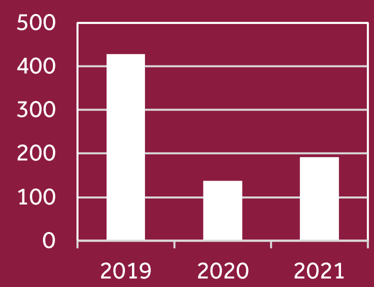
ANNUAL REPORT
AND ACCOUNTS 2021

A time to look forward

AT A GLANCE

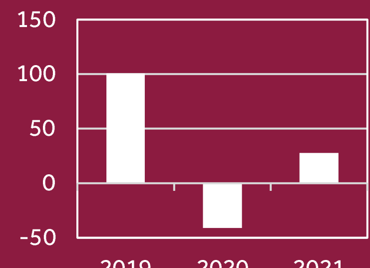
OUR REVENUE
(€million)



€192.0m
Revenue
►► page 109

€63.2m
Adjusted EBITDA
►► page 36

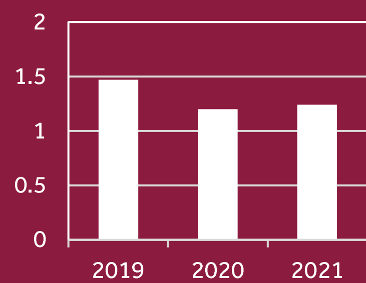
FREE CASHFLOW
(€million)



€28.0m
Free cashflow
►► page 41

€1.24bn
In hotel assets
►► page 42

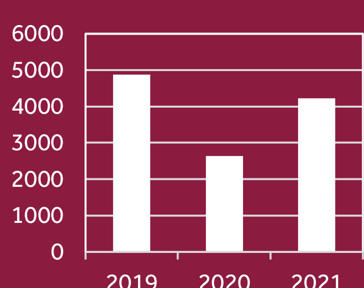
OUR HOTEL ASSETS
(Hotel Assets €billion)



10,204
Rooms
(Includes 294 partner hotel rooms)

2,027
Pipeline rooms

OUR PEOPLE
(Full-time and part-time)



4,230
Employees

47
44 owned & leased hotels
3 partner hotels

CONTENTS

Strategic Report	1
Purpose, Culture and Values	1
Chair's Statement	3
Chief Executive's Review	5
Strategy and Business Model	
> Markets	7
> Strategy	8
> Business Model	9
> KPIs	11
> Sustainable Business Framework	13
Stakeholder Review	
> Engagement	17
> Employees	19
> Customers & Guests	23
> Suppliers	26
> Shareholders, banks & real estate investors	27
> Planet & Society	31
> Community	34
Financial Review	35
Risk Management	45
Sustainability and Climate Change	53
Corporate Governance	59
Chair's Overview	59
Board of Directors	61
Executive Management Team	63
Corporate Governance Report	65
Nomination Committee Report	71
Audit and Risk Committee Report	73
ESG Committee Report	79
Remuneration Committee Report	81
Directors' Report	97
Financial Statements	100
Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements	101
Independent Auditor's Report	102
Consolidated Statement of Profit or Loss And Other Comprehensive Income	109
Consolidated Statement of Financial Position	110
Consolidated Statement of Changes in Equity	111
Consolidated Statement of Cash Flows	113
Notes to the Consolidated Financial Statements	114
Company Statement of Financial Position	183
Company Statement of Changes in Equity	184
Company Statement of Cash Flows	185
Notes to the Company Financial Statements	186
Supplementary Financial Information	191
Alternative Performance Measures ("APM")	191
Glossary	197
Advisor and Shareholder Contacts	198

OUR BRANDS

To grow and evolve as an innovative and sustainable international hotel company, delivering excellence in customer service, driven by ambitious people flourishing within a culture of integrity, fairness and inclusion.

Clayton Hotel Cardiff

A culture of integrity, fairness and inclusion

Open, inclusive, ambitious, engaged and agile, we place people – our employees and guests – at the heart of what we do.

Our Values

OUR PEOPLE

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

OUR INDIVIDUALITY

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

OUR FAIRNESS

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

OUR SERVICE

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

CHAIR'S STATEMENT

A year of change

The recent announcement of our first step into continental Europe is a good reflection of both our ambition and our business values.

Welcome to the 2021 annual report of the Dalata Hotel Group.

The year 2021 was another challenging one for the hospitality industry in general and for Dalata in particular. However, as I write, there is an increasing feeling of optimism that the worst of the current pandemic is behind us and that better times lie ahead.

Although our natural tendency in Dalata is to spend much more time looking to the future than pondering the past, it is useful occasionally to reflect on where we have come from, so that the present and the future can be seen in context.

Despite the inevitable upheavals of the last two years, certain priorities have remained central to the board's focus. Among the most important of these are the attraction, retention and development of our outstanding team, the maintenance and enhancement of our culture, and continued focus on what we can achieve in environmental, social and governance (ESG) matters. We have also turned our attention to the careful refreshment of the executive and non-executive membership of the board.

People

Our people coped extremely well with the challenges that continued into 2021 from 2020. They stayed engaged with the business when activity levels were low, and many of them used the time to take online training provided to them by the group.

They demonstrated exceptional adaptability and resilience in the face of the unprecedented demands posed by the pandemic.

As a result, when we came to reopen, we found that our core teams remained ready, willing and able to return to what we do best – delivering excellent service to our customers in our properties. The fact that we were able to resume so quickly while adapting to new ongoing requirements is a great credit to all of our people – those planning what we would do, as well as those doing it.

Culture

Our culture remains central to what we do and how we do it. We aspire to an open and honest way of doing business, with a focus on how best to serve our customers and nurture our people. We continue to offer training, development and career progression opportunities to our people while also enhancing our structures to allow feedback to flow, uninhibited, from all members of our team to management and the board. The workforce engagement role on the board is a key part of that aspect of our business.

We continue to encourage our people to take on responsibility when they are willing and able to do so, and our decentralised management model directly facilitates this important part of our culture.

ESG

We remain determined to deliver real change in our business practices, aimed at achieving substantial and measurable improvements in our impact on the environment. Through the board's ESG committee, established more than two years ago under the leadership of Elizabeth McMeikan, and through the active and enthusiastic involvement of our senior executive team, we are ensuring that a continuous, active focus is maintained in this area, affecting everything we do.

We also remain committed to supporting the communities within which we operate and to maintaining the highest standards of governance across our business. Further detail of our work in these areas is contained in the report of the ESG committee (page 79), the stakeholder review (from page 17), and the report on sustainability and climate change (page 53).

Board refreshment

2021 saw significant change in board personnel.

Because the original non-executive members of the board were all appointed together in 2014, it was clear from then that care would need to be taken when it came to changing board membership. It has always been important to retain the experience and expertise of board members, built up over the years, while also ensuring that not all of those experienced directors leave the board within a short period of each other.

I am pleased that the process of orderly refreshment of the non-executive cohort is well under way. Alf Smiddy decided to leave the board in 2021, and Robert Dix has indicated his intention to do so with effect from the 2022 AGM. Both of these directors have contributed substantially to the board and the business, and I am grateful for all of their energetic input and wise counsel over the years. These departures have allowed us to introduce Cathriona Hallahan and Gervaise Slowey as directors. Cathriona will succeed Robert as chair of the audit and risk committee, and Gervaise has already assumed the board role of workforce engagement. Both new directors have also joined other board committees and are already contributing strongly to the board's work.

On the executive side of the board, Pat McCann's retirement (as to which, more below), Dermot Crowley's appointment as CEO and Stephen McNally's retirement have provided opportunities for others, including Carol Phelan and Des McCann, to advance their careers. Carol has been appointed to the board as CFO, and she brings exceptional skill and experience to that role. Des is already bringing his considerable energy and ability to the position of COO.

All of this change has brought a new dynamic to the Board, while protecting the knowledge and experience retained by continuing members of the Board. In this regard, I am particularly grateful for the continued support of Margaret Sweeney, as Senior Independent Director and Chair of the remuneration committee, Elizabeth McMeikan, as chair of the ESG committee, Dermot Crowley, our CEO, and Shane Casserly, as executive director with responsibility for acquisitions, development and other matters. I am also, very grateful to Seán McKeon, our company secretary, and his dedicated team for all the support they continue to provide to the Board.

I should also observe, with no little satisfaction, that our board, having started in 2014 with 14% female membership, will have a majority (62.5%) of female directors following our 2022 AGM.

Pat McCann

It would be remiss of me not to say a few words about our recently retired founder and CEO, Pat McCann. Pat is the father of Dalata – he has often described it as his baby – and the growth, development and success of the business to date are a direct result of his vision, his values and his hard work. Pat founded the business and instilled in it the culture that has given rise to its success. His leadership at all times, but particularly during the worst of the global pandemic, was always exemplary. He has left a tremendous legacy to be protected, nurtured and developed by those who follow in his formidable footsteps. Pat is missed in the business and will never be forgotten, but it is now the job of Dermot and his team to take Dalata to even greater heights in the future. On behalf of the Board, I wish Pat the very best in his retirement.

Looking ahead

The Dalata story so far is one of growth and success, and our aim is to continue on that path. The recent announcement of our first step into Continental Europe is a good reflection of both our ambition and our business values. We have a continued focus on profitable growth, in the interests of the company, our shareholders and our people, who benefit from the opportunities that open up when we expand. However, we are also careful and disciplined when assessing possible growth opportunities, and we apply strict criteria in deciding whether to embark on a new project. This approach has served us well and will continue as we progress with the growth of the business.

Conclusion

Dalata has navigated turbulent waters over the past two years, and the current conflict in Eastern Europe reminds us that stability can never be taken for granted. However, I am satisfied that, for our business, better times lie ahead.

This is, therefore, a good time to acknowledge those who have supported us during the difficult times and who continue to believe in our future. We are enormously grateful to our people, who continue to work tirelessly; our loyal customers; the governments of Ireland and the UK, who have provided important supports to many businesses, including ours, during the course of the pandemic; our bankers; our suppliers; and our professional advisers.

To you, our shareholders, on behalf of the board, may I express my sincere appreciation of, and thanks for, your continued support of our wonderful business.

John Hennessy
Non-executive Chair

CHIEF EXECUTIVE'S REVIEW

A time to look forward

At a time of significant change for Dalata, the outlook is bright.

I am honoured to be the new Chief Executive of Dalata and am delighted to report that despite the challenges presented by Covid, I have thoroughly enjoyed my first four months in the position.

Executive Changes
It has been a time of significant change within Dalata. Pat McCann retired as Chief Executive at the end of October last year. I would like to take this opportunity to thank Pat for his guidance and support over the period that we have worked together. Stephen McNally retired from his position as Deputy Chief Executive in February of this year, and I would also like to thank him for his significant contribution to Dalata since it was founded in 2007.

I have spent the last number of months shaping my own team. Carol Phelan was appointed Chief Financial Officer in July of last year, Des McCann took up the new position of Chief Operating Officer on 1 January 2022, while Shane Casserly's role was expanded to include responsibility for innovation and information technology. I have made other changes to the way in which the senior executive team works and communicates to ensure that we are best placed to face the challenges and avail of the opportunities ahead.

Covid-19
The impact of Covid-19 on all our lives has been dramatic over the last two years, with its effects felt across all countries, societies and industries. The impact on the hospitality industry has been particularly harsh. From the outset of the pandemic in March 2020, we have sought to behave in a fair and ethical manner. We have openly communicated with all our stakeholders. We have protected our people, maintained strong relationships with our customers and banking club, ensured the safety of our guests, enhanced relationships with our landlords, supported our suppliers and were always available to talk to our shareholders. I would also like to acknowledge the support of the governments in both Ireland and the UK for the various supports that allowed us to protect our business during the period.

The outlook is now far brighter, with restrictions largely lifted in the countries in which we operate. However, we are very aware of the need to remain agile as there could well be further surprises along the road with new variants or other Covid-19 related challenges.

A New World
The world is constantly changing, and companies must evolve to ensure they survive and thrive. However, the pace of change from Covid-19 is extraordinary. It has changed the way people work and the way consumers buy. One of the major unknowns for the hospitality sector is the nature of corporate travel post-pandemic. The sector is also faced with shortages of labour due to factors such as Brexit in the UK and reduced immigration generally as people stay closer to home. In addition, hospitality is seen as an industry where employment is less secure due to the impact of lockdowns and restrictions.

Dalata will need to be innovative in its response to the challenges. We will need to find new ways to operate our hotels and interact with our customers. We will be outward-looking in finding solutions and create a culture where people are

encouraged to come up with new ideas. I am excited about the challenges and confident that we have the team to deliver a competitive advantage in the new world.

Our People

Hospitality is all about people, and I am delighted that we have managed to retain the vast majority of our core teams throughout the last two years. We have continued to focus on training and development, with over 115,000 online courses delivered during 2021. We also recruited a record number of people to our graduate programme when 43 talented students joined us. Our gender-balanced board is a signal to all stakeholders that Dalata is ready to lead on diversity and inclusion. As chief executive, I will continue our commitment to creating an inclusive working environment with equality of opportunity for our highly diverse workforce. And it is not just a question of gender. I have a simple request of everyone who works in Dalata – treat your colleagues as you would hope your son, daughter, mother, father, brother or sister would be treated and do so regardless of their gender, age, sexual orientation, race, background, disabilities or beliefs.

Our Customers and Guests

As we move forward, I am tasking our teams to understand the changing requirements of our customers and guests. With the planned return of business travel, we are engaging with our corporate customers to understand what is important to them and adjust our product/ offering accordingly.

Our Local Communities

Our hotels will continue to benefit their local communities economically and socially by engaging with the business community to develop the experience economy, providing local employment, where we aim to be the employer of choice in hospitality, supporting local suppliers; assisting community organisations and, extending the reach of Dalata Digs Deep, our charity programme.

Climate change

The environmental crisis is the biggest challenge that our generation will face. Our actions as a society over the next number of years will have a profound effect on the environment that future generations will live with.

In Dalata, we take this responsibility seriously. We are committing to specific 2026 targets and are currently assessing various decarbonisation pathways in our operations and hotel construction (see pages 53 to 58 for details). Conducted in line with the Science-Based Target Initiative criteria, the assessment will be completed in the coming months. It will form the basis of our medium-term targets and long-term emissions reduction ambition.

Our customers and guests increasingly demand that hotels respond pro-actively to the threat of climate change, and we intend to implement a response that is recognised in the market as a competitive strength. It is the responsible and the smart thing to do.

Our Growth

Despite the challenges of Covid-19, we have made substantial progress in building out our pipeline over the last 12 months. We opened the Maldron Glasgow City in August 2021, Clayton Manchester City in January 2022 and Maldron Manchester City in February 2022. We will open four further hotels in the UK and Ireland in the next six months with a total of 902 rooms. Beyond that, we have a secured pipeline of five further hotels across five cities that will open in 2023 and 2024.

We believe that Continental Europe represents a significant growth opportunity for us. I am delighted that we were selected as the new tenant for Hotel Nikko in Düsseldorf – our first hotel in Continental Europe. Our focus on enhancing our relationships with our fixed income investors during Covid-19 helped us win this opportunity. It is a great example of the benefits that accrue from stakeholder engagement. I am very hopeful that other opportunities will arise for us in Continental Europe.

Our Shareholders

Our shareholders have supported us throughout the last two years. The cessation of dividends together with the equity placing in September 2020 represents a significant contribution. We are determined to reward that support as we strive to deliver a strong financial recovery from our existing portfolio and the pipeline properties as they open.

I coach underage hurling teams here in Ireland. I always ask the players to focus on the process – practising your skills, working with your teammates, and playing fair – the result will then take care of itself. Business is the same. If we focus on taking care of our people, engaging with our customers, exceeding the expectations of our guests, increasing our focus on sustainability, being engaged with our local communities, and partnering with our suppliers of products, services and funding, then we will achieve our ambition of a strong financial recovery.

Performance

Restrictions were imposed on our industry throughout 2021 to reduce the impact of Covid-19 on society. Government supports introduced in both Ireland and the UK to mitigate the impact of those restrictions were appropriate and welcome. These supports, together with the incredible efforts of the teams at Central Office and each of our hotels, enabled us to deliver a very credible performance. Despite suffering a loss after tax, we managed to generate a strong free cashflow. We have protected our balance sheet throughout the crisis and are well placed to pursue our strategic priorities in the future.

A time to look forward

It is too early to say the pandemic is over, but it feels to me like a time to look forward. Covid-19 has changed the world in many ways, and in Dalata, we are focused on delivering for all our stakeholders. We look forward to facing the challenges and exploiting the opportunities that lie ahead. We will do so with enthusiasm and, most importantly, plenty of optimism.

Dermot Crowley
Chief Executive

Markets

Expanding our reach to deliver growth and value.

- We operate 47 hotels in Ireland, the UK and Continental Europe.
- Our strategy is to grow further, focusing on key UK cities, Dublin and Continental Europe.
- Our existing hotel network provides us with the foundation of our growth strategy.
- We deliver exceptional properties under our Clayton and Maldron brands.
- More details of our hotels and our development pipeline at dalatahotelgroup.com.

DUBLIN

- 17 hotels
- Pipeline: 3 hotels and 1 extension.
- Consolidating our market-leading position.

LONDON

- 3 hotels
- Pipeline: 1 hotel.
- London is a key growth city.

REGIONAL UK

- 9 hotels
- Pipeline: 5 hotels and 1 extension.
- We aim to be the four-star leader in our target markets.

REGIONAL IRELAND

- 13 hotels
- Pipeline: none.
- Market leader in Cork, Limerick and Galway.

NORTHERN IRELAND

- 4 hotels
- Pipeline: none.
- Brand presence in Northern Ireland's leading business and tourist centres.

CONTINENTAL EUROPE

- 1 hotel
- Pipeline: none.
- First European hotel, the Hotel Nikko Düsseldorf, opened February 2022.
- Actively seeking similar opportunities.

Strategy

Strategic Growth Ambition

Market-leading performance at existing hotels; ambitious expansion in UK and European markets.

⏩ page 27

New markets

Growing the pipeline

Delivering our current pipeline

Our existing portfolio of established hotels

Growth Drivers

Energy powering our strategic ambition

OUR CULTURE

An entrepreneurial culture founded on integrity and fairness with empathy for our stakeholders and the environment.

⏩ page 20

OUR PEOPLE

Empowered to take responsibility, we reward the energy, ambition and achievement of our people and value the contribution of each employee.

⏩ page 19

CUSTOMER FOCUS

Our brands evolve with customer expectations to create a guest experience delivered personally.

⏩ page 23

INNOVATION

Challenging established norms, we foster and promote new ideas to create value across the stakeholder experience.

⏩ page 28

GOVERNANCE

High-functioning governance structures provide oversight, risk management and ensure accountability.

⏩ page 29

FINANCIAL DISCIPLINE

Clear investment criteria and disciplined capital allocation.

⏩ page 29

ESG Priorities

Sustainable business model foundations

Diversity and inclusion ⏩ page 21

Learning and development ⏩ page 21
Labour practices ⏩ page 22

Health, safety and security ⏩ page 25
Data privacy ⏩ page 24

Carbon emissions ⏩ page 31
Sustainable infrastructure ⏩ page 32
Sustainable procurement ⏩ page 26

Information security ⏩ page 30

Transparency ⏩ page 30

Business Model

Our purpose is to grow and evolve as an innovative and sustainable international hotel company, delivering excellence in customer service, driven by ambitious people flourishing within a culture of integrity, fairness and inclusion.

PURPOSE, CULTURE AND VALUES

▶▶ page 2

Our People

Our fairness

Our individuality

Our Service

Inputs

PEOPLE

Their motivation, expertise and experience

4,230
employees

RELATIONSHIPS

Suppliers of goods and services (including finance); customers

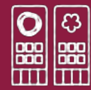
Over 4,300
active suppliers

Almost 800
corporate contracted customers in 2021

2.27 million
Sleepers in 2021

BRANDS

Hotel and ancillary brands


Clayton Hotels and Maldron Hotels
are our principal hotel brands, complemented by our other hotel and ancillary brands.

PROPERTY AND EQUIPMENT

47
Hotels (including 3 partner hotels) ▶▶ page 7

€1.24 billion
Property, plant and equipment ▶▶ page 42

€491.9 million
Right of use assets ▶▶ page 147

LOANS AND BORROWINGS

€313.5 million
Loans and borrowings ▶▶ page 159

LEASE FINANCE

€481.9 million
Lease liabilities ▶▶ page 148

What we do

GOVERNANCE

ADMINISTRATION

PROCUREMENT

SERVICE DELIVERY
Our purpose is to deliver excellence in customer service.

CAPITAL ALLOCATION
By partnering with our financial stakeholders, we seek to grow our hotel portfolio and provide returns ahead of our cost of capital.

ASSET MANAGEMENT
By investing in our capital programmes, we seek to maintain the value of our existing portfolio and expand our development pipeline.

HOTEL OPERATIONS
Our decentralised model enables our hotel teams to live the value of individuality whilst benefitting from the expertise of our central office teams.

MARKETING
Using our sales channels and marketing campaigns, we seek to connect with customers and make it easy for them to choose a Maldron or Clayton hotel.

PEOPLE
We place people at the heart of what we do through our open, inclusive, ambitious and agile culture, our investment in training and development, and our commitments to diversity and inclusion.

Outputs

Creating value for our stakeholders

BUSINESS

Employees
Aggregate Payroll Costs
€54.7m
page 133

Customers and guests
Guest satisfaction rating
86%
page 23

Suppliers
Food and Beverage Purchases
€13.7m

FINANCIAL

Shareholders
Adjusted EBITDA
€63.2m
page 36

Banks
Interest paid on bank loans, including fees
€15.3m
page 113

Real estate investors
Rent paid
€33.5m
pages 149 and 150

SOCIETAL

Communities
Contributions to our charity partners in 2021
€168k
page 34

Society and Planet
Green Fund for projects reducing emissions
€0.5m
page 31

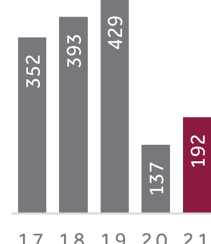
KPIs – Financial

Revenue

Total Revenue (€million)

▶▶ page 109

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



Commentary

A key top-line measure of the overall growth and development of the business.

In 2021

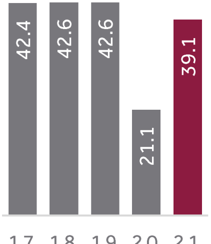
Total revenue increased by 40.3% over 2020. Hotels reopened in May in the UK and June in Ireland, enabling the business to rebuild.

Margin

Segments EBITDAR Margin (%)

▶▶ page 126

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



Commentary

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

In 2021

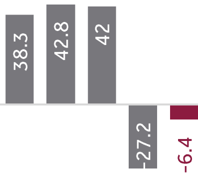
The group mitigated the financial impact of the reduction in occupancy through pro-active cost reductions and the utilisation of government grants and assistance during the Covid-19 pandemic.

Earnings

Adjusted EPS-Basic (cents/share)

▶▶ page 180

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



Commentary

A key measure of the effective delivery of profitable growth for our shareholders.

In 2021

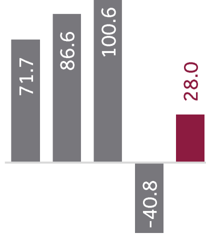
The Adjusted EPS-Basic for 2021 was -6.4 cent/share. The group's EPS for 2021 recovered from the severe impact of the pandemic in 2020, with the loss reduced by 20.8 cents per share.

Cash

Free CashFlow (€million)

▶▶ page 41

Net cash from operating activities less amounts paid for interest, finance costs, fixed lease payments and refurbishment capital expenditure and after adding back the cash paid in respect of items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses. In 2020 and 2021, the positive cashflow impact of deferral of tax payments under Covid-19 government initiatives has been excluded as it distorts cash flow from trade.



Commentary

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

In 2021

The group returned to a positive cash flow position in 2021, though this remains significantly below 2019 levels. Free Cash Flow was positive in 2021 as hotels reopened for the second half of the year.

KPIs – Non-Financial

Carbon

Our energy-related emissions

Measured as tCO_2e per room let.

Consumption of natural gas, kerosene, diesel, gas oil and electricity (scope 1 and 2 energy related emissions).

Commentary

The group has targeted a 20% reduction in energy-related emissions by 2026, using 2019, as the baseline.

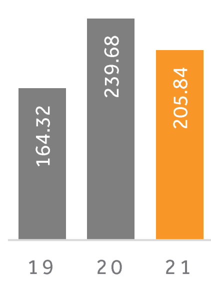
In 2021

2021 (and 2020) emissions per room let are significantly higher because of the lower occupancy rates due to the impact of the Covid-19 pandemic.

Water

Our water consumption

Measured as litres per sleeper.



Commentary

The group has targeted a 15% reduction in water consumption per sleeper by 2026, using 2019 as a baseline.

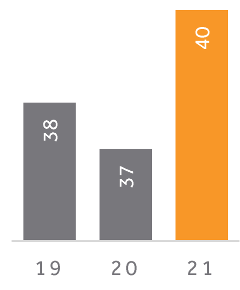
In 2021

The higher level of water consumption per sleeper in 2021 (and 2020) reflects the impact of the pandemic on occupancy.

Female Leaders

Female % on the senior management team

A measure of gender diversity among our hotel and central office senior managers.



Commentary

The group strives to have a gender-balanced management team, with balanced representation across the hotel and central office senior management.

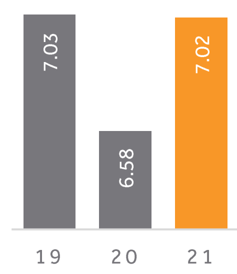
In 2021

The group's strategy delivered a positive result in 2021. Out of 95 senior managers, some 38 were female.

Gender Pay Gap %

The difference in the average hourly wage of men and women across our workforce

Our measurement is based on average hourly pay rates, excluding bonus and BIK.



Commentary

The group is committed to equality in this area. According to the latest EU data (from 2019), the average gender pay gap is 14.1%.

In 2021

The gap increased over 2020 due to fluctuations in our operational workforce as hotels reopened.

Sustainable Business Framework

We initiated a review of ESG priorities with input from the board, management and stakeholders.

Management assessed priorities based on alignment with the group's strategy, principal risks and impact on stakeholders.

Material ESG themes

A management working group identified 24 material themes and surveyed the board and over 30 senior managers and stakeholders to assess the relative importance of each theme to the group and stakeholders. This created a working model to identify group priorities and (indirectly) those of stakeholders.

Stakeholder input

Stakeholders survey data was used to replace the data gathered indirectly through management. Repeating the survey periodically will provide a measure of changing priorities and the gap between stakeholder and management perception.

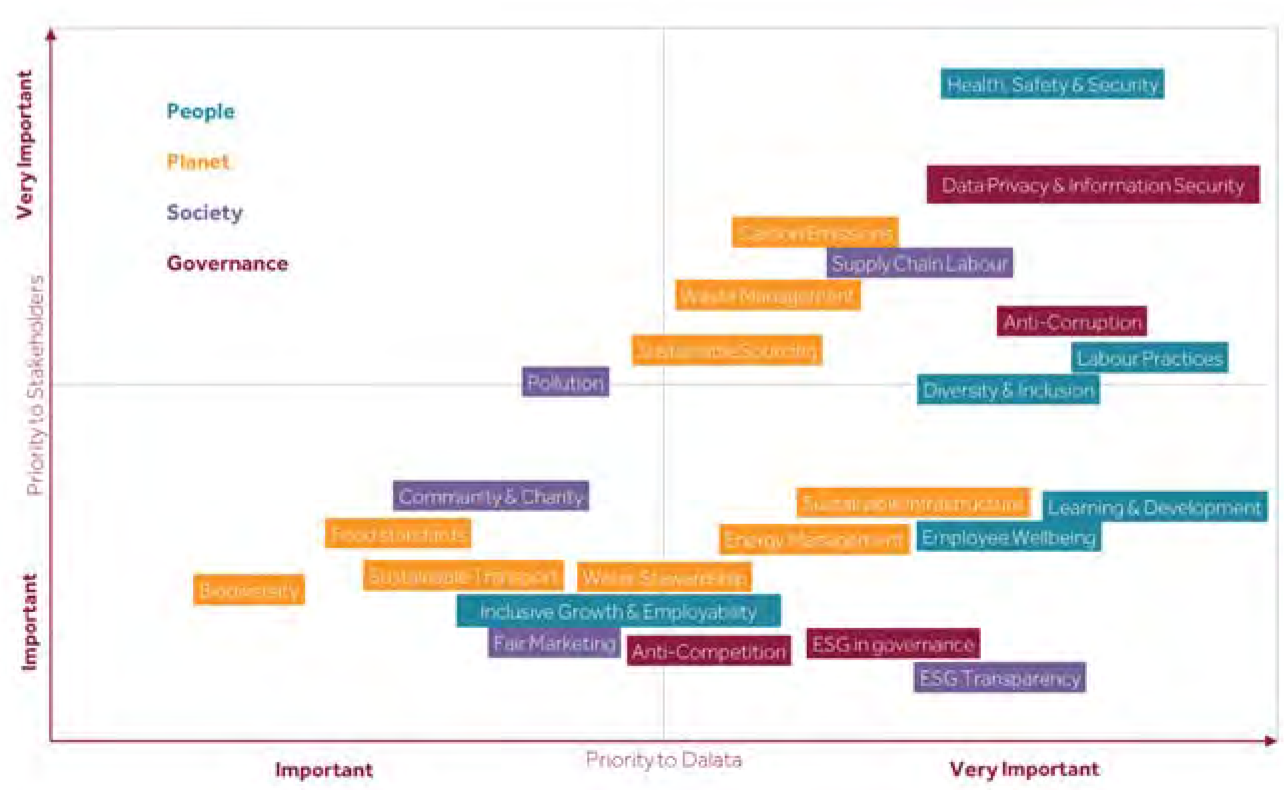
Strategic alignment

Management considered the probabilities associated with the potential financial and non-financial impacts, on the group and its stakeholders, associated with each theme by reference to the group's strategic objectives and its principal risks. It assessed impact over a three-year horizon to establish priorities.

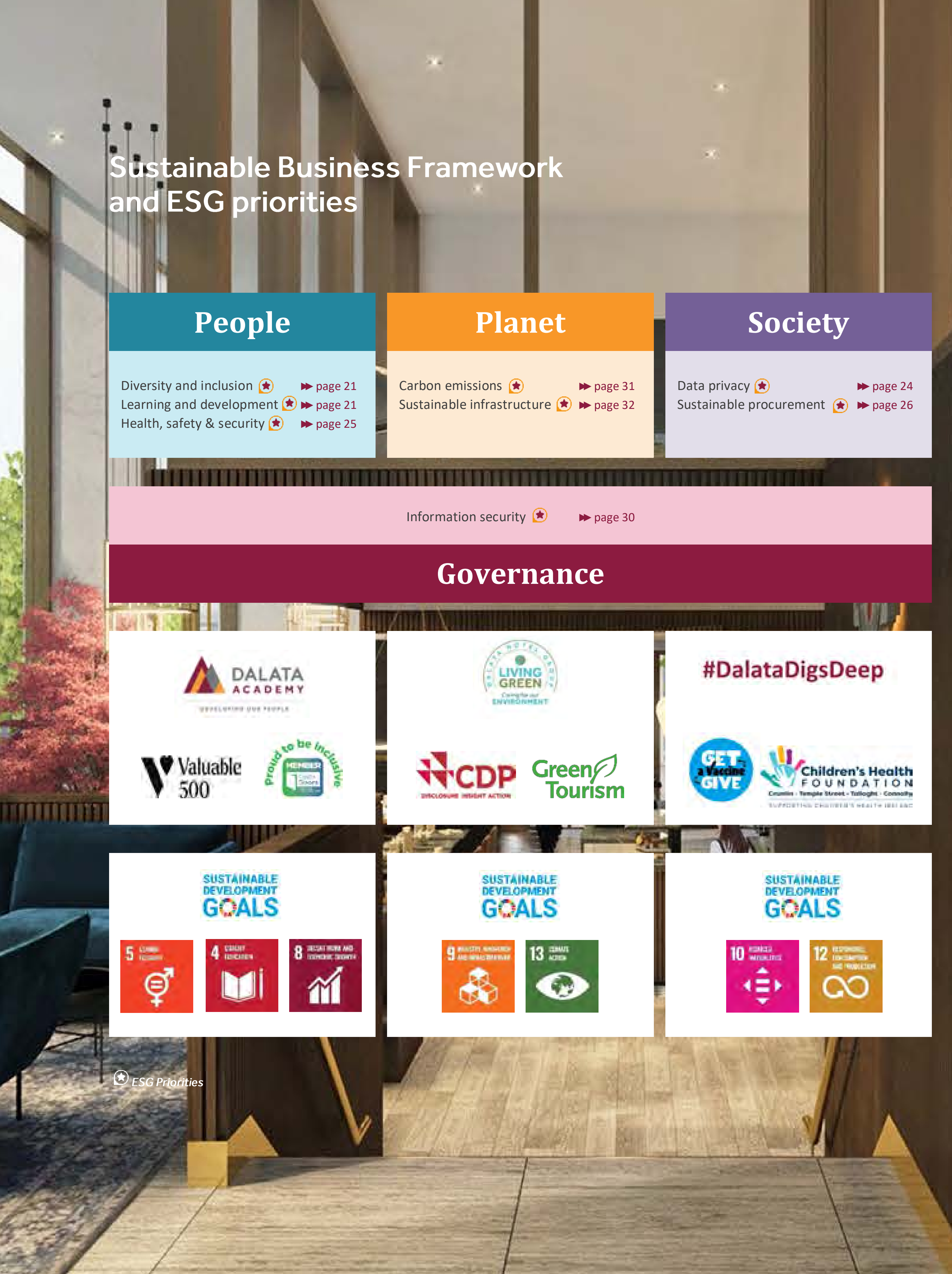
Measuring progress

The group has established a series of initiatives under each theme, in several cases establishing key performance indicators and in a smaller number setting performance targets. This process will evolve through establishing benchmarks and monitoring progress.

Further information is included in our stakeholder review from ▶▶ pages 17 to 34.



Sustainable Business Framework and ESG priorities



People

- Diversity and inclusion ★ ▶▶ page 21
- Learning and development ★ ▶▶ page 21
- Health, safety & security ★ ▶▶ page 25

Planet

- Carbon emissions ★ ▶▶ page 31
- Sustainable infrastructure ★ ▶▶ page 32

Society

- Data privacy ★ ▶▶ page 24
- Sustainable procurement ★ ▶▶ page 26

Information security ★ ▶▶ page 30

Governance

★ *ESG Priorities*

Sustainable Business Framework

Our priorities balance group and stakeholder interests.

Pillar	Topic	Page	ESG Priority	Stakeholders
People	Diversity and inclusion	page 21	ESG Priority	Employees
People	Learning and development	page 21	ESG Priority	Employees
People	Employee wellbeing	page 22		Employees
People	Labour practices	page 22	ESG Priority	Employees
People	Health, safety and security	page 25	ESG Priority	Customers, Employees
Planet	Carbon emissions	page 31	ESG Priority	Society
Planet	Water stewardship	page 32		Society
Planet	Waste management	page 33		Society
Planet	Sustainable infrastructure	page 32	ESG Priority	Society, Shareholders
Planet	Biodiversity	page 33	ESG Priority	Society
Society	Data privacy	page 24		Customers, Employees
Society	Sustainable procurement	page 26	ESG Priority	Suppliers, Customers
Society	Employability	page 34		Community, Society
Society	Charity partnership	page 34		Community Employees
Governance	Anti-corruption	page 30		Shareholders, Banks and real estate investors
Governance	Transparency	page 30		Shareholders, Banks and real estate investors
Governance	Supply Chain Labour	page 26		Suppliers Shareholders
Governance	Information security	page 30	ESG Priority	Shareholders

2021 headlines

Diversity and inclusion: Dalata recently reached gender balance on the board, where the majority is female. This, along with the launch of a new group-wide policy, supported with training, signals Dalata's commitment to lead on diversity and inclusion.

Learning and development: Investing in the support and development of our people ensures we have a pipeline of talent to meet our growth strategy and sustain our culture. The Dalata Academy increased graduate intake by 72% in 2021 (over 2019).

Employee wellbeing: Our Life Works Employee Assist Programme provided support and assistance by delivering 61 services to 34 employees in 2021. We also launched mental health first aid training for managers; the rollout will continue into 2022.

Labour practices: Employees and managers receive extensive training and support to ensure we maintain high labour practice standards, including training on the risks of exploitation through modern slavery. We publish an annual modern slavery statement.

Health, safety and security: Although Covid-19 risk management dominated the health and safety agenda in 2021, we expanded our monitored daily fire checks to incorporate checkpoints for a wider range of health, safety and security risks within each hotel.

Carbon emissions: In 2021 we maintained our B score with CDP and initiated a review of our climate change response. We set a 2026 carbon emissions target and dramatically increased the number of hotels achieving the Green Tourism 'Gold' accreditation.

Water stewardship: By Q2 2022, electronic meters installed at all of our hotels will allow us to measure consumption accurately. We have set a target to reduce water consumption by 15% per sleeper by 2026 (2019 baseline).

Waste management: We are on track to achieve 100% diversion of waste from landfill in 2022 and have committed to reducing food waste by 15% per sleeper by 2026 (2019 baseline).

Sustainable infrastructure: At our newly constructed Maldron Hotel Glasgow, a change in design specification yielded an estimated carbon saving of 38%, to 35 kgCO2/m2 per annum compared with the original specification.

Biodiversity: While the primary focus of our environmental response in 2021 was on carbon emissions, water and waste, we built biodiversity awareness through our support for the All-Ireland Pollinator Plan.

Data Privacy: During the year we developed and launched a mandatory bespoke data protection training module for all staff and delivered live, interactive data protection training to 445 managers.

Sustainable procurement: We hosted an online supplier sustainability conference in November 2021, presenting our supplier code of conduct and have set a 2024 target to collect scope 1 and 2 carbon emissions data from 100% of our tier 1 suppliers.

Employability: In 2021, we demonstrated our commitment to marginalised groups as signatories of the Valuable 500 pledge and recruitment of 14 employees through employment support organisations.

Charity partnership: Supporting charities and community partnerships brings economic and social benefits to society locally, nationally and globally.

Anti-corruption: Our internal control procedures, segregation of duties, payment processes and account reconciliations provide a robust control environment to help identify any potential acts of bribery or corruption. None were detected in 2021.

Transparency: In this year's annual report we have revised our approach to the presentation of non-financial information to make it more relevant and accessible to a wider range of stakeholders.

Supply chain labour: Dalata has implemented a supplier code of conduct prescribing compliance with internationally recognised standards and publishes a modern slavery statement annually.

Information security: In 2021, we continued our investment in market-leading information systems. Our hotels and central office operate on a modern technology platform with proactive information security management processes in place.

Engagement

At Dalata we recognise that the group's success is based on creating value in all of our stakeholder relationships.

We recognise eight stakeholder groups we believe are critical to Dalata's success. These are grouped into three categories: Business – those we engage with daily in every corner of our operations; Financial – those who trust us to manage the business to provide a return on their investment; and Societal – those we impact through our business activities, and the planet.

	Stakeholder	Interests in 2021	Our engagement	Board considerations
BUSINESS	**Employees** page 19	Given the ongoing pandemic, health & safety, wellbeing and working arrangements remained the key matters of importance for employees in 2021. Other interests for employees included training and development, and diversity and inclusion (D&I).	The board assigned responsibility for workforce engagement to Gervaise Slowey page 72. The board meets employees informally on hotel visits where board meetings are held. Executive Directors engage extensively with employees throughout the year.	A key consideration for the board during 2021 was the health and safety of employees and their working arrangements. The board participated in D&I training. The board also provided feedback on the matters raised in the employee engagement survey.
	Customers and Guests page 23	Quality of service and product offerings and effective health, safety and security measures are customers' key priorities. Customers are also seeking more information on the group's approach to climate-related matters.	Customer and guest feedback is direct and continuous at multiple levels and through various media. Central Office, including senior management, regularly meet large corporate customers via one-to-one meetings and sales conferences.	The board receives a breakdown of customer satisfaction index scores by hotel at every meeting as they continuously seek improvements in the customer experience KPIs.
	Suppliers page 26	The impact of inflation on product prices and the challenges faced by the global supply chain remained the key priorities of 2021. There was an increased focus on ESG matters following the launch of our sustainable procurement policy and the work we conducted in assessing the risks arising from modern slavery.	Supplier engagement is ongoing and managed by our procurement team via one-to-one meetings or attendance at supplier conferences. Our development team manage the ongoing relationships with our construction providers.	The CFO and Corporate Development Director update the board at every meeting on supplier-related matters. The board considered the modern slavery risk assessment findings and approved the sustainable procurement policy.

	Stakeholder	Interests in 2021	Our engagement	Board considerations
FINANCIAL	**Shareholders** page 27	Given the ongoing pandemic, business performance and capital allocation remained the key matters of importance in 2021. Shareholders are also seeking more information on the group's approach to climate change and other ESG matters.	The company and the board maintain an open dialogue with shareholders and prospective investors, led by the CEO and the CFO, with the support of the investor relations manager. We held 156 meetings in 2021. The Annual General Meeting provides an opportunity for private shareholders to question Directors.	The board receives an investor relations update at each meeting, hearing shareholder priorities. The remuneration committee chair engaged with shareholders on executive director remuneration for 2022.
	Banks page 27	Business performance, capital allocation, cash management and covenants remained the key matters of importance in 2021. There is also increased focus on our approach to ESG by our banks.	The CEO and CFO lead the relationship with our banks.	The CEO and CFO update the board at each meeting on banking facilities and covenants. In November 2021, the board approved the extension to the maturity of the group's debt facilities.
	Real Estate Investors page 27	Business performance and rent deferrals remained the key matters of importance in 2021. As we look forward, there is a greater focus on our investment plans and future partnerships.	Real estate investors are a key partner supporting our sustainable business model. The Corporate Development Director leads the relationship with real estate investors and other development partners.	The Corporate Development Director updates the board at every meeting in relation to existing or proposed development plans. In 2021, the board approved a partnership with Art-Invest for the operating leasehold interest in Hotel Nikko, Düsseldorf.

	Stakeholder	Interests in 2021	Our engagement	Board considerations
SOCIETAL	**Communities** page 34	Sponsorships for local sports clubs and charities, provision of free or low-cost meeting spaces to community partners and requests for staff to volunteer.	Our decentralised business model demands that the hotel general manager takes the lead in developing two-way relationships with the local community. Our senior executives are encouraged to engage at industry level.	The board receives updates on community-related matters and our Dalata Digs Deep initiatives led by group HR and considers the activities as part of the group's overall approach to ESG.
	Planet and Society page 31	Climate change and its impacts on the planet and society came to the fore in 2021.	Understanding our societal and environmental responsibilities is a key element of our sustainable business model. The company secretary is leading the group's approach to ESG matters.	The board received and considered presentations from the company secretary and the group's ESG advisor on the group's approach to ESG and approved the group's ESG framework.

Our people drive our success, reflect our culture, and create our customer experience.

Our ESG materiality survey recognised our employees as our most important stakeholder group. Our business model depends on the developing skills and retaining an engaged workforce to meet the expectations of our customers and other stakeholders.

Our people are a fundamental element in Dalata's strategy and a key asset in the continuing success of the group.

As we continue to grow our hotel portfolio, our strategy of developing our hotel leadership teams from within becomes even more important.

Over the past two years, we managed to retain the vast majority of our core teams, largely due to the continued focus on training and development with the Dalata Academy and the graduate programme being central to our strategic ambition.

Our management development courses, delivered in association with external partners, also enables our teams to avail of external qualifications to benefit their current and future roles.

We are also able to embed our open, inclusive, ambitious and agile culture into our new hotels by developing our people internally and having a promising pipeline of talent to fill key positions.

Finally, our approach to diversity and inclusion enables us to attract and retain a diverse pool of talent to drive our growth strategy.

Promoting from within

Growth brings opportunities for all our people, and succession planning is key to maintaining our culture.

In 2021:

- There were **393** internal promotions.
- **74%** of management vacancies were filled internally.
- **66%** of management roles for the new hotel openings in 2022 will be internally developed candidates.

Filiz Smith, General Manager, Clayton Hotel, Manchester City pictured with colleagues at the hotel's official opening in February 2022.

66% of the management team on opening day were internal Dalata appointments.

OUR CULTURE

Dalata has an open, inclusive, ambitious and agile culture that places people at the heart of what we do, whether that is employees, guests, suppliers or our local communities.

We believe in opportunity for everyone, and our flat structure allows us to remove barriers and make it easy to engage and do business with us.

We are focused on delivering exceptional service and experience for our customers and guests, along with delivering a strong financial performance and creating value for our shareholders. We also aim to create value for our stakeholders as a growing, ethical, responsible and sustainable business.

Our decentralised model empowers our hotel management teams to be innovative in growing their business while maintaining the principles of transparency and integrity.

Our core values of people, fairness, individuality and service underpin our group culture and inform all strategic business decisions.

As we grow our hotel portfolio and enter new markets, we want our people to grow with us.

We invest in the learning and development of our people as they are the gatekeepers and the champions of our culture.

Growth brings opportunities for all employees, and our succession planning is key to maintaining our culture. In 2021 we promoted 393 internal candidates, and 74% of management vacancies were filled from within the organisation.

Equally, during the turmoil of a global pandemic, we protected our people to protect our business and our culture. As a result, we decided to retain all of our senior management teams and central office teams with a view to post-pandemic and rebuilding the business while maintaining the group's culture.

Thankfully, we are seeing the benefits of that decision with a sharp rise in occupancy across our hotels that could only be possible due to our approach of protecting our people.

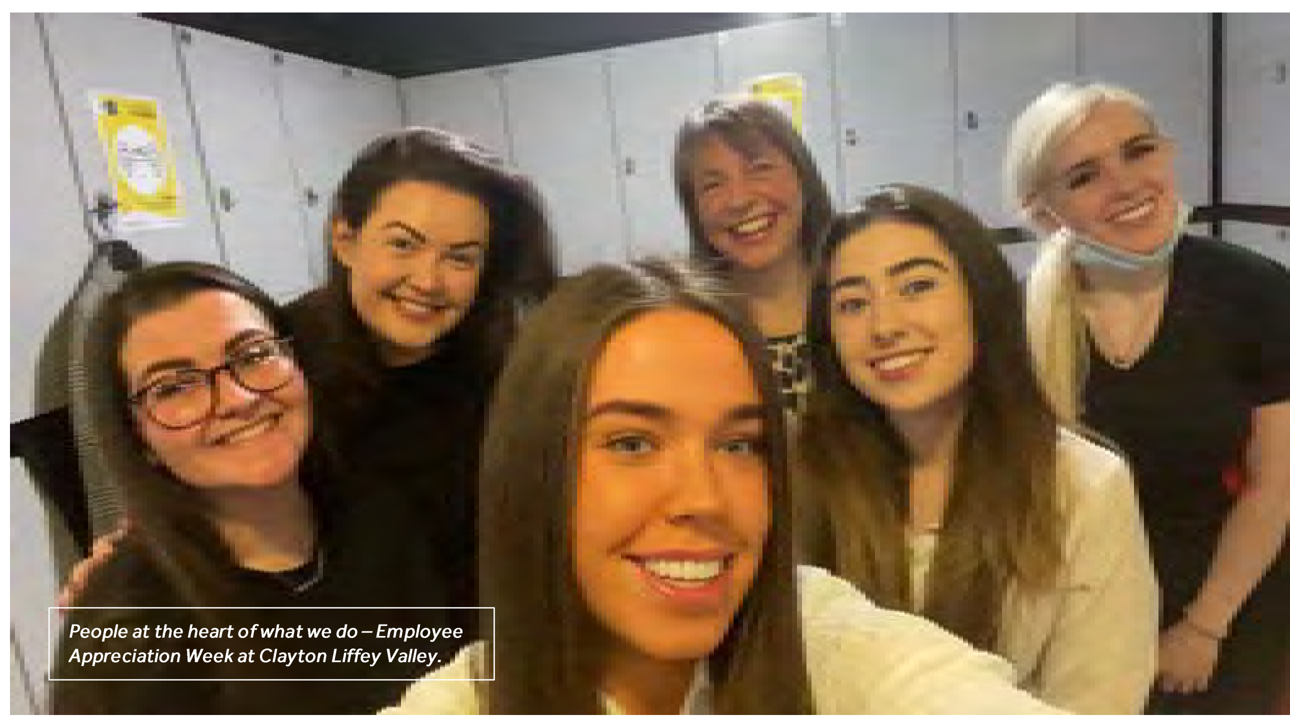
Fairness and individuality are two of our core values that are key to building an inclusive culture, one where everyone can contribute and thrive in an open and happy environment.

In the employee engagement survey conducted in 2021, 91% of our colleagues believe that people from all backgrounds are treated fairly, and 95% feel respected and included by their colleagues.

Our survey results form an action plan for General Managers and HR Managers as part of their engagement strategy. General Managers' annual bonus payments are related to performance in this regard.

We have a three-step disciplinary process that ensures the employee is afforded fair due process. Our approach to dealing with grievances is designed to afford all parties and fair process.

This year we are establishing a range of new measures to help us evaluate and build our culture. The Dalata culture is people-centric, which facilitates innovation and growth through the principles of integrity and fairness.



People at the heart of what we do – Employee Appreciation Week at Clayton Liffey Valley.

DIVERSITY AND INCLUSION

Dalata recently reached gender balance on the board, where the majority is female. This, along with the launch of a new group-wide policy, supported with training, signals Dalata's commitment to lead on diversity and inclusion.

As a proud member of Valuable 500, Dalata is committed to putting disability on the board's agenda.

In 2021, we launched our diversity and inclusion policy to all employees, with all general managers and the central office executive management team participating in an inclusive leadership diversity and inclusion training course. This programme will continue in 2022.

We also intend to establish an employee forum and launch a calendar of cultural events for employees to celebrate with their colleagues.

We plan to introduce diversity KPIs predominately gender-focused in 2022, with plans to expand these targets in the coming years.

59%
Female participation in learning and development programmes in 2021.

40%
of our senior leadership team is female (2020: 37%).

36%
of our General Managers are female (2020: 30%).

7.0%
2021 gender pay gap (EU average 14.1%: 2019).

LEARNING AND DEVELOPMENT

Investing in the support and development of our people ensures we have a pipeline of talent to meet our growth strategy and sustain our culture. The Dalata Academy increased graduate intake by 72% in 2021 (over 2019).

As we rebuild the business and bring in new team members, we will continue to focus on skills development, ensuring our new team members have the appropriate skills at an operational level as many have entered the hospitality industry for the first time.

Our new Gateway Induction programme gives new employees a greater opportunity to succeed in their roles. To build on our succession strategy, we welcomed 43 graduates onto our graduate programme, representing a 72% increase in graduate intake over 2019.

As we open our new build hotels, internally developed managers are a key element of our success; they embed and protect our culture, reduce risk and ensure that our customer focus and standards are embedded in the new hotel.

We also undertake comprehensive pre-opening training programmes for each new build hotel. This training takes place eight weeks before the opening date and ensures that the culture of Dalata is embedded as we recruit and engage the new team.

115,000
e-learning courses delivered via the Dalata Academy online training portal in 2021.

47,000
Hours of live and on-the-job training completed in 2021.

+72%
Increase in graduate intake in 2021 over 2019.

Head of Dalata Academy, Aine Doyle pictured with Maldron Hotel Manchester City managers Anton Angelov, Guest Relations and Daniel Kristof, Food and Beverage. Anton and Daniel both completed our graduate programme (class of 2018).

LABOUR PRACTICES

ESG Priority

Employees and managers receive extensive training and support to ensure we maintain high labour practice standards, including training on the risks of exploitation through modern slavery. We publish an annual modern slavery statement.

Maintaining high standards in relation to labour practices allows us to provide our employees with a fair and safe working environment.

Dalata adheres to all labour practices in accordance with the relevant legislation in the jurisdictions that we operate in. We strive to act ethically with integrity, honesty, and professionalism in all aspects of our business.

We also expect our suppliers and partners within our supply chains to respect and adhere to employment law and best practices.

We comply with minimum wage legislation in the countries where we operate. We provide comprehensive onboarding employment documentation and mandatory training to ensure we start off on the right footing.

As part of their induction, all employees complete a training module on labour practices. Employees are also briefed on the policies, guidance, and safeguards in place on joining the group.

Our three-step disciplinary process is designed to be equitable and requires managers uphold our core value of fairness. The same approach applies to deaing with employee grievances.

We provide guidance and safeguards for employees to maintain a fair working environment.

Our employee code of conduct will be launched in 2022, which will complement our existing employee policies. We will also launch an updated human rights policy in 2022.

Our protected disclosures mechanism allows our employees to speak up in confidence should an issue arise.

EMPLOYEE WELLBEING

Our Life Works Employee Assist Programme provided support and assistance by delivering 61 services to 34 employees in 2021. We also launched mental health first aid training for managers; the rollout will continue into 2022.

Supporting our employees to lead healthier, more active lives brings extensive human and organisational benefits. At Dalata, employee wellbeing is at the forefront of our organisational agenda.

The Covid-19 pandemic continued to be a challenge during 2021, requiring the group to take a proactive approach towards health and wellbeing.

We surveyed all our employees in December 2021 on physical and mental health wellbeing. Some 89% of employees participated in the survey, scoring Dalata at 86% on these areas, which is 8% higher than the benchmark of similar organisations.

Our focus for 2022 is to create a healthy workplace where all employees can enjoy coming to work, achieve their aspirations and build meaningful social connections with colleagues in a fun, collaborative environment.

Over 600 team members took part in this wellbeing initiative, inspired by our Clayton Sligo team , while raising funds for our charity partners.

Delivering excellence in customer service is at the heart of Dalata's purpose

When we refer to customers we mean our guests and also corporate customers, tour operators, sporting organisations, clubs, societies and many other business to business relationships. In Dalata we aim to be easy to do business with and provide a positive experience for all customers and guests through their journey with us.

Delivering excellence in customer service, creating positive guest experiences and continuing to develop our brands as the leading hotel operator in Ireland with a growing presence in the UK and Europe.

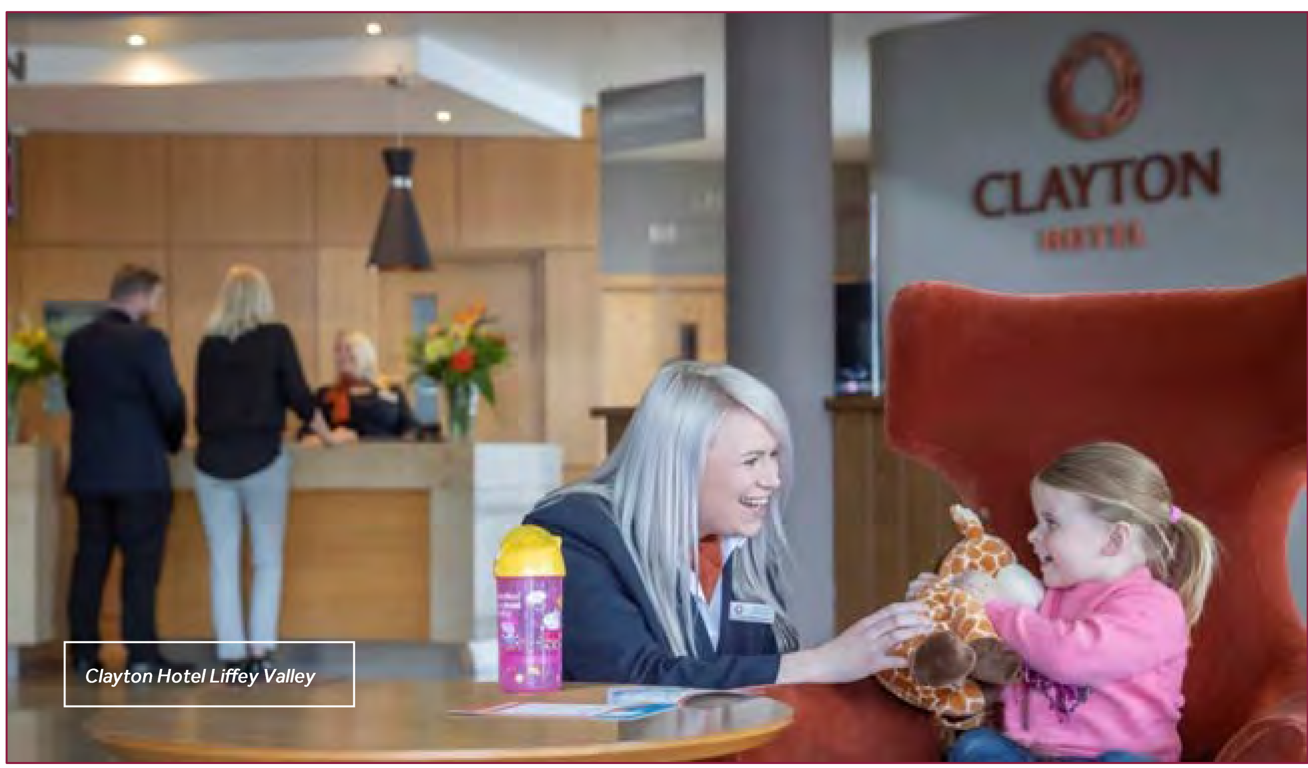
Customer and Guest Feedback

Our customers are at the centre of everything we do. We listen to what they say to us. Our teams are trained to respond promptly to guest issues or use an industry-leading online reputation management tool (ORM) to assess their satisfaction.

By working closely with and listening to our customers and guests, we consider their changing requirements. The data we get from our customer feedback via the ORM tool supports our hotels in responding to guest feedback. This helps inform decisions around changes that may be required in terms of service and standards.

Equally, the feedback we receive contributes significantly to decisions around prioritising our capital expenditure spend. Of relevance in the past twelve months has been a growing interest with increased levels of feedback from our customers on how we are performing in public health measures and sustainability practices.

With the ebb and flow of customer volumes during 2021 and the challenges brought about with the changes necessary to accommodate varying restriction levels throughout the year, we maintained our year-on-year guest satisfaction rating at 86% across the group.



Clayton Hotel Liffey Valley

Corporate Customers

With the planned return of business travel, our sales teams are engaging with our corporate customers to understand what is important to them and adjust our product offering accordingly.

Corporate customers prioritise the safety and security of their staff whilst present in our hotels, the provision of virtual and in-house meeting and conferencing facilities in our hotels and, our commitment to carbon reduction.

We have developed a safety plan for lone travellers, which will be published in 2022.

We have continued our investment in video conferencing facilities in our hotels.

We are committing to 2026 carbon reduction targets and are currently assessing various decarbonisation pathways in our operations and hotel construction. Further information is outlined on page 56.

Our Decentralised Operating Model

Through our decentralised operating model, our local general managers and their teams take responsibility for managing the hotel and meeting the specific needs of their customers within their markets. They are supported by an experienced and specialist central management team.

DATA PRIVACY

ESG Priority

During the year we developed and launched a mandatory bespoke data protection training module for all staff and delivered live, interactive data protection training to 445 managers.

Management

At Dalata, we actively manage compliance with the General Data Protection Regulation (GDPR).

Poliicy setting and compliance are dealt with centrally for the group, including subject access requests, incident management and queries from customers and staff at hotels.

Membership of the management level privacy committee, which met three times during 2021, is made up of senior managers responsible for personal data processing. The committee's objective is to continuously develop the maturity of the group's compliance programme.

The audit and risk committee oversees compliance page 78.

Awareness and Training

We updated our employee awareness and training programmes in this area, with 3,676 employees completing the training.

445
Managers completed data protection training in 2021.

We also commenced the rollout of live management training in data protection and privacy. To date, 445 managers, assistant managers and supervisors have completed it. This includes all hotel HR managers and 94% of hotel general managers.

We have developed a safety plan for lone travellers, which will be published in 2022.

HEALTH, SAFETY AND SECURITY

Although Covid-19 risk management dominated the health and safety agenda in 2021, we expanded our monitored daily fire checks to incorporate checkpoints for a wider range of health, safety and security risks within each hotel.

84%
of hotels maintained an average compliance score of over 90% for daily fire, health safety and security controls.

Covid-19

Covid-19 risk management continued to be the health and safey priority in 2021.

We evolved our Keep Safe Programme in response to public health guidelines in Ireland and the UK to mitigate the risk to employees and guests and to ensure buisness continuity..

We updated our Covid-19 risk assessments and developed and delivered hotel specific Covid-19 compliance officer training. Each hotel appointed a minimum of three trained Covid-19 compliance officers covering all shifts.

We continued the programme of audits initiated in 2020 and carried out by Bureau Veritas to provide assurance of compliance across the portfolio.

Fire, Health & Safety and Security

In 2021, we expanded our monitoring of compliance with fire, health, safety and security controls across our hotels.

Daily compliance scores are monitored centrally using the Firecloud365 application.

We also continued to evolve our health and safety standard operating procedures, targeting specific risk areas, including power outage plans and adverse weather plans

Our portable application and fixed wire testing and thermal imaging process resumed across the group, as well as continued full compliance with maintenance and certification of all life safety and security systems.

We developed a safety plan for lone travellers with our sales and marketing team, which will be published in 2022.

Food Safety

In 2021, we conducted food safety audits using an independent auditor across all our hotels.

86% of our hotels achieved a score above the 90% target. Follow up visits and audits were conducted in the hotels with scores below the 90% target.

2022 Focus

Our key health, safety and security focus areas for 2022 include:

- Completing new health and safety audits with Bureau Veritas
- Revising fire evacuation plans at all hotels
- Introducing new accessibility safety plans
- Integrating safety controls at our new hotels

Managing infection risk to employees and guests was the number one health and safety priority in 2021.

Business | Suppliers

Healthy supplier relationships matter for our guest experience and customer satisfaction.

We tender centrally for all major operational and capital goods and services contracts, and many of our suppler relationships have developed into long-term partnerships. Our centralised order and invoice matching and payment processes are designed for transparency and efficiency.

SUSTAINABLE PROCUREMENT

We hosted an online supplier sustainability conference in November 2021, presenting our supplier code of conduct and have set a 2024 target to collect scope 1 and 2 carbon emissions data from 100% of our tier 1 suppliers.

Sustainable Procurement Policy

We developed a sustainable procurement policy and a supplier code of conduct which we presented at a supplier sustainability conference in November 2021, setting out our expectations to our suppliers, including their commitment to our environmental and social values.

We demand clear and precise technical specifications using sustainability factors. We also expect our suppliers to secure their raw materials from fully traceable and sustainable sources.

We prioritise suppliers who have embedded sustainable and ethical practices within their organisation and drive these practices within their supply chain.

We are committed to purchasing based on life cycle costs not just the purchase price.

Local Business

We are committed to supporting the growth and development of small regional suppliers.

We always ensure there is a selection of suppliers available to all hotels from within their local area. Locally sourced food and beverage are displayed prominently on all menus.

Food Safety

We expect all our suppliers to adhere to the appropriate food safety regulations and standards.

SUPPLY CHAIN LABOUR

Supply Chain Labour

Our Modern Slavery Policy mandates a zero-tolerance approach to modern slavery and human trafficking.

We are committed to engaging with our suppliers to mitigate the risk of human rights violations within our supply chain.

Our modern slavery policy and statement is published annually on our website, dalatahotelgroup.com.

Dalata's Executive Chef Darina Brennan and Head of procurement Tony McGuigan on the farm sourcing premium Irish Porridge Oats served for breakfast across Clayton and Maldron hotels in Ireland.

STAKEHOLDER REVIEW

Financial | Shareholders, banks and real estate investors

The support of our financial stakeholders ensures Dalata is financially strong and well placed for post-pandemic recovery.

The support of our financial stakeholders for the duration of the Covid-19 pandemic, through the investment of equity by shareholders, the extension of lending facilities by our banks and continued support for new projects from real estate investors has ensured that the group is financially strong and well placed for post-pandemic recovery.

OUR GROWTH AMBITION

Dalata's ambition is to grow sustainable shareholder value through market-leading performance at our existing portfolio and targeted expansion at key city locations.

Existing Portfolio

Rebuilding the business at our existing hotels to pre-pandemic levels is one of our key objectives.

Extensions at Clayton Hotels at Cardiff Lane (99 rooms), Charlemont (3), and City of London (14).

We expect a return to more normalised levels of trade between 2023 and 2025.

Delivering our current pipeline

Since Q2 2021 we opened three hotels:

- Maldron Hotel, Glasgow
- Clayton Hotel, Manchester City
- Maldron Hotel, Manchester City

In the coming months we will open another four hotels:

- Clayton Hotel, Bristol
- The Samuel Hotel , Dublin
- Maldron Hotel, Merrion Road, Dublin
- Clayton Hotel, Glasgow City

Development at five additional sites is in progress. These are scheduled for completion between 2023 and 2025:

- Maldron Hotel, Shoreditch, London
- Maldron Hotel, Brighton
- Maldron Hotel, Liverpool
- Maldron Hotel, Victoria, Manchester
- Maldron Hotel, Croke Park, Dublin

37%

Expected expansion of room numbers (3,335 new rooms) over four years from 1 July 2021.

2,202 rooms

At eight new hotels between July 2021 and June 2022.

Pipeline growth strategy

Growth is focused on cities with a strong mix of corporate and leisure demand. We have identified target locations in Regional UK, and London remains a very attractive city. We have also identified opportunities in selected European cities that are complementary to our portfolio.

The group has potential to grow by acquisition, extension of existing properties, or by entering long-term leases at new or already trading hotels.

As an experienced asset manager and an excellent hotel operator with a strong balance sheet, we have the platform to deliver growth. We continue to expand our real estate investor relationships, having already partnered with Deka Immobilien, Aberdeen Standard, M&G Real Estate, Aviva, Union Investment and most recently Art-Invest.

Growing the pipeline sustainably

Our acquistions team is actively seeking opportunities at locations within our target markets.

New markets

In February 2022 we commenced operations at Hotel Nikko Düsseldorf, our first hotel in continental Europe. This demonstrates the group's capacity to enter new markets well in advance of exhausting its growth potential in core markets.

INNOVATION

In 2021, we identified innovation as a driver of strategic growth for Dalata. Underpinned by senior management incentives we are finding new and better ways of delivering our services to our customers and guests.

Our objective is not to go back to what we were doing pre-pandemic but go back to what we were doing but better.

In the current inflationary environment, there is universal pressure on costs, be that in the development of hotels or the operation of the properties. This affects construction costs, payroll and utility costs, and the costs of doing business with our suppliers.

In the long term, we expect RevPar to follow inflation movements. However, this is not the case in the short term, where RevPar movement can be entirely inconsistent with the inflation indices. As the industry reopens post Covid-19, we will endeavour to grow our revenue channels as efficiently as possible, but we are conscious a return to pre-Covid-19 levels will not be sufficient. We will need to be more efficient, more agile and more innovative.

We are assessing our work practices, customer service and offerings, hotel design and synergies across the group, and considering alternatives to how we conduct our operations and interact with the customers and guests.

Our primary focus areas in 2022 are:

- **Work practices:** Consider alternative ways to perform tasks such as cleaning hotel bedrooms and staffing kitchens.
- **Our customer journey** - booking, checking in and out: Consider how technology can support our staff and our customers and guests in this journey.
- **Service Offering**: Determine optimal food menus for our hotels.
- **Synergies**: Identify synergies across our portfolio of hotels and consider functional excellence rather than property allocation in areas such as maintenance and repairs.
- **Hotel Design:** Consider the design of our hotels in the future, enabling a higher standard of service for our customers and guests and optimal environmental performance see ►► page 32.

Our leading technology provides a platform for innovation in customer service.
On 25 January 2022, Maldron Hotel Belfast International Airport went live on the Opera Cloud property management system, the 43rd and final hotel to switch from Opera V5.

FINANCIAL DISCIPLINE

Pursuing our strategic objectives requires us to maintain relatively low levels of financial risk in the group.

At Dalata, we believe that strong financial discipline provides us with the greatest opportunities to generate value for our shareholders in the long term and ensure we are best placed to avail of commercial opportunities as they arise.

The board considers each project on its own merit and ensures it meets our key financial metrics. See the board's principal responsibilities on page 60.

Details of the group's financial position on 31 December 2021 are outlined in the Financial Review on pages 35 to 43. A robust review of the prospects of the business for the next three years is outlined in the Viability Statement on pages 51 and 52.

OUR GOVERNANCE

A responsible governance framework is designed to safeguard long term shareholder value and ensure the group contributes to broader society while protecting the environment.

At Dalata, we have adopted a framework that allows us to respond in a structured and progressive way to our responsibilities in society and our impact on the environment. Our Corporate Governance report is on pages 65 to 70.

The board is responsible for policy development and oversight, including risk management as set out in the risk management report on pages 45 to 52.

In the exercise of oversight, the board prioritises those non-financial matters essential to the growth and development of a sustainable business.

Dalata complies with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017. Further information on compliance with this regulation is outlined on page 54.

Since 2018, the group has continued to develop its governance structures by standardising policies across the business, developing a code of conduct, supplier code of conduct, investing in its HR systems and rolling out the Dalata Academy online training portal.

In 2021, the group, in consultation with internal and external stakeholders, completed a materiality assessment where a wide range of subject matters were assessed against the business strategy to determine those that presented the most significant risks and opportunities. As part of this assessment, we also considered the impact of these key matters on people, society and the planet. The findings of the materiality assessments are set out on pages 13 to 16.

Deputy General Manager, Andrew Hyland (left), General Manager, Alan Deller and colleagues at Clayton Hotel Leopardstown welcome reopening for leisure guests in June 2021. Managing the ever evolving Covid-19 restrictions over the past two years has been a big challenge for management and staff across all of our hotels. Great credit is due to our teams for maintaining business continuity and high standards of customer service in spite of many difficulties.

TRANSPARENCY

In this year's annual report we have revised our approach to the presentation of non-financial information to make it more relevant and accessible to a wider range of stakeholders.

Our success depends on building relationships of trust with stakeholders.

Our regular investor and market updates reference both positive and negative developments in our industry and business and are available on our website. In 2021 we held 156 investor meetings.

In 2021, we enhanced our reporting framework, providing additional insight to stakeholders on our strategy and performance. See our climate change targets presented in line with SASB and TCFD requirements on ▶▶ page 56.

The quality of our annual reporting has been recognised by Chartered Accountants Ireland Published Accounts Awards.

In 2021, the board approved updated market abuse policies, procedures, and structures to strengthen compliance and provide additional transparency in this area.

INFORMATION SECURITY

In 2021, we continued our investment in market-leading information systems. Our hotels and central office operate on a modern technology platform with a proactive information security management processes in place.

Information technology systems are essential for maintaining business continuity, managing performance and risk and facilitating innovation. These are essential components of our growth strategy.

Our information security platform is built on best practice ISO standards, and a range of security tools are employed to monitor and protect our systems, users and data.

Detailed information security policies are in place, and all employees that use our systems complete annual security and awareness training via the Dalata Academy online training portal.

In 2021, the board and audit and risk committee considered detailed management and external expert presentations across this ever-evolving area.

ANTI-BRIBERY & CORRUPTION

Our internal control procedures, segregation of duties, payment processes and account reconciliations provide a robust control environment to help identify any potential acts of bribery or corruption. None were detected in 2021.

We have adopted an Anti-Bribery and Corruption Policy, part of our Code of Conduct, which describes our zero-tolerance approach and provides guidance to all employees regarding potential situations involving bribery. The policy is available on our website dalatahotelgroup.com.

The policy is provided to employees as part of their induction training and anti-bribery and corruption training can be completed by employees via the Dalata Academy.

Dalata does not make political donations. We make charitable donations and enter into sponsorship agreements as part of our normal business activities.

We encourage our employees to raise concerns through the appropriate channels if they believe this policy is not being followed.

We recognise the connection between realising our strategic objectives and having a positive social impact.

We identify carbon emissions and sustainable infrastructure as ESG priorities and have developed water stewardship and waste management programmes to manage our environmental impact. We have committed to specific carbon reduction targets by 2026 and expanded our sustainability and climate change reporting and disclosures (see Sustainability and Climate Change ▶ pages 53 to 58).

In 2021 we maintained our B score with CDP and initiated a review of our climate change response. We set a 2026 carbon emissions target and dramatically increased the number of hotels achieving the Green Tourism 'Gold' accreditation.

For further information on our response to climate change see the sustainability and climate change section of this report from ▶ page 53.

In Dalata, we understand our role in energy transition and are committed to finding energy solutions to reduce our impact on the environment.

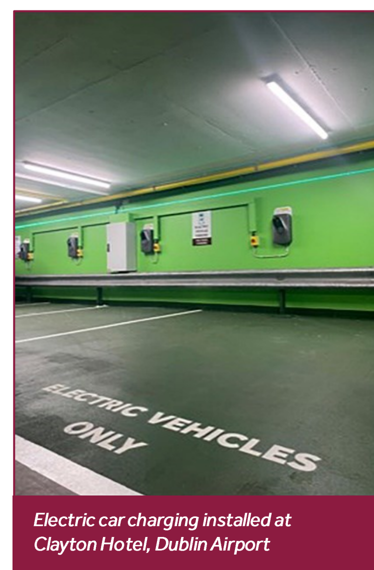
By developing key performance indicators, setting objectives and monitoring progress against these objectives, we are continually striving to reduce our consumption whilst maintaining the quality of the customer experience at our hotels.

In 2020, Dalata, together with Green Tourism commenced an accreditation process for its hotels. Their gold/silver/ bronze awards are acknowledged worldwide as indicators of good environmental impact management. In 2021, we were awarded 35 gold and eight silver accreditations. This process is completed every year, with the next audit in December 2022.

In 2021, we allocated €500,000 to a Green Fund, and in 2022 we plan to allocate €1,000,000 to it. The Green Fund was established for investment in carbon reduction and energy-related projects.

Those funded in 2021 included:

- Building management systems (BMS), upgrades
- Electric vehicle charging points at selected hotels
- Upgrade of swimming pool covers



Electric car charging installed at Clayton Hotel, Dublin Airport

Over 1,600 employees have completed our energy management training module.

Living Green is Dalata's environmental movement, launched in 2020. One of the highlights of this movement was Dalata's participation in Earth Week.

Each hotel profiled an energy, waste, biodiversity or community success story during the year. These stories were published for our employees and our guests.

SUSTAINABLE INFRASTRUCTURE

At our newly constructed Maldron Hotel Glasgow, a change in design specification yielded an estimated carbon saving of 38%, to 35 kgCO2/m2 per annum compared with the original specification.

BREEAM Standard

Dalata works with property development, financial, and construction partners to bring high quality, modern, energy-efficient Dalata Built hotels to prime locations in leading cities in Ireland, the UK and Continental Europe.

Dalata Built hotels are constructed in line with a specification agreed with the developer and builder targeting construction in line with the BREEAM Very Good rating, placing them in the top quartile of new UK non-domestic buildings (advanced good practice).

Dalata & AECOM Project – Maldron Glasgow City

In 2021, we engaged leading global infrastructure consultants AECOM to complete a study of Maldron Hotel Glasgow, which opened in August 2021. The purpose was to identify opportunities to reduce both embedded and lifetime operational carbon in future projects through early design changes and investment in new technologies.

The study produced:

- An alternative 'idealised' scheme, to reduce the embodied carbon of the hotel by **44%**
- An energy strategy to reduce operational carbon emissions by up to **68%** by removing gas as an energy source and establishing an alternative method to meet the hot water demand.

In 2022, we will build on this initial work and undertake a more comprehensive early-stage pipeline project review.

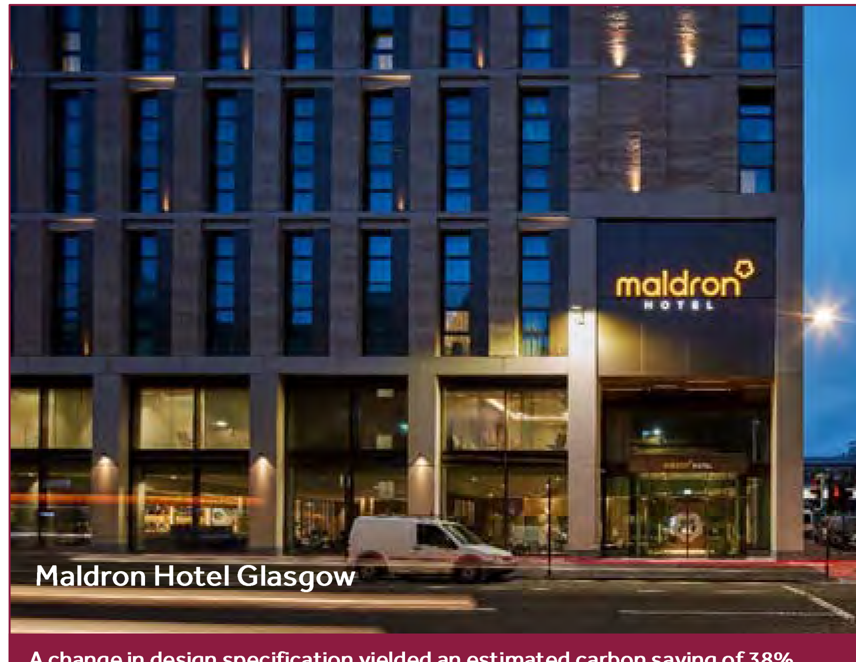
We will also comission a study to develop a decarbonisation plan for four of our current portfolio properties. The review will establish costings for a move to a low energy and zero carbon servicing strategy.

WATER STEWARDSHIP

By Q2 2022, electronic meters installed at all of our hotels will allow us to measure consumption accurately. We have set a target to reduce water consumption by 15% per sleeper by 2026 (2019 baseline).

By the end of 2021, 28 of our hotels had completed the Irish Water accredited water stewardship training programme. This provide hotel management with the skills and knowledge to help lower water consumption, protect the environment and reduce costs.

In 2022, we will complete training in our UK hotels and have an accredited water steward at each property.



Maldron Hotel Glasgow

A change in design specification yielded an estimated carbon saving of 38%, to 35 kgCO2/m2 per annum.
The design team adopted Air Source Heat Pumps (ASHP) for space heating and hot water generation. The original design proposed a CHP (Combined Heat and Power) unit, which contributes 56.6 kgCO2/m2 per annum.

Water Meter Installations

We approved the installation of **64** electronic water meters across all hotels, at a cost of €95k, providing enhanced water usage reporting.

The installation project commenced in November 2021 and is expected to be completed by April 2022.

Shower Aerators

We trialled new shower aerators in our Clayton Manchester City hotel, which achieved a **40%** saving in water usage of each shower (approx.4 litres).

WASTE MANAGEMENT

We are on track to achieve 100% diversion of waste from landfill in 2022, and have committed to reducing food waste by 15% per sleeper by 2026 (2019 baseline).

In Dalata, we are committed to tracking all waste generation, focusing on renewable destinations and zero-to-landfill. Our approach focuses on reducing waste streams and diverting waste to renewable sources if possible.

In consultation with our waste collection providers, we developed a waste management plan which forms the basis of waste management training.

We continue to reduce the amount of waste we produce and increase the amount of recycled waste. In 2021, we completed a project to separate paper, glass, cardboards, electrical items, ink, plastic and packaging. We also consulted with suppliers to reduce cardboard entering each hotel.

All food waste is converted to a fertiliser digestate using an anaerobic digestion process through our partnerships with FSM (Food Surplus Management) in Ireland and RE-Food in the UK.

BIODIVERSITY

While the primary focus of our environmental response in 2021 was on carbon emissions, water and waste, we built biodiversity awareness through our support for the All-Ireland Pollinator Plan.

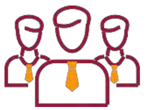
Dalata impacts biodiversity directly through its operations and indirectly via hotels construction and our procurement activity.

As part of the new build planning process, we assess for sensitive ecosystems to ensure they are protected and enhanced.

The Bee Hotel
Maldron Parnell Square, Dublin

There has been a significant decline in the bee population, with almost a third of the population now threatened with extinction.

In 2021, our hotels supported the All-Ireland Pollinator Plan by planting pollinator friendly flowers, designating pollinator friendly areas, reducing the use of pesticides and introducing bee hotels.



GOVERNMENT & REGULATORS

Governments and regulators, including tax authorities, regulators and industry associations, are key stakeholders.

These bodies oversee the regulatory framework in which the group operates, covering a wide and varied range of business areas. We aim to comply with all our regulatory and legal obligations. Our governance and oversight structures provide us with tools to achieve and monitor this compliance, and we maintain open channels of communications with any government or regulatory body.

We make significant financial payments to governments in corporate taxes, VAT and employee-related charges. We also pay substantial local authority rate charges.

During the Covid-19 pandemic, we availed of Irish and UK government schemes relating to wage subsidies and other grants, and we complied with the scheme conditions in 2020 and 2021. We also benefited from temporary VAT reductions (in Ireland and the UK), reductions in Employer PRSI rates (in Ireland) and deferral of tax liabilities and commercial rate waivers. These supports assisted us in keeping many of our people in employment during the pandemic and when our hotels initially reopened for business. Details on government assistance received are on pages 136 and 137.

As normal trading and economic conditions return, we expect to return to meeting our full tax and commercial rates obligations. As we grow during 2022, we expect to further contribute through higher employment levels and tax payments.

Engagement with our local communities is part of Dalata's decentralised management philosophy.

Our hotels led by the general manager support their local communities from where we draw most of our workforce as we aim to be the employer of choice in the hospitality sector.

EMPLOYABILITY

In 2021, we demonstrated our commitment to marginalised groups as signatories of the Valuable 500 pledge and recruitment of 14 employees through employment support organisations.

At Dalata, our approach to recruitment is targeting diverse pools of talent, enabling us to attract more people to drive our growth strategy and create an inclusive culture.

We recognise the unintended barriers to employment faced by certain individuals and communities, and we aim to provide them with equal opportunities where possible and have a positive impact on youth employment and people with disabilities.

We are members of Open Doors in Ireland, which supports marginalised individuals with pathways into employment.

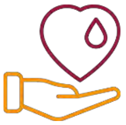
As signatories of the Valuable 500 pledge, we are committed to putting disability on the business leadership agenda.

In 2021, we partnered with 20 employment support organisations in various communities by sharing job vacancies, providing work experience and attending their open days.

Fourteen individuals were hired through these partnerships, five of whom were from partnerships with disability organisations.

Pure Innovations
Clayton Manchester Airport

We partenered with Pure Innovations, an agency supporting people with disabilities and disadvantaged groups. The hotel provided work experience to an individual who has since become a full-time member of the food and beverage team



CHARITY PARTNERSHIPS

Our charity and community partnerships create positive social impact and economic opportunity at a local, national and global level.

At Dalata, we encourage our employees to engage with and support our flagship charity partners and our local communities.

Dalata has partnered with the Children's Health Foundation (CHI) in the Republic of Ireland and Great Ormond Street Hospital in the UK for the past six years. Since 2016, Dalata has raised over €1 million for vital equipment and cancer research for CHI at Crumlin.

In Northern Ireland, we also partnered with Air Ambulance NI for the past two years, supporting their life-saving service across the region.

Dalata Digs Deep is our employee fundraising initiative where the teams at each of our hotels undertake fundraising activities that garner mass participation from our employee population.

In 2021, our employees raised over €121,000 and together with €47,000 contributed by the group, our three flagship charity partners received a total of €168,000.

At a global level, Dalata became a member of UNICEF's Corporate Vaccine Alliance in 2021 to support the provision of Covid-19 vaccines to low and middle-income countries. UNICEF plans to deliver 4.1 billion doses of the vaccine in 2022, enabling 70% of the world's population to be vaccinated by the end of 2022.

FINANCIAL REVIEW

Emerging strong and driving forward

Revenue up 40% to €192.0 million

Basic loss per share of (2.8) cents (2019: Basic EPS of 42.4 cents)

Group RevPAR[1] of €40.02 in 2021 up 46% on 2020

Strong liquidity with cash and undrawn facilities of €298.5 million

Property, plant and equipment of €1.2 billion

Conservative gearing with Net Debt to Value[1] ratio of 24%

Overview

Assuming the role of CFO just after restrictions were lifted to allow the business to re-open fully was fortuitous – the only way was up in terms of trading performance. However, little about the business' strong position two years into the pandemic is down to luck.

At Dalata, we have always believed in a strong financial discipline that acknowledges the inevitable ups and downs the hospitality industry periodically faces. Covid-19 may be unprecedented in its scale and its impact, but this discipline has served us well. We believe in maintaining a strong asset backing on our balance sheet and appropriate levels of gearing and make our investment decisions accordingly.

Ironically, Dalata's most valuable assets do not appear anywhere on our balance sheet. Our people, how we all work together and how we work with all our stakeholders remains beyond the ability of accounting standards to value. Yet it is the very core of how we perform and grow sustainably, how we adapt and thrive no matter the circumstances.

I am very pleased with the way we have managed the business over the last twelve months.

Like 2020, 2021 was a challenging year. The first half of the year bore witness to severe lockdowns and restrictions, while the success of vaccine rollouts enabled the easing of restrictions during the second half of the year. The re-opening of hotels from this point showed encouraging signs of pent-up demand across the domestic leisure markets, followed by the return of domestic corporates and project work later in the year. As we expected, international corporate and leisure travel proved slower to re-emerge from the pandemic.

We have never allowed short-term challenges and crisis management to distract us from our long-term ambitions. All our actions have been taken with this in mind.

Maintaining our core management teams at the hotels and central office throughout the pandemic provided stability which enabled us to scale up quickly to meet higher demands as restrictions were relaxed.

1 See endnotes ►► page 43

We continued to pay our suppliers, our landlords, service our debt and engage with all of our stakeholders. We have kept the safety of our people and our customers at the forefront of our re-opening strategies.

In November, I was delighted that our banking club extended the maturity of our debt facilities by twelve months. It was another strong vote of confidence from our lenders to have extended the duration of our facilities as a hotel company. We also agreed to defer the testing of our previous covenants (Net Debt to EBITDA and Interest Cover) until June 2023. The Net Debt to Value covenant and minimum liquidity restriction (whereby either cash, remaining available facilities or a combination of both must not fall below €50 million), remain in place until that date. This provides us with the additional financial flexibility to manage the recovery and our ongoing growth. Whilst we are confident in our position, we remain in uncertain times, so this was a sensible action to take and highlights our financial discipline.

Building long-term, sustainable value remains our key focus. We continue to make progress on our pipeline of hotels. In August 2021, we successfully opened our first hotel in Glasgow City. This hotel is performing well and reached occupancy of over 70% in November, supported by the COP 26 UN Climate Change Conference, which took place in the city. In 2022, we also opened two new hotels in Manchester City centre, and we entered into Continental Europe with a new operating leasehold interest in Hotel Nikko, Düsseldorf.

We also continued the rollout of technology enhancements at our hotels. All of our 44 owned and leased hotels are now on Opera Cloud and MICROS Simphony F&B systems, including the three hotels added in early 2022.

Overall, there is great cause for optimism, with our key financial metrics increasing across the board compared with 2020. We know this would not have been possible without the shared sacrifices and support of our people, our shareholders and the invaluable contributions made by other stakeholders such as suppliers, landlords and governments throughout the year, and indeed from the start of the Covid-19 pandemic.

However, we understand we have work to do to rebuild the business to pre-pandemic levels, and this will be one of our key objectives in 2022. The current inflationary backdrop in a time of recovering demand will provide new challenges. Our decentralised structure where our hotel teams are responsible for managing the earnings of their hotel and the careful cost management, which is part of our DNA, means I am confident we will rise to this challenge. I am extremely proud of what has been achieved in 2021 and believe it will serve us well as we move forward.

Group Revenue and Earnings

€million	2021	2020	2019
Revenue	**192.0**	136.8	429.2
Adjusted EBITDA[1]	**63.2**	18.7	162.2
Group EBITDA	**68.5**	(25.7)	163.8
(Loss)/profit before tax	**(11.4)**	(111.5)	89.7
Basic EPS	**(2.8)**	(50.9)	42.4

2021 revenue showed an increase of 40.3% on 2020 as the hotels re-opened fully to the public from May in the UK and June in Ireland, which allowed us to rebuild the business through the second half of the year. While full-year revenue remained 55.3% behind 2019, H2 2021 represented 67.1% of H2 2019 revenue levels.

2021 Adjusted EBITDA was €99 million behind 2019 levels (-61.0%). This is despite the impact of Covid-19 being mitigated by supports provided to the hospitality industry by both the Irish and UK governments and continued cost control measures employed across the group.

We disclose Adjusted EBITDA to show the underlying operating performance of the group, excluding items which are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar business.

Adjusting items this year were comprised principally of net revaluation gains of €6.8 million recorded through profit or loss and pre-opening expenses of €1.9m as we opened a new hotel in 2021 and prepared for the opening of six more in 2022. In 2020, adjusting items reflected the initial impact of Covid-19 and related mainly to net revaluation losses (€30.8m), impairments of €11.8m and the accounting loss on sale and leaseback of €1.7m.

Government grants

Given the level of restrictions placed on the hospitality sector for much of the year, substantial government support has been provided to the sector. We have utilised these supports to mitigate the negative trading impact of Covid-19 restrictions and to maintain the employment of our people. The supports have been essential in protecting the hospitality industry through an unprecedented crisis, and we are grateful for the continued support shown by both the Irish and UK governments.

During 2021, we received support from the Irish government totalling €40.7 million across the various support schemes, primarily the Employment Wage Subsidy Scheme (EWSS) and Covid Restrictions Support Scheme (CRSS) and also benefitted from a commercial rates waiver of €7.3 million. We received grants from the UK government totalling £3.7 million (€4.2 million), primarily relating to the Coronavirus Job Retention Scheme and The Large Tourism and Hospitality Business Support Scheme, as well as benefitting from a commercial rates waiver of £3.7 million (€4.3 million). See ►► pages 136 and 137.

1 See endnotes ►► page 43

Depreciation and amortisation

€million	2021	2020	2019
Depreciation of property, plant and equipment	**27.0**	26.6	26.2
Depreciation of right-of-use assets	**19.5**	20.7	17.1
Amortisation of intangible assets	**0.6**	0.5	0.2
Total depreciation and amortisation	**47.1**	47.8	43.5

Depreciation of property, plant and equipment increased marginally by €0.4 million to €27.0 million, driven by the additional charges on the new conference centre at Clayton Cardiff Lane, Dublin, the 44-bedroom extension at Clayton Hotel Birmingham and foreign exchange movements. These increases were offset by the full-year impact of the decrease in depreciation arising from the sale and leaseback of Clayton Hotel Charlemont, Dublin in April 2020.

Under IFRS 16, the right-of-use assets are depreciated on a straight-line basis to the end of their useful life, most typically the end of the lease term. Depreciation of right-of-use assets decreased by €1.2 million to €19.5 million due principally to the impairment of right-of-use assets in 2020 and remeasurement of the Ballsbridge Hotel lease liability which subsequently matured at the end of 2021.This was partially offset by the full year impact of Clayton Hotel Charlemont, Dublin, which was leased from April 2020 and Maldron Hotel Glasgow City, which was leased from July 2021.

Finance costs

€million	2021	2020	2019
Interest expense on loans	**8.9**	9.1	9.1
Impact of interest rate swaps	**2.6**	2.0	1.2
Other finance costs	**2.3**	1.8	1.5
Modification (gain)/loss on amended debt facility	**(2.7)**	4.3	-
Net exchange (gain)/loss on financing activities	**(0.1)**	0.1	0.4
Capitalised interest	**(2.6)**	(1.7)	(0.5)
Interest on lease liabilities	**24.4**	22.4	18.9
Finance costs	**32.8**	38.0	30.6

Finance costs decreased by €5.2 million versus 2020 primarily due to the accounting impact of the modifications of debt facilities in both years. As a result of the extended loan facility agreement executed on 2 November 2021, the group recorded a modification gain of €2.7 million in profit or loss during the year ended 31 December 2021, principally due to the impact of the extension on the timing of cash flows. In 2020, a modification loss of €4.3 million was recorded due to the impact of higher margins.

Interest on lease liabilities results from the application of IFRS 16. The increase in 2021 is driven by the full year impact of the lease on Clayton Hotel Charlemont, the opening of Maldron Hotel Glasgow City, and the full year impact of the Clayton Hotel Birmingham extension, which was completed in November 2020.

In addition, higher margins on the group's bank loans offset lower amounts of average borrowings during the year. The group's weighted average interest rate for the year increased to 3.55% (2020: 2.76%) and 2.68% (2020: 1.94%) respectively.

Earnings per share

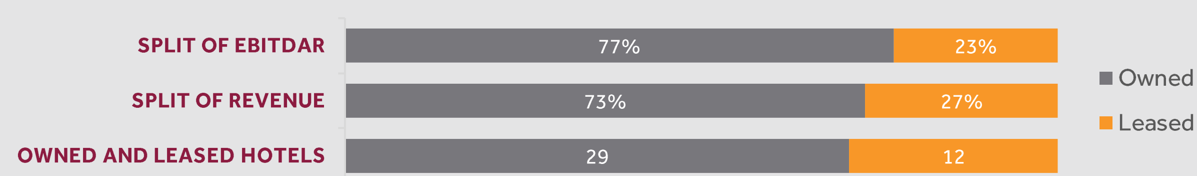
(cents)	2021	2020	2019
(Loss)/earnings per share - basic	**(2.8)**	(50.9)	42.4
(Loss)/earnings per share - diluted	**(2.8)**	(50.9)	42.0
Adjusted (loss)/earnings per share[1] - basic	**(6.4)**	(27.2)	42.0

Although the group's loss per share for 2021 (2.8 cents) continued to be impacted by the Covid-19 pandemic restrictions, growing revenue and EBITDA combined with reduced charges associated with depreciation and finance costs as noted above reduced the loss per share versus 2020.

As the group incurred a loss in 2021, a tax credit of €5.1 million was recognised in profit or loss. There is no scope to carry back any losses incurred during the year ended 31 December 2021 to earlier periods. However, we are confident that the tax losses incurred during 2021, together with the amounts carried forward from earlier years, will be fully utilised in future periods.

1 See endnotes ▶▶ page 43

GROUP SNAPSHOT OF OWNED AND LEASED PORTFOLIO AT 31 DECEMBER 2021



Trading Review by Segment

Dublin

RevPAR[2] in the Dublin market increased by 26.4% on 2020 levels to €34.92 in 2021, however, remained 68.1% below 2019 RevPAR. Given Dublin's reliance on international and corporate travel as well as large events, occupancies were slower to recover in comparison to our other markets following the initial easing of government restrictions from 2 June. That said, we saw encouraging signs in the second half of the year as people felt more comfortable visiting the city and as domestic corporate business returned. Q4 was the Dublin portfolio's best performing quarter in terms of occupancy, despite the impact from the emergence of the Omicron variant, which led to the re-implementation of some government restrictions in December. This led to a large number of events, including Christmas parties, being cancelled or curtailed and a slow down in transient leisure bookings.

Food and beverage revenue increased by 7.3% to €17.2 million (67.6% behind 2019 levels). In the second half of 2021, the Dublin portfolio generated food and beverage revenue of €13.3 million, representing 48.5% of the equivalent period in 2019 as the reductions in occupancy were exacerbated by the lack of conference and banqueting activity.

The Dublin portfolio utilised government grants and assistance totalling €29.3 million for the year. This, and the continuation of the proactive cost reductions, reduced the impact of lost revenue on EBITDAR.

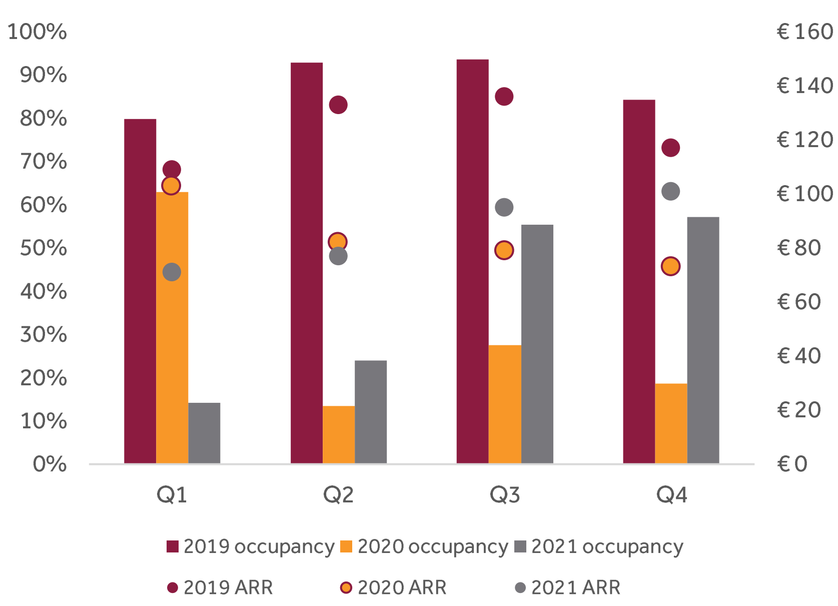
2 See endnotes ▶▶ page 43
3 See endnotes ▶▶ page 43

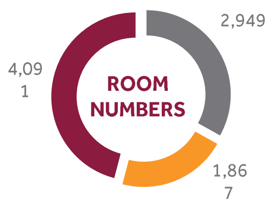
Dublin

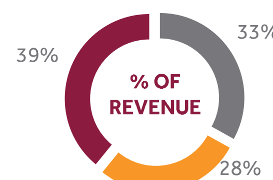
€million	2021	2020	2019
Room revenue	52.1	43.5	176.3
Food and beverage revenue	17.2	16.0	53.0
Other revenue	5.7	5.7	16.1
Total revenue	75.0	65.2	245.4
EBITDAR	31.0	17.5	119.7
Hotel EBITDAR margin %	41.4%	26.8%	48.8%

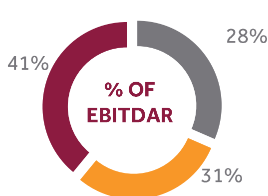
Performance statistics (like for like)[2]	2021	2020	2019
Occupancy	37.8%	30.4%	87.7%
Average room rate (€)	92.29	90.76	124.79
RevPAR (€)	34.92	27.62	109.40
RevPAR change % (year on year)	26.4%	(74.8%)	

Dublin owned and leased portfolio[3]	2021	2020	2019
Hotels	15	16	16
Room numbers	4,091	4,488	4,482









• Dublin • UK • Regional Ireland

Regional Ireland

RevPAR[2] in Regional Ireland increased by 57.7% to €49.89 in 2021, outpacing the recovery of the Dublin market. Regional Ireland benefitted from strong pent-up staycation demand following the easing of restrictions in Ireland from 2 June. However, RevPAR's remained 31.6% behind 2019 levels, highlighting there is a way to go to meet pre-pandemic performance levels.

Q4 occupancy, which is typically a lower demand period for the region as its portfolio is driven by domestic leisure demand, decreased to 54.0%, following a high of 76.2% in Q3. The emergence of the Omicron variant and associated government restrictions in December 2021 dampened occupancies due to reductions in event attendance and booking cancellations.

Food and beverage revenue increased by 36.5% to €15.1 million, however, remained 43.5% behind 2019 levels. In the second half of the year, Regional Ireland hotels generated food and beverage revenue of €11.8 million, 81.1% of 2019 levels over the equivalent period, as hotels benefitted from pent-up staycation demand.

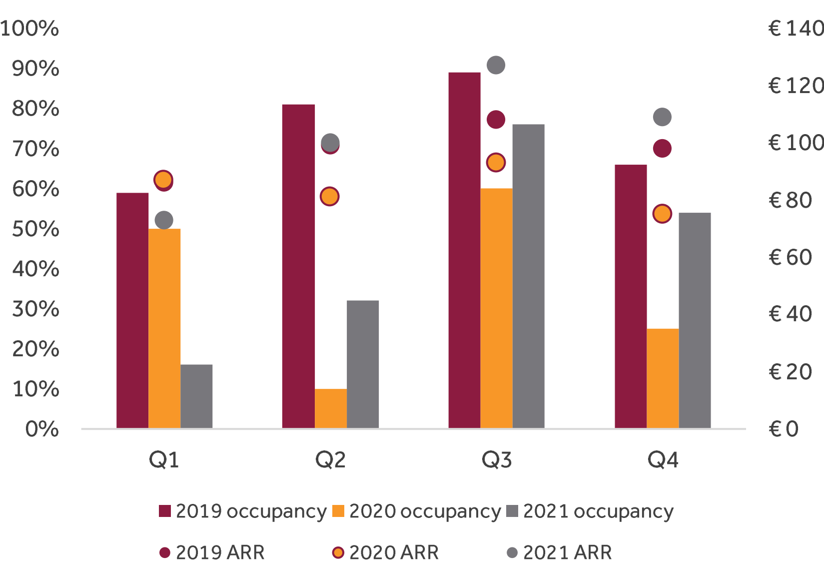
The Regional Ireland portfolio utilised government grants and assistance totalling €18.8 million for the year. This, and the continuation of the proactive cost reductions, reduced the impact of lost revenue on EBITDAR.

Regional Ireland

€million	2021	2020	2019
Room revenue	34.0	21.6	49.7
Food and beverage revenue	15.1	11.1	26.8
Other revenue	4.3	3.6	8.4
Total revenue	53.4	36.3	84.9
EBITDAR	23.4	8.0	24.5
Hotel EBITDAR margin %	43.7%	22.0%	28.9%

Performance statistics (like for like)[2]	2021	2020	2019
Occupancy	44.7%	36.4%	73.7%
Average room rate (€)	111.69	87.04	98.90
RevPAR (€)	49.89	31.64	72.93
RevPAR change % (year on year)	57.7%	(56.6%)	

Regional Ireland owned and leased portfolio	2021	2020	2019
Hotels	13	13	13
Room numbers	1,867	1,867	1,867



2 See endnotes ►► page 43
3 See endnotes ►► page 43

United Kingdom (local currency)

At 31 December 2021, the UK portfolio comprised three hotels in London and ten hotels located in Regional UK and Northern Ireland. Two more hotels were added in early 2022.

RevPAR[2] increased by 73.8% to £39.48 in 2021, albeit remaining 44.9% below 2019 levels. However, our hotels in Regional UK and Northern Ireland benefitted from strong domestic tourism following the full re-opening of hotels to the public from May, with occupancy of 71.1% in Q3 and 66.2% in Q4. As expected, London will take longer to recover given its reliance on international visitors. The London portfolio achieved its highest occupancy in Q4 despite the emergence of Omicron.

UK food and beverage revenue increased by 58.0% to £10.9 million, remaining 38.8% behind 2019. However, in the second half of the year, UK hotels generated food and beverage revenue of £8.7 million, representing 92.6% of 2019 levels over the equivalent period, as our hotels capitalised on the uptick in demand following the substantial easing of government restrictions from 19 July.

The UK portfolio utilised government assistance in the form of grants amounting to £1.9 million and rates waivers of £3.7 million during the year. The group also continued to utilise the Coronavirus Job Retention Scheme (furlough), amounting to £1.8 million, allowing it to retain and pay employees who were not working in the business using government support. However, the number of employees on the scheme reduced significantly during the year, and the scheme ultimately ceased from 30 September 2021.

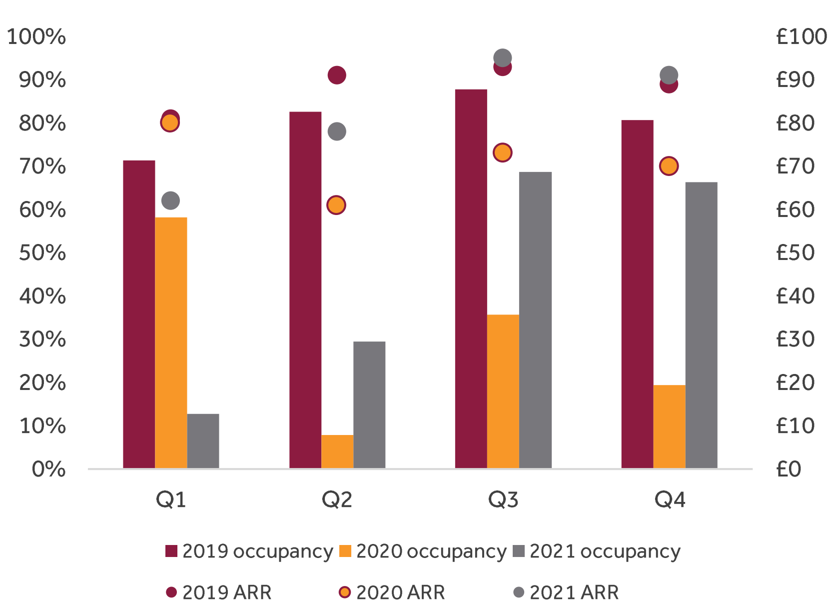
2 See endnotes page 43
3 See endnotes page 43

United Kingdom

£million	2021	2020	2019
Room revenue	40.3	21.7	62.8
Food and beverage revenue	10.9	6.9	17.8
Other revenue	3.1	2.4	6.1
Total revenue	54.3	31.0	86.7
EBITDAR	17.5	2.9	33.8
Hotel EBITDAR margin %	32.2%	9.4%	39.0%

Performance statistics (like for like)[2]	2021	2020	2019
Occupancy	44.5%	30.3%	80.7%
Average room rate (£)	88.63	75.06	88.79
RevPAR (£)	39.48	22.72	71.66
RevPAR change % (year on year)	73.8%	(68.3%)	

UK owned and leased portfolio[3]	2021	2020	2019
Hotels	13	12	12
Room numbers	2,949	2,644	2,600



Central Costs and Share-Based Payments Expense

€million	2021	2020	2019
Central costs	10.3	8.1	11.8
Share-based payments expense	2.2	2.3	2.7

Central costs increased by 26.4% to €10.3 million in 2021. The increase was primarily driven by salaries and wages as cuts to pay and hours (in place from 1 April 2020) were reversed for staff from 1 January 2021. Director pay cuts were not reversed until 1 April 2021. This was partially offset by the €1.3 million reversal of insurance provisions in previous accounting periods following the impact of better claims experience than original estimates.

A return to positive free cash flow

€million	2021	2020	2019
Net cash flow from operating activities	90.6	22.8	155.0
Fixed lease payments[4]	(33.3)	(28.0)	(27.5)
Finance costs paid	(15.3)	(13.0)	(11.2)
Refurbishment capital expenditure	(4.3)	(9.7)	(15.7)
	37.7	**(27.9)**	**100.6**
Exclude adjusting items with a cash impact:			
Net impact of tax deferrals from government	(12.8)	(13.5)	-
Debt facility fees	1.2	0.5	-
Pre-opening costs	1.9	0.1	-
Free cash flow[1]	**28.0**	**(40.8)**	**100.6**
Weighted average number of shares (000's)	222,831.0	197,751.6	184,601.2
Free Cash Flow per Share (cents)[1]	**12.6**	**(20.6)**	**54.5**

We have returned to a positive free cash flow position in 2021, albeit still representing a significant reduction on 2019 levels. Net cash inflow from operating activities increased by €67.8 million, from €22.8 million in 2020 to €90.6 million in 2021, driven by a €44.5 million increase in Adjusted EBITDA and a €12.8 million net impact from VAT and payroll tax liabilities deferred under government support schemes during the year. These are expected to be paid by early 2023.

Fixed lease payments have increased due to the new lease relating to Maldron Hotel Glasgow City from July 2021, the full year impact of new leases in 2020 and timing of payments.

Due to the prolonged impact of the pandemic on our business, we continued to reduce uncommitted capital expenditure in order to preserve cash when the business was under restrictions.

1 See endnotes page 43
4 See endnotes page 43

Asset-backed Balance Sheet

We are committed to maintaining an asset-backed balance sheet for a number of reasons. Our robust balance sheet provides security and flexibility, which was critical during the Covid-19 pandemic. It provides strong security for the facilities provided by our banking club, as highlighted by our Net Debt to Value[1] ratio of 24% at 31 December 2021.

Now, as we emerge from the pandemic and look forward, it is a great platform for further growth and opportunity. Our strong covenant increases our attractiveness amongst the real estate investor community and gives access to opportunities for growth at competitive yields.

The value of our property, plant and equipment increased by €41.2 million to €1,243.9 million at the end of 2021 (2020: €1,202.7 million, 2019: €1,471.3 million). The increase is driven by net revaluation uplifts on property assets of €21.2 million, foreign exchange movements which increased the value of sterling denominated assets by €24.3 million and additions of €20.4 million, partially offset by the depreciation charge of €27.0 million.

Capital Structure

I would like to reiterate the comments made by Dermot last year on the importance of our relationships with our banking partners, institutional landlords and shareholders and acknowledge their continued support during 2021.

As we look forward, we remain committed to carefully managing our capital structure to ensure we have the right mix of equity, debt and leases to continue on our path of growth while bearing in mind the challenges of operating in a cyclical industry.

Banking partners

We place great value on the quality of our relationships with our banking partners and are grateful for their continued support during 2021 as we operated under the prolonged effects of Covid-19. In November, we agreed an extension to our debt facilities to October 2025 and also deferred testing of the Net Debt to EBITDA and Interest Cover covenants until June 2023. This allows us to maintain financial agility given the uncertain trajectory of Covid-19.

The undrawn loan facilities at 31 December 2021 were €257.4 million (31 December 2020: €247.9 million).

Real Estate Investors

We have strong partnerships with our real estate investors, which include Deka Immobilien, Aviva Investors, Aberdeen Standard Investments, Union Investment and Art-Invest Real Estate and our reputation as a strong, reliable covenant has been enhanced through our actions during the pandemic. We are optimistic that this will bring more opportunities for growth.

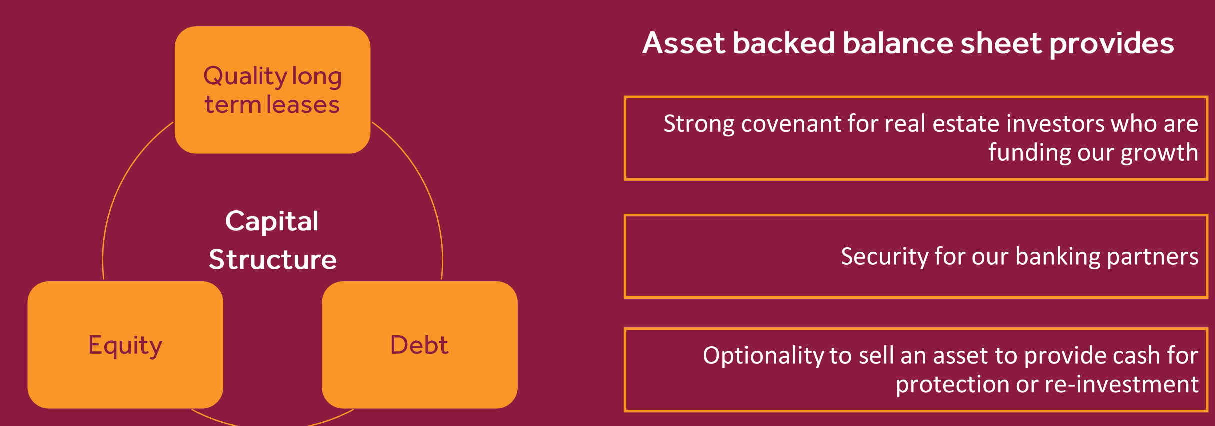
Following the adoption of IFRS 16 in January 2019, lease liabilities on the balance sheet amounted to €481.9 million at year-end (31 December 2020: €399.6 million). The corresponding right-of-use assets were €491.9 million at year-end (31 December 2020: €411.0 million).

We have always considered leases as another form of debt, with the associated lease costs being a financial commitment for the group. We look for a strong stabilised rental cover (e.g., typically 1.85x for UK leases) for all new leases we commit to. Due to the continued impact of Covid-19, our hotels did not meet the operating levels required to meet this target in 2021. However, we are confident that these properties will deliver as the hotel industry recovers.

Shareholders

Similar to 2020, we were unfortunately unable to pay dividends to our shareholders in 2021 as we continue to protect liquidity at this time. As a management team, we greatly appreciate the continued support shown by our shareholders, and we are confident and committed to taking advantage of the opportunities that will arise as the world recovers from Covid-19.

1 See endnotes page 43



Outlook for the future

On 22 January 2022, the Irish government lifted almost all of its Covid-19 restrictions, with no limit on trading hours, capacity or social distancing restrictions, advice surrounding working from home was also lifted, with people encouraged to return to offices. Similarly, all restrictions have now been removed in the UK. These relaxations give great cause for optimism for hoteliers and for society as a whole.

While January and February are traditionally our quietest months, trade in January 2022 was disrupted by restrictions and uncertainty surrounding the Omicron Covid-19 variant. The lifting of restrictions in both Ireland and the UK towards the end of January resulted in a rise in bookings and 'like for like' group occupancy increased from 38% in January to 62% in February.

Further to the easing of government restrictions, we, at Dalata, have more reasons for excitement and optimism as we continue to add hotels to the Dalata portfolio.

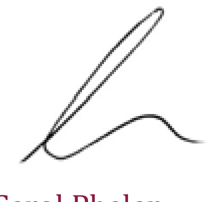
Since the start of the year, we have opened a Clayton hotel and a Maldron hotel in Manchester City centre. On 1 February, we also announced the group's entry into Continental Europe as we agreed with Art-Invest Real Estate to operate the leasehold interest at its Hotel Nikko Düsseldorf in Germany, which we then opened to the public on 15 February. This is a testament to our success at navigating the Covid-19 crisis and maintaining strong relationships with the investor community, proving ourselves to be a strong and reliable covenant.

We will open a further four new hotels during the year located in Glasgow, Bristol and Dublin (two hotels). We are also motivated by the challenge to build our existing portfolio towards pre-pandemic trading levels.

As we look forward, and in the absence of any further material Covid-19 restrictions, we remain optimistic about our ability to recover. There has been significant pent-up demand for travel following the easing of restrictions in previous waves of the pandemic, and we expect this to continue as other segments of demand return in a meaningful way. As more and more companies return to their physical offices, we expect this to be a catalyst for increased domestic corporate travel and the return of international corporate travel and conferences.

Of course, we are all aware of the challenging headwinds facing the sector at present, and while we are well positioned to face these at Dalata, we are not immune to their effects. Inflationary pressures on items such as utilities, food and beverage, linen costs, supply chain pressures and labour shortages are industry-wide challenges. However, we believe that our scale in Ireland, our decentralised and flexible operating model with a keen focus on cost control as well as our strong relationship with suppliers will help mitigate these impacts, while our culture, values and development opportunities will help us recruit and retain staff in the current environment.

At Dalata, we believe it is time to look forward. Whilst uncertainties around the pandemic and the possibility of further bumps along the path to recovery linger, we continue to proactively manage the business as we always have. We are monitoring the current conflict in Ukraine and its potential wider global implications. We are ready to take on the challenges and opportunities that will arise in 2022, and we believe our strong asset-backed balance sheet, agile operating model and our stable core teams give us a great platform to do so.



Carol Phelan
Chief Financial Officer

Endnotes

1 See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions on ▶▶ pages 191 to 197.

2 Performance statistics include a full-year performance of all hotels regardless of when acquired. The Dublin portfolio excludes the Ballsbridge Hotel as the hotel has effectively not traded since early 2020. The UK portfolio excludes Maldron Hotel Glasgow, which opened in August 2021.

3 Room numbers and hotel numbers reported for the group's owned and leased portfolio includes hotels that are operational at year-end, and therefore excludes Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre and Hotel Nikko Düsseldorf, all of which opened to the public in early 2022, and the Ballsbridge Hotel as the lease matured at the end of 2021.

4 Under IFRS 16, fixed lease payments are represented by lease repayments and interest on the statement of cash flows.

July 2021 to June 2022 | 12 months of growth

8 HOTELS
2,202 ROOMS

MALDRON HOTEL
Glasgow City
August 2021

CLAYTON HOTEL
Manchester City Centre
January 2022

MALDRON HOTEL
Manchester City Centre
February 2022

HOTEL NIKKO
Düsseldorf
February 2022

CLAYTON HOTEL
Bristol City
March 2022

THE SAMUEL HOTEL
Dublin
April 2022

MALDRON HOTEL
Merrion Road, Dublin
June 2022

CLAYTON HOTEL
Glasgow City
June 2022

Adapting to a changing risk environment

Managing risk and assessing opportunities in uncertain times

The last two years have shown us the value of our flexible and sound risk management framework. Our businesses have experienced full closure due to government public health restrictions, partial reopening, new operating rules once open and evolving guest expectations. As a result, we have had to adapt and consider a myriad of shifting risks and opportunities in a fast-moving and changeable environment for our business.

The board is responsible for managing risk in Dalata, and a risk management policy is in place.

The audit and risk committee assists the board in this task and in evaluating our group-wide risk governance structures. We also have well-established and sound risk management policies and structures in place.

This governance and assurance framework allows us to formally consider the group's risks while also supporting flexibility when assessing emerging risks and opportunities. Managing risk is embedded throughout our business, our processes and internal controls.

Almost all functions oversee risks in some respects, whether assessing risk or implementing prescribed risk mitigations developed within the group. In addition, there are business functions whose principal activity is leading our responses to risk and evaluating emerging risks.

Uncertainty also provides us with potential opportunities, whether it be a new hotel development opportunity, the enhancement of existing hotel facilities or the potential to invest in business technologies to create a competitive advantage.

Our agile risk assessment structure enables us to evaluate and exploit opportunities that add value to our business

Risk Governance Framework

We adopt the principles of the "three lines of defence" risk management model, which has integrated yet distinct structures.

Our risk governance framework sets out who oversees risk management within the group.

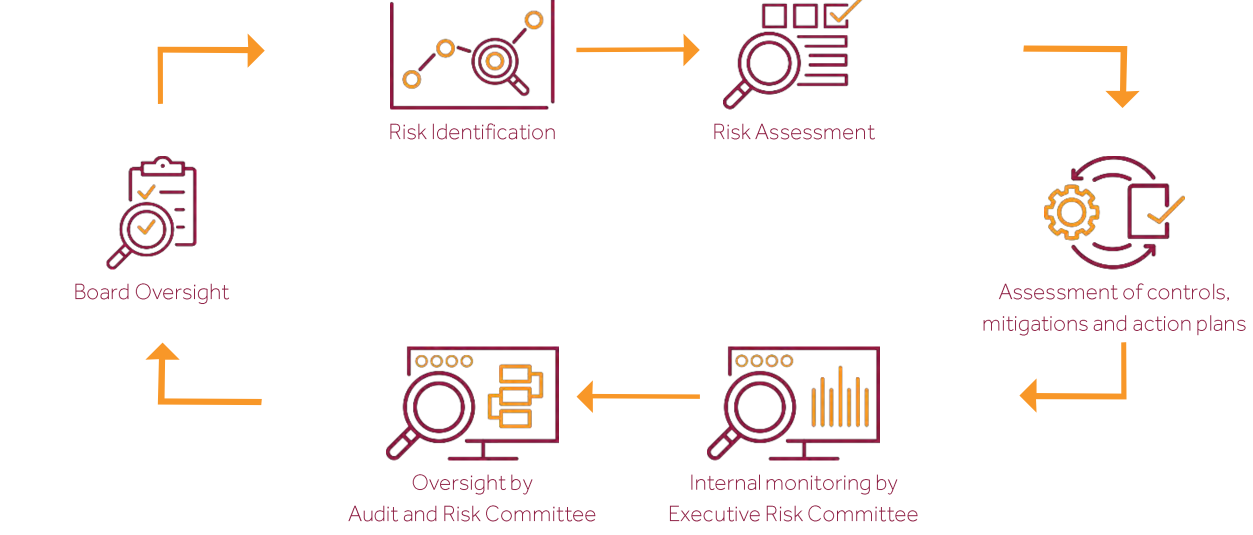
Risk Assurance Framework

Our risk governance framework highlights assessing and monitoring risks as an ongoing and regular process.

OUR RISK GOVERNANCE FRAMEWORK

BOARD	> Has overall responsibility for risk management in Dalata > Reviews our governance and assurance framework and principal risk assessment > Assesses the overall risk environment and principal risks > Makes the major strategic decisions for the group
AUDIT & RISK COMMITTEE	> Supports the board on risk management matters > Considers principal risks, emerging risks and the group risk register at each of its meetings > Reviews mitigations and reports over risk areas and the activities of risk functions, including internal audit > Invites discussion and challenge from external expertise in areas including insurance, cyber, data & privacy, tax, compliance and finance
EXECUTIVE RISK COMMITTEE	> Chaired by the CEO and meets in advance of each audit & risk committee meeting > Undertakes detailed analysis and discussion of risks and the emerging risk environment > Includes Risk, H&S, IT, HR and Operations senior team > Considers internal reports on risks, mitigations and planned developments > Provides guidance to executive and hotel management
EXECUTIVE MANAGEMENT	> Includes Head of Risk > Tasked with implementing risk mitigations and control systems > Oversees on-the-ground risk management processes > Guides central and hotel management teams > Considers detailed risk and control reports from the business
RISK FUNCTIONS	> Undertake ongoing risk and control assessments within the business > Outcomes reported to executive management and executive risk committee > Includes both internal and external assessments > Functions include internal audit, health & safety, food safety, finance, Group IT

OUR RISK ASSURANCE FRAMEWORK



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

Our Principal Risks

Our principal risks and uncertainties are those that we believe could have the most significant impact on our business going forward.

Accordingly, we report these risks on a gross-risk basis rather than a net-risk basis.

This approach lets us consider how our mitigations and strategies manage these principal risks.

Risk Movement & Commentary

In our 2020 annual report, our principal risks were dominated by the Covid-19 pandemic, the public health restrictions imposed by governments and specific actions taken to protect our people, our business and our financial structure.

Currently, many pandemic restrictions have eased, and we operate in a period of uncertainty concerning the trajectory of the pandemic and the return of international travel.

As a result, we are optimistic about the future but remain watchful about how events unfold. At the time of writing, there are also increasing external geopolitical risks.

We also note the emergence of labour and supply chain pressures and economic and geopolitical uncertainties. Again, these are reflected in our principal risks. To mitigate against this, we have positioned the business on a sound financial, strategic and operational platform.

In addition, our continued investment in enhanced standardised technology platforms gives us better and timely information to manage in uncertain times.

We identify broader challenges to Dalata and the hospitality industry, including climate change and sustainability and meeting expectations in a changing hospitality environment.

Our ESG committee monitors our environmental risk programme and mitigations as part of its remit, and details on this strategy are set out on ►► pages 79 and 80.

In January 2022, the CEO announced a new management role relating to innovation, reporting to the Corporate Development Director, which will support our approach to our changing industry.

Our development strategy continues to generate both opportunities and risks.

In contrast, other risks are part-and-parcel of running a publicly quoted hospitality business, including health and safety and information security. The ongoing management and mitigation of these risks continue to be a focus for the board and management.

Principal Risk Analysis

External

1. Living with the pandemic

Throughout 2020 and 2021, we have acted and reacted to challenges arising from the pandemic, protecting our people and business. In early 2022, many restrictions were eased.

However, there remains uncertainty around events that could impact both the hospitality and international travel markets.

As restrictions eased from mid-2021, we have also seen other related risks emerge, including supply chain and cost inflationary pressures.

Potential Impact

A lengthy return of strict restrictions, combined with sustained increases in our cost base, could hinder our business strategy and performance.

Mitigation

The focus of the board and executive management is on assessing this risk on an ongoing basis.

We have experience operating in this uncertain environment, and we leverage our business information and technology advantages to forecast and identify our options. In addition, we monitor business costs on an ongoing basis.

We remain confident that the group can address risks associated with these "living with Covid" times.

Trend: Increasing

2021 Commentary

Our central and hotel management structures are sound, and our key management remains in place. We successfully reopened our hotels in mid-2021 and embedded new or updated processes into our standard operational routines.

2022 Focus

Our focus remains on our people, our business and our financial strength.

Accordingly, we have factored increased business costs into our forecasts, though the direction of these risks is uncertain at the time of writing.

External

2. Geopolitical risks

At the time of writing, there are increased geopolitical risks outside the group's control that could, nonetheless, affect the group's future performance.

Potential Impact

If tensions increase or similar events arise, there is a risk that there could be material economic effects in our markets, along with increased uncertainty in international travel, hospitality and tourism markets.

Mitigation

This is a new risk for 2022.

As with our oversight of the risks associated with the pandemic (and outlined above), the board remains focused on how developments could affect the group's performance.

Our upgraded business systems provide us with insight into future business levels, and cost management strategies are already in place.

Trend: Increasing

2022 Focus

We continue to monitor events closely and believe that our systems and structures will enable us to act effectively should any negative impact on our business become evident.

Strategic

3. Recruitment, retention and development of resources

A significant factor in the success of our hotel expansion strategy is developing our managers and future leaders from within.

Our hotels also require well trained and motivated teams to deliver the expected service to our guests.

Potential Impact

In the current environment, there is a risk that we are unable to recruit and retain sufficient resources to implement our development strategy and effectively operate our business.

Mitigation

The group has invested significantly in its unique and industry-focused career development programmes, and this strategic investment will continue.

We have identified and supported our next generation of senior hotel management.

We also provide specific training to all our teams through our Dalata Academy.

Specific strategies are in place to attract and retain people at all levels in the group.

Trend: Increasing

2021 Commentary

Like many other businesses, the group operates in a challenging market to find and retain resources. As a result, the board approved a range of strategies to attract and retain resources and highlight Dalata as our industry's employer of choice.

2022 Focus

Our strategy of investing in people and offering career development opportunities remains unchanged.

Reputational

4. Information security and data protection

As with all other businesses, we recognise the threats associated with cyber-crime, information technology risks, and the need to protect the data we hold.

Potential Impact

In the event of a successful cyber event, there is a risk of disruption to our business operations.

A loss of confidential or personal data could harm the group's reputation and result in financial penalties.

Mitigation

The security of our information technology platforms is of crucial importance.

Our Information Security Management System is based on ISO27001, and audits, training and policies support this security framework. The group's investment in a modern, standardised technology platform, along with our trusted IT partners, assists us in managing these risks.

A data protection and management structure is supported by policies and overseen by the privacy committee.

Trend: Increasing

2021 Commentary

The board and audit and risk committee received internal and external briefings on technology and data protection risks.

The group continued its investment to enhance its technology infrastructure. We rolled out data protection training and awareness for teams and managers across the group.

2022 Focus

As new information technology risks emerge or current risks develop, we will review this important area.

Strategic

5. Expansion and development strategy

Our strategy is to expand our hotel business in targeted towns and cities throughout the UK and Ireland. A principal consideration is that any new development adds value to Dalata over the medium and longer-term.

Potential Impact

As we grow our business, there is a risk that a smaller number of viable and value-adding opportunities are available or that riskier options are taken.

Mitigation

Before they commence, all development opportunities are scrutinised, assessed, and approved by the board. In addition, the board is updated regularly on the progress of the development programme.

Specific acquisitions and development expertise is in place to identify and assess potential opportunities and associated risks. Our financial strength and experience make us, we believe, a preferred partner for hotel developments.

Trend: Increasing

2021 Commentary

In 2021 we opened a new Maldron hotel in Glasgow and progressed our new build programme, despite delays caused by the pandemic.

2022 Focus

In February 2022, we acquired the operating leasehold interest in the Hotel Nikko in Düsseldorf, Germany, our first hotel in Continental Europe. We also opened two new Manchester hotels in early 2022 and expect to open a further four hotels by the end of Q2 2022.

Principal Risk Analysis (continued)

Strategic

6. Our culture and values

A key differentiator for us in Dalata is our culture and values, which we believe can be a competitive advantage and supports us in achieving our business objectives.

The rollout of our business model is dependent on the retention and growth of our strong culture.

Potential Impact

There is a risk that, as the group expands, our values and culture become diluted, and behaviours do not reflect our established norms.

Mitigation

Culture remains a priority for the board and executive management. We have defined values and behaviours which we strive to embed in our group, senior management and our teams.

The ESG committee considers culture as part of its remit.

Our culture is supported by policies and procedures and investment in learning and development. We also engage regularly with our employees and stakeholders.

Our strategy is to appoint senior hotel management from within the group.

Trend: Stable

2021 Commentary

The ESG committee considered management presentations and discussions on our culture during the year. In addition, we completed a comprehensive employee survey in Q4 that will provide additional guidance to us in this area. Indicators were also garnered from our guest satisfaction results.

2022 Focus

The ESG Committee will consider a detailed assessment of learnings from the employee survey in early 2022.

The board will retain its focus on this area.

Strategic

7. Climate change, sustainability and responsible business

The group is keenly aware of the risks to society associated with climate change, environmental issues, and our business responsibilities. However, we also see that these create opportunities to benefit us as a business and our stakeholders.

We understand that environmental and climate change are factors for our guests, customers, suppliers and shareholders when choosing to do business with us.

Potential impact

There is a risk that our environmental sustainability and responsible business programmes do not meet stakeholder expectations or that the opportunities these create are not taken.

Mitigation

The area of climate change, sustainability and responsible business is an area of strategic focus for the board.

A board sub-committee on ESG is in place, and its report is on pages 79 and 80.

The group environmental steering committee, comprised of central and hotel management, is tasked with developing appropriate strategies. Further details are set out in the Sustainability and Climate Change section on pages 53 to 58.

Trend: Increasing

2021 Commentary

The ESG committee actively supports the board in overseeing the development and implementation of the group's strategy in this area.

The group environmental steering committee is leading environmental initiatives, and many programmes are underway at the hotels. In addition, Green Tourism assessed our environment and sustainability programmes, which resulted in over 80% of our hotels being awarded "Gold" standard accreditation.

In 2021, the group carried out a strategic review of its ESG priorities, covering environmental, social, and society themes.

2022 Focus

The board and executive management will continue with our initiatives in this area.

Operational

8. Health and safety

As a large hotel operator, we manage a wide range of life safety, fire safety, food safety and security risks. As a large employer, we also manage workplace-related risks.

The effective management and mitigation of these risks remain high on our risk agenda.

Potential Impact

There is a risk that we may not comply with these requirements in our business, resulting in injury, loss of life or hotel damage.

Mitigation

Our hotels, employees, and guests' health, safety and security remain a crucial priority for us, and we continue to invest in maintaining the hotels' H&S environments to a high standard.

Our new hotels are built to high health and safety standards, and all refurbishments include health and safety as a principal consideration.

We have a well-established health, safety and security framework in our hotels. Central support is provided to all hotels, and local dedicated H&S resources are in place, supported by information management systems. In addition, a portion of the group's capital budget is reserved for health and safety, and identified risks are remediated promptly.

The audit & risk committee also includes health and safety risks as part of its remit.

Trend: Stable

2021 Commentary

We standardised the Covid-19 related hygiene requirements within our operational processes. An additional experienced internal resource was added to the central H&S team to provide additional expertise in this area.

All preventative maintenance, life and fire safety system servicing, and management oversight of health and safety remains in place. In addition, we restarted the external food safety audit programme, with good results reported.

We continued our Dalata Keep Safe Programme, accredited by Bureau Veritas, which complies fully with all Ireland and UK public health and hygiene requirements.

2022 Focus

We continuously monitor the operation of our health & safety processes. Investment in these areas continues as a priority.

Strategic

9. Changing hospitality market and customer behaviour

In the last two years, we have seen the broader impact of the pandemic on the hospitality market, international travel, and guest expectations. We recognise that changes in behaviour are occurring and that these changes, while providing opportunities for us, also carry risks

Potential Impact

The risk is that our business does not adapt to a changing market landscape or that it does not implement strategies that meet customer expectations.

Mitigation

The board and executive management are focused on wider market dynamics and the changes that are occurring.

We have invested in modern and standardised technology platforms that support new customer initiatives, such as online check-in, in-room services and updated payment options.

Our decentralised management expertise, supported by the centre, identifies local market and customer trends, which we can then action to create a competitive advantage.

Trend: Increasing

2021 Commentary

We rolled out the Opera cloud platform to all our hotels and implemented new technologies for payments. Our hotel teams have researched their markets and guest expectations, and the board have reviewed strategies supporting these expectations.

2022 Focus

A new position of Innovation Manager has been established to support our strategy in the changing market. We are aware of how hospitality is likely to operate, at least in the short term, and are also conscious of longer-term trends, particularly technology, climate change and sustainability.

Viability Statement

As the pandemic recedes, the group emerges in a strong financial position with the business model and growth plans protected.

Confirmation of viability

Following consideration of the group's prospects through our strategic, risk and financial planning processes, the directors have a reasonable expectation that the company remains viable, will be able to continue in operation and will meet its liabilities as they fall due over the three years to December 2024. This assessment is made based on a comprehensive analysis of the group's:

- Strategy and business model pages 7 to 16
- Robust assessment of the principal risks and the mitigating factors available pages 45 to 50
- Resilience and financial position page 42
- Current trading performance pages 35 to 41
- Policies and processes for capital management, financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit and liquidity risk pages 169 to 177
- Contracted capital expenditure page 178
- Profile of debt facilities pages 159 to 164
- Future trading prospects in scenarios as set out below

Setting the scene

The successful vaccination rollout and the evolution of the virus have allowed recovery of the hospitality industry to commence. The group's financial position remains strong, and it has significant financial headroom with cash and undrawn debt facilities of €298 million at the end of 2021.

Furthermore, the business is generating positive operating cashflows since re-opening with H2 Free Cash Flow of €49.0m.

The revised banking agreement from November 2021 provides the group with further security and flexibility as trade recovers. The group availed of a twelve-month extension to its debt facilities, with a significant element of the €564 million multicurrency facility now available until 26 October 2025. The reinstatement of the previous covenants (Net Debt to EBITDA and Interest Cover) was also deferred from June 2022 to June 2023. page 159

The group is focused on maximising trading opportunities and operational performance given the lifting of restrictions, and on its future growth, including the group's first step into Continental Europe in February 2022.

The group is also on target to execute the forward sale of the residential units it has developed, along with the building of the Maldron Merrion Road Hotel, which will lead to a cash inflow of €42 million in Q2 2022.

The group's response to the Covid-19 pandemic is clear evidence of its ability to respond to challenges while continuing to pursue its strategy.

Assessment process

The directors assessed the prospects of the group over a three-year period as in previous years as:

- It aligns with the group's risk assessment timeline of current risks facing the group; and
- All currently committed projects are expected to be substantially completed during this period, and the risks associated with this phase of development are fully considered.

Whilst all the risks identified on pages 47 to 50 including climate change, sustainability and responsible business, could have an impact on the group's performance, the specific risks which pose the greatest threat to the business model, future performance, solvency and liquidity are:

- Risk 1: The impacts of the pandemic continue to be felt both in regular ongoing disruption to travel combined with sustained increases and in the economic fallout, which increases our cost base and hinders our business strategy and performance page 47
- Risk 3: Labour shortages result in difficulties recruiting and retaining our people and consequentially pushes pay rates higher page 48
- Risk 9: We do not adapt to changing hospitality market and customer behaviour page 50

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

Base case

While predicting the path of Covid-19 has been a difficult task, the directors do not foresee further extensive Covid-19 restrictions at this time given the success of the vaccine rollout and the recent relaxation of virtually all restrictions in Ireland and the UK. The base case assumes an ongoing recovery in revenues and earnings at the group's hotels, with a return to more normalised levels of trade between 2023 and 2025, depending on hotel location and business mix. However, a key judgement applied is the likely time period when international travel, particularly corporate travel and conferences, will return. We assume this commences gradually from the end of Q1 2022.

Dalata's strategic, risk and financial planning processes

Strategic review	Risk assessment	Financial planning process
> Annual review of the current plan led by the corporate development director > Board Annual Strategy Days page 69 > Updates and approval for new projects are discussed at board meetings page 60	> Robust assessment of the principal risks pages 45 to 50	> Preparation of a budget for the next financial year and projections for the following two financial years > Subjected to stress testing and sensitivity analysis and regularly updated

Base case (continued)

Our base case reflects the following additional key assumptions:

- Forecasted capital spend, including on entry to new leases, of €164 million over the three-year period. €60 million of spend was committed at 31 December 2021
- Execute forward sale of residential units for €42 million in Q2 2022 page 153
- Current pipeline of 9 hotels open in line with expectations and take three years to reach normal operating performance page 27
- €26 million has been deferred under the warehousing of tax liabilities and is paid at the end of 2022 page 137

The base case projections show that the group can comfortably meet all its liabilities and obligations as they fall due and remains in compliance with its debt covenants.

Stress testing

Based on its risk assessment, the group has modelled severe but plausible scenarios which could affect the viability of the group and has considered its proposed responses over the next three years. Under all four scenarios, the group can comfortably meet all its liabilities and obligations as they fall due and remains in compliance with its debt covenants.

The directors have also considered the impact of a further decrease in the group's asset values and are comfortable that the group can remain in compliance with its Net Debt to Value covenant which is in place for testing until December 2022. At current debt levels, the group's property values would need to decrease by over 55% to breach covenant levels. page 159

Mitigating actions

Mitigating actions are not necessary to assure the ongoing viability of the group. Refurbishment capital expenditure has been reduced in line with the reduction in revenues which align with our banking covenants. If the impact of risks materialising did require mitigating actions, there are a number of actions available to the group as demonstrated during the Covid-19 pandemic. These include:

- Decreasing all expenditure through the introduction of temporary pay cuts/reduced working hours, reduction in all non-essential spend
- Temporarily reducing further the refurbishment capex due to its modern and well-invested portfolio
- Postponing all uncommitted development capital expenditure
- Executing a sale of an asset
- Entering negotiations with banking partners to agree further support and flexibility
- Raising equity from shareholders and withdrawing dividends

Reverse Stress Test: Lockdown

The possibility of new Covid-19 variants carries the risk of restrictions being imposed at different intervals. Management has considered a more severe scenario that looked at how long the group could survive a full lockdown. Hotels remain closed to the general public indefinitely, resulting in group occupancy of 14% from demand from essential services and a quarterly EBITDA loss of €3.6m with ongoing government support consistent with that provided in Q1 2021. The key mitigating actions taken include reducing capital expenditure to committed and emergency health and safety spending only. The group also does not assume payment of deferred tax liabilities of €26m to government as currently projected in December 2022.

Despite such a severe stress test which the directors do not consider reasonably possible, the group would be able to continue operating until the end of Q2 2024 but would have breached covenants from June 2023. For the purposes of looking at the group's liquidity, this stress test assumes the ongoing consent and support of our banking club to access available debt facilities, despite covenants being breached. In such circumstances, additional options may be available beyond what is set out here.

Scenarios modelled	Principal risks
1. Seasonal restrictions to combat surges of Covid-19 As we start "living with the Pandemic", trade continues to be disrupted by seasonal surges of Covid-19 during the winter. **Assumptions and level of severity reviewed:** Restrictions in the form of social distancing, reduced capacity at events and limits to hospitality trading hours are re-introduced in January each year, with occupancy for the group reducing to 37%. The impact on the group is brief, with the hotels performing as expected from February onwards. We assumed no government support in this scenario. Group EBITDAR margin reduces by approximately 80 bps.	(1) Living with Pandemic
2. Elevated inflation in a recovering demand environment with labour shortages The current inflationary backdrop continues for an extended period of time with limited opportunity to recover through pricing increases in the near term and is compounded by continued shortages in the labour market. **Assumptions and level of severity reviewed:** In the immediate post-pandemic recovering demand environment, the market is slower to adjust pricing to pass on rising inflation. We also face higher payroll costs due to increases to pay rates across the board to attract and retain staff. This results in margins being impaired in the medium term. We assume our focus on innovation does not materialise in increased efficiencies to offset this.	(1) Living with Pandemic (3) Recruitment, retention and development of resources
3. Reduced levels of international corporate travel International corporate travel does not return to pre-Covid levels during our forecast horizon as companies reduce their travel due to climate change concerns or new ways of working post the pandemic. We assume our strategy to attract a greater share of that international corporate travel through achieving performance levels in ESG, which make us a preferred partner, is not achieved sufficiently quickly to offset in the period tested. **Assumptions and level of severity reviewed** Considered the impact of a 20% reduction in corporate travel, which conservatively is not replaced with demand from any other segments or offset by declines in competition from weaker competitors closing.	(9) Changing hospitality market and customer behaviour
4. A combination of scenarios 1-3 – Directors believe this is a severe scenario and unlikely.	As above

Alignment to the UN Sustainable Development Goals

We identified ten targets (from seven of the goals) aligned with our ESG initiatives.

The 17 Sustainable Development Goals (SDGs) lie at the heart of the United Nations 2030 agenda for sustainable development, which was adopted by all UN Member States in 2015. We considered the goal's 169 targets to assess those meaningfully aligned with our ESG programme.

Pillars	Theme	Company Metric	Goal	Goal Target
People	Diversity and inclusion	Diversity across workforce (board, management etc.)	8	**8.5** | By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
People	Diversity and inclusion	Gender Pay Gap	8	**8.5** | By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
People	Diversity and inclusion	Diversity of development programmes	5	**5.c** | Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels
People	Diversity and inclusion	Female promotions	5	**5.2** | Proportion of women in managerial positions
People	Learning and development	Development programmes	4	**4.3** | By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Planet	Carbon emissions	Reducing greenhouse gas (GHG) emissions	13	**13.2** | Integrate climate change measures into national policies, strategies and planning
Planet	Waste Management	Reducing waste	12	**12.3** | By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses **12.5** | By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Planet	Sustainable operations Sustainable infrastructure	Reducing environmental impact in operations and retrofitting	9	**9.4** | By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Society	Charity Partnerships	Donations made / Amounts raised	10	**10.2** | By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Society	Suppliers	Scope 1 & 2 carbon emissions data collection from Tier 1 suppliers	12	**12.7** | Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Non-financial information statement

European non-financial reporting directive

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

Reporting requirement	Policies and standards	Further information and risk management	
Environmental matters	Environmental policy Supplier Code of Conduct	Sustainability and Climate Change Stakeholder Review - Suppliers	page 56 page 26
Employee Matters	Employee Handbook	Stakeholder Review | Employees	page 19
	Health & safety policy	Stakeholder Review | Customers and Guests	page 23
	Safe work practices policy Bullying and harassment-dignity in the workplace policy Equal opportunities policy Whistleblowing Statutory Training	Stakeholder Review | Employees	page 19
Social matters	Food standards and traceability Community support Privacy policy	Stakeholder Review | Suppliers Stakeholder Review | Community Stakeholder Review | Customers and Guests	page 26 page 34 page 23
Human Rights	Modern slavery statement Data protection policy Supplier Code of Conduct Privacy policy Diversity & Inclusion Policy	Stakeholder Review | Employees Stakeholder Review | Suppliers	page 19 page 26
Anti-bribery and corruption	Anti-bribery & corruption policy	Stakeholder Review | Shareholders, Banks and Real Estate Investors	page 27
Business Model		Business Model	page 9
Policies followed, due diligence and outcome		Our Assurance Framework	page 46
		Risk Management in Practice	page 45
Description of principal risks and impact of business activity		Principal Risk Summary and Analysis	page 47
Non-financial key performance indicators		Non-Financial KPIs	page 12

Sustainability Accounting Standards Board Disclosures

Standard for Hotels and Lodging (October 2018).

SASB helps companies to identify the ESG concerns most relevant to their financial performance using the SASB materiality finder and to disclose this information to their investors.

Topic	Accounting Metric	Unit of Measure	Measure	SASB Code
Energy Management	Total energy consumed	GJ	109,975,227	SV-HL-130a.1
	Percentage Grid Electricity	%	100%	SV-HL-130a.1
	Percentage Renewable	%	54%	SV-HL-130a.1
Water Management	Total water withdrawn	m3	467,493	SV-HL-140a.1
	Total water consumed	m3	467,493	SV-HL-140a.1
	Percentage of each in regions with High or Extremely High Baseline Water Stress	%	6.3%	SV-HL-140a.1
Ecological Impacts	Number of lodging facilities located in or near areas of protected conservation status or endangered species habitat	Number	35	SV-HL-160a.1
Ecological Impacts	Description of environmental management policies and practices to preserve ecosystem services	Discussion & Analysis	**Note 1**	SV-HL-160a.2
Labour Practices	Voluntary turnover rate for lodging facility employees	%	64% **Note 2**	SV-HL-310a.1
	Involuntary turnover rate for lodging facility employees	%	1.2%	SV-HL-310a.1
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations	€	zero	SV-HL-310a.2
	Average hourly wage by region	€ / £	IRE: €11.46 UK: £9.70	SV-HL-310a.3
	Percentage of lodging facility employees earning minimum wage by region	%	IRE: 1.37% UK 1.43%	SV-HL-310a.3
	Description of policies and programs to prevent worker harassment	Discussion & Analysis	**Note 3**	SV-HL-310a.4
Climate Change Adaptation	Number of lodging facilities located in 100-year flood zones	Number	9	SV-HL-450a.1

Activity Metric	Category	Unit of Measure		Code
Number of available room-nights	Quantitative	Number	3,330,310	SV-HL-000.A
Average occupancy rate	Quantitative	Rate	40%	SV-HL-000.B
Total area of lodging facilities	Quantitative	m2	618,212	SV-HL-000.C
Number of lodging facilities	Quantitative	Number	47	SV-HL-000.D
Percentage of lodging facilities that are managed	Quantitative	%	6%	SV-HL-000.D
Percentage of lodging facilities that are owned & leased	Quantitative	%	94%	SV-HL-000.D
Percentage of lodging facilities that are franchised	Quantitative	%	0%	SV-HL-000.D

1. Board approved environmental policy in place; Green Tourism accreditation promoting positive action and improved ratings: over 80% achieved a Gold rating.
2. Turnover is driven by fluctuation in the number of part-time employees, influenced by seasonality, hotel location, business mix, and demand dynamics, including room occupancy and event business. Retention of managers and full-time staff exceeds 90%.
3. Dalata adheres to all labour practices in accordance with the relevant legislation in the jurisdictions that we operate in and provides robust guidance and safeguards for employees to maintain a fair working environment. Our updated code of conduct will be launched in 2022, complementing existing policies such as whistleblowing, anti-bullying and harassment, anti-bribery and corruption, health & safety, diversity & inclusion, employee handbook and our modern slavery statement. We will also launch an updated human rights policy in 2022.

Climate Change Strategy

In 2021 we positioned climate change at the heart of the group's business strategy.

Education, research and engagement with our stakeholders has shifted the focal point for our climate change response from hotel operations to the boardroom.

In 2022, a portion of the executive director annual bonus incentive will be base`d on specific objectives designed to support the achievement of the group's 2026 environmental targets and pave the way for developing a credible decarbonisation pathway for the group.

We are currently assessing various decarbonisation pathways in our operations and hotel construction (see ▸▸ page 32). Conducted in line with Science Based Target Initiative criteria, the assessment will be completed in the coming months. It will form the basis of our medium-term targets and long-term emissions reduction ambition.

Our 2026 environmental targets include reducing energy-related emissions (scope I and 2) by 20% per room let by 2026 from a 2019 baseline.

We recognise that the majority of our carbon impact is within the value chain. This year we carried out a Scope 3 screening exercise to assess the impact of all of our indirect value chain emissions.

This process involved quantifying the emissions from each of the fifteen Greenhouse Gas Protocol Scope 3 categories identified as material.

Continuing our supplier engagement on decarbonisation, we aim to collect Scope 1 & 2 carbon emissions data from 100% of Tier 1 suppliers by 2024.

We continued our journey to provide transparent environmental disclosures with our 2021 CDP response and maintained a B score. This exceeded the average of B- for the bar, hotel and restaurant sector.

We will continue to work to improve this score, align with best practice corporate climate action, and further develop our TCFD disclosure.

2018	2019	2020	2021
C	B-	B	B

ENVIRONMENTAL TARGETS

	Energy	Waste	Food Waste	Water	Supplier
Summary Target	Reduce energy-related emissions by 20% per room let by 2026 from a 2019 baseline.	100% waste diverted from landfill by 2022	Reduce food waste 15% per sleeper by 2026 from a 2019 baseline	Reduce water consumption per sleeper 15% by 2026 from a 2019 baseline	Collect carbon emissions Scope 1 & 2 data from 100% of Tier 1 suppliers by 2024
Target Coverage	Consumption of natural gas, kerosene, diesel, gas oil and electricity (scope 1 & 2 energy-related emissions)	All waste in Ireland and the UK	All hotels	All hotels	All Tier 1 Dalata suppliers
Unit	Tonnes of carbon dioxide equivalent (tCO_2e) per room let	% of waste diverted from landfill	Tonnes per sleeper	Litres per sleeper	% of Tier 1 suppliers who have given carbon emissions data
Percentage Reduction	20%	N/A	15%	15%	N/A
Base Year	2019	N/A	2019	2019	N/A
Target Year	2026	2022	2026	2026	2024

Task Force on Climate-Related Financial Disclosures (TCFD)

Dalata supports the recommendations of the TCFD

TCFD is a framework that requires companies to disclose their climate-related risks & opportunities. Dalata is committed to providing consistent, accurate, and comparable climate-related risk information for all stakeholders. We currently disclose climate-related risk and opportunity information through our CDP response. We will continue to put a focus on climate-related risk and are committed to developing our processes to meet all the recommended disclosures of the TCFD framework.

Recommended Disclosures	Our Actions
Governance > Describe the board's oversight of climate-related risks and opportunities. > Describe management's role in assessing and managing climate-related risks and opportunities.	The board of Dalata Hotel Group takes overall responsibility for the oversight of the group's climate-related risks and opportunities. It is supported in assessing and managing these risks by the Senior Management team, the ESG committee, and the Environmental Steering Group. As evidence of our board understanding and commitment to this topic, in November 2021, we held a half-day workshop for the full board on the topic of Climate Change facilitated by external consultants.
Strategy > Describe the climate-related risks and opportunities identified over the short, medium, and long term. > Describe the impact on business strategy and financial planning. > Describe the resilience of the organization's strategy using different climate-related scenarios.	Climate change is a key theme in the Dalata Hotel Group ESG strategy. The Head of Risk & Compliance, supported by the Senior Management team, ESG committee, and the Environmental Steering Group, has identified both physical and transitional climate-related risks and opportunities, including physical, regulation, technology and reputational. A full list is included in our public CDP response. The business is working towards a clearer understanding of these risks and to integrating this information into business strategy and financial planning.
Risk Management > Describe processes for identifying and assessing climate-related risks. > Describe processes for managing climate-related risks. > Describe how these processes are integrated into the overall risk management process of the business.	We identify and manage climate-related risks and opportunities through our existing Risk Management process. The process of embedding climate-related risks and opportunities into existing systems is led by the Head of Risk & Compliance.
Metrics & Targets > Disclose the climate-related metrics > Disclose Scope 1, Scope 2, Scope 3 GHG emissions > Describe the climate-related targets that manage climate-related risks and opportunities	The Dalata Hotel Group has been measuring and reporting its carbon footprint since 2017, Scope 1, 2 and 3. We are currently in the process of setting climate targets – both short and long-term – and plan to publish these in 2022. We are committed to developing our ESG disclosure practice and are aligning to best practice reporting frameworks, such as SASB. We are also closely monitoring relevant regulations, such as the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy, and global developments in this space.

EU Taxonomy

Our taxonomy eligible activities

Under the Taxonomy regulation, we acknowledge the requirement to identify business activities that are Taxonomy-eligible and to disclose the percentage of Turnover, Capital (CapEx), and Operating Expenditure (OpEx) that is attributable to these activities.

Taxonomy regulation

The EU Taxonomy regulation provides a classification system for sustainable activities to help direct investments towards sustainable projects and activities. It is part of a wider EU sustainable finance action plan to reorient capital flows towards a more sustainable economy. It establishes a list of sustainable economic activities which contribute substantially to six environmental objectives; climate change mitigation; climate change adaptation; protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection of healthy ecosystems.

Accounting principles

Under the Taxonomy regulation disclose the percentage of Turnover, Capital (CapEx), and Operating Expenditure (OpEx) that is attributable to these activities. A methodology for calculating these percentages was issued in a supplementing document released by the EU Commission and adhered to by Dalata throughout the process. Dalata acknowledges the novelty of this regulation and thus have adopted a conservative approach in calculating these KPIs. If any ambiguity arose during the process of identifying the definition of relevant eligible activities, Dalata utilised elements of the alignment criteria to give clarity to the process.

Turnover

Dalata's primary business activities, hotel and accommodation provision and food and beverage services are currently not included within the Taxonomy framework. For the 2021 financial year, Dalata could not proportion any of its turnover to the current list of business activities outlined in the regulation.

Capital expenditure

Given the nature of Dalata's operations, the construction and buildings activities were deemed most applicable in respect of capital expenditure. To calculate this, Dalata divided the total taxonomy eligible capital expenditure by the total additions to non-current assets in 2021. For further information on our accounting policy for capital expenditure, please see page 119.

Operating Expenditure

Taxonomy eligible operating expenditure relates to assets or processes associated with Taxonomy eligible economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development. For this reporting year, Dalata were unable to identify any Taxonomy eligible activities that were reflected in our operating expenses.

Taxonomy eligible activities

Dalata conducted a high-level analysis of business activities, and the following were identified as Taxonomy eligible:

7.1 Construction of Buildings –building projects for company use or resale.

7.2. Renovation of existing buildings – construction and renovation of Dalata's buildings and facilities.

7.3 Installation, maintenance and repair of energy efficiency equipment – Includes windows, doors, light sources, and HVAC systems.

7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings

7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings – Includes smart thermostats, sensing equipment, building and energy management systems (BEMS) and smart meters.

7.6. Installation, maintenance and repair of renewable energy technologies. (e.g. Solar panels) – Includes renewable energy technologies, such as PV & thermal solar panels and energy storage units.

7.7 Acquisition and ownership of buildings – process by which Dalata procures real estate and exercises ownership of that real estate.

BREAKDOWN OF TAXONOMY ELIGIBLE ECONOMIC ACTIVITIES FOR DALATA FOR 2021

	Total	Taxonomy Eligible		Taxonomy Non-eligible	
	€000	%	€000	%	€000
Turnover	191,990	0	0	100	100
CapEx	22,505	60	13,527	40	8,978
OpEx	Not disclosed	0	0	0	Not disclosed

CHAIR'S OVERVIEW

Corporate Governance

Dear Shareholder,
On behalf of the board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2021.

Corporate Governance Code

The company adopts the principles and provisions of the UK corporate governance code (the Code) and the Irish annex on a comply or explain basis.

This year we complied with the Code throughout the year with the following exceptions:

- Provision 11, board independence, between May and October, please see the nomination committee report on page 72 for further details.
- Provision 38, executive director pensions (we have been fully compliant since 1 January 2022).
- Provision 41, workforce engagement on executive pay.

Please see the remuneration committee report on pages 87 and 88 for explanations concerning provisions 38 and 41.

Governance

Since the declaration of the Covid-19 pandemic in 2020, the board has focused on the impact of the pandemic on all our shareholders, employees, suppliers, partners and customers and is committed to delivering strong corporate governance to them.

The board continued to maintain a high level of engagement with the management team in providing guidance and support to them during 2021.

Board meetings and engagements with management were held virtually for much of 2021 because of government restrictions, with physical board meetings resuming later in the year. The recent return to physical meetings has been very welcome and will be our preference as we go forward with effective use of video conferencing technology where that adds value.

Board Composition

As set out in my review on page 3, 2021 was a year of change for our board in both its executive and non-executive composition. The recruitment process is set out in detail in the nomination committee report on page 71.

The new board members, non-executives, Cathriona Hallahan and Gervaise Slowey and executive Carol Phelan, introduce new skills and experience we didn't have on the board before, and this is very welcome.

Board Effectiveness

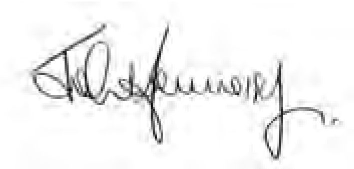
In 2021, the board undertook an internal board performance evaluation, and I am happy to report that the results of this self-evaluation provided evidence of the effective performance of the board and its committees and provided feedback for improvement in 2022.
More information can be found on page 69.

Stakeholder Engagement

The board ensures ongoing engagement with stakeholders throughout the year and acknowledges the clear responsibility it has to promote the long-term success of the company for its stakeholders. This long-term approach defines how the strategy is set and allows the board to assess risk and deliver sustainable value to stakeholders.

Further details of stakeholder engagement are outlined on pages 17 and 18.

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



John Hennessy
Non-executive Chair

See the UK Corporate Governance Code on: frc.org.uk

BOARD OVERVIEW

Principal responsibilities include

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

Board meetings and attendance

The board held nine formal meetings in 2021 and met for additional full-day sessions in May, June and November to receive presentations from members of the management team, review strategy and for its annual training day.

Member	Attended
John Hennessy	12/12
Pat McCann*	8/10
Dermot Crowley	12/12
Stephen McNally	12/12
Share Casserly	12/12
Margaret Sweeney	12/12
Alf Smiddy**	3/3
Robert Dix	11/12
Elizabeth McMeikan	12/12
Cathriona Hallahan***	2/2
Gervaise Slowey****	1/1

*Pat McCann retired from the board on 31 October 2021
**Alf Smiddy retired from the board on 29 April 2021
***Cathriona Hallahan joined the board on 1 November 2021
****Gervaise Slowey joined the board on 1 December 2021

Dalata Hotel Group plc board.
Standing: Carol Phelan, Robert Dix, Shane Casserly, John Hennessy (Chair), Dermot Crowley (Chief Executive), Margaret Sweeney, Elizabeth McMeikan.
Seated: Seán McKeon (Company Secretary), Gervaise Slowey, Cathriona Hallahan.

LEADERSHIP

Board of Directors

John Hennessy

Non-Executive Chair

Nationality: Irish
Expertise: John is a Chartered Director and a practising barrister. He is a fellow of Chartered Accountants Ireland and of the Chartered Institute of Arbitrators. He is also an accredited mediator. He is a former non-executive chair of CPL Resources plc.

Principal Skills: International business, business leadership, governance, finance, legal.

Dermot Crowley

Chief Executive

Nationality: Irish
Expertise: Dermot worked with PwC, Procter & Gamble, Forte Hotels and Renault Ireland before joining Jurys Doyle Hotel Group plc in 2000 as head of development. He spent six years with Ion Equity before joining Dalata in 2012 as Deputy Chief Executive – business development and finance. He has been an instrumental part of the executive team that has overseen the growth of the Maldron and Clayton brands in Ireland and the UK since the company floated in early 2014. Dermot is a graduate of University College Cork and a chartered accountant.

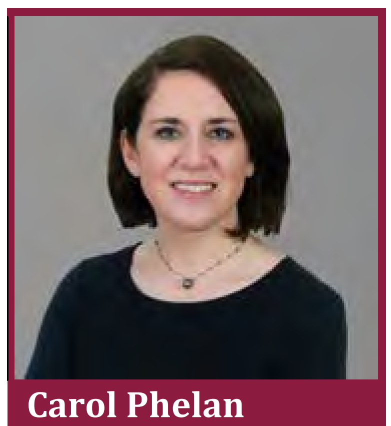
Principal Skills: International business, finance, industry, business leadership, M&A.

Shane Casserly

Corporate Development Director

Nationality: Irish
Expertise: Shane is a graduate of University College Cork and a chartered accountant. He joined Dalata in March 2014 as head of strategy and development and has been instrumental in driving the company's growth through acquisition and development activity in Ireland and the UK. Previously he was head of development at Jurys Doyle Hotel Group plc and also held senior positions with Ion Equity, Microsoft Europe and Musgrave Group.

Principal Skills: International business, finance, industry, M&A.



Carol Phelan

Chief Financial Officer

Nationality: Irish
Appointed: 1 January 2022
Expertise: Carol joined the company in 2014 and was appointed as Group Head of Financial Reporting, Treasury and Tax in 2017. Carol has played a leading role within the finance team, responsible for the development of the financial reporting function during a period of rapid growth and expansion. She also led the refinancing of the group's debt facilities in 2018 and has been centrally involved in maintaining the group's financial strength and liquidity during the Covid-19 pandemic. Prior to joining Dalata, Carol held senior finance positions in Ion Equity and KPMG. She is a qualified Chartered Accountant.

Principal Skills: International business, finance, industry, M&A.

Margaret Sweeney

Non-Executive Director and Senior Independent Director

Nationality: Irish
Expertise: Margaret is CEO of I-RES Reit plc and previously led DAA plc and Postbank Ireland Limited as CEO. Margaret worked with KPMG for 15 years as a director in audit and advisory services. She is a chartered accountant and chartered director.

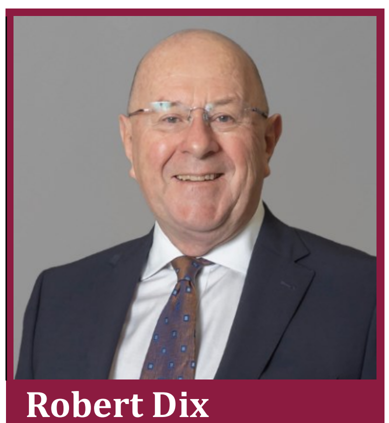
Principal Skills: International business, business leadership, finance, governance, risk management, M&A, senior executive remuneration framework.

Elizabeth McMeikan

Non-Executive Director

Nationality: British
Expertise: Elizabeth is an experienced non-executive director and was the former senior independent director at J.D. Wetherspoon plc and remuneration committee chair at Flybe plc. She is the senior independent director and remuneration committee chair at Unite Group plc, senior independent director at Custodian Reit plc and non-executive director and remuneration committee chair at McBride plc. She is also a non-executive director at the private company Fresca Group Ltd.

Principal Skills: International business, business leadership, governance, customer, people management, change management, senior executive remuneration framework.



Robert Dix

Non-Exécutive Director

Nationality: Irish
Expertise: Robert was a partner in KPMG Ireland, where he headed up the transaction services division. He owns Sopal Limited, a company providing advice on capital markets, corporate governance and strategic planning. A graduate of Trinity College Dublin and chartered accountant, he is a non-executive director of Glenveagh Properties plc and non-executive director of a number of private companies.

Principal Skills: International business, risk management, finance, governance, M&A.

Cathriona Hallahan

Non-Executive Director

Nationality: Irish
Appointed: 1 November 2021
Expertise: Cathriona was Managing Director of Microsoft Ireland, driving Microsoft's commercial business on the island of Ireland. She sits on several boards, including the UCD Advisory Board, Trinity Business School Advisory Board, and Keelings. A member of the International Women's Forum, the Institute of Directors, the Institute of Accounting Technicians (IATI), a fellow of ACCA, and a fellow of the IMI. She is also a qualified Executive Coach.

Principal Skills: International business leadership, governance, customer relationship management, people management, finance, information technology management, data privacy and cybersecurity.

Gervaise Slowey

Non-Executive Director

Nationality: Irish
Appointed: 1 December 2021
Expertise: Gervaise is a non-executive director who serves on the boards of Molten Ventures plc, Wells Fargo Bank International, Eason Retail plc and until recently, Ulster Bank Ireland. Previously she was CEO of Communicorp (now Bauer Media Audio Ireland), Ireland's largest independent radio group, for four years to the end of 2016, and before that held senior roles in Ogilvy Worldwide for 16 years, most recently as Global Client Director.

Principal Skills: International business, business leadership, governance, customer, people management, sustainability, international marketing and media, and sustainability.

BOARD MATRIX

*Independent on appointment

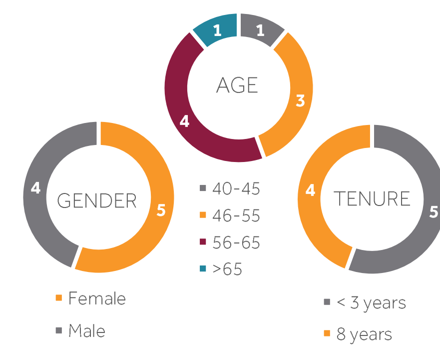
Name	Age	Director Since	Independent	A&RCo	RemCo	NomCo	ESG	Other current listed boards
				Committee memberships 2022				
John Hennessy	65	2014	N*		Member	Chair		
Dermot Crowley	54	2014	N					
Robert Dix	69	2014	Y	Chair		Member	Member	1
Margaret Sweeney	61	2014	Y	Member	Chair	Member		1
Elizabeth McMeikan	59	2019	Y	Member	Member	Member	Chair	3
Shane Casserly	54	2020	N				Member	
Cathriona Hallahan	57	2021	Y	Member			Member	
Gervaise Slowey	54	2021	Y		Member		Member	1
Carol Phelan	43	2022	N					

PRINCIPAL SKILLS

International Business
Finance
Governance
M&A
Industry
Customer
People Management
Risk Management
Legal
International Mkting & Media
Sustainability
Information Technology
Data Privacy & Cybersecurity

0 5 10

BOARD DIVERSITY IN FIGURES



Seán McKeon

Company Secretary,
Head of Risk and Compliance

Expertise: Seán joined Dalata after several years in senior finance roles in retail and FMCG, including Dunnes Stores, Keelings, Aer Rianta International and Diageo.

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

Executive Management Team

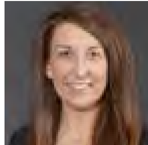
Success backed by people

"Dalata's experienced executive team and hotel general managers are the guardians of Dalata's culture and values"

Dermot Crowley
Chief Executive

Carol Phelan
Chief Financial Officer

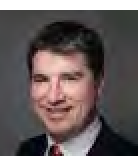
Stephen Clarke
Group Financial Controller



Rachel Cafolla
Group Head of Financial Reporting and Treasury

Niamh Carr
Group Head of Investor Relations & Strategic Forecasting

Keith Rynhart
Group Financial Planning and Analysis Manager



Shane Casserly
Corporate Development Director

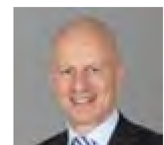
Anthony Murray
Group IT Manager

Niall Macklin
Head of Acquisitions

Paul Moloney
Head of Construction & Capital Expenditure

Duncan Little
Group Capital and Development Manager

Des McCann
Chief Operations Officer



Seán McKeon
Company Secretary and
Head of Risk & Compliance

Conal O'Neill
Group General Manager,
Regional Ireland and Partners

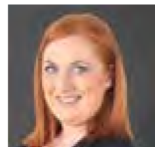
Emma Dalton
Head of Operations, UK

Dawn Wynne
Chief People Officer

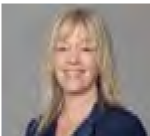
Philip O'Neill
Group General Manager, Dublin

Claire Oliver
Group HR Manager

Martha Mannion
Group Director of Rooms Revenue
& Distribution Strategy



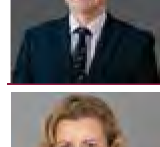
Aine Doyle
Head of Dalata Academy



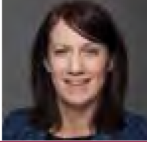
Sharon O'Donoghue
Head of Rooms Revenue, Ireland

Adrian Sherry
Head of Marketing Development

Richard Noake
Head of Rooms Revenue, UK
& Northern Irelland



Karen Halpin
Group Marketing
Communications Manager



Patrice Lennon
Group Director of Sales

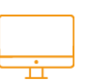
Tony McGuigan
Head of Procurement

Macarten McGuigan
Group Internal Auditor

Caitriona Conroy
Group Insurance, Risk,
Health and Safety Manager

Michael McCann
Head of Ancillary Revenue

See full bios of our Executive Management Team on: dalatahotelgroup.com



CORPORATE GOVERNANCE REPORT

Our Governance Framework

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

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

The board fulfils a number of its responsibilities directly and others through its committees.

See the list of matters reserved to the board on our website, dalatahotelgroup.com .

OUR GOVERNANCE FRAMEWORK

OUR GOVERNANCE FRAMEWORK

BOARD

BOARD SUBCOMMITTEES

Audit & Risk Committee

Group Internal Audit

Remuneration Committee

Nomination Committee

Environmental, Social & Governance Committee

CHIEF EXECUTIVE OFFICER

Disclosure Committee

Executive Risk Committee

Privacy Committee

Environmental Steering Group

SENIOR MANAGEMENT

Board membership

As of this report's date, the board comprises nine members, a non-executive chair, five non-executive directors and three executive directors.

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

The experience of each director is set out in their biographies which are detailed on pages 61 and 62, and the board considers that their biographies reflect suitable breadth and depth of strategic management experience.

Role of the board

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

The board defines the company's purpose and then sets a strategy to deliver it, underpinned by the values and behaviours that shape our culture.

A sound understanding of how value is created over time has been key in steering strategies toward the level of sustainable value creation we have delivered. A cornerstone of safeguarding our long-term ambitions has been a commitment to high standards of corporate governance, as well as a board of directors with a depth of experience and expertise. In making and implementing actions, the board aims to manage the contrast between short-term pressures and the long-term impacts of decisions.

Information flow at meetings

Prior to each board meeting, the directors receive their papers on a fully encrypted electronic portal system. Included in these papers are detailed monthly accounts together with reports from the chief executive, chief financial officer, the corporate development director and the chief operating officer.

The chief executive, chief financial officer and corporate development director ensure that the board is kept fully aware on a timely basis of business issues and prospects throughout the group.

The executive management team structure and the open communication approach in the group enable issues to be raised easily. Many of these key issues are brought to the attention of the board.

In consultation with the chair and chief executive, the company secretary manages the provision of information to the board for their formal board meetings and at other appropriate times.

The chair and chief executive also maintain regular informal contact with all directors.

Engagement with stakeholders

The group actively engages with stakeholders affected by the board's strategy and principal decisions, including shareholders, employees, customers and guests, communities, banks and landlords. We also engage with suppliers, industry peers, government and regulatory authorities. Further details on our engagement with stakeholders and how these engagements inform our strategy and decisions can be found on pages 17 and 18.

Whistleblowing

The group's whistleblowing arrangements include a dedicated speak-up email address through which all employees and third parties can raise concerns in confidence about any possible wrongdoings. All whistleblowing incidents are reviewed and formally investigated by the relevant functional heads.

In 2021, the audit and risk committee considered the group's whistleblowing policy and arrangements, reviewed the whistleblowing incidents and outcomes and provided updates to the board to assess the adequacy of the whistleblowing arrangements and to review the reports arising from its operations. The board is satisfied that the group's whistleblowing arrangements are operating effectively.

Division of responsibilities

There is a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business, with the board retaining control of strategic and other significant decisions. The board includes an appropriate combination of executive and non-executive directors, such that no one individual or small group of individuals dominates the board's decision-making.

The chair leads the board and is responsible for its overall effectiveness in directing the company. One of the critical roles for the chair in doing so is demonstrating objective judgement throughout their tenure and promoting a culture of openness and debate.

The chair also facilitates constructive board relations and the effective contribution of all non-executive directors and ensures that directors receive accurate, timely and precise information.

The board has delegated several responsibilities to standing committees of the board as detailed below and also to the executive management team of the group. The chair and the chief executive's roles are separately held, and the division of their responsibilities is established and has been set out in writing and approved by the board. A summary of the formal roles of the board's leadership is set out on page 67.

KEY ROLES IN OUR GOVERNANCE FRAMEWORK

Role	Responsibilities
CHAIR	> Leads the board, sets each meeting agenda and ensures the board receives accurate, timely and precise information to monitor, challenge and guide and make sound decisions; > Promotes a culture of open debate between the executive and non-executive directors and holds meetings with the non-executive directors without the executive directors present; > Regularly meets with the chief executive and other senior management to stay informed; > Ensures effective communication with shareholders and other stakeholders; > Promotes high standards of corporate governance; and > Promotes and safeguards the interest and reputation of the company.
CHIEF EXECUTIVE	> Provides coherent leadership of the company, including representing the company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public and enhances the group's reputation; > Leads the executive directors and senior management team in running the group's business; > Develops and implements group objectives and strategy having regard to shareholders and other stakeholders; > Manages the group's risk profile and ensures appropriate internal controls are in place; and > Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements.
SENIOR INDEPENDENT DIRECTOR	> Works closely with the chair, acting as a sounding board and providing support; > Responsible for conducting an annual performance review of the chair; > Provides advice and judgement to the chair as necessary, serving as an intermediary to the other directors when necessary; and > Is available for shareholders who have concerns that cannot be addressed through the normal channels or chair or chief executive officer.
NON-EXECUTIVE DIRECTORS	> Review the performance of executive management; > Review group financial information and provide advice to management; and > Assist in strategy development and ensure appropriate and effective internal control systems and risk management are in place.
COMPANY SECRETARY	> Ensures compliance with board procedures and provides support to the chair to ensure board effectiveness; > Ensures the board has high-quality information, adequate time and appropriate resources to function effectively and efficiently; > Assists the chair by organising induction and training programmes and ensuring that all directors have full and timely access to all relevant information; > Provides advice and keeps the board updated on corporate governance developments; and > Facilitates the directors' induction programmes and assists with professional development.
DESIGNATED NON-EXECUTIVE DIRECTOR WITH RESPONSIBILITY FOR WORKFORCE ENGAGEMENT	> Monitors the effectiveness of engagement programmes established for employees; > Provides regular updates to the board; and > Attends key employee events.

Time commitment

Under the terms of their appointment, all directors agreed to the 'Time Commitment Schedule', requiring them to allocate sufficient time to effectively discharge their responsibilities. As part of the board evaluation process completed in November 2021, each non-executive director confirmed that they continue to allocate sufficient time to discharge their responsibilities effectively. Also, any potential appointment to the board of another company must be approved by the board.

Conflicts of interest

The board considers potential conflicts of interest as a standing agenda item at each board meeting, and each director is obliged to notify the company in advance of any interest in any transaction to be considered by the board.

In 2018, the company announced the development of a new hotel and adjoining residential complex at Merrion Road in Dublin and that Irish Residential Properties REIT plc had contracted to purchase the residential development on completion. The development of the property is in progress and is scheduled to be completed in 2022. Non-executive Director Margaret Sweeney is CEO and an executive director of Irish Residential Properties REIT plc.

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

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

Meetings and attendance

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

During 2021, the board held nine formal board meetings and three other full-day meetings dealing with strategy, management presentations and a day dedicated to training. Details of attendance are on ▶▶ page 60.

Board committees

The principal committees of the Board in 2021 were the audit and risk committee, the remuneration committee, the nomination committee and the environmental, social and governance committee.

They support the operation of the board through their focus on specific areas of governance. Reports on the activities of the individual committees are presented to the board by the respective committee chair.

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

- Nomination Committee ▶▶ page 71
- Audit and Risk Committee ▶▶ page 73
- ESG Committee ▶▶ page 79
- Remuneration Committee ▶▶ page 81

Independence

The independence of each of the non-executive directors is considered upon appointment and on an annual basis by the board. The board has determined all of the non-executive directors, save for the chair who was independent on appointment, to be independent within the meaning of the term as defined in the Code.

Robert Dix is a director of The Quinn Property Group and of Glenveagh Properties plc, boards on which the former Chief Executive Pat McCann is also currently a non-executive director. The Board gave consideration to Robert Dix's independence until Pat McCann's retirement from the board in October 2021 and concluded that notwithstanding this relationship, Robert can apply unfettered and independent judgement and act in the best interest of the company.

The board also considered the impact of Margaret Sweeney's position as CEO of I-RES Reit on her independence in view of the Merrion Road transaction agreed between Dalata and I-RES Reit in 2018 (see Conflicts of Interest). The board is satisfied that there is no ongoing conflict of interest that impairs the ability of Margaret Sweeney to act as an independent non-executive director of the company.

Following Alf Smiddy's retirement at the conclusion of the 2021 Annual General Meeting, the board comprised of eight members, a non-executive chair, three non-executive directors and four executive directors which failed to comply with provision 11 of the Code; requiring that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. Board independence was restored following the retirement of former Chief Executive Pat McCann on 31 October 2021. For further details, see the nomination committee report on ▶▶ page 71.

The board's independence was strengthened with the appointment of two new non-executive directors who joined the board on 1 November 2021 and 1 December 2021, respectively.

Appointments to board

The nomination committee is responsible for a formal, rigorous and transparent procedure for the appointment of new directors. There were two new appointments to the board during 2021. Cathriona Hallahan and Gervaise Slowey joined the board as non-executive directors on 1 November 2021 and 1 December 2021, respectively.

Carol Phelan was appointed Chief Financial Officer on 1 July 2021 and joined the board on 1 January 2022.

Re-election of directors

In accordance with the provisions of the Code, the company's director re-election policy requires that all directors should retire at the 2022 Annual General Meeting and offer themselves for election.

Robert Dix will retire at the conclusion of the 2022 Annual General Meeting and will not seek election.

New director inductions

Directors joining the board undertake an induction programme which covers briefings on the operation and activities of the group, the group's principal risks and uncertainties, the role of the board and the matters reserved to it, the responsibilities of the board committees, and the strategic challenges and opportunities facing the group.

In late 2021, Cathriona Hallahan and Gervaise Slowey joined the board and are currently completing induction programmes that have been tailored to their individual needs. The programmes include visits to hotels, meetings with senior management and company advisors. Carol Phelan's programme is designed to meet her needs as a new director with a focus on regulatory themes and corporate governance.

Ongoing director training and development

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

The board received one full day of presentations in May 2021 from members of the management team covering a variety of topics related to their areas of responsibility.

In November 2021, the company secretary facilitated a directors' training day, which was attended by both executive and non-executive directors.

Each director may obtain independent professional advice at the company's expense in the furtherance of their duties as a director. Each committee is supported by the company secretary and his deputy. In addition, each committee is able to seek independent professional advice.

Board diversity

The board has adopted a Board Diversity Policy which is reviewed annually, most recently in December 2021. The objective of the policy is to help achieve the optimum board composition of skills and experience.

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

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

Further detail on the application of the policy is set out in the nomination committee report on ▶▶ page 71.

Board evaluation

Following the externally facilitated evaluation in 2020, the chair, together with the company secretary, conducted an internally facilitated evaluation towards the end of 2021 to assess its performance and effectiveness during the year, including that of its committees, the Chair and individual directors. The evaluation process also found that the board had successfully implemented the recommendations of the 2020 external evaluation.

Led by the chair and company secretary, the 2021 evaluation was conducted by way of questionnaire. The design of the questionnaire allowed directors to comment on the operations of the board and its committees and to identify areas for improvement. The Chair also met with each director individually during the year to discuss board effectiveness and composition. The senior independent director met with the other directors to evaluate the performance of the chair.

Feedback from the 2021 Board Evaluation

The review found the company achieved a very good result across all areas, demonstrating that the board is performing well. The board was deemed well-constituted to meet the challenges ahead and address key strategic decisions that need to be made about the business.

The review highlighted recommendations that would further lift the performance and effectiveness of the board, including:

- Further consideration of board diversity to prepare for future appointments.
- A review of roles and responsibilities in the company secretariat is suggested to improve board support.

These were discussed by the board, and the board agreed to take on the following recommendation as part of its agenda for 2022:

Board Committees

Board committees were also reviewed and overall were considered to function well in terms of their effectiveness and decision making

GOVERNANCE IN ACTION

Outside its regular meetings, the board meets for full-day sessions three times per year to hear from members of the management team, to review strategy, and for a training day to hear from subject matter experts on topics that are relevant for the group's strategic development or the management of its principal risks.

May management presentations

- Hotel construction project management
- Hotel refurbishment process
- Managing environmental impact in our operations
- Group procurement

June Strategy Day

- Medium-term projections
- UK market update
- Strategic growth alternatives
- European market analysis

November Training Day

- Climate change workshop (half-day)
- Analysis of Dalata's information security risks
- Building an inclusive culture

Risk management

On ▶▶ page 45, we explain how the board oversees risk management.

Internal controls

The board has responsibility for maintaining sound risk management and internal control systems and, at least annually, reviewing the effectiveness of these systems. These internal control systems are designed to manage rather than eliminate the risk of failing to achieve a business objective.

They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Assessment of the principal risks facing the group

The board and audit and risk committee received and reviewed reports from group internal audit to help their annual assessment of the principal risks facing the group and the controls in place to mitigate these risks. The principal risks and the mitigating factors are outlined on ▶▶ pages 47 to 50.

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

The board and audit and risk committee received and reviewed reports from group internal audit to help with their annual assessment of the effectiveness of the group's risk management, internal controls and financial reporting systems, and are satisfied that the systems have been operating effectively throughout the year to the date of the report.

AGM

The Annual General Meeting will be held on 28 April 2022, at Clayton Hotel, Cardiff Lane, Dublin.

Formal notification will be sent to shareholders at least 20 working days before the meeting in accordance with the provisions of the Code. Other general meetings may also be convened from time to time upon at least 14 working days' notice or where certain requirements are met, including prior approval by shareholders by way of a special resolution, upon 14 days' notice in accordance with the Code.

The Annual General Meeting gives shareholders an opportunity to hear about developments of the business and to ask questions of the chair and, through him, the chairs of the various committees and its committee members. Shareholders attending the meeting are informed of the number of proxy votes lodged for each resolution.

Details of the meeting and resolutions to be proposed are sent out in the shareholders' Notice of Meeting.

Meeting room at the Clayton Hotel Burlington Road, Dublin

The annual report and accounts are also available on dalatahotelgroup.com

NOMINATION COMMITTEE REPORT

At the end of a year carefully planned succession, we achieved gender balance on our board this year.

I am grateful to all who have served over the years and look forward to the contributions of our new members.

COMMITTEE MEETINGS AND ATTENDANCE

All members of the committee are considered by the board to be independent (the company chair being independent on appointment)

Member	Attendance
John Hennessy	6/6
Alf Smiddy*	2/2
Margaret Sweeney	5/6
Robert Dix**	4/4
Elizabeth McMeikan**	4/4

* Alf Smiddy retired from the board on 29 April 2021

** Robert Dix and Elizabeth McMeikan joined the committee on 29 April 2021

See the Committee's terms of reference on: dalatahotelgroup.com

Dear Shareholder,

I am pleased to present the report of the nomination committee for 2021, a year of change and transition for the board.

CEO and company founder, Pat McCann, retired at the end of October, and his fellow founding director, Deputy CEO Stephen McNally, stepped down at the end of December. Dermot Crowley was appointed to succeed Pat as CEO, and Carol Phelan was appointed CFO to lead the finance function and joined the board on 1 January 2022.

We advanced the refreshment of the non-executive membership originally signalled in the 2019 annual report.

Our plan was a phased and orderly replacement of the four non-executives who were appointed to the board together in February 2014, prior to the company's IPO. Alf Smiddy stepped down as a non-executive during the year, and Robert Dix will retire following our upcoming AGM. We welcomed Cathriona Hallahan and Gervaise Slowey to the board toward the end of the year.

The committee also continued its engagement with management on executive succession and worked on committee composition as the board membership changed.

Executive director succession

The appointment of Dermot Crowley as Chief Executive was the culmination of several years of planning work undertaken by the committee and board. The appointment was made following a process facilitated by executive search consultants Korn Ferry who identified suitable external candidates for the role and assisted the committee in its work to assess the suitability of all potential candidates.

The committee was satisfied that Dermot's track record, his leadership qualities and his in-depth knowledge of the group across all areas of the group's operations made him the ideal candidate and were happy to recommend his appointment as Chief Executive Designate in March 2021.

A transition period extending to the end of October 2021 was agreed, and on 1 November 2021, Dermot, who has been a member of the board since 2014, took up the position of Chief Executive.

Korn Ferry has no other connection with the company or any of its directors other than the provision of recruitment services.

In April 2021, Carol Phelan was appointed CFO designate and took up the role on 1 July 2021.

Carol joined Dalata in November 2014 and, since 2017, had led the group's financial reporting tax and treasury teams. Her technical expertise, corporate finance background and deep knowledge of our business makes her an excellent choice to lead our finance function.

The committee recommended that Carol be appointed to the board, and her appointment commenced on 1 January 2022.

Board composition and non-executive director appointments

Alf Smiddy's decision to step down from the board in April accelerated the board's plan to refresh the non-executive membership of the board and culminated in the appointment of two non-executive directors, Cathríona Hallahan and Gervaise Slowey.

His departure also meant that the board's composition no longer complied with provision 11 of the Code concerning independence. Between 29 April and 1 November, excluding the chair, the board was made up of four executives and three non-executives. This was rectified upon Cathriona's 1 November appointment.

The committee appointed Heidrich and Struggles (an executive search firm with no other connections to the company or its directors) to assist with the search process.

Each member of the board provided input to the analysis of skills needed to guide the recruitment process. Short-listed candidates were interviewed by a panel of two non-executive directors, and successful candidates met with the other non-executive directors and the incoming chief executive before the appointment was confirmed.

The committee is satisfied that Cathríona and Gervaise bring distinctly different skills and experiences to the board. They are warmly welcomed by the board, and we look forward to working with them

Diversity

The committee reviewed the board diversity policy at its December 2021 meeting, taking account of feedback received through the board evaluation. There were no policy changes recommended. The board recognises the benefits of a diverse board and the value it can bring to its operations. In accordance with the board diversity policy, the committee considers all aspects of diversity, including gender, race, background, skills, regional and industry experience, and other distinctions when reviewing board composition and agreeing a job specification for a new non-executive director appointment. All appointments are made on merit, with due regard to diversity. The board considered diversity in the recent appointments of Cathriona Hallahan and Gervaise Slowey as non-executive directors as outlined above.

Concerning gender diversity, it is noteworthy that the company now has a majority female board. Following the upcoming 2022 AGM, the female to male ratio on the board will be 5:3 (62.5% female).

The committee monitors the management pipeline and gender diversity within it. The appointment of Carol Phelan as CFO and to the board is evidence of diversity in the pipeline, and the committee continues to monitor emerging talent with future leadership diversity in mind.

Board Evaluation

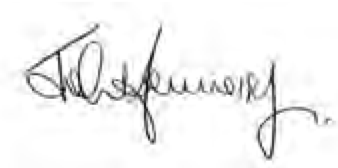
Details of the board evaluation are set out on ▶▶ page 69.

Board committees

After Alf Smiddy left the board at the end of April, the committee assessed committee structures and director's responsibilities, recommending that Liz McMeikan join the audit and risk committee and that Margaret Sweeney and Robert Dix would join this committee.

Following the appointments of Cathriona Hallahan and Gervaise Slowey, the committee recommended Cathriona's appointment to the audit and risk and ESG committees with effect from 1 January 2022 and Gervaise's appointment to the Remuneration and ESG committees with effect from 1 January 2022. Following Robert Dix's retirement at the end of April, Cathriona will chair the audit and risk committee. When Alf stepped down, I assumed non-executive director responsibility for engagement with the workforce and passed this responsibility to Gervaise from 1 January 2022. Finally, Shane Casserly replaced Stephen McNally on the ESG committee from 1 January 2022.

I am grateful to all who have served over the years and look forward to the contributions of our new members. After a very active year of change, I expect that we will allow the new members on the board to settle into their work, and this committee will refocus on the composition and succession planning needs for the years ahead.



John Hennessy
Chair,
Nomination Committee

ROLE OF THE COMMITTEE

- Reviewing the structure, size and composition of the board and making recommendations to the board with regard to any changes.
- Assessing the effectiveness and performance of the board and each of its committees, including consideration of the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works as a unit, and other factors relevant to its effectiveness.
- Considering succession planning for directors and members of the executive management team.
- Identifying and nominating new members to the board.
- Reviewing the results of the board performance evaluation process that relate to the composition of the board.
- Reviewing annually time input required from non-executive directors.

AUDIT & RISK COMMITTEE REPORT

During the year, the committee continued to complement and support the board in overseeing the management's response to the ongoing Covid-19 pandemic.

COMMITTEE MEETINGS AND ATTENDANCE

The committee met five times during 2021.

Member	Attendance
Robert Dix	5/5
Alf Smiddy*	2/2
Margaret Sweeney	5/5
Elizabeth Mc Meikan**	3/3

* Alf Smiddy retired from the Board on 29 April 2021
** Elizabeth McMeikan joined the committee on 29 April 2021

All members of the committee are considered by the board to be independent.

The board considers that the committee chair has sufficient recent and relevant financial experience for the role and that there is sufficient financial and commercial experience within the committee as a whole.

See the Committee's terms of reference on: dalatahotelgroup.com

Dear Shareholder,

As chair of the audit and risk committee, I am pleased to present this report setting out the work of the committee during 2021.

I am also delighted to welcome Elizabeth McMeikan, who joined the committee in May 2021 and Cathriona Hallahan, who joined the committee in January 2022.

Alf Smiddy, who retired from the board in April 2021, served on this committee since 2014, and I would like to thank him for his service during that time.

During the year, the committee continued to complement and support the board in overseeing the management's response to the ongoing Covid-19 pandemic.

The committee supported the board in assessing the principal and emerging risks facing the group, including reviewing the group's risk management and internal control systems, overseeing the operation of the Group Internal Audit function, assessing the key accounting judgements and estimates and highlighting some of the other important topics and themes arising during the year.

Key accounting judgements

At its May meeting, the committee received a detailed presentation from management setting out the key considerations for the interim financial statements. Discussions focused on the going concern basis of accounting, the challenge of assessing the carrying value of goodwill and right-of-use assets and reliable property valuations in light of the prevailing uncertainty.

The committee considered the key accounting judgements further at its August meeting and also received commentary from the external auditors on management's approach.

This process was repeated in the lead up to the full-year financial statements. A detailed explanation of the assessment process concerning these items is given on pages 75 and 76 of the committee's report.

The other area of judgement that was considered by the committee included the assessment of the provision for self-insurance loss provisions (see note 20 to the financial statements).

The committee is satisfied that in all of these matters, the accounting treatment complies with relevant IFRS, and none gave rise to disagreement between management, the external auditors or the committee.

Assessment of whether the annual report, taken as a whole, is fair, balanced and understandable

The committee receives copies of the annual report and financial statements during the drafting stage and reviews the content, along with results announcements and investor presentations to be published by the company.

The committee ensures that the key messages communicated in the annual report and the other publications accurately reflect the company's performance and the strategy being pursued and that they are consistent with each other.

The committee is satisfied that all of the key events reported to the board by management in the course of the year, positive and negative, are suitably narrated in the annual report.

Viability Statement

The committee received and considered the draft viability statement, reviewed and challenged the assumptions upon which the scenario analysis was based and its conclusions, and advised the board on the adoption of the statement.

Market Abuse Regulation

During 2021, the committee reviewed the company's compliance with the Market Abuse Regulations and Market Abuse training plans. This was in response to the findings issued by the Central Bank of Ireland following its Thematic Review of the company in 2020.

Tax and Treasury Updates

During the year, the committee received and considered reports and presentations from management on the company's tax and treasury positions. The tax update provided an overview of existing and emerging tax risks facing the group and the tax strategy and priorities for the coming years. The treasury update provided an overview of existing hedging arrangements, future hedging strategy and changes to the group's treasury policy.

Further reporting

In the following pages, the committee sets out, in more detail, how it fulfilled its role under the headings of significant accounting judgements and key sources of estimation uncertainty, external audit, internal control and risk management, internal audit, whistleblowing, compliance framework, health and safety and insurance programmes, information security and data protection

In conclusion

My thanks to my colleagues on the committee, the management team, external and internal auditors and advisors to the company who assisted the committee in its work in 2021.

Robert Dix

Chair
Audit and Risk Committee

ROLE OF THE COMMITTEE

- Monitor the integrity of the group's financial statements, accounting policies and key judgements made in the financial statements.
- Assess whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the company's position and performance, business model and strategy.
- Oversee the group's relationship with our external auditor.
- Review the effectiveness of the group's internal control systems.
- Monitor the group's risk management systems and the identification of our principal risks.
- Monitor the effectiveness of the internal audit function.
- Review the group's compliance framework.
- Monitor health, safety and operational risks and the group's insurance programs.

SIGNIFICANT FINANCIAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Matter	Significant financial judgements and key sources of estimation uncertainty
PROPERTY REVALUATIONS In line with the group's revaluation policy for land and buildings, valuations are carried out by suitably qualified professional valuers at each reporting period end.	The net carrying value of land and buildings at 31 December 2021 was €1,089 million (note 12, pages 143 to 147) (2020: €1,059 million). The carrying value of land and buildings is determined using fair value. The calculation of fair value and the allocation of fair value to land and buildings requires judgement. The assumptions utilised by the valuation specialists are disclosed in note 12 to the group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates. Management has engaged appropriately qualified professional valuation specialists to determine the value attributable to land and buildings. Management has reported in detail to the committee in relation to the valuation approach, as determined by suitably qualified professionals, of land and buildings at 31 December 2021. The committee has discussed the valuation approach undertaken with management. Through discussion with management and considering the findings of the External Auditor, the committee is satisfied that the property valuations at 31 December 2021 are reasonable and that the revaluation movements have been appropriately presented in the group consolidated financial statements.
CARRYING VALUE OF RIGHT-OF-USE ASSETS AND GOODWILL Detailed impairment reviews are undertaken to determine whether the carrying value of right-of-use assets and goodwill is impaired.	Right-of-use assets, representing the group's right to use underlying hotel assets, which are operated under a lease, amounted to €491.9 million at 31 December 2021 (2020: €411.0 million). Goodwill amounted to €30.8 million at 31 December 2021 (2020: €30.0 million). The carrying values of hotel cash-generating units (CGUs), which contain right-of-use assets, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, whilst CGUs to which goodwill has been allocated are required to be tested at least annually for impairment or also if there is an indication of impairment. As a result of the ongoing impact of Covid-19 on expected trading, in particular, on near term profitability, the group tested each CGU for impairment, deeming the impact to be a potential impairment indicator. Impairment reversal assessments are also carried out on the group's CGUs where there has been a previous impairment of right-of-use assets and fixtures, fittings and equipment. When the circumstances that caused the impairment loss are favourably resolved, the impairment loss is reversed immediately in profit or loss. The group applies IAS 36 Impairment of Assets to determine whether a cash-generating unit with goodwill and/or a right-of-use asset is impaired and accounts for any identified impairments through profit or loss or to determine whether any previous impairment of right-of-use assets and fixtures, fittings and equipment should be reversed. On reversal, the asset's carrying amount is increased, but not above the amount that it would have been without the prior impairment loss. Impairment losses on goodwill are never reversed. Each hotel operating business is deemed to be a CGU as the cashflows generated are independent of other hotels in the group. Management undertook detailed impairment reviews on a hotel-by-hotel basis, taking account of the valuations prepared by qualified professional valuation specialists and other factors. The assumptions utilised by management in conducting these analyses are disclosed in note 10 to the group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates. The committee has reviewed the approach taken by management, as outlined in management's report to the committee, in conducting these impairment reviews and, in particular, the assumptions utilised by management. As part of their audit, the external auditor assessed the group's impairment calculations on a CGU-by-CGU basis.

Discussions were undertaken between management and the external auditor as to the underlying assumptions. Following discussions with management and with the external auditor, the committee is satisfied that these are reasonable.

The recoverable amounts of certain CGUs were less than their pre-impairment review carrying value during 2021 and, in accordance with IAS 36, impairment charges for right-of-use assets amounting to €0.3 million were recognised in profit or loss for the year. No goodwill was impaired in the year ending 31 December 2021.

In line with IAS 36, reversals of previous impairments relating to one of the group's Irish CGUs were recognised in profit or loss as a result of improved performance forecasts. This resulted in a reversal of previous impairment charges of €0.4 million on right-of-use assets (note 13) and €0.1 million on fixtures, fittings and equipment (note 12).

Accordingly, the committee has concluded that the carrying value of right-of-use assets and goodwill is appropriately stated at 31 December 2021 and that the disclosures included within note 10, note 11 and note 12 of the group consolidated financial statements are adequate.

EXTERNAL AUDIT

Appointment

Our External Auditor is KPMG, who were appointed in 2014 and reappointed in 2016 when the company became an EU Public Interest Entity (PIE) following its admission to the main markets of Euronext Dublin (formerly Irish Stock Exchange) and the London Stock Exchange.

The External Auditor is subject to mandatory rotation after ten years, from the date that the company became an EU PIE. The company has no immediate plan to tender for external audit services voluntarily.

Evaluation

During 2021, we evaluated KPMG based on their work completed, management feedback and our review of the documentation provided to the committee.

The committee received a detailed presentation from KPMG in November 2021, setting out its strategy and priorities for the upcoming audit. This allowed the committee to provide input and monitor progress against the plan.

KPMG attend all of the committee's meetings and regularly meets the committee without management present.

The committee is satisfied that the statutory audit process and services provided by KPMG were satisfactory and effective.

Independence

The committee assessed the auditor's independence by reviewing the information and assurances given by the auditor concerning its independence and the procedures it puts in place to safeguard integrity, independence and objectivity considerations relating to the provision of non-audit services and their fees.

The committee has implemented a procedure to pre-approve any non-audit services provided by KPMG to the company. During 2021, KPMG provided non-audit services primarily in relation to the review of the half-year financial statements. KPMG fees for 2021 are set out in note 3 to the financial statements on ▶▶ page 131. Under the EU fee cap rules, non-audit services are not permitted to exceed a ratio of 70% of the average annual audit fee for the preceding three year period, The actual ratio in respect of 2021 non-audit fees was 6.9%.

The Company has adopted a policy in relation to the employment of former employees of the external auditor.

Taking into account our findings in relation to the effectiveness of the audit process and the independence of KPMG, the committee is satisfied that KPMG continue to be independent and free from any conflicting interest with the group.

Internal Control and Risk Management

The board has overall responsibility for risk management, and it has delegated this task to the committee. A consideration of the group's risk register, with particular emphasis on key risks and changing risk profiles, is a standing agenda item for each meeting.

The committee reviews documentation prepared by management in this regard. Additional details on risk management are set out on ▶▶ pages 45 to 52.

The committee also has responsibility for the oversight of the internal structures. These are reviewed on an ongoing basis throughout the year through the consideration of internal audit reports and other relevant papers.

In November 2021, the committee also considered a detailed analysis of the group's internal control and fraud management environment.

INTERNAL AUDIT

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

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

During 2021, the internal audit team continued to work remotely, successfully leveraging the company's technology to deliver a comprehensive programme of work. The internal audit team also developed its data analytics capabilities during the year, which has enabled them to conduct additional audit work.

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

WHISTLEBLOWING

Policy

The board has approved a Confidential Disclosure Policy (Whistleblowing Policy) which is reviewed annually. In January 2021, the committee approved a revised procedure for the reporting of wrongdoing within the company. The revised procedure provides a communication link for individuals to contact the audit and risk committee chair directly in relation to a matter of concern. No changes were made to the policy at its most recent review in January 2022.

A copy of the Confidential Disclosure Policy is included in the Employee Handbook, which is provided to all employees.

Committee Oversight

During 2021, the committee considered the group's whistleblowing policy and arrangements, reviewed the whistleblowing incidents and outcomes and assisted the board in its assessment of the adequacy of these arrangements. There are no outstanding matters of concern raised by employees using the whistleblowing arrangements during 2021.

HEALTH AND SAFETY AND INSURANCE PROGRAMMES

The committee is responsible for monitoring health and safety and operational risks and the group's insurance programs.

Health and Safety

As the Covid-19 pandemic continued in 2021, managing the health and safety risk associated with it continued to be a key health and safety priority for the company. The committee received reports and presentations from management on the approach to managing this risk.

Insurance

The committee receives regular reports from management on the operation of the company's public and employee liability programme, which incorporates a significant element of self-insurance. The committee also receives a comprehensive annual briefing from the company's insurance brokers on the overall insurance programme, covering all insured risks, including property, business interruption, public and employer's liability, cyber, motor, travel, directors and officers, computers and engineering (lifts).

The committee is satisfied that the company has an appropriate insurance programme in place and that its operation is satisfactory.

COMPLIANCE FRAMEWORK

Compliance with S225(2) Companies Act 2014

The committee carries out an annual review of the company's compliance framework and compliance with certain obligations specified in section 225(2) of the Companies Act 2014 arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/EC) Regulation 2005, the Prospectus (Directive 2003/71/EC) Regulation 2005, the Transparency (Directive 2004/109/EC) Regulation 2007 and Tax Laws.

This review is based on analysis prepared by internal audit of compliance activity during the year.

The committee carries out an annual review of the company's risk assessment and policies in relation to:

- Modern slavery
- Anti-bribery and corruption policy
- Anti-money laundering

MARKET ABUSE REGULATION

In 2020, the Central Bank of Ireland commenced a Market Abuse Thematic Review of all issuers with equity financial instruments listed on the Regulated Market and SME Growth Market of Euronext Dublin to assess their compliance with the requirements to recognise, manage and publish inside information as soon as possible.

As part of this Thematic Review, the Central Bank of Ireland selected the company for a comprehensive desk-based review of its relevant market abuse policies and procedures, in addition to virtual supervisory engagements with the company's representatives. The findings issued by the Central Bank of Ireland resulting from this review, the internal actions required by the company in response to these findings, together with the company's response to the Central Bank of Ireland, were considered and approved by the board during 2021.

In November 2021, the committee reviewed the company's compliance with the Market Abuse Regulations and the Market Abuse training plans.

INFORMATION SECURITY

The committee monitors the management of information security risks. In 2021, the committee received reports and presentations from specialist advisors retained by management, who conducted network vulnerability and internal network assessments and phishing simulation exercises.

In May 2021, the committee reviewed a report from management on potential ransomware attacks and considered the company's position on this matter.

The group's IT department maintains a detailed information system risk register and has developed a comprehensive suite of information security policies and training resources supporting these policies.

The company has a cyber liability insurance policy and reviews the limits and scope of this cover annually.

The committee is aware of the increased risk profile in this area and is satisfied that the company, through its ongoing investment in information technology, continues to mitigate its information security risk see ►►page 48.

In November 2021, at the board training day, the Group IT Manager and external specialist advisor presented the board with an analysis of the group's information security risks.

DATA PROTECTION

The company has established a data protection governance structure with oversight provided by the committee. The governance structure consists of an executive-level privacy committee responsible for coordinating policy, procedures and compliance activities. In April 2021, the company appointed a Risk, Compliance and Privacy Manager and also retained the services of an external specialist to support compliance.

The committee received a report from the company's compliance team in November 2021, assessing the company's compliance with GDPR and setting out the priorities for 2022. The report provided a summary of the group data incident log and noted that two incidents were reported to the relevant data protection regulator in 2021 (from a total of 28 incidents recorded).

In 2021, the company re-launched its employee training course on data protection via the Dalata Online training portal and provided a series of two-hour training sessions attended by over 440 managers.

Clayton Hotel, Burlington Road, Dublin

ESG COMMITTEE REPORT

The commitment to the ESG agenda from across the business was remarkable and evident in all the hotels and in the central office functions too.

COMMITTEE MEETINGS AND ATTENDANCE

The Committee met four times during 2021.

Member	Attendance
Elizabeth McMeikan	4/4
Robert Dix	4/4
Stephen McNally	4/4

See the Committee's terms of reference on: dalatahotelgroup.com

Dear Shareholder,

Despite the challenging backdrop of Covid-19, the group made great strides in 2021 to further integrate ESG priorities within the strategic planning process for the business.

The commitment to the ESG agenda from across the business was remarkable and evident in all the hotels and in the central office functions too. The focus in the business at a more strategic level was on establishing a baseline from which to target and measure our progress towards our medium-term ESG objectives while the hotels continued their focus on driving change at a local level.

2020 had already seen a bottom-up approach to sustainability in our hotels, with the formation of the Environmental Steering Group, comprising managers across the business, working to reduce the hotels' impact on the environment.

2021 saw this excellent work complemented by two significant external adviser appointments in order to help the business to structure and to frame its approach to ESG across the business at large and additionally to focus on understanding and measuring our embodied and operational carbon footprint within the development and running of our hotels.

2021 also saw a continuation of the focus on social initiatives, a core strength of Dalata, with an evaluation of our strengths and weaknesses and the development of the four pillars which will go to making up our social strategy.

Key Achievements in 2021

Green Tourism assessed our hotels and awarded Gold accreditation to over 80% of the hotels (35 hotels), with the remainder achieving a Silver accreditation. This is a significant improvement over the initial assessment in 2019, when 7 hotels achieved Silver and the remainder Bronze.

All hotels now have smart electricity meters in place; gas meters are also in place, with the exception of Northern Ireland, where completion is due by the end of Q1 2022. Water meters are being rolled out across the estate; this project is also scheduled to complete by the end of Q1 2022.

A target of 0% to landfill was achieved in Ireland. It is anticipated that we shall achieve 0% to landfill in the UK by the end of Q1 2022. Food loss and food waste will then become the focus of attention in order to reduce the overall level of volumes being sent for processing.

Maintenance of our CDP B rating placing us in their management band, reflective of our taking coordinated action on climate issues. This places Dalata in line with the European average and ahead of the peer average of B- for the bars, hotels and restaurants sector.

The introduction of a diversity and inclusion policy rolled out across the business will underpin the company's commitment to providing a positive, fair and respectful place to work, where diversity is respected, and inclusivity valued. The appointment of a Social Impact Manager underscores the priority accorded to this initiative.

The board's annual training day focussed on ESG matters; two climate workshops followed by a focus on the importance of the building of an inclusive culture

Establishing the baseline

In July 2021, after a competitive process, Clearstream Solutions were appointed to help provide a structured approach to ESG within the business, ensuring that our ESG priorities were well thought through and complemented the strategic business objectives or played a part in mitigating key risks. The committee has been updated on progress against the roadmap at each of its meetings and is pleased with the impressive engagement from the business at large.

Running in parallel has been the work being undertaken with leading infrastructure consultants AECOM, alongside the Development Team, to establish a road map of whole lifecycle carbon for our hotels. Their initial work has been based on in-depth analysis at Maldron Hotel Glasgow (opened August 2021), complemented by a study at the recently opened Clayton Hotel Manchester. It has measured the embodied carbon within the development process and the operational carbon in the use and maintenance of the building, alongside the embodied carbon involved in end-of-life demolition. AECOM presented their findings to the committee in October 2021, and we look forward to further engagement during 2022.

The focus on a clear social strategy that capitalises on Dalata's strong people credentials has resulted in the articulation of four key pillars to provide the backbone to future plans: career development for all; diversity and inclusion; health and well being; and behaving in a fair and ethical manner. These pillars will form the cornerstone of the future focus for activities, including training and development; progress will be measured and reported on at regular intervals.

Company purpose, culture and values

The committee received management presentations to assist its assessment of the company's culture. Our in-depth discussions provide assurance that management is committed to cultivating a culture that is well-aligned with its values and operating in the interests of its stakeholders.

Priorities for 2022

The management and the committee have continued to build on establishing their respective roles in working to establish what we already do well and where we now need to focus our efforts to gain maximum impact. 2021 has been a year of research, discovery and evaluation, and in 2022 the business now will focus on establishing an ESG framework and structure as an integral part of the mainstream business.

As far as property is concerned, the objective in 2022 will be to develop a coherent strategy compatible with company and landlord investment goals, which provides a reasonable basis for setting future carbon emissions in line with expectations. Once established, progress in achieving these carbon emission targets will be measured and reported upon at regular intervals.

For the business at large, the formulation of an ESG strategy that is integral to the business and the articulation of clear measures and targets will be a priority.

The committee looks forward to an exciting year of progress ahead, with confidence and optimism in the ESG leadership and energy evident across the business.

E McMeikan

Elizabeth McMeikan
Chair
ESG Committee

ROLE OF THE COMMITTEE

- Consider and recommend for board approval the sustainable business framework incorporating material priorities and implementation roadmap.
- Consider and recommend for board approval environmental, social and governance policy documents reserved for board approval.
- Agree and recommend the board approval of the appropriate ESG reporting frameworks and standards to be applied to the company.
- Review and recommend to the board for approval the company's purpose and values.
- Assess and monitor company culture to evaluate whether policies, practices, and behaviours align with its purpose, values and strategy.
- Oversee the setting of the company's material environmental and social objectives, review the company's strategy to achieve the agreed goals, and monitor the extent to which they are integrated within the company's business strategy and risk management process.
- Receive and consider internal and external reports concerning agreed metrics and targets and key performance indicators for environmental and social programmes and review progress towards the achievement of such targets and indicators.
- Review commitments by the company to diversity and inclusion programmes; learning and development; human rights policy development; community programmes, and charitable support.

REMUNERATION COMMITTEE REPORT

COMMITTEE MEETINGS AND ATTENDANCE

The committee met eight times during 2021

Member	Attendance
Margaret Sweeney	8/8
John Hennessy	8/8
Elizabeth Mc Meikan	8/8

All members of the committee are considered by the board to be independent (the company chair being independent on appointment). The board considers that the committee chair has sufficient recent and relevant experience for the role and that there is sufficient experience within the committee as a whole.

The report complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020.

See the Committee's terms of reference on: dalatahotelgroup.com

Dear Shareholder

I am pleased to present the report of the remuneration committee of Dalata Hotel Group plc for the year ended 31 December 2021.

We had a full agenda in 2021, meeting eight times during the year, as the business continued to deal with the disruption of the pandemic, and we managed the first leadership transition in the company's history as founder Pat McCann and fellow founding director Stephen McNally announced their retirements.

The new leadership team led by Chief Executive Dermot Crowley, with Carol Phelan appointed as Chief Financial Officer and Corporate Development Director, Shane Casserly assuming expanded responsibilities, has transitioned very successfully. Guided by this experienced team, the company is well-positioned to deliver on its strategic growth plan as it rebuilds the business.

The committee deliberated at length and consulted with shareholders before committing to compensation structures designed to reinforce the experienced and stable management foundations the company needs.

Due to the pandemic, the business has been seriously impacted over the last two years. As it rebuilds and recovers, our senior management team's deep experience, market and organisational knowledge, are recognised by the board and our shareholders as central to value creation through executing our growth strategy.

2021 Performance Context

Although we are now emerging from the acute phase of the pandemic thanks to widespread vaccination, significant disruption and uncertainty continue. Since the pandemic, the company has carefully managed its financial resources and hotel assets, which were well-invested before the crisis and is now well-positioned for recovery. We look forward to taking advantage of growth opportunities in line with our strategic plans to strengthen the business.

Business development – The company has carefully planned its next growth phase. It expects to expand operations by 37% over the next four years (from a 1 July 2021 baseline), based on published development commitments. 66% of the capacity growth (2,202 rooms at eight new hotels) has already come on stream or will open before 30 June 2022. We continue to develop ambitious growth targets and aim to provide a fair and competitive reward for senior management to ensure retention, continuity and stability at a time of significant change within the company.

Market change and risk – We are conscious that there has been a shift towards hybrid working and greater awareness about the impact of climate change, which may influence business travel as we emerge in a post-pandemic world. We remain confident in Dalata's resilience and adaptability to market changes as we look to the future. The company is also continuing to develop its ESG commitments, and we have linked 2022 incentive pay for the executive

directors to specific deliverable objectives that will support our 2026 environmental targets (see page 56) and pave the way for developing a credible decarbonisation pathway for the group.

Labour market disruption – There has been a flight of experienced people from our industry, particularly those with transferable skills in management, sales, marketing, HR, finance and customer service. Dalata had a core objective to successfully retain most of its key people across the group, particularly the core of the management teams in our hotels. We remain focused on rebuilding the business from within, as evidenced by our management succession and our priority of retaining and incentivising our key talent.

2021 compensation decisions and outcomes

Salary

We implemented 15% reductions for executive director salaries and non-executive director fees on 1 April 2020. These reverted to normal levels on 1 April 2021. Pay reductions for employees below board level were reversed on 1 January 2021.

Incentive outturns

Management has continued to demonstrate exceptional commitment over the last two years to protecting the interests and value of the company, its shareholders, and other principal stakeholders, including our employees, customers, landlords and providers of debt finance and suppliers.

Given the uncertainty concerning 2021 outcomes, the committee postponed objective setting until its July meeting. Despite the re-opening of the business in Q2 as the severest pandemic restrictions were lifted, management proposed that, in light of the first-half results and having regard to the broader stakeholder experience, the operation of the 2021 executive directors bonus plan was suspended.

Management managed well through the year as the emphasis shifted from time to time in response to changing pandemic-related market restrictions. The team focused on priority areas reflected in our target setting process, including the health and safety of staff and guests, business continuity, key staff retention, new hotel management team building, asset management, and successful marketing of the business on re-launch.

Due to the continued impact of the pandemic on share price performance and earnings during 2021, the LTIP awards granted in 2019 will not vest.

No discretion was exercised in relation to these outcomes.

Wider workforce

We consistently emphasise the importance of retaining key staff (below board level) as we rebuild the business and prepare for opening our new properties. The board and management recognise the importance of providing competitive rewards to this wider group of managers to ensure that we have the right people to support the recovery of the business. In December 2021, the committee agreed to grant a special LTIP award to 87 below-board participants in late 2021. These awards will vest on 31 March 2023 subject to continuing employment with the group.

Management succession

During the year, the company undertook its first senior management transition since its foundation in 2007. Pat McCann retired from the board as group CEO on 31 October 2021, and Stephen McNally stepped down on 31 December 2021. Their retirement pay arrangements are explained on page 93.

Dermot Crowley was appointed CEO Designate in March 2021 and succeeded Pat as Chief Executive on 1 November 2021. Carol Phelan was appointed CFO on 1 July 2021 and joined the board on 1 January 2022.

As part of the renewed executive structure, Corporate Development Director Shane Casserly has taken on significantly expanded responsibility for innovation, maintenance capital expenditure, and Group IT as part of his role as Corporate Development Director. He will also be responsible for establishing the group's decarbonisation pathway.

The recent appointments followed careful succession planning overseen by the nomination committee over several years. The board is satisfied that the appointees bring a wealth of experience and the qualities needed to lead the company at this critical time.

I would like to take this opportunity to thank Pat and Stephen for their excellent work and contributions to the group over their tenure.

Remuneration in 2022

The committee has sought to develop proposals on pay that provide a fair and competitive reward for senior management.

To ensure retention of the experienced team, critical to rebuilding the business, coming out of two years of the pandemic, we recognised that the salary levels of the incumbent executive directors were positioned at the lower end of market practice compared to Dalata's peer companies of a similar size and complexity (page 88 for further detail on benchmarking).

We were also aware of the exodus from the hospitality sector arising from the pandemic. Therefore, we believe it is in the interest of the company and shareholders that the salary levels of the executive directors be aligned at a market-competitive level. In line with shareholder guidance, the committee has decided to implement these increases on a phased basis as the executive directors develop into their new roles.

I consulted with shareholders representing over 50% of the issued share capital on the proposed remuneration changes. We believe our leading shareholders understand the strategy and underlying rationale and support the proposed changes.

Dermot Crowley was appointed with a salary of €590,000, which is c3% lower than his predecessor's salary. His salary will remain at €590,000 in 2022, and it is intended that his salary will increase to €630,000 from 1 January 2023.

Carol Phelan was appointed to the board with a salary of €350,000 effective 1 January 2022, with a further increase to €400,000 proposed from 1 January 2023. Shane Casserly's salary increased to €350,000 on 1 January 2022. This recognises the impact of his strategic responsibility for all aspects of capital spending, innovation, technology and decarbonisation. The committee proposes that his salary would increase to €400,000 on 1 January 2023.

The proposed 2023 increases for all three executive directors are subject to their performance and development in their respective roles.

We aligned all executive director pension contributions with the 5% rate offered to the majority of pension eligible Irish employees. The other elements of remuneration are set in line with the current remuneration policy.

For 2022, the annual bonus opportunity remains at 125% of base salary. The LTIP for the chief executive remains at 150% of base salary, with other directors being awarded 125% of base salary. We intend to keep this under review next year ahead of the 2023 policy renewal.

Changes to performance metrics for the FY21 and FY22 LTIP awards

LTIP awards were granted in 2021 in line with Policy. As disclosed in last year's Directors' Remuneration Report, the targets for these awards were delayed due to uncertainty with business forecasting and were published in September 2021, incorporating changes to the performance metrics that we intend to also use for the FY22 awards.

The FY21 and FY22 awards will be based 50% on free cash flow per share (previously EPS) and 50% on TSR compared to a bespoke comparator group of 20 listed peer companies (previously STOXX Europe 600 Travel and Leisure index).

Free cash flow per share (FCFS) – The committee is concerned that EPS no longer accurately represents performance or incentivises the right behaviours.

There is a risk that continuing to use EPS would penalise management for executing our growth strategy of developing new leasehold hotels due to the disproportionate impact on EPS in the early years of new leases. We have, therefore, decided that FCFS is a clearer performance measure and one which is more aligned to the recovery strategy of the business.

In our recent engagements, I noted shareholders' requests and am committed to transparency in calculating free cash flow and measuring performance, to maintain the integrity of the LTIP performance condition.

TSR comparator group – We have decided to move to a bespoke TSR group of 20 leisure and hospitality competitors for closer performance alignment. There has been significant volatility in the previously used STOXX Europe 600 Travel and Leisure index constituents. Its weighing towards the gaming industry makes it a poor fit for Dalata.

The new comparator group applies to the 2021 and 2022 awards. Further information on the targets is set out on ▶▶ page 90.

Shareholder engagement

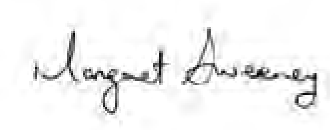
I have referred to our shareholder engagement earlier. In November, I wrote to our top 20 shareholders (owning over 70% of the issued share capital) to explain our approach to pay as set out in this report.

The majority of those contacted (as well some of the proxy advisors) engaged with me, and I am grateful for their feedback on our remuneration proposals:

The principal themes were:

- Support for the detailed assessment of remuneration in light of the company's challenges and the retention of key management in the sector.
- The need to explain the rationale for the proposal in light of the wider stakeholder experience and market context.
- Understanding of the need to align fixed pay because of retention risk.
- Support for the adoption of free cash flow per share as an LTIP performance measure with the proviso that we provide transparency in the method of calculation.
- Encouragement to use quantifiable ESG metrics in incentive pay performance measures, which are material to the company and aligned to its strategy.

I remain open to hearing from shareholders (please refer any queries or requests for engagement to the company secretary at companysecretarial@dalatahotelgroup.com) and look forward to your continuing support at the 2022 AGM.



Margaret Sweeney
Chair, Remuneration Committee

ROLE OF THE COMMITTEE

- Review the ongoing appropriateness and relevance of the remuneration policy, having regard to the pay and employment conditions across the group.
- Consider and recommend to the board the group framework for the remuneration of the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package of the chair and each executive director, including salary benefits, bonuses and incentive payments.
- Review the design of all incentive plans for approval by the board and shareholders and, for each such plan, recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors, and the performance targets to be used.

Directors' Remuneration Policy 2020 – 2022

Approved by shareholders in 2020

Dalata's Remuneration Policy was approved by shareholders at the 2020 AGM. A summary of the Remuneration Policy table for executive directors is reproduced below for information only. The full Remuneration Policy is set out on pages 80 to 85 of the 2019 Annual Report.

The remuneration committee considered the following principles as recommended in the revised 2018 UK Corporate Governance Code (the Code) in determining the policy:

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

Simplicity – The policy consists of three main elements: fixed pay (salary, benefits, and pension), an annual bonus award, and a long-term incentive award. The annual bonus is based on financial measures and individual strategic objectives tied to our key strategic objectives and risk framework. The LTIP is based on measures - relative TSR, EPS (for awards granted prior to 2021) and FCFS (for awards granted in 2021 and after), which provide a clear link to the shareholder experience. The committee will keep under review the measures used and may apply different measures for future years to ensure they continue to be aligned with strategy.

Risk – Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the shareholder experience. The post-employment shareholding policy further ensures executive directors are motivated to deliver sustainable performance that extends beyond their departure from the company.

Predictability – Annual bonus and LTIP awards levels are capped as set out in the policy.

The committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts found in the full Policy.

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

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

Policy Table for Executive Directors

The group's policy on executive directors' remuneration is designed to ensure that employment and remuneration conditions support the delivery of strategy and promote long-term sustainable success for all stakeholders. The elements of the remuneration package which may apply to executive directors are base salary, pension and benefits, annual bonus and the long term incentive plan.

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
Base salary	An appropriate level of fixed remuneration to reflect the skills and experience of the individual. Salaries are normally reviewed annually by the committee, taking into account all relevant factors, which may include the size and scope of the role, the experience and performance of the individual, and appropriate market data.	There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce. Salary increases may be above this level in certain circumstances, such as an increase in the size or complexity of the group; an increase in the size or responsibilities of the role; changes in the competitive market place; or move of salary position closer to typical market level when a new executive director has been appointed to the board at a lower than typical market salary and then gains experience.	n/a
Pension	Contributions into the company's defined contribution pension scheme or an equivalent cash supplement.	Pension contributions will be 5% for the executive directors in line with the pension contributions available to the majority of the pension eligible Irish workforce.	n/a

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
		For new Executive Directors appointed to the board, pension will be set on appointment, taking into account best practice, the pension contributions or allowances available to the wider pension eligible workforce, and market practice at similar-sized companies.	
Benefits	To provide a market competitive benefits package. The benefits available currently comprise a company car and fuel, and benefits under the group risk benefit scheme, which includes death in service cover and disability benefit. The committee may determine that other benefits will apply where appropriate. Directors are eligible to participate in the Company's Sharesave Scheme on the same basis as all other employees. Directors may be reimbursed for reasonable business expenses (and any associated tax liabilities). Where an executive director is required to relocate to perform their role, appropriate one-off or on-going expatriate benefits may be provided (e.g. housing, schooling, etc.).	The value of benefits is not capped as it is determined by the cost to the company, which may vary. Participation in Sharesave Scheme up to statutory limits.	n/a
Annual Bonus	To drive and reward the delivery of business objectives over the financial year. The bonus is discretionary, and the committee determines any pay-out based on performance. Targets are set and assessed by the committee each year. At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust. Malus and clawback provisions apply.	The maximum opportunity is: Chief Executive: 125% of salary. Other Executive Directors: 125% of salary.	Payment is determined by reference to performance assessed over one financial year and will normally be measured against a combination of financial and individual strategic performance targets. The committee determines the weightings of the performance measures each year. The overall framework will normally be weighted towards financial measures of performance. The committee will consider the group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
Long-term incentive plan (LTIP)	To reward executive directors for the delivery of long term performance and align their interests with shareholders. Awards are made under, and subject to the terms of, the 2017 LTIP approved by shareholders at the 2017 AGM. Awards are in the form of conditional share awards or nil-cost options (or in such other form that the committee determines has the same economic effect), which vest as soon as reasonably practicable after the end of the performance period subject to performance conditions. Vested shares are subject to an additional holding period of at least two years. Shares subject to a holding period may be placed in a restricted share trust. Malus/clawback and dividend equivalent provisions apply (see notes).	The maximum annual award level is Chief Executive: 150% of salary. Other Executive Directors: 125% of salary.	Performance targets are normally measured over three financial years, using performance measures aligned with the strategy and shareholder value. 25% normally vests for threshold performance. The committee has the discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned to the business strategy and objectives. The committee will consider the group's overall performance before determining the final vesting level and may adjust the vesting level if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment, the committee may take into account such factors as the committee considers relevant.
Shareholding guidelines	To increase long term alignment between executives and shareholders. Executive directors are required to build up and maintain a beneficial holding of at least 200% of base salary. Unvested deferred bonus shares and vested LTIP shares within a holding period will count towards the guideline (on a net of tax basis). Individuals who step down as an executive director after 1 January 2020 will normally be expected to retain a shareholding in the company of half of their in-employment shareholding requirement (or actual shareholding if lower) for two years after leaving.	n/a	n/a

Notes to the table

Dividend equivalents - LTIP awards may incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vests, up to the time of vesting (or where the award is subject to a holding period, release).

Malus and clawback - The annual bonus and the LTIP contain malus and clawback provisions. The cash and share elements of the annual bonus may be clawed back during the three years following payment, and awards under the LTIP may be cancelled (prior to vesting), reduced, or clawed back for two years post vesting in the event of a material misstatement of results or serious misconduct.

Policy table for non-executive directors

Element	Purpose, link to strategy and operation	Opportunity
Chair and Non-executive Director ("NED") Fees	To attract and retain non-executive directors with the required qualities, skills, and experience. Fees for the chair are determined by a subcommittee of the board comprising the chief executive and the non-executive directors but excluding the chair. Fees for non-executive directors other than the chair are determined by a sub-committee of the board comprising the chief executive and the chair. The chair receives a single fee. NED fees include a base fee and may include additional fees for other board or committee duties. The chair and non-executive directors do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided. Non-executive directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in the performance of duties. Additional benefits may be introduced if considered appropriate.	There is no prescribed maximum annual increase or fee level. Fee levels are normally reviewed every two years, with reference to the time commitment of the role and market levels (for example, in companies of comparable size and complexity). Fees are next due for review in 2023.

Service contracts/letters of appointment

Service contracts for the executive directors, Dermot Crowley (commencing 3 December 2012), Shane Casserly (3 March 2014), and Carol Phelan (17 November 2014), do not have a fixed end date but can be terminated by serving notice. The service contracts have a notice period of six months. Other than entitlement to notice and payment of salary and contractual benefits in lieu of notice, the executive directors are not entitled to compensation on termination of their respective contracts. These terms would normally apply to a service contract for a new executive director.

The non-executive directors and chair have been appointed under the terms of letters of appointment commencing as follows: John Hennessy, Margaret Sweeney, and Robert Dix on 27 February 2014; Elizabeth McMeikan, 8 October 2019; Cathriona Hallahan, 1 November 2021; and Gervaise Slowey, 1 December 2021. The appointment is renewed annually, and, under the company's director's re-election policy, all Directors are subject to annual re-election by shareholders. Non-executive director's appointment is terminable by either party giving one month's written notice.

Consideration of shareholder views

The committee undertook a consultation exercise with major shareholders in respect of the development of this Remuneration Policy, and the feedback received was taken into account in finalising the proposals.

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

Consideration of conditions elsewhere in the Company

When determining remuneration arrangements for executive directors, the committee considers the pay and conditions of employees throughout the group. In particular, the committee considers the general level of salary increases and incentive award outcomes within the wider workforce. While the committee does not directly consult with employees as part of the process of determining executive pay, the non-executive director designated responsible for workforce engagement regularly engages with employees to understand their views on a range of issues, including pay and employment conditions throughout the group. The board takes such feedback into account when reviewing executive pay. To the extent that employees are shareholders, they can vote on remuneration resolutions at the AGM.

The committee and the board acknowledge that this approach is not consistent with the FRC's February 2021 guidance concerning two-way dialogue with the workforce in relation to remuneration (in the context of compliance with provision 41 of the Code). Following the recent appointment of Gervaise Slowey as the non-executive director with responsibility for workforce engagement, the board intends to review methods of employee engagement that facilitate a meaningful response to the February 2021 guidance.

Annual Remuneration Report

This report will be submitted as an advisory vote to shareholders at the 2022 AGM. The report complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020.

Statement of Implementation for 2022

This section summarises the remuneration arrangements for the Directors for the 2022 financial year.

Base salaries

When considering the package for the appointees, we recognised that the salary levels of the incumbent executive directors were positioned at the lower end of market practice compared to Dalata's peer companies of a similar size and complexity.

For benchmarking purposes, we examined base salary, maximum bonus, maximum LTIP, pension, total fixed compensation (salary + pension) and total compensation (salary + pension + max bonus + max LTIP) by reference to four market reference points: a) UK listed companies with market capitalisation between €0.6 bn and €1.4 bn (on a 12-month average basis to the end of April 2021) – the primary comparator group, b) UK listed companies with market capitalisation between €1.4 bn and €2.3 bn, c) a sector comparator group of FTSE 250 travel and leisure companies, and d) a broadly based group of Irish listed companies.

We believe it is in the interest of the company and shareholders that the salary levels of the incumbent executive directors be aligned at a market-competitive level.

The revised base salaries will remain below the median by reference to the primary reference group.

In line with shareholder guidance, the committee has decided to implement these increases on a phased basis as the executive directors develop into their new roles.

Dermot Crowley was appointed with a salary of €590,000, c3% lower than his predecessor. His salary will remain at €590,000 in 2022, and it is intended that his salary will increase to €630,000 from 1 January 2023.

Carol Phelan was appointed to the board with a salary of €350,000 effective 1 January 2022, with a further increase to €400,000 from 1 January 2023.

Shane Casserly's salary increased to €350,000 on 1 January 2022, recognising the impact of his strategic responsibility for all aspects of capital spending, innovation, technology and decarbonisation. The committee proposes that his salary would increase to €400,000 on 1 January 2023.

In each case, the proposed 2023 increase will be subject to performance and development in the respective roles.

4. **Companies included in the primary comparator group:** Rank Group, Essentra, MITIE Group, Hammerson, Elementis, Coats Group, Redde Northgate, CLS Holdings, NCC Group, Cairn Energy, Greencore Group, XP Power, Capita, Sirius Real Estate, Morgan Sindall Group, 888 Holdings, Vectura Group, PureTech Health, Sabre Insurance, Hilton Food Group, 4imprint Group, PZ Cussons, Just Group, Oxford Instruments, FirstGroup, Mitchells & Butlers, Biffa, Euromoney Institutional Investor, C&C Group, Playtech, Oxford Biomedica, Hill & Smith Holdings, Crest Nicholson Holdings, Vivo Energy, Premier Foods, Telecom Plus, Chemring Group, Avon Rubber, Clarkson, Watches of Switzerland, Morgan Advanced Materials, FDM Group Holdings, Ibstock, Petropavlovsk, Indivior, Hochschild Mining, St Modwen Properties, TI Fluid Systems, Cineworld Group, Genuit Group.

The following table shows the base salaries effective 1 January 2022:

€'000	2022
Dermot Crowley	590.0
Carol Phelan	350.0
Shane Casserly	350.0

Pension

We adjusted executive director pension contributions to 5% of salary, in line with the majority of pension eligible staff in Ireland and the remuneration policy. The committee will keep the pension contribution under review in the context of any changes in pension provision across the group.

The committee acknowledges that up to the end of 2021, pension contributions paid to some executive directors were not aligned with the wider pension eligible workforce and therefore did not comply with provision 38 of the Code. The higher payment rates arose from contractual obligations. The matter was rectified with effect from 1 January 2022.

For future new Executive Director hires, the board will take into account best practice, the rate available to the wider pension eligible workforce, and market practice at similar sized companies at the time of appointment.

Annual bonus

Each of the executive directors will be eligible for a maximum bonus of 125% of salary, unchanged from 2021.

The performance measure for all executive directors will be weighted 70:30 between financial and non-financial measures.

The financial metric will be based on EBIT (see definition on ▶▶ page 194). The non-financial measures are based on specified strategic objectives linked to the individual's area of responsibility, including objectives designed to support the achievement of the company's 2026 environmental targets (see ▶▶ page 56) and pave the way for developing a credible decarbonisation pathway for the group.

The committee will consider the group's overall performance before determining the final bonus outcome and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period. It will also consider whether any proposed bonus payment is appropriate in the context of its alignment with the shareholder experience over the year and the experience of other stakeholders.

At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust.

Malus and clawback provisions apply.

The following table shows the weighting of the bonus opportunity for all executive directors for 2022 (opportunity % base salary):

Category	Annual bonus measure	All executive directors % base salary
Financial	EBIT	87.5%
Non-financial	Individual strategic business objectives	30.0%
	Environmental targets	7.5%
	Total	**125%**

LTIP

Awards will be granted in 2022 of 150% of salary for the chief executive and 125% of salary for the other Executive Directors in line with the Remuneration Policy.

Awards will vest after a three-year performance period based 50% on TSR and 50% on Free Cash Flow per share (FCFS). Vested shares will be subject to a minimum additional two-year post-vesting holding period.

For the past few years, the STOXX Europe 600 Travel and Leisure index has been used as our TSR comparator group. However, there has been significant volatility in the constituents of the group, and it is now more focused on gaming companies. Therefore, it has become evident that the make-up of the STOXX 600 Travel and Leisure index is no longer a good fit for Dalata. As committed in the 2021 Directors' Remuneration Report, the committee has given careful thought to what group would be more appropriate to use going forward and have decided to move to a bespoke TSR group of 20 leisure and hospitality competitors for closer performance alignment. A list of the companies in the group is shown below:

Company	Sub-sector	Company	Sub-sector
Marriot International	Hotels and Motels	Easyjet	Airlines
Hilton Worldwide	Hotels and Motels	TUI	Travel and Tourism
Ryanair	Airlines	Air France-KLM	Airlines
IHG	Hotels and Motels	SSP Group	Restaurants and Bars
Accor	Hotels and Motels	Autogrill	Restaurants and Bars
IAG.	Airlines	Melia Hotels.	Hotels and Motels
Hyatt	Hotels and Motels	Finnair	Airlines
Whitbread	Hotels and Motels	Scandic	Hotels and Motels
Deutsche Lufthansa	Airlines	PPHE Hotel Group	Hotels and Motels
Wizz Air	Airlines	On the Beach	Travel and Tourism

The LTIP awards have previously been based 50% on EPS measures, which is now replaced by Free cash flow per share (FCFS). Due to the way that Dalata is required to account for leases under IFRS16, the committee is concerned that EPS was not fully representative of our performance or incentivising the right behaviours. There is a risk that continuing to use EPS would penalise management for executing our growth strategy of developing new leasehold hotels due to the disproportionate impact on EPS in the early years of new leases. The committee has, therefore, decided that FCFS is a clearer performance measure that is more aligned to the recovery strategy of the business.

The committee believes that TSR and FCFS provide a balance between incentivising long-term profit growth from the execution of the strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to sector peers.

Concerning FCFS, shareholders in our recent consultation indicated they understood the rationale for the change but stressed the need for reporting in relation to its calculation. Historically we have adjusted EPS for LTIP to exclude items that are deemed one-off and thus do not reflect normal trading activities or distort comparability either period on period or with other similar businesses. We intend to take a similar approach with FCFS to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, we drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders. The definition of FCFS is set out in the Alternative Performance Measures, see ►► page 192.

The performance targets for 2022 LTIP awards are shown below:

€'000	TSR (50% of award)	FCFS (50% of award)
Definition	TSR performance (compared with bespoke group)	Basic FCFS achieved in the year ending 31 December 2024
Threshold vesting (25% of maximum)	TSR at median level of the group	€0.36
Maximum vesting	TSR at upper quartile level of the group	€0.48

Notes:

a. No vesting below threshold performance.

b. Straight-line vesting between points

c. The company's TSR performance will be calculated by using a ranked approach against the bespoke group. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2022 to 31 December 2024).

Non-executive Director fees

Non-executive director fees were last reviewed by the board in 2021, and it was agreed that no increase would be applied at the time being. Fees are typically reviewed every two years and are next set to be reviewed in 2023.

The table below shows non-executive director fees effective 1 January 2022 with comparative figures for 2021.

Full normalised fees are shown for 2021. The 15% temporary reduction effective between 1 April 2020 and 31 March 2021 reduced 2021 pay by 3.75% from normalised fees.

€'000	2022	2021	Change %
Board Chair	150	150	0%
Basic Non-executive Director	65	65	0%
Chair Audit and Risk Committee	20	20	0%
Chair Remuneration Committee	20	20	0%
Chair ESG Committee	20	20	0%
Non-executive Director designated responsibility for workforce engagement	20	20	0%

OUTCOMES IN RESPECT OF 2021

Where indicated the disclosure has been audited.

Directors' remuneration in 2021 was awarded in line with the Remuneration Policy, which was approved by shareholders at the 2020 AGM.

Overall, the committee is satisfied that the policy has operated as it was intended this year. Due to the ongoing impact of the pandemic on the company and the wider hospitality sector, no annual bonus or long-term incentive awards were paid to any of the executive directors in respect of 2021.

Single total figure of remuneration (audited)

The following table details director's remuneration for the 2021 financial year (with 2020 comparative figures).

€'000	Year	Base salary/ fees	Pension	Benefits	Bonus	LTIP	Total	Proportion of fixed and variable pay
		Fixed Remuneration			Variable Remuneration			
EXECUTIVE DIRECTORS								
Pat McCann	2021	486	-	-	-	-	486	100:0
	2020	542	-	-	-	-	542	100:0
Stephen McNally	2021	342	51	3	-	-	396	100:0
	2020	316	47	3	-	-	366	100:0
Dermot Crowley	2021	381	47	12	-	-	440	100:0
	2020	316	47	12	-	-	375	100:0
Shane Casserly	2021	313	16	-	-	-	329	100:0
	2020	288	15	-	-	-	303	100:0
NON-EXECUTIVE DIRECTORS								
John Hennessy	2021	144	-	-	-	-	144	100:0
	2020	133	-	-	-	-	133	100:0
Robert Dix	2021	82	-	-	-	-	82	100:0
	2020	75	-	-	-	-	75	100:0
Alf Smiddy	2021	32	-	-	-	-	32	100:0
	2020	75	-	-	-	-	75	100:0
Margaret Sweeney	2021	82	-	-	-	-	82	100:0
	2020	75	-	-	-	-	75	100:0
Elizabeth McMeikan	2021	82	-	-	-	-	82	100:0
	2020	75	-	-	-	-	75	100:0
Cathriona Hallahan	2021	11	-	-	-	-	11	100:0
	2020	n/a	-	-	-	-	n/a	100:0
Gervaise Slowey	2021	5	-	-	-	-	5	100:0
	2020	n/a	-	-	-	-	n/a	100:0

Notes:

a. Base salary/fees represent all amounts received in respect of the financial year.

b. Pat McCann served as CEO from 1 January until 31 October 2021, when he stepped down from the board. His pay in the above table represents time in service up to 31 October 2021. He remained in employment from 01 November to 31 December 2021, during which time he received €102k of compensation, reflecting the period of annual leave accrued through 2020 and 2021 when due to the exceptional circumstances of the Covid-19 pandemic, very little annual leave was taken.

c. Dermot Crowley previously served as Deputy CEO. He was appointed CEO Designate in March 2021 and remained on his previous salary of €355.5k (which was subject to a 15% reduction for the first three months of the year). He succeeded Pat as CEO on 1 November 2021 with a base salary of €590k. His salary in 2021 has been pro-rated accordingly to reflect his time in each role.

d. Pension represents payments into the company's defined contribution pension plan. For 2021 (and 2020), the former Chief Executive, Pat McCann, did not participate in the pension plan. The Deputy Chief Executives received pension contributions of 15% of salary, and the Corporate Development Director received pension contributions of 5% of salary. Dermot was appointed CEO on 1 November 2021 with a pension contribution of 5% of salary. Previously as Deputy CEO, his pension contributions were 15% of salary. His pensions figure in 2021 has been pro-rated accordingly.

e. Benefits include a company car and fuel and benefits under the group risk-benefit scheme, which includes death in service cover and disability benefit.

f. Alf Smiddy received compensation of €22k for expenses incurred travelling to and from board meetings (2020 zero), Elizabeth McMeikan received similar compensation of €1k (2020 zero).

g. There was no bonus payment made for 2021: The 2021 executive director bonus plan was suspended in July 2021 following a management proposal to the remuneration committee that, in light of the outcome for the first half of the year and having regard to the wider shareholder experience, no bonus should be paid for 2021.

h. There will be no vesting of LTIP awards for 2021. This reflects the final vesting outcome of the 2019 LTIP award. Performance was measured over the three-year performance period from 1 January 2019 to 31 December 2021. Vesting of the 2019 award was based 50% on TSR performance compared to the STOXX Europe 600 Travel and Leisure index and 50% on EPS performance achieved in FY21 (see ▶▶ page 92 for further details). No discretion was exercised.

i. Cathriona Hallahan was appointed non-executive director of the board on 1 November 2021. Her fees for 2021 reflect her time in service during the year.
j. Gervaise Slowey was appointed non-executive director of the board on 1 December 2021. Her fees for 2021 reflect her time in service during the year.

Annual bonus plan outcome for 2021 (audited)

The maximum bonus for 2021 was 125% of salary for all executive directors. For the chief executive and deputy chief executives, this was based 60% on the achievement of stretching financial targets and 40% on non-financial targets. For the corporate development director, the performance measures were weighted equally (50/50) between financial and non-financial objectives.

It was intended that the financial target would be divided into two parts, based on EBIT (divided between the first and second half of the year) and liquidity. The non-financial targets were intended to be divided between group strategic objectives designed to position the company for a strong recovery in 2022 and the development and implementation of an integrated ESG strategy

Given the uncertainty concerning 2021 outcomes, the committee postponed objective setting until its July meeting. At that meeting, management proposed that, in light of the outcome for the first half of the year and having regard to the wider shareholder experience, no bonus should be paid for 2021. The committee agreed; no discretion was applied.

LTIP – vesting outcome of the 2019 award (audited)

The 2019 LTIP award granted to executive directors on 6 March 2019 became eligible for vesting following the completion of the Performance Period on 31 December 2021. Vesting of the award was subject to two performance criteria: 50% of the award is based on TSR performance compared to the STOXX Europe 600 Travel and Leisure index, and 50% is based on Adjusted Basic EPS performance for the year ended 31 December 2021 (calculated under the accounting treatment of leases per IAS 17; see alternative performance measures (APM) (xvii) on page 196.

Due to the continued impact of the pandemic on performance in 2021, the 2019 LTIP will not vest. The committee did not exercise any discretion in relation to this outcome.

The assessment of the TSR and EPS performance is shown below.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting outcome
TSR	50%	Equal to index	Equal to or greater than 10% per annum above the index	Below the index	0%
Adjusted Basic EPS	50%	€0.45	€0.55	(€0.026)	0%
				Overall Vesting	0% of maximum

a. TSR was calculated using a 3-month average at the start and end of the performance period (1 January 2019 to 31 December 2021).

Share incentive plan interests awarded during 2021 (audited)

The table below provides details of the LTIP awards made during the year to the executive directors.

Director	Type of award	Face value of the award at grant	Number of shares awarded	Vesting at threshold (% of maximum)	Performance period
Pat McCann	LTIP	150% of salary	219,895	25%	1 Jan 2021 to 31 Dec 2023
Dermot Crowley	LTIP	125% of salary	106,761	25%	1 Jan 2021 to 31 Dec 2023
Stephen McNally	LTIP	125% of salary	106,761	25%	1 Jan 2021 to 31 Dec 2023
Shane Casserly	LTIP	125% of salary	97,600	25%	1 Jan 2021 to 31 Dec 2023

a. Vesting is based on two separate performance criteria: 50% of the award is based on TSR performance compared with the company's bespoke TSR group. A full list of the companies in the group can be found on page 89. Threshold vesting occurs for TSR equal to the median TSR of the group and maximum vesting where TSR is equal to or greater than the upper quartile TSR of the group. The remaining 50% is based on Free Cash Flow per share achieved in FY23 with threshold vesting for FCFS equal to €0.35 and maximum vesting if FCFS is equal to or greater than €0.47.
b. The number of shares awarded was calculated using the volume-weighted average share price on 2 March 2021 (€4.162), the last trading day prior to the date of the grant.
c. The maximum awards granted to Pat McCann and Stephen McNally will be reduced on a pro-rata basis in line with their service during the performance period.

As disclosed in last year's Directors' Remuneration Report, we delayed target setting for the 2021 LTIP grant due to the uncertainty with business forecasting. The targets for these awards were published in September, as set out below:

€'000	TSR (50% of award)	FCFS (50% of award)
Definition	TSR performance against the bespoke group	FCFS achieved in the year ending 31 December 2023
Threshold vesting (25% of maximum)	TSR at median level of the group	€0.35
Maximum vesting	TSR at upper quartile level of the bespoke group	€0.47

Notes:

a. No vesting below threshold performance.

b. Straight-line vesting between points.

c. The company's TSR performance will be calculated by using a ranked approach against the bespoke group. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2021 to 31 December 2023).]

d. TSR comparator group includes Marriott, Hilton, Ryan Air, IHG, Accor, IAG, Hyatt, Whitbread, Deutsche Lufthansa, Wizz Air, easyJet, Tui, Air France-KLM, SSP Group, Autogrill, Melia Hotels, Finnair, Scandic, PPHE Hotel, On the Beach.

e. The company has been on the path to recovery from the impact of the Covid-19 pandemic, and at the time when the 2021 LTIP grant was made, the share price reflected some of this recovery, which significantly mitigated the risk of potential windfall gains. However, the committee will continue to monitor this and is prepared to exercise its discretion at the end of the performance period to avoid such windfall gains arising.

Leaving arrangements for Pat McCann and Stephen McNally

Pat McCann stepped down as Chief Executive and as a director of the board on 31 October 2021. Pat remained an employee of the company until the end of 2021, reflecting the period of annual leave accrued through 2020 and 2021 when due to the exceptional circumstances of the Covid-19 pandemic, very little annual leave was taken. He was paid his normal salary of €102,000 in the period from 01 November to 31 December 2021. No payment in lieu of notice or other termination payment will be payable.

Pat was eligible for an annual bonus in respect of FY2021, however as described on page 82 the 2021 executive director bonus plan was suspended, and no bonus was paid.

Pat was treated as a good leaver in respect of his outstanding LTIP awards and unvested deferred bonus shares. Any deferred bonus shares will continue to vest on the normal vesting date and be subject to malus provisions. Unvested LTIP awards will be prorated for the time in service and will vest in line with the terms of the Plan Rules on the normal vesting date subject to the performance conditions being satisfied at the end of the performance period. They will be subject to a holding period in line with the terms of the scheme. All LTIP awards will remain subject to malus and clawback provisions, and he will not be eligible to receive any future awards under the company's long-term incentive plan.

In line with the company's remuneration policy, Pat is subject to a minimum shareholding requirement equivalent to half of the in-employment shareholding requirements (i.e.100% of salary) for a two-year holding period from leaving employment. This guideline only applies to shares that vested following the approval of the 2020 Policy; however, the company's restricted share trust is projected to retain a minimum balance of greater than 100% of salary throughout the two years after leaving employment.

Stephen McNally stepped down as a director of the board on 31 December 2021. He remained in employment with the company until 28 February 2022. This was originally designed to reflect the period of annual leave accrued through 2020 and 2021 when, due to the exceptional circumstances of the Covid-19 pandemic, very little annual leave was taken. However, following the decision of Conal O'Neill not to take up the position of Chief Operating Officer (COO) (announced on 3 November 2021), due to a change in personal circumstances, Stephen agreed to remain in position to support the transition of Des McCann to the COO role. He was paid normal salary and benefits until 28 February and received a payment in lieu of annual leave upon termination. Under his service contract, payment in lieu of annual leave is not provided for. However, in the exceptional circumstances, the committee agreed to waive this provision. No payment in lieu of notice or other termination payment was payable. From 1 March 2022, Stephen McNally will remain available to the company to support business operations, particularly in relation to the opening of new hotels and the new COO for a period of four months, during which he will receive a fee of €1,350 per day of work. The board is grateful to have the benefit of Stephen's immense experience for this extended period

Stephen will not participate in the annual bonus in respect of FY2022.

Stephen was treated as a good leaver in respect of his outstanding LTIP awards and unvested deferred bonus shares. Any deferred bonus shares will continue to vest on the normal vesting date and be subject to malus provisions. Unvested LTIP awards will be prorated for time in service and will vest in line with the terms of the Plan Rules on the normal vesting date subject to the performance conditions being satisfied at the end of the performance period. They will be subject to a holding period in line with the terms of the scheme. All LTIP awards will remain subject to malus and clawback provisions, and he will not be eligible to receive any future awards under the Company's long-term incentive plan.

In line with the company's remuneration policy, Stephen will be subject to a minimum shareholding requirement equivalent to half of the in-employment shareholding requirements (i.e. 100% of salary) for a two-year holding period from leaving employment. This guideline only applies to shares that vested following the approval of the 2020 Policy; however, the company's restricted share trust is projected to retain a minimum balance of greater than 100% of salary throughout the two years after leaving employment.

Additional Disclosures

Directors' and Company Secretary's share interests

	Shares beneficially owned as at 31 December 2020	Shares beneficially owned as at 31 December 2021	Option to acquire shares under Sharesave Scheme	Conditional LTIP share awards subject to performance conditions			
				2019 Award (vesting after 31/12/21)	2020 Award (vesting after 31/12/22)	2021 Award (vesting after 31/12/23)	Total Conditional LTIP Awards
Pat McCann (note a)	1,673,319	1,673,319	7,894	150,121	250,334	73,298	473,753
Dermot Crowley	586,381	586,381	7,894	72,885	182,309	106,761	361,955
Stephen McNally	612,833	612,833	7,894	72,885	131,668	41,518	246,071
Shane Casserly	148,189	148,189	7,894	29,360	166,665	97,600	293,625
John Hennessy	170,000	170,000					
Robert Dix	87,465	87,465					
Margaret Sweeney	66,787	66,787					
Alf Smiddy (note a)	76,646	76,646					
Elizabeth McMeikan	8,000	8,000					
Cathriona Hallahan	n/a	-					
Gervaise Slowey	n/a	-					
Seán McKeon	175,139	175,139	7,894	29,372	73,468	43,023	145,863

a. The interests of Pat McCann and Alf Smiddy in the column headed "Shares beneficially owned as at 31 December 2021" reflect their retirement as directors on 31 October 2021 and 29 April 2021, respectively.

b. Shares beneficially owned include those of connected persons and include shares held in trust, which are subject to deferral or holding periods.

c. Total conditional LTIP awards include LTIP awards to Executive Directors representing the maximum number of shares that may vest under 2019, 2020, and 2021 LTIP awards based on the performance conditions associated with each award. The 2019 award will not vest because the performance criteria were not met see page 92. The number of awards for Pat McCann and Stephen McNally for 2020 and 2021 are reduced on a pro-rata basis in line with the length of their service during the performance period

d. There was no change in the beneficial interests of the Directors between the year-end and the date of this report.

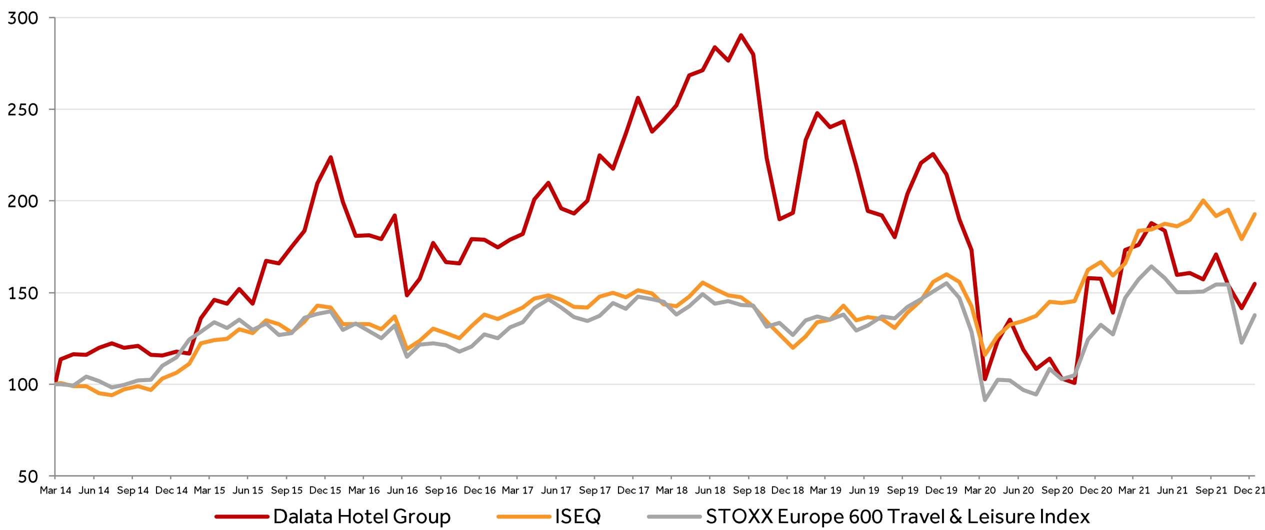
Shareholding guidelines

Executive Directors are required to build up and maintain a beneficial holding of at least 200% of base salary. Based on the closing share price on 31 December 2021 of €3.72, the Executive Directors' beneficial holdings as a percentage of their base salary (on that date) were as follows:

	Beneficial shareholding % base salary
Stephen McNally	641%
Dermot Crowley	370%
Shane Casserly	170%

TSR performance summary and historic remuneration outcomes

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



The following table shows the total remuneration for the chief executive for each financial year over the same period.

	2014[1]	2015	2016	2017	2018	2019	2020	2021
Single figure (€'000)	441	840	1,603	1,764	1,511	1,293	542	583
Annual bonus outcome (% of maximum)	67%	100%	90%	100%	100%	62.5%	0%	0%
LTIP vesting (% of maximum)	N/A	N/A	100%	100%	46%	67%	0%	0%

1. 2014 includes remuneration prior to IPO.
2. 2019 single f-igure is restated to reflect the vesting outcome of LTIP awards granted in 2017, which vested in March 2020.
3. 2021 single figure includes the outgoing CEO's pay until 31 October and the new CEO's pay from 1 November until 31 December 2021.

Relative spend on pay

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

	2020	2021	Change
Dividend	€0.0m	€ 0.0m	0%
Aggregate employee remuneration	€49.2m	€51.7m	5%

The above figures are stated net of government grants of €38.0 million (2020: €20.8 million).

Percentage change in remuneration

The following analysis is presented in compliance with S1110N of the Companies Act 2014: it summarises the annual change in remuneration for each individual director over five years in comparison to the annual change in average employee remuneration.

	2017 v. 2016	2018 v. 2017	2019 v. 2018	2020 v. 2019	2021 v. 2020	2021 €'000's
Director's Remuneration						
Executive Directors						
Pat McCann	10%	(14%)	(14%)	(58%)	(10%)	486
Stephen McNally	9%	(16%)	(16%)	(52%)	8%	396
Dermot Crowley	9%	(16%)	(15%)	(51%)	17%	440
Shane Casserly	n/a	n/a	n/a	n/a	9%	329
Non-executive Directors						
John Hennessy	25%	0%	20%	(11%)	8%	144
Margaret Sweeney	25%	0%	13%	(12%)	9%	82
Alf Smiddy	25%	0%	13%	(12%)	(58%)	32
Robert Dix	25%	0%	13%	(12%)	9%	82
Elizabeth McMeikan	n/a	n/a	n/a	400%	9%	82
Cathriona Hallahan	n/a	n/a	n/a	n/a	n/a	11
Gervaise Slowey	n/a	n/a	n/a	n/a	n/a	5
Company Performance						
Profit (loss) before tax	75%	13%	3%	(224%)	90%	(11,436)
Average Remuneration, on a Full-time Equivalent Basis, of employees of the group						
Average group FTE	1%	2%	3%	17%	(1%)	(36%)

1. Changes in Directors and roles during the 2021 financial year were as follows:
   - Pat McCann stepped down from the board on 31 October 2021.
   - Dermot Crowley was promoted to group CEO effective 1 November 2021.
2. Cathriona Hallahan and Gervaise Slowey were appointed on 1 November 2021 and 1 December 2021, respectively, and Alf Smiddy retired on 29 April 2021.

Payments to past Directors

Details of salary payments to Pat McCann in the period after he stepped down from the board on 31 October 2021 are set out on page 93.

Payments for loss of office

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

AGM voting

At last year's Annual General Meeting, the following votes were received on the resolution to receive and consider the Director's Report on Remuneration for the year ended 31 December 2020.

	Votes	%
Votes For	106,340,482	100%
Votes Against	82,140	0%
Total Votes	106,422,622	100%
Votes Withheld	0	

The following votes were received on the resolution to approve the Directors Remuneration Policy at the 2020 AGM.

	Votes	%
Votes For	131,980,613	99%
Votes Against	913,115	1%
Total Votes	132,893,728	100%
Votes Withheld	0	

The committee was pleased with the level of support received for our Remuneration Report and Directors Remuneration Policy. As always, we are committed to taking into consideration the views of our shareholders each year in our approach to and disclosure of remuneration.

Remuneration Committee and advisors

The chief executive and the company secretary attended committee meetings at the invitation of the committee chair (but were not present for discussions on their own remuneration).

The committee's independent advisor Deloitte LLP and the Group HR Manager also attended some meetings.

The members of the committee have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided and no day-to-day involvement in the running of the business.

In carrying out its duties, the committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange or Euronext Dublin and associated guidance and investor guidelines on executive remuneration.

The board approves the remuneration of the non-executive directors. During 2021, the committee continued to receive independent advice from Deloitte LLP, based in London, in respect of the development of the Remuneration Policy.

Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its code concerning executive remuneration consulting. Deloitte Ireland also provided unrelated corporate finance advisory services during the year.

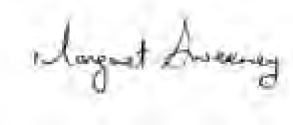
It is the view of the committee that the Deloitte LLP engagement team that provide remuneration advice to the committee do not have connections with the Company or its directors that may impair their independence.

The committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

The committee considers that the advice received from the advisors is independent, straightforward, relevant, and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

Fees charged by Deloitte LLP during the year were £33,700. These fees were charged on a time and materials basis.

On behalf of the board



Margaret Sweeney
Chair
Remuneration Committee
28 February 2022

DIRECTORS' REPORT

The directors present their report and the consolidated financial statements of Dalata Hotel Group plc ("Dalata" or the "company") and its subsidiaries (the "group") for the year ended 31 December 2021.

Principal activities and business review

Dalata Hotel Group plc is the largest hotel operator in the Republic of Ireland and operates 16 hotels in the UK (including one partner hotel) and one hotel in Germany. Shareholders are referred to the Chair's Statement, Chief Executive's Review and the Financial Review, which contain a review of operations and the financial performance of the group for 2021, the outlook for 2022 and the key performance indicators used to assess the performance of the group. These are deemed to be incorporated in the Directors' Report.

Results for the year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 and the consolidated statement of financial position at that date are set out on pages 109 and 110, respectively.

Dividends

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

Future developments

A review of future developments of the business is included in the Financial Review on pages 35 to 43.

Directors and company secretary

The names of the directors and company secretary and a biographical note on each appear on pages 61 and 62.

Changes made to the board of directors were as follows:

- Alf Smiddy retired from the board on 29 April 2021.
- Pat McCann and Stephen McNally retired from the board on 31 October 2021 and 31 December 2021, respectively.
- Cathriona Hallahan and Gervaise Slowey were appointed to the board on 1 November 2021 and 1 December 2021, respectively.
- Carol Phelan was appointed to the board on 1 January 2022.

In accordance with the provisions contained in the UK Corporate Governance Code, all directors will voluntarily retire and be subject to election by shareholders at the 2022 Annual General Meeting. Robert Dix will retire from the board at the conclusion of the 2022 Annual General Meeting and will not seek re-election.

Directors' and company secretary's interests

Details of the directors' and company secretary's share interests and interests in unvested share awards of the company and group companies are set out in the remuneration committee report on page 94.

Audit committee

The group has established an audit and risk committee comprising four independent non-executive directors. Details of the committee and its activities are set out on pages 73 to 78.

Share capital

The issued share capital of Dalata consists of 222,865,363 ordinary shares. Each share has a nominal value of €0.01. All shares have equal voting and dividend rights.

The group has in place a number of employee share schemes. Details of these are set out in the remuneration committee Report and in Note 7 to the consolidated financial statements.

Substantial holdings

As at 28 February 2022, the company has been notified of the following interests of 3% or more in its share capital which are presented in the table at the bottom of the page.

Holder	Number of Ordinary Shares	% shares in issue
Zahid Group Holding (MENA) Ltd	21,757,250	9.76%
Ameriprise Financial	19,045,088	8.55%
Fidelity Investments	18,822,984	8.45%
Franklin Templeton Investments	16,121,808	7.23%
Lazard	11,060,768	4.96%
J&E Davy Holdings Ltd	9,963,606	4.47%
FIL Investment International	7,373,551	3.31%
The Vanguard Group, Inc	7,103,715	3.19%
Norges Bank Investment Management	6,706,787	3.01%

Principal risks and uncertainties

Under Irish company law, the company is required to give a description of the principal risks and uncertainties which the group faces. These principal risks and uncertainties form part of the Risk Management Report on pages 45 to 52. The Financial Risk Management policies are set out in Note 24 to the consolidated financial statements.

Non-financial reporting directive

Dalata aims to comply with the requirements of the Non-Financial Reporting Directive (S.I 360/2017), and these requirements are addressed in the Strategic Report. Information pertaining to each of the matters addressed by these regulations is set out on page 54.

Additionally, non-financial concerns are reflected in our Strategy and Business Model on pages 7 to 34 and in our Risk Management Report on pages 45 to 52. The company uses a number of non-financial metrics, several of which are disclosed in this report, including in our key performance indicators on page 12.

Accounting records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function.

The accounting records of the company are maintained at its registered office: 4th Floor, Burton Court, Burton Hall Drive, Sandyford Industrial Estate, Dublin 18.

Takeover regulations 2006

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given in note 7 to the consolidated financial statements and in the remuneration committee report on pages 81 to 96 in relation to the Long-Term Incentive Plan, employee share schemes, directors' service contracts and appointment and compensation for loss of office of directors is deemed to be incorporated in the Directors' Report.

Transparency regulations 2007

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the group, the Sustainability and Climate Change section, set out on pages 53 to 58 is deemed to be incorporated in this part of the Directors' Report together with details of earnings per share in note 29 to the consolidated financial statements, employment details in note 6 and details of financial instruments in note 24.

Corporate governance regulations

As required by company law, the directors have prepared a Report on Corporate Governance which is set out on pages 59 to 70, and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Directors' Report. Details of the capital structure and employee share schemes are included in notes 18 and 7 to the consolidated financial statements, respectively.

Relevant audit information

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's external auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditor is aware of that information.

Compliance statement

The directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the company's compliance with certain obligations specified in that section arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/ EC) Regulations 2005, the Prospectus (Directive 2003/71/ EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007 and Tax laws ('relevant obligations').

The directors confirm that:

- a compliance policy statement has been drawn up setting out the company's policies that, in their opinion, are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations, and a review has been conducted, during the financial year, of those arrangements and structures.

Going concern

The group's business activities in 2021 continued to be impacted as a result of government restrictions arising from the Covid-19 pandemic. A detailed assessment of going concern is set out in Note 1 of the Financial Statements on pages 114 and 115.

The current activities of the group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report.

Principal risks and uncertainties affecting the group and the steps taken to mitigate these risks are described in the Risk Management section of the Strategic Report on pages 45 to 52.

After the measures taken through 2020 and 2021 to protect the position and viability of the company and a robust review of the prospects of the business, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for three years (in line with the Viability Statement on pages 51 and 52.)

In making this assessment, the directors considered the going concern status for a period of at least 12 months from the date of signing this Annual Report and Accounts.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Political contributions

There were no political contributions that required disclosure under the Electoral Act, 1997.

Independent auditors

KPMG, Chartered Accountants, were appointed statutory auditor in 2014 and reappointed on 30 June 2016 and pursuant to section 383(2) of the Companies Act 2014 will continue in office.

Subsidiaries

Information on the group's subsidiaries is set out in note 28 to the consolidated financial statements.

Subsequent events

Details of subsequent events are set out in note 27 to the consolidated financial statements.

The Financial Statements were approved by the board on 28 February 2022.

On behalf of the board

John Hennessy
Non-executive Chair

Dermot Crowley
Chief Executive

28 February 2022

Clayton Hotel Belfast

Financial Statements

Financial Statements 100-190

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements	101
Independent Auditor's Report	102
Consolidated statement of profit or loss and other comprehensive income	109
Consolidated statement of financial position	110
Consolidated statement of changes in equity	111
Consolidated statement of cash flows	113
Notes to the consolidated financial statements	114
1 Significant accounting policies	114
2 Operating segments	125
3 Statutory and other information	131
4 Other income	132
5 Finance costs	132
6 Personnel expenses	133
7 Share-based payments expense	134
8 Government grants and government assistance	136
9 Tax credit	138
10 Impairment	139
11 Intangible assets and goodwill	141
12 Property, plant and equipment	143
13 Leases	147
14 Contract fulfilment costs	153
15 Trade and other receivables	154
16 Inventories	155
17 Cash and cash equivalents	155
18 Capital and reserves	156
19 Trade and other payables	157
20 Provision for liabilities	158
21 Loans and borrowings	159
22 Derivatives	165
23 Deferred tax	166
24 Financial instruments and risk management	169
25 Commitments	178
26 Related party transactions	178
27 Subsequent events	178
28 Subsidiary undertakings	179
29 Earnings per share	180
30 Approval of the financial statements	181
Company statement of financial position	183
Company statement of changes in equity	184
Company statement of cash flows	185
Notes to the Company financial statements	186

Supplementary Financial Information 191

Alternative Performance Measures ('APM')	191
Glossary	197
Advisor and Shareholder Contacts	198

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the annual report and the consolidated and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and Company financial statements for each financial year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the consolidated and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014 and Article 4 of the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

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

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

Each of the Directors, whose names and functions are listed on pages 61 to 62 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, and the Company financial statements, prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2021 and of the loss of the Group for the year then ended;
- The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

John Hennessy
Chair
28 February 2022

Dermot Crowley
Director

Independent Auditor's Report

to the members of Dalata Hotel Group plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dalata Hotel Group plc ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2021 contained within the reporting package 635400L2CWET7ONOBJ04-2021-12-31-en.zip, which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF), and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2021 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the consolidated and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were appointed as auditor by the directors on 30 June 2016. The period of total uninterrupted engagement is the six years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were the impact from ongoing effects of the Covid-19 pandemic, including further variants, and the extent of government restrictions on the hospitality sector and international travel.

We evaluated the going concern assessment by carrying out the following procedures among others:

- considering the cash and undrawn bank loan facilities available to the Group and the related covenants in the facilities agreement which are applicable in the going concern period;
- analysing the base-case and alternative downside scenario cashflow projections prepared by management showing forecast available liquidity and considering the reasonableness of the underlying assumptions; and
- analysing worst-case scenario cashflow projections prepared by management illustrating the length of time that liquidity would be expected to remain available for in the remote likelihood scenario of the imposition of indefinite strict Covid-19 lockdown restrictions, and examining the reasonableness of management's conclusion that liquidity would be maintained throughout the going concern period in this worst-case scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group's and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2020):

Group: Property valuations – carrying value of land and buildings €1,088.8 million (2020: €1,058.5 million)

Refer to pages 73 to 78 (Audit and Risk Committee Report), Note 1(xii) to the consolidated financial statements (accounting policy for Property Plant and Equipment), and Note 12 to the consolidated financial statements (financial disclosures – Property, Plant and Equipment).

The key audit matter

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

The valuation of land and buildings as at the prior year-end, 31 December 2020, was on the basis of material valuation uncertainty due to the impact of Covid-19 on the hotel property market at that time. While the valuation of land and buildings is a key source of estimation uncertainty in the financial statements for the year ended 31 December 2021 (in relation to the significant assumptions used in valuing the properties), the level of uncertainty has decreased relative to the previous year, because of the availability of relatively more market evidence on which to base estimates of fair value, and the valuations as at 31 December 2021 are not on the basis of material valuation uncertainty.

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining and documenting our understanding of the process for undertaking and accounting for property valuations and testing the design and implementation of the relevant controls therein;
- evaluating the approach and findings of the work performed by the independent external experts engaged by the Group in relation to hotel valuations;
- assessing and challenging the significant assumptions in the hotel valuation reports, as applied in the accompanying discounted cash flow valuation calculations, in relation to, among others, future recovery in trading from the impact of Covid-19, the relativities of discount rates and capitalisation rates applied in valuations of different hotels, and other matters specific to particular hotels or the markets in which they operate which impacted on valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the valuations;
- considering the allocation of hotel valuations to land and buildings and fixtures fittings and equipment;
- testing the amounts of individual property revaluation movements and their presentation either in other comprehensive income or in profit or loss, as appropriate; and
- evaluating the adequacy of the Group's disclosures in relation to property valuations.

Our audit procedures did not identify any material issues with the assumptions adopted in the property valuations. We found the allocation of valuations between land and buildings and fixtures, fittings and equipment and the inclusion of net revaluation gains in other comprehensive income (€14.4 million) and net reversals of revaluation losses in profit or loss (€6.8 million) for the year to be appropriate. We also found the disclosures in the financial statements relating to property valuations to be adequate in providing an understanding of the basis of the valuations.

Group: Impairment of hotel cash-generating units – carrying values of right-of-use assets €491.9 million (2020: €411.0 million), goodwill €30.8 million (2020: €30.0 million), and fixtures fittings and equipment €76.0 million (2020: €82.3 million)

Refer to pages 73 to 78 (Audit and Risk Committee Report), Note 1(viii), (xii) and (xiv) to the consolidated financial statements (accounting policies for Leases, Property Plant and Equipment, and Goodwill), Note 10 to the consolidated financial statements (financial disclosures – Impairment) and Note 11 to the consolidated financial statements (financial disclosures – Intangible Assets and Goodwill).

The key audit matter

Due to the ongoing impact on trading of the Covid-19 pandemic, impairment reviews of all hotel cash generating units (CGUs) were required, in accordance with IAS36 *Impairment of Assets* as at 31 December 2021. The Group has material right-of-use assets, goodwill and fixtures fittings and equipment. There is a risk that the carrying amounts of these assets could be more than the estimated recoverable amount. The recoverable amount of right-of-use assets, goodwill and fixtures fittings and equipment is arrived at by forecasting and discounting future cash flows to determine value in use for each CGU. These cash flows are inherently judgemental and rely on certain significant assumptions including in particular:

- future trading performance;
- future long-term growth rates; and
- discount rates.

These impairment assessments are subject to estimation uncertainty due to the impact of Covid-19 in particular on the forecasting of future trading performance, and the carrying values of right-of-use assets, goodwill and fixtures fittings and equipment were identified as a significant audit risk.

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining and documenting our understanding of the impairment assessment process and testing the design and implementation of the relevant controls therein;
- evaluating the methodology applied by management in determining the CGUs and the estimates of the recoverable amounts of right-of-use assets, goodwill and fixtures fittings and equipment to determine if they are in line with the requirements of the applicable financial reporting framework;
- evaluating significant assumptions used, in particular those relating to future trading performance and the profile of future recovery in trading from the impact of Covid-19, future long-term growth rates and discount rates;
- comparing the Group's significant assumptions to externally derived data in relation to key inputs such as long-term growth rates and discount rates, including where relevant the data in separately prepared independent property valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the impairment assessment; and
- evaluating the adequacy of the Group's disclosures in relation to impairment.

We found the resulting estimates of the recoverable amounts of right-of-use assets, goodwill and fixtures fittings and equipment to be acceptable. Our audit procedures did not identify any material issues with the significant assumptions adopted in the impairment reviews. We found that the Group's conclusions were appropriate that for the year ended 31 December 2021 (i) there was no impairment of goodwill and (ii) there was a net reversal in profit or loss of €0.2 million of previous impairment charges for right-of-use assets and fixtures fittings and equipment. We also found the disclosures in the financial statements relating to impairment to be adequate in providing an understanding of the basis of the impairment assessments.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

Company: Investments in subsidiaries €866.4 million (2020: €864.7 million)

Refer to Note 1(i) to the Company financial statements (accounting policy for Investments in Subsidiaries) and Note 2 to the Company financial statements (financial disclosures – Investments in Subsidiaries).

The key audit matter

The investments in subsidiaries are carried in the Company's financial statements at cost less any impairment. As the net assets of the Group are separately subject to property revaluations and impairment reviews as noted above, the carrying value of the investments in subsidiaries is not separately considered to give rise to a significant risk of material misstatement. However, due to the materiality of the investments in the context of the Company financial statements, this is considered to be the area that had the greatest focus of our overall audit of the Company financial statements.

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining an understanding of management's approach to the assessment of investments in subsidiaries for potential impairment;
- considering the audit work performed in the current year in relation to property valuation and impairment of hotel cash-generating units; and
- comparing the carrying value of the investments to the net assets of the subsidiaries.

We found management's assessment of the carrying value of investments in subsidiaries to be appropriate.

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

The materiality for the consolidated financial statements as a whole was set at €4.7 million *(2020: €4.4 million).*

This has been calculated with reference to a benchmark of consolidated net assets at 31 December 2021. Materiality represents approximately 0.5% of this benchmark, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

In the previous year, we calculated materiality on the basis of 4% of loss before tax. Profit before tax is the measure typically used to calculate materiality for listed groups which have reached a mature stage in their development. The scale of the loss before tax in 2020 was broadly similar to the profit before tax in 2019 and we considered loss before tax to be a suitable materiality benchmark for 2020.

The Group's reported loss before tax for 2021 is significantly lower than for 2020. The Group has a significant asset base and we determined that net assets was a more appropriate benchmark for 2021 for materiality purposes, and more reflective of the scale of the business than loss before tax.

In using a net assets benchmark, we applied a materiality measure of 0.5% which is at the lower end of the 0.5%-1.0% range typically used for a net assets benchmark, where applicable, in public company audits. Our materiality measure for 2020, although based on a loss before tax measure, also had regard to the level of net assets and represented 0.47% of net assets at 31 December 2020.

We reported to the Audit and Risk Committee any corrected and uncorrected misstatements we identified through our audit exceeding €0.235 million (2020: €0.2 million), in addition to any other audit misstatements below that threshold that warranted reporting on qualitative grounds.

We subjected all of the Group's reporting components to audits for group reporting purposes. The work on all components was performed by the Group audit team.

Materiality for the Company financial statements as a whole was set at €4.0 million *(2020: €4.0 million*), determined with reference to a benchmark of total assets, of which it represents 0.46% *(2020: 0.46%).*

We used materiality to assist us to determine what risks were significant risks and to determine the audit procedures to be performed including those discussed above.

Independent Auditor’s Report

to the members of Dalata Hotel Group plc (continued)

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors’ Report, Chair’s Statement, Chief Executive’s Review, Purpose and Values section, Strategy and Business Model, Stakeholder Review, Financial Review, Risk Management section, Sustainability and Climate Change section, Chair’s Overview – Corporate Governance section, Board of Directors section, Executive Management Team section, Corporate Governance Report, Nomination Committee Report, Audit and Risk Committee Report, ESG Committee Report, Remuneration Committee Report, and Supplementary Financial Information.

The financial statements and our auditor’s report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the directors’ report specified for our consideration:

- we have not identified material misstatements in the directors’ report;
- in our opinion, the information given in the directors’ report is consistent with the financial statements; and
- in our opinion, the directors’ report has been prepared in accordance with the Companies Act 2014.

Disclosures of principal risks and longer-term viability

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

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors’ confirmation within the Viability Statement on pages 51 to 52 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the directors’ explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- *Fair, balanced and understandable*: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors’ statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy;

- *Audit and Risk Committee Report:* if the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee;

- *Statement of compliance with UK Corporate Governance Code:* if the directors’ statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review;

- if the directors’ statement relating to Going Concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 98 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

In addition, as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 59 to 70 and the Directors' Report, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;

- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and

- the Directors' Report contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2020;
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2020 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- the Directors' Statements, set out on pages 51 to 52 and 98 in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 59 to 70 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Remuneration Committee of the Board of Directors.

We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 101, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

P. Carroll

Patricia Carroll
for and on behalf of
KPMG
Chartered Accountants,
Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

28 February 2022

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Continuing operations			
Revenue	2	**191,990**	136,821
Cost of sales		**(61,285)**	(52,282)
Gross profit		**130,705**	84,539
Administrative expenses	3	**(109,918)**	(158,542)
Other income	4	**655**	495
Operating profit/(loss)		**21,442**	(73,508)
Finance costs	5	**(32,878)**	(37,953)
Loss before tax		**(11,436)**	(111,461)
Tax credit	9	**5,107**	10,783
Loss for the year attributable to owners of the Company		**(6,329)**	(100,678)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Revaluation of property	12	**14,382**	(143,631)
Related deferred tax	23	**(1,116)**	21,337
		13,266	(122,294)
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**27,256**	(23,313)
(Loss)/ gain on net investment hedge		**(20,726)**	16,804
Fair value movement on cash flow hedges	22	**6,208**	(6,511)
Cash flow hedges – reclassified to profit or loss	22	**2,637**	1,992
Related deferred tax	23	**–**	(565)
		15,375	(11,593)
Other comprehensive income/(loss) for the year, net of tax		**28,641**	(133,887)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**22,312**	(234,565)
Earnings per share			
Basic loss per share	29	**(2.8) cents**	(50.9) cents
Diluted loss per share	29	**(2.8) cents**	(50.9) cents

Consolidated statement of financial position

at 31 December 2021

	Note	2021 €'000	2020 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	11	**31,994**	31,733
Property, plant and equipment	12	**1,243,902**	1,202,743
Right-of-use assets	13	**491,869**	411,007
Investment property		**2,078**	2,089
Derivative assets	22	**832**	-
Deferred tax assets	23	**20,161**	12,344
Contract fulfilment costs	14	**-**	22,374
Other receivables	15	**6,313**	9,059
Total non-current assets		**1,797,149**	1,691,349
Current assets			
Contract fulfilment costs	14	**36,255**	-
Trade and other receivables	15	**13,774**	9,231
Inventories	16	**1,665**	1,258
Cash and cash equivalents	17	**41,112**	50,197
Total current assets		**92,806**	60,686
Total assets		**1,889,955**	1,752,035
Equity			
Share capital	18	**2,229**	2,227
Share premium	18	**504,895**	504,735
Capital contribution	18	**25,724**	25,724
Merger reserve	18	**81,264**	81,264
Share-based payment reserve	18	**3,085**	3,419
Hedging reserve	18	**(197)**	(9,042)
Revaluation reserve	18	**212,572**	199,306
Translation reserve	18	**(6,572)**	(13,102)
Retained earnings		**134,413**	138,249
Total equity		**957,413**	932,780
Liabilities			
Non-current liabilities			
Loans and borrowings	21	**313,533**	314,143
Lease liabilities	13	**471,877**	388,871
Deferred tax liabilities	23	**42,896**	39,404
Derivative liabilities	22	**1,029**	9,042
Provision for liabilities	20	**6,454**	6,747
Other payables	19	**1,896**	-
Total non-current liabilities		**837,685**	758,207
Current liabilities			
Lease liabilities	13	**10,049**	10,761
Trade and other payables	19	**82,792**	48,668
Current tax liabilities		**282**	91
Provision for liabilities	20	**1,734**	1,528
Total current liabilities		**94,857**	61,048
Total liabilities		**932,542**	819,255
Total equity and liabilities		**1,889,955**	1,752,035

On behalf of the Board:

John Hennessy
Chair

Dermot Crowley
Director

Consolidated statement of changes in equity

for the year ended 31 December 2021

	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 2021	2,227	504,735	25,724	81,264	3,419	(9,042)	199,306	(13,102)	138,249	932,780
Comprehensive income:										
Loss for the year	–	–	–	–	–	–	–	–	(6,329)	(6,329)
Other comprehensive income										
Exchange difference on translating foreign operations	–	–	–	–	–	–	–	27,256	–	27,256
Loss on net investment hedge	–	–	–	–	–	–	–	(20,726)	–	(20,726)
Revaluation of properties (note 12)	–	–	–	–	–	–	14,382	–	–	14,382
Fair value movement on cash flow hedges (note 22)	–	–	–	–	–	6,208	–	–	–	6,208
Cash flow hedges – reclassified to profit or loss (note 22)	–	–	–	–	–	2,637	–	–	–	2,637
Related deferred tax (note 23)	–	–	–	–	–	–	(1,116)	–	–	(1,116)
Total comprehensive income for the year	–	–	–	–	–	8,845	13,266	6,530	(6,329)	22,312
Transactions with owners of the Company:										
Equity-settled share-based payments (note 7)	–	–	–	–	2,159	–	–	–	–	2,159
Vesting of share awards and options (note 7)	2	160	–	–	(2,493)	–	–	–	2,493	162
Total transactions with owners of the Company	2	160	–	–	(334)	–	–	–	2,493	2,321
At 31 December 2021	2,229	504,895	25,724	81,264	3,085	(197)	212,572	(6,572)	134,413	957,413

Consolidated statement of changes in equity

for the year ended 31 December 2020

	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 2020	1,851	504,488	25,724	(10,337)	4,900	(3,958)	351,869	(6,593)	204,897	**1,072,841**
Comprehensive income:										
Loss for the year	-	-	-	-	-	-	-	-	(100,678)	**(100,678)**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(23,313)	-	**(23,313)**
Gain on net investment hedge	-	-	-	-	-	-	-	16,804	-	**16,804**
Revaluation of properties (note 12)	-	-	-	-	-	-	(143,631)	-	-	**(143,631)**
Transfer of revaluation gain to retained earnings on sale of property (note 12)	-	-	-	-	-	-	(30,269)	-	30,269	**-**
Fair value movement on cash flow hedges (note 22)	-	-	-	-	-	(6,511)	-	-	-	**(6,511)**
Cash flow hedges – reclassified to profit or loss (note 22)	-	-	-	-	-	1,992	-	-	-	**1,992**
Related deferred tax (note 23)	-	-	-	-	-	(565)	21,337	-	-	**20,772**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(5,084)**	**(152,563)**	**(6,509)**	**(70,409)**	**(234,565)**
Transactions with owners of the Company:										
Equity-settled share-based payments (note 7)	-	-	-	-	2,280	-	-	-	-	**2,280**
Vesting of share awards and options (note 7)	6	247	-	-	(3,761)	-	-	-	3,761	**253**
Equity share placing issuance (note 18)	370	-	-	93,980	-	-	-	-	-	**94,350**
Costs of share placing (note 18)	-	-	-	(2,379)	-	-	-	-	-	**(2,379)**
Total transactions with owners of the Company	**376**	**247**	**-**	**91,601**	**(1,481)**	**-**	**-**	**-**	**3,761**	**94,504**
At 31 December 2020	**2,227**	**504,735**	**25,724**	**81,264**	**3,419**	**(9,042)**	**199,306**	**(13,102)**	**138,249**	**932,780**

Consolidated statement of cash flows

for the year ended 31 December 2021

Cash flows from operating activities	**2021 €'000**	2020 €'000
Loss for the year	**(6,329)**	(100,678)
Adjustments for:		
Depreciation of property, plant and equipment	**27,033**	26,607
Depreciation of right-of-use assets	**19,522**	20,663
Amortisation of intangible assets	**539**	558
Net revaluation movements through profit or loss	**(6,790)**	30,836
(Net reversal of previous impairment charges)/ impairment charges of right-of-use assets	**(39)**	7,541
(Net reversal of previous impairment charges)/ impairment charges of fixtures, fittings and equipment	**(120)**	1,015
Impairment of goodwill	**–**	3,226
Remeasurement gain on right-of-use assets	**(277)**	-
Loss on sale and leaseback	**–**	1,673
Share-based payments expense	**2,159**	2,280
Interest on lease liabilities	**24,409**	22,405
Other interest and finance costs	**8,469**	15,548
Tax credit	**(5,107)**	(10,783)
	63,469	20,891
Increase/(decrease) in trade and other payables and provision for liabilities	**31,888**	(13,620)
(Increase)/decrease in current and non-current receivables	**(4,223)**	12,707
(Increase)/decrease in inventories	**(407)**	650
Tax (paid)/refunded	**(148)**	2,176
Net cash from operating activities	**90,579**	22,804
Cash flows from investing activities		
Purchase of property, plant and equipment	**(19,973)**	(27,915)
Contract fulfilment cost payments	**(12,915)**	(8,065)
Receipt of capital grants	**–**	150
Costs paid on entering new leases and agreements for leases	**(3,221)**	(7,178)
Proceeds from sale of Clayton Hotel Charlemont	**–**	64,190
Purchase of intangible assets	**(47)**	(547)
Net cash (used in)/from investing activities	**(36,156)**	20,635
Cash flows from financing activities		
Interest paid on lease liabilities	**(24,409)**	(22,405)
Other interest and finance costs paid	**(15,285)**	(12,956)
Receipt of bank loans	**13,000**	61,486
Repayment of bank loans	**(30,575)**	(146,572)
Repayment of lease liabilities	**(8,930)**	(5,618)
Proceeds from vesting of share awards and options	**162**	253
Proceeds from share placing	**–**	94,350
Costs of share placing paid	**–**	(2,379)
Net cash used in financing activities	**(66,037)**	(33,841)
Net (decrease)/increase in cash and cash equivalents	**(11,614)**	9,598
Cash and cash equivalents at the beginning of the year	**50,197**	40,586
Effect of movements in exchange rates	**2,529**	13
Cash and cash equivalents at the end of the year	**41,112**	50,197

Notes to the consolidated financial statements

forming part of the consolidated financial statements

1 Significant accounting policies

General information and basis of preparation

Dalata Hotel Group plc (the 'Company') is a Company domiciled in the Republic of Ireland. The Company's registered office is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18. The consolidated financial statements of the Company for the year ended 31 December 2021 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 28 February 2022.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU. In the preparation of these consolidated financial statements the accounting policies set out below have been applied consistently by all Group companies.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Such estimates and judgements are based on historical experience and other factors, including expectation of future events, that are believed to be reasonable under the circumstances and are subject to continued re-evaluation. Actual outcomes could differ from those estimates.

In preparing these consolidated financial statements, the key judgements and estimates impacting these consolidated financial statements were as follows:

Significant judgements
- Carrying value of property measured at fair value (note 12).

Key sources of estimation uncertainty
- Carrying value of property measured at fair value (note 12); and
- Carrying value of goodwill and right-of-use assets including assumptions underpinning value in use ('VIU') calculations in the impairment tests (notes 10, 11, 13).

The value of the Group's property at 31 December 2021 reflects open market valuations carried out as at 31 December 2021 by independent external valuers. As at the valuation date of 31 December 2021 property markets were mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence existed upon which to base opinions of value. Therefore, the valuations as at 31 December 2021 have not been reported by the valuers on the basis of 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The valuations at 31 December 2020 were reported on the basis of 'material valuation uncertainty' due to the impact of Covid-19 pandemic at that time, when less weight could be attached to previous market evidence to fully inform opinions and value as at 31 December 2020.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of assets and liabilities at fair value. When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible, with non-financial assets being measured on a highest and best-use basis. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in note 24 – Financial instruments and risk management (in relation to financial assets and financial liabilities) and note 12 – Property, plant and equipment.

(i) Going concern

2021 saw the Group commence its recovery in earnest from the impact of Covid-19. Government restrictions were in place to varying extents for most of the year, the most impactful of which were in H1 2021 when the Group's hotels were largely closed to all but essential services. However, the successful rollout, in both the UK and Ireland and more widely, of the vaccine programmes and the evolution of the virus itself has led to the lifting of most restrictions and a strong recovery in demand in the hospitality sector. Group revenue increased by €55.2 million to €192.0 million on 2020. Leisure demand has recovered most quickly with business travel, particularly international, recovering more slowly.

The impact of Covid-19 also impacted other areas of the business, however, to a lesser degree compared to 2020. These are further detailed in the Operating segments note 2, Impairment note 10, Property, plant and equipment note 12, and Financial risk management note 24.

The Group entered the Covid-19 pandemic in 2020 with a strong balance sheet and liquidity position and, despite the material impact of Covid-19 has had on the Group's financial performance, the Group remains in a strong position with significant financial headroom. As at 31 December 2021, the Group had property, plant and equipment of €1,243.9 million and cash and undrawn facilities of €298.5 million.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(i) Going concern (continued)

The Group continued to tightly manage its cash and liquidity in 2021 including, but not limited to, postponement of non-committed, non-essential capital expenditure, tight cost control measures and availing of government support schemes (note 8).

Furthermore, in November 2021, the Group took additional action to provide enhanced flexibility and liquidity of its debt facilities. Firstly, the Group extended the maturity of its debt facilities by 12 months. The Group also extended the period for which amendments applied that provided flexibility during the time of Covid-19 impacted trading. Therefore, the temporary suite of covenants including a Net Debt to Value covenant and a minimum liquidity restriction (whereby either cash, remaining available facilities or a combination of both must not fall below €50.0 million), will remain in place for an additional 12 month period, until 30 March 2023 (note 24). The Group's debt facilities now consist of a €200 million term loan facility, with a maturity date of 26 October 2025 and a €364.4 million revolving credit facility ('RCF'): €304.9 million with a maturity date of 26 October 2025 and €59.5 million with a maturity date of 30 September 2023.

The Group is in full compliance with its covenants as at 31 December 2021. The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover covenants for testing at 30 June 2023. At 30 June 2023, the Net Debt to EBITDA covenant limit is 4.0x and the Interest Cover minimum is 4.0x.

In 2020, other liquidity strengthening actions were taken such as the cancellation of the 2019 final dividend originally recommended by the Board, the sale and leaseback of Clayton Hotel Charlemont for €64.2 million in April 2020 and an equity raise in September 2020 raising net proceeds of €92.0 million.

The Group has successfully navigated the unprecedented circumstances following Covid-19 and the resumption of recovery towards more normal levels of trade. The Group continues to monitor the evolving trade forecasts and pursue proactive and timely mitigating actions if necessary as it has since the start of the pandemic.

The Group has prepared base case projections which assumes a gradual recovery in revenues and earnings at the Group's hotels, with a return to more normalised levels of trade between 2023 and 2025 depending on location and business mix. The Group has also modelled severe but plausible scenarios taking into account varying assumptions around ongoing Covid-19 impacts on trading levels, structurally reduced levels of international travel and elevated inflation with labour shortages. These have been modelled individually and collectively. Details on the assumptions and the scenarios are set out in detail in the viability statement on pages 51 to 52. Based on these projections and in all of the scenarios, the Group is forecast to be in compliance with all covenants and have sufficient liquidity in the 12 month period from the signing of these consolidated financial statements and indeed longer than that. Cash and undrawn facilities is forecast to dip to €257.0 million at a minimum during this period.

The Group has also scenario tested Group asset values to test covenant levels and the Group is forecast to be in compliance with all covenants during this period. At current debt levels, valuations on each of the Group's hotels would need to decrease by in excess of 55% to breach covenant levels.

The Group has also prepared a reverse stress test which assumes a full lockdown, like that experienced in the first quarter of 2021 where hotels were closed to the general public and only benefitted from demand from essential services. Despite such a severe stress test which the directors do not consider reasonably plausible, not least because of the success of the vaccination programme and the evolution of the virus, the Group would have sufficient liquidity to continue to the end of quarter two 2024. In such circumstances additional options may be available to the Group beyond what is set out above including: (i) more severe cost cutting and (ii) arrangements to defer or reduce rent payments to landlords (iii) sale of an asset.

The Directors have considered all of the above, with all available information and the current liquidity and capital position of the Group in assessing the going concern of the Group. The extension of the Group's facilities and deferral of EBITDA related covenant testing, places the Group in a strong position to be able to avoid possible breaches in covenants as a result of the delayed recovery from Covid-19. On the basis of these judgements, the Directors have prepared these consolidated financial statements on a going concern basis. Furthermore, they do not believe there is any material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

(ii) Statement of compliance

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

The following standards and interpretations were effective for the Group for the first time from 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 4 *Insurance Contracts* – deferral of effective date of IFRS 9
- Amendments to IFRS 16 *Leases*: Covid-19- Related Rent Concessions beyond 30 June 2021

The above standards, amendments and interpretations had no material impact on the consolidated results of the Group.

1 Significant accounting policies (continued)

(ii) Statement of compliance (continued)

While the Group had a limited number of rent concessions during the year ended 31 December 2021, the Group has chosen not to avail of the IFRS 16 *Leases* - Covid-19 Related Rent Concessions during the year ended 31 December 2021.

Additional accounting policies

The accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2020. Accounting policies for Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were applied in the year ended 31 December 2021 as there were new amendments which were not effective in the year ended 31 December 2020 or previous periods.

Following a fundamental review and reform of major interest rate benchmarks undertaken globally, the Group replaced LIBOR, the Group's Sterling interest rate, with an alternative risk-free benchmark rate, SONIA 'Sterling Overnight Index Average' plus an agreed credit adjustment spread 'CAS spread' during the year ended 31 December 2021. The impact of the IBOR reform is limited to the Sterling variable interest rate on the Group's loans and borrowings and interest rate swaps.

There were two approaches available to determining the CAS spread applicable on transition to SONIA. The Group elected to use the ISDA (International Swaps and Derivatives Association) historical median approach as its preferred approach. The Group ensured that the CAS spread applicable on the loans and borrowings matched in so far as possible, the CAS spread on the Group's interest rate swaps.

In line with Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, the Group has availed of the practical expedient which allows the Group to update the effective interest rate for the transition to SONIA, without having to modify the loans and borrowings and therefore there was no resulting modification impact on profit or loss.

Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. The Group has updated its hedge documentation to reflect the changes to the hedged item, hedging instrument and hedged risk as a result of the IBOR reform. The Group continues to apply hedge accounting as at 31 December 2021 and all hedges continue to be hedge effective (notes 22, 24).

Standards issued but not yet effective

The following amendments to standards have been endorsed by the EU, are available for early adoption and are effective from 1 January 2022 as indicated below. The Group has not adopted these amendments to standards early, and instead intends to apply them from their effective date as determined by the date of EU endorsement. The potential impact of these amendments to standards on the Group is under review:

- A number of narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (issued May 2020). EU effective date 1 January 2022.
- IAS 37 onerous contracts, clarification on cost of fulfilling contracts. EU effective date 1 January 2022.

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

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on 12 February 2021). IASB effective date 1 January 2023.
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020). IASB effective date 1 January 2023.
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021). IASB effective date 1 January 2023.
- Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021). IASB effective date 1 January 2023.
- Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021). IASB effective date 1 January 2023.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Euro, being the functional currency of the Company and the majority of its subsidiaries. All financial information presented in Euro has been rounded to the nearest thousand or million and this is clearly set out in the financial statements where applicable.

(iv) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

Business combinations

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

When an acquisition does not represent a business, it is accounted for as a purchase of a group of assets and liabilities, not as a business combination. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill is recognised. Where the Group solely purchases the freehold interest in a property, this is accounted for as an asset purchase and not as a business combination on the basis that the asset(s) purchased do not constitute a business. Asset purchases are accounted for as additions to property, plant and equipment.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(iv) Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(v) Revenue recognition

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

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, car park revenue and leisure centre membership in leased and owned hotels operated by the Group. Revenue is recognised when rooms are occupied and food and beverages are sold. Car park revenue is recognised when the service is provided. Leisure centre membership revenue is recognised over the life of the membership.

Revenue in respect of a contract with a customer for sale of residential property is based on when the performance obligations inherent in the contract are completed. This relates to the contract to sell a residential development which the Group is developing as part of the overall development of a new hotel on the site of the former Tara Towers hotel. The contract for sale is assessed in line with IFRS 15 *Revenue from Contracts with Customers* and revenue is recognised when the performance obligations inherent in the contract are met.

Management fees are earned from hotels managed by the Group. Management fees are normally a percentage of hotel revenue and/or profit and are recognised when earned and recoverable under the terms of the management agreement. Management fee income is included within other income.

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

(vi) Sales discounts and allowances

The Group recognises revenue on a gross revenue basis and makes various deductions to arrive at net revenue as reported in profit or loss. These adjustments are referred to as sales discounts and allowances.

(vii) Government grants and government assistance

Government grants and government assistance represent the transfers of resources to the Group from the governments in Ireland and in the UK in return for past or future compliance with certain conditions relating to the Group's operating activities. Income-related government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The Group accounts for these government grants in profit or loss via offset against the related expenditure.

Capital-related government grants received by the Group related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

Government assistance is action by a government which is designed to provide an economic benefit specific to the Group or subsidiaries who qualify under certain criteria. Government assistance received by the Group includes a waiver of commercial rates for certain hotel properties and also the deferral of payment of payroll taxes and VAT liabilities and has been disclosed in these consolidated financial statements.

(viii) Leases

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset; and
- the Group has the right to direct the use of the asset.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate, which is defined as the estimated rate of interest that the lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate is calculated for each individual lease.

The estimated incremental borrowing rate for each leased asset is derived from country specific risk-free interest rates over the relevant lease term, adjusted for the finance margin attainable by each lessee and asset specific adjustments designed to reflect the underlying asset's location and condition.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(viii) Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease costs that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Variable lease costs linked to future performance or use of an underlying asset are excluded from the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses in profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments.

The Group remeasures the lease liability where lease payments change due to changes in an index or rate, changes in expected lease term or where a lease contract is modified. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

While the Group had a limited number of rent concessions during the year ended 31 December 2021 and 31 December 2020, the Group has chosen not to avail of the IFRS 16 - *Covid-19 Related Rent Concessions* during the year ended 31 December 2021 and 31 December 2020. Consequently, any adjustments to the terms of the impacted leases have been treated as a reassessment.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or a component thereof, or the end of the lease term. Right-of-use assets are reviewed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group applies IAS 36 *Impairment of Assets* to determine whether a cash-generating unit with a right-of-use asset is impaired and accounts for any identified impairments through profit or loss. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group also applies IAS 36 *Impairment of Assets* to any cash-generating units, which have right-of-use assets which were previously impaired, to assess whether previous impairments should be reversed. A reversal of a previous impairment charge is accounted for through profit or loss and only increases the carrying amount of the right-of-use asset to a maximum of what it would have been if the original impairment charges had not been recognised in the first place.

The Group applies the fair value model in IAS 40 *Investment Property* to right-of-use assets that meet the definition of investment property.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of fixtures, fittings and equipment that have a lease term of 12 months or less and leases of low-value assets. Assets are considered low value if the value of the asset when new is less than €5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A sale and leaseback occurs where there is a transfer of an asset by the Group to a purchaser/lessor and the Group enters into an agreement with that purchaser/lessor to lease the asset. The Group applies the requirements of IFRS 15 *Revenue from contracts with customers* in assessing whether a sale has occurred by determining whether a performance obligation has been satisfied.

Where a sale and leaseback of an asset has occurred, the asset is derecognised and a lease liability and corresponding right-of-use asset is recognised. The Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the purchaser/lessor in profit or loss as calculated in accordance with IFRS 16.

(ix) Share-based payments

The grant date fair value of equity-settled share-based payment awards and options granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards and options.

This incorporates the effect of market-based conditions, where applicable, and the estimated fair value of equity-settled share-based payment awards issued with non-market performance conditions.

1 Significant accounting policies (continued)

(ix) Share-based payments (continued)

The amount recognised as an expense is adjusted to reflect the number of awards and options for which the related service and any non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that met the related service and non-market performance conditions at the vesting date. The amount recognised as an expense is not adjusted for market conditions not being met.

On vesting of the equity-settled share-based payment awards and options, the cumulative expense recognised in the share-based payment reserve is transferred directly to retained earnings. An increase in ordinary share capital and share premium, in the case where the price paid per share is higher than the cost per share, is recognised reflecting the issuance of shares as a result of the vesting of the awards and options.

The dilutive effect of outstanding awards is reflected as additional share dilution in calculating diluted earnings per share.

(x) Tax

Tax charge/credit comprises current and deferred tax. Tax charge/credit is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable/receivable on the taxable income/loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes except for the initial recognition of goodwill and other assets that do not affect accounting profit or taxable profit at the date of recognition.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Deferred tax liabilities are recognised where the carrying value of land and buildings for financial reporting purposes is greater than their tax cost base.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

(xi) Earnings per share ('EPS')

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

Shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share.

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

(xii) Property, plant and equipment

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

Assets under construction include sites where new hotels are currently being developed and significant development projects at hotels which are currently operational. These sites and the capital investment made are recorded at cost. Borrowing costs incurred in the construction of major assets or development projects which take a substantial period of time to complete are capitalised in the financial period in which they are incurred. Once construction is complete and the hotel is operating, the assets will be transferred to land and buildings and fixtures, fittings and equipment at cost, The land and buildings element will subsequently be measured at fair value. Depreciation will commence when the assets are available for use.

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

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xii) Property, plant and equipment (continued)

Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment unless it is acquired as part of a business combination under IFRS 3 *Business Combinations*, where the deemed cost is its acquisition date fair value. In the application of the Group's accounting policy, judgement is exercised by management in the determination of fair value of land and buildings at each reporting date, residual values and useful lives.

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

Buildings	50 years
Fixtures, fittings and equipment	3 – 15 years

Land is not depreciated.

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

Land and buildings are revalued by qualified valuers on a sufficiently regular basis using open market value (which reflects a highest and best use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the Group's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13 *Fair Value Measurement*.

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

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

The Group also applies IAS 36 *Impairment of Assets* to any cash-generating units, with fixtures, fittings and equipment which were previously impaired and which are not revalued, to assess whether previous impairments should be reversed. A reversal of a previous impairment charge is accounted for through profit or loss and only increases the carrying amount of the fixtures, fittings and equipment to a maximum of what it would have been if the original impairment charges had not been recognised in the first place.

(xiii) Investment property

Investment property is held either to earn rental income, or for capital appreciation, or for both, but not for sale in the ordinary course of business.

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

The Group's investment properties are valued by qualified valuers on an open market value basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13 *Fair Value Measurement*.

(xiv) Goodwill

Goodwill represents the excess of the fair value of the consideration for an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognised.

Goodwill is measured at its initial carrying amount less accumulated impairment losses. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

1 Significant accounting policies (continued)

(xiv) Goodwill (continued)

The recoverable amount of a cash-generating unit is the greater of its VIU and its fair value less costs to sell. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis. Impairment losses of goodwill are not reversed once recognised.

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the cash-generating unit. Management evaluates and updates the judgements and estimates which underpin this process on an ongoing basis.

The impairment methodology and key assumptions used by the Group for testing goodwill for impairment are outlined in notes 10 and 11.

The assumptions and conditions for determining impairment of goodwill reflects management's best estimates and judgements, but these items involve significant inherent uncertainties, many of which are not under the control of management. As a result, accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in the future.

(xv) Intangible assets other than goodwill

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

Intangible assets are measured at cost (or fair value when acquired through business combinations), less accumulated amortisation and impairment losses.

Intangible assets are amortised over the period of their expected useful lives by charging equal annual instalments to profit or loss. The useful life used to amortise intangible assets relates to the future performance of the asset and management's judgement as to the period over which economic benefits will be derived from the asset. The estimated total useful life of the Group's intangible assets is 5 years.

(xvi) Inventories

Inventories are stated at the lower of cost (using the first-in, first-out (FIFO) basis) and net realisable value. Inventories represent assets that are sold in the normal course of business by the Group and consumables.

(xvii) Contract fulfilment costs

Contract fulfilment costs are stated at the lower of cost or recoverable amount. Contract fulfilment costs represent assets that are to be sold by the Group but do not form part of normal trading. Costs capitalised as contract fulfilment costs include costs incurred in fulfilling the specific contract. The costs must enhance the asset, be used in order to satisfy the obligations inherent in the contractual arrangement and should be recoverable. Costs which are not recoverable are written off to profit or loss as incurred.

(xviii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less, which are carried at amortised cost.

(xix) Trade and other receivables

Trade and other receivables are stated initially at their fair value and subsequently at amortised cost, less any expected credit loss provision. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Bad debts are written off to profit or loss on identification.

(xx) Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount. Fair value for the initial recognition of payroll tax liabilities is the amount payable stated on the payroll submission filed with the tax authorities. Fair value for the initial recognition of VAT liabilities is the net amount of VAT payable to, and recoverable from, the tax authorities. Trade and other payables are subsequently carried at amortised cost using the effective interest method. Liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

(xxi) Finance costs

Finance costs comprise interest expense on borrowings and related financial instruments, commitment fees and other costs relating to financing of the Group.

Interest expense on loans and borrowings is recognised using the effective interest method. The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xxi) Finance costs (continued)

If a financial liability is deemed to be non-substantially modified (less than 10 percent different) (see policy (xxvi)), the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting modification gain or loss is recognised in finance costs in profit or loss. For floating-rate financial liabilities, the original effective interest rate is adjusted to reflect the current market terms at the time of the modification.

Finance costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use or sale. The Group uses two capitalisation rates being the weighted average interest rate after the impact of hedging instruments for Sterling borrowings which is applied to UK qualifying assets and the weighted average interest rate for Euro borrowings which is applied to Republic of Ireland qualifying assets. Capitalisation commences on the date on which the Group undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation of borrowing costs ceases when the asset is ready for its intended use.

Finance costs also include interest on lease liabilities.

(xxii) Foreign currency

Transactions in currencies other than the functional currency of a Group entity are recorded at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the respective functional currency at the relevant rates of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Euro at the exchange rate ruling at the reporting date. The income and expenses of foreign operations are translated into Euro at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income, and are included in the translation reserve within equity.

(xxiii) Provisions and contingent liabilities

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The provision in respect of self-insured risks includes projected settlements for known claims and incurred but not reported claims.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

(xxiv) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity, net of any tax effects. Merger relief is availed of by the Group where possible.

(xxv) Loans and borrowings

Loans and borrowings are recognised initially at the fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis. Directly attributable transaction costs are amortised to profit or loss on an effective interest rate basis over the term of the loans and borrowings. This amortisation charge is recognised within finance costs. Commitment fees incurred in connection with loans and borrowings are expensed as incurred to profit or loss.

(xxvi) Derecognition of financial liabilities

The Group removes a financial liability from its statement of financial position when it is extinguished (when its contractual obligations are discharged, cancelled, or expire).

The Group also derecognises a financial liability when the terms and the cash flows of a modified liability are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any fees paid to lenders net of any fees received, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability, discounted at the original effective interest rate, the '10% test'. In addition, a qualitative assessment is carried out of the new terms in the new facility agreement to determine whether there is a substantial modification.

1 Significant accounting policies (continued)

(xxvi) Derecognition of financial liabilities (continued)

If the financial liability is deemed substantially modified, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.

If the financial liability is deemed non-substantially modified, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting modification gain or loss is recognised in profit or loss. Any costs and fees directly attributable to the modified financial liability are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over its remaining term by re-computing the effective interest rate on the instrument.

(xxvii) Derivative financial instruments

The Group's borrowings expose it to the financial risks of changes in interest rates. The Group uses derivative financial instruments such as interest rate swap agreements to hedge these exposures.

Interest rate swaps convert part of the Group's Sterling denominated borrowings from floating to fixed interest rates. The Group does not use derivatives for trading or speculative purposes.

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

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

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

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

(xxviii) Cash flow hedge accounting

Cash flow hedge accounting is applied in accordance with IFRS 9 *Financial Instruments*. For those derivatives designated as cash flow hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on a semi-annual basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. Any ineffective portion is recognised immediately in profit or loss as finance income/costs. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

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

(xxix) Net investment hedges

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

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

Notes to the consolidated financial statement

(continued)

1 Significant accounting policies (continued)

(xxx) Adjusting items

Consistent with how business performance is measured and managed internally, the Group reports both statutory measures prepared under IFRS and certain alternative performance measures ('APMs') that are not required under IFRS. These APMs are sometimes referred to as 'non-GAAP' measures and include, amongst others, Adjusted EBITDA, Adjusted Profit/ (Loss), Free Cash Flow per Share, and Adjusted EPS.

The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with the financial information presented under IFRS, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted to show the underlying operating performance of the Group and exclude items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.

2 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 Executive Directors.

The Group segments its leased and owned business by geographical region within which the hotels operate being Dublin, Regional Ireland and the UK. These comprise the Group's three reportable segments.

Dublin, Regional Ireland and UK segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 31 December 2021, the Group owns 27 hotels (31 December 2020: 27 hotels) and has effective ownership of one further hotel which it operates (31 December 2020: one hotel). It also owns the majority of one further hotel it operates (31 December 2020: one hotel). The Group also leases 13 hotel buildings from property owners (31 December 2020: 12 hotels) and is entitled to the benefits and carries the risks associated with operating these hotels. Included in this figure is the Clayton Hotel Manchester City Centre lease which commenced in December 2021. This hotel opened to the public in January 2022. The Ballsbridge Hotel lease matured on 31 December 2021 and is not included in the number of leased hotels above at 31 December 2021.

The Group's revenue from leased and owned hotels is primarily derived from room sales and food and beverage sales in restaurants, bars and banqueting. The main operating costs arising are payroll, cost of goods for resale, commissions paid to online travel agents on room sales and other operating costs.

	2021 €'000	2020 €'000
Revenue		
Dublin	**75,046**	65,178
Regional Ireland	**53,429**	36,301
UK	**63,515**	35,342
Total	**191,990**	136,821

The Covid-19 pandemic has resulted in a material loss of revenue for the year ended 31 December 2021 and the year ended 31 December 2020, relative to the year ended 31 December 2019 which was unaffected by the pandemic. Varying global restrictions on travel and numerous public health initiatives resulted in significantly reduced demand in the wider hospitality industry.

In Ireland, all hotels except for one hotel remained open in a limited capacity to provide for essential services business between January 2021 and May 2021. On 2 June 2021, the hotels in Ireland re-opened to the public. All of the Group's UK hotels were open at limited capacity between January 2021 and May 2021. Hotels re-opened fully to the public in England and Wales on 17 May 2021 and in Northern Ireland on 24 May 2021. From May and June, there were varying restrictions in place for the hospitality sector, including capacity restrictions at indoor events, earlier closing times for restaurants and physical distancing requirements. These were steadily eased however, in December 2021, as a result of the spread of the Omicron variant, these and other stricter measures were gradually re-introduced to Ireland and parts of the UK. For certain periods in 2021, international travel was largely restricted to essential travel only and large events and public gatherings were also prohibited.

During the year ended 31 December 2020, the Group's hotels were subject to varying local and national government restrictions in Ireland and the UK from March 2020. This included the temporary closure of certain hotels between March and July 2020. In the second half of 2020, all hotels except for one hotel remained open, however, periodically were only open at a limited capacity to provide for essential services business.

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Segmental results - EBITDAR	2021 €'000	2020 €'000
Dublin	**31,034**	17,462
Regional Ireland	**23,374**	7,983
UK	**20,739**	3,431
EBITDAR for reportable segments	**75,147**	28,876
Segmental results – EBITDA		
Dublin	**31,034**	17,250
Regional Ireland	**23,321**	7,956
UK	**20,662**	3,399
EBITDA for reportable segments	**75,017**	28,605
Reconciliation to results for the year		
Segmental results – EBITDA	**75,017**	28,605
Other income	**655**	495
Central costs	**(10,276)**	(8,128)
Share-based payments expense	**(2,159)**	(2,280)
Adjusted EBITDA	**63,237**	18,692
Adjusting items		
Net property revaluation movements through profit or loss	**6,790**	(30,836)
Impairment of goodwill	**-**	(3,226)
Net reversal of previous impairment charges/(impairment charges) of right-of-use assets	**39**	(7,541)
Net reversal of previous impairment charges/(impairment charges) of fixtures, fittings and equipment	**120**	(1,015)
Loss on sale and leaseback	**-**	(1,673)
Remeasurement gain on right-of-use assets	**277**	-
Hotel pre-opening expenses	**(1,927)**	(81)
Group EBITDA	**68,536**	(25,680)
Depreciation of property, plant and equipment	**(27,033)**	(26,607)
Depreciation of right-of-use assets	**(19,522)**	(20,663)
Amortisation of intangible assets	**(539)**	(558)
Interest on lease liabilities	**(24,409)**	(22,405)
Other interest and finance costs	**(8,469)**	(15,548)
Loss before tax	**(11,436)**	(111,461)
Tax credit	**5,107**	10,783
Loss for the year attributable to owners of the Company	**(6,329)**	(100,678)

2 Operating segments (continued)

Group EBITDA represents earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses. Consequently, Adjusted EBITDA represents Group EBITDA before:

- Net property revaluation movements through profit or loss (note 12);
- Hotel pre-opening expenses (note 3) which relate primarily to payroll expenses, sales and marketing costs and training costs of new staff, and are incurred by the Group in advance of new hotel openings;
- Impairment of goodwill (notes 10,11);
- Impairments and reversals of previous impairment charges of fixtures, fittings and equipment and right-of-use assets (notes 10,12,13);
- The remeasurement gain on right-of-use assets (note 13); and
- The accounting loss on the sale and leaseback (notes 12, 13).

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. Also included in central costs is the reversal of prior period insurance provisions of €1.3 million (note 20) (2020: €0.03 million). Share-based payments expense is presented separately from central costs as this expense relates to employees across the Group.

'Segmental results – EBITDA' for Dublin, Regional Ireland and the UK represents the 'Adjusted EBITDA' for each geographical location before central costs, share-based payments expense and other income. It is the net operational contribution of leased and owned hotels in each geographical location.

'Segmental results – EBITDAR' for Dublin, Regional Ireland and the UK represents 'Segmental results – EBITDA' before variable lease costs.

As a result of the amended and restated loan facility in November 2021, the Group recognised a modification gain of €2.7 million in finance costs in profit or loss (note 5) for the year ended 31 December 2021. Following the amended and restated loan facility in July 2020, a modification loss of €4.3 million was recognised in finance costs in profit or loss for the year ended 31 December 2020. As these are not reflective of normal trading activity, it is presented as an Adjusting item to arrive at Adjusted loss before tax and Adjusted loss after tax (note 29).

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Disaggregated revenue information

Disaggregated revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily, the Executive Directors. The key components of revenue reviewed by the chief operating decision makers are:

- Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- Food and beverage revenue which relates to sales of food and beverages at the hotel property. Revenue is recognised at the point of sale; and
- Other revenue includes revenue from leisure centres, car parks, meeting room hire and other revenue sources at the hotels. Leisure centre revenue is recognised over the life of the membership while the other items are recognised when the service is provided.

Revenue review by segment – Dublin	**2021 €'000**	2020 €'000
Room revenue	**52,098**	43,436
Food and beverage revenue	**17,186**	16,012
Other revenue	**5,762**	5,730
Total revenue	**75,046**	65,178

Revenue review by segment – Regional Ireland	**2021 €'000**	2020 €'000
Room revenue	**33,998**	21,620
Food and beverage revenue	**15,131**	11,084
Other revenue	**4,300**	3,597
Total revenue	**53,429**	36,301

Revenue review by segment – UK	**2021 €'000**	2020 €'000
Room revenue	**47,191**	24,699
Food and beverage revenue	**12,716**	7,922
Other revenue	**3,608**	2,721
Total revenue	**63,515**	35,342

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Other geographical information

	2021			2020		
	Republic of Ireland €'000	**UK €'000**	**Total €'000**	Republic of Ireland €'000	UK €'000	Total €'000
Revenue						
Owned hotels	**99,179**	**40,765**	**139,944**	74,099	24,617	98,716
Leased hotels	**29,296**	**22,750**	**52,046**	27,380	10,725	38,105
Total revenue	**128,475**	**63,515**	**191,990**	101,479	35,342	136,821

	2021			2020		
	Republic of Ireland €'000	**UK €'000**	**Total €'000**	Republic of Ireland €'000	UK €'000	Total €'000
EBITDAR						
Owned hotels	**44,335**	**13,562**	**57,897**	20,528	2,491	23,019
Leased hotels	**10,073**	**7,177**	**17,250**	4,917	940	5,857
Total EBITDAR	**54,408**	**20,739**	**75,147**	25,445	3,431	28,876

	2021			2020		
	Republic of Ireland €'000	**UK €'000**	**Total €'000**	Republic of Ireland €'000	UK €'000	Total €'000
Other information						
Variable lease costs	**53**	**77**	**130**	239	32	271
Depreciation of property, plant and equipment	**17,987**	**9,046**	**27,033**	18,078	8,529	26,607
Depreciation of right-of-use assets	**14,288**	**5,234**	**19,522**	15,769	4,894	20,663
Interest on lease liabilities	**15,282**	**9,127**	**24,409**	14,804	7,601	22,405

2 Operating segments (continued)

Other geographical information (continued)

Assets and liabilities	**At 31 December 2021**			At 31 December 2020		
	Republic of Ireland	**UK**	**Total**	Republic of Ireland	UK	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Assets						
Intangible assets and goodwill	**19,766**	**12,228**	**31,994**	20,304	11,429	31,733
Property, plant and equipment	**857,718**	**386,184**	**1,243,902**	850,797	351,946	1,202,743
Right-of-use assets	**269,681**	**222,188**	**491,869**	284,759	126,248	411,007
Investment property	**1,575**	**503**	**2,078**	1,575	514	2,089
Other non-current receivables	**3,356**	**2,957**	**6,313**	3,305	5,754	9,059
Contract fulfilment costs	**36,255**	**-**	**36,255**	22,374	-	22,374
Other current assets	**21,605**	**34,946**	**56,551**	20,059	40,627	60,686
Total assets excluding derivatives and deferred tax assets	**1,209,956**	**659,006**	**1,868,962**	1,203,173	536,518	1,739,691
Derivative assets			**832**			-
Deferred tax assets			**20,161**			12,344
Total assets			**1,889,955**			1,752,035
Liabilities						
Loans and borrowings	**-**	**313,533**	**313,533**	14,376	299,767	314,143
Lease liabilities	**261,993**	**219,933**	**481,926**	271,549	128,083	399,632
Trade and other payables	**67,040**	**17,648**	**84,688**	40,650	8,018	48,668
Total liabilities excluding provision for liabilities, derivatives and tax liabilities	**329,033**	**551,114**	**880,147**	326,575	435,868	762,443
Provision for liabilities			**8,188**			8,275
Derivative liabilities			**1,029**			9,042
Current tax liabilities			**282**			91
Deferred tax liabilities			**42,896**			39,404
Total liabilities			**932,542**			819,255
Revaluation reserve	**194,574**	**17,998**	**212,572**	186,343	12,963	199,306

The above information on assets, liabilities and revaluation reserve is presented by country as it does not form part of the segmental information routinely reviewed by the chief operating decision makers.

Loans and borrowings are categorised according to their underlying currency. The amortised cost of loans and borrowings was €313.5 million at 31 December 2021 (31 December 2020: €314.1 million). Drawn loans and borrowings denominated in Sterling of £266.5 million (€317.2 million) are classified as liabilities in the UK (31 December 2020: £269.5 million (€299.8 million). All of these Sterling borrowings act as a net investment hedge as at 31 December 2021 (31 December 2020: £266.5 million (€296.4 million)). As at 31 December 2020, loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland (note 21). There were no Euro denominated borrowings at 31 December 2021.

Contract fulfilment costs are disclosed as current assets at 31 December 2021 as they are receivable within 12 months of this date and as non-current assets at 31 December 2020.

Notes to the consolidated financial statements

(continued)

3 Statutory and other information

	2021 €'000	2020 €'000
Depreciation of property, plant and equipment	**27,033**	26,607
Depreciation of right-of-use assets	**19,522**	20,663
Variable lease costs: Land and buildings	**130**	271
Hotel pre-opening expenses	**1,927**	81

Hotel pre-opening expenses relate to costs incurred by the Group in advance of opening new hotels. In 2021, this related to seven hotels (of which one opened in August 2021, one opened in January 2022, one opened in February 2022 and the remainder are scheduled to open later in 2022). In 2020, pre-opening expenses related to two new hotels, one of which opened in 2021, with the second due to open later in 2022. These costs primarily relate to payroll expenses, sales and marketing costs and training costs of new staff.

Variable lease costs relate to lease payments linked to performance which are excluded from the measurement of lease liabilities as they are not related to an index or rate or are not considered fixed payments in substance.

Administrative expenses

In 2021, administrative expenses of €109.9 million include depreciation of €46.6 million, as set out above, net reversal of property revaluations losses through profit or loss of €6.8 million (note 12), a reversal of prior period insurance provisions of €1.3 million (note 20), net reversal of previous impairment charges of right-of-use assets and fixtures, fittings and equipment of €0.2 million (notes 10, 12, 13), and a remeasurement gain on right-of-use assets of €0.3 million (note 13).

In 2020, administrative expenses of €158.5 million included depreciation of €47.3 million, net property revaluation losses of €30.8 million, impairment of goodwill of €3.2 million, impairment of right-of-use assets of €7.5 million and of fixtures, fittings and equipment of €1.0 million, and loss on sale and leaseback of €1.7 million.

Auditor's remuneration	2021 €'000	2020 €'000
Audit of Group, Company and subsidiary financial statements	**405**	305
Other assurance services	**23**	24
Tax services	**–**	8
	428	337

Auditor's remuneration for the audit of the Company financial statements was €15,000 (2020: €15,000). Other assurance services primarily relate to the review of the interim condensed consolidated financial statements. For the year ended 31 December 2020, tax services primarily related to Irish VAT advice.

Directors' remuneration	2021 €'000	2020 €'000
Salary and other emoluments	**1,623**	1,525
Gains on vesting of awards granted in 2018 under the 2017 LTIP	**3**	-
Gains on vesting of awards granted in 2017 under the 2017 LTIP	**–**	612
Fees	**438**	433
Pension costs – defined contribution	**117**	112
Compensation of former Director	**102**	-
	2,283	2,682

Amounts disclosed are inclusive of remuneration of connected persons as defined by Companies Act 2014.

Gains associated with the shares which issued on vesting of awards granted in 2018 and 2017 under the 2017 Long Term Incentive Plan ('LTIP') represent the difference between the quoted share price per ordinary share and the exercise price on the vesting date (note 7). The shares granted to Directors in 2017 under the LTIP are held in a restricted share trust and may not be sold or dealt in any way for a period of five years and 30 days from the vesting date. Details of the Directors' remuneration, interests in conditional share awards and compensation of former Director are set out in the Remuneration Committee report on pages 81 to 96.

Notes to the consolidated financial statements

(continued)

4 Other income

	2021 €'000	2020 €'000
Rental income from investment property	**355**	279
Income from managed hotels	**300**	216
	655	495

Rental income from investment property relates to the following properties:

- Two commercial properties which are leased to third parties for lease terms of 25 and 30 years;
- A sub-lease of part of Clayton Cardiff Hotel, UK which is leased to a third party for a lease term of 20 years, with 11 years remaining at 31 December 2021; and
- A sub-lease of part of Clayton Whites Hotel, Wexford which is leased to a third party for a lease term of 10 years, which commenced in 2020.

Income from managed hotels represents the fees and other income earned from services provided in relation to partner hotels which are not owned or leased by the Group. The fair value of the investment properties at 31 December 2021 is €2.1 million (2020: €2.1 million).

5 Finance costs

	2021 €'000	2020 €'000
Interest on lease liabilities (note 13)	**24,409**	22,405
Interest expense on bank loans and borrowings	**8,908**	9,097
Cash flow hedges – reclassified from other comprehensive income	**2,637**	1,992
Other finance costs	**2,340**	1,774
Modification (gain)/loss on amended debt facility	**(2,704)**	4,272
Net foreign exchange (gain)/loss on financing activities	**(86)**	96
Interest capitalised to property, plant and equipment (note 12)	**(1,942)**	(1,392)
Interest capitalised to contract fulfilment costs (note 14)	**(684)**	(291)
	32,878	37,953

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate (note 22). The Sterling variable rate on the Group's borrowings transitioned from LIBOR to SONIA during the year ended 31 December 2021 (notes 22, 24). The cash flow hedge amount reclassified from other comprehensive income is shown separately within finance costs and primarily represents the additional interest the Group paid as a result of the interest rate swaps.

As a result of the amendment and restatement of the loan facility agreement executed on 2 November 2021, the Group assessed whether the discounted cash flows under the amended facility agreement discounted at the old effective interest rate were substantially different from the discounted cash flows under the old facility agreement. The modified loans were deemed to be non-substantially modified which resulted in a modification gain of €2.7 million being recognised in profit or loss during the year ended 31 December 2021 (note 21). Following the amended and restated loan facility in July 2020, a modification loss of €4.3 million was recognised in profit or loss for the year ended 31 December 2020 (note 21).

Other finance costs include commitment fees and other banking and professional fees. Net foreign exchange gains/losses on financing activities relate principally to loans which did not form part of the net investment hedge (note 24).

Interest on loans and borrowings amounting to €1.9 million was capitalised to assets under construction on the basis that these costs were directly attributable to the construction of qualifying assets (note 12) (2020: €1.4 million). Interest on loans and borrowings amounting to €0.7 million was capitalised to contract fulfilment costs on the basis that these costs were directly attributable to the construction of qualifying assets (note 14) (2020: €0.3 million). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, were 2.4% (2020: 1.8%) and 3.6% (2020: 3.1%) respectively.

Notes to the consolidated financial statements

(continued)

6 Personnel expenses

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

	2021	2020
Administration	**495**	447
Other	**2,010**	1,487
	2,505	1,934

Full-time equivalents split by geographical region was as follows:

	2021	2020
Dublin (including the Group's central functions)	**1,149**	944
Regional Ireland	**834**	583
UK	**522**	407
	2,505	1,934

The aggregate payroll costs of these persons were as follows:

	2021	2020
	€'000	€'000
Wages and salaries	**48,159**	45,540
Social welfare costs	**2,973**	4,242
Pension costs – defined contribution	**1,348**	1,260
Share-based payments expense	**2,159**	2,280
Severance costs	**79**	83
	54,718	53,405

Wages and salaries and social welfare costs for the year ended 31 December 2020 have been amended in these financial statements. An amount of €1.4 million of a PRSI credit received relating to Employment Wage Subsidy Scheme has been reclassified from wages and salaries to social welfare costs.

€0.3 million (2020: €0.3 million) of payroll costs relating to the Group's internal development employees were capitalised as these costs are directly related to development, lease and other construction work completed during the year ended 31 December 2021.

For the year ended 31 December 2021, wages and salaries amounting to €48.2 million (2020: €45.5 million) are stated net of wage subsidies received by the Group from the Irish and UK governments. During 2021, the Group availed of wage subsidies of €36.0 million (2020: €16.0 million) from the Irish government and €2.0 million (£1.8 million) (2020: €4.8 million (£4.3 million)) from the UK government (note 8).

Notes to the consolidated financial statements

(continued)

7 Share-based payments expense

The total share-based payments expense for the Group's employee share schemes charged to profit or loss during the year was €2.2 million (2020: €2.3 million), analysed as follows:

	2021	2020
	€'000	€'000
Long Term Incentive Plans	**1,681**	1,238
Share Save schemes	**478**	1,042
	2,159	2,280

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plans

Awards granted

During the year ended 31 December 2021, the Board approved two conditional grants of ordinary shares pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). In March 2021, the grant of 1,361,145 ordinary shares was made to senior employees across the Group (106 in total). On 31 August 2021, the Board, on the Remuneration Committee's recommendation, approved the performance terms and conditions for this award which includes 50% of the performance target being based on total shareholder return 'TSR' and 50% based on Free Cash Flow per Share 'FCFS' with varying thresholds. The performance period of this award is 1 January 2021 to 31 December 2023. Threshold performance for the TSR condition is a performance measure against a bespoke comparator group of 20 listed peer companies in the travel and leisure sector, with 25% vesting if the Group's TSR over the performance period is ranked at the median compared to the TSR of the comparator group, and if the Group's TSR performance is at or above the upper quartile compared to the comparator group, the remaining 75% of the award will vest. Threshold performance for the FCFS condition, which is a non-market-based performance condition, is based on the achievement of FCFS of €0.35, as disclosed in the Group's 2023 audited consolidated financial statements, with 100% vesting for FCFS of €0.47 or greater. These awards will vest on a straight-line basis for performance between these points. FCFS targets may be amended in restricted circumstances if an event occurs which causes the Remuneration Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy. Participants are also entitled to receive a dividend equivalent amount in respect of their awards. Further details of the plans are set out in the Remuneration Committee Report on pages 81 to 96.

On 23 December 2021, a conditional grant of 255,700 ordinary shares was made to senior employees of the Group (87 in total). This award is conditional on employees being in employment as at 31 March 2023. There are no other conditions attaching to this award. Participants are also entitled to receive a dividend equivalent amount in respect of their awards.

Awards vested

As a result of the impact of Covid-19 on the Group, the performance conditions, TSR and earnings per share ('EPS'), under the 2018 LTIP scheme, were not satisfied. In January 2021, the Board, on the Remuneration Committee's recommendation, as permitted under the deed of grant, modified the performance terms and conditions of the 2018 LTIP scheme, to recognise the ongoing commitment by certain senior employees of the Group. The modified conditions set out were that the employee must have been a beneficiary of the 2018 LTIP scheme, who was in employment on 25 January 2021 and was neither a Director nor Company Secretary. A discretionary award of 25% of the conditional awards under the 2018 LTIP scheme relating to these employees vested and the related expense of €0.3 million was fully accounted for in the year ended 31 December 2021 as it was in respect of employee service up to that date. The Group determined the fair value on the date of modification to be the publicly available share price on 25 January 2021 less the nominal value.

The Company issued 93,172 shares on foot of the vesting of this discretionary award. Over the course of the three year performance period, 39,316 share awards lapsed due to vesting conditions which were not satisfied relating to the Award granted in 2018. 628,524 shares lapsed unvested due to TSR and EPS performance conditions not satisfied. The weighted average share price at the date of exercise for awards exercised during the year was €4.22.

Notes to the consolidated financial statements

(continued)

7 Share-based payments expense (continued)

Long Term Incentive Plans (continued)

Movements in the number of share awards are as follows:

	2021 Awards	2020 Awards
Outstanding at the beginning of the year	**3,842,928**	2,361,766
Granted during the year	**1,616,845**	2,282,533
Dividend equivalents	**-**	42,006
Forfeited during the year	**(393,596)**	(29,906)
Lapsed unvested during the year	**(628,524)**	(264,092)
Exercised during the year	**(93,172)**	(549,379)
Outstanding at the end of the year	**4,344,481**	3,842,928

Grant date	2021 Awards	2020 Awards
March 2018	**-**	728,288
March 2019	**822,781**	847,276
March 2020	**2,081,588**	2,267,364
March 2021	**1,184,412**	-
December 2021	**255,700**	-
Outstanding at the end of the year	**4,344,481**	3,842,928

Measurement of fair values

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

	March 2021	March 2020
Fair value at grant date	**€2.40**	€0.62
Share price at grant date	**€3.84**	€2.32
Exercise price	**€0.01**	€0.01
Expected volatility	**52.01% p.a.**	31.83% p.a.
Performance period	**3 years**	3 years

Dividend equivalents accrue on awards that vest up to the time of vesting under the LTIP schemes, and therefore the dividend yield has been set to zero to reflect this. Such dividend equivalents will be released to participants in the form of additional shares on vesting subject to the satisfaction of performance criteria. In the absence of available market-implied and observable volatility, the expected volatility has been estimated based on the historic share price over a three year period.

Awards granted from 2017 to 2020 include EPS performance conditions, whilst the March 2021 awards include FCFS-related performance conditions. Both of these performance conditions are non-market-based performance conditions and do not impact the fair value of the award at the grant date, which equals the share price less exercise price. Instead, an estimate is made by the Group as to the number of shares which are expected to vest based on satisfaction of the EPS-related performance condition or FCFS-related performance condition, where applicable, 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 over the vesting period of the award is reviewed in each reporting period and the accounting charge is adjusted accordingly.

Notes to the consolidated financial statements

(continued)

7 Share-based payments expense (continued)

Share Save schemes

The Remuneration Committee of the Board of Directors approved the granting of share options under the UK and Ireland Share Save schemes (the 'Schemes') for all eligible employees across the Group from 2016 to 2020. During the year ended 31 December 2021, there was no new Scheme granted (509 employees availed of the Schemes granted in 2020). Each Scheme is for three years and employees may choose to purchase shares over the six month period following the end of the three year period at the fixed discounted price set at the start of the three year period. The share price for the Schemes has been set at a 25% discount for Republic of Ireland based employees and 20% for UK based employees in line with the maximum amount permitted under tax legislation in both jurisdictions.

During the year ended 31 December 2021, the Company issued 39,291 shares on maturity of the share options granted as part of the Scheme granted in 2017. The weighted average share price at the date of exercise for options exercised during the year was €4.53.

Movements in the number of share options and the related weighted average exercise price ('WAEP') are as follows:

	2021		2020	
	Options	**WAEP € per share**	Options	WAEP € per share
Outstanding at the beginning of the year	**2,594,186**	**2.63**	1,784,122	3.89
Granted during the year	–	–	2,104,301	2.31
Forfeited during the year	**(695,586)**	**3.36**	(1,211,336)	3.88
Exercised during the year	**(39,291)**	**4.09**	(82,901)	2.98
Outstanding at the end of the year	**1,859,309**	**2.59**	2,594,186	2.63

The weighted average remaining contractual life for the share options outstanding at 31 December 2021 is 2.5 years (31 December 2020: 3.2 years).

At 31 December 2021, 31,517 shares are exercisable relating to the Share Save schemes granted in 2018 which ended in September 2021 and employees have a six month period to exercise their option. The weighted average exercise price of these options is €5.12.

8 Government grants and government assistance

	2021 €'000	2020 €'000
Employment Wage Subsidy Scheme (Ireland)	**36,018**	9,687
Temporary Wage Subsidy Scheme (Ireland)	–	6,330
Coronavirus Job Retention Scheme (UK)	**2,011**	4,753
Other government grants related to income	**6,917**	1,492
Grants related to income	**44,946**	22,262
Capital government grants	–	150
Total government grants	**44,946**	22,412

Payroll-related government grants

As a result of the impact of the Covid-19 pandemic on the Group, the Group availed of the Irish and UK government schemes in relation to wage subsidies. The Employment Wage Subsidy Scheme is available to employers in Ireland who suffered significant reductions in turnover as a result of Covid-19 restrictions. The Group availed of the EWSS for the full year ended 31 December 2021 (2020: 1 September 2020 to 31 December 2020). The Group availed of the Temporary Wage Subsidy Scheme in Ireland from 26 March 2020 to 31 August 2020. The Coronavirus Job Retention Scheme was available for eligible employees for the hours the employees were on furlough. The Group availed of this scheme in the UK from 1 January 2021 to 30 September 2021, when the scheme ended (2020: from 1 March 2020 to 31 December 2020).

Notes to the consolidated financial statements

(continued)

8 Government grants and government assistance (continued)

Payroll-related government grants (continued)

The Group was in compliance with all the conditions of the respective schemes during the year ended 31 December 2021 and 31 December 2020. The grant income received has been offset against the related costs in cost of sales and administrative expenses in profit or loss. No contingencies are attached to any of these schemes as at 31 December 2021. The Group continues to avail of the Employment Wage Subsidy Scheme in Ireland in 2022.

Other government grants

During the year ended 31 December 2021, the Group availed of a number of other grants schemes, including and not limited to the Covid Restrictions Support Scheme, Failte Ireland Tourism Continuity Grant in Ireland and Large Tourism and Hospitality Business Support Scheme in Northern Ireland, introduced by the Irish and UK governments to support businesses during the Covid-19 pandemic and contribute towards re-opening and other operating costs. These grants, which totalled €6.9 million, have been offset against the related costs of €6.9 million in administrative expenses in profit or loss (2020: €1.5 million).

Of the grants received during the year ended 31 December 2021, one of the grants received from the UK Government, ERF Sector Specific Support Fund, which is aimed to support business survival and safeguarding jobs, included a condition attached to it, that businesses are expected to safeguard the relevant jobs for a minimum of 12 months. Therefore, there is a contingent liability in this respect amounting to £0.05 million (€0.06 million) as at 31 December 2021 (2020: £Nil).

There were no capital grants received during the year ended 31 December 2021. During the year ended 31 December 2020, the Group received a grant amounting to €0.2 million for capital costs incurred in adapting premises for new public health requirements arising from the pandemic. The grant was conditional on being utilised for eligible expenditure. The grant has been presented as a deduction in arriving at the carrying amount of the asset in the statement of financial position.

Government assistance

In addition, the Group received financial assistance by way of commercial rates waivers and deferrals of tax liabilities from the Irish and UK governments.

Full year commercial rates waivers for the year ended 31 December 2021 were available to the Group in the Republic of Ireland, Northern Ireland, Wales and Scotland. In England, the full rates waiver was available for the period from 1 January 2021 to 30 June 2021, and from 1 July 2021 to 31 December 2021, a 66% business rates relief was provided by the UK Government.

In Ireland, the Group benefitted from commercial rates waivers of €7.3 million for the year ended 31 December 2021 (for the period 27 March 2020 to 31 December 2020: €5.5 million). In the UK, the Group benefitted from commercial rates waivers of £3.7 million (€4.3 million) for the year ended 31 December 2021 (for the period 1 April 2020 to 31 December 2020: £3.3 million (€3.6 million)).

In the Republic of Ireland, Northern Ireland, Wales and Scotland rates waivers are in place until 31 March 2022 and in England 66% business rates relief is extended until 31 March 2022.

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Act 2020 and Finance Act 2020 (Act 26 of 2020) and amended by the Finance (Covid-19 and Miscellaneous Provisions) Act 2021, Irish VAT liabilities of €3.6 million and payroll tax liabilities of €10.0 million relating to the year ended 31 December 2021 have been deferred. During 2021, the payment of Irish VAT liabilities and payroll tax liabilities relating to 2020 were further deferred from 2021 to 2022. As at 31 December 2021, total Irish deferred VAT liabilities of €8.5 million and payroll tax liabilities of €17.8 million, relating to both 2020 and 2021, are payable during the year ending 31 December 2022.

On 21 December 2021, the Irish Government announced the extension of the Debt Warehousing Scheme in principle following the re-introduction of Covid-19 restrictions. Subsequent to the year-end it was confirmed that Irish VAT liabilities of €8.3 million and payroll tax liabilities of €15.6 million deferred at 31 December 2021 may be further deferred to 30 April 2023. Deferred Irish VAT liabilities of €0.2 million and payroll tax liabilities of €2.2 million do not qualify for the extension and remain payable during the year ended 31 December 2022.

In the UK, VAT liabilities of £0.4 million (€0.5 million) and payroll tax liabilities of £0.3 million (€0.3 million) were deferred in 2020 and were paid by instalments during 2021. There were no further deferrals of UK VAT or payroll tax liabilities during 2021.

Notes to the consolidated financial statements

(continued)

9 Tax credit

	2021	2020
	€'000	€'000
Current tax		
Irish corporation tax charge	278	-
Irish corporation tax – losses carried back to prior year	–	(1,535)
Foreign corporation tax charge	10	120
Foreign corporation tax – losses carried back to prior year	–	(808)
Under/(over) provision in respect of prior years	46	(563)
	334	(2,786)
Deferred tax credit (note 23)	(5,441)	(7,997)
	(5,107)	(10,783)

The tax assessed for the year differs from the standard rate of corporation tax in Ireland for the year. The differences are explained below.

	2021	2020
	€'000	€'000
Loss before tax	(11,436)	(111,461)
Tax on loss at standard Irish corporation tax rate of 12.5%	(1,430)	(13,933)
Effects of:		
Income taxed at a higher rate	63	417
Expenses not deductible for tax purposes	532	950
Impact of revaluation (gains)/losses not subject to tax	(693)	3,914
Foreign income/(losses) taxed at higher rate	2	(1,001)
Losses utilised at higher rate	(63)	(417)
Under/(over) provision in respect of current tax in prior periods	46	(563)
(Over)/under provision in respect of deferred tax in prior periods	(127)	56
Impact of change in rate of tax on opening deferred tax balances	(1,327)	30
Impact of differing rates between current tax and deferred tax	(1,921)	(538)
Other differences	(189)	302
	(5,107)	(10,783)

As the Group incurred a loss before tax in 2021, the Group has recognised a tax credit of €5.1 million for the year ended 31 December 2021.

The deferred tax credit for the year ended 31 December 2021 of €5.4 million primarily relates to the net value of tax losses which are available to utilise against future taxable profits and the remeasurement of UK deferred tax assets and liabilities which are forecasted to be realised at the corporation tax rate of 25%.

During the year ended 31 December 2021, the UK government substantively enacted an increase in the corporation tax rate from 19% to 25%, with effect from 1 April 2023. The UK deferred tax assets and liabilities which are forecasted to reverse after 1 April 2023 have been remeasured at the 25% corporation tax rate.

The current tax charge of €0.3 million relates to taxable profits earned by Group companies that were not sheltered by tax losses. For most Group companies, there were sufficient tax losses carried forward from earlier periods and generated in the current year, such that, no other current tax charges arose in the year ended 31 December 2021.

The current tax credit for the year ended 31 December 2020 of €2.8 million related primarily to the carry back of tax losses incurred in the year ended 31 December 2020 to the 2019 tax return period. This resulted in corporation tax refunds on submission of the 2019 tax returns during the year ended 31 December 2020. There is no scope to carry back any losses incurred during the year ended 31 December 2021 to earlier periods.

Notes to the consolidated financial statements

(continued)

9 Tax credit (continued)

The Group is confident that the tax losses incurred during 2021 together with the amounts carried forward from earlier years will be fully utilised in future periods (note 23).

The increase in the effective income tax rate for the year ended 31 December 2021 relative to the prior year relates mainly to the remeasurement of UK deferred tax assets and liabilities at the 25% rate. In addition, the impact of revaluation losses not subject to tax reduced the effective income tax rate in the prior year, relative to the year ended 31 December 2021.

10 Impairment

At 31 December 2021, as a result of the impact of Covid-19 on expected trading, particularly on near term profitability, and the carrying amount of the net assets of the Group being more than its market capitalisation, the Group tested each cash generating unit ('CGU') for impairment as both were deemed to be potential impairment indicators. Impairment arises where the carrying value of the CGU (which includes, where relevant, revalued properties and/or right-of-use assets, allocated goodwill, fixtures, fittings and equipment) exceeds its recoverable amount on a value in use ('VIU') basis.

On 31 December 2021, the market capitalisation of the Group (€829.0 million) was lower than the net assets of the Group (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). Market capitalisation can be influenced by a number of different market factors and uncertainties, most evidently the impact of Covid-19 in 2020 and 2021 and more specifically, the tightening of government restrictions during December 2021 as a result of the emergence of the Omicron variant. In addition, share prices reflect a discount due to lack of control rights. The Group as a whole is not considered to be a CGU for the purposes of impairment testing and instead each hotel operating unit is considered as a CGU as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

At 31 December 2021, the recoverable amounts of the Group's CGUs were based on VIU, determined by discounting the estimated future cash flows generated from the continuing use of these hotels. VIU cash flow projections are prepared for each CGU and then compared against the carrying value of the assets, including goodwill, properties, fixtures, fittings and equipment and right-of-use assets, in that CGU. The VIU assumptions are detailed below. The VIU cash flows take into account changes in market conditions as a result of Covid-19.

The VIU estimates were based on the following key assumptions:

- Cash flow projections are based on operating results and forecasts prepared by management covering a ten year period in the case of freehold properties. This period was chosen due to the nature of the hotel assets and is consistent with the valuation basis used by independent external property valuers when performing their hotel valuations (note 12). For CGUs with right-of-use assets, the lease term was used;
- Revenue and EBITDA for 2022 and future years are based on management's best estimate projections as at 31 December 2021. Forecasted revenue and EBITDA are based on expectations of future outcomes taking into account the current earnings, impact of Covid-19, past experience and adjusted for anticipated revenue and cost growth;
- Cash flow projections assume a long-term compound annual growth rate post 2024 of 2% (2020: 2%) in EBITDA for CGUs in the Republic of Ireland and 2.5% (2020: 2%) in the UK;
- Cash flows include an average annual capital outlay on maintenance for the hotels dependent on the condition of the hotel or typically 4% of revenues but assume no enhancements to any property;
- In the case of CGUs with freehold properties, the VIU calculations also include a terminal value based on terminal (year ten) capitalisation rates consistent with those used by the external property valuers which incorporates a long-term growth rate of 2% (2020: 2%) for Irish and 2.5% (2020: 2%) for UK properties;
- The cash flows are discounted using a risk adjusted discount rate specific to each property. Risk adjusted discount rates of 7.75% to 9.75% for Dublin assets (31 December 2020: 8.25% to 9.75%), 9.0% to 11.5% for Regional Ireland assets (31 December 2020: 9.0% to 11.25%), 7.5% to 11.75% for UK assets (31 December 2020: 7.0% to 11.25%) have been used; and
- The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience of the valuers and of management and taking into account the stability of cash flows typically associated with these factors.

10 Impairment (continued)

Following the impairment assessments carried out on the Group's CGUs at 31 December 2021, the recoverable amount was deemed lower than the carrying amount in one of the Group's UK CGUs which resulted in an impairment charge of €0.3 million (£0.3 million), relating to right-of-use assets (note 13) and fixtures, fittings and equipment (note 12).

At 31 December 2021, impairment reversal assessments were carried out on the Group's CGUs where there had been a previous impairment of right-of-use assets and fixtures, fittings and equipment. Following this assessment, reversals of previous impairments relating to one of the Group's Irish CGUs were recognised in profit or loss as a result of improved performance forecasts. This resulted in a reversal of previous impairment charges of €0.4 million on right-of-use assets (note 13) and €0.1 million on fixtures, fittings and equipment (note 12). At 31 December 2021, the recoverable amount of this CGU was €3.6 million (2020: €3.1 million).

Covid-19 continues to impact the Group's business and operations. As a result, the Group's projections are subject to a greater level of uncertainty than before the pandemic as governments worldwide continue to implement measures to protect public health, roll out vaccine programmes and support business and employment. Therefore, the estimation of cash flows which take into account the ongoing impacts of the pandemic, prepared to support the VIU estimates, is a key source of estimation uncertainty. Projections have been prepared taking into account all information reasonably available in the environment at 31 December 2021. Broadly, the cash flow projections assume that the successful vaccination roll out and the evolution of the virus has allowed recovery of the hospitality sector to commence with a return to more normalised levels of trade between 2023 and 2025 depending on location and business mix.

If the 2022 EBITDA forecasts used in cashflow in VIU estimates for impairment testing as at 31 December 2021 had been forecast 10% lower, there would have been no impairment for the year ended 31 December 2021 for right-of-use assets and fixtures, fittings and equipment and goodwill.

11 Intangible assets and goodwill

	Goodwill €'000	Other intangible assets €'000	Total €'000
Cost or valuation			
Balance at 1 January 2021	78,963	2,470	81,433
Additions	-	47	47
Effect of movements in exchange rates	753	-	753
Balance at 31 December 2021	**79,716**	**2,517**	**82,233**
Balance at 1 January 2020	79,628	2,416	82,044
Additions	-	54	54
Effect of movements in exchange rates	(665)	-	(665)
Balance at 31 December 2020	78,963	2,470	81,433
Accumulated amortisation and impairment losses			
Balance at 1 January 2021	(48,947)	(753)	(49,700)
Amortisation of intangible assets	-	(539)	(539)
Balance at 31 December 2021	**(48,947)**	**(1,292)**	**(50,239)**
Balance at 1 January 2020	(45,716)	(195)	(45,911)
Impairment loss during the year	(3,226)	-	(3,226)
Amortisation of intangible assets	-	(558)	(558)
Translation adjustment	(5)	-	(5)
Balance at 31 December 2020	(48,947)	(753)	(49,700)
Carrying amounts			
At 31 December 2021	**30,769**	**1,225**	**31,994**
At 31 December 2020	30,016	1,717	31,733

Goodwill

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

As at 31 December 2021, the goodwill cost figure includes €12.2 million (£10.3 million) which is attributable to goodwill arising on acquisition of foreign operations. Consequently, such goodwill is subsequently retranslated at the closing rate. The retranslation at 31 December 2021 resulted in a foreign exchange gain of €0.8 million and a corresponding increase in goodwill. The comparative retranslation at 31 December 2020 resulted in a foreign exchange loss of €0.7 million.

Carrying amount of goodwill allocated	Number of cash-generating units At 31 December 2021	2021 €'000	2020 €'000
Moran Bewley Hotel Group (i)	7	**25,074**	24,366
Other acquisitions (i)	3	**1,350**	1,305
2007 Irish hotel operations acquired (ii)	3	**4,345**	4,345
	13	**30,769**	30,016

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2021.

11 Intangible assets and goodwill (continued)

Annual goodwill testing

The Group tests goodwill annually for impairment and more frequently if there are indications that goodwill might be impaired. Due to the Group's policy of revaluation of land and buildings, and the allocation of goodwill to individual CGUs, impairment of goodwill can occur as the Group realises the profit and revenue growth and synergies which underpinned the goodwill. As these materialise, they are recorded as revaluation gains to the carrying value of the property and consequently, elements of goodwill may be required to be written off if the carrying value of the CGU (which includes revalued property and allocated goodwill) exceeds its recoverable amount on a VIU basis. The impairment of goodwill is recorded through profit or loss though the revaluation gains on property are taken to reserves through other comprehensive income provided there were no previous impairment charges through profit or loss.

Following an impairment review of the CGUs containing goodwill at 31 December 2021, no goodwill was required to be impaired (2020: €2.6 million for a CGU relating to an Irish hotel and €0.6 million (£0.6 million) for a CGU relating to a UK hotel). The Group continues to monitor the impact of Covid-19 on the operating results of the Group and also the impact of the UK's departure from the European Union.

Future under-performance in any of the Group's major CGUs may result in a material write-down of goodwill which would have a substantial impact on the Group's results and equity.

(i) Moran Bewley Hotel Group and other single asset acquisitions

For the purposes of impairment testing, goodwill has been allocated to each of the hotels acquired as CGUs. As these hotel properties are valued annually by independent external valuers, the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the VIU of the CGU is assessed.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2021: Ireland 9.96%, UK 6.8%, 2020: Ireland 9.92%, UK 6.8%). Purchasers' costs are a key difference between VIU and fair value less costs of disposal as prepared by external valuers.

At 31 December 2021, the recoverable amounts of the ten CGUs were based on VIU, determined by discounting the future cash flows generated from the continuing use of these hotels. Note 10 details the assumptions used in the VIU estimates for impairment testing.

(ii) 2007 Irish hotel operations acquired

For the purposes of impairment testing, goodwill has been allocated to each of the CGUs representing the Irish hotel operations acquired in 2007. Eight hotels were acquired at that time but only four of these hotels had goodwill associated with them. The goodwill related to one of these CGUs was fully impaired (€2.6 million) during the year ended 31 December 2020. The remaining three of these hotels are valued annually by independent external valuers, as the freehold interest in the property is owned by the Group. Where hotel properties are valued annually by independent external valuers, the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the VIU of the CGU is assessed. The recoverable amount at 31 December 2021 of each of these CGUs which have associated goodwill is based on VIU. VIU is determined by discounting the future cash flows generated from the continuing use of these hotels. Following the impairment assessment carried out at 31 December 2021, there was no impairment of goodwill relating to these CGUs.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2021: 9.96%, 2020: 9.92%). Purchasers costs are a key difference between VIU and fair value less costs of disposal as prepared by external valuers. Note 10 details the assumptions used in the VIU estimates.

The key judgements and assumptions used in estimating the future cash flows in the impairment tests are subjective and include projected EBITDA (as defined in note 2), discount rates and the duration of the discounted cash flow model. Expected future cash flows are inherently uncertain and therefore liable to change materially over time (note 10).

Other intangible assets

Other intangible assets of €1.2 million at 31 December 2021 represent a software licence agreement entered into by the Group in 2019. This software licence was extended during the year and will now run to 31 May 2024 and is being amortised on a straight-line basis over the life of the asset. Additional software licenses were entered into during the year ended 31 December 2021 of €0.05 million (2020: €0.05 million).

The Group reviews the carrying amounts of other intangible assets annually to determine whether there is any indication of impairment. If any such indicators exist then the asset's recoverable amount is estimated.

At 31 December 2021, there were no indicators of impairment present and the Directors concluded that the carrying value of other intangible assets was not impaired at 31 December 2021.

Notes to the consolidated financial statements

(continued)

12 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2021				
Valuation	1,088,847	-	-	1,088,847
Cost	-	79,094	147,714	226,808
Accumulated depreciation (and impairment charges) *	-	-	(71,753)	(71,753)
Net carrying amount	**1,088,847**	**79,094**	**75,961**	**1,243,902**
At 1 January 2021, net carrying amount	**1,058,548**	**61,886**	**82,309**	**1,202,743**
Additions/(reversal of additions) through capital expenditure	(85)	12,870	7,597	20,382
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	323	(390)	67	-
Capitalised labour costs (note 6)	138	35	8	181
Capitalised borrowing costs (note 5)	-	1,942	-	1,942
Revaluations gains through OCI	20,037	-	-	20,037
Revaluation losses through OCI	(5,655)	-	-	(5,655)
Reversal of revaluation losses through profit or loss	9,404	-	-	9,404
Revaluation losses through profit or loss	(2,567)	-	-	(2,567)
Impairment of fixtures, fittings and equipment	-	-	(5)	(5)
Reversal of previous impairment charges of fixtures, fittings and equipment	-	-	125	125
Depreciation charge for the year	(11,240)	-	(15,793)	(27,033)
Translation adjustment	19,944	2,751	1,653	24,348
At 31 December 2021, net carrying amount	**1,088,847**	**79,094**	**75,961**	**1,243,902**

The equivalent disclosure for the prior year is as follows:

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2020				
Valuation	1,058,548	-	-	1,058,548
Cost	-	61,886	137,231	199,117
Accumulated depreciation (and impairment charges) *	-	-	(54,922)	(54,922)
Net carrying amount	**1,058,548**	**61,886**	**82,309**	**1,202,743**
At 1 January 2020, net carrying amount	**1,324,468**	**59,600**	**87,247**	**1,471,315**
Additions through capital expenditure	714	10,986	13,712	25,412
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	6,129	(7,489)	1,360	-
Capitalised labour costs (note 6)	30	69	66	165
Capitalised borrowing costs (note 5)	-	1,392	-	1,392
Disposal of property, plant and equipment	(68,902)	(536)	(2,462)	(71,900)
Net revaluation losses through OCI	(143,631)	-	-	(143,631)
Net revaluation losses through profit or loss	(30,807)	-	-	(30,807)
Impairment of fixtures, fittings and equipment	-	-	(1,015)	(1,015)
Depreciation charge for the year	(11,134)	-	(15,473)	(26,607)
Translation adjustment	(18,319)	(2,136)	(1,126)	(21,581)
At 31 December 2020, net carrying amount	**1,058,548**	**61,886**	**82,309**	**1,202,743**

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

Notes to the consolidated financial statements

(continued)

12 Property, plant and equipment (continued)

The carrying value of land and buildings (revalued at 31 December 2021) is €1,088.8 million (2020: €1,058.5 million). The value of these assets under the cost model is €849.8 million (2020: €834.2 million). In 2021, unrealised revaluation gains of €20.0 million and unrealised losses of €5.7 million have been reflected through other comprehensive income and in the revaluation reserve in equity. Revaluation losses of €2.6 million and a reversal of prior period revaluation losses of €9.4 million have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2021 is land at a carrying value of €297.0 million (2020: €301.3 million) which is not depreciated. There are €6.1 million of fixtures, fittings and equipment which have been depreciated in full but are still in use at 31 December 2021 (31 December 2020: €4.8 million).

Additions to assets under construction during the year ended 31 December 2021 include the following:

- Development expenditure incurred on new hotel builds of €12.9 million primarily relating to the new hotels being built at the former Tara Towers site in Dublin and at the site in Shoreditch in London; and
- Interest capitalised on loans and borrowings relating to qualifying assets of €1.9 million (note 5).

Capitalised labour costs of €0.2 million (2020: €0.2 million) relate to the Group's internal development team and are directly related to asset acquisitions and other construction work completed in relation to the Group's property, plant and equipment.

Impairment assessments were carried out on the Group's CGUs at 31 December 2021. The recoverable amount was deemed lower than the carrying amount in one of the Group's UK CGUs which resulted in an impairment charge of €0.3 million (£0.3 million) (notes 10,13), relating to right-of-use assets and fixtures, fittings and equipment.

At 31 December 2021, impairment reversal assessments were carried out on the Group's CGUs where there had been a previous impairment of right-of-use assets and fixtures, fittings and equipment. Following this assessment, reversals of previous impairments relating to one of the Group's Irish CGUs were recognised in profit or loss as a result of improved performance forecasts. This resulted in a reversal of previous impairment charges of €0.4 million on right-of-use assets and €0.1 million on fixtures, fittings and equipment (note 10).

On 24 April 2020, the Group completed the sale and leaseback of the Clayton Hotel Charlemont for €64.2 million. The Group now operates this hotel under a lease with a term of 35 years. As part of the transaction, a further €0.8 million was receivable contingent on the addition of three bedrooms to the property and the cost of this development is being borne by the Group. At 31 December 2021, €0.5 million has been received, with the remaining balance due on completion of the project.

The sale resulted in the derecognition of the property asset with the previously recognised revaluation gains of €30.3 million in the revaluation reserve being transferred to retained earnings. Immediately prior to sale, the property was revalued by external valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and the fair value restated accordingly. The valuation was based on the expected price that would be received to sell the asset outright in an orderly transaction between market participants at that date on the assumption that all future economic benefits for the asset are disposed of.

In a sale and subsequent leaseback, the vendor retains the economic benefit post rent of the asset for the period of the lease. Upon sale, the asset is derecognised entirely and, following the leaseback, under IFRS 16, is replaced with a right-of-use asset which corresponds to the value of the discounted lease liability and a portion of the difference between the fair value prior to sale and the sales proceeds received. The right of-use asset does not consequently recognise a significant element of the benefits which the Group continues to enjoy which was recognised in the fair value of the asset prior to sale and leaseback.

Consequently, this resulted in a portion of the €7.7 million difference between the fair value prior to sale and the sales proceeds being treated as an accounting loss (€1.7 million) recognised in profit or loss in 2020 and €6.0 million being capitalised as part of the right-of-use asset.

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

At 31 December 2021, property, plant and equipment, including fixtures, fittings and equipment in leased properties, with a carrying amount of €1,080.0 million (2020: €1,055.1 million) were pledged as security for loans and borrowings.

Notes to the consolidated financial statements

(continued)

12 Property, plant and equipment (continued)

Material valuation uncertainty basis in the prior year

The value of the Group's property at 31 December 2021 reflects open market valuations carried out as at 31 December 2021 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. As a result of Covid-19 with effect from March 2020, similar to other real estate markets, the market for hotel assets had experienced significantly lower levels of transactional activity and liquidity. As at the valuation date of 31 December 2021, property markets were mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence existed upon which to base opinions of value, and therefore the valuations as at 31 December 2021 have not been reported by the valuers on the basis of 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The valuations at 31 December 2020 were reported on the basis of 'material valuation uncertainty' due to the impact of the Covid-19 pandemic at that time when less weight could be attached to previous market evidence to fully inform opinions of value as at 31 December 2020.

Measurement of fair value

The fair value measurement of the Group's own-use property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. At 31 December 2021, 29 properties were revalued by independent external valuers engaged by the Group (31 December 2020: 29).

The principal valuation technique used by the independent external valuers engaged by the Group was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of year 10). Valuers' forecast cash flow included in these calculations represents the expectations of the valuers for EBITDA (driven by average room rate ('ARR') (calculated as total revenue divided by total rooms sold) and occupancy) for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 4% of revenue per annum. This does not always reflect the profile of actual capital expenditure incurred by the Group. On specific assets, refurbishments are, by nature, periodic rather than annual. Valuers' expectations of EBITDA are based off their trading forecasts (benchmarked against competition, market and actual performance). The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location. The final valuation also includes a deduction of full purchaser's costs based on the valuers' estimates at 9.96% for assets located in the Republic of Ireland (31 December 2020: 9.92%) and 6.8% for assets located in the UK (31 December 2020: 6.8%).

The valuers use their professional judgement and experience to balance the interplay between the different assumptions and valuation influences. For example, initial discounted cash flows based on individually reasonable inputs may result in a valuation which challenges the price per key metrics (value of hotel divided by room numbers) in recent hotel transactions. This would then result in one or more of the inputs being amended for preparation of a revised discounted cash flow. Consequently, the individual inputs may change from the prior period or may look individually unusual and therefore must be considered as a whole in the context of the overall valuation.

Notes to the consolidated financial statements

(continued)

12 Property, plant and equipment (continued)

Measurement of fair value (continued)

The significant unobservable inputs and drivers thereof are summarised in the following table:

Significant unobservable inputs		**31 December 2021**		
	Dublin	**Regional Ireland**	**UK**	**Total**
		Number of hotel assets		
Average Room Rate				
< €75/£75	**-**	**-**	**1**	**1**
€75-€100/£75-£100	**7**	**2**	**6**	**15**
> €100/£100	**2**	**10**	**1**	**13**
	9	**12**	**8**	**29**
Terminal (Year 10) capitalisation rate				
<8%	**9**	**7**	**6**	**22**
8%-10%	**-**	**5**	**2**	**7**
	9	**12**	**8**	**29**
Price per key*				
< €150k/£150k	**2**	**10**	**6**	**18**
€150k-€250k/£150k-£250k	**2**	**2**	**-**	**4**
€250k-€350k/£250k-£350k	**4**	**-**	**1**	**5**
> €350k/£350k	**1**	**-**	**1**	**2**
	9	**12**	**8**	**29**

		31 December 2020		
	Dublin	**Regional Ireland**	**UK**	**Total**
		Number of hotel assets		
Average Rooms Rate				
< €75/£75	-	1	6	7
€75-€100/£75-£100	9	10	2	21
> €100/£100	-	1	-	1
	9	12	8	29
Terminal (Year 10) capitalisation rate				
<8%	9	4	6	19
8%-10%	-	8	2	10
	9	12	8	29
Price per key*				
< €150k/£150k	2	10	6	18
€150k-€250k/£150k-£250k	2	2	-	4
€250k-€350k/£250k-£350k	4	-	1	5
> €350k/£350k	1	-	1	2
	9	12	8	29

**Price per key represents the valuation of a hotel divided by the number of rooms in that hotel.*

The significant unobservable inputs are:

- Valuers' forecast cash flows.
- Risk adjusted discount rates and terminal (Year 10) capitalisation rates are specific to each property;
- Dublin assets:
  - Risk adjusted discount rates range between 7.75% and 9.75% (31 December 2020: 8.25% and 9.75%).
  - Weighted average risk adjusted discount rate is 8.72% (31 December 2020: 8.88%).
  - Terminal capitalisation rates range between 5.75% and 7.75% (31 December 2020: 6.25% and 7.75%).
  - Weighted average terminal capitalisation rate is 6.72% (31 December 2020: 6.88%).
- Regional Ireland:
  - Risk adjusted discount rates range between 9.0% and 11.5% (31 December 2020: 9.0% and 11.25%).
  - Weighted average risk adjusted discount rate is 9.56% (31 December 2020: 9.69%).
  - Terminal capitalisation rates range between 7.00% and 9.50% (31 December 2020: 7.00% and 9.25%).
  - Weighted average terminal capitalisation rate is 7.56% (31 December 2020: 7.69%).

12 Property, plant and equipment (continued)

Measurement of fair value (continued)

Significant unobservable inputs (continued)

- UK:
  - Risk adjusted discount rates range between 7.5% and 11.75% (31 December 2020: 7.0% and 11.25%).
  - Weighted average risk adjusted discount rate is 9.04% (31 December 2020: 8.52%).
  - Terminal capitalisation rates range between 5.00% and 9.25% (31 December 2020: 5.00% and 9.25%).
  - Weighted average terminal capitalisation rate is 6.54% (31 December 2020: 6.52%).
- Valuers have broadly assumed a recovery from the impact of Covid-19 to normalised trading levels between 2023 and 2025 depending on location and business mix which is a key valuation assumption. This is reflected in Average Room Rate assumptions, shown in the table on the previous page, showing movements year on year, which were generally used as the approximate base for 2022.

Revenue per available room metrics ('RevPAR') for 2020 and 2021 are heavily distorted by the impact of periods of government restrictions on occupancy when the hotels were largely closed to all except essential services. In order to present information which is more indicative of the unobservable inputs and drivers on which discounted cash flows are based, the Group considers it more appropriate to give an indication of Average Room Rates for the hotels.

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

- Valuers' forecast cash flow was higher or lower than expected; and/or
- The risk adjusted discount rate and terminal capitalisation rate was lower or higher.

Valuations also had regard to relevant price per key metrics from hotel sales activity.

The property revaluation exercise carried out by the Group's external valuers is a complex exercise, which not only takes into account the future earnings forecast for the hotels, but also a number of other factors, including and not limited to, market conditions, comparable hotel sale transactions, inflation and the underlying value of an asset. As a result, it is not possible, for the Group to perform a quantitative sensitivity for a change in the property values. A change in an individual quantitative variable would not necessarily lead to an equivalent change in the overall outcome and would require the application of judgement of the valuers in terms of how the variable change could potentially impact on overall valuations.

13 Leases

Group as a lessee

The Group leases property assets, which includes land and buildings and related fixtures and fittings, and other equipment, relating to vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	**Property assets €'000**	**Other equipment €'000**	**Total €'000**
Net book value at 1 January 2021	**410,932**	**75**	**411,007**
Additions	90,282	24	90,306
Depreciation charge for the year	(19,460)	(62)	(19,522)
Remeasurement of lease liabilities	794	-	794
Impairment charge	(315)	-	(315)
Reversal of previous impairment charges	354	-	354
Translation adjustment	9,245	-	9,245
Net book value at 31 December 2021	**491,832**	**37**	**491,869**
Net book value at 1 January 2020	**386,258**	**149**	**386,407**
Additions	61,670	-	61,670
Depreciation charge for the year	(20,589)	(74)	(20,663)
Remeasurement of lease liabilities	(1,578)	-	(1,578)
Impairment charge	(7,541)	-	(7,541)
Translation adjustment	(7,288)	-	(7,288)
Net book value at 31 December 2020	**410,932**	**75**	**411,007**

Right-of-use assets comprise leased assets that do not meet the definition of investment property.

Notes to the consolidated financial statements

(continued)

13 Leases (continued)

Group as a lessee (continued)

Lease liabilities	2021 €'000	2020 €'000
Current	10,761	9,667
Non-current	388,871	352,434
Lease liabilities at 1 January	**399,632**	**362,101**
Additions	81,210	51,946
Interest on lease liabilities (note 5)	24,409	22,405
Lease payments	(33,339)	(28,023)
Remeasurement of lease liabilities	517	(1,578)
Translation adjustment	9,497	(7,219)
Lease liabilities at 31 December	**481,926**	**399,632**
Current	10,049	10,761
Non-current	471,877	388,871
Lease liabilities at 31 December	**481,926**	**399,632**

Additions during the year ended 31 December 2021 relate to:

- In July 2021, the Group entered into a 35 year lease of Maldron Hotel Glasgow City. This resulted in the recognition of a right-of-use asset of €35.0 million (£29.8 million) and lease liability of €32.1 million (£27.3 million). The Group included lease prepayments and initial direct costs of €2.9 million (£2.5 million) as part of the initial measurement of the right-of-use asset.
- In December 2021, the Group entered into a 35 year lease of Clayton Hotel Manchester City Centre. This resulted in the recognition of a right-of-use asset of €55.3 million (£46.6 million), which includes €6.2 million (£5.2 million) of initial direct costs and a lease liability of €49.1 million (£41.4 million). The hotel opened to the public in January 2022.

Additions in 2020 relate to the Group entering into a 35 year lease in April 2020 of the Clayton Hotel Charlemont in Dublin following a sale and leaseback transaction which resulted in the recognition of a right-of-use asset of €56.3 million and lease liability of €46.6 million. The Group included €3.6 million of lease prepayments and initial direct costs in the initial measurement of the right-of-use asset. In addition, as a result of the sale and subsequent leaseback, the Group retained the economic benefit post rent of the asset for the period of the lease. This resulted in a portion of the €7.7 million difference between the fair value prior to sale and the sale proceeds being capitalised as part of the right-of-use asset (€6.0 million) in accordance with IFRS 16.

In November 2020, the Group entered into a lease agreement to lease 44 newly built rooms at Clayton Hotel Birmingham for 32 years. This resulted in the recognition of a right-of-use asset of €5.4 million (£4.8 million), which includes €0.1 million of initial direct costs and a lease liability of €5.3 million (£4.7 million).

The weighted average incremental borrowing rate for new leases entered into during the year ended 31 December 2021 is 6.8% (2020: 5.59%).

The Group has chosen not to avail of the alternative accounting treatment set out in IFRS 16 – *Covid-19 Related Rent Concessions* during the year 31 December 2021 or the year ended 31 December 2020. Consequently, any adjustments to the terms of the impacted leases have been treated as a remeasurement.

During the year ended 31 December 2021, lease amendments, which were not included in the original lease agreements, were made to two of the Group's leases. Both of these have been treated as a modification of lease liabilities and resulted in a decrease in lease liabilities of €1.6 million and a €1.3 million decrease to the carrying value of the right-of-use assets. As the right-of-asset relating to one of these leases had been previously impaired, the resulting difference of €0.3 million has been recognised as a remeasurement gain on right-of-use assets in profit or loss (note 2). In addition, following agreed rent reviews and rent adjustments, which formed part of the original lease agreements, certain of the Group's leases were reassessed during the year. This resulted in an increase in lease liabilities and related right-of-use assets of €2.1 million.

Variable lease costs which are linked to an index, rate or are considered fixed payments in substance are included in the measurement of lease liabilities. These represent €44.4 million of lease liabilities at 31 December 2021 (31 December 2020: €33.9 million).

Notes to the consolidated financial statements

(continued)

13 Leases (continued)

Group as a lessee (continued)

Non-cancellable undiscounted lease cash flows payable under lease contracts are set out below:

	At 31 December 2021			At 31 December 2020		
	Republic of Ireland €'000	**UK £'000**	**Total €'000**	Republic of Ireland €'000	UK £'000	Total €'000
Year ended 31 December 2021	-	-	-	25,515	7,486	33,842
During the year 2022	**23,230**	**12,976**	**38,672**	22,492	7,526	30,863
During the year 2023	**22,376**	**12,355**	**37,079**	22,358	7,605	30,817
During the year 2024	**20,205**	**12,436**	**35,005**	20,205	7,673	28,740
During the year 2025	**19,965**	**12,508**	**34,851**	19,965	7,753	28,589
During the year 2026	**20,048**	**12,601**	**35,044**	20,048	7,772	28,693
During the years 2027 – 2036	**198,375**	**133,205**	**356,900**	198,375	82,545	290,191
During the years 2037 – 2046	**134,791**	**146,098**	**308,659**	134,791	91,183	236,215
From 2047 onwards	**59,953**	**118,790**	**201,323**	56,181	63,051	126,313
	498,943	**460,969**	**1,047,533**	519,930	282,594	834,263

Sterling amounts have been converted using the closing foreign exchange rate of 0.84028 as at 31 December 2021 (0.89903 as at 31 December 2020).

The weighted average lease life of future minimum rentals payable under leases is 30.1 years (31 December 2020: 29.4 years). Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 December 2021, the total fixed cash outflows relating to property assets and other equipment amounted to €33.3 million (31 December 2020: €28.0 million).

Unwind of right-of-use assets and release of interest charge

The unwinding of the right-of-use assets as at 31 December 2021 and the release of the interest on the lease liabilities as at 31 December 2021 through profit or loss over the terms of the leases have been disclosed in the following table:

	Depreciation of right-of-use assets			**Interest on lease liabilities**		
	Republic of Ireland €'000	**UK £'000**	**Total €'000**	**Republic of Ireland €'000**	**UK £'000**	**Total €'000**
During the year 2022	13,827	6,723	21,828	14,857	11,568	28,624
During the year 2023	13,538	6,676	21,483	14,423	11,518	28,130
During the year 2024	11,631	6,676	19,576	14,013	11,465	27,657
During the year 2025	11,549	6,676	19,494	13,662	11,404	27,234
During the year 2026	11,544	6,331	19,078	13,288	11,335	26,778
During the year 2027	11,240	6,111	18,513	12,886	11,251	26,276
During the years 2028-2037	107,259	56,367	174,340	101,427	104,505	225,796
During the years 2038-2047	64,376	56,011	131,034	43,666	74,594	132,439
From 2048 onwards	24,748	35,103	66,523	8,689	28,556	42,673
	269,712	**186,674**	**491,869**	**236,911**	**276,196**	**565,607**

Sterling amounts have been converted using the closing foreign exchange rate of 0.84028 as at 31 December 2021.

Notes to the consolidated financial statements

(continued)

13 Leases (continued)

Group as a lessee (continued)

The actual depreciation and interest charge through profit or loss will depend on the composition of the Group's lease portfolio in future years and is subject to change, driven by:

- commencement of new leases;
- modifications of existing leases;
- reassessments of lease liabilities following periodic rent reviews; and
- impairments and reversals of previous impairment charges of right-of-use assets.

As a result of the impact of Covid-19, impairment tests were carried out on the Group's CGUs at 31 December 2021 (note 10). Each hotel operating business is deemed to be a CGU as the cash flows generated are independent of other hotels in the Group. As a result of the impairment tests, the right-of-use asset relating to one of the Group's CGUs was impaired by €0.3 million at 31 December 2021 (31 December 2020: €7.5 million relating to four CGUs).

Impairment reversal assessments were also carried out on the Group's CGUs where there had been a previous impairment of right-of-use assets and fixtures, fittings and equipment. Following the assessment at 31 December 2021, a reversal of previous impairment charges of €0.4 million relating to right-of-use assets and €0.1 million to fixtures, and fittings and equipment was recognised in profit or loss relating to one of the Group's Irish CGUs (notes 10, 12).

Leases of property assets

The Group leases properties for its hotel operations and office space. The leases of hotels typically run for a period of between 25 and 35 years and leases of office space for 10 years.

Some leases provide for additional rent payments that are based on a percentage of the revenue/EBITDAR that the Group generates at the hotel in the period. The Group sub-leases part of one of its properties to a tenant under an operating lease.

Variable lease costs based on revenue/EBITDAR

These variable lease costs link rental payments to hotel cash flows and reduce fixed payments. Variable lease costs which are considered fixed in substance are included as part of lease liabilities and not in the following table.

Variable lease costs based on revenue/EBITDAR for the year ended 31 December 2021 are as follows:

	Variable lease costs element	**Estimated impact on variable lease costs of 5% increase in revenue/EBITDAR**
	€'000	**€'000**
Leases with lease payments based on revenue/EBITDAR	**130**	**28**

Variable lease costs based on revenue/EBITDAR for the year ended 31 December 2020 are as follows:

	Variable lease costs element	Estimated impact on variable lease costs of 5% increase in revenue/EBITDAR
	€'000	€'000
Leases with lease payments based on revenue/EBITDAR	271	50

Notes to the consolidated financial statements

(continued)

13 Leases (continued)

Group as a lessee (continued)

Extension options and termination options

As at 31 December 2021, the Group, as a hotel lessee, does not have any extension options. The Group holds a single termination option in an office space lease. The Group assesses at lease commencement whether it is reasonably certain not to terminate the option and reassesses if there is a significant event or change in circumstances within its control. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted) €'000	Potential future lease payments not included in lease liabilities (discounted) €'000
Office building	**494**	**1,439**

Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 31 December 2021 and details of the non-cancellable lease rentals and other contractual obligations payable under these agreements are set out hereafter. These represent the minimum future lease payments (undiscounted) in aggregate that the Group is required to make under the agreements. An agreement for lease is a binding agreement between external third parties and the Group to enter into a lease at a future date. The dates of commencement of these leases may change based on the hotel opening dates. The amounts payable may also change slightly if there are any changes in room numbers delivered through construction.

Agreements for lease	**At 31 December 2021 €'000**	At 31 December 2020 €'000
Less than one year	**14,528**	5,165
One to two years	**10,542**	20,794
Two to three years	**23,400**	21,682
Three to five years	**37,139**	51,801
Five to fifteen years	**192,804**	262,042
Fifteen to twenty five years	**203,837**	274,672
After twenty five years	**233,938**	336,512
Total future lease payments	**716,188**	972,668

The significant movement since the year end 31 December 2020 is principally due to the following:

- The 35 year leases for the Maldron Hotel Glasgow City and Clayton Hotel Manchester City Centre both commenced during 2021. This resulted in a right-of-use asset and lease liability being recognised for both leases in the consolidated statement of financial position and their respective cashflows being removed from the agreements for lease table above; and
- The agreement for lease for the Maldron Hotel in Birmingham, which was reflected in the amount as at 31 December 2020, will no longer proceed.

Included in the above table are future lease payments for agreements for lease, with a lease term of 35 years with the expected opening dates as follows: Maldron Hotel Manchester City Centre (opened February 2022), Clayton Hotel Bristol City (Q1 2022), Clayton Hotel Glasgow City (Q2 2022), The Samuel Hotel, Dublin (Q2 2022), Maldron Hotel Victoria Manchester (H1 2024), Maldron Hotel Liverpool City (H1 2024), Maldron Hotel Brighton (H1 2024) and Maldron Hotel Croke Park, Dublin (H2 2024).

In February 2022, the Group commenced a new operating lease with Art-Invest Real Estate of Hotel Nikko in Düsseldorf, Germany. The lease term is 20 years, with two 5 year tenant extension options. The rent, with a guaranteed minimum, is determined by the revenue performance of the hotel. The hotel re-opened to the public under the Group's management from 15 February 2022.

Notes to the consolidated financial statements

(continued)

13 Leases (continued)

Group as a lessee (continued)

Other leases

The Group has applied the short-term and low value exemptions available under IFRS 16 where applicable and recognises lease payments associated with short-term leases or leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term. Where the exemptions were not available, right-of-use assets have been recognised with corresponding lease liabilities.

	2021	2020
	€'000	€'000
Expenses relating to short-term leases recognised in administrative expenses	112	169
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets, recognised in administrative expenses	72	130
	184	299

For the year ended 31 December 2021, cash outflows relating to fixtures, fittings and equipment, for which the Group has availed of the IFRS 16 short term and low value exemptions, amounted to €0.2 million (31 December 2020: €0.3 million).

Group as a lessor

Lease income from lease contracts in which the Group acts as lessor is outlined below:

	2021	2020
	€'000	€'000
Operating lease income (note 4)	355	279

The Group leases its investment property and has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of these assets to the lessee. Operating lease income from sub-leasing right-of-use assets for the year ended 31 December 2021 amounted to €0.1 million (31 December 2020: €0.1 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments receivable:

	2021	2020
	€'000	€'000
Less than one year	285	310
One to two years	274	277
Two to three years	274	265
Three to four years	274	265
Four to five years	274	265
More than five years	1,159	1,371
Total undiscounted lease payments receivable	2,540	2,753

Sterling amounts have been converted using the closing foreign exchange rate of 0.84028 as at 31 December 2021 (31 December 2020: 0.89903).

14 Contract fulfilment costs

	Current asset 2021 €'000	Non-current asset 2020 €'000
At 1 January	**22,374**	13,346
Costs incurred in fulfilling contract to date	**13,197**	8,737
Capitalised borrowing costs (note 5)	**684**	291
At 31 December	**36,255**	22,374

Contract fulfilment costs relate to the Group's contractual agreement with Irish Residential Properties REIT plc ('I-RES'), entered into on 16 November 2018, for I-RES to purchase a residential development the Group is developing (comprising 69 residential units) on the site of the former Tara Towers hotel.

Revenue and the associated cost will be recognised on this contract in profit or loss when the performance obligation in the contract has been met. Based on the terms of the contract, this will be on legal completion of the contract which will occur on practical completion of the development project which is expected to be in quarter two 2022. As a result, revenue will be recognised at a point in time in the future when the performance obligation is met, rather than over time.

Costs incurred in fulfilling the contract during the year of €13.2 million (2020: €8.7 million) relate directly to this contractual arrangement with I-RES. These costs, primarily build costs, have been used in order to satisfy the contract and are expected to be recovered. The Group has reclassified these contract fulfilment costs from non-current assets to current assets on the statement of financial position as at 31 December 2021, as the revenue will be receivable within 12 months of this date.

Interest capitalised on loans and borrowings relating to this development (qualifying asset) was €0.7 million during the year ended 31 December 2021 (2020: €0.3 million) (note 5).

The overall sale value of the transaction is €42.4 million (excluding VAT), which is due in quarter two 2022 (upon practical completion).

Contract fulfilment costs paid have been included in investing activities in the consolidated statement of cash flows as they are not primarily derived from the principal revenue-producing activities of the Group.

15 Trade and other receivables

	2021 €'000	2020 €'000
Non-current assets		
Other receivables	**2,271**	2,521
Prepayments	**4,042**	6,538
	6,313	9,059
Current assets		
Trade receivables	**5,519**	2,238
Prepayments	**4,033**	3,892
Contract assets	**1,224**	720
Accrued income	**1,092**	605
Other receivables	**1,906**	1,776
	13,774	9,231
Total	**20,087**	18,290

Non-current assets

Included in non-current other receivables at 31 December 2021 and 31 December 2020, is a rent deposit of €1.4 million paid to the landlord on the sale and leaseback of Clayton Hotel Charlemont. This deposit is repayable to the Group at the end of the lease term. Also included is a deposit paid as part of another hotel property lease contract of €0.9 million (2020: €0.9 million) which is interest-bearing and refundable at the end of the lease term.

Included in non-current prepayments at 31 December 2021 are costs of €3.8 million (31 December 2020: €6.3 million) associated with future lease agreements for hotels which are currently being constructed or in planning. When these leases are signed, these costs will be reclassified to right-of-use assets. The non-current prepayments for Maldron Hotel Glasgow City and Clayton Hotel Manchester City Centre at 31 December 2020 have now been reclassified to the right-of-use assets at 31 December 2021.

Current assets

Other receivables at 31 December 2021 include €1.1 million (2020: €1.3 million) for government grants relating to wage subsidies. These amounts were received in January 2022.

Contingent asset

As part of the sale and leaseback of the Clayton Hotel Charlemont in 2020 (note 13), €0.8 million was receivable contingent on the addition of three bedrooms to the property. As at 31 December 2021, €0.5 million has been received with €0.3 million disclosed as a contingent asset as at 31 December 2021.

15 Trade and other receivables (continued)

Trade receivables are subject to the expected credit loss model in IFRS 9 *Financial Instruments*. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

Aged analysis of trade receivables

	Gross receivables 2021 €'000	Expected credit loss rate 2021	Impairment provision 2021 €'000	Net receivables 2021 €'000
Not past due	**2,328**	**0.0%**	**-**	**2,328**
Past due < 30 days	**1,159**	**0.0%**	**-**	**1,159**
Past due 30 – 60 days	**944**	**2.9%**	**(27)**	**917**
Past due 60 – 90 days	**207**	**10.8%**	**(22)**	**185**
Past due > 90 days	**1,331**	**30.1%**	**(401)**	**930**
	5,969		**(450)**	**5,519**

	Gross receivables 2020 €'000	Expected credit loss Rate 2020	Impairment provision 2020 €'000	Net receivables 2020 €'000
Not past due	802	0.0%	-	802
Past due < 30 days	817	0.0%	-	817
Past due 30 – 60 days	331	0.0%	-	331
Past due 60 – 90 days	143	18.2%	(26)	117
Past due > 90 days	527	67.6%	(356)	171
	2,620		(382)	2,238

Management does not expect any significant losses from trade receivables that have not been provided for as shown above, contract assets, accrued income or other receivables. Details are included in the credit risk section in note 24.

16 Inventories

	2021 €'000	2020 €'000
Goods for resale	**1,298**	917
Consumable stores	**367**	341
	1,665	1,258

Inventories recognised as cost of sales during the year amounted to €12.6 million (2020: €10.9 million).

17 Cash and cash equivalents

	2021 €'000	2020 €'000
Cash at bank and in hand	**41,112**	50,197
	41,112	50,197

Notes to the consolidated financial statements

(continued)

18 Capital and reserves

Share capital and share premium

At 31 December 2021

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	**222,865,363**	**2,229**
Share premium		**504,895**

At 31 December 2020

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	222,732,900	**2,227**
Share premium		**504,735**

All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2021, the Company issued 93,172 shares of €0.01 per share following the vesting of Awards granted in relation to the 2018 LTIP, under the 2017 LTIP plan (note 7). 39,291 shares were also issued during 2021 under the Share Save schemes granted in 2017. The weighted average share price at the date of exercise for options exercised during the year was €4.53 per share (note 7).

In September 2020, the Company issued 37,000,000 shares, as described further in note 18 (a) below.

Dividends

During the year ended 31 December 2021, the Group did not make any dividend payments (year ended 31 December 2020: €Nil).

Nature and purpose of reserves

(a) Capital contribution and merger reserve

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

The fair value of the Group (as then headed by DHGL Limited) at that date was estimated at €40.0 million. The fair value of the shareholder loan note obligations assumed by the Company as part of the acquisition was €29.7 million and the fair value of the shares issued by the Company in the share exchange was €10.3 million.

The difference between the carrying value of the shareholder loan note obligations (€55.4 million) prior to the reorganisation and their fair value (€29.7 million) at that date represents a contribution from shareholders of €25.7 million which has been credited to a separate capital contribution reserve. Subsequently, all shareholder loan note obligations were settled in 2014, in exchange for shares issued in the Company.

Notes to the consolidated financial statements

(continued)

18 Capital and reserves (continued)

(a) Capital contribution and merger reserve (continued)
The insertion of Dalata Hotel Group plc as the new holding company of DHGL Limited in 2014 did not meet the definition of a business combination under IFRS 3 *Business Combinations*, and, as a consequence, the acquired assets and liabilities of DHGL Limited and its subsidiaries continued to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Dalata Hotel Group plc were prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement.

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

In September 2020, the Company completed the placing of new ordinary shares of €0.01 each in the share capital of the Company. 37.0 million ordinary shares were issued at €2.55 each which raised €92.0 million after costs of €2.4 million. The Group availed of merger relief to simplify future distributions and as a result, €91.6 million was recognised in the merger reserve being the difference between the nominal value of each share (€0.01 each) and the amount paid (€2.55 per share) after deducting costs of the share placing of €2.4 million.

(b) Share-based payment reserve
The share-based payment reserve comprises amounts equivalent to the cumulative cost of awards by the Group under equity-settled share-based payment arrangements being the Group's Long Term Incentive Plans and the Share Save schemes. On vesting, the cost of awards previously recognised in the share-based payments reserve is transferred to retained earnings. Details of the share awards, in addition to awards which vested during the year, are disclosed in note 7 and on pages 81 to 96 of the Remuneration Committee report.

(c) Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, net of deferred tax where applicable. There is no deferred tax asset recognised in the hedging reserve at 31 December 2021, due to uncertainty of obtaining a tax benefit for cash flow hedges in future periods.

(d) Revaluation reserve
The revaluation reserve relates to the revaluation of land and buildings in line with the Group's policy to fair value these assets at each reporting date (note 12), net of deferred tax.

(e) Translation reserve
The translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (note 24).

19 Trade and other payables

	2021 €'000	2020 €'000
Non-current liabilities		
Other payables	**1,896**	-
	1,896	-
Current liabilities		
Trade payables	**12,621**	5,917
Accruals	**30,810**	19,610
Contract liabilities	**10,514**	9,044
Value added tax	**9,205**	4,834
Payroll taxes	**19,642**	9,263
	82,792	48,668
Total	**84,688**	48,668

19 Trade and other payables (continued)

Non-current liabilities
Included in non-current other payables at 31 December 2021 are retention payments of €1.9 million relating to construction projects. The retention payments become due where certain conditions in the construction contracts are met, usually twelve months after practical completion of the projects.

Current liabilities
Accruals include capital expenditure accruals for work in progress at year end which have not yet been invoiced and accruals in relation to costs on entering new leases and agreements for lease which have not yet been invoiced (2021: €8.5 million, 2020: €6.5 million).

Value added tax and payroll taxes
Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Bill 2020 and Finance Act 2020 (Act 26 of 2020) and amended by the Finance (Covid-19 and Miscellaneous Provisions) Act 2021, Irish VAT liabilities of €3.6 million (2020: €4.9 million) relating to the year ended 31 December 2021 have been deferred. Other VAT liabilities at 31 December 2021 of €0.7 million relate to UK VAT liabilities incurred in quarter four 2021.

Irish payroll tax liabilities of €10.0 million (2020: €7.8 million) relating to the year ended 31 December 2021 have been deferred under the Debt Warehousing scheme. Other payroll tax liabilities at 31 December 2021 of €1.8 million relate to Irish and UK payroll tax liabilities incurred in December 2021.

In the UK, VAT liabilities of £0.4 million (€0.5 million) and payroll tax liabilities of £0.3 million (€0.3 million) were deferred in 2020 and were paid by instalments during 2021. There were no further deferrals of UK VAT or payroll tax liabilities during 2021.

As at 31 December 2021, the total Irish deferred VAT liabilities of €8.5 million and payroll tax liabilities of €17.8 million, relating to both 2020 and 2021, are payable during the year ending 31 December 2022.

On 21 December 2021, the Irish Government announced the extension of the Debt Warehousing Scheme in principle following the re-introduction of Covid-19 restrictions. Subsequent to the year-end, it was confirmed that Irish VAT liabilities of €8.3 million and payroll tax liabilities of €15.6 million deferred at 31 December 2021 may be further deferred to 30 April 2023. Deferred Irish VAT liabilities of €0.2 million and payroll tax liabilities of €2.2 million do not qualify for the extension and remain payable during the year ended 31 December 2022 (note 8).

20 Provision for liabilities

	2021	2020
	€'000	€'000
Non-current liabilities		
Insurance provision	**6,454**	6,747
Current liabilities		
Insurance provision	**1,734**	1,528
	8,188	8,275

The reconciliation of the movement in the provision during the year is as follows:

	2021	2020
	€'000	€'000
At 1 January	**8,275**	6,563
Provisions made during the year – charged to profit or loss	**2,000**	2,500
Utilised during the year	**(837)**	(758)
Reversed to profit or loss during the year	**(1,250)**	(30)
At 31 December	**8,188**	8,275

20 Provision for liabilities (continued)

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

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. The Group expects the majority of the insurance provision will be utilised within five years of the period end date, however, due to the nature of the provision, there is a level of uncertainty in the timing of settlement as the Group generally cannot precisely determine the extent and duration of the claim process. The provision has been discounted to reflect the time value of money though the effect is not significant.

The self-insurance programme commenced in July 2015 and increasing levels of claims data is becoming available. Claim provisions are assessed in light of claims experience and amended accordingly to ensure provisions reflect recent experience and trends. There has been a reversal of provisions made in prior periods of €1.3 million (2020: €0.03 million) which has been credited within administrative expenses.

21 Loans and borrowings

Non-current liabilities	**2021** **€'000**	2020 €'000
Bank borrowings	**313,533**	314,143
Total loans and borrowings	**313,533**	314,143

The amortised cost of loans and borrowings at 31 December 2021 is €313.5 million (31 December 2020: €314.1 million). The drawn loan facility as at 31 December 2021 is €317.2 million consisting of Sterling term borrowings of £176.5 million (€210.1 million) and revolving credit facility borrowings ('RCF') of £90 million (€107.1 million). The undrawn loan facilities as at 31 December 2021 were €257.4 million (2020: €247.9 million).

On 2 November 2021, the Group entered into an amended and restated facility agreement with its banking club to provide additional flexibility and liquidity to support the Group following the continued impact of Covid-19. The Group availed of its option to extend the maturity of its debt facilities by a period of 12 months. The Group's debt facilities now consist of a €200 million term loan facility, with a maturity date of 26 October 2025 and a €364.4 million RCF: €304.9 million with a maturity date of 26 October 2025 and €59.5 million with a maturity date of 30 September 2023.

The Group had agreed in July 2020 that previous covenants comprising Net Debt to EBITDA and Interest Cover would not be tested again until June 2022 ('the Previous Covenants'). These two covenants were replaced, until that date, by a Net Debt to Value covenant and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. Under the revised loan facility agreement entered into in November 2021, the Previous Covenants will now not be tested until June 2023. The Net Debt to Value covenant and the minimum liquidity restriction will remain in place until that date. The Net Debt to Value must be equal to or less than 55% at each testing date until 31 December 2022. At 30 June 2023, the Net Debt to EBITDA covenant maximum is 4.0x and the Interest Cover minimum is 4.0x. The Group is in compliance with its covenants as at 31 December 2021.

In line with IFRS 9 derecognition criteria, the Group assessed whether the terms and cash flows of the modified liabilities were substantially different as a result of this amended and restated facility agreement. The Group performed the 10% test referred to in note 1 (xxvi) (derecognition of financial liabilities accounting policy) to assess whether the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any lender fees paid net of any fees received, was at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. The Group also performed a qualitative assessment by comparing the amended terms with the original terms of the facility agreement. The changes were not deemed to be substantial with the majority of them already included in the quantitative test. As a result, the loans were deemed to be non-substantially modified which required the amortised cost of the loans to be remeasured at the date of modification and led to a modification gain of €2.7 million being immediately recognised in profit or loss in 2021 (note 5). Costs of €1.2 million incurred in relation to the amendment were capitalised and are amortised to profit or loss on an effective interest rate basis over the term of the loan facility.

21 Loans and borrowings (continued)

In July 2020, the amendment and restatement of the loan facility, which included amended covenant margin ratchets as well as an extension to the testing of the Previous Covenants, resulted in the loans and borrowings being non-substantially modified. A modification loss of €4.3 million (note 5) was recognised in profit or loss in 2020 as a result. Costs of €0.6 million incurred in relation to this amendment were capitalised to loans and borrowings.

Following a fundamental review and reform of major interest rate benchmarks undertaken globally, the Group replaced LIBOR, as its Sterling variable interest rate, with an alternative risk-free benchmark rate, Sterling Overnight Index Average 'SONIA' plus an agreed credit adjustment spread 'CAS spread'. The transition was effective for all Sterling loans and borrowings on their next roll date, post 2 November 2021. All of the Group's borrowings and related interest rate swaps had transitioned to SONIA plus CAS spread by 31 December 2021.

SONIA is calculated using the cumulative compound method, compounded using a 5-day lag. There were two approaches available to determining the CAS spread applicable on transition to SONIA. The Group elected to use the ISDA (International Swaps and Derivatives Association) historical median approach as its preferred approach. The CAS spread methodology is based on the median difference (spread) between LIBOR and SONIA calculated over the previous five year period. The CAS spread has been agreed at 11.9 basis points for loans rolling quarterly and 3.3 basis points for loans rolling monthly.

The Group has adopted the Phase 2 amendments issued by the IASB in *Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*. The Group has availed of the practical expedient which allows the Group to update the effective interest rate for the transition to SONIA, without having to modify the loans and borrowings which could have resulted in a modification gain or loss in profit or loss.

The Group has certain derivative financial instruments which hedge interest rate exposure on a portion of these loans (note 22). The sterling variable interest rate on these interest rate swaps transitioned to SONIA during the year ended 31 December 2021. The Group ensured that the CAS spread applicable on the loans and borrowings matched in so far as possible the CAS spread agreed on the interest rate swaps. 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 SONIA and Euribor rates.

At 31 December 2021, property, plant and equipment, including fixtures, fittings and equipment in leased properties, with a carrying amount of €1,080.0 million (2020: €1,055.1 million) were pledged as security for loans and borrowings.

Notes to the consolidated financial statements

(continued)

21 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2021

	Liabilities				Equity			
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives (net)	Share capital	Share premium	Merger reserve	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2020	**314,143**	**399,632**	**48,668**	**9,042**	**2,227**	**504,735**	**81,264**	**1,359,711**
Changes from financing cash flows								
Vesting of share awards and options	-	-	-	-	2	160	-	162
Other interest and finance costs paid	(10,162)	-	(2,486)	(2,637)	-	-	-	(15,285)
Receipt of bank loans	13,000	-	-	-	-	-	-	13,000
Repayment of bank loans	(30,575)	-	-	-	-	-	-	(30,575)
Interest on lease liabilities	-	(24,409)	-	-	-	-	-	(24,409)
Repayment of lease liabilities	-	(8,930)	-	-	-	-	-	(8,930)
Total changes from financing cash flows	**(27,737)**	**(33,339)**	**(2,486)**	**(2,637)**	**2**	**160**	**-**	**(66,037)**
Liability-related other changes								
The effect of changes in foreign exchange rates	20,963	9,497	753	632	-	-	-	31,845
Changes in fair value	-	-	-	(6,840)	-	--	-	(6,840)
Interest expense on bank loans and borrowings (note 5)	8,908	-	-	-	-	-	-	8,908
Other finance costs	(2,744)	-	2,244	-	-	-	-	(500)
Other movements in trade and other payables	-	-	35,509	-	-	-	-	35,509
Additions to lease liabilities during the year	-	81,210	-	-	-	-	-	81,210
Interest on lease liabilities	-	24,409	-	-	-	-	-	24,409
Other movements in lease liabilities	-	517	-	-	-	-	-	517
Total liability-related other changes	**27,127**	**115,633**	**38,506**	**(6,208)**	**-**	**-**	**-**	**175,058**
Balance as at 31 December 2021	**313,533**	**481,926**	**84,688**	**197**	**2,229**	**504,895**	**81,264**	**1,468,732**

Notes to the consolidated financial statements

(continued)

21 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2020

	Liabilities				Equity			
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives	Share capital	Share premium	Merger reserve	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2019	**411,739**	**362,101**	**66,163**	**4,523**	**1,851**	**504,488**	**(10,337)**	**1,340,528**
Changes from financing cash flows								
Vesting of share awards and options	-	-	-	-	6	247	-	253
Equity share placing issuance	-	-	-	-	370	-	93,980	94,350
Costs of share placing	-	-	-	-	-	-	(2,379)	(2,379)
Other interest and finance costs paid	(556)	-	(10,408)	(1,992)	-	-	-	(12,956)
Receipt of bank loans	61,486	-	-	-	-	-	-	61,486
Repayment of bank loans	(146,572)	-	-	-	-	-	-	(146,572)
Interest on lease liabilities	-	(22,405)	-	-	-	-	-	(22,405)
Repayment of lease liabilities	-	(5,618)	-	-	-	-	-	(5,618)
Total changes from financing cash flows	**(85,642)**	**(28,023)**	**(10,408)**	**(1,992)**	**376**	**247**	**91,601**	**(33,841)**
Liability-related other changes								
The effect of changes in foreign exchange rates	(16,578)	(7,219)	(644)	(243)	-	-	-	(24,684)
Changes in fair value	-	-	-	6,754	-	-	-	6,754
Interest expense on bank loans and borrowings	-	-	9,097	-	-	-	-	9,097
Other finance costs	4,624	-	1,146	-	-	-	-	5,770
Other movements in trade and other payables	-	-	(16,686)	-	-	-	-	(16,686)
Additions to lease liabilities during the year	-	51,946	-	-	-	-	-	51,946
Interest on lease liabilities	-	22,405	-	-	-	-	-	22,405
Other movements in lease liabilities	-	(1,578)	-	-	-	-	-	(1,578)
Total liability-related other changes	**(11,954)**	**65,554**	**(7,087)**	**6,511**	**-**	**-**	**-**	**53,024**
Balance as at 31 December 2020	**314,143**	**399,632**	**48,668**	**9,042**	**2,227**	**504,735**	**81,264**	**1,359,711**

Notes to the consolidated financial statements

(continued)

21 Loans and borrowings (continued)

Net debt is calculated in line with banking covenants and includes external loans and borrowings drawn and owed to the banking club as at 31 December 2021 (rather than the amortised cost of the loans and borrowings) less cash and cash equivalents. The below table also includes a reconciliation to net debt and lease liabilities. Interest rate swap liabilities of €1.0 million are not included in the below table.

Reconciliation of movement in net debt for the year ended 31 December 2021

Loans and borrowings	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
At 1 January 2021	**269,500**	**299,768**	**14,000**	**313,768**
Cash flows				
Facilities drawn down	-	-	13,000	13,000
Loan repayments	(3,000)	(3,575)	(27,000)	(30,575)
Non-cash changes				
Effect of foreign exchange movements	-	20,963	-	20,963
At 31 December 2021	**266,500**	**317,156**	**–**	**317,156**
Cash and cash equivalents				
At 1 January 2021				50,197
Movement during the year				(9,085)
At 31 December 2021				**41,112**
Net debt at 31 December 2021				**276,044**

Reconciliation of net debt and lease liabilities	
Net debt at 31 December 2021	**276,044**
Lease liabilities as at 1 January 2021	**399,632**
Additions	81,210
Interest on lease liabilities	24,409
Lease payments	(33,339)
Remeasurement of lease liabilities	517
Translation adjustment	9,497
Lease liabilities at 31 December 2021 (note 13)	**481,926**
Net debt and lease liabilities at 31 December 2021	**757,970**

Notes to the consolidated financial statements

(continued)

21 Loans and borrowings (continued)

Net debt is calculated in line with banking covenants and includes external loans and borrowings drawn and owed to the banking club as at 31 December 2020 (rather than the amortised cost of the loans and borrowings) less cash and cash equivalents. The below table also includes a reconciliation to net debt and lease liabilities. Interest rate swaps of €9.0 million are not included in the below tables.

Reconciliation of movement in net debt for the year ended 31 December 2020

Loans and borrowings	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
At 1 January 2020	266,500	313,235	102,197	415,432
Cash flows				
Facilities drawn down	10,000	10,986	50,500	61,486
Loan repayments	(7,000)	(7,875)	(138,697)	(146,572)
Non-cash changes				
Effect of foreign exchange movements	-	(16,578)	-	(16,578)
At 31 December 2020	**269,500**	**299,768**	**14,000**	**313,768**
Cash and cash equivalents				
At 1 January 2020				40,586
Movement during the year				9,611
At 31 December 2020				**50,197**
Net debt at 31 December 2020				**263,571**

Reconciliation of net debt and lease liabilities

Net debt at 31 December 2020	**263,571**
Lease liabilities as at 1 January 2020	362,101
Additions	51,946
Interest on lease liabilities	22,405
Lease payments	(28,023)
Remeasurement of lease liabilities	(1,578)
Translation adjustment	(7,219)
Lease liabilities at 31 December 2020 (note 13)	**399,632**
Net debt and lease liabilities at 31 December 2020	**663,203**

Notes to the consolidated financial statements

(continued)

22 Derivatives

The Group has entered into interest rate swaps with a number of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (note 21).

Interest rate swaps are employed by the Group to partially convert the Group's Sterling denominated borrowings from floating to fixed interest rates. The Sterling interest rate applicable to the Group's interest rate swaps was LIBOR for the year ended 31 December 2021.

Following a fundamental review and reform of major interest rate benchmarks undertaken globally, the Group replaced LIBOR with an alternative risk-free benchmark rate, Sterling Overnight Index Average 'SONIA' plus an agreed credit adjustment spread 'CAS spread' during the year ended 31 December 2021. The Group had fully transitioned its Sterling variable rate to SONIA plus CAS spread on all its derivatives and Sterling denominated loans and borrowings by 31 December 2021. The Group ensured that the CAS spread agreed on the Group's interest rate swaps matched in so far as possible, the CAS spread on the Group's borrowings. The weighted average quarterly CAS spread agreed for the Group's derivatives effective as at 31 December 2021 is 11.1 basis points and the quarterly CAS spread on the Group's loans and borrowings 11.9 basis points (note 21). The Group has updated its hedging documentation for SONIA. Although, the CAS spreads are slightly different on the hedged item and the hedging instrument, it is marginal and as a result, the hedge relationships continue to be fully hedge effective as at 31 December 2021 and hedge accounting continues to be applied (notes 21, 24).

The Group currently holds the following derivatives as at 31 December 2021:

- Two interest rate swaps with an effective date of 3 February 2020 which hedge the SONIA benchmark rate on £101.5 million of the Sterling denominated borrowings for the period to the original maturity of the term borrowings on 26 October 2023. These swaps fix the SONIA benchmark rate to 1.39%.
- Two interest rate swaps with an effective date of 26 October 2018 and a maturity date of 26 October 2023 which hedge the SONIA benchmark rate on £75.0 million of the entirety of the Sterling denominated borrowings. These swaps fix the SONIA benchmark rate at 1.27% on a notional of £63.0 million and 1.28% on a notional of £12,0 million of Sterling denominated borrowings.
- Four interest rate swaps were employed with an effective date of 26 October 2023 and a maturity date of 26 October 2024 which hedge the SONIA benchmark rate on the Sterling term denominated borrowings. These swaps fix the SONIA benchmark rate between 0.95% and 0.96%.

As at 31 December 2021, the interest rate swaps cover 100% of the Group's term Sterling denominated borrowings of £176.5 million for the period to 26 October 2024. The extended year of the term debt, to 26 October 2025, is currently unhedged. All derivatives have been designated as hedging instruments for the purposes of IFRS 9.

Fair value	**2021 €'000**	2020 €'000
Non-current assets		
Interest rate swap assets	**832**	-
Non-current liabilities		
Interest rate swap liabilities	**(1,029)**	(9,042)
Net derivative liabilities	**(197)**	(9,042)

	2021 €'000	2020 €'000
Included in other comprehensive income		
Fair value gain/(loss) on interest rate swaps	**6,208**	(6,511)
Reclassified to profit or loss (note 5)	**2,637**	1,992
	8,845	(4,519)

The amount reclassified to profit or loss represents the incremental interest expense arising under the interest rate swaps because actual LIBOR rates were lower than the swap rates.

23 Deferred tax

	2021 €'000	2020 €'000
Deferred tax assets	**20,161**	12,344
Deferred tax liabilities	**(42,896)**	(39,404)
Net deferred tax liabilities	**(22,735)**	(27,060)

Movements in year	2021 €'000	2020 €'000
At 1 January – net liability	**(27,060)**	(55,831)
Credit for year – to profit or loss (note 9)	**5,441**	7,997
(Charge)/credit for year – to other comprehensive income	**(1,116)**	20,774
At 31 December – net liability	**(22,735)**	(27,060)

The majority of the deferred tax liabilities result from the Group's policy of ongoing revaluation of land and buildings. Where the carrying value of a property in the financial statements is greater than its tax base cost, the Group recognises a deferred tax liability. This is calculated using applicable Irish and UK corporation tax rates. The use of these rates, in line with the applicable accounting standards, reflects the intention of the Group to use these assets for ongoing trading purposes. Should the Group dispose of a property, the actual tax liability would be calculated with reference to rates for capital gains on commercial property. The deferred tax liabilities have increased from €39.4 million at 31 December 2020 to €42.9 million at 31 December 2021. This relates primarily to an increase in taxable gains recognised on properties held through other comprehensive income and other temporary differences on assets through profit or loss during the year ended 31 December 2021, which incorporates the impact of the remeasurement of the UK liabilities at the 25% rate.

The majority of the deferred tax assets of €20.2 million recognised at 31 December 2021 relate to tax losses and interest carried forward by the Group. A deferred tax asset of €17.0 million (2020: €10.0 million) has been recognised in respect of cumulative tax losses and interest carried forward at 31 December 2021 of €80.1 million (31 December 2020: €64.0 million). As a result of the impact of Covid-19, the Group incurred corporation tax losses during the year ended 31 December 2021. These tax losses can be carried forward indefinitely for offset against future taxable profits. The losses incurred during 2021 cannot be carried back to earlier periods. The Group also has tax losses carried forward from earlier periods, €13.0 million of the 2020 losses will be carried back during 2022 and offset against profits generated in 2019, which should generate future corporation tax refunds of €1.6 million during 2022.

Included within the €80.1 million tax losses carried forward at 31 December 2021, is a balance of €19.9 million (31 December 2020: €11.2 million) relating to interest expenses carried forward in the UK. In the UK, there is a limit on corporation tax deductions for interest expense incurred. The unused interest expense carried forward by the UK Group companies at 31 December 2021 can be carried forward indefinitely and offset against future taxable profits.

The increase in the deferred tax asset recognised on tax losses and interest carried forward from €10.0 million at 31 December 2020 to €17.0 million at 31 December 2021, relates to the increase in tax losses and interest recognised during the year ended 31 December 2021 and the impact of the remeasurement of deferred tax recognised in respect of UK tax losses and interest at the 25% rate.

A deferred tax asset has been recognised in respect of Irish and UK tax losses and interest, on the basis that it is probable that, after the carry back of tax losses to earlier periods, there will be sufficient taxable profits in future periods to utilise the carried forward tax losses and interest.

In considering the available evidence to support the recognition of the deferred tax assets, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the enacted tax legislation.

Notes to the consolidated financial statements

(continued)

23 Deferred tax (continued)

In preparing forecasts to determine future taxable profits, there are a number of positive factors underpinning the recoverability of the deferred tax assets:

- Prior to the Covid-19 pandemic, the Group displayed a history of profit growth every year. Once normal trading resumes, the Group currently forecasts that this profit growth will recommence;
- In line with economic and industry analysis, it is expected that the hospitality industry will recover in the coming years;
- The Group is confident that it is well positioned to take advantage of opportunities that will arise during 2022 and into the future, including the opening of a large pipeline of new hotels which will contribute particularly to the utilisation of UK tax losses, which can be carried forward and utilised on a group basis. As at 31 December 2021, the Group had 11 new hotels in the pipeline (eight in the UK, three in Ireland) which are due to open from quarter 1 2022 onwards, which will contribute to future growth. There are also extensions planned to be carried out on three of the Group's existing hotels; and
- The absence of expiry dates for carrying forward UK and Irish tax losses.

The Group also considered the relevant negative evidence in determining the recoverability of deferred tax assets:

- The quantum of profits required to be earned to utilise the tax losses carried forward; and
- Forecasts of future taxable profitability are subject to inherent uncertainty which is heightened due to the ongoing impact of Covid-19 on the hospitality industry.

Based on the Group's financial projections, the deferred tax asset in respect of Irish tax losses carried forward of €24.4 million is estimated to be recovered in full by the year ending 31 December 2027, with the majority being recovered by the end of the year ending 31 December 2022. The deferred tax asset in respect of UK tax losses and interest expense carried forward of €55.7 million is estimated to be recovered in full in by the year ending 31 December 2030, with the majority being recovered by the end of the year ending 31 December 2026.

The Group acquired Hotel La Tour Birmingham Limited in July 2017. At that time, the company had tax trading losses forward of £8.2 million (€9.6 million) which were not recognised as an asset in the statutory accounts of that company. Hotel La Tour Birmingham Limited sold Hotel La Tour Birmingham (now Clayton Hotel Birmingham) in August 2017, at which time a taxable capital gain of £6.0 million (€7.0 million) arose. The Group opted to roll over this capital gain by reducing the future tax base cost of capital assets.

Due to uncertainty over the future utilisation of these tax losses, the remaining related deferred tax asset was derecognised during the year ended 31 December 2020. At 31 December 2021, there are unrecognised tax losses in respect of the Clayton Hotel Birmingham trade of £7.9 million (€9.4 million). The tax effect of these unrecognised tax losses at 31 December 2021 is £2.0 million (€2.4 million) if the losses were to be utilised at the 25% corporation tax rate that will be in effect from 1 April 2023.

There is no deferred tax asset recognised in the hedging reserve at 31 December 2021 due to uncertainty in obtaining a tax benefit for the cash flow hedges in future periods.

Notes to the consolidated financial statements

(continued)

23 Deferred tax (continued)

Deferred tax arises from temporary differences relating to:

	Balance as at 31 December 2021					
	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in OCI	Net deferred tax	Deferred tax assets	Deferred tax liabilities
	2021 €'000	2021 €'000	2021 €'000	2021 €'000	2021 €'000	2021 €'000
Property, plant and equipment	**(35,830)**	(1,478)	(1,116)	**(38,424)**	1,064	(39,488)
Leases	**(1,272)**	(15)	-	**(1,287)**	2,121	(3,408)
Tax losses and interest carried forward	**10,042**	6,934	-	**16,976**	16,976	-
Net deferred tax (liabilities)/assets	**(27,060)**	5,441	(1,116)	**(22,735)**	20,161	(42,896)

	Balance as at 31 December 2020					
	Net balance at 1 January 2020	Recognised in profit or loss	Recognised in OCI	Net deferred tax	Deferred tax assets	Deferred tax liabilities
	2020 €'000	2020 €'000	2020 €'000	**2020 €'000**	2020 €'000	2020 €'000
Property, plant and equipment	**(56,287)**	(880)	21,337	**(35,830)**	722	(36,552)
Leases	**(1,798)**	526	-	**(1,272)**	1,580	(2,852)
Tax losses and interest carried forward	**1,691**	8,351	-	**10,042**	10,042	-
Other	**563**	-	(563)	**-**	-	-
Net deferred tax (liabilities)/assets	**(55,831)**	7,997	20,774	**(27,060)**	12,344	(39,404)

The Group has multiple legal entities across the UK and Ireland that will not settle current tax liabilities and assets on a net basis and their assets and liabilities will not be realised on a net basis. Therefore, deferred tax assets and liabilities are recognised on an individual entity basis and are not offset on a Group or jurisdictional basis.

24 Financial instruments and risk management

Risk exposures
The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency exchange rates. The Group is exposed to external economic risk associated with the continuing impacts from the Covid-19 pandemic which has severely impacted the business and operations of the Group during the year ended 31 December 2021 and 31 December 2020 (note 1).

The Group uses financial instruments throughout its business: loans and borrowings and cash and cash equivalents are used to finance the Group's operations; trade and other receivables, trade and other payables and accruals arise directly from operations; and derivatives are used to manage interest rate risks and to achieve a desired profile of borrowings. The Group uses a net investment hedge with Sterling denominated borrowings to hedge the foreign exchange risk from investments in certain UK operations. The Group does not trade in financial instruments.

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy for the year ended 31 December 2021. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. A fair value disclosure for lease liabilities is not required.

	Financial assets measured at fair value 2021 €'000	Financial assets measured at amortised cost 2021 €'000	Total carrying amount 2021 €'000	Level 1 2021 €'000	Level 2 2021 €'000	Level 3 2021 €'000	Total 2021 €'000
Financial assets							
Derivatives (note 22)-hedging instruments	832	-	832		832		832
Trade and other receivables excluding prepayments (note 15)	-	12,012	12,012				
Cash at bank and in hand (note 17)	-	41,112	41,112				
	832	53,124	53,956				

	Financial liabilities measured at fair value 2021 €'000	Financial liabilities measured at amortised cost 2021 €'000	Total carrying amount 2021 €'000	Level 1 2021 €'000	Level 2 2021 €'000	Level 3 2021 €'000	Total 2021 €'000
Financial liabilities							
Bank loans (note 21)	-	(313,533)	(313,533)		(313,533)		(313,533)
Trade and other payables and accruals (note 19)	-	(45,327)	(45,327)				
Derivatives (note 22)-hedging instruments	(1,029)	-	(1,029)		(1,029)		(1,029)
	(1,029)	(358,860)	(359,889)				

24 Financial instruments and risk management (continued)

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy for the year ended 31 December 2020. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. A fair value disclosure for lease liabilities is not required.

	Financial assets measured at fair value 2020 €'000	Financial assets measured at at amortised 2020 €'000	Total carrying amount 2020 €'000	Level 1 2020 €'000	Level 2 2020 €'000	Level 3 2020 €'000	Total 2020 €'000
Financial assets							
Trade and other receivables excluding prepayments (note 15)	-	7,860	7,860				
Cash at bank and in hand (note 17)	-	50,197	50,197				
	-	58,057	58,057				

	Financial liabilities measured at fair value 2020 €'000	Financial liabilities measured at amortised cost 2020 €'000	Total carrying amount 2020 €'000	Level 1 2020 €'000	Level 2 2020 €'000	Level 3 2020 €'000	Total 2020 €'000
Financial liabilities							
Bank loans (note 21)	-	(314,143)	(314,143)		(314,143)		(314,143)
Trade payables and accruals (note 19)	-	(25,527)	(25,527)				
Derivatives (note 22)- hedging instruments	(9,042)	-	(9,042)		(9,042)		(9,042)
	(9,042)	(339,670)	(348,712)				

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 in Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial instrument that are not based on observable market data (unobservable inputs).

The Group's policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the year ended 31 December 2021, 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 hereafter.

Cash at bank and in hand

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

Notes to the consolidated financial statements

(continued)

24 Financial instruments and risk management (continued)

Derivatives

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

Receivables/payables

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

Bank loans

For bank loans, the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date. The carrying value of floating rate interest-bearing loans and borrowings is considered to be a reasonable approximation of fair value. There is no difference between margins available in the market at year end and the margins that the Group was paying at the year end.

a) Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the Group arising from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Other receivables include amounts owed from the government in the form of wage subsidies totalling €1.1 million at 31 December 2021 (2020: €1.3 million), which were received in January 2022. The Group is also due €0.8 million (2020: €0.7 million) from a key institutional landlord under a contractual agreement where the landlord reimburses the Group for certain amounts spent on capital expenditure in that specific property. Non-current receivables include rent deposits of €2.3 million (2020: €2.3 million) owed by two landlords at the end of the lease term. Other than this, there is no concentration of credit risk or dependence on individual customers due to the large number of customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Outstanding customer balances are regularly monitored and reviewed for indicators of impairment (evidence of financial difficulty of the customer or payment default). The maximum exposure to credit risk is represented by the carrying amount of each financial asset (note 15).

The ageing profile of trade receivables at 31 December 2021 is provided in note 15. Management does not expect any significant losses from trade receivables that have not been provided for as shown in note 15, contract assets, accrued income or other receivables.

The Group has a contractual agreement with I-RES whereby I-RES will purchase a residential development that the Group is developing on the site of the former Tara Towers hotel. The overall sale value of the transaction is €42.4 million (excluding VAT) with costs of €36.3 million incurred as at 31 December 2021 (note 14). These contract fulfilment costs are not considered financial assets and are not covered by the credit risk disclosures, however, the Group continues to monitor the potential for any future credit risk. There is no evidence of such as at 31 December 2021.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and give rise to credit risk on the amounts held with counterparties. The maximum credit risk is represented by the carrying value at the reporting date. The Group's policy for investing cash is to limit risk of principal loss and to ensure the ultimate recovery of invested funds by limiting credit risk.

The Group reviews regularly the credit rating of each bank and, if necessary, takes action to ensure there is appropriate cash and cash equivalents held with each bank based on their credit rating. During the year ended 31 December 2021, cash and cash equivalents were held in line within predetermined limits depending on the credit rating of the relevant bank/financial institution.

Notes to the consolidated financial statements

(continued)

24 Financial instruments and risk management (continued)

a) Credit risk (continued)

Cash and cash equivalents (continued)
The carrying amount of the following financial assets represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	Carrying amount 2021 €'000	Carrying amount 2020 €'000
Trade receivables	**5,519**	2,238
Other receivables	**4,177**	4,297
Contract assets	**1,224**	720
Accrued income	**1,092**	605
Cash at bank and in hand	**41,112**	50,197
	53,124	58,057

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. In general, the Group's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity, through a combination of cash and cash equivalents, cash flows and undrawn credit facilities to:

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

The Group continued to tightly manage cash and liquidity in 2021. A number of strategies, similar to those in 2020, were executed to manage the impact of Covid-19 on the Group, including:

- Availing of government wage subsidy schemes, other non-payroll related grants, and government assistance in the form of commercial rates waivers and warehousing of tax liabilities, where possible, in Ireland and the UK (note 8);
- Cancellation/postponement of all non-essential non-committed capital expenditure; and
- Proactive cost control and strict working capital management in all hotels and Central Office.

Furthermore, in November 2021, the Group took additional action to provide enhanced flexibility and liquidity of its debt facilities. Firstly, the Group extended the maturity of its debt facilities by 12 months. The Group also pushed out the testing of EBITDA-related covenants by an additional 12 months, to 30 June 2023, to prevent any potential breaches in covenants as a result of the delayed recovery from Covid-19 on trailing 12 month EBITDA. Therefore, the temporary suite of covenants including Net Debt to Value covenants and a minimum liquidity restriction (whereby either cash, remaining available facilities or a combination of both must not fall below €50.0 million), will remain in place for an additional 12 month period, until 30 March 2023. The Group's debt facilities now consist of a €200 million term loan facility, with a maturity date of 26 October 2025 and a €364.4 million revolving credit facility ('RCF') of €304.9 million with a maturity date of 26 October 2025 and €59.5 million with a maturity date of 30 September 2023.

In 2020, other liquidity strengthening actions were taken such as the cancellation of the 2019 final dividend originally recommended by the Board, the sale and leaseback of Clayton Hotel Charlemont for €64.2 million in April 2020 and an equity raise in September 2020 raising net proceeds of €92.0 million.

The Group monitors its Debt and Lease Service Cover, which is 1.6 times for the year ended 31 December 2021 (31 December 2020: 0.1 times), in order to monitor gearing and liquidity taking into account both bank and lease financing. The Group have prepared financial projections and subjected them to scenario testing which also supports ongoing liquidity risk assessment and management. Further detail of this is disclosed in note 1 (i) Going concern on pages 114 and 115 and in the Viability Statement on pages 51 to 52.

Despite the impact of Covid-19, the Group remains in a strong liquidity position with cash and undrawn facilities of €298.5 million at 31 December 2021. The Group was in full compliance with its covenants as at 31 December 2021.

24 Financial instruments and risk management (continued)

b) Liquidity risk (continued)

The following are the contractual maturities of the Group's financial liabilities at 31 December 2021, including estimated undiscounted interest payments. In the below table, bank loans are repaid in line with their maturity dates, even though the Group has the flexibility to repay and draw the revolving credit facility throughout the term of the facilities which would improve its liquidity position. The non-cancellable undiscounted lease cashflows payable under lease contracts are set out in note 13. A positive cash flow in the below table indicates the variable rate for interest rate swaps, based on current forward curves, is forecast to be higher than fixed rates.

		Contractual cashflows				
	Carrying value 2021 €'000	**Total 2021 €'000**	**6 months or less €'000**	**6 – 12 months €'000**	**1 – 2 years €'000**	**2 – 5 years €'000**
Bank loans	**(313,533)**	**(354,267)**	**(5,273)**	**(5,593)**	**(10,363)**	**(333,038)**
Trade and other payables and accruals	**(45,327)**	**(45,327)**	**(43,408)**	**(23)**	**(1,896)**	**-**
Interest rate swaps	**(1,029)**	**(1,004)**	**(786)**	**(249)**	**31**	**-**
	(359,889)	**(400,598)**	**(49,467)**	**(5,865)**	**(12,228)**	**(333,038)**

The equivalent disclosure for the prior year is as follows:

		Contractual cashflows				
	Carrying value 2020 €'000	Total 2020 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(314,143)	(339,289)	(4,110)	(4,353)	(15,299)	(315,527)
Trade payables and accruals	(25,527)	(25,527)	(24,781)	(746)	-	-
Interest rate swaps	(9,042)	(9,036)	(1,293)	(1,366)	(2,634)	(3,743)
	(348,712)	(373,852)	(30,184)	(6,465)	(17,933)	(319,270)

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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The Group is exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. The Group has entered into interest rate swaps (note 22) which hedge the variability in cash flows attributable to interest rate risk. All such transactions are carried out within the guidelines set by the Board. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Following a fundamental review and reform of major interest rate benchmarks undertaken globally, the Group replaced LIBOR, as its Sterling variable interest rate, to SONIA plus an agreed credit adjustment spread 'CAS spread' from 2 November 2021. The transition was effective for all Sterling loans and borrowings on their next rollover date, post 2 November 2021. All of the Group's borrowings and related interest rate swaps had transitioned to SONIA by 31 December 2021 (notes 21, 22). The impact of the IBOR reform is limited to the Sterling variable rates applicable for the Group's loans and borrowings and interest rate swaps. At 31 December 2021, the Group had £266.5 million (€317.2 million) of loans and borrowings that were impacted by the IBOR reform.

The Group has adopted the Phase 2 amendments issued by the IASB in Interest Rate Benchmark Reform – *Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*. The Group has availed of the practical expedient which allows the Group to update the effective interest rate for the transition to SONIA, without having to modify the loans and borrowings which could have resulted in a modification gain or loss in profit or loss.

Notes to the consolidated financial statements

(continued)

24 Financial instruments and risk management (continued)

c) Market risk (continued)

(i) Interest rate risk (continued)

The Group has updated its hedge documentation and hedge relationships to reflect the changes to the hedged item, hedging instrument and hedged risk for the updated benchmark interest rate. The Group continues to determine the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. The Group ensured that the CAS spread applicable on the loans and borrowings matched in so far as possible, the agreed CAS spread on the interest rate swaps (notes 21, 22). Under the Phase 2 amendments, hedge accounting is not discontinued solely because of the IBOR reform. Therefore, even though the CAS spreads are slightly different on the hedged item and the hedging instrument as a result of the IBOR reform, it has a marginal impact and the hedging instruments continue to effectively hedge the interest rate risks on the hedged items. As a result, the hedge relationships continue to be fully hedge effective as at 31 December 2021 and hedge accounting continues to be applied.

As at 31 December 2021, the interest rate swaps cover 100% of the Group's term Sterling denominated borrowings of £176.5 million for the period to 26 October 2024. The extended year of the term debt, to 26 October 2025, is currently unhedged.

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

	Nominal amount	
	2021	2020
	€'000	€'000
Variable rate instruments		
Financial liabilities – borrowings	**317,156**	313,768
Effect of interest rate swaps	**(210,049)**	(196,323)
	107,107	117,445

These interest-bearing financial liabilities do not equate to amortised cost of loans and borrowings and instead represent the drawn amounts of loans and borrowings which are owed to external lenders.

The weighted average interest rate for 2021 was 3.55% (2020: 2.76%), of which 2.68% (2020: 1.94%) related to margin.

The interest expense for the year ended 31 December 2021 has been sensitised in the following tables for a reasonably possible change in variable interest rates. SONIA plus spread replaced LIBOR as the Group's Sterling variable rate for the latter part of 2021. As a result, the Group has considered what a likely change in both LIBOR/SONIA could have been in 2021. The Group has reviewed and analysed both the forward curve statistics for the remaining loan tenor and the historical interest rates for a period of 10 years, which includes periods of interest rate volatility. A similar approach has been taken for EURIBOR, which is the variable rate on euro-denominated loans and borrowings.

In relation to the upward sensitivity, the Group believes that a reasonable change in the Sterling variable interest rate would be an uplift to 1.4%, being the highest 3 month SONIA rate plus spread, based on current forward curves. The Group believes approximately 1% is reasonable for the euro variable rate sensitivity which is the highest 3 month EURIBOR rate taking into account both historical information and forward curves for the periods reviewed.

In relation to the downward sensitivity, the Group has used an interest rate of zero as there is a floor embedded in the loan facilities, which prevents the Group from benefiting from any reduction in rates sub-zero, however, it results in an additional interest cost for the Group on hedged loans.

At 31 December 2021, all Sterling term borrowings (£176.5 million) up to 26 October 2024 were hedged with interest rate swaps. The Group does not currently hedge its variable interest rates on its Sterling RCF. There was no euro-denominated RCF as at 31 December 2021.

24 Financial instruments and risk management (continued)

c) Market risk (continued)

(i) Interest rate risk (continued)

The following table shows the sensitised weighted average interest rates where the variable rate is sensitised upwards or downwards. The weighted average interest rate includes the impact of hedging on hedged portions of the underlying loans. Changes in LIBOR/SONIA rates have had a minimal impact due to the majority of Sterling borrowings being hedged (note 22). The impact on profit or loss is shown hereafter. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2021 actual weighted average variable benchmark rate	Sensitised weighted average as a result of upward sensitivity	Sensitised weighted average as a result of downward sensitivity
Euro variable rate	**0%**	**1.0%**	**0%**
Sterling variable rate	**0.9%**	**1.3%**	**0.9%**

Cash flow sensitivity analysis for variable rate instruments

	Effect on profit or loss	
	Increase in rate €'000	Decrease in rate €'000
2021		
(Increase)/decrease in interest on loans and borrowings	**(1,586)**	**75**
Decrease/(increase) in tax credit	**198**	**(9)**
(Increase)/decrease in loss	**(1,388)**	**66**
2020		
(Increase)/decrease in interest on loans and borrowings	(1,494)	323
Decrease/(increase) in tax credit	187	(40)
(Increase)/decrease in loss	(1,307)	283

Contracted maturities of estimated interest payments from swaps

The following table indicates the periods in which the cash flows associated with the interest rate swaps are expected to occur and the carrying amounts of the related hedging instruments for the year ended 31 December 2021. A positive cash flow in the below table indicates the variable rate for interest rate swaps, based on current forward curves, is forecast to be higher than fixed rates. The below amounts only refer to the undiscounted interest forecasted to be incurred under the interest rate swap liabilities:

	31 December 2021			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	**(1,029)**	**(1,004)**	**(1,035)**	**31**

The table overleaf indicates the periods in which the cash flows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments for the year ended 31 December 2021. A positive cash flow in the table overleaf indicates the variable rate for interest rate swaps, based on current forward curves, is forecast to be higher than fixed rates. The below amounts only refer to the undiscounted interest forecasted to be incurred under the interest rate swap liabilities.

24 Financial instruments and risk management (continued)

c) Market risk (continued)

(i) Interest rate risk (continued)

	31 December 2021			
	Carrying Amount €'000	**Total €'000**	**12 months or less €'000**	**More than 1 year €'000**
Interest rate swaps				
Liabilities	**(1,029)**	**(1,004)**	**(1,035)**	**31**

The following table indicates the periods in which the cash flows associated with the interest rate swaps are expected to occur and the carrying amounts of the related hedging instruments for the year ended 31 December 2020:

	31 December 2020			
	Carrying Amount €'000	**Total €'000**	**12 months or less €'000**	**More than 1 year €'000**
Interest rate swaps				
Liabilities	(9,042)	(9,036)	(2,659)	(6,377)

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments for the year ended 31 December 2020:

	31 December 2020			
	Carrying Amount €'000	**Total €'000**	**12 months or less €'000**	**More than 1 year €'000**
Interest rate swaps				
Liabilities	(9,042)	(9,036)	(2,659)	(6,377)

(ii) Foreign currency risk

As per the Risk Management section of the annual report on page 45 to 52, the Group is exposed to 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 foreign currency translation risk on the retranslation of foreign operations to Euro.

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

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

The Group limits its exposure to foreign currency risk by using Sterling debt to hedge part of the Group's investment in UK subsidiaries. The Group financed certain acquisitions and developments in the UK by obtaining funding through external borrowings denominated in Sterling. These borrowings amounted to £266.5 million (€317.2 million) at 31 December 2021 (2020: £266.5 million (€296.4 million)) and are designated as net investment hedges. The net investment hedge was fully effective during the year.

Notes to the consolidated financial statements

(continued)

24 Financial instruments and risk management (continued)

c) Market risk (continued)

(ii) Foreign currency risk (continued)

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

Sensitivity analysis on transactional risk

The Group performed a sensitivity analysis on the impact on the Group's loss after tax and equity, had foreign exchange ('fx') rates been different. The Group reviewed the historical average monthly EUR:GBP fx rates over a period of 15 years which incorporates both periods of economic growth and economic recession. The Group have also reviewed the foreign exchange forwards curve for the loan tenor. Based on this data, the highest and lowest average EUR:GBP fx rates have been used for the purposes of the sensitivities, respectively, 0.92 and 0.71.

	Loss		Equity	
	Strengthening of Euro	Weakening of Euro	Strengthening of Euro	Weakening of Euro
	€'000	€'000	€'000	€'000
Decrease/(increase) on interest costs on Sterling loans	741	(2,373)	741	(2,373)
Impact on tax credit	(71)	228	(71)	228
Decrease/(increase) in loss	**670**	**(2,145)**		
(Decrease)/increase in equity			**670**	**(2,145)**

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 typically to achieve a pre-tax leveraged return on equity of 15% on investments and a rent cover of 1.85 times in year three for leased assets.

Typically, the Group monitors capital using a ratio of Net Debt to Adjusted EBITDA after fixed rent which excludes the effects of IFRS 16, in line with its banking covenants. This is calculated based on the prior 12 month period. The Net Debt to Adjusted EBITDA before taking account of the accounting impact of IFRS 16 as at 31 December 2021 is 9.2x (31 December 2020: not relevant due to losses). Following the amendment and restatement of the facility agreement in November 2021, this covenant is not required to be tested until 30 June 2023, however, it continues to be monitored by the Group and serves to set margins on the Group's loans. The Group monitors Net Debt to Value, which is a temporary covenant under the Group's loan facility agreement, and is 24% at 31 December 2021 (31 December 2020: 23%). Under the facility agreement, Net Debt to Value must be 55% or lower. The Group also monitors Net Debt and Lease Liabilities to Adjusted EBITDA which, at 31 December 2021, is 12.0x (31 December 2020: not relevant due to losses).

The Group's approach to capital management has ensured that it continues to maintain a very strong financial position and an appropriate level of gearing despite the continuing impacts from the Covid-19 pandemic. The Group entered the Covid-19 pandemic in 2020 with a strong balance sheet, and despite the material impact that Covid-19 had on the Group's financial performance, the Group remains in a strong position with significant financial headroom. As at 31 December 2021, the Group had property, plant and equipment of €1,243.9 million.

The Group's asset backing provided it with the ability to realise funds from the sale and leaseback of Clayton Hotel Charlemont in 2020 whilst its level of gearing ensured the Group continues to be able to meet its funding costs of both interest and rent and retain the support of its banking club and institutional landlords. The Group completed a share placing in September 2020, raising €92.0 million after costs. The purpose of this was to materially strengthen the Group's financial position, provide additional headroom in the event of a more prolonged impact from Covid-19 and enable the commencement of the development of a hotel in Shoreditch, London, on a site owned by the Group. The Board reviews the Group's capital structure on an ongoing basis including as part of the normal strategic and financial planning processes. It ensures that it is appropriate for the hotel industry given its exposure to demand shocks and the normal economic cycles.

25 Commitments

Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, has entered into guarantees in relation to the liabilities of the Republic of Ireland registered subsidiary companies which are listed below:

- Suvanne Management Limited
- Carasco Management Limited
- Heartside Limited
- Palaceglen Limited
- Songdale Limited
- Amelin Commercial Limited
- DHG Burlington Road Limited
- Dalata Support Services Limited
- Bernara Commercial Limited
- Adelka Limited
- DS Charlemont Limited
- DHG Barrington Limited
- Fonteyn Property Holdings No. 2 Limited
- DHG Eden Limited
- Galsay Limited
- DHG Fleming Limited
- Candlevale Limited
- DHG Arden Limited
- Merzolt Limited
- Pondglen Limited
- Bayvan Limited
- Lintal Commercial Limited
- Pillo Hotels Limited
- Loadbur Limited
- DHG Cordin Limited
- Leevlan Limited
- Fonteyn Property Holdings Limited
- DHG Dalton Limited
- DHG Glover Limited
- DHG Harton Limited
- DHG Indigo Limited

Capital commitments

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

	2021 **€'000**	2020 €'000
Contracted but not provided for	**37,783**	30,608

This relates primarily to the development of the new build hotel development of Maldron Merrion Road and the residential development (comprising 69 residential units) on the site of the former Tara Towers hotel (note 14) of €9.5 million and the construction of a new hotel in Shoreditch, London (€24.1 million) which are contractually committed. It also includes committed capital expenditure at other hotels in the Group.

The Group has further commitments in relation to fixtures, fittings and equipment in some of its leased hotels. Under certain lease agreements, the Group has committed to spending a percentage of turnover on capital expenditure in respect of fixtures, fittings and equipment in the leased hotels over the life of the lease. The Group has estimated this commitment to be €50.0 million (31 December 2020: €51.2 million) spread over the life of the various leases with the majority ranging in length from 20 years to 34 years. The turnover figures used in this estimate are based on 2019 revenues which reflects a more normal year of trading.

26 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with shareholders and Directors of the Company.

Remuneration of key management

Key management is defined as the Directors of the Company and does not extend to any other members of the Executive Management Team. The compensation of key management personnel is set out in the Remuneration Committee report on pages 81 to 96. In addition, the share-based payments expense for key management in 2021 was €0.5 million (2020: €0.7 million).

There are no other related party transactions requiring disclosure in accordance with IAS 24 in these consolidated financial statements.

27 Subsequent events

In February 2022, the Group commenced a new operating lease with Art-Invest Real Estate of Hotel Nikko in Düsseldorf, Germany. The hotel re-opened under the Group's new management from 15 February 2022. This hotel represents the Group's first hotel in Continental Europe and is in line with the Group's ambition to establish a presence in large commercially attractive European cities. The lease term is 20 years, with two 5 year tenant extension options. The rent, with a guaranteed minimum, is determined by the revenue performance of the hotel.

27 Subsequent events (continued)

In January 2022, the Group opened its new Clayton Hotel Manchester City Centre, which it is leasing on a 35 year lease. In February 2022, the Group also opened its new Maldron Hotel Manchester City Centre, which it is leasing on a 35 year lease.

There were no other subsequent events which would require an adjustment or a disclosure thereon in these consolidated financial statements.

28 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2021 is set out below:

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
DHG Glover Limited[1]	Ireland	Holding company	100%	-
DHG Fleming Limited[1]	Ireland	Financing company	100%	-
DHG Harton Limited[1]	Ireland	Holding company	100%	-
Cenan BV[2]	Netherlands	Financing company	-	100%
DHGL Limited[1]	Ireland	Holding company	-	100%
Dalata Limited[1]	Ireland	Holding company	-	100%
Hanford Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Anora Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Ogwell Limited[1]	Ireland	Hotel and catering	-	100%
Caruso Limited[1]	Ireland	Hotel and catering	-	100%
CI Hotels Limited[1]	Ireland	Hotel and catering	-	100%
Tulane Business Management Limited[1]	Ireland	Hotel and catering	-	100%
Dalata Support Services Limited[1]	Ireland	Hotel management	-	100%
Fonteyn Property Holdings Limited[1]	Ireland	Hotel management	-	100%
Fonteyn Property Holdings No. 2 Limited[1]	Ireland	Asset management	-	100%
Suvanne Management Limited[1]	Ireland	Hotel and catering	-	100%
Carasco Management Limited[1]	Ireland	Hotel and catering	-	100%
Amelin Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Lintal Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Bernara Commercial Limited[1]	Ireland	Property investment	-	100%
Pillo Hotels Limited[1]	Ireland	Dormant company	-	100%
Loadbur Limited[1]	Ireland	Property holding	-	100%
Heartside Limited[1]	Ireland	Hotel and catering	-	100%
Pondglen Limited[1]	Ireland	Hotel and catering	-	100%
Candlevale Limited[1]	Ireland	Hotel and catering	-	100%
Songdale Limited[1]	Ireland	Hotel and catering	-	100%
Palaceglen Limited[1]	Ireland	Hotel and catering	-	100%
Adelka Limited[1]	Ireland	Property holding	-	100%
Bayvan Limited[1]	Ireland	Property holding	-	100%
Leevlan Limited[1]	Ireland	Hotel and catering	-	100%
DHG Arden Limited[1]	Ireland	Hotel and catering	-	100%
DHG Barrington Limited[1]	Ireland	Hotel and catering	-	100%
DHG Cordin Limited[1]	Ireland	Property holding	-	100%
DS Charlemont Limited[1]	Ireland	Hotel and catering	-	100%
Galsay Limited[1]	Ireland	Hotel and catering	-	100%
Merzolt Limited[1]	Ireland	Hotel and catering	-	100%
DHG Burlington Road Limited[1]	Ireland	Hotel and catering	-	100%
DT Sussex Road Operations Limited[1] (In Liquidation)	Ireland	Dormant company	-	100%
DHG Eden Limited[1]	Ireland	Hotel and catering	-	100%
DHG Dalton Limited[1]	Ireland	Property holding	-	100%
Williamsberg Property Limited[1]	Ireland	Property holding	-	100%
Oak Lodge Management Company Limited by Guarantee[1]	Ireland	Management company	-	100%
DHG Indigo Limited[1]	Ireland	Holding company	-	100%

[1] The registered address of these companies is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.
[2] The registered address of this company is Van Heuven Goedhartlaan 935A, 1181 LD Amstelveen, The Netherlands.

28 Subsidiary undertakings (continued)

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
DHG Belfast Limited[3]	N Ireland	Hotel and catering	-	100%
DHG Derry Limited[3]	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited[3]	N Ireland	Property holding company	-	100%
DHG Brunswick Limited[3]	N Ireland	Hotel and catering	-	100%
Dalata UK Limited[4]	UK	Holding company	-	100%
Dalata Cardiff Limited[4]	UK	Hotel and catering	-	100%
Trackdale Limited[4]	UK	Hotel and catering	-	100%
Islandvale Limited[4]	UK	Hotel and catering	-	100%
Crescentbrook Limited[4]	UK	Hotel and catering	-	100%
Hallowridge Limited[4]	UK	Hotel and catering	-	100%
Rush (Central) Limited[4]	UK	Property holding company	-	100%
Hotel La Tour Birmingham Limited[4]	UK	Hotel and catering	-	100%
SRD (Trading) Limited[4]	UK	Hotel and catering	-	100%
SRD (Management) Limited[4]	UK	Hotel and catering	-	100%
Hintergard Limited[5]	Jersey	Property holding company	-	100%
Dalata Deutschland Holding GmbH[6]	Germany	Holding company	-	100%
Dalata Deutschland Hotelbetriebs GmbH[6]	Germany	Dormant company	-	100%

[3]*The registered address of these companies is Butcher Street, Londonderry, County Derry BT48 6HL, UK.*

[4]*The registered address of these companies is St Mary Street, Cardiff, Wales, CF10 1GD, UK.*

[5]*The registered address of this company is 12 Castle Street, St Helier Jersey, JE2 3RT.*

[6]*The registered address of this company is Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany.*

During the year ended 31 December 2021, following a Group internal restructure, the following entities were merged into their parent entity, DHGL Limited, - Dalata Management Services Limited, Cavenford DAC, Vizmol Limited, Sparrowdale Limited and Swintron Limited. These entities were holding entities, with the exception of Dalata Management Services Limited, which was a management company.

29 Earnings per share

Basic earnings per share is computed by dividing the loss/profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the loss/profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted loss per share for the years ended 31 December 2021 and 31 December 2020.

	2021	2020
Loss attributable to shareholders of the parent (€'000) – basic and diluted	**(6,329)**	(100,678)
Adjusted loss attributable to shareholders of the parent (€'000) – basic and diluted	**(14,290)**	(53,864)
Loss per share – Basic	**(2.8) cents**	(50.9) cents
Loss per share – Diluted	**(2.8) cents**	(50.9) cents
Adjusted loss per share – Basic	**(6.4) cents**	(27.2) cents
Adjusted loss per share – Diluted	**(6.4) cents**	(27.2) cents
Weighted average shares outstanding – Basic	**222,831,030**	197,751,585
Weighted average shares outstanding – Diluted	**222,831,030**	197,751,585

There is no difference between basic and diluted loss per share for the year ended 31 December 2021 and 31 December 2020. Potential ordinary shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share. There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic or adjusted diluted earnings per share in 2021 and 2020.

Notes to the consolidated financial statements

(continued)

29 Earnings per share (continued)

Adjusted earnings per share (basic and diluted) is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either year on year or with other similar businesses (note 2).

	2021	2020
Reconciliation to adjusted loss for the year	**€'000**	€'000
Loss before tax	**(11,436)**	(111,461)
Finance costs	**32,878**	37,953
Profit/(loss) before tax and finance costs	**21,442**	(73,508)
Adjusting items (note 2)		
Net property revaluation movements through profit or loss	**(6,790)**	30,836
Impairment of goodwill	**–**	3,226
Net reversal of previous impairment charges/ (impairment charges) of right-of-use assets	**(39)**	7,541
Net reversal of previous impairment charges/ (impairment charges) of fixtures, fittings and equipment	**(120)**	1,015
Loss on sale and leaseback	**–**	1,673
Remeasurement gain on right-of-use assets	**(277)**	-
Hotel pre-opening expenses	**1,927**	81
Adjusted profit/(loss) before tax and finance costs	**16,143**	(29,136)
Finance costs	**(32,878)**	(37,953)
Adjusting items in finance costs		
Modification (gain)/loss on amended debt facility (note 5)	**(2,704)**	4,272
Adjusted loss before tax	**(19,439)**	(62,817)
Tax credit	**5,107**	10,783
Adjusting items in tax credit		
Tax adjustment for adjusting items	**42**	(1,830)
Adjusted loss for the year	**(14,290)**	(53,864)

30 Approval of the financial statements

The financial statements were approved by the Directors on 28 February 2022.

Company Financial Statements

For the year ended 31 December 2021

Company statement of financial position

at 31 December 2021

	Note	2021 €'000	2020 €'000
Assets			
Non-current assets			
Investment in subsidiaries	2	**866,427**	864,729
Total non-current assets		**866,427**	864,729
Current assets			
Trade and other receivables	3	**47**	120
Amounts owed by subsidiaries	4	**4,348**	3,988
Cash and cash equivalents	5	**12**	207
Total current assets		**4,407**	4,315
Total assets		**870,834**	869,044
Equity			
Share capital	8	**2,229**	2,227
Share premium	8	**504,895**	504,735
Share-based payment reserve		**3,085**	3,419
Merger reserve	8	**91,601**	91,601
Retained earnings		**262,140**	260,922
Total equity		**863,950**	862,904
Current liabilities			
Trade and other payables	6	**2,124**	1,603
Amounts owed to subsidiaries	7	**4,760**	4,537
Total current liabilities		**6,884**	6,140
Total liabilities		**6,884**	6,140
Total equity and liabilities		**870,834**	869,044

On behalf of the Board:

John Hennessy
Chair

Dermot Crowley
Director

Company statement of changes in equity

for the year ended 31 December 2021

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Merger reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2021	**2,227**	**504,735**	**3,419**	**91,601**	**260,922**	**862,904**
Comprehensive income:						
Loss for the year	-	-	-	-	(1,275)	**(1,275)**
Total comprehensive loss for the year	-	-	-	-	**(1,275)**	**(1,275)**
Transactions with owners of the Company:						
Equity-settled share-based payments	-	-	2,159	-	-	**2,159**
Vesting of share awards and options (note 8)	2	160	(2,493)	-	2,493	**162**
Total transactions with owners of the Company	**2**	**160**	**(334)**	**-**	**2,493**	**2,321**
At 31 December 2021	**2,229**	**504,895**	**3,085**	**91,601**	**262,140**	**863,950**
At 1 January 2020	**1,851**	**504,488**	**4,900**	**-**	**259,682**	**770,921**
Comprehensive income:						
Loss for the year	-	-	-	-	(2,521)	**(2,521)**
Total comprehensive loss for the year	-	-	-	-	**(2,521)**	**(2,521)**
Transactions with owners of the Company:						
Equity-settled share-based payments	-	-	2,280	-	-	**2,280**
Vesting of share awards and options (note 8)	6	247	(3,761)	-	3,761	**253**
Equity share placing issuance	370	-	-	93,980	-	**94,350**
Costs of share placing	-	-	-	(2,379)	-	**(2,379)**
Total transactions with owners of the Company	**376**	**247**	**(1,481)**	**91,601**	**3,761**	**94,504**
At 31 December 2020	**2,227**	**504,735**	**3,419**	**91,601**	**260,922**	**862,904**

Company statement of cash flows

for the year ended 31 December 2021

	2021 €'000	2020 €'000
Cash flows from operating activities		
Loss for the year	**(1,275)**	(2,521)
Adjustments for:		
Dividends received from subsidiary undertakings	**-**	(33)
Finance costs	**107**	991
Foreign exchange loss on borrowings	**9**	74
Share-based payment expense	**461**	661
	(698)	(828)
Increase in trade and other payables	**521**	444
Decrease/(increase) in trade and other receivables	**75**	(71)
Net cash used in operating activities	**(102)**	(455)
Cash flows from investing activities		
Cash movements on amounts due from subsidiaries	**(245)**	736
Dividends received	**-**	33
Net cash (used in)/from investing activities	**(245)**	769
Cash flows from financing activities		
Interest and finance costs paid	**-**	44
Proceeds from vesting of share awards and options	**162**	253
Purchase of shares in subsidiary undertakings	**-**	(92,467)
Proceeds from issue of share capital, net of expenses	**-**	91,971
Net cash from/(used) in financing activities	**162**	(199)
Net (decrease)/increase in cash and cash equivalents	**(185)**	115
Cash and cash equivalents at the beginning of the year	**207**	167
Effect of movements in exchange rates	**(10)**	(75)
Cash and cash equivalents at the end of the year	**12**	207

Notes to the Company financial statements

forming part of the Company financial statements

1 Significant accounting policies

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

Significant accounting policies specifically applicable to these individual Company financial statements and which are not reflected within the accounting policies for the Group consolidated financial statements are detailed below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for in these individual Company financial statements on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of investees. Investments in subsidiaries are carried at cost less impairment.

Share-based payments in respect of employees in subsidiaries are accounted for as an increase in the cost of investments in subsidiaries.

On 31 December 2021, the market capitalisation of the Company (€829.0 million) was lower than the Company's net assets, which principally comprise its investments in subsidiaries (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). This is a potential indicator of impairment and consequently, investments in subsidiaries were assessed for potential impairment at 31 December 2021. Market capitalisation can be temporarily influenced by a number of different market factors and uncertainties, most evidently the impact of Covid-19 in 2020 and 2021 and more specifically, the tightening of government restrictions during the year ended 31 December 2021 as a result of the emergence of the Omicron variant. In addition, share prices reflect a discount due to lack of control rights.

For the purposes of the consolidated financial statements, each subsidiary hotel operating unit is considered a CGU as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Therefore, impairment tests are carried out at a hotel operating unit level and an impairment recognised if required. This ensures the net assets of the Group on consolidation are not in excess of their recoverable amount. The value in use ('VIU') cashflow projections include the impact of Covid-19. Please see note 10 of the consolidated financial statements for further details.

The net assets of the Group of €957.4 million (2020: €932.8 million) already include any required impairment charges in relation to the carrying value of the assets in subsidiaries. The Company concluded that the net assets of the Group, which are a reasonable estimate of the recoverable amount of the investments in subsidiaries, are significantly in excess of the carrying value of its investments in subsidiaries (€866.4 million). Note 10 of the consolidated financial statements include a sensitivity as to what impact a change in forecasts at 31 December 2021 would have had on the net assets of the Group at that date. No additional impairment charges were required as a result of the sensitivity, and therefore, the carrying value of the investment in subsidiaries remains significantly less than the net assets of the Group. As a result of the above, the Company concluded that the carrying value of its investments in subsidiaries was not impaired as at 31 December 2021.

(ii) Intra-group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

2 Investments in subsidiaries

	2021	2020
	€'000	€'000
Investments in subsidiaries	**866,427**	864,729

Movements in year	**2021** **€'000**	2020 €'000
At 1 January	**864,729**	48,408
Cost of share-based payments in respect of subsidiaries	**1,698**	1,619
Additions to investments	**–**	814,702
At 31 December	**866,427**	864,729

Notes to the Company financial statements

(continued)

2 Investments in subsidiaries (continued)

On 3 April 2020, the Directors of the Company, approved the capitalisation of a loan payable of €722.2 million from DHGL Limited, an indirect subsidiary of the Company, into share capital of DHGL Limited. As a result, DHGL Limited issued one €1 ordinary share for €722.2 million to the Company as consideration for the repayment of this loan. DHGL Limited was released from all its liabilities in respect of the loan.

In September 2020, the Company subscribed for share capital in DHG Fleming Limited and DHG Glover Limited, direct subsidiaries of the Company. The Company purchased 499 shares in DHG Glover Limited for €30.5 million and 499 shares in DHG Fleming Limited for €62.0 million.

Details of subsidiary undertakings are included in note 28 of the consolidated financial statements.

3 Trade and other receivables

	2021 €'000	2020 €'000
Prepayments	**15**	40
Value added tax	**30**	80
Corporation tax	**2**	-
	47	120

4 Amounts owed by subsidiaries

	2021 €'000	2020 €'000
Amounts owed by subsidiaries	**4,348**	3,988
	4,348	3,988

Amounts owed by subsidiaries are non-interest bearing and are repayable on demand. The amounts owed by subsidiaries have been reviewed and no credit losses are expected based on the financial position of subsidiaries. As a result, no expected credit loss provision has been recognised.

5 Cash and cash equivalents

	2021 €'000	2020 €'000
Cash at bank and in hand	**12**	207
	12	207

6 Trade and other payables

	2021 €'000	2020 €'000
Trade payables	**24**	93
Accruals	**257**	297
Payroll taxes	**1,843**	1,213
	2,124	1,603

Notes to the Company financial statements

(continued)

6 Trade and other payables (continued)

Payroll tax liabilities of €1.7 million (2020: €1.1 million) have been deferred under the Debt Warehousing scheme as at 31 December 2021 and are payable during the year ending 31 December 2022.

7 Amounts owed to subsidiaries

	2021 €'000	2020 €'000
Amounts owed to subsidiaries	4,760	4,537
	4,760	4,537

As at 31 December 2021, the amounts due to subsidiary undertakings are repayable on demand and include interest-bearing loans of €2.8 million (2020: €0.1 million) with an annual interest rate of 2.4% (2020: 1.4%). Other amounts due to group undertakings are non-interest bearing.

8 Share capital, share premium and merger reserve

At 31 December 2021

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	222,865,363	2,229
Share premium		504,895

At 31 December 2020

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	222,732,900	2,227
Share premium		504,735

All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Company financial statements

(continued)

8 Share capital, share premium and merger reserve (continued)

During the year ended 31 December 2021, the Company issued 93,172 shares of €0.01 per share following the vesting of Awards granted in relation to the 2018 LTIP, under the 2017 LTIP plan. 39,291 shares were also issued during 2021 under the Share Save schemes granted in 2017. The weighted average share price at the date of exercise for options exercised during the period was €4.53 per share.

Merger reserve

In September 2020, the Company completed a non pre-emptive placing of 37.0 million new ordinary shares of €0.01 each in the share capital of the Company. As part of the Placing, the Bookrunners J&E Davy and Joh. Berenberg, Gossler & Co. KG, London Branch subscribed for preference shares in Oak Funding Limited, a subsidiary of the company, for €92.5 million. The Company issued 37,000,000 new ordinary shares at €2.55 each (€94.4 million) in consideration of these preference shares and redeemed the preference shares for €92.5 million net of costs. The Company incurred additional costs of €0.5 million in relation to the share issuance. The subsidiary was subsequently liquidated. The Company availed of merger relief and as a result €91.6 million, representing the premium paid on the issue of ordinary shares net of costs, was recognised in the merger reserve.

9 Dividends

During the year ended 31 December 2021, the Company did not make any dividend payments (2020: €Nil).

During the year ended 31 December 2021, the Company did not receive dividend income (2020: €0.03 million) from its subsidiary undertakings.

10 Attributable profit or loss of the Company

The loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2021 was €1.3 million (2020: €2.5 million). As permitted by Section 304 of the Companies Act 2014, the statement of profit or loss and other comprehensive income for the Company has not been separately presented in these financial statements.

11 Company related party disclosures

Under IAS 24 *Related Party Disclosures*, the Company has related party relationships with Directors of the Company and with its subsidiary undertakings (notes 26 and 28 of the consolidated financial statements).

Remuneration of key management

Key management is defined as the Directors of the Company. The compensation of key management personnel is set out in the Remuneration Committee report on pages 81 to 96 and note 26 of the consolidated financial statements.

Transactions with related parties

During the year ended 31 December 2021, the Company charged fees amounting to €2.6 million (2020: €2.4 million) to its subsidiary undertakings for services provided during the year.

12 Commitments

Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent Company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, has entered into guarantees in relation to the liabilities of Republic of Ireland registered subsidiary companies which are listed hereafter:

Notes to the Company financial statements

(continued)

12 Commitments (continued)

- Suvanne Management Limited
- Carasco Management Limited
- Heartside Limited
- Palaceglen Limited
- Songdale Limited
- Amelin Commercial Limited
- DHG Burlington Road Limited
- Dalata Support Services Limited
- Bernara Commercial Limited
- Adelka Limited
- DS Charlemont Limited
- DHG Barrington Limited
- Fonteyn Property Holdings Limited
- Fonteyn Property Holdings No. 2 Limited
- DHG Eden Limited
- Galsay Limited
- Candlevale Limited
- DHG Arden Limited
- Merzolt Limited
- Pondglen Limited
- Bayvan Limited
- Lintal Commercial Limited
- Pillo Hotels Limited
- Loadbur Limited
- DHG Cordin Limited
- Leevlan Limited
- DHG Dalton Limited
- DHG Glover Limited
- DHG Harton Limited
- DHG Fleming Limited
- DHG Indigo Limited

Other guarantees

At 31 December 2021, the Company has undertaken to guarantee the obligations of its subsidiaries in relation to the following:

Property	Subsidiary	Term (years)	Term remaining (years)
Lease			
Clayton Hotel Burlington Road	DHG Burlington Road Limited	25	19.9
The Gibson Hotel	Galsay Limited	35	31.7
Clayton Hotel Cardiff	Dalata UK Limited	35	30.4
Maldron Hotel Smithfield	Anora Commercial Limited	25	20.1
Clayton Hotel Birmingham	Hotel La Tour Birmingham Limited	35	30.6
Maldron Hotel Newcastle	Dalata Cardiff Limited	35	31.9
Clayton Hotel Cambridge	SRD (Trading) Limited	30	27.9
Clayton Hotel Charlemont	DS Charlemont Limited	35	33.3
Maldron Hotel Glasgow City	Dalata Cardiff Limited	35	34.6
Clayton Hotel Manchester City Centre	Dalata Cardiff Limited	35	35.0
Agreement for Lease			
Clayton Hotel Glasgow City	Dalata Cardiff Limited	35	35.0
Clayton Hotel Bristol City	Dalata Cardiff Limited	35	35.0
Maldron Hotel Victoria Manchester	Dalata Cardiff Limited	35	35.0
Maldron Hotel Manchester City Centre	Dalata Cardiff Limited	35	35.0
Maldron Hotel Liverpool City	Dalata Cardiff Limited	35	35.0
Maldron Hotel Brighton	Dalata Cardiff Limited	35	35.0
Maldron Hotel Croke Park, Dublin	Tulane Business Management Limited	35	35.0
The Samuel Hotel, Dublin	Tulane Business Management Limited	35	35.0
Loans and borrowings			
DHG Fleming Limited	DHG Fleming Limited	7	3.8

13 Subsequent events

There were no subsequent events which would require an adjustment or a disclosure thereon in these Company financial statements.

14 Approval of the financial statements

The financial statements were approved by the Directors on 28 February 2022.

Supplementary Financial Information

Alternative Performance Measures ('APM') and other definitions

The Group reports certain alternative performance measures ('APMs') that are not defined under International Financial Reporting Standards ('IFRS'), which is the framework under which the consolidated financial statements are prepared. These are sometimes referred to as 'non-GAAP' measures.

The Group believes that reporting these APMs provides useful supplemental information which, when viewed in conjunction with the IFRS financial information, provides stakeholders with a more comprehensive understanding of the underlying financial and operating performance of the Group and its operating segments.

These APMs are primarily used for the following purposes:

- to evaluate underlying results of the operations; and
- to discuss and explain the Group's performance with the investment analyst community.

The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of the results in the consolidated financial statements which are prepared under IFRS. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The definitions of and reconciliations for certain APMs are contained within the consolidated financial statements. A summary definition of these APMs together with the reference to the relevant note in the consolidated financial statements where they are reconciled is included below. Also included below is information pertaining to certain APMs which are not mentioned within the consolidated financial statements but which are referred to in other sections of this report. This information includes a definition of the APM, in addition to a reconciliation of the APM to the most directly reconcilable line item presented in the consolidated financial statements. References to the consolidated financial statements are included as applicable.

(i) Adjusting items

Items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses. The adjusting items are disclosed in note 2 and note 29 to the consolidated financial statements. Adjusting items with a cash impact are set out in APM xi below.

(ii) Adjusted EBITDA

Adjusted EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets, adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.
Reconciliation: Note 2

(iii) EBITDA and Segments EBITDA

EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.
Reconciliation: Note 2

Segments EBITDA represents 'Adjusted EBITDA' before central costs, share-based payments expense and other income for each of the reportable segments: Dublin, Regional Ireland and the UK. It is presented to show the net operational contribution of leased and owned hotels in each geographical location.
Reconciliation: Note 2

(iv) EBITDAR and Segments EBITDAR

EBITDAR is an APM representing earnings before lease costs, interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

Segments EBITDAR represents Segments EBITDA before variable lease costs for each of the reportable segments: Dublin, Regional Ireland and the UK.
Reconciliation: Note 2

(v) Adjusted (loss)/earnings per share (EPS) (basic and diluted)

Adjusted EPS (basic and diluted) is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either year on year or with other similar businesses.
Reconciliation: Note 29

Alternative Performance Measures ('APM') and other definitions (continued)

(vi) Net Debt

Net debt is calculated in line with banking covenants and includes external loans and borrowings drawn and owed to the banking club as at year end (rather than the amortised cost of the loans and borrowings), less cash and cash equivalents.
Reconciliation: Note 21

(vii) Net Debt and Lease Liabilities

Net Debt (see definition vi) and Lease Liabilities at year end.
Reconciliation: Note 21

(viii) Net Debt to Adjusted EBITDA excluding the impact of IFRS 16

Net Debt (see definition vi) divided by the 'Adjusted EBITDA excluding the impact of IFRS 16' (see definition xvi) after deducting fixed lease costs (see glossary) for the year ended 31 December. This APM is presented to show the Group's financial leverage before the application of IFRS 16 *Leases*.
Reconciliation: Refer below

(ix) Net Debt and Lease Liabilities to Adjusted EBITDA

Net Debt and Lease Liabilities (see definition vii) divided by the 'Adjusted EBITDA' (see definition ii) for the year. This APM is presented to show the Group's financial leverage after including the accounting estimate of lease liabilities following the application of IFRS 16.
Reconciliation: Refer below

(x) Net Debt to Value

Net Debt (see definition vi) divided by the valuation of property assets as provided by external valuers at year end. This APM is presented to show the gearing level of the Group under banking covenants.
Reconciliation: Refer below

Reconciliation of Net Debt APMs – definitions (vi), (vii), (viii), (ix), (x)		**Reference in financial statements**	**31 December 2021 €'000**	31 December 2020 €'000
Loans and borrowings		Statement of financial position	**313,533**	314,143
Exclude accounting impact of IFRS 9			**3,623**	(375)
External loans and borrowings drawn		Note 21	**317,156**	313,768
Less cash and cash equivalents		Statement of financial position	**(41,112)**	(50,197)
Net Debt (APM vi)	(A)	Note 21	**276,044**	263,571
Lease Liabilities - current and non-current		Statement of financial position	**481,926**	399,632
Net Debt and Lease Liabilities (APM vii)	(B)	Note 21	**757,970**	663,203
Adjusted EBITDA	(C)	Note 2	**63,237**	18,692
Adjusted EBITDA excluding the impact of IFRS 16 (APM xvi)	(D)		**29,973**	(11,949)
Net Debt to Adjusted EBITDA excluding the impact of IFRS 16[1] (APM viii)	(A/D)		**9.2x**	n/a
Net Debt and Lease Liabilities to Adjusted EBITDA (APM ix)	(B/C)		**12.0x**	35.5x
Valuation of property assets as provided by external valuers[2]	(E)		**1,146,274**	1,124,256
Net Debt to Value (APM x)	(A/E)		**24%**	23%

[1] Net Debt to Adjusted EBITDA excluding the impact of IFRS 16 is not applicable in 2020 as Adjusted EBITDA excluding the impact of IFRS 16 was negative.
[2] Property assets valued exclude assets under construction and fittings, fixtures and equipment in leased hotels.

(xi) Free Cash Flow

Net cash from operating activities less amounts paid for interest, finance costs, refurbishment capital expenditure, fixed lease payments and after adding back the cash paid in respect of items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses (see definition i). This APM is presented to show the cash generated from operating activities to fund acquisitions, development expenditure, repayment of debt and dividends.
Reconciliation: Refer below

Supplementary Financial Information (continued)

Alternative Performance Measures ('APM') and other definitions (continued)

(xii) Free cash flow per share (FCFS)

Free Cash Flow (see definition xi) divided by the weighted average shares outstanding - basic. This APM forms the basis for the performance condition measure in respect of share awards made after 3 March 2021.

Historically, EPS for LTIP performance measure purposes has been adjusted to exclude the impact of items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses. The Group intends to take a similar approach with FCFS to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders.
Reconciliation: Refer below

(xiii) Debt and Lease Service Cover

Free Cash Flow (see definition xi) before payment of lease costs, interest and finance costs divided by the total amount paid for lease costs, interest and finance costs. This APM is presented to show the Group's ability to meet its debt and lease commitments.
Reconciliation: Refer below

Reconciliation of APMs (xi), (xii), (xiii)		**Reference in financial statements**	**2021 €'000**	2020[3] €'000
Net cash from operating activities		Statement of cash flows	**90,579**	22,804
Other interest and finance costs paid		Statement of cash flows	**(15,285)**	(12,956)
Refurbishment capital expenditure paid			**(4,298)**	(9,751)
Fixed lease payments:				
- Interest paid on lease liabilities		Statement of cash flows	**(24,409)**	(22,405)
- Repayment of lease liabilities		Statement of cash flows	**(8,930)**	(5,618)
			37,657	(27,926)
Exclude adjusting items with a cash effect:				
Net impact from tax deferrals from government Covid-19 support schemes[1]		Note 8	**(12,776)**	(13,484)
Pre-opening costs		Note 2	**1,927**	81
Debt facility fees		Note 21	**1,202**	550
Free cash inflow/(outflow) (APM xi)	A		**28,010**	(40,779)
Weighted average shares outstanding – basic	B	Note 29	**222,831,030**	197,751,585
Free Cash Flow per share (APM xii) – cents	A/B		**12.6**	(20.6)
Total lease costs paid[2]			**33,458**	30,964
Other interest and finance costs paid		Statement of cash flows	**15,285**	12,956
Total lease costs, interest and finance costs paid	C		**48,743**	43,920
Free Cash Flow before lease and finance costs	D=A+C		**76,753**	3,141
Debt and Lease Service Cover (APM xiii)	D/C		**1.6x**	0.1x

[1] *The Group has deferred VAT and payroll taxes under government support schemes. This non-recurring initiative was introduced by government Covid-19 support schemes and allows the temporary retention of an element of taxes collected during 2020 and 2021 on behalf of tax authorities. The Group deferred VAT and payroll taxes amounting to €13.6 million during 2021 (2020: €13.5 million) which are expected to be payable during 2022. This was offset by amounts totalling €0.8 million for UK VAT and payroll tax liabilities that were deferred during 2020 and paid in 2021. The impact of these deferrals have been excluded in the calculation of Free Cash Flow to show cash flows from trading for the year.*
[2] *Total lease costs paid comprises payments of fixed and variable lease costs during the year*
[3] *The 2020 comparative has been amended to exclude the impact of amend and restate facility fees paid during that year for consistency with the presentation in 2021. As a result, Free Cash Outflow for 2020 has decreased from (€41,329k) to (€40,779k).*

Alternative Performance Measures ('APM') and other definitions (continued)

(xiv) Normalised Return on Invested Capital

Adjusted EBIT divided by the Group's average invested capital. The Group defines invested capital as total assets less total liabilities at the year end and excludes the accumulated revaluation gains/losses included in property, plant and equipment, Net Debt, derivative financial instruments and taxation related balances. The Group also excludes the impact of deferred VAT and payroll tax liabilities payable at year end as these are quasi-debt in nature and the investment in the construction of future assets or newly opened, owned assets which have not yet reached full operating performance. The Group's net assets are adjusted to reflect the average level of acquisition investment spend and the average level of working capital for the accounting period. The average invested capital is the average of the invested capital for the year.

Adjusted EBIT represents the Group's operating loss for the year restated to remove the impact of adjusting items as defined in APM (i) and the impact of adopting IFRS 16 by replacing depreciation of right-of-use assets with fixed lease costs and amortisation of lease costs.

The Group presents this APM to provide stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group. The Group excludes assets which have not yet reached full operating performance and assets under construction at year end and therefore did not generate a return to show the underlying performance of the Group. Due to the significant impact of Covid-19 on the Group's financial performance, the return was negative for 2020 as the Group incurred losses in this year.

Reconciliation: Refer Below

Reconciliation of APM (xiv)		**Reference in financial statements**	**2021 €'000**	2020 €'000
Operating profit/(loss)		Statement of comprehensive income	**21,442**	(73,508)
Add back:				
Total adjusting items as per the financial statements		Note 2	**(5,299)**	44,372
Depreciation of right-of-use assets		Note 2	**19,522**	20,663
Less:				
Additional amortisation of intangible assets if IAS 17 still applied			**(45)**	(44)
Fixed lease costs			**(33,264)**	(30,641)
Amortisation of lease costs			**(328)**	(454)
Adjusted EBIT excluding IFRS 16	A		**2,028**	(39,612)
Net assets at balance sheets date		Statement of financial position	**957,413**	932,780
Less revaluation uplift in property, plant and equipment[1]			**(239,015)**	(224,348)
Add back Net Debt		Note 21	**276,044**	263,571
Add back net deferred tax liability		Statement of financial position	**22,735**	27,060
Add back current tax liability		Statement of financial position	**282**	91
Add back net derivative liabilities		Statement of financial position	**197**	9,042
Add back deferred VAT and payroll tax liabilities		Note 8	**26,261**	13,484
Less assets under construction at year end		Note 12	**(79,094)**	(61,886)
Less contract fulfilment costs		Statement of financial position	**(36,255)**	(22,374)
Normalised invested capital			**928,568**	937,420
Average normalised invested capital	B		**932,994**	874,702
Normalised Return on Average Invested Capital (APM xiv)	A/B		**0.2%**	n/a

[1] Includes the combined net revaluation uplift included in property, plant and equipment since the revaluation policy was adopted in 2014 or in the case of hotel assets acquired after this date, since the date of acquisition. The carrying value of land and buildings, revalued at 31 December 2021, is €1,088.8 million (2020: €1,058.5 million). The value of these assets under the cost model is €849.8 million (2020: €834.2 million). Therefore, the revaluation uplift included in property, plant and equipment is €239.0 million (2020: €224.3 million). Refer to note 12 to the financial statements.

(xv) Modified EBIT

For the purposes of the annual bonus evaluation, EBIT is modified to remove the effect of fluctuations between the annual and budgeted EUR/GBP exchange rate and other items which are considered, by the Remuneration Committee, to fall outside of the framework of the budget target set for the year. Foreign exchange movements represent the difference on converting EBITDA from UK hotels at actual foreign exchange rates during 2021 versus budgeted foreign exchange rates, after depreciation. The budgeted EUR/GBP exchange rate was 0.90 in 2021 (2020: 0.90).

Reconciliation: Refer below

Alternative Performance Measures ('APM') and other definitions (continued)

(xv) Modified EBIT (continued)

Reconciliation of APM (xv)		Reference in financial statements	2021 €'000	2020 €'000
Loss before tax		Statement of comprehensive income	**(11,436)**	(111,461)
Interest on lease liabilities		Note 2	**24,409**	22,405
Other interest and finance costs		Note 2	**8,469**	15,548
Remove impact of adjusting items		Note 2	**(5,299)**	44,372
Foreign exchange movements[2]			**(621)**	(2)
Modified EBIT – APM (xv)			**15,522**	(29,138)
[2] Foreign exchange movements:				
UK EBITDA - GBP			**17,458**	2,867
UK EBITDA translated at budgeted FX rates - Euro			**19,398**	3,186
UK EBITDA translated at actual FX rates - Euro		Note 2	**20,662**	3,399
Impact of movements in foreign exchange	(A)		**(1,264)**	(213)
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets - GBP			**12,413**	12,010
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets translated at budgeted FX rates - Euro			**13,793**	13,344
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets translated at actual FX rates - Euro			**14,436**	13,555
Impact of movements in foreign exchange	(B)		**643**	211
Foreign exchange movements	(A+B)		**(621)**	(2)

Excluding IFRS 16 numbers

Due to the significant impact from the adoption of IFRS 16 on the Group's consolidated financial statements from 2019 onwards, additional APMs were included to provide the reader with more information to help explain the Group's underlying operating performance. The Group now believe a sufficient period of time has passed since IFRS 16 was first adopted and there are a number of periods available to enable comparison of performance following the adoption of IFRS 16. As a result, the Group is reducing the number of APMs that it presents excluding the impact of IFRS 16. As targets for the Group's existing share-based payment schemes and the banking facilities agreements and covenants under those agreements continue to be calculated excluding the impact of IFRS 16, the Group continues to present and reconcile the following APMs.

(xvi) Adjusted EBITDA excluding the impact of IFRS 16

Earnings before adjusting items, interest and finance costs, tax, depreciation, amortisation of intangible assets as defined above and restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs as calculated under IAS 17.

Reconciliation: Refer Below

Reconciliation of APM (xvi)	Reference in financial statements	2021 €'000	2020 €'000
Operating profit/(loss)	Statement of comprehensive income	**21,442**	(73,508)
Add back:			
Total adjusting items as per the financial statements	Note 2	**(5,299)**	44,372
Depreciation of property, plant and equipment	Note 2	**27,033**	26,607
Depreciation of right-of-use assets	Note 2	**19,522**	20,663
Amortisation of intangible assets	Note 2	**539**	558
Less fixed lease costs		**(33,264)**	(30,641)
Adjusted EBITDA excluding the impact of IFRS 16 (APM xvi)		**29,973**	(11,949)

(xvii) (Loss)/earnings per share excluding IFRS 16 (basic) and Adjusted loss per share excluding IFRS 16 (basic)

Basic (loss)/earnings per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of-use-asset depreciation, lease liability interest, net reversal of previous impairment charges/(impairment charges) of right-of-use assets and fixtures, fittings and equipment and the remeasurement gain on right of-use-assets with the lease costs as calculated under IAS 17. This APM forms the basis for the performance condition measure in respect of share awards made before 3 March 2021.

Supplementary Financial Information (continued)

Alternative Performance Measures ('APM') and other definitions (continued)

(xvii) (Loss)/earnings per share excluding IFRS 16 (basic) and Adjusted loss per share excluding IFRS 16 (continued)

Historically, EPS for LTIP performance measure purposes has been adjusted to exclude items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses. The Group wants to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders. Adjusted loss per share excluding IFRS 16 is defined as basic (loss)/earnings per share before adjusting items (see definition i) and restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs under IAS 17.

Reconciliation: Refer below

Reconciliation of APM (xvii)		**Reference in financial statements**	**2021 €'000**	2020 €'000
Loss for the year		Statement of comprehensive income	**(6,329)**	(100,678)
Exclude adjusting items not applicable under IAS 17[1]:				
Net reversal of previous impairment charges/(impairment charges) of right-of-use assets and fixtures, fittings and equipment		Note 2	**(159)**	8,556
Remeasurement gain of right-of-use asset		Note 2	**(277)**	-
Additional loss on sale and leaseback		Note 12	**–**	(5,977)
Depreciation of right-of-use assets		Note 2	**19,522**	20,663
Interest on lease liabilities		Note 2	**24,409**	22,405
Amortisation of lease costs under IAS 17			**(328)**	(454)
Less fixed lease costs			**(33,264)**	(30,641)
Tax impact of IFRS 16			**(2,105)**	(3,096)
Profit/(Loss) for the year excluding the impact of IFRS 16	(A)		**1,469**	(89,222)
Remove impact of adjusting items excluding IFRS 16[1]:				
Hotel pre-opening expenses		Note 2	**1,927**	81
Net revaluation movements through profit or loss as if IAS 17 still applied			**(6,835)**	30,792
Impairment of goodwill		Note 2	**–**	3,226
Modification (gain)/loss on amended debt facility		Note 5	**(2,704)**	4,272
Loss on sale and leaseback of Clayton Hotel Charlemont[2]			**–**	7,650
Tax impact of adjusting items			**275**	(544)
Adjusted loss for the year excluding the impact of IFRS 16	(B)		**(5,868)**	(43,745)
Weighted average shares outstanding - basic	(C)	Note 29	**222,831,030**	197,751,585
Basic earnings/(loss) per share excluding the impact of IFRS 16 (APM xvii)	(A/C)		**0.7 cents**	(45.1) cents
Adjusted loss per share excluding the impact of IFRS 16 - basic (APM xvii)	(B/C)		**(2.6) cents**	(22.1) cents

[1] Right-of-use assets are not recognised under the previous accounting standard, IAS 17 Leases. Therefore, there would have been no impairment, impairment reversal of right-of-use assets or remeasurement gain on right-of-use assets. As the impairment of fixtures, fittings and equipment related to the impairment of right-of-use assets, this impairment is also excluded.

[2] In the prior year, the accounting for the loss on the sale and leaseback of Clayton Hotel Charlemont differs under IFRS 16 compared to the previous accounting standard, IAS 17. Under IFRS 16, the property is derecognised upon sale of the asset and replaced with a right-of-use asset following the leaseback. A portion of the €7.7 million difference between the fair value prior to sale and the sales proceeds was capitalised as part of the right-of-use asset, with the remaining balance recorded in profit or loss. Under the previous accounting standard, the entire difference must be recorded immediately as a loss in profit or loss.

Glossary

Revenue per available room (RevPAR)

Revenue per available room is calculated as total rooms revenue divided by the number of available rooms, which is also equivalent to the occupancy rate multiplied by the average daily room rate achieved. This is a commonly used industry metric which facilitates comparison between companies.

Average Room Rate (ARR) - also Average Daily Rate (ADR)

ARR is calculated as rooms revenue divided by the number of rooms sold. This is a commonly used industry metric which facilitates comparison between companies.

'Like for Like' occupancy, ARR and RevPAR KPIs

'Like for Like' occupancy, ARR and RevPAR KPIs include a full year performance of all hotels regardless of when acquired. The Dublin portfolio excludes the Ballsbridge Hotel as the hotel effectively has not traded since March 2020. The UK portfolio excludes all new hotels which have not benefited from a full 12 months of trading. Therefore, Maldron Hotel Glasgow City is excluded as the hotel is newly opened since August 2021. Where applicable, the performance statistics disclosed for January and February 2022 also exclude Clayton Hotel Manchester City Centre and Maldron Hotel Manchester City Centre which opened in early 2022 and Hotel Nikko, Dusseldorf which was taken over in February 2022. This is a commonly used industry metric and provides an indication of the underlying revenue performance.

Segments EBITDAR margin

Segments EBITDAR margin represents 'Segments EBITDAR' as a percentage of the total revenue for the following Group segments: Dublin, Regional Ireland and the UK. Also referred to as Hotel EBITDAR margin.

Effective tax rate

The Group's tax credit for the year divided by the loss before tax presented in the consolidated statement of comprehensive income.

Fixed lease costs

Fixed costs incurred by the lessee for the right to use an underlying asset during the lease term as calculated under IAS 17 *Leases*.

Hotel assets

Hotel assets represents the value of property, plant and equipment per the consolidated statement of financial position at 31 December 2021.

Refurbishment capital expenditure

The Group typically allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards. Due to the impact of the Covid-19 pandemic from March 2020, this ratio did not apply for 2021 and 2020.

Advisor and Shareholder Contacts

ADVISORS

Stockbrokers

Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

Berenberg
60 Threadneedle Street
London
EC2R 8HP
United Kingdom

Solicitor

A&L Goodbody
IFSC, North Wall Quay
Dublin 1
Ireland

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Investor Relations and PR

FTI Consulting
The Academy
Suites 2A & 2B
42 Pearse Street
Dublin 2
Ireland

Registrar

Computershare Investor Services (Ireland) Limited
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82
Ireland
T: 00353 1 447 5566
F: 00353 1 447 5571
E: webqueries@computershare.co.uk

Principal Banks

Ulster Bank Ireland DAC
Ulster Bank Head Office
Central Park
Leopardstown
Dublin 18
Ireland

Allied Irish Bank plc
Bankcentre
Ballsbridge
Dublin 4
Ireland

Bank of Ireland plc
40 Mespil Road
Dublin 4
Ireland

Barclays Bank Ireland plc
One Molesworth Street
Dublin 2
Ireland

HSBC Bank Plc
1 Grand Canal Square
Grand Canal Harbour
Dublin 2
Ireland

SHAREHOLDER INFORMATION

Company Secretary and Registered Office

Seán McKeon
Dalata Hotel Group plc
4th Floor, Burton Court
Burton Hall Drive
Sandyford
Dublin 18

Registered Number
534888

Contact Details
T: 00353 1 206 9400
F: 00353 1 206 9401

Company Website
dalatahotelgroup.com

Dalata Hotel Group PLC

Central Office:
4th Floor, Burton Court,
Burton Hall Drive, Sandyford,
Dublin 18, Ireland

T +353 (0)1 206 9400
F +353 (0)1 206 9401
E info@dalatahotelgroup.com
W dalatahotelgroup.com