DALATA HOTEL GROUP PLC

Growing Sustainably

Revenue from hotel operations[1] exceeds €0.5 billion

ISE: DHG LSE: DAL

Dublin and London | 28 February 2023: Dalata Hotel Group plc ('Dalata' or the 'Group'), the largest hotel operator in Ireland, with a growing presence in the United Kingdom and continental Europe, announces its results for the year ended 31 December 2022.

€million	2022	2021	2019	Variance to 2021
Revenue from hotel operations[1]	*515.7*	*192.0*	*429.2*	*+323.7*
Revenue from development contract fulfilment	*42.6*	*-*	*-*	*+42.6*
Total revenue	**558.3**	192.0	429.2	+366.3
Segments EBITDAR[1]	**205.7**	75.1	182.8	+130.6
Adjusted EBITDA[1]	**183.4**	63.2	162.2	+120.2
Profit/(loss) before tax	**109.7**	(11.4)	89.7	+121.1
Basic earnings/(loss) per share (cents)	**43.4**	(2.8)	42.4	+46.2
Adjusted basic earnings/(loss) per share[1] (cents)	**31.7**	(6.4)	42.0	+38.1
Free Cashflow[1]	**126.5**	28.0	100.6	+98.5
Property, plant and equipment	**1,427.4**	1,243.9	1,471.3	+183.5
Cash and undrawn facilities	**455.7**	298.5	161.8	+157.2
Normalised Return on Invested Capital[1]	**11.6%**	0.2%	12.1%	+11.4%
Group key performance indicators (as reported)				
RevPAR (€)[1]	**102.23**	40.02	93.43	
Average room rate (ARR) (€)[1]	**134.80**	100.71	113.14	
Occupancy %[1]	**75.8%**	39.7%	82.6%	
Group key performance indicators ('Like for like' or 'LFL')				
'Like for like' or 'LFL' RevPAR (€)[1]	**106.39**	41.65	93.12	
as a percentage of 2019 equivalent levels	**114%**	45%	-	

A RECORD OPERATING PERFORMANCE

- Revenue from hotel operations[1] of €515.7 million (+20% on 2019) and Adjusted EBITDA[1] of €183.4 million (+13% on 2019)
- Group RevPAR[1] of €106.39 up 14% on 2019 'LFL', Q4 2022 RevPAR[1] of €104.51 up 21% on Q4 2019 'LFL'
- Profit after tax of €96.7 million (+24% on 2019)
- Free Cashflow[1] of €126.5 million (+26% on 2019) and Free Cashflow per Share[1] of 56.8 cent (+4% on 2019)
- Planned reintroduction of dividend in H2 2023

1,900+ ROOMS ADDED IN 2022 WITH PIPELINE OF 1,333 ROOMS

- Opened 50th hotel with Clayton Hotel Glasgow City in October 2022
- Six leased hotels and one owned hotel added to portfolio in 2022, room count now 10,953 (+19% since December 2019)
- Entered lease for first hotel in continental Europe in February 2022 and rebranded to Clayton Hotel Düsseldorf in December 2022
- Diversifying further into the UK
    - 1,165 rooms added to UK portfolio in 2022 (+34% room growth since December 2021), +50% UK Revenue growth since 2019
    - 29% of rooms located in the UK at end of 2019, UK rooms now represent 37% of portfolio at end of 2022
    - Since year end, completed £44.3 million purchase of new 192-bedroom Maldron Hotel Finsbury Park, London, expected to open in summer 2023
    - Four hotels (834 rooms) currently under construction in key UK cities - London (opening Q1 2024), Brighton, Liverpool, and Manchester (all opening summer 2024)

BALANCE SHEET STRENGTH ENABLING SUSTAINABLE GROWTH

- Net Debt to Value (property assets)[1] of 8% (December 2021: 24%) and Net Debt to EBITDA after rent[1] of 0.8x (December 2019: 2.8x)
- Cash and undrawn committed debt facilities of €455.7 million (December 2021: €298.5 million)
- Hotel assets[1] worth €1.4 billion

[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.

GROWTH STRATEGY CONTINUES TO DRIVE VALUE

- Owned asset portfolio provides optionality in a range of macro-economic environments while generating strong Free Cashflow[1] and supporting leasehold expansion strategy
- Net property valuation uplift of €209.4 million in 2022 (2021: uplift of €21.2 million)
- Leased asset portfolio generating strong cash flow for reinvestment
- Seven newly leased hotels added in 2021 and 2022 and current leased pipeline of four hotels, all in prime locations, expected to contribute annual EBITDA (after rent)[1] of approximately €24 million when fully operational
- Strong track record of identifying and securing opportunities as we continue to expand Dalata's footprint
- Opened owned Maldron Hotel Merrion Road, Dublin in August, delivered by in-house development team
- Balance Sheet NAV per share[1] of €5.63 at 31 December 2022 (+29% on 2021: €4.35 at 31 December 2021)

EMPLOYMENT AT DALATA – A DIFFERENT WAY, A BETTER WAY

- Supporting over 5,000 jobs and taking care of our people to alleviate cost-of-living challenges through meaningful pay increases and other benefits important to our teams
- Launched our 'Dalata Employer Brand' campaign to position Dalata as a clear employer of choice in each of its markets
- Award winning Dalata Academy and graduate programmes provide excellent opportunities to develop skills and progress into senior positions within the business – 695 internal promotions in 2022
- Published 2022 Gender Pay Gap Report, reporting pay gap of 7.0%. The report outlines how we are addressing the gender pay gap and our action plan for 2023
- Increased female representation within Senior Leadership Team – 45% in 2022 (40% in 2021)

SUSTAINABILITY

- All 48 hotels tested received 'Gold' award from Green Tourism, an important milestone on our sustainability journey
- Achieved a reduction in Scope 1 and Scope 2 carbon emissions per room sold of 15%[2] in Q2 - Q4 2022 versus Q2 - Q4 2019, on track to reduce energy related emissions by 20% per room sold by 2026
- Energy management projects commissioned across our existing hotel portfolio to retrofit energy efficient technologies
- Modern, efficient portfolio contributing to our sustainability focus - Maldron Hotel Merrion Road, Dublin and Maldron Hotel Finsbury Park, London both built to an 'A' Building Energy Rating (BER) utilising metering, LED lighting and new green technologies to reduce carbon emissions

OUTLOOK

The Group remains cautiously optimistic on its outlook for 2023. Dalata's 'like for like' RevPAR for January/February is expected to be 17% ahead of 2019 levels in Dublin, 54% in Regional Ireland and 27% in the UK. Engagement with corporate customers and tour operators on demand and pricing has been positive. There are also positive demand indicators in Ireland and the UK, including on the resumption of more normalised conference and events business levels and the continuing return of international travellers, in particular from the US market. We continue to monitor the macro-economic backdrop and any potential for a slowdown, most notably in domestic leisure demand. However, we are not seeing any such indicators in our trade levels to date.

The Group has entered into fixed pricing contracts for over 85% of its projected gas and electricity consumption in 2023. We estimate total gas and electricity costs of c. €31 million in 2023, based on projected consumption, compared to total gas and electricity costs of €31.7 million for the year ended 31 December 2022.

Recognising the importance of dividends to shareholders, the strength of the operational performance, cash generation of the business and our future prospects, the Board plans to re-introduce a progressive dividend policy, commencing with an interim dividend at H1 2023 results.

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[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[2] The German market is currently heavily dependent on the use of coal for energy generation. Excluding Clayton Hotel Düsseldorf, we achieved a 22% reduction in energy emissions per room sold in Q2 – Q4 2022 versus Q2 – Q4 2019 at our Irish and UK hotels.

DERMOT CROWLEY, DALATA HOTEL GROUP CEO, COMMENTED:

"As I reflect on 2022, I am very pleased with the Group's recovery and record performance. We have emerged from the pandemic and its after-effects with a business that has grown in scale and ambition. We are proud to have recently opened our 50th hotel with the completion of Clayton Hotel Glasgow City, to have added seven hotels to the Group's portfolio during the year and to have exceeded €0.5 billion in revenues for the first time. We understand that the Group's performance was achieved through the contributions of all our stakeholders whom we continue to place at the heart of all we do.

When I assumed the role of CEO in November 2021, I positioned people, customer focus, growth, sustainability and innovation at the core of my strategic priorities. I wanted Dalata to retain the elements which have made it successful while responding to the new realities facing our industry, the after-effects of the pandemic and the current geopolitical events in Europe. I believe Dalata can respond effectively to the challenges faced by our industry, utilising these strategic pillars to optimise our product offering, streamline our processes, drive innovation while maintaining a healthy bottom line and to manage and grow our business responsibly and sustainably.

We welcome the supports received in 2022 from the Irish and UK governments in assisting the hospitality sector in its recovery from the pandemic and responding to inflationary pressures impacting businesses and consumers. These supports recognise the key role the hospitality sector plays in the economy and its importance to economic growth and job creation spread throughout the cities and regions in the countries in which we operate. The pandemic reminded us of the essential social contribution that hotels make in providing a place for people to connect and come together for social, leisure and corporate activities. Furthermore, we welcome the recent extension by the Irish government of the reduced VAT rate to support the hospitality sector.

In 2023, Dalata is well set to capitalise on the opportunities that will undoubtedly arise in the markets in which we operate. I was pleased to recently launch our employer brand which further expands our capacity to be an employer of choice, offering a rewarding career path with development opportunities across our growing international portfolio. We continue our ambitious UK expansion plans with the recent purchase of Maldron Hotel Finsbury Park, London due to open in summer 2023 to be closely followed by our Maldron Hotel Shoreditch, London.

We remain confident in our ability to outperform with our modern hotel portfolio, our focus on sustainability, our decentralised operating model and our track record of providing a superior guest experience. As we look ahead, Dalata's robust balance sheet, financial resources, pipeline of talented people and excellent reputation position us strongly for further growth. I believe Dalata offers a different way, a better way to deliver success and growth, sustainably for all our stakeholders."

ENDS

ABOUT DALATA

Dalata Hotel Group plc was founded in August 2007 and listed as a plc in March 2014. Dalata is Ireland's largest hotel operator, with a growing presence in the UK and continental Europe. The Group's portfolio comprises 50 three and four-star hotels with 10,953 rooms and a pipeline of over 1,300 rooms. The Group currently has 29 owned hotels, 18 leased hotels and three management contracts. Dalata successfully operates Ireland's two largest hotel brands, the Clayton and the Maldron Hotels. For the year ended 31 December 2022, Dalata reported revenue of €558.3 million and a profit after tax of €96.7 million. Dalata is listed on the Main Market of Euronext Dublin (DHG) and the London Stock Exchange (DAL). For further information visit: www.dalatahotelgroup.com

CONFERENCE CALL AND WEBCAST DETAILS

Management will host a conference call and webcast for analysts and institutional investors at 08:30 BST today 28 February 2023.

- For conference call details, please register here
- The webcast will be available here

Please allow sufficient time for registration.

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NOTE ON FORWARD-LOOKING INFORMATION

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

2022 FINANCIAL PERFORMANCE

€million	2022	2021
Revenue from hotel operations[1]	**515.7**	192.0
Revenue from development contract fulfilment	**42.6**	-
Total revenue	**558.3**	192.0
Segments EBITDAR[1]	**205.7**	75.1
Hotel variable lease costs	**(3.8)**	(0.1)
Segments EBITDA[1]	**201.9**	75.0
Other income (excluding gain on disposal of property, plant and equipment)	**1.4**	0.7
Central costs	**(16.5)**	(10.3)
Share-based payments expense	**(3.4)**	(2.2)
Adjusted EBITDA[1]	**183.4**	63.2
Adjusting items[2]	**28.7**	5.3
Group EBITDA[1]	**212.1**	68.5
Depreciation of property, plant and equipment and amortisation	**(29.1)**	(27.6)
Depreciation of right-of-use assets	**(27.5)**	(19.5)
Operating profit	**155.5**	21.4
Interest on lease liabilities	**(38.1)**	(24.4)
Other interest and finance costs	**(7.7)**	(8.4)
Profit/(loss) before tax	**109.7**	(11.4)
Tax (charge)/credit	**(13.0)**	5.1
Profit/(loss) for the year	**96.7**	(6.3)
Earnings/(loss) per share (cents) – basic	**43.4**	(2.8)
Adjusted earnings/(loss) per share[1] (cents) – basic	**31.7**	(6.4)
Segments EBITDAR margin (as percentage of revenue from hotel operations[1])	**39.9%**	39.1%

Summary of hotel performance

The Group achieved revenue from hotel operations[1] of €515.7 million for the year ended 31 December 2022, an increase of €323.7 million compared to 2021 when the Group's business was significantly impacted by Covid-19 restrictions. The Group also outperformed 2019 revenue from hotel operations by €86.5 million (+20%) driven by hotel portfolio expansion. Since November 2019, the Group opened six new build leased hotels, one new build owned hotel and added two existing leased hotels which together contributed €70.7 million to revenue growth in 2022. This was partially offset by the expiry of the lease of the Ballsbridge Hotel, Dublin in December 2021 and the disposal of Clayton Crown Hotel, London in June 2022 resulting in reduced revenue of €26.9 million. Our existing portfolio drove revenue growth of €40.0 million in 2022, with all regions exceeding 2019 levels.

Group KPIs (as reported)	**2022**	**2021**	**2019**
Occupancy	**75.8%**	39.7%	82.6%
Average room rate (ARR) (€)	**134.80**	100.71	113.14
RevPAR (€)	**102.23**	40.02	93.43
'Like for like' Group KPIs[1]			
Occupancy	**77.5%**	41.2%	82.4%
Average room rate (ARR) (€)	**137.20**	101.06	113.00
RevPAR (€)	**106.39**	41.65	93.12
RevPAR as a percentage of 2019 levels	**114%**	45%	-

Quarterly 'like for like' Group KPIs[1]	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**
Occupancy	**57.9%**	**85.3%**	**89.4%**	**77.3%**
Average room rate (ARR) (€)	**108.37**	**142.88**	**151.81**	**135.26**
RevPAR (€)	**62.77**	**121.84**	**135.65**	**104.51**
RevPAR as a percentage of 2019 levels	**86%**	**118%**	**123%**	**121%**

[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[2] The main adjusting item is the net property revaluation gain of €21.2 million following the valuation of property assets (2021: net revaluation gain of €6.8 million). Further detail on adjusting items is provided in the section titled 'Adjusting items to EBITDA'.

2022 'like for like' Group RevPAR[1] reached €106.39 (114% of 2019). RevPAR[1] growth continues to be driven by particularly strong leisure demand since the full re-opening of our hotels at the end of January, in addition to the gradual recovery of corporate business through 2022. Hotel room supply in Dublin and Regional Ireland continues to be constrained with a significant number of rooms being used for the provision of emergency accommodation for refugees, in particular, those fleeing the war in Ukraine.

Adjusted EBITDA[1] increased from €162.2 million in 2019 to €183.4 million in 2022 (+13%). The growth of the portfolio since November 2019 has contributed €19.4 million, while the expiry of the lease of the Ballsbridge Hotel, Dublin and the disposal of Clayton Crown Hotel, London has reduced Adjusted EBITDA[1] by €7.7 million. The Group received Covid-19 government support[2] totalling €15.2 million in relation to payroll subsidies, grants and commercial rates waivers which helped offset the impact of the reduced trading at the start of the year.

€million	**Revenue**	**Adjusted EBITDA[1]**
Year ended 31 December 2019	429.2	162.2
Hotels added to portfolio since November 2019	70.7	19.4
Hotel exits	(26.9)	(7.7)
Movement at existing hotels	40.0	(1.1)
Effect of FX	2.7	1.1
Covid- 19 government support[2]	-	15.2
Movement in other income and group expenses	-	(5.7)
Revenue from development contract fulfilment (treated as adjusting item)	42.6	-
Year ended 31 December 2022	**558.3**	**183.4**

PERFORMANCE REVIEW | SEGMENTAL ANALYSIS

The following section analyses the results from the Group's portfolio of hotels in Dublin, Regional Ireland and the UK. As a single property, Clayton Hotel Düsseldorf has been included in the Dublin region.

1. Dublin Portfolio[3]

€million	**2022**	**2021**	**2019**
Room revenue	**199.9**	52.1	176.3
Food and beverage revenue	**47.7**	17.2	53.0
Other revenue	**15.9**	5.7	16.1
Total revenue	**263.5**	75.0	245.4
EBITDAR[1]	**120.5**	31.0	119.7
Hotel EBITDAR margin %[1]	**45.7%**	41.4%	48.8%
Performance statistics ('like for like')[4]			
Occupancy	**80.9%**	37.8%	87.7%
Average room rate (ARR) (€)	**148.26**	92.29	124.79
RevPAR (€)	**119.98**	34.92	109.40
RevPAR % change on 2019	**10%**	(68%)	-
Dublin owned and leased portfolio			
Hotels at year end	**18**	15	16
Room numbers at year end	**4,830**	4,091	4,482

Half-yearly performance statistics ('like for like')[4]	**H1 2022**	**H2 2022**
RevPAR (€)	**104.49**	**135.23**
RevPAR as percentage of 2019 levels	**99%**	**119%**
Occupancy as a percentage of 2019 levels	**87%**	**98%**

The Dublin portfolio consists of eight Maldron hotels, seven Clayton hotels, The Gibson Hotel, The Samuel Hotel and Clayton Hotel Düsseldorf[2]. Ten hotels are owned and eight are operated under leases. The Samuel Hotel and Maldron Hotel Merrion Road opened in April and August 2022 respectively. The Group entered into a lease for Clayton Hotel Düsseldorf in February 2022, representing its expansion into continental Europe. The lease of the Ballsbridge Hotel expired on 31 December 2021.

[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[2] Covid-19 government support excludes grants totalling €1.2 million received under the Temporary Business Energy Support Scheme in the Republic of Ireland (2021: €nil) and savings totalling £0.7 million (€0.8 million) under the Energy Bill Relief Scheme in the UK (2021: €nil).
[3] Dublin portfolio includes the operating performance of Clayton Hotel Düsseldorf which was leased from February 2022 as it is a single asset not yet meriting a separate region due to scale.
[4] The reference to 'like for like' hotels in Dublin for performance statistics (occupancy, ARR and RevPAR) reflect a full year performance of all hotels except the Ballsbridge Hotel as this lease expired at the end of 2021, Clayton Hotel Düsseldorf which was leased from February 2022, The Samuel Hotel which is newly opened since April 2022 and Maldron Hotel Merrion Road which is newly opened since August 2022.

The Dublin region is benefitting from pent-up leisure demand and an increasing number of international travellers who commenced travelling later over the summer and autumn due to the reopening of North American travel and the favourable US dollar exchange rate. Corporate bookings have also picked up as meetings and events in the city are returning to more normalised levels. Hotel room supply in Dublin continues to be constrained with a significant number of rooms being used for the provision of emergency accommodation for refugees, in particular, those fleeing the war in Ukraine.

Dublin's 'like for like' occupancy[1] continues to return toward 2019 levels with 'like for like' H2 2022 occupancy[1] of 86.8% (98% of H2 2019 levels) due to its larger reliance on corporate and international travel, while 'like for like' ARR[1] in 2022 was 19% ahead of 2019 levels reflecting strong demand and pricing to recover increasing costs and maintain margin.

Food and beverage revenue increased by €30.5 million to €47.7 million in 2022, however remains 10% behind 2019 levels as conference and banqueting events had not yet returned to pre-pandemic levels for 2022.

Total revenue reached €263.5 million for the year, exceeding 2019 levels by 7%. Existing hotels in the Dublin portfolio increased revenue by €15.3 million in 2022, hotels added since the end of 2019 added €25.6 million while the expiry of the lease of the Ballsbridge Hotel, Dublin at the end of 2021 reduced revenue by €22.8 million from 2019 levels.

2022 EBITDAR[2] of €120.5 million slightly exceeded pre-pandemic levels, at €0.8 million (1%) ahead of 2019. Excluding the impact of Covid-19 government support[3], EBITDAR[2] for the 'like for like'[1] Dublin portfolio was €3.8 million lower than 2019 equivalent levels, however H2 2022 was €2.2 million ahead of H2 2019 levels. Due to its larger reliance on international travel, Dublin took longer to rebound at the start of the year compared to the other regions.

The utilisation of government support totalling €9.9 million for the year helped alleviate the impact of reduced trading at the start of 2022. In 2022, government support included payroll-related subsidies of €6.7 million (2021: €21.2 million), energy supports of €0.7 million (2021: €nil), other grants of €1.3 million (2021: €3.0 million) and commercial rates waivers of €1.2 million (2021: €5.0 million).

Clayton Hotel Düsseldorf continues to perform well and in line with expectations following the lifting of all travel restrictions in Germany in June 2022.

2. Regional Ireland Hotel Portfolio

€million	**2022**	**2021**	**2019**
Room revenue	**63.8**	34.0	49.7
Food and beverage revenue	**28.1**	15.1	26.8
Other revenue	**7.9**	4.3	8.4
Total revenue	**99.8**	53.4	84.9
EBITDAR[2]	**31.7**	23.4	24.5
Hotel EBITDAR margin %[2]	**31.8%**	43.7%	28.9%
Performance statistics[4]			
Occupancy	**74.6%**	44.7%	73.7%
Average room rate (ARR) (€)	**125.48**	111.69	98.90
RevPAR (€)	**93.60**	49.89	72.93
RevPAR % change on 2019	**28%**	(32%)	-
Regional Ireland owned and leased portfolio			
Hotels at year end	**13**	13	13
Room numbers at year end	**1,867**	1,867	1,867

Half-yearly performance statistics ('like for like')[4]	**H1 2022**	**H2 2022**
RevPAR (€)	**79.57**	**107.40**
RevPAR as percentage of 2019 levels	**121%**	**134%**
Occupancy as a percentage of 2019 levels	**97%**	**105%**

The Regional Ireland hotel portfolio comprises seven Maldron hotels and six Clayton hotels located in Cork (x4), Galway (x3), Limerick (x2), Wexford (x2), Portlaoise and Sligo. 12 hotels are owned and one is operated under a lease.

[1] The reference to 'like for like' hotels in Dublin for performance statistics (occupancy, ARR and RevPAR) reflect a full year performance of all hotels except the Ballsbridge Hotel as this lease expired at the end of 2021, Clayton Hotel Düsseldorf which was leased from February 2022, The Samuel Hotel which is newly opened since April 2022 and Maldron Hotel Merrion Road which is newly opened since August 2022.
[2] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[3] Covid-19 government support excludes grants totalling €0.7 million received under the Temporary Business Energy Support Scheme (2021: €nil).
[4] The reference to Regional Ireland performance statistics (occupancy, ARR and RevPAR) reflect a full year performance of all hotels in this portfolio.

Our Regional Ireland portfolio saw increased demand from the domestic market in times of international travel restrictions and this local demand continued in 2022. Demand was particularly strong for short stays and weekend breaks, supported by the return of events in cities such as Cork, Galway and Limerick. As international travel is returning, Regional Ireland has become an attractive destination for North American visitors who benefit from a strong US dollar. Hotel room supply in Regional Ireland continues to be constrained with a significant number of rooms being used for the provision of emergency accommodation for refugees, in particular, those fleeing the war in Ukraine.

The Regional Ireland portfolio has outperformed all other regions in terms of recovery. Occupancy for the year ended 31 December 2022 was 74.6% and exceeded 2019 performance (101% of 2019 occupancy levels), growing from 97% of equivalent 2019 occupancy levels in H1 2022 to 105% of equivalent 2019 occupancy levels in H2 2022. The Regional Ireland portfolio achieved an average room rate[1] of €125.48 for the year, 27% ahead of the 2019 equivalent, which reflects the increased demand and recovery of increasing costs.

Food and beverage revenue for the year amounted to €28.1 million, an increase of €1.3 million (+5%) on 2019 driven by higher average spend and increased occupancy, partially offset by conference and banqueting events which had not yet returned to pre-pandemic levels for 2022.

Regional Ireland EBITDAR[1] and EBITDAR margin[1] exceeded 2019 levels despite cost inflation, most notably inflation of utility costs. Excluding the impact of Covid-19 government support[2], EBITDAR for the Regional Ireland portfolio for the year ended 31 December 2022 was €27.0 million, up €2.5 million (10%) on 2019 levels.

The Group received government support in the form of payroll-related subsidies of €3.8 million (2021: €14.8 million), energy supports of €0.5 million (2021: €nil), other grants of €0.3 million (2021: €1.7 million) and commercial rates waivers of €0.6 million (2021: €2.3 million).

3. UK Hotel Portfolio

Local currency - £million	**2022**	**2021**	**2019**
Room revenue	**101.0**	40.3	62.8
Food and beverage revenue	**22.3**	10.9	17.8
Other revenue	**7.0**	3.1	6.1
Total revenue	**130.3**	54.3	86.7
EBITDAR[1]	**45.8**	17.5	33.8
Hotel EBITDAR margin %[1]	**35.2%**	32.2%	39.0%
Performance statistics ('like for like')[3]			
Occupancy	**74.2%**	44.2%	80.4%
Average room rate (ARR) (£)	**107.88**	89.95	89.34
RevPAR (£)	**80.04**	39.72	71.81
RevPAR % change on 2019	**11%**	(45%)	-
UK owned and leased portfolio			
Hotels at year end	**16**	13	12
Room numbers at year end	**3,962**	2,949	2,600

Half-yearly performance statistics ('like for like')[2]	**H1 2022**	**H2 2022**
RevPAR (£)	**69.55**	**90.36**
RevPAR as percentage of 2019 levels	**104%**	**118%**
Occupancy as a percentage of 2019 levels	**90%**	**94%**

The UK hotel portfolio comprises 11 Clayton hotels and five Maldron hotels with two hotels situated in London, 11 hotels in regional UK and three hotels in Northern Ireland. Six hotels are owned, nine are operated under long-term leases and one hotel is effectively owned through a 99-year lease. Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre and Clayton Hotel Bristol City opened in the first quarter of 2022 and Clayton Hotel Glasgow City opened in October 2022. The sale of Clayton Crown Hotel, London was completed in June 2022.

The UK portfolio generated total revenue of £130.3 million in 2022, exceeding 2019 total revenue by £43.6 million (+50%). The six hotels added since November 2019 contributed revenue uplifts of £38.6 million since 2019, while the existing UK portfolio generated revenue growth of £8.5 million. This was partially offset by the sale of Clayton Crown Hotel in June 2022 which reduced revenues by £3.5 million.

[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[2] Covid-19 government support excludes discounts totalling €0.5 million received under the Temporary Business Energy Support Scheme (2021: €nil).
[3] The reference to 'like for like' hotels in the UK for performance statistics (occupancy, ARR and RevPAR) reflect a full year performance regardless of when acquired. Maldron Hotel Glasgow City is excluded as it only opened in August 2021. Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Bristol City and Clayton Hotel Glasgow City are excluded as these only opened during 2022. Clayton Crown Hotel, London is excluded as it was sold in June 2022.

EBITDAR[1] of £45.8 million in 2022 was £12.0 million higher than 2019 primarily due to six hotels added since November 2019 achieving EBTIDAR[1] of £11.5 million.

'Like for like' RevPAR[2] of £80.04 for the year exceeded 2019 levels by 11% which was driven by strong 'like for like' average room rate[2] (121% of 2019 levels). 'Like for like' occupancy[2] in our Regional UK and Northern Ireland hotels has steadily improved from 91% of equivalent 2019 levels in H1 2022 to 95% in H2 2022. London hotels have been slower to recover due to the city's larger reliance on corporate and international travel, however 'like for like' London occupancy[2] in H2 2022 grew to 91% of equivalent 2019 levels despite disruptions to travel caused by rail strikes.

Food and beverage revenues amounted to £22.3 million in 2022, representing an increase of £4.5 million on 2019 (+25%) due to the growth of the UK portfolio. On a 'like for like'[2] basis, food and beverage revenue grew from 1% ahead of equivalent 2019 levels in H1 2022 to 6% ahead in H2 2022 driven by the re-opening of hotels since the end of January and gradual recovery of corporate business through the year.

The Group received government support totalling £1.8 million during the year in the form of non-payroll-related grants amounting to £0.1 million (2021: £1.9 million), commercial rates waivers of £1.0 million (2021: £3.7 million) and energy price discounts of £0.7 million (2021: nil) from the Energy Bill Relief Scheme. The Coronavirus Job Retention Scheme, which was available to employees in the UK, ended on 30 September 2021 and no amounts were received under the scheme during the year (2021: £1.8 million).

Government grants and assistance

The Group continued to avail of support schemes from the Irish and UK governments during the year. The Group's EBITDA for the year ended 31 December 2022 reflects government grants of €13.4 million and assistance of €3.8 million.

€million	**2022**	2021
Employment Wage Subsidy Scheme (Ireland)	**10.5**	36.0
Coronavirus Job Retention Scheme (UK)	**-**	2.0
Temporary Business Energy Support Scheme (Ireland)	**1.2**	-
Other government grants related to income	**1.7**	6.9
Total grants	**13.4**	44.9

The Group received wage subsidies from the Irish government amounting to €10.5 million during the year (2021: €36.0 million) in the form of the Employment Wage Subsidy Scheme (EWSS). The EWSS was available to employers who suffered significant reductions in turnover as a result of the Covid-19 restrictions. The Group availed of the EWSS scheme from 1 January 2022 to 22 May 2022, at which point the scheme ended (2021: availed of for the full year from 1 January 2021 to 31 December 2021). The Coronavirus Job Retention Scheme, which was available to employees in the UK, ended on 30 September 2021 and no amounts were received under the scheme during the year (2021: £1.8 million (€2.0 million)).

The Group also availed of non-payroll-related government grants totalling €2.9 million which were introduced to contribute towards re-opening and to support businesses impacted by increases in electricity and gas costs. These principally relate to grants in the Republic of Ireland such as the Temporary Business Energy Support Scheme (€1.2 million), Failte Ireland Tourism Accommodation Providers Continuity Scheme (€0.8 million) and Covid Restrictions Support Scheme (€0.5 million).

In addition, the Group received financial assistance by way of commercial rates waivers and energy price discounts. The Group benefitted from commercial rates waivers of €1.8 million in the year ended 31 December 2022 (2021: €7.3 million) in Ireland and £1.0 million (€1.2 million) (2021: £3.7 million (€4.3 million)) in the UK. Commercial rate waivers were introduced on 27 March 2020 in Ireland and 1 April 2020 in the UK. In the Republic of Ireland, Scotland and Wales, full rates waivers were in place until 31 March 2022. In Northern Ireland, full rate waivers were in place until 30 June 2022. In England, full rate waivers were available from 1 January 2021 to 30 June 2021 with the rates relief decreasing to 66% for the period from 1 July 2021 to 31 March 2022. Under the Energy Business Relief Scheme, the Group benefitted from energy savings of £0.7 million (€0.8 million) for the year ended 31 December 2022 (2021: €nil).

Under the Debt Warehousing scheme introduced by the Irish government, the Group deferred VAT liabilities of €3.4 million and payroll tax liabilities of €7.6 million and repaid €2.5 million during 2022. At 31 December 2022, €34.8 million in Irish deferred VAT and payroll liabilities, is expected to be paid to the Irish government under the scheme by 30 April 2023. There were no further deferrals of UK VAT or payroll tax liabilities during the year.

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

[2] *The reference to 'like for like' hotels in the UK for performance statistics (occupancy, ARR and RevPAR) reflect a full year performance regardless of when acquired. Maldron Hotel Glasgow City is excluded as it only opened in August 2021. Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Bristol City and Clayton Hotel Glasgow City are excluded as these only opened during 2022. Clayton Crown Hotel, London is excluded as it was sold in June 2022.*

Central costs

Central costs amounted to €16.5 million during the year (2021: €10.3 million). The increase was primarily driven by the resumption of more normal levels of performance-related pay, employee headcount increases related to the growth of the Group and areas of increased focus including sustainability and marketing in addition to the lower impact from wage subsidy schemes. Also, in 2021, there was a €1.3 million reversal of prior period insurance provisions which reduced central costs.

Adjusting items to EBITDA

€million	2022	2021
Net property revaluation movements through profit or loss	**21.2**	6.8
Gain on disposal of Clayton Crown Hotel, London	**3.9**	-
Revenue from the sale of Merrion Road residential units	**42.6**	-
Reclassification of costs capitalised for Merrion Road residential units	**(41.0)**	-
Hotel pre-opening expenses	**(2.7)**	(1.9)
Net reversal of previous impairment charges of fixtures, fittings and equipment	**0.6**	0.1
Net reversal of previous impairment of right-of-use assets	**4.1**	-
Remeasurement gain on right-of-use assets	**-**	0.3
Adjusting items	**28.7**	5.3

Adjusted EBITDA[1] is presented as an alternative performance measure to show the underlying operating performance of the Group. Consequently, 'adjusting items', which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses, are excluded.

The Group recorded a net revaluation gain of €209.4 million on the revaluation of its property assets at December 2022 of which €21.2 million was recorded as the reversal of revaluation losses through profit or loss (2021: €9.4 million). There were no revaluation losses through profit or loss in the year (2021: €2.6 million). Further detail is provided in the 'Property, plant and equipment' section (note 13) of the consolidated financial statements.

On 21 June 2022, the Group completed the sale of Clayton Crown Hotel, London for net proceeds of €24.1 million (£20.7 million). As a result, the hotel property and related fixtures, fittings and equipment of €20.2 million (£17.4 million) were derecognised from the statement of financial position. A gain on disposal of €3.9 million (£3.3 million) was recognised in profit or loss for the year ended 31 December 2022 (note 5, 13).

On 11 August 2022, the Group completed the sale of 69 residential units on the site of the former Tara Towers Hotel. Revenue of €42.6 million has been recognised in profit or loss. The related capitalised contract fulfilment costs of €41.0 million have been released from the statement of financial position to profit or loss and recognised as cost of sales, resulting in a profit on contract fulfilment of €1.6 million for the year ended 31 December 2022 (note 15).

The Group also incurred €2.7 million of pre-opening expenses in the year. These expenses related to seven hotels added to the portfolio during the year.

In line with accounting standards, impairment tests were carried out on the Group's cash-generating units ('CGUs') at 31 December 2022. 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, impairment reversals of €4.7 million relating to right-of-use assets (€4.1 million) and fixtures, fittings and equipment (€0.6 million) were recognised.

Depreciation of right-of-use assets

Under IFRS 16, the right-of-use assets are depreciated on a straight-line basis to the end of their estimated useful life, most typically the end of the lease term. The depreciation of right-of-use assets increased by €8.0 million to €27.5 million primarily due to the impact of six[2] leased hotels added to the portfolio during the year, and the full year impact of the lease of Maldron Hotel Glasgow City, which opened in 2021. The additional depreciation from these new leases was partially offset by the reduced depreciation from the lease for the Ballsbridge Hotel, which expired on 31 December 2021.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by €1.4 million to €28.4 million in 2022. The increase primarily relates to the depreciation of Maldron Hotel Merrion Road, Dublin which opened in August 2022 and development capital expenditure incurred on the fitout of the six[2] leased hotels added to the portfolio during the year.

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[1] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.
[2] Includes the lease for Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Düsseldorf, Clayton Hotel Bristol City, The Samuel Hotel, Dublin and Clayton Hotel Glasgow City.

Finance Costs

€million	**2022**	2021
Interest expense on bank loans and borrowings	**7.9**	8.9
Impact of interest rate swaps	**(0.2)**	2.6
Other finance costs	**2.4**	2.3
Modification gain on amended debt facility	**-**	(2.7)
Net foreign exchange loss/(gain) on financing activities	**0.2**	(0.1)
Capitalised interest	**(2.5)**	(2.6)
Finance costs excluding lease interest	**7.8**	8.4
Interest on lease liabilities	**38.1**	24.4
Finance costs	**45.9**	32.8

Finance costs related to the Group's loans and borrowings reduced from €8.4 million for 2021 to €7.8 million for 2022. Reductions to interest costs of €3.8 million due to lower average borrowings and the beneficial impact from interest rate swaps were mostly offset by the effect of the €2.7 million modification gain on amended debt facility recognised in 2021 which had lowered the finance costs expense in 2021. The Group's weighted average interest cost in respect of Sterling denominated borrowings was 3.6% (2021: 3.6%).

Interest on lease liabilities increased by €13.7 million to €38.1 million primarily due to the impact of six[1] leased hotels added to the portfolio during the year, and the full year impact of the lease of Maldron Hotel Glasgow City, which opened in 2021.

Tax charge

The tax charge for the year ended 31 December 2022 of €13.0 million primarily relates to current tax in respect of profits earned during the year (€11.7 million). The deferred tax charge of €2.9 million primarily relates to deferred tax arising on the reversal of impairments of the fair value of land and buildings. The Group also received cash refunds of €1.5 million during the year relating to the carry back of losses incurred in 2020 against prior periods. At 31 December 2022, the Group has deferred tax assets of €17.7 million in relation to tax losses which can be utilised in future periods.

Earnings per share (EPS)

The Group generated a profit after tax of €96.7 million for the year ended 31 December 2022 (loss after tax of €6.3 million for the year ended 31 December 2021) which has resulted in basic earnings per share of 43.4 cents (2021: loss per share of 2.8 cents) and adjusted basic earnings[2] per share of 31.7 cents (2021: adjusted loss per share of 6.4 cents).

STRONG CASH FLOW GENERATION

The Group generated in excess of €126 million in Free Cashflow[2] for the year ended 31 December 2022. At 31 December 2022, the Group had cash resources of €91.3 million and undrawn committed debt facilities of €364.4 million (31 December 2021: cash and undrawn debt facilities of €298.5 million).

Free Cashflow[2]	**2022**	2021	2019
Net cash from operating activities	**207.9**	90.6	155.0
Other interest and finance costs paid	**(12.3)**	(15.3)	(11.2)
Refurbishment capital expenditure paid	**(15.9)**	(4.3)	(15.7)
Fixed lease payments	**(47.4)**	(33.3)	(27.5)
Add back pre-opening costs	**2.7**	1.9	-
Add back debt facility fees	**-**	1.2	-
Exclude impact from net tax deferrals under Debt Warehousing scheme	**(8.5)**	(12.8)	-
Free Cashflow[2]	**126.5**	28.0	100.6

During the year, the Group paid preliminary tax in Ireland based on the 2021 Irish corporation tax liability of €0.3 million. The 2021 Irish corporation tax liability was significantly lower than the 2022 Irish corporation tax liability of €11.7 million. Typically over 90% of a years corporation tax liability would be paid as preliminary tax as it was in 2019. The remaining 2022 Irish corporation tax liability is payable in September 2023, in addition to the preliminary tax payment on 2023 profits which will result, in effect, in a double corporation tax payment in 2023.

[1] Includes the lease for Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Düsseldorf, Clayton Hotel Bristol City, The Samuel Hotel, Dublin and Clayton Hotel Glasgow City.

[2] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.

The Group also benefitted from net working capital inflows relating to the expansion of the Group's portfolio during the year and the full re-opening of all hotels since the end of January.

Under the Debt Warehousing scheme introduced by the Irish government, the Group deferred VAT liabilities of €3.4 million and payroll tax liabilities of €7.6 million and repaid €2.5 million during 2022. At 31 December 2022, €34.8 million in Irish deferred VAT and payroll liabilities, is expected to be paid to the Irish government under the scheme by 30 April 2023.

Lease payments payable under current lease contracts as at 31 December 2022 are projected to be €51.8 million for the year ending 31 December 2023, decreasing to €50.1 million for the year ending 31 December 2024 primarily due to the expiry of the lease of Maldron Dublin Airport at the end of 2023. In addition to this, the Group has committed to non-cancellable lease rentals and other contractual obligations payable under agreements for leases which have not yet commenced at 31 December 2022. These payments are projected to amount to nil for the year ending 31 December 2023 and €10.2 million for the year ending 31 December 2024. The timing and amounts payable are subject to change depending on the date of commencement of these leases and final bedroom numbers.

At 31 December 2022, the Group has future capital expenditure commitments totalling €24.9 million, of which €16.1 million relates to the new Maldron Hotel at Shoreditch, London.

BALANCE SHEET | STRONG ASSET BACKING PROVIDES SECURITY, FLEXIBILITY AND THE ENGINE FOR FUTURE GROWTH

€million	**31 December 2022**	31 December 2021
Non-current assets		
Property, plant and equipment	**1,427.4**	1,243.9
Right-of-use assets	**658.1**	491.9
Intangible assets and goodwill	**31.1**	32.0
Other non-current assets[1]	**33.5**	29.4
Current assets		
Trade and other receivables and inventories	**32.6**	15.4
Other current assets[1]	**4.9**	-
Contract fulfilment costs	**-**	36.3
Cash and cash equivalents	**91.3**	41.1
Total assets	**2,278.9**	1,890.0
Equity	**1,222.8**	957.4
Loans and borrowings at amortised cost	**193.5**	313.5
Lease liabilities	**651.8**	481.9
Trade and other payables	**119.0**	84.7
Other liabilities[2]	**91.8**	52.5
Total equity and liabilities	**2,278.9**	1,890.0

The Group's balance sheet remains robust with property, plant and equipment of €1.4 billion in prime locations across Ireland and the UK. At 31 December 2022, the Group had cash and undrawn debt facilities of €455.7 million and low gearing with Net Debt to Value[3] of 8% (31 December 2021: 24%). The Group's strong balance sheet ensures it is well positioned to benefit from opportunities in the future as well as withstand challenges as demonstrated during the Covid-19 pandemic.

Property, plant and equipment

Property, plant and equipment amounted to €1,427.4 million at 31 December 2022. The increase of €183.5 million since 31 December 2021 is driven principally by revaluation movements on property assets of €209.4 million, additions of €39.9 million and borrowing costs of €2.2 million capitalised during the year, partially offset by the disposal of the Clayton Crown Hotel, London which had a carrying value of €20.2 million at the time of sale, a depreciation charge of €28.4 million for the year and a foreign exchange loss on the retranslation of Sterling denominated assets of €20.1 million.

The Group revalues its property assets at each reporting date using independent external valuers. The principal valuation technique utilised is discounted cash flows which utilises asset specific risk-adjusted discount rates and terminal capitalisation rates. The independent external valuation incorporates relevant recent data on hotel sales activity metrics.

[1] Other non-current assets comprise investment property, deferred tax assets, non-current derivative assets and other receivables (which include costs of €1.1 million associated with future lease agreements for hotels currently being constructed or in planning (31 December 2021: €3.8 million)). Other current assets include current derivative assets,

[2] Other liabilities comprise deferred tax liabilities, derivative liabilities, provision for liabilities and current tax liabilities.

[3] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.

Revaluation uplifts of €209.4 million were recorded on our property assets in the year ended 31 December 2022. €188.2 million of the net gains are recorded as an uplift through the revaluation reserve. €21.2 million of the net revaluation uplifts for the year ended 31 December 2022 are recorded through profit or loss.

Additions through acquisitions and capital expenditure €million	**2022**	2021
Acquisition of freeholds or site purchases	**-**	0.3
Construction of new build hotels, hotel extensions and renovations	**18.7**	14.5
Other development expenditure	**5.1**	1.5
Total development capital expenditure	**23.8**	16.3
Total refurbishment capital expenditure	**16.1**	4.1
Additions to property, plant and equipment	**39.9**	20.4

During the year, the Group incurred €23.8 million on development capital expenditure including €10.1 million on the development of the new Maldron Hotel Shoreditch, London and €8.6 million in relation to the new Maldron Hotel Merrion Road, Dublin. Other development expenditure of €5.1 million primarily relates to development capital expenditure incurred on the fitout of the six[1] leased hotels added to the portfolio during the year.

The Group incurred €16.1 million of refurbishment capital expenditure during the year which mainly related to the refurbishment of 452 bedrooms, upgrades to public areas and spend on projects to reduce our carbon emissions or environmental impact. The Group has returned to allocating approximately 4% of hotel revenue[2] to refurbishment capital expenditure after non committed and non-essential expenditure was reduced during the pandemic to preserve cash.

Contract fulfilment costs

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 on completion of its construction by the Group (comprising 69 residential units) on the site of the former Tara Towers Hotel as part of a mixed-use development which included the construction of the new Maldron Hotel Merrion Road, Dublin. Dalata incurred development costs in fulfilling the contract of €4.4 million during the year which brought the total development costs to €41.0 million at completion. The Group completed the sale of these residential units to I-RES on 11 August 2022 for €42.6 million which was recognised as revenue in profit or loss. Development costs of €41.0 million were released to profit or loss and recognised as cost of sales.

	€million
Contract fulfilment costs at 1 January 2022	36.3
Costs incurred in fulfilling contract during the year	4.4
Capitalised borrowing costs	0.3
Release of development costs to profit or loss on sale	(41.0)
Contract fulfilment costs at 31 December 2022	-

Right-of-use assets and lease liabilities

At 31 December 2022, the Group's right-of-use assets amounted to €658.1 million and lease liabilities amounted to €651.8 million.

€million	**Lease liabilities**	**Right-of-use assets**
At 31 December 2021	481.9	491.9
Additions	185.1	195.5
Depreciation charge on right-of-use assets	-	(27.5)
Interest on lease liabilities	38.1	-
Reversal of previous impairment charges	-	4.1
Remeasurement of lease liabilities	10.4	10.4
Lease payments	(47.4)	-
Translation adjustment	(16.3)	(16.3)
At 31 December 2022	**651.8**	**658.1**

[1] Includes the lease for Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Düsseldorf, Clayton Hotel Bristol City, The Samuel Hotel, Dublin and Clayton Hotel Glasgow City.
[2] See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ('APM') and other definitions.

Right-of-use assets are recorded at cost less accumulated depreciation and impairment. The initial cost comprises the initial amount of the lease liability adjusted for lease prepayments and accruals at the commencement date, initial direct costs and, where applicable, reclassifications from intangible assets or accounting adjustments related to sale and leasebacks.

Lease liabilities are initially measured at the present value of the outstanding lease payments, discounted using the estimated incremental borrowing rate attributable to the lease. The lease liabilities are subsequently remeasured during the lease term following the completion of rent reviews, a reassessment of the lease term or where a lease contract is modified. The weighted average lease life of future minimum rentals payable under leases is 30.4 years (31 December 2021: 30.1 years). Additions to lease liabilities during the year arose from the Group entering into six new leases relating to the:

- 35-year lease for Maldron Hotel Manchester City Centre in February 2022 - €32.3 million (£27.1 million)
- 20-year lease for Clayton Hotel Düsseldorf in February 2022 - €49.6 million
- 35-year lease for Clayton Hotel Bristol City in March 2022 - €32.4 million (£27.0 million)
- 35-year lease for The Samuel Hotel, Dublin in April 2022 - €37.9 million
- 10-year lease for the Group's central office headquarters in July 2022 - €3.3 million
- 35-year lease for Clayton Hotel Glasgow City in October 2022 - €29.6 million (£25.6 million)

The weighted average incremental borrowing rate for new leases entered into during the year ended 31 December 2022 was 7.5% (31 December 2021: 6.8%). Additions to right-of-use assets includes €185.1 million of lease liabilities and €10.4 million relating to lease prepayments and initial direct costs.

During the year ended 31 December 2022, lease amendments, which were not included in the original lease agreements were made to three of the Groups leases. These have been treated as a modification of lease liabilities and resulted in a decrease in lease liabilities of €2.8 million and a €2.8 million decrease in the carrying value of the right-of-use assets. 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 €13.4 million. In addition, the termination of one of the Group's leases resulted in a decrease in lease liabilities and related right-of-use assets of €0.2 million.

Further information on the Group's leases including the unwind of right-of-use assets and release of interest charge is set out in note 14 to the consolidated financial statements.

Loans and borrowings

As at 31 December 2022, the Group had loans and borrowings at amortised cost of €193.5 million and undrawn committed debt facilities of €364.4 million. Loans and borrowings decreased from 31 December 2021 (€313.5 million) mainly due to net loan repayments totalling €105.9 million and foreign exchange movements which decreased the translated value of the loans drawn in Sterling by €12.3 million.

At 31 December 2022	**Sterling borrowings £million**	**Euro borrowings €million**	**Total borrowings €million**
Term Loan	176.5	-	199.0
Revolving credit facility:			
- Drawn in Sterling	-	-	-
- Drawn in Euro	-	-	-
External loans and borrowings drawn at 31 December 2022	**176.5**	**-**	**199.0**
Accounting adjustment to bring to amortised cost			(5.5)
Loans and borrowings at amortised cost at 31 December 2022			**193.5**

The Group's debt facilities now consist of a €200.0 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.

As part of the extension of the loan facility agreement reached in November 2021, the Group also agreed additional flexibility on covenants to support the Group following the continued impact of Covid-19 whereby the previous covenants comprising Net Debt to EBITDA (as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent[1]) and Interest Cover will not be tested until 30 June 2023. A Net Debt to Value[1] covenant and a minimum liquidity (cash and/or undrawn facilities) requirement of €50 million, will remain in place until that date. At 30 June 2023, the Net Debt to EBITDA covenant limit is 4.0x and the Interest Cover minimum is 4.0x. The Group is in compliance with its covenants at 31 December 2022. The Group's Net Debt to EBITDA after rent[1] ratio is 0.8x at 31 December 2022 (31 December 2021: 9.1x).

The Group limits its exposure to foreign currency by using Sterling debt to act as a natural hedge against the impact of Sterling rate fluctuations on the Euro value of the Group's UK assets. The Group is also exposed to floating interest rates on its debt obligations and

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

uses hedging instruments to mitigate the risk associated with interest rate fluctuations. This is achieved by entering into interest rate swaps which hedge the variability in cash flows attributable to the interest rate risk. The term debt interest is fully hedged until October 2024. Until 26 October 2023, interest rate swaps fix the SONIA benchmark rate between c. 1.3% and 1.4% on Sterling term denominated borrowings. From 26 October 2023 to 26 October 2024 interest rate swaps fix the SONIA benchmark rate to c. 1.0% on Sterling denominated borrowings. The variable interest rates on the Group’s revolving credit facilities were unhedged at 31 December 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

Since last reporting on principal risks in August 2022, there have been ongoing developments in our risk environment. The principal risks and uncertainties now facing the Group are:

1. **External environment** – Dalata operates in an open market, and its activities and performance are influenced by broader geopolitical and economic factors outside of the Group's control. Nonetheless, these factors can directly or indirectly impact the Group's strategy, performance, and the economic environment in which the Group operates. Growing geopolitical uncertainty and the broader economic conditions following the pandemic have created a period of market uncertainty.

   Since the start of 2022, the Board has been focused on the specific economic implications of the ongoing conflict in Ukraine and the broader geopolitical uncertainties on inflation in the business supply chain (in particular, increased energy costs), the wider inflationary effect on consumer spending, interest rate increases and supply chain product shortages.

   The Group has an experienced management team with functional expertise in relevant areas, supported by modern information systems that provide up-to-date information to the Board. Management are innovating in many ways across the business to address the impact of this multi-faceted risk and to improve business efficiencies and customer experiences and to maintain our operating margins.

2. **A changing market** – As the Group emerged from the pandemic, which significantly impacted the hotel and hospitality industry, it was evident that there were changing customer needs and expectations. We see these, for example, in the use of innovative guest technologies, the importance of hygiene, better utilisation of hotel public spaces and environmental and sustainability matters.

   The Group has allocated resources to developing and implementing business efficiencies and innovation, with enhanced use of business systems, new technologies and information to support innovation.

3. **Developing our people and resourcing our business** – Our strategy is to develop our expertise, where possible, from within our existing teams. This expertise can then be deployed throughout our business, particularly in our new hotels. In order to deliver our customer service levels, our hotels require well-trained and motivated teams. To deliver our desired customer service levels at our hotels, we need well-trained and motivated teams.

   There is a risk that we cannot implement our management development strategy as planned or to recruit and retain sufficient resources to operate our business effectively.

   The Group has recently launched its employer brand campaign and continues to invest significantly in its unique and industry-focused career development programmes. We have identified and supported our next generation of senior hotel management. We provide role-related and development training to all our teams through our Dalata Academy platform. Strategies are in place to attract and retain people at all levels in the group, including an enhanced benefits programme.

4. **Information security and data protection** –In common with other businesses, we recognise the threats associated with cybercrime, information technology risks, and the ongoing need to protect the data we hold. In the event of a successful cyber event, there is a risk of disruption to our business operations.

   The security of our information technology platforms is of crucial importance to the board. Our Information Security Management System is based on ISO27001, audited twice annually by a leading cybersecurity consultancy.

   During the year, the board and the audit and risk committee received internal and external briefings on technology and data protection risks, including ransomware and cyber insurance. The Group has continued its investment to enhance its technology and infrastructure. Phishing simulations, ransomware and vulnerability scans were completed. We rolled out data protection training and awareness for teams and managers across the Group, added a data protection resource to our team and undertook board training in this area.

5. **Expansion and development strategy** – 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. External factors, including the cost of finance and increased construction costs, could also hamper development projects.

   Specific acquisitions and development expertise are in place to identify and assess potential opportunities, project costs and associated risks. Our funding flexibility and position as a preferred development partner provide us with an advantage in managing this risk. In addition, the board scrutinises all development opportunities, and the board is regularly updated on the progress of the development programme.

6. **Our culture and values** – Protecting and promoting our culture is a key differentiator for us and a source of competitive advantage. The rollout of our business model is dependent on the retention and growth of our strong culture.

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

   Culture remains a constant priority for the board and executive management. We have defined values and behaviours that we strive to embed in our Group, senior management, and teams. Our development programmes also reinforce our culture and expected behaviours.

   Earlier this year, we launched our employee code of conduct, which clearly sets out expected behaviours for all our teams.

Our employee engagement survey was undertaken in Q4, and the outcome of this will drive initiatives and actions.

7. **Climate change** – Climate change and the drive for a sustainable and responsible business create risks and opportunities for our business. When choosing to do business with us, the environment and climate change are factors for guests, customers, suppliers and shareholders.

   The board is keenly aware of its responsibilities and commitments under the ESG umbrella. This is an area of strategic focus for the board and management. As with climate and environmental initiatives, significant resources have been put in place around developing initiatives and monitoring progress in relation to our social and responsible business programme.

   In early 2022, the group set a short-term emissions reduction target and continues to develop a strategy to meet the emission reduction targets set out by the Paris Agreement.

   The board and management have supported and encouraged multiple initiatives across the group in these areas during 2022.

8. **Health, safety and security** – 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. There is a risk that we may not comply with these requirements in our business, resulting in injury, loss of life or hotel damage.

   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.

   Bureau Veritas completed independent assessments on health and safety across all our hotels, with strong results. This programme will be reviewed and will continue for 2023. The audit and risk committee met with Bureau Veritas to discuss the programme and its results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Continuing operations			
Revenue (including development contract fulfilment revenue of €42.6m (2021: €Nil))	2,15	**558,260**	191,990
Cost of sales (including development contract fulfilment costs of €41.0m (2021: €Nil))	15	**(224,764)**	(61,285)
Gross profit		**333,496**	130,705
Administrative expenses	4	**(183,206)**	(109,918)
Other income	5	**5,237**	655
Operating profit		**155,527**	21,442
Finance costs	6	**(45,870)**	(32,878)
Profit/(loss) before tax		**109,657**	(11,436)
Tax (charge)/credit	10	**(12,932)**	5,107
Profit/(loss) for the year attributable to owners of the Company		**96,725**	(6,329)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property	13	**188,185**	14,382
Related deferred tax	24	**(21,223)**	(1,116)
		166,962	13,266
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(28,145)**	27,256
Gain/(loss) on net investment hedge		**17,482**	(20,726)
Fair value movement on cash flow hedges	23	**12,093**	6,208
Cash flow hedges – reclassified to profit or loss	23	**(179)**	2,637
Related deferred tax	24	**(2,929)**	-
		(1,678)	15,375
Other comprehensive income for the year, net of tax		**165,284**	28,641
Total comprehensive income for the year attributable to owners of the Company		**262,009**	22,312
Earnings per share			
Basic earnings/(loss) per share	30	**43.4 cents**	(2.8) cents
Diluted earnings/(loss) per share	30	**43.2 cents**	(2.8) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	12	**31,054**	31,994
Property, plant and equipment	13	**1,427,447**	1,243,902
Right-of-use assets	14	**658,101**	491,869
Investment property		**2,007**	2,078
Derivative assets	23	**6,825**	832
Deferred tax assets	24	**21,271**	20,161
Other receivables	16	**3,387**	6,313
Total non-current assets		**2,150,092**	1,797,149
Current assets			
Contract fulfilment costs	15	**-**	36,255
Derivative assets	23	**4,892**	-
Trade and other receivables	16	**30,263**	13,774
Inventories	17	**2,342**	1,665
Cash and cash equivalents	18	**91,320**	41,112
Total current assets		**128,817**	92,806
Total assets		**2,278,909**	1,889,955
Equity			
Share capital	19	**2,229**	2,229
Share premium	19	**504,910**	504,895
Capital contribution	19	**25,724**	25,724
Merger reserve	19	**81,264**	81,264
Share-based payment reserve	19	**5,011**	3,085
Hedging reserve	19	**8,788**	(197)
Revaluation reserve	19	**379,534**	212,572
Translation reserve	19	**(17,235)**	(6,572)
Retained earnings		**232,541**	134,413
Total equity		**1,222,766**	957,413

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued)*
AT 31 DECEMBER 2022

	Note	2022 €'000	2021 €'000
Liabilities			
Non-current liabilities			
Loans and borrowings	22	**193,488**	313,533
Lease liabilities	14	**641,444**	471,877
Deferred tax liabilities	24	**71,022**	42,896
Derivative liabilities	23	**-**	1,029
Provision for liabilities	21	**7,165**	6,454
Other payables	20	**239**	1,896
Total non-current liabilities		**913,358**	837,685
Current liabilities			
Lease liabilities	14	**10,347**	10,049
Trade and other payables	20	**118,818**	82,792
Current tax liabilities		**11,606**	282
Provision for liabilities	21	**2,014**	1,734
Total current liabilities		**142,785**	94,857
Total liabilities		**1,056,143**	932,542
Total equity and liabilities		**2,278,909**	1,889,955

On behalf of the Board:

John Hennessy Chair	**Dermot Crowley** Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Capital contribution	Merger reserve	Share-based payment reserve	Hedging reserve	Revaluation reserve	Translation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2022	**2,229**	**504,895**	**25,724**	**81,264**	**3,085**	**(197)**	**212,572**	**(6,572)**	**134,413**	**957,413**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	**96,725**	**96,725**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	**(28,145)**	-	**(28,145)**
Gain on net investment hedge	-	-	-	-	-	-	-	**17,482**	-	**17,482**
Revaluation of properties (note 13)	-	-	-	-	-	-	**188,185**	-	-	**188,185**
Fair value movement on cash flow hedges (note 23)	-	-	-	-	-	**12,093**	-	-	-	**12,093**
Cash flow hedges – reclassified to profit or loss (note 23)	-	-	-	-	-	**(179)**	-	-	-	**(179)**
Related deferred tax (note 24)	-	-	-	-	-	**(2,929)**	**(21,223)**	-	-	**(24,152)**
Total comprehensive income for the year	-	-	-	-	-	**8,985**	**166,962**	**(10,663)**	**96,725**	**262,009**
Transactions with owners of the Company:										
Equity-settled share-based payments (note 8)	-	-	-	-	**3,329**	-	-	-	-	**3,329**
Transfer from share-based payment reserve to retained earnings	-	-	-	-	**(1,403)**	-	-	-	**1,403**	-
Vesting of share awards and options (note 8)	-	**15**	-	-	-	-	-	-	-	**15**
Total transactions with owners of the Company	-	**15**	-	-	**1,926**	-	-	-	**1,403**	**3,344**
At 31 December 2022	**2,229**	**504,910**	**25,724**	**81,264**	**5,011**	**8,788**	**379,534**	**(17,235)**	**232,541**	**1,222,766**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Capital contribution	Merger reserve	Share-based payment reserve	Hedging reserve	Revaluation reserve	Translation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'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 13)	-	-	-	-	-	-	14,382	-	-	**14,382**
Fair value movement on cash flow hedges (note 23)	-	-	-	-	-	6,208	-	-	-	**6,208**
Cash flow hedges – reclassified to profit or loss (note 23)	-	-	-	-	-	2,637	-	-	-	**2,637**
Related deferred tax (note 24)	-	-	-	-	-	-	(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 8)	-	-	-	-	2,159	-	-	-	-	**2,159**
Vesting of share awards and options	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 CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 €'000	2021 €'000
Cash flows from operating activities		
Profit/(loss) for the year	**96,725**	(6,329)
Adjustments for:		
Depreciation of property, plant and equipment	**28,426**	27,033
Depreciation of right-of-use assets	**27,503**	19,522
Amortisation of intangible assets	**610**	539
Net revaluation movements through profit or loss	**(21,166)**	(6,790)
Net impairment reversal of fixtures, fittings and equipment	**(624)**	(120)
Net impairment reversal of right-of-use assets	**(4,101)**	(39)
Remeasurement gain on right-of-use assets	**-**	(277)
Gain on disposal of property, plant and equipment	**(3,877)**	-
Revenue from sale of Merrion Road residential units	**(42,532)**	-
Release of costs capitalised for Merrion Road residential units	**40,998**	-
Share-based payments expense	**3,329**	2,159
Interest on lease liabilities	**38,101**	24,409
Other interest and finance costs	**7,769**	8,469
Tax charge/(credit)	**12,932**	(5,107)
	184,093	63,469
Increase in trade and other payables and provision for liabilities	**37,168**	31,888
Increase in current and non-current receivables	**(13,912)**	(4,223)
Increase in inventories	**(677)**	(407)
Tax refunded/(paid)	**1,188**	(148)
Net cash from operating activities	**207,860**	90,579
Cash flows from investing activities		
Purchase of property, plant and equipment	**(40,315)**	(19,973)
Contract fulfilment cost payments	**(4,045)**	(12,915)
Proceeds received from sale of Merrion road residential units	**41,868**	-
Costs paid on entering new leases and agreements for leases	**(9,810)**	(3,221)
Proceeds from sale of Clayton Crown Hotel	**24,258**	-
Purchase of intangible assets	**(202)**	(47)
Net cash from/(used in) investing activities	**11,754**	(36,156)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 €'000	2021 €'000
Cash flows from financing activities		
Interest paid on lease liabilities	**(38,101)**	(24,409)
Other interest and finance costs paid	**(12,233)**	(15,285)
Receipt of bank loans	**11,973**	13,000
Repayment of bank loans	**(117,838)**	(30,575)
Repayment of lease liabilities	**(9,324)**	(8,930)
Proceeds from vesting of share awards and options	**15**	162
Net cash used in financing activities	**(165,508)**	(66,037)
Net increase/(decrease) in cash and cash equivalents	**54,106**	(11,614)
Cash and cash equivalents at the beginning of the year	**41,112**	50,197
Effect of movements in exchange rates	**(3,898)**	2,529
Cash and cash equivalents at the end of the year	**91,320**	41,112

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 2022 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 27 February 2023.

The financial information presented herein does not comprise full statutory financial statements for 2022 or 2021 and therefore does not include all of the information required for full annual statutory financial statements. The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiary undertakings (the 'Group') and were authorised for issue by the Board of Directors on 27 February 2023. Full statutory financial statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies.

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 13).

Key sources of estimation uncertainty
- Carrying value of property measured at fair value (note 13); and
- Carrying value of goodwill and right-of-use assets including assumptions underpinning value in use ('VIU') calculations in the impairment tests (notes 11, 12, 14).

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 25 – Financial instruments and risk management (in relation to financial assets and financial liabilities) and note 13 – Property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

1 Significant accounting policies (*continued)*

(i) Going concern

The year ended 31 December 2022 saw Group trade recover strongly from the impact of Covid-19 restrictions and resume normal execution of its growth strategy. The lifting of all government restrictions and hotels fully re-opening to customers from the end of January 2022, in Ireland and the UK, has resulted in demand for hospitality increasing significantly. This, in addition to, the opening of seven hotels during the year, has led to an increase in Group revenue from hotel operations from €192.0 million to €515.7 million (excluding revenue of €42.6 million from the sale of the Merrion Road residential units) and net cash generated from operating activities in the period of €207.9 million (31 December 2021: €90.6 million).

The Group remains in a very strong financial position with significant financial headroom. The Group is in full compliance with its covenants at 31 December 2022. The key covenants relate to Net Debt to Value (see APM (x) in Supplementary Financial Information section) and a minimum liquidity (cash and/or undrawn facilities) requirement of €50 million. Net Debt to Value must be equal to or less than 55% and as at 31 December 2022 this is 8% (31 December 2021: 24%). At 31 December 2022, cash and undrawn facilities are €455.7 million (31 December 2021: €298.5 million).

During the year, the Group completed the sale of the Clayton Crown hotel for net proceeds of €24.1 million. This was in addition to the sale of the Merrion Road residential units which led to a further cash inflow of €41.9 million.

As per the amended and restated facility agreement of 2 November 2021, the Group will revert to Previous Covenants namely Net Debt to EBITDA (as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent) and Interest Cover for testing at 30 June 2023. The Net Debt to EBITDA covenant limit is 4.0 times and the Interest Cover minimum is 4.0 times at 30 June 2023. At 31 December 2022, Net Debt to EBITDA after rent for the Group is 0.8x and Interest Cover is 11.3 times.

Current base projections show compliance with all covenants at all future testing dates and significant levels of headroom.

The Directors have considered the above, with all available information and the current liquidity and capital position in assessing the going concern of the Group. 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 2022:

- A number of narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16 (issued May 2020).
- IAS 37 onerous contracts, clarification on cost of fulfilling contracts

The above standards, amendments and interpretations had no material impact on the consolidated results of the Group.

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 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

1 Significant accounting policies (*continued)*

(ii) Statement of compliance *(continued)*
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 2023 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:

- 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 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.
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020).
- Amendments to IFRS 17 *Insurance Contracts:* Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

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: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) and Deferral of Effective Date (issued on 15 July 2020). IASB effective date 1 January 2024.
- Amendments to IAS 1 Non-current Liabilities with Covenants. IASB effective date 1 January 2024.
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback. IASB effective date 1 January 2024.

(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.

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.

1 Significant accounting policies (*continued)*

(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 the sale of residential property is assessed in line with IFRS 15 Revenue from Contracts with Customers and is recognised when the performance obligations inherent in the contract are completed. In 2022, the revenue relates to the contract for the sale of the Merrion Road residential units which the Group developed as part of the overall development of the new Maldron Merrion Road hotel on the site of the former Tara Towers hotel. Where there is variable consideration in the form of withheld retention receipts included in the transaction price, revenue is recognised for this variable consideration to the extent that it is highly probable it is receivable and is measured based on the most likely outcome.

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

1 Significant accounting policies (*continued)*

(viii) Leases *(continued)*
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.

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.

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.

(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 or credit comprises current and deferred tax. Tax charge or 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 or receivable on the taxable income or 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 or 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 or 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.

1 Significant accounting policies (*continued)*

(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.

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.

1 Significant accounting policies (*continued)*

(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.

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 11 and 12.

The assumptions and conditions for determining impairment of goodwill reflect 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.

1 Significant accounting policies (*continued)*

(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. Contract fulfilment costs are released to profit or loss on completion of the sale to which the contract relates.

(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.

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.

1 Significant accounting policies (*continued)*

(xxii) Foreign currency *(continued)*

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.

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.

1 Significant accounting policies (*continued)*

(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 or 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.

(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 or Loss, Free cashflow per share, and Adjusted EPS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

1 Significant accounting policies (*continued)*

(xxx) Adjusting items *(continued)*
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. Given its scale and immateriality in the context of the other regions, Clayton Hotel Düsseldorf, which commenced operations in 2022 and is the Group's first hotel outside of the Republic of Ireland and the UK, has been included within the Dublin region for the purpose of these financial statements.

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 2022, the Group owns 27 hotels (31 December 2021: 27 hotels) and has effective ownership of one further hotel which it operates (31 December 2021: one hotel). It also owns the majority of one further hotel it operates (31 December 2021: one hotel). The Group also leases 18 hotel buildings from property owners (31 December 2021: 13 hotels) and is entitled to the benefits and carries the risks associated with operating these hotels.

The Group's revenue from leased and owned hotels is primarily derived from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising are payroll, cost of goods for resale, commissions paid on room sales, other operating costs, and, in the case of leased hotels, variable lease costs (where linked to turnover or profit) payable to lessors.

	2022 €'000	2021 €'000
Revenue		
Dublin	**263,495**	75,046
Regional Ireland	**99,752**	53,429
UK	**152,481**	63,515
Total segmental revenue	**515,728**	191,990
Sale of Merrion Road residential units	**42,532**	-
Total revenue	**558,260**	191,990

Segmental revenue for each of the geographical locations represents the operating revenue (room revenue, food and beverage revenue and other hotel revenue) from leased and owned hotels situated in (i) Dublin (including Clayton Hotel Düsseldorf), (ii) Regional Ireland and (iii) the UK.

The year ended 31 December 2022 saw Group trade recover strongly from the impact of Covid-19 restrictions. The lifting of all Government restrictions and hotels fully re-opening to customers from the end of January 2022, in Ireland and the UK, has resulted in demand for hospitality increasing significantly. Along with the opening of seven new hotels between 31 December 2021 and 31 December 2022, this has led to an increase in the Group's segmental revenue from hotel operations on the 12-month period ended 31 December 2021 from €192.0 million to €515.7 million.

2 Operating segments *(continued)*

On 11 August 2022, the Group completed the sale to Irish Residential Properties REIT (plc) ('I-RES') of the Merrion Road residential units which had been developed by the Group on the site of the former Tara Towers Hotel. The total revenue from the sale of the residential units was €42.6 million, of which €41.9 million has been received at 31 December 2022. €0.7 million has been withheld as a retention payment, with receipt of these funds expected in 2023, and included in contract assets (note 16). The related capitalised contract fulfilment costs of €41.0 million have been released from the statement of financial position to profit or loss and recognised within cost of sales (note 15). The results of this development activity do not form part of the Group's reportable segments.

	2022 €'000	2021 €'000
Segmental results - EBITDAR		
Dublin	**120,460**	31,034
Regional Ireland	**31,689**	23,374
UK	**53,574**	20,739
EBITDAR for reportable segments	**205,723**	75,147
Segmental results – EBITDA		
Dublin	**117,377**	31,034
Regional Ireland	**31,576**	23,321
UK	**52,955**	20,662
EBITDA for reportable segments	**201,908**	75,017
Reconciliation to results for the year		
Segmental results – EBITDA	**201,908**	75,017
Other income (excluding gain on disposal of property, plant and equipment)	**1,360**	655
Central costs	**(16,509)**	(10,276)
Share-based payments expense	**(3,329)**	(2,159)
Adjusted EBITDA	**183,430**	63,237

2 Operating segments *(continued)*

	2022 €'000	2021 €'000
Adjusting items		
Net property revaluation movements through profit or loss	**21,166**	6,790
Net reversal of previous impairment charges of right-of-use assets	**4,101**	39
Net reversal of previous impairment charges of fixtures, fittings and equipment	**624**	120
Revenue from sale of Merrion Road residential units	**42,532**	-
Release of costs capitalised for Merrion Road residential units	**(40,998)**	-
Gain on disposal of property, plant and equipment	**3,877**	-
Hotel pre-opening expenses	**(2,666)**	(1,927)
Remeasurement gain on right-of-use assets	**-**	277
Group EBITDA	**212,066**	68,536
Depreciation of property, plant and equipment	**(28,426)**	(27,033)
Depreciation of right-of-use assets	**(27,503)**	(19,522)
Amortisation of intangible assets	**(610)**	(539)
Interest on lease liabilities	**(38,101)**	(24,409)
Other interest and finance costs	**(7,769)**	(8,469)
Profit/(loss) before tax	**109,657**	(11,436)
Tax (charge)/credit	**(12,932)**	5,107
Profit/(loss) for the year attributable to owners of the Company	**96,725**	(6,329)

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 4);
- Net reversal of previous impairment charges of right-of-use assets (note 14);
- Net reversal of previous impairment charges of fixtures, fittings, and equipment (note 13);
- Revenue from sale of Merrion Road residential units (note 15);
- Release of costs capitalised for Merrion Road residential units (note 15);
- Gain on disposal of property, plant and equipment (note 5,13);
- Hotel pre-opening expenses, which relate primarily to payroll expenses, sales and marketing costs and training costs of new staff, that are incurred by the Group in advance of new hotel openings; and
- The remeasurement gain on right-of-use assets (note 14).

2 Operating segments *(continued)*

The line item 'central costs' includes costs of the Group's central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development. Also included in central costs is the unwinding of the discount on insurance provisions of €0.7 million (2021: €Nil) and the reversal of prior period insurance provisions of €Nil (2021: €1.3 million) (note 21). 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.

Given its scale and immateriality (less than 3% of total segmental revenue), Clayton Hotel Düsseldorf, which is the Group's first hotel outside of the Republic of Ireland and the UK, has been included within the Dublin region for the purpose of the year-end Financial Statements.

Disaggregated revenue information
Disaggregated segmental 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	2022 €'000	2021 €'000
Room revenue	**199,876**	52,098
Food and beverage revenue	**47,699**	17,186
Other revenue	**15,920**	5,762
Total revenue	**263,495**	75,046

Revenue review by segment – Regional Ireland	2022 €'000	2021 €'000
Room revenue	**63,784**	33,998
Food and beverage revenue	**28,107**	15,131
Other revenue	**7,861**	4,300
Total revenue	**99,752**	53,429

Revenue review by segment – UK	2022 €'000	2021 €'000
Room revenue	**118,157**	47,191
Food and beverage revenue	**26,167**	12,716
Other revenue	**8,157**	3,608
Total revenue	**152,481**	63,515

2 Operating segments *(continued)*

Other geographical information
Clayton Hotel Düsseldorf, which is the Group's first hotel outside of the Republic of Ireland and the UK, has been included within the Republic of Ireland due to its immateriality (less than 3% of total segmental revenue).

	2022			2021		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue						
Owned hotels	**241,972**	**81,400**	**323,372**	99,179	40,765	139,944
Leased hotels	**121,275**	**71,081**	**192,356**	29,296	22,750	52,046
Sale of Merrion Road residential units	**42,532**	**-**	**42,532**	-	-	-
Total revenue	**405,779**	**152,481**	**558,260**	128,475	63,515	191,990

	2022			2021		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	€'000	€'000	€'000	€'000	€'000
EBITDAR						
Owned hotels	**102,398**	**31,409**	**133,807**	44,335	13,562	57,897
Leased hotels	**49,751**	**22,165**	**71,916**	10,073	7,177	17,250
Total EBITDAR	**152,149**	**53,574**	**205,723**	54,408	20,739	75,147

	2022			2021		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Other information						
Variable lease costs	**3,196**	**619**	**3,815**	53	77	130
Depreciation of property, plant and equipment	**18,783**	**9,643**	**28,426**	17,987	9,046	27,033
Depreciation of right-of-use assets	**17,486**	**10,017**	**27,503**	14,288	5,234	19,522
Interest on lease liabilities	**19,967**	**18,134**	**38,101**	15,282	9,127	24,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2 Operating segments *(continued)*

Other geographical information ***(continued)***

Assets and liabilities

	At 31 December 2022			At 31 December 2021		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Assets						
Intangible assets and goodwill	**19,469**	**11,585**	**31,054**	19,766	12,228	31,994
Property, plant and equipment	**1,035,488**	**391,959**	**1,427,447**	857,718	386,184	1,243,902
Right-of-use assets	**352,236**	**305,865**	**658,101**	269,681	222,188	491,869
Investment property	**1,575**	**432**	**2,007**	1,575	503	2,078
Other non-current receivables	**3,103**	**284**	**3,387**	3,356	2,957	6,313
Contract fulfilment costs	**-**	**-**	**-**	36,255	-	36,255
Other current assets	**78,102**	**45,823**	**123,925**	21,605	34,946	56,551
Total assets excluding derivatives and deferred tax assets	**1,489,973**	**755,948**	**2,245,921**	1,209,956	659,006	1,868,962
Derivative assets			**11,717**			832
Deferred tax assets			**21,271**			20,161
Total assets			**2,278,909**			1,889,955
Liabilities						
Loans and borrowings	**-**	**193,488**	**193,488**	-	313,533	313,533
Lease liabilities	**351,455**	**300,336**	**651,791**	261,993	219,933	481,926
Trade and other payables	**96,964**	**22,093**	**119,057**	67,040	17,648	84,688
Total liabilities excluding provision for liabilities, derivatives and tax liabilities	**448,419**	**515,917**	**964,336**	329,033	551,114	880,147
Provision for liabilities			**9,179**			8,188
Derivative liabilities			**-**			1,029
Current tax liabilities			**11,606**			282
Deferred tax liabilities			**71,022**			42,896
Total liabilities			**1,056,143**			932,542
Revaluation reserve	**328,896**	**50,638**	**379,534**	194,574	17,998	212,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2 Operating segments *(continued)*

Other geographical information *(continued)*

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 €193.5 million at 31 December 2022 (31 December 2021: €313.5 million). Drawn loans and borrowings denominated in Sterling of £176.5 million (€199.0 million) are classified as liabilities in the UK (31 December 2021: £266.5 million (€317.2 million)). All of these Sterling borrowings act as a net investment hedge as at 31 December 2022 (31 December 2021: £266.5 million (€317.2 million)) (note 22).

3 Statutory and other information

	2022 €'000	2021 €'000
Depreciation of property, plant and equipment	**28,426**	27,033
Depreciation of right-of-use assets	**27,503**	19,522
Variable lease costs: land and buildings	**3,815**	130
Hotel pre-opening expenses	**2,666**	1,927

Hotel pre-opening expenses relate to costs incurred by the Group in advance of opening new hotels. In 2022, this related to seven hotels, which opened throughout 2022. In 2021, this related to eight hotels, one of which opened in August 2021, with the remainder opening throughout 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.

Auditor's remuneration

	2022 €'000	2021 €'000
Audit of Group, Company and subsidiary financial statements	**395**	405
Other assurance services	**32**	23
Tax services	**35**	-
	462	428

Auditor's remuneration for the audit of the Company financial statements was €15,000 (2021: €15,000). Other assurance services primarily relate to the review of the interim condensed consolidated financial statements. Tax services largely relate to advice regarding third party disposals and internal group reorganisation projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3 Statutory and other information *(continued)*

Directors' remuneration

	2022	2021
	€'000	€'000
Salary and other emoluments	**2,242**	1,623
Gains on vesting of awards granted in 2018 under the 2017 LTIP	**-**	3
Fees	**511**	438
Pension costs – defined contribution	**66**	117
Payments to past directors	**131**	102
Good leaver vesting of shares granted under Share Scheme 2020 for former directors	**15**	-
	2,965	2,283

Amounts disclosed are inclusive of remuneration of connected persons as defined by Companies Act 2014.

Gains associated with the shares issued on vesting of awards granted in 2018 under the 2017 LTIP represent the difference between the quoted share price per ordinary share and the exercise price on the vesting date (note 8). During the year ended 31 December 2022, 6,359 shares were issued as part of the Share Scheme granted in 2020. Two former directors were entitled to vest shares early under this scheme. The weighted average share price at the date of exercise for the options exercised was €2.28.

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. He was paid normal salary and benefits until 28 February 2022 and received payment in lieu of annual leave upon termination which is included above in payments of €131,000 to past directors. In 2021, Pat McCann received €102,000 of compensation for the period from ceasing to be a director on 31 October 2021 reflecting the period of annual leave accrued through 2020 and 2021 when due to exceptional circumstances of the Covid-19 pandemic very little annual leave was taken.

Details of the directors' remuneration, interests in conditional share awards and compensation of former directors are set out in the Remuneration Committee report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4 Administrative expenses

	2022 €'000	2021 €'000
Other administrative expenses	**102,408**	57,418
Depreciation and amortisation (note 2)	**56,539**	47,094
Commercial rates	**12,013**	1,105
Utilities – electricity and gas	**31,656**	10,721
Net property revaluation movements through profit or loss (note 13)	**(21,166)**	(6,790)
Net reversal of previous impairment charges (note 11, 13, 14)	**(4,725)**	(160)
Variable lease costs (note 14)	**3,815**	130
Hotel pre-opening expenses	**2,666**	1,927
Remeasurement gain on right-of-use assets (note 14)	**-**	(277)
Reversal of prior period insurance provisions	**-**	(1,250)
	183,206	109,918

Other administrative expenses include costs related to payroll, marketing and general administration.

As a result of the impact of Covid-19, commercial rates for the year ended 31 December 2022 of €12.0 million are net of a waiver of €3.0 million (31 December 2021: €1.1 million, waiver €11.6 million) (note 9).

Net property revaluation movements through profit or loss relate to the net reversal of revaluation losses of €21.2 million through profit or loss (note 13) offset by a €0.05 million fair value loss on investment property.

5 Other income

	2022 €'000	2021 €'000
Gain on disposal of property, plant and equipment	**3,877**	-
Income from managed hotels	**968**	300
Rental income from investment property	**392**	355
	5,237	655

On 21 June 2022, the Group completed the sale of Clayton Crown Hotel for net proceeds of €24.1 million (£20.7 million). As a result, the hotel property and related fixtures, fittings and equipment of €20.2 million (£17.4 million) were derecognised from the statement of financial position. A gain on disposal of €3.9 million (£3.3 million) was recognised in profit or loss for the year ended 31 December 2022 (note 13).

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 10 years remaining at 31 December 2022;
- A sub-lease of part of Clayton Whites Hotel, Wexford which was leased to a third party for a lease term of 10 years, and was terminated in June 2022; and
- A sub-lease of part of Clayton Hotel Düsseldorf, which is leased to a third party for a rolling lease term.

5 Other income *(continued)*

The fair value of the investment properties at 31 December 2022 is €2.0 million (2021: €2.1 million).

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.

6 Finance costs

	2022	2021
	€'000	€'000
Interest on lease liabilities (note 14)	**38,101**	24,409
Interest expense on bank loans and borrowings	**7,937**	8,908
Cash flow hedges – reclassified from other comprehensive income	**(179)**	2,637
Other finance costs	**2,351**	2,340
Modification gain on amended debt facility	-	(2,704)
Net foreign exchange loss/(gain) on financing activities	**168**	(86)
Interest capitalised to property, plant and equipment (note 13)	**(2,151)**	(1,942)
Interest capitalised to contract fulfilment costs (note 15)	**(357)**	(684)
	45,870	32,878

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate (note 23). The cash flow hedge amount reclassified from other comprehensive income is shown separately within finance costs and primarily represents the additional interest received or paid by the Group as a result of the interest rate swaps. As at 31 December 2022, the Group has recognised derivative assets, in relation to these interest rate swaps, of €11.7 million (31 December 2021: derivative assets of €0.8 million and derivative liabilities of €1.0 million) as a result of the Group's fixed interest rates being forecast to be lower than the variable interest rates forward curve applicable on sterling borrowings. Interest margins on the Group's borrowings are set with reference to the Net Debt to EBITDA covenant levels and ratchet up or down accordingly.

Other finance costs include commitment fees and other banking and professional fees. Net foreign exchange gains or losses on financing activities relate principally to loans which did not form part of the net investment hedge (note 25).

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 22).

Interest on loans and borrowings amounting to €2.2 million was capitalised to assets under construction on the basis that these costs were directly attributable to the construction of qualifying assets (note 13) (2021: €1.9 million). Interest on loans and borrowings amounting to €0.4 million was capitalised to contract fulfilment costs on the basis that these costs were directly attributable to the construction of qualifying assets (note 15) (2021: €0.7 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 relevant capitalisation period, were 2.5% (2021: 2.4%) and 3.6% (2021: 3.6%) respectively.

7 Personnel expenses

The average number of persons (full-time equivalents) employed by the Group (including Executive Directors), analysed by category, was as follows:

	2022	2021
Administration	**707**	495
Other	**2,694**	2,010
	3,401	2,505

Full-time equivalents split by geographical region was as follows:

	2022	2021
Dublin (including the Group's central functions)	**1,683**	1,149
Regional Ireland	**910**	834
UK	**808**	522
	3,401	2,505

The aggregate payroll costs of these persons were as follows:

	2022	2021
	€'000	€'000
Wages and salaries	**120,895**	48,159
Social welfare costs	**11,788**	2,973
Pension costs – defined contribution	**1,799**	1,348
Share-based payments expense	**3,329**	2,159
Severance costs	**97**	79
	137,908	54,718

€0.4 million (2021: €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 2022.

For the year ended 31 December 2022, wages and salaries amounting to €120.9 million (2021: €48.2 million) are stated net of wage subsidies received by the Group from the Irish and UK governments. During 2022, the Group availed of wage subsidies of €10.5 million (2021: €36.0 million) from the Irish government and €Nil (£Nil) (2021: €2.0 million (£1.8 million)) from the UK government (note 9).

8 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 €3.3 million (2021: €2.2 million), analysed as follows:

	2022 €'000	2021 €'000
Long Term Incentive Plans	**3,242**	1,681
Share Save schemes	**87**	478
	3,329	2,159

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plans
During the year ended 31 December 2022, the Board approved the conditional grant of 1,443,764 ordinary shares 'the Award' pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was granted to senior employees across the Group (112 in total). Vesting of the Award is based on two independently assessed performance targets: 50% based on total shareholder return 'TSR' and 50% based on Free Cashflow Per Share 'FCPS'. The performance period of this award is 1 January 2022 to 31 December 2024.

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 threshold 25% vesting if the Group's TSR over the performance period is ranked at the median compared to the TSR of the comparator group. 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, with pro-rota vesting on a straight-line basis for performance in between these thresholds.

Threshold performance for the FCPS condition, which is a non-market-based performance condition, is based on the achievement of FCPS of €0.36, as disclosed in the Group's 2024 audited consolidated financial statements, with 100% vesting for FCPS of €0.48 or greater. The TSR and FCPS based awards will vest on a straight-line basis for performance between these points. FCPS 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.

Movements in the number of share awards are as follows:

	2022 Awards	2021 Awards
Outstanding at the beginning of the year	**4,344,481**	3,842,928
Granted during the year	**1,443,764**	1,616,845
Forfeited during the year	**(128,294)**	(393,596)
Lapsed unvested during the year	**(822,781)**	(628,524)
Exercised during the year	**-**	(93,172)
Outstanding at the end of the year	**4,837,170**	4,344,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

8 Share-based payments expense *(continued)*

Long Term Incentive Plans ***(continued)***

	2022 Awards	2021 Awards
Grant date		
March 2019	-	822,781
March 2020	2,022,523	2,081,588
March 2021	1,115,183	1,184,412
December 2021	255,700	255,700
March 2022	1,443,764	-
Outstanding at the end of the year	4,837,170	4,344,481

During the year ended 31 December 2022, the LTIP awards granted in March 2019 lapsed unvested as a result of the impact of Covid-19 on the Group's performance conditions. 822,781 shares lapsed unvested due to TSR performance and EPS performance conditions not being satisfied.

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 of awards at the grant date were as follows:

	March 2022	March 2021	March 2020
Fair value at grant date for TSR based awards	**€2.60**	€2.40	€0.62
Fair value at grant date for EPS or FCPS based awards	**€3.93**	€3.83	€2.31
Share price at grant date	**€3.94**	€3.84	€2.32
Exercise price	**€0.01**	€0.01	€0.01
Expected volatility for TSR-based awards	**53.0% p.a.**	52.01% p.a.	31.83% p.a.
Performance period	**3 years**	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 in 2020 include EPS performance conditions, whilst the March 2021 and March 2022 awards include FCPS-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 FCPS-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.

The LTIP award granted in December 2021 is conditional on relevant employees being in employment as at 31 March 2023. There are no other conditions attaching to that award.

8 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 2022, there was one new Scheme granted to UK employees (no new schemes granted in 2021). 115 employees availed of the Scheme granted in 2022. 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 2022, there were 6,359 shares issued to good leavers as part of the Scheme granted in 2020. The weighted average share price at the date of exercise for options exercised during the year ended 31 December 2022 was €2.28. Movements in the number of share options and the related weighted average exercise price ('WAEP') are as follows:

	2022		2021	
	Options	WAEP € per share	Options	WAEP € per share
Outstanding at the beginning of the year	**1,859,309**	**2.59**	2,594,186	2.63
Granted during the year	**253,795**	**2.68**	-	-
Forfeited during the year	**(411,438)**	**2.71**	(695,586)	3.36
Exercised during the year	**(6,359)**	**2.28**	(39,291)	4.09
Outstanding at the end of the year	**1,695,307**	**2.53**	1,859,309	2.59

The weighted average remaining contractual life for the share options outstanding at 31 December 2022 is 1.8 years (31 December 2021: 2.5 years).

9 Government grants and government assistance

	2022 €'000	2021 €'000
Employment Wage Subsidy Scheme (Ireland)	**10,505**	36,018
Coronavirus Job Retention Scheme (UK)	**-**	2,011
Other government grants related to income	**2,887**	6,917
Grants related to income	**13,392**	44,946

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 was available to employers in Ireland who suffered significant reductions in turnover as a result of Covid-19 restrictions. The Group availed of the EWSS from 1 January 2022 to 22 May 2022, at which point the scheme ended (2021: full year from 1 January 2021 to 31 December 2021). The Group availed of the Coronavirus Job Retention Scheme ('CJRS') in the UK between 1 January 2021 and 30 September 2021. The CJRS was available for eligible employees for the hours the employees were on furlough.

The Group was in compliance with all of the conditions of the respective schemes as applicable during the year ended 31 December 2022 and 31 December 2021. Payroll-related grant income 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 2022.

9 Government grants and government assistance *(continued)*

Other government grants
During the year ended 31 December 2022, the Group availed of a number of other grants schemes, including and not limited to the Covid Restrictions Support Schemes and the Failte Ireland Tourism Accommodation Providers Continuity Scheme 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 €1.7 million, have been offset against the related costs in administrative expenses in profit or loss (2021: €6.9 million).

The Group also availed of the Irish Temporary Business Support Scheme for energy costs in 2022. This grant, which totalled €1.2 million, has been offset against the related costs in administrative expenses in profit or loss (2021: €Nil).

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 and energy price discounts from the UK government.

In Ireland, the Group benefitted from a commercial rates waiver of €1.8 million for the year ended 31 December 2022 (2021: €7.3 million). In the UK, the Group benefitted from a commercial rates waiver of £1.0 million (€1.2 million) for the year ended 31 December 2022 (2021: £3.7 million (€4.3 million)).

Under the Energy Business Relief Scheme, the Group benefitted from discounted energy prices in the UK of £0.7 million (€0.8 million) for the year ended 31 December 2022 (2021: €Nil).

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 €11.7 million and payroll tax liabilities of €23.1 million have been deferred as at 31 December 2022 (31 December 2021: Irish VAT liabilities of €8.5 million and payroll tax liabilities of €17.8 million deferred). The deferred liabilities are expected to be paid by 30 April 2023.

There were no deferrals of foreign VAT or payroll tax liabilities during the year ended 31 December 2022 and there were no deferred foreign VAT or payroll tax liabilities outstanding to be paid as at 31 December 2022.

10 Tax charge/(credit)

	2022 €'000	2021 €'000
Current tax		
Irish corporation tax charge	**11,654**	278
Irish corporation tax – losses incurred in 2020 carried back to 2019	**(1,457)**	-
Foreign corporation tax charge	**7**	10
(Over)/under provision in respect of prior years	**(136)**	46
	10,068	334
Deferred tax charge/(credit) (note 24)	**2,864**	(5,441)
	12,932	(5,107)

10 Tax charge/(credit) *(continued)*

The tax assessed for the year differs from the standard rate of corporation tax in Ireland for the year. The differences are explained below.

	2022 €'000	2021 €'000
Profit/(loss) before tax	**109,657**	(11,436)
Tax on profit/loss at standard Irish corporation tax rate of 12.5%	**13,707**	(1,430)
Effects of:		
Income taxed at a higher rate	**-**	63
Expenses not deductible for tax purposes	**606**	532
Impact of revaluation gains not subject to tax	**(2,054)**	(693)
Foreign (losses)/income taxed at higher rate	**(262)**	2
Losses utilised at higher rate	**-**	(63)
(Over)/under provision in respect of current tax in prior periods	**(136)**	46
Over provision in respect of deferred tax in prior periods	**(548)**	(127)
Impact of change in rate of tax on opening deferred tax balances	**-**	(1,327)
Impact of differing rates between current tax and deferred tax	**465**	(1,921)
Foreign tax losses not recognised as deferred tax assets	**442**	-
Gain on disposal not subject to tax	**(485)**	-
Other differences	**1,197**	(189)
	12,932	(5,107)

As the Group earned a profit before tax in 2022, the Group has recognised a tax charge of €12.9 million for the year ended 31 December 2022 (2021: tax credit of €5.1 million). The tax charge primarily relates to current tax in respect of profits earned in Ireland during the year of €11.7 million (2021: €0.3 million).

The deferred tax charge for the year ended 31 December 2022 of €2.9 million (2021: tax credit of €5.4 million) primarily relates to deferred tax arising on the reversal of impairments of the fair value of land and buildings of €2.0 million and the carry back of losses incurred in 2020, in respect of which a deferred tax asset had previously been recognised at 31 December 2021, against prior periods, generating cash refunds of €1.5 million (2021: primarily related to tax losses and remeasurement of UK deferred tax assets and liabilities at 25% tax rate). This deferred tax charge is partially offset by a deferred tax credit of €0.6 million which primarily relates to corporation tax losses arising in the UK and Germany during the year. The Group is confident that the deferred tax recognised in respect of tax losses during 2022 together with the amounts carried forward from earlier years will be fully utilised in future periods (note 24).

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 were remeasured at the 25% corporation tax rate during 2021. The vast majority of the UK losses are recognised at the 25% tax rate. UK losses expected to be utilised during the period between 1 January and 31 March 2023 are measured at the 19% tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

11 Impairment

At 31 December 2022, as a result of 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 this was deemed to be a potential impairment indicator. 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 2022, the market capitalisation of the Group (€728 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. 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 2022, 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 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 13). For CGUs with right-of-use assets, the lease term was used;
- Revenue and EBITDA for 2023 and future years are based on management's best estimate projections as at 31 December 2022. Forecasted revenue and EBITDA are based on expectations of future outcomes taking into account the macro-environment, current earnings, past experience and adjusted for anticipated revenue and cost growth;
- Cash flow projections assume a long-term compound annual growth rate post 2027 of 2% (2021: 2%) in EBITDA for CGUs in the Republic of Ireland and 2.5% (2021: 2.5%) 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% (2021: 2%) for Irish and 2.5% (2021: 2.5%) for UK properties;
- The cash flows are discounted using a risk adjusted discount rate specific to each property. Risk adjusted discount rates of 8.5% to 11.25% for Dublin assets (31 December 2021: 7.75% to 9.75%), 9.75% to 12.5% for Regional Ireland assets (31 December 2021: 9.0% to 11.5%), 7.5% to 13% for UK assets (31 December 2021: 7.5% to 11.75%) 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.

Following the impairment assessments carried out on the Group's CGUs at 31 December 2022, the recoverable amount was not deemed lower than the carrying amount for any of the Group's CGUs. No impairment charge relating to right-of-use assets (note 14) and fixtures, fittings and equipment (note 13) has therefore been recognised in profit or loss for the year ended 31 December 2022.

At 31 December 2022, 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 two of the Group's Irish CGUs and one of the Group's UK CGUs were recognised in profit or loss as a result of improved performance forecasts. This resulted in a reversal of previous impairment charges of €4.1 million on right-of-use assets (note 14) and €0.6 million on fixtures, fittings and equipment (note 13).

If the 2023 EBITDA forecasts used in cashflow in VIU estimates for impairment testing as at 31 December 2022 had been forecast 10% lower, there would have been no impairment for the year ended 31 December 2022 for right-of-use assets and fixtures, fittings and equipment and goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

12 Intangible assets and goodwill

	Goodwill	Other intangible assets	Total
	€'000	€'000	€'000
Cost or valuation			
Balance at 1 January 2022	79,716	2,517	82,233
Additions	-	280	280
Effect of movements in exchange rates	(610)	-	(610)
Balance at 31 December 2022	**79,106**	**2,797**	**81,903**
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
Accumulated amortisation and impairment losses			
Balance at 1 January 2022	(48,947)	(1,292)	(50,239)
Amortisation of intangible assets	-	(610)	(610)
Balance at 31 December 2022	**(48,947)**	**(1,902)**	**(50,849)**
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)
Carrying amounts			
At 31 December 2022	30,159	895	31,054
At 31 December 2021	**30,769**	**1,225**	**31,994**

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 2022, the goodwill cost figure includes €11.6 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 2022 resulted in a foreign exchange loss of €0.6 million and a corresponding decrease in goodwill. The comparative retranslation at 31 December 2021 resulted in a foreign exchange gain of €0.8 million.

12 Intangible assets and goodwill *(continued)*

Carrying amount of goodwill allocated	Number of cash-generating units At 31 December 2022	2022 €'000	2021 €'000
Moran Bewley Hotel Group (i)	**7**	**24,500**	25,074
Other acquisitions (i)	**3**	**1,314**	1,350
2007 Irish hotel operations acquired (ii)	**3**	**4,345**	4,345
	13	**30,159**	30,769

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2022.

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 for CGUs where the Group owns the freehold 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 2022, no goodwill was required to be impaired (2021: Nil).

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.The freehold interest in the property is owned by the Group and therefore these hotel properties are valued annually by independent external valuers. As such 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 (2022: Ireland 9.96%, UK 6.8%, 2021: Ireland 9.96%, 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 2022, 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. Following the impairment assessment carried out at 31 December 2022, there was no impairment relating to the CGUs. Note 11 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 now also 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 2022 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 2022, there was no impairment of goodwill relating to these CGUs.

12 Intangible assets and goodwill *(continued)*

(ii) 2007 Irish hotel operations acquired (continued)
Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the assets are significant for these assets (2022: 9.96%, 2021: 9.96%). Purchaser's costs are a key difference between VIU and fair value less costs of disposal as prepared by external valuers. Note 11 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 11).

Other intangible assets
Other intangible assets of €0.9 million at 31 December 2022 (2021: €1.2 million) primarily represent a software licence agreement entered into by the Group in 2019. This software licence will 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 2022 of €0.3 million (2021: €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 2022, 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 2022.

13 Property, plant and equipment

	Land and buildings	Assets under construction	Fixtures, fittings and equipment	Total
	€'000	€'000	€'000	€'000
At 31 December 2022				
Valuation	1,281,344	-	-	1,281,344
Cost	-	64,556	153,879	218,435
Accumulated depreciation (and impairment charges) *	-	-	(72,332)	(72,332)
Net carrying amount	1,281,344	64,556	81,547	1,427,447
At 1 January 2022, net carrying amount	**1,088,847**	**79,094**	**75,961**	**1,243,902**
Additions through capital expenditure	31	18,732	21,165	39,928
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	28,627	(31,796)	3,169	-
Capitalised labour costs	52	32	79	163
Capitalised borrowing costs (note 6)	1,088	1,063	-	2,151
Disposal	(19,008)	-	(1,204)	(20,212)
Revaluation gains through OCI	188,185			188,185
Reversal of revaluation losses through profit or loss	21,234	-	-	21,234
Reversal of previous impairment charges of fixtures, fittings and equipment	-	-	624	624
Depreciation charge for the year	(11,237)	-	(17,189)	(28,426)
Translation adjustment	(16,475)	(2,569)	(1,058)	(20,102)
At 31 December 2022, net carrying amount	**1,281,344**	**64,556**	**81,547**	**1,427,447**

13 Property, plant and equipment *(continued)*

	Land and buildings	Assets under construction	Fixtures, fittings and equipment	Total
	€'000	€'000	€'000	€'000
The equivalent disclosure for the prior year is as follows:				
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	138	35	8	181
Capitalised borrowing costs (note 6)	-	1,942	-	1,942
Revaluation 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**

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

The carrying value of land and buildings (revalued at 31 December 2022) is €1,281.3 million (2021: €1,088.8 million). The value of these assets under the cost model is €855.4 million (2021: €849.8 million). In 2022, unrealised revaluation gains of €188.2 million have been reflected in other comprehensive income and in the revaluation reserve in equity. Reversal of prior period revaluation losses of €21.2 million have been reflected in administrative expenses through profit or loss.

13 Property, plant and equipment *(continued)*

Included in land and buildings at 31 December 2022 is land at a carrying value of €463.7 million (2021: €297.0 million) which is not depreciated. There are €3.3 million of fixtures, fittings and equipment which have been depreciated in full but are still in use at 31 December 2022 (31 December 2021: €6.1 million).

Additions to assets under construction during the year end 31 December 2022 primarily relate to development expenditure incurred on the construction of Maldron Hotel Shoreditch in London and Maldron Hotel Merrion Road in Dublin. On 4 August 2022, the Group completed the construction of the Maldron Hotel Merrion Road on the site of the former Tara Towers Hotel. The Group accounted for the hotel development and related costs incurred up to completion as assets under construction. On completion, the costs capitalised were reclassified from assets under construction to land and buildings and fixtures, fittings and equipment, as the Group now has use of the property, and operates it as the Maldron Hotel Merrion Road.

Capitalised labour costs of €0.2 million (2021: €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 2022. No impairment charge has been recorded as the recoverable amount was deemed higher than the carrying amount for all the Group's CGUs.

At 31 December 2022, impairment reversal assessments were carried out on the Group's CGUs where there had been a previous impairment of fixtures, fittings and equipment. Following this assessment, reversals of previous impairments relating to two of the Group's Irish CGUs and one of the Group's UK CGUs were recognised in profit or loss as a result of improved performance forecasts. This resulted in a reversal of previous impairment charges of €4.1 million on right-of-use assets and €0.6 million on fixtures, fittings and equipment (note 11).

At 31 December 2022, property, plant and equipment, including fixtures, fittings and equipment in leased properties, with a carrying amount of €1,217.0 million (2021: €1,080.0 million) were pledged as security for loans and borrowings.

On 21 June 2022, the Group completed the sale of Clayton Crown Hotel for net proceeds of €24.1 million (£20.7 million). As a result, the hotel property and related fixtures, fittings and equipment of €20.2 million (£17.4 million) were derecognised from the statement of financial position. A gain on disposal of €3.9 million (£3.3 million) was recognised in profit or loss for the year ended 31 December 2022 (note 5).

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.

The value of the Group's property at 31 December 2022 reflects open market valuations carried out as at 31 December 2022 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.

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 2022, 29 properties were revalued by independent external valuers engaged by the Group (31 December 2021: 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 2021: 9.96%) and 6.8% for assets located in the UK (31 December 2021: 6.8%).

13 Property, plant and equipment *(continued)*

Measurement of fair value *(continued)*

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.

The significant unobservable inputs and drivers thereof are summarised in the following table:

Significant unobservable inputs

	31 December 2022			
	Dublin	Regional Ireland	UK	Total
	Number of hotel assets			
Average Room Rate				
< €75/£75	-	-	-	-
€75-€100/£75-£100	-	-	3	3
€100-€125/£100-£125	3	6	2	11
>€125/£125	7	6	2	15
	10	12	7	29
Terminal (Year 10) capitalisation rate				
<8%	7	2	2	11
8%-10%	3	8	4	15
>10%	-	2	1	3
	10	12	7	29
Price per key*				
< €150k/£150k	1	9	5	15
€150k-€250k/£150k-£250k	1	3	-	4
€250k-€350k/£250k-£350k	7	-	1	8
> €350k/£350k	1	-	1	2
	10	12	7	29

13 Property, plant and equipment *(continued)*

Significant unobservable inputs *(continued)*

	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

* 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 8.50% and 11.25% (31 December 2021: 7.75% and 9.75%).
  - Weighted average risk adjusted discount rate is 9.56% (31 December 2021: 8.72%).
  - Terminal capitalisation rates range between 6.50% and 9.25% (31 December 2021: 5.75% and 7.75%).
  - Weighted average terminal capitalisation rate is 7.56% (31 December 2021: 6.72%).
- Regional Ireland:
  - Risk adjusted discount rates range between 9.75% and 12.50% (31 December 2021: 9.0% and 11.5%).
  - Weighted average risk adjusted discount rate is 10.75% (31 December 2021: 9.56%).
  - Terminal capitalisation rates range between 7.75% and 10.50% (31 December 2021: 7.00% and 9.50%).
  - Weighted average terminal capitalisation rate is 8.81% (31 December 2021: 7.56%).
- UK:
  - Risk adjusted discount rates range between 7.50% and 13.00% (31 December 2021: 7.5% and 11.75%).
  - Weighted average risk adjusted discount rate is 9.47% (31 December 2021: 9.04%).
  - Terminal capitalisation rates range between 5.00% and 10.50% (31 December 2021: 5.00% and 9.25%).
  - Weighted average terminal capitalisation rate is 7.06% (31 December 2021: 6.54%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

13 Property, plant and equipment *(continued)*

Significant unobservable inputs *(continued)*
Revenue per available room metrics ('RevPAR') for 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 may 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.

14 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	Other equipment	Total
	€'000	€'000	€'000
Net book value at 1 January 2022	**491,832**	**37**	**491,869**
Additions	195,167	330	195,497
Depreciation charge for the year	(27,447)	(56)	(27,503)
Remeasurement of lease liabilities	10,441	-	10,441
Reversal of previous impairment charges	4,101	-	4,101
Translation adjustment	(16,304)	-	(16,304)
Net book value at 31 December 2022	**657,790**	**311**	**658,101**
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**

Right-of-use assets comprise leased assets that do not meet the definition of investment property.

14 Leases *(continued)*

Group as a lessee ***(continued)***
Lease liabilities

	2022	2021
	€'000	€'000
Current	10,049	10,761
Non-current	471,877	388,871
Lease liabilities at 1 January	**481,926**	**399,632**
Additions	185,061	81,210
Interest on lease liabilities (note 6)	38,101	24,409
Lease payments	(47,425)	(33,339)
Remeasurement of lease liabilities	10,427	517
Translation adjustment	(16,299)	9,497
Lease liabilities at 31 December	**651,791**	**481,926**
Current	10,347	10,049
Non-current	641,444	471,877
Lease liabilities at 31 December	**651,791**	**481,926**

Additions during the year ended 31 December 2022 relate to:

- In February 2022, the Group entered into a 35 year lease of Maldron Hotel Manchester City Centre. This resulted in the recognition of a lease liability of €32.3 million (£27.1 million) and a right-of-use asset of €37.2 million (£31.3 million), which includes lease prepayments and initial direct costs of €4.9 million (£4.2 million).
- In February 2022, the Group entered a new operating lease of Clayton Hotel Düsseldorf, Germany. The lease term is 20 years, with two 5 year tenant extension options. This resulted in the recognition of a lease liability of €49.6 million and right-of-use asset of €50.1 million, which includes €0.5 million of initial direct costs.
- In March 2022, the Group entered into a 35 year lease of Clayton Hotel Bristol City. This resulted in the recognition of a lease liability of €32.4 million (£27.0 million) and a right-of-use asset of €35.3 million (£29.4 million), which includes lease prepayments and initial direct costs of €2.9 million (£2.4 million).
- In April 2022, the Group entered into a 35 year lease of The Samuel Hotel, Dublin. This resulted in the recognition of a lease liability of €37.9 million and a right-of-use asset of €38.3 million, which includes initial direct costs of €0.4 million.
- In July 2022, the Group entered into a new lease for its central office headquarters. The lease term is 15 years, with a break option after 10 years. This resulted in the recognition of a lease liability of €3.3 million and a right-of-use asset of €3.3 million.
- In October 2022, the Group entered into a 35 year lease of Clayton Hotel Glasgow. This resulted in the recognition of a lease liability of €29.6 million (£25.6 million) and a right-of-use assets of €31.0 million (£26.9 million), which includes initial direct costs of €1.4 million (£1.3 million).

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.

14 Leases *(continued)*

Group as a lessee *(continued)*
The weighted average incremental borrowing rate for new leases entered into during the year ended 31 December 2022 is 7.5% (2021: 6.8%).

During the year ended 31 December 2022, lease amendments, which were not included in the original lease agreements were made to three of the Group's leases. These have been treated as a modification of lease liabilities and resulted in a decrease in lease liabilities of €2.8 million and a €2.8 million decrease in the carrying value of the right-of-use assets. 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 €13.4 million. In addition, the termination of one of the Group's leases resulted in a decrease in lease liabilities and related right-of-use assets of €0.2 million.

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-use asset relating to one of these leases had been previously impaired, the resulting difference of €0.3 million was 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 2021. 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 €63.8 million of lease liabilities at 31 December 2022 (31 December 2021: €44.4 million).

Non-cancellable undiscounted lease cash flows payable under lease contracts are set out below:

	At 31 December 2022			At 31 December 2021		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	£'000	€'000	€'000	£'000	€'000
Year ended 31 December 2022	-	-	-	23,230	12,976	38,672
During the year 2023	**30,054**	**19,267**	**51,777**	22,376	12,355	37,079
During the year 2024	**28,482**	**19,208**	**50,139**	20,205	12,436	35,005
During the year 2025	**28,419**	**19,280**	**50,157**	19,965	12,508	34,851
During the year 2026	**28,522**	**19,373**	**50,365**	20,048	12,601	35,044
During the years 2027	**28,802**	**19,831**	**51,161**	20,199	12,858	35,501
During the years 2028 – 2037	**281,173**	**206,134**	**513,586**	197,773	134,435	357,761
During the years 2038 – 2047	**176,700**	**224,280**	**429,572**	123,444	147,478	298,955
From 2048 onwards	**83,269**	**176,023**	**281,732**	51,703	103,322	174,665
	685,421	**703,396**	**1,478,489**	498,943	460,969	1,047,533

Clayton Hotel Düsseldorf has been included within the Republic of Ireland region for the year ended 31 December 2022.

Sterling amounts have been converted using the closing foreign exchange rate of 0.88693 as at 31 December 2022 (0.84028 as at 31 December 2021).

The weighted average lease life of future minimum rentals payable under leases is 29.8 years (31 December 2021: 30.1 years). Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 December 2022, the total fixed cash outflows relating to property assets and other equipment amounted to €47.4 million (31 December 2021: €33.3 million).

14 Leases *(continued)*

Group as a lessee *(continued)*

Unwind of right-of-use assets and release of interest charge

The unwinding of the right-of-use assets as at 31 December 2022 and the release of the interest on the lease liabilities as at 31 December 2022 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	UK	Total	Republic of Ireland	UK	Total
	€'000	£'000	€'000	€'000	£'000	€'000
During the year 2023	**18,461**	**9,821**	**29,534**	**20,916**	**18,213**	**41,451**
During the year 2024	**16,512**	**9,754**	**27,509**	**20,434**	**18,155**	**40,903**
During the year 2025	**16,390**	**9,754**	**27,387**	**19,954**	**18,086**	**40,346**
During the year 2026	**16,379**	**9,409**	**26,988**	**19,441**	**18,011**	**39,748**
During the year 2027	**16,111**	**9,189**	**26,471**	**18,881**	**17,914**	**39,079**
During the year 2028	**15,947**	**9,035**	**26,134**	**18,273**	**17,784**	**38,324**
During the years 2029-2038	**145,011**	**82,071**	**237,545**	**142,046**	**166,287**	**329,532**
During the years 2039-2048	**77,400**	**81,884**	**169,723**	**61,058**	**120,880**	**197,348**
From 2049 onwards	**30,024**	**50,365**	**86,810**	**12,958**	**41,694**	**59,967**
	352,235	**271,282**	**658,101**	**333,961**	**437,024**	**826,698**

Clayton Hotel Düsseldorf has been included within the Republic of Ireland for the period ended 31 December 2022.

Sterling amounts have been converted using the closing foreign exchange rate of 0.88693 as at 31 December 2022.

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.

Impairment assessments were carried out on the Group's CGUs at 31 December 2022. No impairment charge has been recorded as the recoverable amount was deemed higher than the carrying amount for all the Group's CGUs (31 December 2021: impairment charge of €0.3 million), (note 11).

As a result of the impairment tests and reversal assessments carried out as at 31 December 2022, a reversal of previous impairment charges of right-of-use assets of €1.6 million (£1.4 million) relating to a UK CGU and €2.5 million relating to right-of-use assets in two Irish CGUs were recognised in profit or loss during the year ended 31 December 2022 (note 11).

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 two 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

14 Leases *(continued)*

Group as a lessee ***(continued)***

Variable lease costs based on revenue/EBITDAR for the year ended 31 December 2022 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	**3,815**	**519**

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

Extension options

As at 31 December 2022, the Group, as a hotel lessee, has two 5-year extension options for one hotel. The Group assesses at lease commencement whether it is reasonably certain to exercise the options and reassesses if there is a significant event or change in circumstances within its control. At 31 December 2022, the Group has assessed that it is not reasonably certain that the options will be exercised. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)
	€'000	€'000
Hotel lease	**47,485**	**6,521**

Termination options

The Group holds a termination option in a new office space lease. The Group assesses at lease commencement whether it is reasonably certain not to exercise the option and reassesses if there is a significant event or change in circumstances within its control. At 31 December 2022, the Group has assessed that it is not reasonably certain that the option will not be exercised. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)
	€'000	€'000
Office building	**3,356**	**1,277**

The Group also holds a termination option in the existing leased office space premises. At 31 December 2022, the Group has initiated the termination option in this lease, which is due to terminate on 30 June 2023.

14 Leases *(continued)*

Group as a lessee ***(continued)***

Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 31 December 2022 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.

	At 31 December 2022	At 31 December 2021
	€'000	€'000
Agreements for lease		
Less than one year	-	14,528
One to two years	**10,178**	10,542
Two to three years	**5,629**	23,400
Three to five years	**15,737**	37,139
Five to fifteen years	**81,307**	192,804
Fifteen to twenty five years	**87,473**	203,837
After twenty five years	**109,229**	233,938
Total future lease payments	**309,553**	716,188

The significant movement since the year end 31 December 2021 is principally due to the following:

- The 35 year leases for the Maldron Hotel Manchester City Centre, Clayton Hotel Bristol City, The Samuel and Clayton Hotel Glasgow City all commenced during 2022. This resulted in a right-of-use asset and lease liability being recognised for the four leases in the consolidated statement of financial position and their respective cashflows being removed from the agreements for lease table above.

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 Cathedral Quarter Manchester (Q2 2024), Maldron Hotel Liverpool City (Q2 2024), Maldron Hotel Brighton (Q2 2024) and Maldron Hotel Croke Park, Dublin (H1 2026).

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.

	2022	2021
	€'000	€'000
Expenses relating to short-term leases recognised in administrative expenses	**204**	112
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets, recognised in administrative expenses	**237**	72
	441	184

For the year ended 31 December 2022, 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 €0.4 million (31 December 2021: €0.2 million).

14 Leases *(continued)*

Group as a lessor
Lease income from lease contracts in which the Group acts as lessor is outlined below:

	2022 €'000	2021 €'000
Operating lease income (note 5)	**392**	355

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 2022 amounted to €0.2 million (31 December 2021: €0.1 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments receivable:

	2022 €'000	2021 €'000
Less than one year	**375**	285
One to two years	**335**	274
Two to three years	**335**	274
Three to four years	**335**	274
Four to five years	**293**	274
More than five years	**1,102**	1,159
Total undiscounted lease payments receivable	**2,775**	2,540

Sterling amounts have been converted using the closing foreign exchange rate of 0.88693 as at 31 December 2022 (31 December 2021: 0.84028).

15 Contract fulfilment costs

	2022 €'000	2021 €'000
At 1 January	**36,255**	22,374
Costs incurred in fulfilling contract in the year	**4,386**	13,197
Capitalised borrowing costs (note 6)	**357**	684
Release of costs to profit or loss on sale	**(40,998)**	-
At 31 December	**-**	36,255

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 on completion of its construction by the Group (comprising 69 residential units) on the site of the former Tara Towers Hotel.

Costs incurred in fulfilling the contract during the year of €4.4 million (2021: €13.2 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 have been recovered following the sale of the residential units.

15 Contract fulfilment costs *(continued)*

Interest capitalised on loans and borrowings relating to this development (qualifying asset) was €0.4 million during the year ended 31 December 2022 (2021: €0.7 million) (note 6).

The Group completed the sale of these residential units to I-RES on 11 August 2022. Revenue and the associated costs were recognised on this contract in profit or loss when the performance obligation in the contract was met. Based on the terms of the contract, this was the legal completion of the contract which occurred on practical completion of the development project, 11 August 2022. As a result, revenue has been recognised at a point in time when the performance obligation was met, rather than over time.

The revenue from the sale of the residential units was €42.6 million of which €41.9 million has been received to date. €0.7 million has been withheld as a retention payment, with full receipt of these funds expected in 2023, and included in contract assets. Total sales proceeds of €42.6 million have been recognised as revenue in profit or loss for the year ended 31 December 2022 (note 2).

The related capitalised contract fulfilment costs of €41.0 million have been released from the statement of financial position to profit or loss and recognised within cost of sales.

Contract fulfilment costs paid have been included in investing activities and not operating cashflows in the consolidated statement of cash flows as they are not primarily derived from the principal revenue-producing activities of the Group.

Bayvan Limited (note 29) held the residential development at the completion date. The entity was sold as part of the transaction with I-RES.

16 Trade and other receivables

	2022	**2021**
	€'000	**€'000**
Non-current assets		
Other receivables	**2,314**	2,271
Prepayments	**1,073**	4,042
	3,387	6,313
Current assets		
Trade receivables	**13,816**	5,519
Prepayments	**8,003**	4,033
Contract assets	**4,465**	1,224
Accrued income	**2,309**	1,092
Other receivables	**1,670**	1,906
	30,263	13,774
Total	**33,650**	20,087

16 Trade and other receivables *(continued)*

Non-current assets

Included in non-current other receivables at 31 December 2022 and 31 December 2021, 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 (2021: €0.9 million) which is interest-bearing and refundable at the end of the lease term.

Included in non-current prepayments at 31 December 2022 are costs of €1.1 million (31 December 2021: €3.8 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 leases which commenced in 2022 were reclassified to right-of-use assets during the year ended 31 December 2022.

Current assets

Other receivables at 31 December 2022 include €1.2 million (2021: €1.1 million) for government grants relating to the Temporary Business Support Scheme for energy costs (note 9) (2021: €1.1 million relating to wage subsidies).

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 2022 €'000	Expected credit loss Rate 2022	Impairment provision 2022 €'000	Net receivables 2022 €'000
Not past due	**6,840**	**0.0%**	-	**6,840**
Past due < 30 days	**3,207**	**0.0%**	-	**3,207**
Past due 30 – 60 days	**1,596**	**0.0%**	-	**1,596**
Past due 60 – 90 days	**1,046**	**0.0%**	-	**1,046**
Past due > 90 days	**1,746**	**35.5%**	**(619)**	**1,127**
	14,435		**(619)**	**13,816**

	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

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 25.

17 Inventories

	2022 €'000	2021 €'000
Goods for resale	**1,863**	1,298
Consumable stores	**479**	367
	2,342	1,665

Inventories recognised as cost of sales during the year amounted to €30.7 million (2021: €12.6 million).

18 Cash and cash equivalents

	2022 €'000	2021 €'000
Cash at bank and in hand	**91,320**	41,112
	91,320	41,112

19 Capital and reserves

Share capital and share premium

At 31 December 2022

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

	Number	€'000
Allotted, called-up and fully paid shares		
Ordinary shares of €0.01 each	**222,871,722**	**2,229**
Share premium		**504,910**

At 31 December 2021

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

	Number	€'000
Allotted, called-up and fully paid shares		
Ordinary shares of €0.01 each	222,865,363	2,229
Share premium		504,895

19 Capital and reserves *(continued)*

Share capital and share premium *(continued)*
All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2022, 6,359 shares were issued to good leavers as part of the Share Save Scheme granted in 2020 (note 8). The weighted average share price at the date of exercise for options exercised during the year ended 31 December 2022 was €2.28.

Dividends
During the year ended 31 December 2022, the Group did not make any dividend payments (year ended 31 December 2021: €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.

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 a 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 8 and in the Remuneration Committee report.

(c) Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, net of deferred tax.

(d) Revaluation reserve
The revaluation reserve relates to the revaluation of land and buildings in line with the Group's policy to fair value these assets at each reporting date (note 13), net of deferred tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

19 Capital and reserves *(continued)*

(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 25).

20 Trade and other payables

	2022	2021
	€'000	€'000
Non-current liabilities		
Other payables	**239**	1,896
	239	1,896
Current liabilities		
Trade payables	**17,645**	12,621
Accruals	**45,821**	30,810
Contract liabilities	**14,265**	10,514
Value added tax	**15,040**	9,205
Payroll taxes	**26,047**	19,642
	118,818	82,792
Total	**119,057**	84,688

Non-current liabilities

Included in non-current other payables at 31 December 2022 are retention payments of €0.2 million (2021: €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 (2022: €9.1 million, 2021: €8.5 million).

Value added tax and payroll taxes

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 €11.7 million and payroll tax liabilities of €23.1 million have been deferred as at 31 December 2022 (31 December 2021: Irish VAT liabilities of €8.5 million and payroll tax liabilities of €17.8 million deferred). The deferred liabilities are expected to be paid by 30 April 2023.

Other VAT liabilities at 31 December 2022 of €3.3 million relate to VAT liabilities incurred in quarter four 2022 that were due for payment in January 2023. Other payroll tax liabilities as at 31 December 2022 of €2.9 million relate to payroll tax liabilities incurred in December 2022 that were due for payment in January 2023.

There were no deferrals of foreign VAT or payroll tax liabilities during the period ended 31 December 2022 and there were no deferred foreign VAT or payroll tax liabilities outstanding to be paid at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

21 Provision for liabilities

	2022	2021
	€'000	€'000
Non-current liabilities		
Insurance provision	**7,165**	6,454
Current liabilities		
Insurance provision	**2,014**	1,734
	9,179	8,188

The reconciliation of the movement in the provision during the year is as follows:

	2022	2021
	€'000	€'000
At 1 January	**8,188**	8,275
Provisions made during the year – charged to profit or loss	**2,500**	2,000
Utilised during the year	**(859)**	(837)
Unwinding of discount – charged to profit or loss	**(650)**	-
Reversed to profit or loss during the year	**-**	(1,250)
At 31 December	**9,179**	8,188

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.

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 no reversal in the year ended 31 December 2022 of provisions made in prior periods (2021: €1.3 million).

22 Loans and borrowings

Non-current liabilities

	2022 €'000	2021 €'000
Bank borrowings	**193,488**	313,533
Total loans and borrowings	**193,488**	313,533

The amortised cost of loans and borrowings at 31 December 2022 is €193.5 million (31 December 2021: €313.5 million). The drawn loan facility as at 31 December 2022 is €199.0 million, relating to Sterling term borrowings of £176.5 million. No revolving credit facilities (RCF) were drawn as at 31 December 2022. The undrawn loan facilities as at 31 December 2022 were €364.4 million (2021: €257.4 million).

In 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. As at 31 December 2022, the Group's debt facilities 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 31 December 2022 this is 8% (31 December 2021: 24%). 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 2022.

As a result of the amended and restated facility agreement entered into in 2021, the Group assessed whether the Group's borrowings were substantially modified under the new terms of the facility agreement. As a result of the assessment, 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 6). Costs of €1.2 million incurred in 2021 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.

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.

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 23). 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 €1,217.0 million (2021: €1,080.0 million) were pledged as security for loans and borrowings.

22 Loans and borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2022.

	Liabilities						
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives (net)	Share capital	Share premium	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2021	**313,533**	**481,926**	**84,688**	**197**	**2,229**	**504,895**	**1,387,468**
Changes from financing cash flows							
Vesting of share awards and options	-	-	-	-	-	15	15
Other interest and finance costs paid	(9,974)	-	(2,438)	179	-	-	(12,233)
Receipt of bank loans	11,973	-	-	-	-	-	11,973
Repayment of bank loans	(117,838)	-	-	-	-	-	(117,838)
Interest on lease liabilities	-	(38,101)	-	-	-	-	(38,101)
Repayment of lease liabilities	-	(9,324)	-	-	-	-	(9,324)
Total changes from financing cash flows	**(115,839)**	**(47,425)**	**(2,438)**	**179**	**-**	**15**	**(165,508)**
Liability-related other changes							
The effect of changes in foreign exchange rates	(12,290)	(16,299)	(787)	(10)	-	-	(29,386)
Changes in fair value	-	-	-	(12,083)	-	-	(12,083)
Interest expense on bank loans and borrowings (note 6)	7,937	-	-	-	-	-	7,937
Other movements in loans and borrowings	147	-	-	-	-	-	147
Other movements in trade and other payables	-	-	37,594	-	-	-	37,594
Additions to lease liabilities during the year	-	185,061	-	-	-	-	185,061
Interest on lease liabilities	-	38,101	-	-	-	-	38,101
Remeasurement of lease liabilities	-	10,427	-	-	-	-	10,427
Total liability-related other changes	**(4,206)**	**217,290**	**36,807**	**(12,093)**	**-**	**-**	**237,798**
Balance as at 31 December 2022	**193,488**	**651,791**	**119,057**	**(11,717)**	**2,229**	**504,910**	**1,459,758**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

22 Loans and borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2021

	Liabilities						
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives (net)	Share capital	Share premium	Total
	€'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**	**1,278,447**
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 6)	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
Remeasurement of 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**	**1,387,468**

22 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 2022 (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.

Reconciliation of movement in net debt for the year ended 31 December 2022

	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
Loans and borrowings – drawn amounts				
At 1 January 2022	266,500	317,156	-	317,156
Cash flows				
Facilities drawn down	10,000	11,973	-	11,973
Loan repayments	(100,000)	(117,838)	-	(117,838)
Non-cash changes				
Effect of foreign exchange movements	-	(12,290)	-	(12,290)
At 31 December 2022	**176,500**	**199,001**	**-**	**199,001**
Cash and cash equivalents				
At 1 January 2022				41,112
Movement during the year				50,208
At 31 December 2022				**91,320**
Net debt at 31 December 2022				**107,681**

Reconciliation of net debt and lease liabilities

Net debt at 31 December 2022	**107,681**
Lease liabilities as at 1 January 2022	**481,926**
Additions	185,061
Interest on lease liabilities	38,101
Lease payments	(47,425)
Remeasurement of lease liabilities	10,427
Translation adjustment	(16,299)
Lease liabilities at 31 December 2022 (note 14)	**651,791**
Net debt and lease liabilities at 31 December 2022	**759,472**

22 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 swaps of €1.0 million are not included in the below tables.

Reconciliation of movement in net debt for the year ended 31 December 2021

	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
Loans and borrowings – drawn amounts				
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 14)	**481,926**
Net debt and lease liabilities at 31 December 2021	**757,970**

23 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 22). Interest rate swaps are employed by the Group to partially convert the Group's Sterling denominated borrowings from floating to fixed interest rates.

Following a fundamental review and reform of major interest rate benchmarks undertaken globally in 2021, the Group replaced LIBOR with an alternative risk-free benchmark rate, Sterling Overnight Index Average 'SONIA' plus an agreed credit adjustment spread, 'CAS spread'. 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 hedge relationships continue to be fully hedge effective as at 31 December 2022 and hedge accounting continues to be applied (notes 22, 25).

The Group currently holds the following derivatives as at 31 December 2022:
•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 to 1.27% on a notional of £63.0 million and to 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 2022, 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

	2022 €'000	2021 €'000
Non-current assets		
Derivative assets	**6,825**	832
Current assets		
Derivative assets	**4,892**	-
Total derivative assets	**11,717**	832
Non-current liabilities		
Derivative liabilities	**-**	(1,029)
Net derivative assets/(liabilities)	**11,717**	(197)

23 Derivatives *(continued)*

Fair value ***(continued)***

	2022 €'000	2021 €'000
Included in other comprehensive income		
Fair value gain on interest rate swaps	**12,093**	6,208
Reclassified to profit or loss (note 6)	**(179)**	2,637
	11,914	8,845

The amount reclassified to profit or loss primarily represents the additional interest paid/(received) by the Group as a result of the interest rate actual SONIA rates being lower/higher than the swap rates.

24 Deferred tax

	2022 €'000	2021 €'000
Deferred tax assets	**21,271**	20,161
Deferred tax liabilities	**(71,022)**	(42,896)
Net deferred tax liabilities	**(49,751)**	(22,735)

	2022 €'000	2021 €'000
Movements in year		
At 1 January – net liability	**(22,735)**	(27,060)
(Charge)/credit for year – to profit or loss (note 10)	**(2,864)**	5,441
Charge for year – to other comprehensive income	**(24,152)**	(1,116)
At 31 December – net liability	**(49,751)**	(22,735)

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 €42.9 million at 31 December 2021 to €71.0 million at 31 December 2022. 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 2022.

The majority of the deferred tax assets of €21.3 million recognised at 31 December 2022 relate to tax losses and interest carried forward by the Group. A deferred tax asset of €17.7 million (2021: €17.0 million) has been recognised in respect of cumulative tax losses and interest carried forward at 31 December 2022 of €75.4 million (31 December 2021: €80.1 million). The Group incurred corporation tax losses in the UK and Germany during the year ended 31 December 2022. These tax losses can be carried forward indefinitely for offset against future taxable profits. The Group also has tax losses carried forward from earlier periods. The losses incurred in 2022 cannot be carried back for offset against profits earned in earlier periods.

24 Deferred tax *(continued)*

The increase in the deferred tax asset recognised on tax losses and interest carried forward from €17.0 million at 31 December 2021 to €17.7 million at 31 December 2022, relates to the increase in foreign tax losses and interest recognised during the year ended 31 December 2022 partially offset by losses utilised in Ireland. The increase in the deferred tax asset recognised despite the decrease in the gross tax losses and interest carried forward is because a greater proportion of the losses are recognised at higher foreign tax rates in 2022. During 2022, the Group carried back losses incurred in Ireland in the year ended 31 December 2020, in respect of which a deferred tax asset had previously been recognised at 31 December 2021, against profits earned in prior periods, generating tax refunds of €1.5 million. The Group also utilised Irish tax losses carried forward of €6.5 million (tax impact €0.8 million) against profits arising during the year ended 31 December 2022.

Included within the €75.4 million tax losses and interest carried forward at 31 December 2022, is a balance of €27.1 million (31 December 2021: €19.9 million) relating to interest expenses carried forward in the UK. In the UK, there is a limit on corporation tax deductions taken each year for interest expense incurred. The unused interest expense carried forward by the UK Group companies at 31 December 2022 can be carried forward indefinitely and offset against future taxable profits.

A deferred tax asset has been recognised in respect of Irish and foreign tax losses and interest, to the extent 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 asset, 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.

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. When normal trading resumed in 2022 the Group returned to profitability and currently forecasts that profit growth will continue in future years.
- Industry analysis reveals positive demand indicators for the hospitality industry in Ireland and the UK at the beginning of 2023.
- The Group is confident that it is well positioned to take advantage of opportunities that will arise during 2023 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. The Group opened seven new hotels in 2022 (four in the UK, two in Ireland and one in Germany). The Group has six new hotels in the pipeline (five in the UK, one in Ireland), which will contribute to future growth.
- The absence of expiry dates for carrying forward foreign 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 rising inflation and cost increases.

Based on the Group's financial projections, the deferred tax asset of €1.1 million in respect of gross Irish tax losses carried forward of €8.4 million is estimated to be recovered in full by the year ending 31 December 2025, with the majority being recovered by the end of the year ending 31 December 2023. The deferred tax asset of €16.6 million in respect of gross foreign tax losses and interest expense carried forward of €66.9 million is estimated to be recovered in full by the year ending 31 December 2029, with the majority being recovered by the end of the year ending 31 December 2026.

At 31 December 2021, the Group had incurred losses of €9.6 million on which a deferred tax asset had not been recognised due to uncertainty over their future utilisation. During 2022, a further €3.3 million of losses were incurred on which a deferred tax asset was not recognised due to uncertainty over their future utilisation. The total tax losses on which deferred tax is not recognised at 31 December 2022 is €12.9 million (2021: €9.6 million). The tax effect of these unrecognised tax losses at 31 December 2022 is €3.3 million (2021: €2.4 million). These specific losses are not permitted to be group relieved and there is uncertainty over sufficient future profits arising in the respective Group companies to utilise the losses not recognised.

24 Deferred tax *(continued)*

Deferred tax arises from temporary differences relating to:

			Balance as at 31 December 2021			
	Net balance at 1 January 2022	Recognised in profit or loss	Recognised in OCI	Net deferred tax	Deferred tax assets	Deferred tax liabilities
	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	**(38,424)**	(3,916)	(21,223)	**(63,563)**	1,025	(64,588)
Leases	**(1,287)**	318	-	**(969)**	2,536	(3,505)
Tax losses and interest carried forward	**16,976**	734	-	**17,710**	17,710	-
Hedging reserve	**-**	-	(2,929)	**(2,929)**	-	(2,929)
Net deferred tax (liabilities)/assets	**(22,735)**	(2,864)	(24,152)	**(49,751)**	21,271	(71,022)

			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	2021	2021	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'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)

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.

25 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 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 2022. 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.

25 Financial instruments and risk management *(continued)*

	Financial assets measured at fair value	Financial assets measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2022	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets							
Derivatives (note 23) - hedging instruments	11,717	-	11,717		11,717		11,717
Trade and other receivables excluding prepayments (note 16)	-	24,574	24,574				
Cash at bank and in hand (note 18)	-	91,320	91,320				
	11,717	115,894	127,611				

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2022	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities							
Bank loans (note 22)	-	(193,488)	(193,488)		(193,488)		(193,488)
Trade payables and accruals (note 20)	-	(63,705)	(63,705)				
	-	(257,193)	(257,193)				

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	Financial assets measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2021	2021	2021	2021	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets							
Derivatives (note 23) - hedging instruments	832	-	832		832		832
Trade and other receivables excluding prepayments (note 16)	-	12,012	12,012				
Cash at bank and in hand (note 18)	-	41,112	41,112				
	832	53,124	53,956				

25 Financial instruments and risk management *(continued)*

	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	2021	2021	2021	2021	2021	2021	2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities							
Bank loans (note 22)	-	**(313,533)**	**(313,533)**		**(313,533)**		**(313,533)**
Trade payables and accruals (note 20)	-	**(45,327)**	**(45,327)**				
Derivatives (note 23)- hedging instruments	**(1,029)**	-	**(1,029)**		**(1,029)**		**(1,029)**
	(1,029)	**(358,860)**	**(359,889)**				

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 2022, 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.

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.

25 Financial instruments and risk management *(continued)*

(a) Credit risk *(continued)*

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 totalling €1.2 million at 31 December 2022 (2021: €1.1 million), which will be received in 2023. The Group is also due €0.5 million (2021: €0.8 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 (2021: €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 16).

The ageing profile of trade receivables at 31 December 2022 is provided in note 16. Management does not expect any significant losses from trade receivables that have not been provided for as shown in note 16, contract assets, accrued income or other receivables.

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 2022, cash and cash equivalents were held in line within predetermined limits depending on the credit rating of the relevant bank or financial institution.

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 2022 €'000	Carrying amount 2021 €'000
Trade receivables	**13,816**	5,519
Other receivables	**3,984**	4,177
Contract assets	**4,465**	1,224
Accrued income	**2,309**	1,092
Cash at bank and in hand	**91,320**	41,112
	115,894	**53,124**

(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 year ended 31 December 2022 saw Group trade recover strongly from the impact of Covid-19 restrictions and resume normal execution of its growth strategy. The lifting of all government restrictions and hotels fully re-opening to customers from the end of January 2022, in Ireland and the UK, has resulted in demand for hospitality increasing significantly. This, in addition to, the opening of seven hotels during the year, has led to an increase in Group revenue from hotel operations from €192.0 million to €515.7 million (excluding revenue of €42.6 million from the sale of the Merrion Road residential units) and net cash generated from operating activities in the period of €207.9 million (31 December 2021: €90.6 million).

25 Financial instruments and risk management *(continued)*

(b) Liquidity risk *(continued)*

The Group remains in a very strong financial position with significant financial headroom. The Group is in full compliance with its covenants at 31 December 2022. The key covenants relate to Net Debt to Value (see APM (x) in Supplementary Financial Information section) and a minimum liquidity (cash and/or undrawn facilities) requirement of €50 million. Net Debt to Value must be equal to or less than 55% and as at 31 December 2022 this is 8% (31 December 2021: 24%). At 31 December 2022, cash and undrawn facilities are €455.7 million (31 December 2021: €298.5 million).

During the year, the Group completed the sale of the Clayton Crown hotel for net proceeds of €24.1 million. This was in addition to the sale of the Merrion Road residential units which led to a further cash inflow of €41.9 million.

As per the amended and restated facility agreement of 2 November 2021, the Group will revert to Previous Covenants namely Net Debt to EBITDA (as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent) and Interest Cover for testing at 30 June 2023. The Net Debt to EBITDA covenant limit is 4.0 times and the Interest Cover minimum is 4.0 times at 30 June 2023. At 31 December 2022, Net Debt to EBITDA after rent for the Group is 0.8x and Interest Cover is 11.3 times.

The Group monitors its Debt and Lease Service Cover, which is 3.1 times for the year ended 31 December 2022 (31 December 2021: 1.6 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 the Viability Statement.

The following are the contractual maturities of the Group's financial liabilities at 31 December 2022, 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 14. 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. As at 31 December 2022, the interest rate swaps are financial assets, as the fixed rates are below the forecasted variable rates and as a result, have not been included in the 2022 table.

			Contractual cashflows			
	Carrying value 2022 €'000	Total 2022 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(193,488)	(221,630)	(3,977)	(4,042)	(8,041)	(205,570)
Trade payables and accruals	(63,705)	(63,705)	(63,466)	-	(239)	-
	(257,193)	(285,335)	(67,443)	(4,042)	(8,280)	(205,570)

The equivalent disclosure for the prior year is as follows:

			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 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)

25 Financial instruments and risk management *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices and indices, such as interest rates and foreign exchange rates, will affect the Group's 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 23) 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.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the reference interest rates, maturities and 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.

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. All of the Group's borrowings and related interest rate swaps had transitioned to SONIA by 31 December 2021 (notes 22, 23). 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.

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 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 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 22, 23). 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 2022 and hedge accounting continues to be applied.

As at 31 December 2022, 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	
	2022	**2021**
	€'000	**€'000**
Variable rate instruments		
Financial liabilities – borrowings	**199,001**	317,156
Effect of interest rate swaps	**(199,001)**	(210,049)
	-	107,107

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 2022 was 3.61% (2021: 3.55%), of which 2.38% (2021: 2.68%) related to margin.

25 Financial instruments and risk management *(continued)*

(c) Market risk ***(continued)***

(i) Interest rate risk (continued)

The interest expense for the year ended 31 December 2022 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 SONIA would have been in 2022. The Group has reviewed and analysed the SONIA forward curve statistics for the remaining loan tenor. There were no Euro borrowings drawn during 2022.

In relation to the upward sensitivity, the Group believes that a reasonable change in the Sterling variable interest rate would be an uplift to 4.8%, being the highest 3 month SONIA rate plus spread, based on current forward curves.

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 2022, all Sterling term borrowings (£176.5 million) up to 26 October 2024 were hedged with interest rate swaps. At 31 December 2022, there were no revolving credit facilities drawn. 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 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.

	2022 actual weighted average variable benchmark rate	Sensitised weighted average as a result of upward sensitivity	Sensitised weighted average as a result of downward sensitivity
Sterling variable rate	**1.23%**	**2.02%**	**1.08%**

	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%

25 Financial instruments and risk management *(continued)*

(c) Market risk *(continued)*

(i) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

	Effect on profit or loss	
	Increase in rate	Decrease in rate
	€'000	€'000
2022		
(Increase)/decrease in interest on loans and borrowings	**(2,551)**	**484**
Decrease/(increase) in tax charge	**319**	**(60)**
(Decrease)/increase in profit	**(2,232)**	**423**
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

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 2022. 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 assets.

		31 December 2022		
	Carrying amount	Total	12 months or less	More than 1 year
	€'000	€'000	€'000	€'000
Interest rate swaps				
Assets	**11,717**	**12,672**	**7,050**	**5,622**

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 2022. 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 assets.

		31 December 2022		
	Carrying amount	Total	12 months or less	More than 1 year
	€'000	€'000	€'000	€'000
Interest rate swaps				
Assets	**11,717**	**12,672**	**7,050**	**5,622**

25 Financial instruments and risk management *(continued)*

(c) Market risk *(continued)*

(i) Interest rate risk (continued)

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:

		31 December 2021		
	Carrying amount	Total	12 months or less	More than 1 year
	€'000	€'000	€'000	€'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 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:

		31 December 2021		
	Carrying amount	Total	12 months or less	More than 1 year
	€'000	€'000	€'000	€'000
Interest rate swaps				
Liabilities	**(1,029)**	**(1,004)**	**(1,035)**	**31**

(ii) Foreign currency risk

As per the Risk Management section of the annual report, 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 £176.5 million (€199.0 million) at 31 December 2022 (2021: £266.5 million (€317.2 million)) and are designated as net investment hedges. The net investment hedge was fully effective during the year.

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

Sensitivity analysis on transactional risk

The Group performed a sensitivity analysis on the impact on the Group's profit after tax and equity and had foreign exchange rates been different. The Group has reviewed the historical average monthly Euro/Sterling foreign exchange rates for the previous fifteen years. The lowest average foreign exchange rate of 0.71 has been used in calculating the impact of Euro weakening against Sterling as it is reflective of a period of market volatility due to strong economic growth. On the upward sensitivity, due to volatility in the market, the Group have used a Euro/Sterling foreign exchange rate of 1 (parity) in the sensitivity.

25 Financial instruments and risk management *(continued)*

(c) Market risk *(continued)*

(ii) Foreign currency risk (continued)

	Profit		Equity	
	Strengthening of Euro	Weakening of Euro	Strengthening of Euro	Weakening of Euro
	€'000	€'000	€'000	€'000
Decrease/(increase) in interest costs on Sterling loans	1,165	(1,528)	1,165	(1,528)
Impact on tax charge	(146)	191	(146)	191
Increase/(decrease) in profit	**1,019**	**(1,337)**		
Increase/(decrease) in equity			**1,019**	**(1,337)**

(d) Capital management

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

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a pre-tax leveraged return on equity of at least 15% on investments and typically 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 2022 is 0.8 times (31 December 2021: 9.2 times).

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 8% at 31 December 2022 (31 December 2021: 24%). 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 2022, is 4.1x (31 December 2021: 12.0x) (APM (ix)).

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.

26 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 and commitments of the Republic of Ireland registered subsidiary companies which are listed below:

Suvanne Management Limited	Candlevale Limited
Carasco Management Limited	DHG Arden Limited
Heartside Limited	Merzolt Limited
Palaceglen Limited	Pondglen Limited
Songdale Limited	Lintal Commercial Limited
Amelin Commercial Limited	Pillo Hotels Limited
DHG Burlington Road Limited	Loadbur Limited
Dalata Support Services Limited	DHG Cordin Limited
Bernara Commercial Limited	Leevlan Limited
Adelka Limited	Fonteyn Property Holdings Limited
DS Charlemont Limited	DHG Dalton Limited
DHG Barrington Limited	DHG Glover Limited
Fonteyn Property Holdings No. 2 Limited	DHG Harton Limited
DHG Eden Limited	DHG Indigo Limited
Galsay Limited	DHG Fleming Limited

Capital commitments

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

	2022	2021
	€'000	€'000
Contracted but not provided for	**24,875**	37,783

This relates primarily to the construction of a new hotel in Shoreditch, London (€16.1 million) which is 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 €71.2 million (31 December 2021: €50.0 million) spread over the life of the various leases with the majority ranging in length from 19 years to 35 years. The turnover figures used in this estimate are based on 2023 budgeted revenues which reflects a return to a full year of normal trading.

27 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with Shareholders and the Executive 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. In addition, the share-based payments expense for key management in 2022 was €0.8 million (2021: €0.5 million).

There are no other related party transactions requiring disclosure in accordance with IAS 24 in these consolidated financial statements.

28 Subsequent events

In February 2023, the Group completed the acquisition of a new 192-bedroom hotel in Finsbury Park, London. As part of the transaction, the entire issued share capital of Tide Developments (4) Limited was acquired for a total consideration of £44.3 million (€49.7 million) from Furadino Holdings Limited. Tide Developments (4) Limited has a gross asset value of £45.1 million and holds the freehold interest of the hotel property.

29 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2022 is set out below:

			Ownership	
Subsidiary undertaking	**Country of Incorporation**	**Activity**	**Direct**	**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%	-
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%
C I 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	Hotel and catering	-	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

29 Subsidiary undertakings *(continued)*

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
Bernara Commercial Limited[1]	Ireland	Property investment	-	100%
Pillo Hotels Limited[1]	Ireland	Dormant company	-	100%
Loadbur Limited[1]	Ireland	Hotel and catering	-	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 company	-	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	Hotel and catering	-	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%
DHG Eden Limited[1]	Ireland	Hotel and catering	-	100%
DHG Dalton Limited[1]	Ireland	Property holding company	-	100%
Williamsberg Property Limited[1]	Ireland	Hotel and catering	-	100%
Oak Lodge Management Company Limited by Guarantee[1]	Ireland	Management company	-	100%
DHG Indigo Limited[1]	Ireland	Holding company	-	100%
DHG Belfast Limited[2]	N Ireland	Hotel and catering	-	100%
DHG Derry Limited[2]	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited[2]	N Ireland	Dormant company	-	100%
DHG Brunswick Limited[2]	N Ireland	Hotel and catering	-	100%
Dalata UK Limited[3]	UK	Holding company	-	100%
Dalata Cardiff Limited[3]	UK	Hotel and catering	-	100%
Trackdale Limited[3]	UK	Hotel and catering	-	100%

29 Subsidiary undertakings *(continued)*

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
Islandvale Limited[3]	UK	Hotel and catering	-	100%
Crescentbrook Limited[3]	UK	Hotel and catering	-	100%
Hallowridge Limited[3]	UK	Hotel and catering	-	100%
Rush (Central) Limited[3]	UK	Property holding company	-	100%
Hotel La Tour Birmingham Limited[3]	UK	Hotel and catering	-	100%
SRD (Trading) Limited[3]	UK	Hotel and catering	-	100%
SRD (Management) Limited[3]	UK	Hotel and catering	-	100%
Hintergard Limited[4]	Jersey	Property holding company	-	100%
Dalata Deutschland Holding GmbH[5]	Germany	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 these companies is Butcher Street, Londonderry, County Derry BT48 6HL, UK.
3. The registered address of these companies is St Mary Street, Cardiff, Wales, CF10 1GD, UK.
4. The registered address of this company is 12 Castle Street, St Helier Jersey, JE2 3RT.
5. The registered address of this company is Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany.

During the year ended 31 December 2022, Cenan BV, a financing entity in the Netherlands, and DT Sussex Road Operations Limited, a dormant Irish entity, were liquidated. The liquidation of these entities was immaterial for the Group as both were dormant.

Bayvan Limited was sold as part of the I-RES transaction (note 15).

30 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) 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 2022 and 31 December 2021.

	2022	2021
Profit/(loss) attributable to shareholders of the parent (€'000) – basic and diluted	**96,725**	(6,329)
Adjusted profit/(loss) attributable to shareholders of the parent (€'000) – basic and diluted	**70,557**	(14,290)
Earnings/(loss) per share – Basic	**43.4 cents**	(2.8) cents
Earnings/(loss) per share – Diluted	**43.2 cents**	(2.8) cents
Adjusted earnings/(loss) per share – Basic	**31.7 cents**	(6.4) cents
Adjusted earnings/(loss) per share – Diluted	**31.5 cents**	(6.4) cents
Weighted average shares outstanding – Basic	**222,867,676**	222,831,030
Weighted average shares outstanding – Diluted	**223,849,560**	222,831,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

30 Earnings per share *(continued)*

The difference between the basic and diluted weighted average shares outstanding for the period ended 31 December 2022 is due to the dilutive impact of the conditional share awards granted in 2020, 2021 and 2022. For the period ended 31 December 2021, there is no difference between basic and diluted loss per share as potential ordinary shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share.

Adjusted earnings per share (basic and diluted) are presented as alternative performance measures 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).

	2022 €'000	2021 €'000
Reconciliation to adjusted profit/(loss) for the year		
Profit/(loss) before tax	**109,657**	(11,436)
Finance costs	**45,870**	32,878
Profit/(loss) before tax and finance costs	**155,527**	21,442
Adjusting items (note 2)		
Net property revaluation movements through profit or loss	**(21,166)**	(6,790)
Net reversal of previous impairment charges of right-of-use assets	**(4,101)**	(39)
Net reversal of previous impairment charges of fixtures, fittings and equipment	**(624)**	(120)
Revenue from sale of Merrion Road residential units	**(42,532)**	-
Release of costs capitalised for Merrion Road residential units	**40,998**	-
Gain on disposal of property, plant and equipment	**(3,877)**	-
Hotel pre-opening expenses	**2,666**	1,927
Remeasurement gain on right-of-use assets	**-**	(277)
Adjusted profit/(loss) before tax and finance costs	**126,891**	16,143
Finance costs	**(45,870)**	(32,878)
Adjusting items in finance costs		
Modification gain on amended debt facility (note 6)	**-**	(2,704)
Adjusted profit/(loss) before tax	**81,021**	(19,439)
Tax (charge)/credit	**(12,932)**	5,107
Adjusting items in tax (charge)/credit		
Tax adjustment for adjusting items	**2,468**	42
Adjusted profit/(loss) for the year	**70,557**	(14,290)

31 Approval of the financial statements

The financial statements were approved by the Directors on 27 February 2023.

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 30 to the consolidated financial statements. Adjusting items with a cash impact are set out in APM xiii 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 which 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 interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and variable lease costs.

Segments EBITDAR represents Segments EBITDA before variable lease costs 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, before lease costs.
Reconciliation: Note 2

(v) Adjusted earnings/(loss) 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 which distort comparability either year on year or with other similar businesses.
Reconciliation: Note 30

(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: Refer below

(vii) Net Debt and Lease Liabilities

Net Debt (see definition vi) and Lease Liabilities at year end.
Reconciliation: Refer below

(viii) Net Debt to EBITDA after rent

Net Debt (see definition vi) divided by 'EBITDA after rent' (see definition xix) for the year. This APM is presented to show the Group's financial leverage before the application of IFRS 16 *Leases*, in line with banking covenants.
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 *Leases*.
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

(xi) Lease Modified Net Debt

Net Debt (see definition vi) plus Modified Lease Debt at year end. Modified Lease Debt is defined as eight times the Group's lease cash flow commitment under existing lease contracts for a 12 month period. The Group's non-cancellable undiscounted lease cash flows payable under existing lease contracts for the next financial year as presented in note 14 is used for this purpose.

This APM is presented to show the Group's financial leverage including lease cash flows payable under its lease contracts. The multiple of 8x is in line with external credit rating agency assessments of the lodging industry.
Reconciliation: Refer below

(xii) Lease Modified Net Debt to Adjusted EBITDA

Lease Modified Net Debt (see definition xi) divided by the 'Adjusted EBITDA' (see definition ii) for the year. This APM is presented to show the Group's financial leverage including lease cash flows payable under its lease contracts.
Reconciliation: Refer below

Reconciliation of Net Debt APMs - definitions (vi), (vii), (viii), (ix), (x)		**Reference in financial statements**	**31 December 2022 €'000**	31 December 2021 €'000
Loans and borrowings at amortised cost		Statement of financial position	**193,488**	313,533
Accounting adjustment to bring to amortised cost			**5,513**	3,623
External loans and borrowings drawn		Note 22	**199,001**	317,156
Less cash and cash equivalents		Statement of financial position	**(91,320)**	(41,112)
Net Debt (APM vi)	(A)	Note 22	**107,681**	276,044
Lease Liabilities - current and non-current		Statement of financial position	**651,791**	481,926
Net Debt and Lease Liabilities (APM vii)	(B)	Note 22	**759,472**	757,970
Adjusted EBITDA (APM ii)	(C)	Note 2	**183,430**	63,237
EBITDA after rent (APM xix)	(D)		**137,763**	30,205
Net Debt to EBITDA after rent (APM viii)	(A/D)		**0.8x**	9.1x
Net Debt and Lease Liabilities to Adjusted EBITDA (APM ix)	(B/C)		**4.1x**	12.0x
Valuation of property assets as provided by external valuers[1]	(E)		**1,337,088**	1,146,274
Net Debt to Value (APM x)	(A/E)		**8.1%**	24.1%

[1] Property assets valued exclude assets under construction and fixtures, fittings and equipment in leased hotels.

(xii) Lease Modified Net Debt to Adjusted EBITDA *(continued)*

Reconciliation of Lease Modified Net Debt APMs - definitions (xi), (xii)		**Reference in financial statements**	**31 December 2022 €'000**	31 December 2021 €'000
Non-cancellable undiscounted lease cash flows payable under lease contracts in the next financial year	(A)	Note 14	**51,777**	38,672
Modified Lease Debt	(B=A*8)		**414,216**	309,376
Net Debt (APM vi)	(C)		**107,681**	276,044
Lease Modified Net Debt (APM xi)	(D=B+C)		**521,897**	585,420
Adjusted EBITDA (APM ii)	E	Note 2	**183,430**	63,237
Lease Modified Net Debt to Adjusted EBITDA (APM xii)	(D/E)		**2.8x**	9.3x

(xiii) Free Cashflow

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

(xiv) Free Cashflow per Share (FCPS)

Free Cashflow (see definition xiii) 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 FCPS 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

(xv) Debt and Lease Service Cover

Free Cashflow (see definition xiii) 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 (xiii), (xiv), (xv)		**Reference in financial statements**	**2022 €'000**	2021 €'000
Net cash from operating activities		Statement of cash flows	**207,860**	90,579
Other interest and finance costs paid		Statement of cash flows	**(12,233)**	(15,285)
Refurbishment capital expenditure paid			**(15,836)**	(4,298)
Fixed lease payments:				
- Interest paid on lease liabilities		Statement of cash flows	**(38,101)**	(24,409)
- Repayment of lease liabilities		Statement of cash flows	**(9,324)**	(8,930)
			132,366	37,657
Exclude adjusting items with a cash effect:				
Net impact from tax deferrals from government Covid-19 support schemes[1]		Note 9	**(8,531)**	(12,776)
Pre-opening costs		Note 2	**2,666**	1,927
Debt facility fees		Note 22	**-**	1,202
Free Cashflow (APM xiii)	A		**126,501**	28,010
Weighted average shares outstanding – basic	B	Note 30	**222,867,676**	222,831,030
Free Cashflow per Share (APM xiv) – cents	**A/B**		**56.8**	12.6
Total lease costs paid[2]			**48,537**	33,458
Other interest and finance costs paid		Statement of cash flows	**12,233**	15,285
Total lease costs, interest and finance costs paid	C		**60,770**	48,743
Free Cashflow before lease and finance costs	D=A+C		**187,271**	76,753
Debt and Lease Service Cover (APM xv)	D/C		**3.1x**	1.6x

[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 between March 2020 and May 2022 on behalf of tax authorities. The Group deferred VAT and payroll taxes amounting to €11.0 million during 2022 (2021: €13.6 million). This was offset by amounts totalling €2.5 million (2021: €0.8 million) for deferred Irish VAT and PAYE liabilities being paid during the year. At 31 December 2022, the total warehoused tax liabilities outstanding amounted to €34.8 million, which are expected to be paid by 30 April 2023. The impact of these deferrals has been excluded in the calculation of Free Cashflow 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.

(xvi) Normalised Return on Invested Capital

Adjusted EBIT after rent divided by the Group's average normalised invested capital. The Group defines normalised 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 normalised invested capital is the average of the opening and closing normalised invested capital for the year.

Adjusted EBIT after rent represents the Group's operating profit for the year restated to remove the impact of adjusting items (see definition 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.
Reconciliation: Refer Below

(xvi) Normalised Return on Invested Capital *(continued)*

Reconciliation of APM (xvi)		**Reference in financial statements**	**2022 €'000**	2021 €'000
Operating profit		Statement of comprehensive income	**155,527**	21,442
(Less)/add back:				
Total adjusting items as per the financial statements		Note 2	**(28,636)**	(5,299)
Depreciation of right-of-use assets		Note 2	**27,503**	19,522
Additional amortisation of intangible assets if IAS 17 still applied			**(46)**	(45)
Fixed lease costs			**(46,330)**	(33,264)
Amortisation of lease costs			**(757)**	(328)
Adjusted EBIT after rent	A		**107,261**	2,028
Net assets at balance sheet date		Statement of financial position	**1,222,766**	957,413
Add back loans and borrowings		Statement of financial position	**193,488**	313,533
Add back deferred tax liabilities		Statement of financial position	**71,022**	42,896
Add back current tax liabilities		Statement of financial position	**11,606**	282
Add back derivative liabilities		Statement of financial position	-	1,029
Add back deferred VAT and payroll tax liabilities		Note 9	**34,790**	26,261
Less revaluation uplift in property, plant and equipment[1]		Note 13	**(425,974)**	(239,015)
Less assets under construction at year end		Note 13	**(64,556)**	(79,094)
Less cash and cash equivalents		Statement of financial position	**(91,320)**	(41,112)
Less deferred tax assets		Statement of financial position	**(21,271)**	(20,161)
Less derivative assets		Statement of financial position	**(11,717)**	(832)
Less contract fulfilment costs		Statement of financial position	-	(36,255)
Normalised invested capital			**918,834**	924,945
Average normalised invested capital	B		**921,890**	931,370
Normalised Return on Average Invested Capital (APM xvi)	A/B		**11.6%**	0.2%

[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 2022, is €1,281.3 million (2021: €1,088.8 million). The value of these assets under the cost model is €855.4 million (2021: €849.8 million). Therefore, the revaluation uplift included in property, plant and equipment is €426.0 million (2021: €239.0 million). Refer to note 13 to the financial statements*

(xvii) Balance Sheet Net Asset Value (NAV) and Balance Sheet NAV per Share

The Group defines Balance Sheet Net Asset Value (NAV) as total assets less total liabilities at the year end and excludes lease liabilities and right-of-use assets, derivative financial instruments and deferred taxation. The Group also presents Balance Sheet NAV excluding the impact of purchaser's costs included in the independent external valuers' final valuation which reflects the gross value of own-use properties (refer to note 13 to the financial statements). Balance Sheet NAV per Share represents Balance Sheet NAV at year end divided by the number of ordinary shares outstanding at year end.

This APM is presented to show the NAV attributable to the Group's owned hotel portfolio at year end.
Reconciliation: Refer below

Reconciliation of APM (xvii)		**Reference in financial statements**	**2022 €'000**	2021 €'000
Net assets at balance sheet date		Statement of financial position	**1,222,766**	957,413
Add back:				
- Lease liabilities		Statement of financial position	**651,791**	481,926
- Deferred tax liabilities		Statement of financial position	**71,022**	42,896
- Derivative liabilities		Statement of financial position	**-**	1,029
Less:				
- Right-of-use assets		Statement of financial position	**(658,101)**	(491,869)
- Deferred tax assets		Statement of financial position	**(21,271)**	(20,161)
- Derivative assets		Statement of financial position	**(11,717)**	(832)
Balance Sheet NAV (APM xvii)	A		**1,254,490**	970,402
Purchaser's costs deducted from own-use properties[1]	B		**122,526**	103,542
Balance Sheet NAV excluding the impact of purchaser's costs included in the independent external valuers' final valuation (APM xvii)	C=A+B		**1,377,016**	1,073,944
Number of shares outstanding at 31 December - basic	D	Note 19	**222,871,722**	222,865,363
Balance Sheet NAV per Share (€) (APM xvii)	A/D		**€5.63**	€4.35
Balance Sheet NAV per Share (€) excluding the impact of purchaser's costs included in the independent external valuers' final valuation (APM xvii)	C/D		**€6.18**	€4.82

[1] The Group's own-use properties valuations provided by the independent valuers are stated net of full purchaser's costs based on the independent valuer's estimates at 9.96% for assets located in the Republic of Ireland (31 December 2021: 9.96%) and 6.8% for assets located in the UK (31 December 2021: 6.8%) (Refer to note 13 to the financial statements). The gross valuation of own-use properties (which is the value prior to any deduction of purchaser's costs) is also presented to reflect the value of net assets held on a long-term basis.

(xviii) 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 2022 versus budgeted foreign exchange rates, after depreciation. The budgeted EUR/GBP exchange rate was 0.90 in 2022 (2021: 0.90).

Reconciliation: Refer below

Reconciliation of APM (xviii)		**Reference in financial statements**	**2022 €'000**	2021 €'000
Profit/(loss) before tax		Statement of comprehensive income	**109,657**	(11,436)
Interest on lease liabilities		Note 2	**38,101**	24,409
Other interest and finance costs		Note 2	**7,769**	8,469
Remove impact of adjusting items		Note 2	**(28,636)**	(5,299)
Foreign exchange movements[1]			**(2,720)**	(621)
Modified EBIT – APM (xviii)			**124,171**	15,522
[1] Foreign exchange movements:				
UK EBITDA - GBP			**44,261**	17,458
UK EBITDA translated at budgeted FX rates - Euro			**49,179**	19,398
UK EBITDA translated at actual FX rates - Euro		Note 2	**52,955**	20,662
Impact of movements in foreign exchange	(A)		**(3,776)**	(1,264)
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets - GBP			**16,940**	12,413
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets translated at budgeted FX rates - Euro			**18,822**	13,793
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets translated at actual FX rates - Euro			**19,878**	14,436
Impact of movements in foreign exchange	(B)		**1,056**	643
Foreign exchange movements	(A+B)		**(2,720)**	(621)

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 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.

(xix) EBITDA after rent

Adjusted EBITDA (see definition ii) less fixed lease costs. The calculation also includes the impact of pre-opening expenses and excludes share-based payment expense in line with banking covenants. As the Group's 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 this APM.

Reconciliation: Refer Below

Reconciliation of APM (xix)	**Reference in financial statements**	**2022 €'000**	2021 €'000
Adjusted EBITDA	Note 2	**183,430**	63,237
Add back share-based payment expense	Note 2	**3,329**	2,159
Less pre-opening expenses	Note 2	**(2,666)**	(1,927)
Less fixed lease costs		**(46,330)**	(33,264)
EBITDA after rent (APM xix)		**137,763**	30,205

(xx) Earnings per share excluding IFRS 16 (basic) and Adjusted earnings/(loss) per share excluding IFRS 16 (basic)

Basic earnings/(loss) 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.

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 earnings/(loss) per share excluding IFRS 16 is defined as basic earnings/(loss) 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 (xx)		**Reference in financial statements**	**2022 €'000**	2021 €'000
Profit/(loss) for the year		Statement of comprehensive income	**96,725**	(6,329)
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	**(4,725)**	(159)
Remeasurement gain of right-of-use asset		Note 2	**-**	(277)
Depreciation of right-of-use assets		Note 2	**27,503**	19,522
Interest on lease liabilities		Note 2	**38,101**	24,409
Amortisation of lease costs under IAS 17			**(757)**	(328)
Less fixed lease costs			**(46,330)**	(33,264)
Tax impact of IFRS 16			**(2,787)**	(2,105)
Profit for the year excluding the impact of IFRS 16	(A)		**107,730**	1,469
Remove impact of adjusting items excluding IFRS 16[1]:				
Hotel pre-opening expenses		Note 2	**2,666**	1,927
Net revaluation movements through profit or loss as if IAS 17 still applied			**(21,212)**	(6,835)
Modification (gain) on amended debt facility		Note 6	**-**	(2,704)
Gain on disposal of Clayton Crown Hotel		Note 2	**(3,877)**	-
Profit on sale of Maldron Hotel Merrion Road residential units		Note 2	**(1,534)**	-
Tax impact of adjusting items			**1,683**	275
Adjusted profit/(loss) for the year excluding the impact of IFRS 16	(B)		**85,456**	(5,868)
Weighted average shares outstanding - basic	(C)	Note 30	**222,867,676**	222,831,030
Basic earnings per share excluding the impact of IFRS 16 (APM xx)	(A/C)		**48.3 cents**	0.7 cents
Adjusted earnings/(loss) per share excluding the impact of IFRS 16 - basic (APM xx)	(B/C)		**38.3 cents**	(2.6) 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.

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 and excludes new hotels which did not benefit from a full year performance in all years. The Dublin portfolio excludes the Ballsbridge Hotel, as the lease matured at the end of 2021, The Samuel Hotel, Maldron Hotel Merrion Road and Clayton Hotel Düsseldorf. The UK portfolio excludes Maldron Hotel Glasgow City which opened in August 2021, the four hotels added in 2022 (Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Bristol City and Clayton Hotel Glasgow City) and Clayton Crown Hotel, London which was sold in June 2022. These are commonly used industry metrics and provide an indication of the underlying revenue performance.

Revenue from hotel operations

Revenue from hotel operations represents the operating revenue (room revenue, food and beverage revenue and other hotel revenue) for the following Group segments: Dublin, Regional Ireland and the UK and excludes revenue from development contract fulfilment. Also referred to as hotel revenue or segmental revenue.

Segments EBITDAR margin

Segments EBITDAR margin represents 'Segments EBITDAR' as a percentage of the total revenue from hotel operations 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 charge/(credit) for the year divided by the profit/(loss) before tax presented in the consolidated statement of comprehensive income.

EBITDA (after rent)

Earnings before adjusting items, 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, after fixed lease costs (see below).

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 2022.

Refurbishment capital expenditure

The Group typically allocates approximately 4% of hotel revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards. Timing of normal refurbishment capital expenditure programmes was slower in the prior year and at the start of the current year due to Covid-19 restrictions.