.3%
Average room rate (€)	€85.17	€80.46
RevPAR (€)	€60.93	€55.79

The twelve hotels in Regional Ireland comprise six Maldron hotels and six Clayton hotels. The results from Regional Ireland account for 21.0% of the Group's revenue and 14.8% of the Group's segments EBITDA.

On an overall basis occupancy has slightly increased (by 2.2 percentage points) in Regional Ireland. RevPAR has increased by 9.2% versus the prior period and revenue has increased by 18.5% to €34.1 million. RevPAR growth was particularly strong in Clayton Hotel Silver Springs and Maldron Hotel Limerick during the period with both hotels achieving growth in excess of 20%. We outperformed the market in Limerick and Galway. We were behind the market in Cork due to the combined impact of a rooms refurbishment project in Q1 2017 and teething problems of a rebranding at Clayton Hotel Cork City in Q4 2016. Our other two Cork hotels significantly outperformed the market.

Food and beverage revenue accounted for 35.2% of total revenue in Regional Ireland compared to 23.7% in the Dublin region, consistent with previous periods. EBITDAR margin is lower in the Regional Ireland hotels compared to Dublin due to lower average room rates and this higher mix of food and beverage revenue. EBITDAR margin has increased by 2.0 percentage points to 23.6%, illustrating increased conversion of revenue to the bottom line.

3. United Kingdom

Earnings Summary		
£million	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Room revenue	20.0	16.9
Food and beverage revenue	6.8	6.0
Other revenue	2.4	1.8
	______	______
Revenue	**29.2**	**24.7**
	______	______
EBITDAR	11.1	8.8
Rent	(1.3)	(1.5)
	______	______
EBITDA contribution	**9.8**	**7.3**
	______	______
EBITDAR margin	38.0%	35.6%
Performance statistics (reflect full six months performance of the hotels in this portfolio for both periods regardless of when acquired). Croydon Park Hotel is excluded on the basis that this leasehold interest was disposed of on 30 June 2017.		
	Six months ended 30 June 2017	**Six months ended 30 June 2016**
Occupancy	82.0%	77.2%
Average room rate (£)	£77.71	£72.03
RevPAR (£)	£63.72	£55.60

At 30 June 2017, and excluding Croydon Park Hotel (the leasehold of which was disposed of on 30 June), the Group operated seven hotels in the United Kingdom; two in London, three in regional UK and two in Northern Ireland. The portfolio comprises six Clayton hotels and one Maldron hotel. Hotel La Tour (Birmingham) was purchased after the end of the period.

The results from the United Kingdom account for 21.0% of the Group's revenue and 22.9% of the Group's segments EBITDA.

Revenue has increased by 18.0% to £29.2 million. RevPAR increased by 14.6%. RevPAR growth was particularly strong in Northern Ireland with the Group's two properties achieving RevPAR growth in excess of 20% and Clayton Hotel Chiswick where RevPAR grew by 20.5%. The Group's regional UK hotels and London hotels all achieved RevPAR growth in excess of market performance.

Increases in food and beverage revenue were primarily driven by Clayton Hotel Chiswick.

EBITDAR margin increased from 35.6% to 38.0%. Conversion at 62.2% is lower than in Ireland due to a larger proportion of the increase in revenue being generated in food and beverage, growth in commission costs and growth in overheads (municipal rates).

Rent was lower due to Clayton Hotel Cardiff being owned for most of the period. This was counterbalanced by Croydon Park Hotel which was acquired in March 2016 and sold at the end of June 2017.

Financial Review

Central Office Overheads

€million	Six months ended 30 June 2017	Six months ended 30 June 2016
Central office overheads	5.6	3.8
Acquisition-related costs	0.1	2.0
Stock exchange listing costs	-	1.4
	______	______
	5.7	**7.2**
	______	______

Central office overheads increased by €1.8 million versus the prior period. Professional fees increased due to (i) cost of property valuations being included in Stock exchange listing costs in 2016 and (ii) costs associated with the introduction of a new centralised accounts platform and group-wide procurement system. Salaries and wages increased as the Group continues to invest in the central office team required to support the larger hotel portfolio.

An increase in sales and marketing costs further contributed to the increase in central office overheads versus the prior period, which is reflective of the Group's investment in sales and marketing strategies to further increase the value and presence of the Group's Clayton and Maldron brands.

Depreciation and Revaluation of Land and Buildings

€million	Six months ended 30 June 2017	Six months ended 30 June 2016
Depreciation	7.6	7.2
Loss on revaluation of land and buildings	0.5	1.8
Reversal of previously recognised revaluation losses	(1.2)	(0.9)
	______	______
	6.9	**8.1**
	______	______

Depreciation

The Group's depreciation charge for H1 2017 remained relatively in line with the charge for the six months ended 30 June 2016 despite the amounts spent on refurbishment and new hotels acquired. The Group reviews the useful lives of its property, plant and equipment at least annually to determine whether the existing estimated useful lives remain appropriate.

In H1 2017 management initiated a comprehensive review of the useful lives of its fixtures, fittings and equipment. This analysis broke down refurbishment projects into constituent parts and estimated useful lives on a line by line basis based on recent operational experience. For example, for rooms refurbishment (which has been the major area of expenditure), all expenditure was previously depreciated over five years on a straight line basis. Following the review, the estimated useful lives range from three to twelve years. As a result the average estimated useful life of a rooms refurbishment project has increased from five to eight years. If the previous estimates of useful lives had applied for the period to 30 June 2017, this would have resulted in a total depreciation charge of €9.4 million (being an increase of €2.2 million on H1 2016).

Net revaluation movements through profit or loss

Arising from the Group's revaluation of land and buildings at 30 June 2017, revaluation losses of €0.5 million were recognised against profit, driven by acquisition costs which were capitalised on the purchase of the freehold interest of Maldron Hotel Portlaoise in May 2017. €1.2 million of a previously recognised revaluation loss relating to Clayton Hotel Chiswick has been reversed through profit or loss in H1 2017. The increase in the valuation of Clayton Hotel Chiswick reflects its exceptional performance over the last six months. A net gain of €0.7 million was recorded in H1 2017.

Finance Costs

€million	**Six months ended 30 June 2017**	**Six months ended 30 June 2016**
Interest expense on loans and borrowings	3.9	3.8
Other finance costs	1.2	0.9
Impact of interest rate swaps	0.7	0.6
Net exchange loss on loans, borrowings and cash	0.1	0.4
Interest capitalised on development projects	(0.7)	-
	5.2	**5.7**

Other finance costs include the negative yield on cash held in money-market funds and the amortisation of debt capitalised costs and commitment fees on loans and borrowings. The increase in other finance costs versus the six months ended 30 June 2016 is due to the amortisation of costs which were capitalised on the Group's loans and borrowings.

In line with accounting standards, the Group has capitalised interest in respect of assets under construction which will form part of the cost of the final asset. The Group uses two capitalisation rates being the weighted average interest rate including the cost of hedging for Sterling borrowings which is applied to UK assets and the weighted average interest rate for Euro borrowings which is applied to Republic of Ireland assets. Interest capitalised on development projects such as the Group's new builds in Dublin (x2) and Belfast and extensions amounted to €0.7 million during the period. Capitalised interest is expected to reach €1.7 million by the end of 2017 if the current development schedule continues on track.

Balance Sheet

Financial Structure

On 6 July 2017, the Group increased its revolving credit facility from €30 million to €80 million. This revolving credit facility has a maturity date of 3 February 2020. On 17 July 2017, the Group drew down £30 million from its revolving credit facility to fund the purchase of Hotel La Tour, Birmingham. This was repaid on 11 August 2017 following the sale and leaseback of this property. At 30 June 2017, the Group had cash and cash equivalent balances of €88.9 million including €50.4 million held in money-market funds. The Group had bank loans of €267.5 million (net of unamortised costs) at the same date and a net debt to amended EBITDA ratio (as used when reporting on covenants to lenders) of 1.91x.

Revaluation Reserve

Arising from the Group's policy to state land and buildings at fair value at each reporting period end, the Group recognised net revaluation gains of €6.0 million in the period comprising €0.7 million net revaluation gains through profit or loss and €5.3 million net gains through other comprehensive income.

Transactions

During the first half of 2017, the Group purchased the freehold interest in Maldron Hotel Portlaoise for €6.8 million.

In addition, the Group divested of its leasehold interest in Croydon Park Hotel and also completed the sale and leaseback of Clayton Hotel Cardiff during the period resulting in gains recognised through profit or loss of €0.1 million and €0.2 million respectively.

Post period end, the Group has completed the purchase and sale and leaseback of Hotel La Tour, Birmingham, UK. The Group also completed the purchase of the freehold interest of certain elements of Clayton Hotel Cardiff Lane, Dublin 2 and the Clarion Hotel Liffey Valley for €62.0 million. Deposits paid and included within non-current assets at 30 June 2017 amounted to €6.2 million. The Group entered into an agreement to lease a new 300 room Clayton hotel in Manchester which is scheduled to open in mid-2020.

Intangible assets and goodwill

Intangible assets and goodwill at 30 June 2017 amounted to €54.7 million. There were no indicators of impairment at 30 June 2017 and accordingly no impairment losses have been recognised through profit or loss.

Capital Expenditure

Total capital expenditure (excluding freehold purchases) in the first six months of the year amounted to €29.1 million. This primarily included the following:

- €14.4 million spent on development sites/new builds in Dublin (x2) and Belfast;
- €1.5 million spent on the extension at Clayton Hotel Dublin Airport;
- Ongoing investment in the Group's refurbishment programme amounted to €8.6 million of which €5.7 million was spent on rooms; and
- €2.4 million invested on refurbishments at three of the former Clarion hotels, in light of these hotels being re-branded as Clayton Hotels in late 2016 (being Clayton Hotel Cork City, Clayton Hotel Limerick and Clayton Hotel Sligo).

Glossary of alternative performance measurements ("APM") definitions and other definitions

1. EBITDAR: non-GAAP measure representing earnings before rent, interest, tax, depreciation and amortisation (see note 4 to the unaudited condensed consolidated interim financial statements for calculation)

2. EBITDA: non-GAAP measure representing earnings before interest, tax, depreciation and amortisation (see note 4 to the unaudited condensed consolidated interim financial statements for calculation)

3. Adjusted EBITDA: non-GAAP measure representing earnings before interest, tax, depreciation and amortisation adjusted for revaluation movements and other items considered by management to be non-recurring or unusual in nature. See note 4 to the unaudited condensed consolidated interim financial statements for calculation

4. Adjusted Diluted EPS: non-GAAP measure representing EPS adjusted for the net of tax effects of revaluation movements and other items considered by management to be non-recurring or unusual in nature (see note 24 to the unaudited condensed consolidated interim financial statements for calculation)

5. Segments EBITDA: represents the EBITDA for reportable segments (see note 4 to the unaudited condensed consolidated interim financial statements for calculation)

6. Segments EBITDAR: represents the 'Segments EBITDA' before rent

7. Amended EBITDA: EBITDA as amended in line with requirements under the Group's facilities agreements when reporting on covenants to lenders, particularly for calculation of Net Debt to Amended EBIDTA ratio

8. RevPAR: Revenue per available room: calculated as total rooms revenue divided by number of rooms available

Statement of the directors in respect of the half-yearly financial report

Each of the directors, whose names and functions are listed on pages 52 to 54 of the 2016 Annual Report, confirm our responsibility for preparing the half year financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and the Disclosure and Transparency Rules of the UK Financial Conduct Authority and with IAS 34 *Interim Financial Reporting*, as adopted by the EU, and to the best of each person's knowledge and belief:

(a) the condensed interim financial statements comprising the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 27 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

(b) the interim management report includes a fair review of the information required by:

(i) *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

4 September 2017
Director

Director

Unaudited condensed consolidated interim financial statements

for the six months ended 30 June 2017

Dalata Hotel Group plc

Unaudited condensed consolidated interim financial statements

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Dalata Hotel Group plc

Unaudited condensed consolidated statement of comprehensive income
for the six months ended 30 June 2017

	Note	**6 months ended 30 June 2017 €’000**	6 months ended 30 June 2016 €’000
Continuing operations			
Revenue	*4*	**161,801**	130,050
Cost of sales		**(60,890)**	(50,569)
Gross profit		**100,911**	79,481
Administrative expenses, including acquisition related-costs of €0.1 million (2016: €2.0 million) and main market listing costs of €Nil (2016: €1.4 million)	*5*	**(63,506)**	(56,191)
Other income	*6*	**484**	537
Operating profit		**37,889**	23,827
Finance costs	*7*	**(5,182)**	(5,661)
Profit before tax		**32,707**	18,166
Tax charge	*9*	**(4,360)**	(2,641)
Profit for the period attributable to owners of the Company		**28,347**	15,525
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property		**5,266**	42,453
Related deferred tax		**(452)**	(5,167)
		4,814	37,286
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(7,366)**	(29,353)
Gain on net investment hedge		**5,361**	20,193
Fair value movement on cashflow hedges	*14*	**249**	(4,685)
Cashflow hedges – reclassified to profit or loss	*14*	**668**	595
Related deferred tax		**(115)**	511
		(1,203)	(12,739)
Other comprehensive income for the period, net of tax		**3,611**	24,547
Total comprehensive income for the period attributable to owners of the Company		**31,958**	40,072
Earnings per share			
Basic earnings per share	*24*	**15.476 cent**	8.485 cent
Diluted earnings per share	*24*	**15.405 cent**	8.429 cent

Dalata Hotel Group plc

Unaudited condensed consolidated statement of financial position
at 30 June 2017

	Note	**30 June 2017**	31 December 2016
Assets		**€'000**	€'000
Non-current assets			
Intangible assets and goodwill	*11*	**54,696**	54,267
Property, plant and equipment	*12*	**828,339**	822,444
Investment property	*13*	**1,165**	3,245
Deferred tax assets	*21*	**1,545**	1,894
Trade and other receivables	*15*	**10,104**	4,748
Derivatives	*14*	**5**	7
Total non-current assets		**895,854**	886,605
Current assets			
Trade and other receivables	*15*	**24,404**	15,874
Inventories		**1,541**	1,817
Cash and cash equivalents	*19*	**88,932**	81,080
Total current assets		**114,877**	98,771
Total assets		**1,010,731**	985,376
Equity			
Share capital	*23*	**1,837**	1,830
Share premium	*23*	**503,113**	503,113
Capital contribution		**25,724**	25,724
Merger reserve		**(10,337)**	(10,337)
Share-based payment reserve		**1,791**	2,126
Hedging reserve		**(2,304)**	(3,106)
Revaluation reserve		**111,885**	107,531
Translation reserve		**(11,979)**	(9,974)
Retained earnings		**33,084**	3,475
Total equity		**652,814**	620,382
Liabilities			
Non-current liabilities			
Loans and borrowings	*20*	**251,714**	264,681
Deferred tax liabilities	*21*	**25,487**	25,051
Derivatives	*14*	**2,481**	3,401
Provision for liabilities	*17*	**3,819**	3,040
Total non-current liabilities		**283,501**	296,173
Current liabilities			
Loans and borrowings	*20*	**15,759**	15,734
Trade and other payables	*16*	**56,775**	52,050
Current tax liabilities		**1,882**	1,037
Total current liabilities		**74,416**	68,821
Total liabilities		**357,917**	364,994
Total equity and liabilities		**1,010,731**	985,376

Dalata Hotel Group plc

Unaudited condensed consolidated statement of changes in equity
for the six months ended 30 June 2017

	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 2017	**1,830**	**503,113**	**25,724**	**(10,337)**	**2,126**	**(3,106)**	**107,531**	**(9,974)**	**3,475**	**620,382**
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	28,347	**28,347**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(7,366)	-	**(7,366)**
Gain on net investment hedge	-	-	-	-	-	-	-	5,361	-	**5,361**
Revaluation of property	-	-	-	-	-	-	5,266	-	-	**5,266**
Transfer of revaluation gains to retained earnings on sale of property	-	-	-	-	-	-	(460)	-	460	**-**
Fair value movement on cashflow hedges	-	-	-	-	-	249	-	-	-	**249**
Cashflow hedges – reclassified to profit or loss	-	-	-	-	-	668	-	-	-	**668**
Related deferred tax	-	-	-	-	-	(115)	(452)	-	-	**(567)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**802**	**4,354**	**(2,005)**	**28,807**	**31,958**
Transactions with owners of the Company:										
Equity-settled share-based payments	-	-	-	-	728	-	-	-	-	**728**
Vesting of share awards	7	-	-	-	(1,063)	-	-	-	1,063	**7**
Additional costs of prior period share issues	-	-	-	-	-	-	-	-	(261)	**(261)**
Total transactions with owners of the Company	**7**	**-**	**-**	**-**	**(335)**		**-**	**-**	**802**	**474**
At 30 June 2017	**1,837**	**503,113**	**25,724**	**(10,337)**	**1,791**	**(2,304)**	**111,885**	**(11,979)**	**33,084**	**652,814**

Dalata Hotel Group plc

Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 June 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 period	-	-	-	-	-	-	-	-	15,525	**15,525**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(29,353)	-	**(29,353)**
Gain on net investment hedge	-	-	-	-	-	-	-	20,193	-	**20,193**
Revaluation of property	-	-	-	-	-	-	42,453	-	-	**42,453**
Fair value movement on cashflow hedges	-	-	-	-	-	(4,685)	-	-	-	**(4,685)**
Cashflow hedges – reclassified to profit or loss	-	-	-	-	-	595	-	-	-	**595**
Related deferred tax	-	-	-	-	-	511	(5,167)	-	-	**(4,656)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(3,579)**	**37,286**	**(9,160)**	**15,525**	**40,072**
Transactions with owners of the Company:										
Equity-settled share-based payments	-	-	-	-	561	-	-	-	-	**561**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**561**	**-**	**-**	**-**	**-**	**561**
At 30 June 2016	**1,830**	**503,113**	**25,724**	**(10,337)**	**1,473**	**(4,467)**	**84,796**	**(8,280)**	**(15,923)**	**577,929**

Dalata Hotel Group plc

Unaudited condensed consolidated statement of cash flows
for the six months ended 30 June 2017

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Cash flows from operating activities		
Profit for the period	**28,347**	15,525
Adjustments for:		
Depreciation of property, plant and equipment	**7,631**	7,165
Gain on sale of property resulting in operating lease	**(200)**	-
Gain on disposal of subsidiary	**(154)**	-
Net revaluation movements through profit or loss	**(700)**	910
Share-based payment expense	**728**	561
Finance costs	**5,182**	5,661
Tax charge	**4,360**	2,641
	45,194	32,463
Increase in trade and other payables	**3,579**	6,306
Increase in trade and other receivables	**(8,642)**	(7,055)
Decrease in inventories	**268**	96
Tax paid	**(2,939)**	(1,593)
Net cash from operating activities	**37,460**	30,217
Cash flows from investing activities		
Acquisitions of undertakings through business combinations, net of cash acquired	**-**	(63,787)
Purchase of property, plant and equipment	**(34,262)**	(53,669)
Deposits paid on acquisitions	**(6,250)**	-
Proceeds on sale of property resulting in operating lease	**25,121**	-
Proceeds on disposal of subsidiary	**114**	-
Net cash used in investing activities	**(15,277)**	(117,456)
Cash flows from financing activities		
Proceeds from vesting of share awards	**7**	-
Interest and finance costs paid	**(4,829)**	(5,067)
Receipt of bank loans	**-**	30,645
Repayment of bank loans	**(8,400)**	(8,400)
Net cash (used in)/from financing activities	**(13,222)**	17,178
Net increase/(decrease) in cash and cash equivalents	**8,961**	(70,061)
Cash and cash equivalents at beginning of period	**81,080**	149,155
Effect of movements in exchange rates	**(1,109)**	(3,672)
Cash and cash equivalents at end of period	**88,932**	75,422

1 General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company incorporated in the Republic of Ireland. The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 (the 'Interim Financial Statements') include the Company and its subsidiaries (together referred to as the 'Group'). The Interim Financial Statements were authorised for issue by the Directors on 4 September 2017.

These unaudited Interim Financial Statements have been prepared by Dalata Hotel Group plc in accordance with IAS 34 *Interim Financial Reporting* ('IAS 34') as adopted by the European Union. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2016. They should be read in conjunction with the consolidated financial statements of Dalata Hotel Group plc, which were prepared in accordance with IFRS as adopted by the European Union, as at and for the year ended 31 December 2016.

These Interim 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 Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing these Interim Financial Statements, the critical judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016, with the exception of the revision of estimated useful lives of fixtures, fittings and equipment referred to below.

Revision of Estimated Useful Lives of Property, Plant and Equipment

The Group reviews the useful lives of its property, plant and equipment at least annually to determine whether the existing estimated useful lives remain appropriate. Arising from the Group's assessment during the period ended 30 June 2017, the Group has revised its estimate of the useful lives of its fixtures, fittings and equipment. Previously the average estimated useful life was 5 to 10 years whereas, as a result of the change in estimate, the average estimated useful life is 3 to 15 years depending on the categorisation of asset. Were the previous useful lives applied for the period to 30 June 2017, this would have resulted in a total depreciation charge in respect of the Group's property, plant and equipment of €9.4 million, which is €1.8 million higher than the recognised depreciation charge of €7.6 million in profit or loss for the period. The impact for the six months ending 31 December 2017 is estimated to result in a €1.9 million lower depreciation charge in that period than would otherwise apply, although this may vary depending on the profile and timing of capital expenditure. It is impracticable to disclose the prospective impact of this change beyond the end of 2017 on the basis that this would require the Group to further estimate the timing, quantum and asset classification of future capital expenditure.

Other key judgments and estimates impacting these Interim Financial Statements are:

- Carrying value, depreciation and estimated useful lives of own-use property measured at fair value (note 12); and
- Carrying value of goodwill and other indefinite-lived intangible assets (note 11).

1 General information and basis of preparation *(continued)*

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2016, together with the independent auditor's report thereon, have been filed with the Companies Registration Office and are available on the Company's website www.dalatahotelgroup.com. The auditor's report on those financial statements was not qualified and did not contain an emphasis of matter paragraph.

2 Significant accounting policies

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2016 with the exception of the capitalisation of borrowing costs.

Capitalisation of Borrowing Costs
During the period, interest incurred by the Group in respect of its existing loans and borrowings amounting to €0.7 million (note 7) was capitalised to assets under construction (note 12) on the basis that this cost was deemed to be directly attributable to the construction of qualifying assets (2016: €Nil). Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. The Group uses two capitalisation rates being the weighted average interest rate of 3.5% including the cost of hedging for Sterling borrowings which is applied to United Kingdom qualifying assets and the weighted average interest rate of 2.5% which is applied to Republic of Ireland qualifying assets. Capitalisation commences on the date on which the Group undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation of borrowing costs ceases when the asset is ready for its intended use.

None of the new IFRS standards, amendments to standards or interpretations that are effective for the first time in the financial year ending 31 December 2017 have had an impact on the Group's reported profit or net assets in these Interim Financial Statements.

The Group have provided an update on IFRS 16 *Leases* in note 26, Standards not yet effective.

3 Seasonality

Hotel revenue and operating profit are driven by seasonal factors as July and August are typically the busiest months in the operating cycle. The table below analyses revenue, operating profit and profit before tax for the first half and second half of the year ended 31 December 2016.

	6 months ended 30 June 2016 €'000	**6 months ended 31 December 2016 €'000**	**Total year ended 31 December 2016 €'000**
Revenue	130,050	160,501	290,551
Operating profit	23,827	31,780	55,607
Profit before tax	18,166	25,945	44,111

3 Seasonality *(continued)*

The above table is provided for explanatory purposes. The actual split of revenue, operating profit and profit before tax for financial year 2017 will differ from the results above.

Acquisition-related costs of €2.0 million and main market listing costs of €1.4 million were incurred in the 6 months ended 30 June 2016, and are reflected in operating profit and profit before tax above.

4 Operating segments

The Group's 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 the Board of Directors.

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

Dublin, Regional Ireland and United Kingdom segments:
These segments are concerned with operating hotels that are either owned or leased by the Group. As at 30 June 2017, the Group owns 23 hotels and has effective ownership of one further hotel which it operates (24 owned hotels) (31 December 2016: 24 hotels). The Group also leases nine hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating these hotels (31 December 2016: 10 hotels). It also owns part of one of the nine leased hotels which it operates.

On 16 May 2017, the Group purchased the freehold interest of the Maldron Hotel, Portlaoise (note 12). On 16 June 2017, the Group completed the sale and operating leaseback of the Clayton Hotel, Cardiff (note 12). On 30 June 2017, the Group disposed of its leasehold interest in the Croydon Park Hotel, Croydon, UK (note 6).

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

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

Revenue

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Dublin	**92,713**	68,304
Regional Ireland	**34,052**	28,739
United Kingdom	**33,924**	31,746
Managed Hotels	**1,112**	1,261
Total revenue	**161,801**	130,050

Dalata Hotel Group plc

Notes to the unaudited condensed consolidated interim financial statements *(continued)*

4 Operating segments *(continued)*

Revenue for each of the geographical locations represents the operating 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.

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Segmental results - EBITDAR		
Dublin	**44,256**	31,519
Regional Ireland	**8,048**	6,209
United Kingdom	**12,894**	11,361
Managed Hotels	**1,112**	1,261
EBITDAR for reportable segments	**66,310**	50,350
Segmental results - EBITDA		
Dublin	**30,044**	22,929
Regional Ireland	**7,376**	5,090
United Kingdom	**11,436**	9,366
Managed Hotels	**1,112**	1,261
EBITDA for reportable segments	**49,968**	38,646
Reconciliation to results for the period		
Segments EBITDA	**49,968**	38,646
Other income	**484**	537
Central costs	**(5,561)**	(3,835)
Adjusted EBITDA	**44,891**	35,348
Acquisition-related costs	**(71)**	(2,023)
Stock exchange listing costs	**-**	(1,423)
Loss on revaluation of land and buildings	**(541)**	(1,751)
Reversal of previously recognised revaluation losses	**1,241**	841
Group EBITDA	**45,520**	30,992
Depreciation of property, plant and equipment	**(7,631)**	(7,165)
Finance costs	**(5,182)**	(5,661)
Profit before tax	**32,707**	18,166
Tax	**(4,360)**	(2,641)
Profit for the period	**28,347**	15,525

4 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, 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 2016. Consequently, adjusted EBITDA represents Group EBITDA before:

- Acquisition-related costs (note 5);
- Stock exchange listing costs in 2016; and
- Net revaluation movements through profit or loss.

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 other income (note 6). 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, Regional Ireland and United Kingdom represents 'Segmental results – EBITDA' before rent. For leased hotels, rent paid to lessors amounted to €16.3 million for the first six months of 2017 (6 months to 30 June 2016: €11.7 million).

Other geographical information

Revenue	**6 months ended 30 June 2017**			6 months ended 30 June 2016		
	Republic of Ireland	**United Kingdom**	**Total**	Republic of Ireland	United Kingdom	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Leased and owned hotels	**126,765**	**33,924**	**160,689**	97,043	31,746	128,789
Managed hotels	**1,026**	**86**	**1,112**	1,179	82	1,261
Total revenue	**127,791**	**34,010**	**161,801**	98,222	31,828	130,050

4 Operating segments *(continued)*

Other geographical information *(continued)*

Assets and liabilities	**At 30 June 2017**			At 31 December 2016		
	Republic of Ireland €'000	**United Kingdom €'000**	**Total €'000**	Republic of Ireland €'000	United Kingdom €'000	Total €'000
Assets						
Intangible assets and goodwill	**41,669**	**13,027**	**54,696**	41,588	12,679	54,267
Property, plant and equipment	**604,664**	**223,675**	**828,339**	575,782	246,662	822,444
Investment property	**1,165**	**-**	**1,165**	1,750	1,495	3,245
Other non-current assets	**10,104**	**-**	**10,104**	4,748	-	4,748
Current assets	**102,850**	**12,027**	**114,877**	88,169	10,602	98,771
Total assets excluding derivatives and tax assets	**760,452**	**248,729**	**1,009,181**	712,037	271,438	983,475
Derivatives			**5**			7
Deferred tax assets			**1,545**			1,894
Total assets			**1,010,731**			985,376
Liabilities						
Loans and borrowings	**69,195**	**198,278**	**267,473**	76,776	203,639	280,415
Trade and other payables	**46,658**	**10,117**	**56,775**	42,760	9,290	52,050
Total liabilities excluding provisions, derivatives and tax liabilities	**115,853**	**208,395**	**324,248**	119,536	212,929	332,465
Provisions			**3,819**			3,040
Derivatives			**2,481**			3,401
Current tax liabilities			**1,882**			1,037
Deferred tax liabilities			**25,487**			25,051
Total liabilities			**357,917**			364,994
Revaluation reserve	**101,867**	**10,018**	**111,885**	98,238	9,293	107,531

The above information on assets and liabilities and the 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, including the borrowings which act as a net investment hedge of €198.3 million (£174.4 million) at 30 June 2017 (€203.6 million (£174.4 million) at 31 December 2016) are classified as liabilities in the United Kingdom. Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland.

5 Administrative expenses

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Other administrative expenses	**40,139**	32,974
Acquisition-related costs	**71**	2,023
Hotel rental expenses	**16,342**	11,704
Depreciation	**7,631**	7,165
Loss on revaluation of property, plant and equipment	**541**	1,751
Reversal of prior period losses on revaluation of property, plant and equipment	**(1,241)**	(841)
Stock exchange listing costs	**-**	1,423
Foreign exchange gains/(losses)	**23**	(8)
	63,506	56,191

Acquisition-related costs

Acquisition-related costs include professional fees incurred in the period and other costs associated with an agreement (dated 18 May 2017) to acquire the freehold interest of certain elements of the Clarion Hotel Liffey Valley, Dublin 22. This transaction was completed on 31 August 2017. Acquisition costs incurred to 30 June 2017 (€0.1 million) have been reflected in profit or loss in administrative expenses. Deposits paid on acquisition (note 15) include a deposit paid in respect of this transaction (which also includes the acquisition of certain elements of Clayton Cardiff Lane which is currently leased by the Group) of €6.25 million. Details of the acquisition-related costs charged to profit or loss in the period are outlined below.

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Stamp duty incurred on acquisitions	**-**	1,056
Professional fees incurred on acquisitions	**71**	606
Integration costs	**-**	361
	71	2,023

6 Other income

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Gain on sale of property resulting in operating lease	**200**	-
Gain on disposal of subsidiary	**154**	-
Rental income	**130**	537
	484	537

On 16 June 2017, the Group completed the sale and operating leaseback of the Clayton Hotel, Cardiff for €25.1 million, resulting in a gain on sale of €0.2 million (after transaction costs of €0.1 million).

On 30 June 2017, the Group disposed of a subsidiary undertaking which held the leasehold interest in the Croydon Park Hotel, Croydon, UK for €0.1 million and recorded a gain on disposal of €0.2 million. The Croydon Park Hotel generated revenue of €3.7 million and losses of €0.1 million for the period ended 30 June 2017.

7 Finance costs

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Interest expense on bank loans and borrowings	**3,853**	3,818
Cashflow hedges - reclassified from other comprehensive income	**668**	595
Net exchange loss on loans, borrowings, cash and cash equivalents	**136**	374
Other finance costs	**1,188**	874
Interest capitalised to property, plant and equipment (note 12)	**(663)**	-
	5,182	5,661

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate (note 14). This cash flow hedge cost is shown separately within finance costs and represents the additional interest the Group paid under the interest rate swaps. Other finance costs include the negative yield on cash held in money-market funds in line with the Group's treasury policy, the amortisation of debt capitalised costs and commitment fees.

Exchange loss on loans and borrowings relates principally to Sterling loans which do not form part of the net investment hedge (note 19).

During the period, interest on loans and borrowings amounting to €0.7 million was capitalised to assets under construction on the basis that this cost was deemed to be directly attributable to the construction of qualifying assets (2016: €Nil). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the period, were 2.5% and 3.5% respectively.

8 Long-term incentive plan

Equity-settled share-based payment arrangements

During the six months ended 30 June 2017, the Board approved the conditional grant of 829,049 ordinary shares (‘the Award’) pursuant to the terms and conditions of the Group’s 2017 Long Term Incentive Plan (‘the 2017 LTIP’). The Award was made to senior employees across the Group (79 in total). Vesting of the Award is based on two independently assessed performance targets, each one representing 50% of the Award. The first is based on earnings per share (‘EPS’) and the second on total shareholder return (‘TSR’). The performance period for the award is 1 January 2017 to 31 December 2019 and 25% of the award will vest at threshold performance, provided service conditions attaching to the awards are met. Threshold performance for the TSR condition is performance in line with the Dow Jones European STOXX Travel and Leisure Index with 100% vesting for outperformance of the index by 10% per annum. Threshold performance for the EPS condition, which is a non-market based performance condition, is based on the achievement of adjusted basic EPS, as disclosed in the Company’s 2019 audited financial statements, of €0.37 with 100% vesting for EPS of €0.46 or greater. Awards will vest on a straight line basis for performance between these points.

The total expected cost of this award was estimated at €1.86 million over the three-year service period of which €0.07 million has been expensed to profit or loss for the period to 30 June 2017. The remaining €1.79 million will be charged to profit or loss in equal instalments over the remainder of the three-year vesting period.

€0.61 million has been charged against profit for the period to 30 June 2017 for the awards made in 2014, 2015, 2016 and 2017.

During the six months ended 30 June 2017, the company issued 714,298 shares on foot of the vesting of awards granted under the 2014 LTIP. Over the course of the three-year performance period, 39,856 share awards lapsed due to vesting conditions which were not satisfied. The weighted average share price at the date of exercise for awards exercised during the year was €5.01. No awards vested or were exercised during the period ended 30 June 2016.

	Number of share awards granted	
	2017	**2016**
Outstanding share awards granted at beginning of period/year	**2,088,379**	1,448,468
Share awards granted during the period/year	**829,049**	639,911
Share awards forfeited during the period/year	**(62,509)**	-
Share awards exercised during the period/year	**(714,298)**	-
Outstanding share awards granted at end of period/year	**2,140,621**	2,088,379

Measurement of fair values

The fair value, at the grant date, of the TSR-based conditional share awards was measured using a Monte Carlo simulation model. Non-market based performance conditions attached to the awards were not taken into account in measuring fair value at the grant date. The valuation and key assumptions used in the measurement of the fair values at the grant date were as follows:

	May 2017	**March 2016**	**October 2015**	**March 2015**
Fair value at grant date	€2.14	€2.45	€2.43	€1.92
Share price at grant date	€5.09	€4.69	€4.27	€3.55
Exercise price	€0.01	€0.01	€0.01	€0.01
Expected volatility	25.89% pa.	30.20% pa.	26.40% pa.	26.03% pa.
Dividend yield	1.5%	1.5%	1.5%	1.5%
Performance period	3 years	3 years	3 years	3 years

8 Long-term incentive plan *(continued)*

Measurement of fair values *(continued)*

For measurement purposes, the dividend yield is based upon adjusted non-zero yields as though the Group was a zero-dividend yield company at these dates that may not be reflective over the longer term. The percentage is not necessarily indicative of the expected dividend yield of the Group. This will be decided by the Board of Directors as appropriate.

Expected volatility has been based on the historical volatility of the Company's share price for the 2016 and 2017 awards and of a comparator group of companies for awards in prior periods.

The 2017 LTIP includes EPS-based conditional share awards. The EPS-related performance condition is a non-market performance condition and does not impact the fair value of the award at the grant date. Instead, an estimate is made by the Group as to the number of shares which are expected to vest based on satisfaction of the EPS-related performance condition, and this, together with the fair value of the award at grant date, determines the accounting charge to be spread over the vesting period. The estimate of the number of shares which are expected to vest is reviewed in each reporting period over the vesting period of the award and the accounting charge is adjusted accordingly.

Save As You Earn Scheme

During the year ended 31 December 2016, the Board approved the grant of share options under a Save As You Earn ("SAYE") Scheme for all eligible employees across the Group. 379 employees availed of the Scheme. The Scheme will last three years and employees may choose to purchase shares at the end of the three-year period at the fixed discounted price set at the start. The share price for the Scheme has been set at a 25% discount for Republic of Ireland based employees and 20% for United Kingdom based employees in line with the maximum amount permitted under tax legislation in both jurisdictions.

The total expected cost of the SAYE scheme was estimated at €0.7 million over the three-year service period of which €0.12 million has been charged against profit for the six months ended 30 June 2017. This charge, together with the expense in respect of the long-term incentive plan for the year of €0.61 million is the total charge in respect of share-based payments, which has been recognised directly in equity. The remaining €0.54 million cost of the SAYE scheme will be charged against profit or loss in equal instalments over the remainder of the three-year vesting period.

	SAYE Scheme Number of share options granted
At 30 June 2017 and 31 December 2016	837,545

9 Tax charge

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Current tax		
Irish corporation tax	**2,983**	2,109
UK corporation tax	**1,083**	762
Deferred tax charge/(credit)	**294**	(230)
	4,360	2,641

10 Business combination

On 18 May 2017, the Group entered into an agreement to acquire the freehold interest of certain elements of the Clarion Hotel Liffey Valley, Dublin 22 and the Clayton Hotel Cardiff Lane, Dublin 2 for consideration amounting to €62.0 million. This transaction was completed on 31 August 2017. The element relating to Clarion Hotel Liffey Valley will be accounted for as a business combination whilst the element relating to Cardiff Lane will be accounted for as an acquisition of property due to the Group already leasing and operating that hotel. Acquisition costs incurred to date (€0.1 million) have been reflected in profit or loss in administrative expenses. Deposits paid on acquisition (note 15) include a deposit paid in respect of this transaction of €6.25 million.

11 Intangible assets and goodwill

	Goodwill €'000	**Other indefinite-lived intangible assets €'000**	**Other intangible assets €'000**	**Total €'000**
Cost or valuation				
Balance at 1 January 2017	**79,483**	**20,500**	**-**	**99,983**
Effect of movement in exchange rates	**(253)**	**-**	**-**	**(253)**
Transferred from investment property during the period (note 13)	**-**	**-**	**682**	**682**
Balance at 30 June 2017	**79,230**	**20,500**	**682**	**100,412**
Impairment losses				
Balance at 1 January 2017	**(45,716)**	**-**	**-**	**(45,716)**
Balance at 30 June 2017	**(45,716)**	**-**	**-**	**(45,716)**
Carrying amounts				
At 30 June 2017	**33,514**	**20,500**	**682**	**54,696**
At 31 December 2016	33,767	20,500	-	54,267

11 Intangible assets and goodwill *(continued)*

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.

Included in the goodwill figure is €12.3 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 30 June 2017 resulted in a foreign currency translation loss of €0.3 million and a corresponding decrease in goodwill. The Group tests goodwill annually for impairment or more frequently if there are indicators it may be impaired.

Other indefinite-lived intangible assets

Acquired leasehold interests

The carrying value of indefinite lived intangible assets of €20.5 million at 30 June 2017 represents the Group's 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.

Other intangible assets

Additions to other intangible assets (€0.7 million) represents the Group's interest in a sub-lease (as sub-lessor) retained in respect of part of the Clayton Hotel Cardiff, UK following the sale and leaseback (on an operating lease) of that hotel property (note 12). The remaining lease term is 15 years and this intangible asset will be amortised over that period.

12 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 30 June 2017				
Valuation	**718,608**	**-**	**-**	**718,608**
Cost	**-**	**61,547**	**67,264**	**128,811**
Accumulated depreciation (and impairment charges)*	**-**	**-**	**(19,080)**	**(19,080)**
Net carrying amount	**718,608**	**61,547**	**48,184**	**828,339**
At 1 January 2017, net carrying amount	**744,611**	**42,865**	**34,968**	**822,444**
Other additions through freehold or site purchases	**8,778**	**-**	**-**	**8,778**
Other additions through capital expenditure	**232**	**17,099**	**11,754**	**29,085**
Disposals of property, plant and equipment	**(24,873)**	**-**	**(922)**	**(25,795)**
Reclassification from land and buildings to assets under construction and fixtures, fittings and equipment	**(6,960)**	**495**	**6,465**	**-**
Transfer from investment properties (note 13)	**-**	**585**	**-**	**585**
Capitalised borrowing costs	**-**	**663**	**-**	**663**
Revaluation gains through OCI	**5,266**	**-**	**-**	**5,266**
Reversal of revaluation losses through profit or loss	**1,241**	**-**	**-**	**1,241**
Revaluation losses through profit or loss	**(541)**	**-**	**-**	**(541)**
Depreciation charge for the period	**(3,788)**	**-**	**(3,843)**	**(7,631)**
Translation adjustment	**(5,358)**	**(160)**	**(238)**	**(5,756)**
At 30 June 2017, net carrying amount	**718,608**	**61,547**	**48,184**	**828,339**

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

The carrying value of land and buildings, revalued at 30 June 2017, is €718.6 million. The value of these assets under the cost model is €594.8 million.

In the period ended 30 June 2017 net unrealised revaluation gains arising of €5.3 million have been reflected through other comprehensive income and in the revaluation reserve in equity. This amount includes revaluation gains on revalued assets recognised in other comprehensive income of €5.8 million and revaluation losses on revalued assets recognised in other comprehensive income of €0.5 million.

At 30 June 2017, the revaluation reserve included €10.0 million (£7.6 million) of unrealised revaluation gains relating to UK properties.

In the period ended 30 June 2017 a net revaluation gain of €0.7 million has been reflected in administrative expenses through profit or loss, which includes revaluation losses recognised in profit or loss of €0.5 million and the reversal of previously recognised revaluation losses in profit or loss of €1.2 million.

Included in land and buildings at 30 June 2017 is land at a carrying value of €119.6 million which is not depreciated.

Other additions to land and buildings in the period ended 30 June 2017 include the following:

- Purchase of the freehold interest of Maldron Hotel, Portlaoise, a hotel property previously operated under an operating lease by the Group, for €6.8 million plus capitalised acquisition costs of €0.4 million; and
- Purchase of the freehold interest of Steamboat Quay Carpark, Clayton Hotel Limerick for €1.6 million.

12 Property, plant and equipment *(continued)*

Additions to assets under construction during the period ended 30 June 2017 include the following:

- Development expenditure incurred on new builds of €14.9 million;
- Development expenditure incurred on hotel extensions of €2.2 million;
- Interest capitalised on loans and borrowings relating to qualifying assets of €0.7 million (note 7); and
- Arising from a change in use by the Group of a previously recognised investment property, €0.6 million has been transferred to property, plant and equipment from investment property (note 13).

On 16 June 2017, the Group completed the sale and operating leaseback of the Clayton Hotel, Cardiff for €25.1 million resulting in a gain on sale of €0.2 million. As part of this transaction the Group retained €2.4 million of fixtures and fittings and an intangible asset with a value of €0.7 million (note 11), representing the Group's interest in a sub-lease in respect of a self-contained restaurant within the hotel. The Group now operates this hotel under an operating lease with a term of 35 years. Costs incurred in respect of this transaction amounting to €0.1 million have been included in profit or loss as part of the net gain on the sale of €0.2 million (note 6).

During the period, the Group revised the estimated useful lives of its fixtures, fittings and equipment (note 1).

Arising from the Group's assessment of the useful lives of its fixtures, fittings and equipment during the period, assets with a net book value of €7.0 million were reclassified from land and buildings to assets under construction and fixtures, fittings and equipment during the period.

The value of the Group's property at 30 June 2017 reflects open market valuations carried out in June 2017 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors.

Measurement of fair value

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

The principal valuation technique used by the independent external valuers engaged by the Group was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten-year period (with an assumed terminal value at the end of Year 10). Valuers forecast cashflow included in these calculations represents the expectations of the valuers for EBITDA for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 4% of revenue per annum whereas this does not always reflect actual capital expenditure incurred by the Group. On specific assets, refurbishments are by nature periodic rather than annual. Valuers expectations of EBITDA are based off their trading forecasts (benchmarked against competition, market and actual performance). The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location.

The significant unobservable inputs are.

- Valuers forecast cashflow;
- Risk adjusted discount rates of 9.45% to 12.00% for Republic of Ireland assets (31 December 2016: 8.50% to 12.00%) and 8.50% to 12.50% for United Kingdom assets (31 December 2016: 8.50% to 11.75%); and
- Terminal (Year 10) capitalisation rates of 7.45% to 10.00% for Republic of Ireland assets (31 December 2016: 6.50% to 10.00%) and 6.00% to 10.00% for United Kingdom assets (31 December 2016: 6.00% to 9.25%).

12 Property, plant and equipment *(continued)*

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

- Valuers forecast cashflow was higher or lower than expected; or
- The risk adjusted discount rate and terminal capitalisation rate was higher or lower.

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

13 Investment property

	30 June 2017 €'000	**31 December 2016 €'000**
Cost or valuation		
At beginning of period/year	**3,245**	37,285
Transfer to property, plant and equipment (note 12)	**(585)**	(36,032)
Acquisitions through business combinations	**-**	1,431
Transfer to intangible assets on sale and leaseback of property	**(682)**	-
Disposal on sale and leaseback of property	**(813)**	-
Gain from fair value adjustments	**-**	497
Translation adjustment	**-**	64
	1,165	3,245

Transfers to property, plant and equipment in the period to 30 June 2017 includes part of a hotel property owned by the Group which was previously leased to a third party and which was recognised as investment property at 31 December 2016 (€0.6 million). Arising from a change in use by the Group of this property to own-use, this has been transferred to property, plant and equipment (note 12).

On 16 June 2017, the Group completed the sale and operating leaseback of the Clayton Hotel, Cardiff. The Group's freehold interest in a self-contained portion of the property, and which was classified as investment property at 31 December 2016 (€1.5 million), was disposed of in connection with this transaction. The Group's retention of its interest in the sub-lease of the property has been recognised as an intangible asset (note 11).

14 Derivatives

On 30 June 2015, the Group entered into interest rate swaps and a cap agreement with a syndicate of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (see note 20). Interest rate swaps are employed by the Group to partially convert the Group's borrowings from floating to fixed interest rates.

An interest rate cap is employed to limit the exposure to upward movements in floating interest rates. The terms of the derivatives are as follows:

- Interest rate swaps with a maturity date of 3 February 2020, covering approximately 58% of the Group's sterling denominated borrowings at 30 June 2017. These swaps fix the LIBOR benchmark rate to 1.5025%.
- Interest rate cap with a maturity date of 30 September 2019, covering approximately 35% of the Group's Euro denominated borrowings at 30 June 2017. The cap limits the Group's maximum EURIBOR benchmark rate to 0.25%.

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

14 Derivatives *(continued)*

Fair value	**30 June 2017 €'000**	31 December 2016 €'000
Non-current		
Interest rate cap asset	**5**	7
Total derivative asset	**5**	7
Non-current		
Interest rate swap liabilities	**(2,481)**	(3,401)
Total derivative liability	**(2,481)**	(3,401)
Net derivative financial instrument position at end of period/year	**(2,476)**	(3,394)

Included in Other Comprehensive Income

Fair value gains/(losses) on derivative instruments	**30 June 2017 €'000**	30 June 2016 €'000
Fair value gains/(losses) on interest rate swap liabilities	**252**	(4,677)
Fair value loss on interest rate cap asset	**(3)**	(8)
	249	(4,685)
Reclassified to profit or loss (note 7)	**668**	595
	917	(4,090)

The amount reclassified to profit or loss during the period represents the incremental interest expense arising under the interest rate swap with actual LIBOR rates lower than the swap rate.

15 Trade and other receivables

	30 June 2017 €'000	31 December 2016 €'000
Non-current assets		
Other receivables	**900**	900
Deposits paid on acquisitions	**6,250**	1,024
Prepayments	**2,954**	2,824
	10,104	4,748
Current assets		
Trade receivables	**12,402**	7,823
Prepayments	**9,074**	5,266
Accrued income	**2,928**	2,785
	24,404	15,874
Total	**34,508**	20,622

At 30 June 2017, non-current assets included deposits paid of €6.25 million in relation to the acquisition of the Clarion Hotel Liffey Valley and certain elements of Clayton Hotel Cardiff Lane, Dublin. This transaction was completed on 31 August 2017 (note 10).

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

Included within non-current prepayments is an amount of €2.4 million relating to costs incurred by the Group as a result of entering into a new lease at the former Double Tree by Hilton Hotel, which is now trading as Clayton Hotel Burlington Road, on 22 November 2016. The Group incurred legal and professional fees in addition to an up-front payment to secure the lease. These costs will be amortised on a straight-line basis over the 25 year lease term. Also included within non-current prepayments is an amount relating to a prepayment made for IT services relating to the future service periods.

16 Trade and other payables

	30 June 2017 €'000	31 December 2016 €'000
Trade payables	**16,823**	13,266
Accruals	**27,267**	28,785
Deferred income	**8,167**	6,954
Value added tax	**2,143**	1,422
Payroll taxes	**2,375**	1,623
Total	**56,775**	52,050

17 Provision for liabilities

	30 June 2017 €'000	31 Dec 2016 €'000
Insurance claims:		
Non-current	**3,819**	3,040
	3,819	3,040

The reconciliation of the movement in the provision for the six month period ended 30 June 2017 is as follows:

	€'000
At 1 January 2017	3,040
Provisions made during the year	1,231
Utilised during the year	(452)
At 30 June 2017	**3,819**

This provision relates to actual and potential obligations arising from the Group's insurance arrangements where the Group is self-insured. The Group has third party insurance cover above specific limits for individual claims and has an overall maximum aggregate payable for all claims in any one year. The amount provided is principally based on projected settlements as determined by external loss adjusters. The provision also includes an estimate for claims incurred but not yet reported.

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. However, based on past experience, the Group expects that the claims which are provided for at 30 June 2017 will be paid over a period greater than one year. The provision has been discounted to reflect the time value of money though the effect is not significant.

18 Commitments

Operating leases

Minimum future lease payments in aggregate under existing non-cancellable operating leases are payable by the Group as follows:

	30 June 2017 €'000	31 December 2016 €'000
Less than one year	**25,678**	27,537
Between one and five years	**94,837**	99,663
After more than five years	**443,375**	419,575
	563,890	546,775

Under the terms of certain hotel operating leases, contingent rents are payable in excess of minimum lease payments, based on the financial performance of the hotels. The amount of contingent rent expense charged to profit or loss in the six month period ended 30 June 2017 was €3.8 million (2016: €3.2 million).

In addition to the non-cancellable operating leases above, the Group has entered agreements to lease two hotel properties to be constructed in the UK.

The Group has signed an agreement to lease a Clayton Hotel, to be built in Manchester. On completion of construction (expected completion mid 2020), Dalata will commence operations in the hotel through a 35 year operating lease with an initial annual rent of circa £2.55 million, depending on the final size of the hotel after the end of the planning process. The Group has signed an agreement to lease a Maldron Hotel, to be built in Newcastle. On completion of construction (expected completion Q4 2018), Dalata will commence operations in the hotel through a 35 year operating lease with an initial annual rent of £1.59 million.

Capital expenditure commitments

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

	30 June 2017 €'000	31 December 2016 €'000
Contracted but not provided for	**74,167**	77,099

The commitments relate primarily to the following sites and redevelopments which are now contractually committed to: Charlemont, Dublin; Brunswick Street, Belfast; Kevin Street, Dublin; and Clayton Hotel, Dublin Airport.

19 Financial risk management

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency. The Group uses financial instruments to manage exposures arising from interest rate risk. The Group uses a net investment hedge with Sterling denominated borrowings to hedge the translation risk from investments in certain UK operations.

19 Financial risk management *(continued)*

Fair value hierarchy

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

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

The Group's policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the period ended 30 June 2017, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

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

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

Money-market funds
Money-market funds are measured at fair value through profit or loss. Changes in fair value are recognised in finance costs (note 7). The fair value is based on quoted market prices at the reporting date.

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

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

Bank loans
For bank loans, the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date. The carrying value of variable rate interest-bearing loans and borrowings is equivalent to the fair value as there is no difference between current margins available in the market and the margins the Group is paying.

19 Financial risk management *(continued)*

(a) Credit risk

Exposure to credit risk

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

Trade and other receivables

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

Cash and cash equivalents

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

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

	30 June 2017 €'000	31 December 2016 €'000
Trade receivables	**12,402**	7,823
Other receivables	**900**	900
Accrued income	**2,928**	2,785
Cash at bank and in hand	**38,520**	49,601
Money-market funds	**50,412**	31,479
	105,162	92,588

19 Financial risk management *(continued)*

(b) Liquidity risk

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

- fund its ongoing operations;
- allow it to invest in hotels that may create value for shareholders; and
- maintain sufficient financial resources to mitigate against risks and unforeseen events.

The Group had undrawn revolving credit facilities of €30 million and €22.2 million of other undrawn loan facilities at 30 June 2017.

On 6 July 2017, the Group extended its revolving credit facility from €30 million to €80 million, none of which had been drawn down at 30 June 2017. This revolving credit facility has a maturity date of 3 February 2020.

(c) Market risk

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

Interest rate risk

The Group is exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. The Group has entered into interest rate swaps and an interest rate cap (see note 14) which hedge the variability in cash flows attributable to the interest rate risk.

Foreign currency risk

The Group is exposed to risks arising from fluctuations in the Euro/Sterling exchange rate. The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency and to translation foreign currency risk on the retranslation of foreign operations to Euro.

Group policy is to manage foreign currency exposures commercially and through netting of exposures where possible. The Group's principal transactional exposure to foreign exchange risk relates to interest costs on its Sterling borrowings. This risk is hedged by the earnings from UK subsidiaries which are denominated in Sterling.

The Group's gain or loss on retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve.

(c) Market risk

The Group limits its exposure to translation foreign currency risk by using Sterling debt to hedge part of the Group's investment in UK subsidiaries. The Group financed certain operations in the UK by obtaining funding in prior periods at Group level through external borrowings denominated in Sterling. These borrowings amounted to £174.4 million (€198.3 million) at 30 June 2017 and are designated as net investment hedges.

This enables gains and losses arising on retranslation of those foreign currency borrowings to be recognised in other comprehensive income, providing a partial offset in reserves against the gains and losses arising on translation of the net assets of those UK operations.

19 Financial risk management *(continued)*

(d) Capital management

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

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

The Group monitors capital using a ratio of net debt to amended EBITDA calculated in accordance with the banking facilities agreement and seeks to keep it below 3.50. The calculation of the net debt to amended EBITDA ratio includes amendments required as per the banking facilities agreement to the EBITDA as disclosed in note 4 of the financial statements.

	30 June 2017	31 December 2016
Net debt to amended EBITDA ratio	**1.91**	2.40

19 Financial risk management *(continued)*

Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy at 30 June 2017. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value	Loans and receivables at amortised cost	Total carrying amount	Fair value Level 1	Level 2	Level 3	Total
	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017
Financial assets	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Derivatives (note 14)	5	-	5		5		5
Trade and other receivables, excluding prepayments and deposits paid on acquisitions (note 15)	-	16,230	16,230				
Cash at bank and in hand	-	38,520	38,520				
Money-market funds	50,412	-	50,412	50,412			50,412
	50,417	54,750	105,167				

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities							
Secured bank loans (note 20)	-	(267,473)	(267,473)		(267,473)		(267,473)
Trade payables and accruals (note 16)	-	(44,090)	(44,090)				
Derivatives (note 14)	(2,481)	-	(2,481)		(2,481)		(2,481)
	(2,481)	(311,563)	(314,044)				

19 Financial risk management *(continued)*

Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy at 31 December 2016. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial assets measured at fair value	Loans and receivables at amortised cost	Total carrying amount	Fair value			
				Level 1	Level 2	Level 3	Total
	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Financial assets	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Derivatives (note 14)	7	-	7		7		7
Trade and other receivables, excluding prepayments and deposits paid on acquisitions (note 15)	-	11,508	11,508				
Cash at bank and in hand	-	49,601	49,601				
Money-market funds	31,479	-	31,479	31,479			31,479
	31,486	61,109	92,595				

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities							
Secured bank loans (note 20)	-	(280,415)	(280,415)		(280,415)		(280,415)
Trade payables and accruals (note 16)	-	(42,051)	(42,051)				
Derivatives (note 14)	(3,401)	-	(3,401)		(3,401)		(3,401)
	(3,401)	(322,466)	(325,867)				

20 Interest-bearing loans and borrowings

	30 June 2017 €'000	31 December 2016 €'000
Repayable within one year		
Bank borrowings	**16,800**	16,800
Less: deferred issue costs	**(1,041)**	(1,066)
	15,759	15,734
Repayable after one year		
Bank borrowings	**253,175**	266,936
Less: deferred issue costs	**(1,461)**	(2,255)
	251,714	264,681
Total interest-bearing loans and borrowings	**267,473**	280,415

On 17 December 2014, the Group entered into a loan facility of €318 million (comprising of a €142 million Euro facility and a £132 million Sterling facility) with a syndicate of financial institutions. On 3 February 2015, the Group 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 standby facility of €16 million which was not drawn and has since expired.

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 revolving credit facility from €20 million to €30 million. On 9 June 2016, the Group drew down £18 million and €7.7 million. On 24 October 2016, the Group drew down £24 million in Sterling. The revolving credit facilities of €30 million and €22.2 million of other loan facilities were undrawn at 30 June 2017.

On 6 July 2017, the Group entered into an additional €50 million revolving credit facility with its syndicate of financial institutions (note 25).

The loans bear interest at variable rates based on 3-month EURIBOR/LIBOR plus applicable margins. The Group has entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans (note 14). 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.

21 Deferred tax

	30 June 2017 €'000	31 December 2016 €'000
Deferred tax assets	**1,545**	1,894
Deferred tax liabilities	**(25,487)**	(25,051)
Net liability	**(23,942)**	(23,157)

22 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Company has related party relationships with its fellow group undertakings, shareholders and directors of the Company. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

There were no changes in related party transactions in the six months ended 30 June 2017 that materially affected the financial position or the performance of the Group during that period.

23 Share capital and share premium

At 31 December 2016

Authorised share capital	**Number**	**€'000**
Ordinary shares of €0.01 each	**10,000,000,000**	**100,000**

Allotted, called-up and fully paid shares	**Number**	**€'000**
Ordinary shares of €0.01 each	**182,966,666**	**1,830**
Share premium		**503,113**

At 30 June 2017

Authorised share capital	**Number**	**€'000**
Ordinary shares of €0.01 each	**10,000,000,000**	**100,000**

Allotted, called-up and fully paid shares	**Number**	**€'000**
Ordinary shares of €0.01 each	**183,680,964**	**1,837**
Share premium		**503,113**

During the six months ended 30 June 2017, the shares awarded under the 2014 Long Term Incentive Plan vested resulting in the issuance of 714,298 shares of €0.01 per share (note 8).

24 Earnings per share

Basic earnings per share ('EPS') is computed by dividing the profit for the period available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing the profit for the period 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 periods ended 30 June 2017 and 30 June 2016:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Profit attributable to shareholders of the parent company (€'000) – basic and diluted	**28,347**	15,525
Adjusted profit attributable to shareholders of the parent (€'000) – basic and diluted	**27,660**	19,657
Earnings per share – basic	**15.476 cent**	8.485 cent
Earnings per share – diluted	**15.405 cent**	8.429 cent
Adjusted earnings per share – basic	**15.100 cent**	10.743 cent
Adjusted earnings per share – diluted	**15.032 cent**	10.672 cent
Weighted average shares outstanding – basic	**183,175,332**	182,966,666
Weighted average shares outstanding – diluted	**184,011,130**	184,181,634

The difference between the basic and diluted weighted average shares outstanding for the period ended 30 June 2017 is due to the dilutive impact of the conditional share awards granted in 2015, 2016 and 2017 (note 8). There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic or adjusted diluted earnings per share.

Adjusted basic and diluted earnings per share is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the tax adjusted effects of revaluation movements and items considered by management to be non-recurring or unusual in nature. Acquisition-related costs and stock exchange listing costs have been excluded to give a more meaningful measure given the scale of these costs in 2016.

	6 months ended 30 June 2017 €'000	6 months ended 30 June 2016 €'000
Reconciliation to adjusted profit for the period		
Profit before tax	**32,707**	18,166
Adjusting items		
Acquisition-related costs (note 5)	**71**	2,023
Net revaluation movements through profit or loss (note 5)	**(700)**	910
Stock exchange listing costs (note 5)	**-**	1,423
Adjusted profit before tax	**32,078**	22,522
Tax charge	**(4,360)**	(2,641)
Tax adjustment for adjusting items	**(58)**	(224)
Adjusted profit attributable to shareholders of the parent	**27,660**	19,657

25 Events after the reporting date

On 6 July 2017, the Group extended its revolving credit facility from €30 million to €80 million, none of which had been drawn down at 30 June 2017. This revolving credit facility has a maturity date of 3 February 2020. On 17 July 2017, the Group drew down £30 million from its revolving credit facility. This was repaid 11 August 2017.

On 21 July 2017, the Group acquired the entire issued share capital of Hotel La Tour (Birmingham) Limited for €34.9 million and thereby acquired the effective freehold interest in Hotel La Tour, a hotel property which is situated in Birmingham, United Kingdom, which the Group now operates. Subsequently on 11 August 2017, the Group entered into a sale and leaseback of this property.

On 31 August 2017, the Group completed the acquisition of the freehold interest of certain elements of Clayton Hotel Cardiff Lane and the Clarion Hotel Liffey Valley for €62.0 million (note 10).

26 Standards not yet effective

IFRS 16: *Leases* was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 *Leases*, which has an effective date of 1 January 2019, will have a significant effect on the Group's financial statements as the Group is a lessee in a number of material property operating leases.

Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected in the statement of financial position. As a result, an asset (the right of use of the leased item) and a financial liability to pay rental expenses are recognised. Rental expenses will be removed from the statement of comprehensive income and replaced with finance costs on the lease liability and depreciation on the right of use asset. The only exemptions are short-term and low-value leases.

The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required. The full impact of this standard on the Group's financial position and performance is currently being assessed taking into account the significant new leases both acquired and entered into by the Group in 2016 and 2017.

The adoption of the new standard will have a material impact on the Group's consolidated statement of comprehensive income and consolidated statement of financial position, as follows:

Consolidated statement of comprehensive income
Administrative expenses will decrease, as the Group currently recognises rental expenses therein. The Group's hotel rental expenses for the first half of 2017 were €16.3 million (2016: €11.7 million) and are disclosed in note 5 to these condensed consolidated interim financial statements. Under the terms of certain hotel operating leases, contingent rents are payable in excess of minimum lease payments, based on the financial performance of the hotels. The amount of contingent rent expense charged to profit or loss in the six-month period ended 30 June 2017 was €3.8 million (2016: €3.2 million). Under IFRS 16, contingent rents will not form part of the liability measurement.

Depreciation and finance costs as currently reported in the Group's consolidated statement of comprehensive income will increase, as under the new standard a right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

26 Standards not yet effective *(continued)*

Consolidated statement of financial position
At the transition date the Group will calculate the lease commitments outstanding at that date and apply the appropriate discount rate to calculate the present value of the lease commitment which will be recognised as a liability and a right-of-use asset on the Group's statement of financial position. The Group's outstanding commitments on all operating leases as at 30 June 2017 are €563.9 million (31 December 2016: €546.8 million) (note 18). The Group's commitments as at 30 June 2017 provide an indication of the scale of leases held and how significant leases currently are to the Group's business. However, this figure is undiscounted and is not therefore an accurate measure of the impact of IFRS 16.

The Group is continuing to assess the impact of the new standard. The Group is focused on calculating the appropriate discount rate to apply at transition.

27 Approval of financial statements

The Board of Directors approved the condensed consolidated interim financial statements for the six months ended 30 June 2017 on 4 September 2017.

Independent Review Report to Dalata Hotel Group plc

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ("FRC's") International Standard on Review Engagements ("ISRE") (UK and Ireland) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, the TD Regulations and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

Basis of our report, responsibilities and restriction on use

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

We conducted our review having regard to the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Review Report to Dalata Hotel Group plc *(continued)*

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 as amended ("the TD Regulations") and the Transparency Rules of the Central Bank of Ireland, and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin

4 September 2017