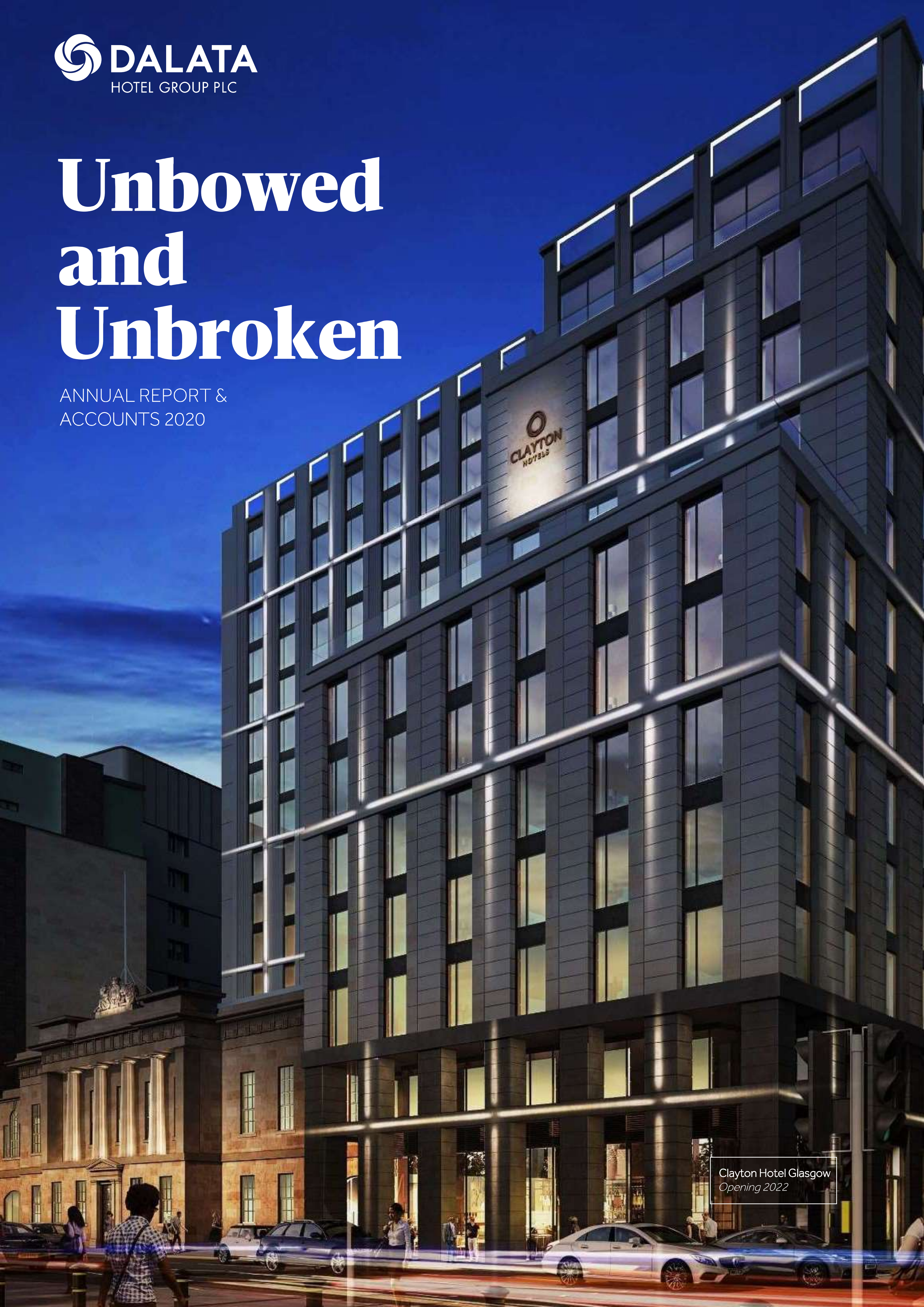
DALATA
HOTEL GROUP PLC

Unbowed and Unbroken

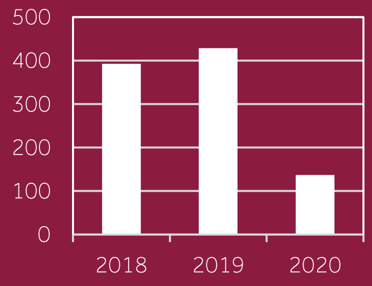
ANNUAL REPORT & ACCOUNTS 2020



Clayton Hotel Glasgow
Opening 2022

AT A GLANCE

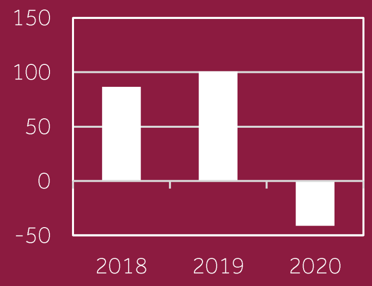
OUR REVENUE
(€million)



€136.8m
2020 Revenue

€18.7m
Adjusted EBITDA

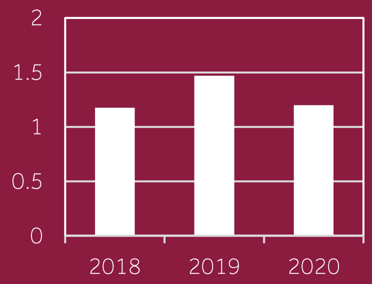
FREE CASHFLOW (OUTFLOW)/INFLOW
(€million)



(€41.3m)
Free cashflow (outflow)/inflow

€1.2bn
In hotel assets

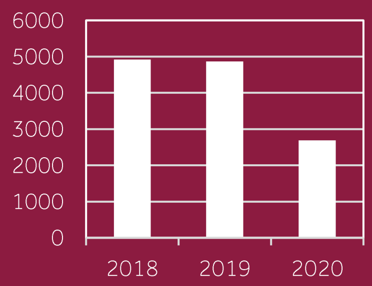
OUR HOTEL ASSETS
(Hotel Assets €million)



9,261
Rooms
(includes 262 partner hotel rooms)

3,263
Pipeline Rooms

OUR PEOPLE
(Full-time and part-time)



2,685
Employees

44
(41 owned and leased hotels and 3 partner hotels)

Cover design: Paul Clifford, General Manager, Maldron Hotel Newlands Cross

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Clayton Hotel Cork City

We Are a People Business

Clayton Hotel Birmingham

When Dalata was founded in 2007, it acquired eleven hotels and launched the Maldron Hotel brand with a vision to develop a distinctive hotel operating company with people at the heart of the business.

We adopt a differentiated, decentralised approach to managing our business and delivering on customers' expectations. We trust our hotel general managers and their teams to manage and develop their business, manage customer relationships and develop deep roots in the local community. Our central team supports the hotels, and provides strategic oversight, leveraging our strength as a group. Our experienced acquisitions and development team sources and develops the asset pipeline and adopts a clearly defined strategy to create shareholder value in every transaction. Our continual investment in our people and fostering long-term relationships with trusted development partners and suppliers on both the business's capital and operational sides support a successful business model.

We want to make our hotels the number one choice for business and leisure travellers looking for quality service in well located and well-invested hotels throughout Ireland and the UK.

Our culture has a relentless focus on success, but it is never about winning at all costs. We are committed to doing business ethically and in accordance with our values of people, fairness, service and individuality

OUR PEOPLE

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

OUR FAIRNESS

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

OUR INDIVIDUALITY

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

OUR SERVICE

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

CHAIR'S STATEMENT

The Challenges of 2020

Our response to the pandemic, while carefully considered and planned, was swift and decisive.

Introduction

Welcome to the annual report of the Dalata Hotel Group for 2020, a year that will never be forgotten.

We began the year oblivious to what lay ahead and looking forward to an exciting period of growth in our business. Then everything changed.

The global pandemic has brought suffering and hardship to many people and has challenged us all. At a personal level, I wish to express sympathy to all who have suffered loss over the last year. I also wish to express my thanks and admiration to the front-line health workers and others who have shouldered an extraordinary burden on behalf of all of us in recent months. We in Dalata have had the privilege of being able to provide accommodation in our properties to many of these wonderful people during this difficult time. We are all indebted to them for their unselfish efforts over the last year.

The Challenge of 2020

It is undoubtedly the case that, while great credit can be taken for success in good times, the times that reveal most about us are when we are challenged. This was shown to be the case in many different ways in the Dalata business in 2020.

Our response to the pandemic, while carefully considered and planned, was swift and decisive. Our senior management team demonstrated exceptional leadership in establishing key priorities – to protect our people, our business and our cash – and in acting effectively on those priorities. Our people responded in a positive and energetic manner, and as a result of their efforts, we have weathered the storm successfully so far. We have built a very strong balance sheet, and this has allowed us to maintain our development activities, to plan for growth in the future and to position ourselves to avail of future opportunities for expansion when they arise.

Culture and People

I have said many times that Dalata's unique culture drives everything that we do. That culture, which is centred around and embraced by our people, was clearly visible in 2020. We remained close to our teams, communicating regularly with them, we continued to provide employment to as many as we could, and we delivered extensive support and training through our exceptional HR function. The result has been that morale remains strong within our business.

In this most unusual of years, I want to express a very special thanks to all of our people who have endured such a difficult time and have been central to maintaining our culture and keeping our business strong, robust and forward-looking.

Environmental, Social and Governance

Dalata remains very conscious of environmental, social and governance (ESG) issues. Through our new board committee, and with the active and enthusiastic commitment of our executive leadership, ESG matters have received a renewed focus in the business. We continue to identify better ways of measuring what we have always been doing in this area, and also of improving our performance where possible.

Our duty to society and the communities in which we operate requires us to keep ESG considerations at the centre of what we do. Further details of how we address these matters are set out in the separate ESG report. The company adopts the principles and provisions of the UK corporate governance code (and the Irish annex) on a comply or explain basis and best practice generally in respect of our corporate governance practices. Details of our approach are set out in the separate Corporate Governance report.

Board Matters

At the end of 2020 certain changes in function carried out by board members were announced. After more than six years in the role, Alf Smiddy stepped down as Senior Independent Director. This change will allow Alf to devote more of his time to the important role of liaising with the workforce on behalf of the board in his capacity as staff engagement director. This latter role has assumed particular importance in the current circumstances, and will continue to do so as the business responds to developments that we hope will allow reopening and recovery during 2021. I am grateful to Alf for his help and support as senior independent director since 2014.

Margaret Sweeney has been appointed senior independent director with effect from 1 January 2021, and I look forward to working with her in that capacity. Liz McMeikan has joined the nomination committee in place of Margaret with effect from the same date. I am grateful for Margaret's contribution on the nomination committee, and I look forward to working with Liz on that committee in the future.

During 2020 circumstances required the board to meet more frequently, and at greater length, than would otherwise have been the case. The challenges faced by the board have been demanding and unrelenting, and the response of each of the directors has been truly impressive. On your behalf, I would like to express my thanks to all members of the board and to the company secretary who have all worked tirelessly in the interests of the company throughout the year.

Four of the non-executive members of the board have now served 7 years, having been appointed together in 2014. The important work of gradually refreshing the board, in a way that minimises as far as possible any sudden loss of experience and expertise, will commence in the course of 2021.

Conclusion

It is hard to express in words how difficult and challenging the last year has been for Dalata, and yet how extraordinary the response of our people to these circumstances has been. The executive leadership of the business has performed exceptionally well in such trying conditions, and all of our people have demonstrated resilience, ability to cope and the strength to maintain a positive and hardworking attitude in extremely trying times. Although at this time it is impossible to predict when we will all emerge into something approaching a normality to which we were previously accustomed, I am confident that the Dalata team will continue to cope admirably with the circumstances facing them, and that they will deliver renewed success in the months and years ahead.

John Hennessy
Non-executive Chair

I want to express a special thanks to all of our people, who have been central to maintaining our unique culture and keeping our business strong, robust and forward-looking.

PAT'S REVIEW

Unbowed and Unbroken

Our teams have been magnificent during this crisis; they have had to change and adapt continuously.

Despite the immense pressure, morale remains high, and everyone is focused on the challenges that lie ahead.

Covid-19 crisis

During my career over the last 50 odd years, I have experienced many crises, starting with the oil crisis in the early seventies and another event roughly every ten years after that. If I put all of those crises together, they come nowhere near matching the devastation of Covid-19 in 2020. But despite this devastation, I am happy where we have ended the year. Now happy is a relative word, and if 2020 were a normal year, I would be distraught. In March of 2020, as we looked at the various scenarios, we were deeply concerned about the multiple outlooks. We made contingencies for a far greater collapse in the business, including where we would not generate any revenue at all; thankfully, this did not turn out to be the case.

To understand where I am coming from, I need to tell you the story of Dalata's 2020. As we rolled through January and February, I was thrilled with the strength of the performance. In Dalata, we always say we cannot make our budget for the year in the first quarter, but we can certainly lose it. Things looked good, a few rumours emerged about a virus in China, but people assumed it would be contained there. Then Italy happened, and that changed everything. I was visiting US investors on the second week of March and decided to cut that short and return to Ireland.

Priorities

We immediately developed our plans of how we were going to deal with this ever-growing crisis. While we had many tasks going on, we decided to focus on three main issues: look after our people, look after our customers/business, and look after our cash. As I look back now, our teams have done a wonderful job on all three fronts.

People

With our people, our focus was to keep our key teams in place. We have invested heavily in our teams, and they are critical for the future of Dalata. I am delighted to tell you that today all our key teams are intact. The other decision we made was to engage with and support all our wonderful people we had to lay off. We are blessed with our good technologies that supported our efforts here. Our training portal, Dalata Online, part of Dalata Academy, was instrumental in delivering over 92,000 courses to our laid-off colleagues. Our Alkimii Connect app, which all of our people have, allowed us instant communication. All of these initiatives will be of significant importance as we emerge from the pandemic.

Customers

We had the same approach to our customers. Our teams across the business kept in close contact with our customers and updated them on what we were doing. Even though they had no business for us we supported them with advice and guidance, which was very well received.

Cash and the balance sheet

Management of our cash and balance sheet was critical to us.
The structure of our balance sheet has proved its worth during the crisis. A balance sheet with great quality assets and a conservative approach to cash management has proved invaluable. It's times like this that confirm your strategy is the correct one. Our sale and leaseback of Clayton Hotel Charlemont demonstrates the strength of our relationship with our landlords. Also, a big thank you to you, our shareholders, for supporting our equity raise in September. Our banking club gave us huge support and I am really grateful for this.

Bureau Veritas accreditation

We did another critical thing, engaging with Bureau Veritas to inspect and accredit each hotel, providing assurance certification for health and safety upon reopening in July. Our Keep Safe programme generated huge positive responses from our guests where they felt very safe and allowed our customer care to shine through.

Team morale

Our teams have been magnificent during this crisis. They have had to adapt and change continuously. People talk about businesses having to pivot; well, in Dalata, we have learned how to pirouette. Despite the immense pressure, morale remains high, and everyone is focused on the challenges that lie ahead.

Performance

In truth, we have outperformed our own best expectations. We will emerge from this as one of the most respected hotel companies in Europe. We have the teams and the balance sheet to take advantage of opportunities that will arise during 2021.

Unbowed and Unbroken

Our Annual Report title, "Unbowed and Unbroken," reflects where I feel our people and our business are right now.

The unbowed part refers to our people. Despite the horrendous year that they have gone through, their morale is extremely high, and more importantly, we are all up for the challenges and opportunities that will arise over the coming year. The key focus for us this year is to rebuild our business. Our reward structures for our people will focus on this rebuilding work.

The unbroken part refers to our balance sheet. We had a robust balance sheet at the start of the pandemic. Our conservative approach to our balance sheet means it is still strong, and none of the actions we took in 2020 have caused any damage. There will be very few hotel companies in Europe able to make that claim.

Government support

I want to say a big thank you to both the Irish and UK Governments for all the supports they put in place at very short notice. Dalata participated in all the support schemes available to us, and as a result, we were able to keep more people at work than what would otherwise be the case.

Prospects for 2021

Our focus has now switched to 2021. When we completed our financial budgets for the year, we believed that the first quarter would be the same as the last quarter of 2020 with some improvement emerging in the second quarter, and this improving trend continuing in quarters three and four. However, it is impossible to call at this stage; our view is that growth could be quite rapid once the recovery starts because of the pent-up demand.

New hotel development

All our new hotel development programmes continue. Some of our new-build hotels will get delayed but only by a few months. I am happy with the progress on all sites; my only problem is that I have not been able to visit them. Hopefully, I will get to see them in the not-so-distant future. We did manage to complete the forty-four-bedroom extension in Clayton Hotel Birmingham and the new conference and event centre in Clayton Hotel Cardiff Lane. All our hotels are well invested and in excellent shape. There will be no requirement to increase our maintenance capital spend beyond 4% of total annual revenues.

ESG

The new ESG committee chaired by Elizabeth McMeikan has moved this area to the front and centre of everything we do. We discovered that while we were doing some great work in the whole area of ESG, we were poor at articulating all the things we were doing. You will see changes in how we inform you about our activities, starting with this annual report.

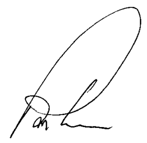
IT infrastructure

Despite being in various forms of lockdown in 2020, we continued to improve our IT infrastructure. In November 2020, I decided to do a special presentation to the board on all of the great things we are doing in this space. I am delighted with what our teams have achieved here despite the challenges.

In conclusion

There are loads of other things I could talk about in this report, but I need you to understand how we have come through this and, more importantly, the good shape we are in to capitalise on opportunities that will arise. Our hotel focus for 2021 is the rebuild of our business, and hopefully, next year, we will be talking about a significantly improved performance.

I look forward to the day I can get out and meet shareholders and other stakeholders in person.



Pat McCann
Chief Executive

We have a big job to do in 2021 and the entire team is well up for it.

STRATEGY AND BUSINESS MODEL

Dalata's Markets

Republic of Ireland [1]

Market conditions in the Republic of Ireland were challenging in 2020 due to Covid-19 restrictions in place from mid-March onwards. Up to this, tourism was continuing its strong growth with overseas visitors up +0.5% in January and +4.1% in February 2020 over 2019.

The tourism and hospitality industry ground to a halt for most of the remainder of 2020 as the country grappled with the pandemic.

Arrivals into Ireland for 2020 fell 78% from 20.1m to just 4.5m.

Earnings from overseas visitors fell by 83%, from €6.9 billion in 2019 to €1.2bn in 2020.

Looking to the future, GDP is forecasted to grow by 3.4% in 2021 with underlying domestic demand to increase by 1.6% in 2021 and a further 4.8% in 2022.

Dublin

CLAYTON HOTELS	maldron HOTELS	Other *
7	7	4

Regional Ireland

CLAYTON HOTELS	maldron HOTELS
6	7

'* Includes 2 partner hotels

Full details on our hotels and their locations are on dalatahotelgroup.com

DUBLIN

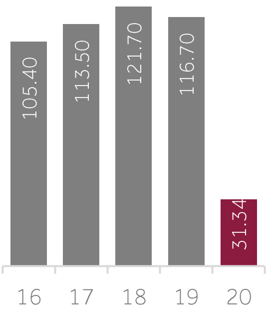
Commentary [2]

Dublin's RevPAR fell 73.1% to €31.34 in 2020 (with 30.5% occupancy).

Average Daily Rates (ADR) were down 27.8% to €102.64.

Most hotels in Dublin were closed for 9 months of the year or open for essential services only.

RevPAR €



Savills Ireland forecast net additional rooms in the city of 4,800 from 2021 to 2023, representing a 30% decrease from their 2019 projections.

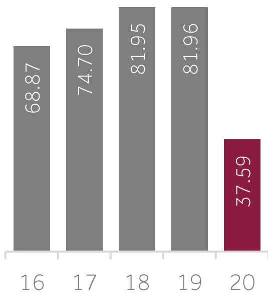
REGIONAL IRELAND

Commentary [3]

Regional Ireland's RevPAR decreased by 54.13% in 2020.

The regional cities of Cork (-61.9%), Galway (-51.6%) and Limerick (-59.5%) all experienced significant reductions.

RevPAR €



Average occupancy for the region was down 39%.
Regional Ireland performed slightly better than Dublin due to the level of staycations during the summer months of 2020.

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1. Central Statistics Office: Overseas Travel January & February 2020 and Air and Sea Travel Statistics December 2020; Central Bank of Ireland: Quarterly Bulletin Q4 2020.
2 STR Full Year Industry Stats, Savills
3 STR Full Year Industry Stats

UK [4]

Similarly to Ireland, 2020 was a difficult year for the UK tourism and hospitality market once Covid-19 restrictions were put in place.

Visits to the UK are estimated to have fallen by 76% to 9.7m.

Estimated decline of 80% in tourism spending.

The Bank of England has estimated a reduction of 10% in GDP year-on-year. Household consumption has fallen by an estimated 12% for the year.

With the accelerated rollout of vaccines across the UK, GDP is forecast to grow by 5% in 2021 with household consumption to increase by 4.5%.

Commentary [5]

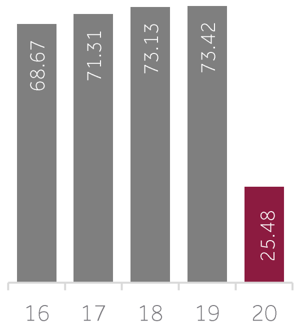
The UK experienced its worst RevPAR figure in half a century.

RevPAR fell by 68.8% in London, 61.5% in Manchester, 60% in Leeds, 56.7% in Cardiff, 56.5% in Newcastle and 57.9% in Birmingham. In Northern Ireland they fell by 56.7%.

Occupancy in 2020 dropped to 37.4% across the UK and 33.3% in Northern Ireland.

The staycation market was a positive for UK regions in 2020 as international travel restrictions remained in place.

RevPAR £



CLAYTON HOTELS

9

maldron HOTELS

4

Includes one Maldron partner hotel
Full details on our hotels and their locations at dalatahotelgroup.com

Global Overview [6]

2020 proved to be the most challenging year in the history of tourism, as the Covid-19 pandemic brought global tourism to a complete standstill.

International tourist arrivals around the world are estimated to have decreased by 74% in 2020.

Travel restrictions and other bans have resulted in one billion fewer tourists and an estimated loss of US$1.1 trillion in export revenues from international tourism.

The development and rollout of vaccines across the world over the first half of 2021 should result in the easing of restrictions.

Global economic activity is estimated to have declined by 4.4% in 2020 (2019: 2.8% growth) with USA down 3.4% and Euro Area down 7.2%.

The decline in emerging markets and developing areas is estimated at 2.4%.

International travel is expected to rebound in the second half of 2021.

Nearly half (47%) of travellers surveyed globally said they are planning to travel internationally in 2021.

4 VisitBritain 2021 tourism forecast, Bank of England Monetary Policy Report February 2021
5 STR Full Year Industry Stats
6 World Tourism Organisation (UNWTO), World Economic Outlook January 2021, Irish Tourism Industry Confederation – TripAdvisor

Business Model

INPUTS

€1.2bn
In hotel assets

2,685
Employees

9,261
Rooms, including 262 partner rooms

44
Hotels, including 3 partner hotels

219
Average rooms per operating hotel

17 years
Average age of our hotel portfolio

OUTPUTS

1.69m
Overnight guests

5,563
Leisure club members

2.3m
Meals served

€18.7m
Adjusted EBITDA

(€41.3m)
Free Cashflow (outflow)/inflow

€53.4m
Aggregate Payroll Costs

WHAT WE DO

Dalata is a hotel owner and operator.

Since the company floated in 2014, we have grown to be the most successful and largest hotel group in Ireland.

We operate in Ireland and the UK.

↳ Dalata's Markets, page 7

HOW WE DO IT

Our key business drivers

We generate revenue through selling accommodation, food and beverage, meeting rooms, conference and ancillary services to our customers.

Growth led by people and properties

↳ Strategic Priorities, page 13

Room pipeline expansion

↳ Strategic Priorities - Properties, page 18

HOW WE GENERATE VALUE

We generate value by providing quality offerings at an appropriate price that our customers want.

We identify strategic investment opportunities and develop quality hotels in prime city locations.

Employee development

↳ Strategic Priorities - People, page 17

The Difference with Dalata

Asset Management

Dalata is a vertically integrated hotel owner and operator. We control every aspect of asset management and the operation of our properties. Our disciplined investment strategy is designed to create shareholder value in every transaction. We own, or have a long leasehold interest on, almost all of our hotels, and we own all of our own brands. This means we control the overall direction of the asset, its development and its performance. This differentiates us from the market, where an owner/franchise model is predominately adopted.

Hotel Operation

We operate a decentralised model whereby the hotel general manager has ultimate responsibility for their hotel. This enables quick local decision making in relation to areas such as revenue and pricing, meeting customer needs and product offerings. It also encourages our managers to engage with their local communities and build strong relationships. Hotel management is supported by expert functional teams in Central Office, selected shared services and an experienced senior management team.

Support Service Excellence

We are able to implement common group-wide business and IT systems and deliver expertise in areas such as procurement, finance, health and safety and marketing. We have developed and implemented group-wide training and development for our employees. We offer a range of development options to all employees, complementing our extensive training programmes. We are also able to provide a career path for our employees as we grow and add new hotels. We encourage our employees to move throughout our hotel portfolio and actively support a policy of filling vacancies internally.

Our business model differentiates us from our peers.

Our Purpose & Values

Our Strategic Priorities

OUR BRANDS

2

Leading Hotel Brands

17

Maldron Hotels

22

Clayton Hotels

Maldron Hotels and Clayton Hotels are our principal hotel brands* and the majority of our hotels operate under these brands. There are 22 Clayton hotels, which are all four-star, and 17 Maldron hotels which are comprised of four- and three-star properties.

We own and manage a number of ancillary brands, which complement our hotel brands. These include Red Bean Roastery, Club Vitae and Grain & Grill.

* We also own The Gibson Hotel and Samuel Hotel brands

STRATEGY AND BUSINESS MODEL

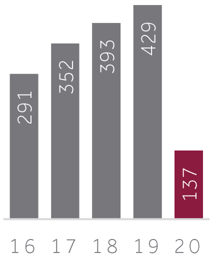
KPIs - Financial

Revenue

Total Revenue (Millions)

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

-68.1%



Commentary

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

In 2020

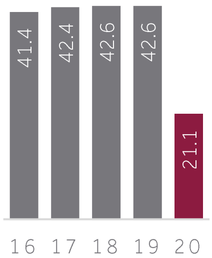
Total revenue decreased by 68.1% in 2020 due to the impact of the Covid-19 pandemic on business levels.

Link to Strategy

Margin

Segments EBITDAR Margin (%)

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



Commentary

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

In 2020

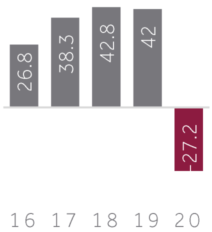
The group mitigated the financial impact of the reduction in occupancy through pro-active cost reductions and the utilisation of government grants and assistance following the onset of the Covid-19 pandemic.

Link to Strategy

Earnings

Adjusted EPS-Basic (cents/share)

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



Commentary

Key measure of the effective delivery of profitable growth for our shareholders.

In 2020

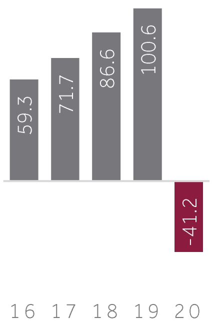
The group's EPS for 2020 was severely impacted by the Covid-19 pandemic resulting in a 69.2 cents decrease in adjusted basic earnings per share for 2020.

Link to Strategy

Cash

Free Cash Flow (Millions)

Net cash from operating activities less amounts paid for interest, finance costs, fixed lease payments and refurbishment capital expenditure and after adding back cash paid in respect of adjusting items to EBITDA. In 2020, the positive cashflow impact of deferral of tax payments under Covid-19 government initiatives has been excluded as it distorts cash flow from trade.



Commentary

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

In 2020

Free Cash Flow is negative in 2020 due to the reduction in trade at the hotels. In normal times, hotels operate with negative working capital and when revenues drop sharply, they experience an outflow of working capital. This outflow was mitigated by a deferral of VAT and payroll tax liabilities under government support schemes of €13.5 million at year end that are expected to be paid during 2021. We have excluded these liabilities in our calculation of Free Cash Flow.

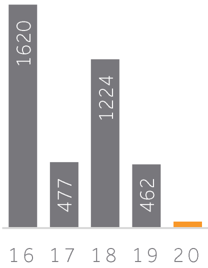
Link to Strategy

KPIs – Non-Financial

Growth

New Rooms Added

Total number of new owned and leased rooms added through acquisition or development in the group.



Commentary

Developing and delivering our pipeline is key to our growth strategy.

In 2020

We added 50 new rooms, at Clayton Liffey Valley, Dublin (6) and Clayton Birmingham (44).

Our development pipeline also grew as we announced three new hotels, one in Dublin and two in the UK, in Manchester and Brighton.

Link to Strategy

People

Internal Promotions

Number of Internal Promotions in the group *

*Measurement commenced in 2018

Commentary

Development of our people is critical to ensure we have a talent pipeline for our new hotels and is a key element of managing the risk associated with new hotel openings.

In 2020

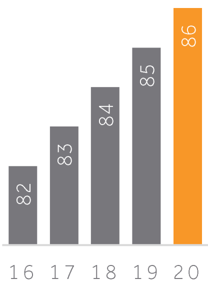
Even with the disruption during 2020, our strategy of developing our teams and promoting from within was unchanged.

Link to Strategy

Customer Satisfaction

Customer Satisfaction (%)

A measure of the quality of our product offering and service collected from our customers.



Commentary

We are driven to improve customer experience through continuous investment to meet ever rising expectations.

In 2020

Our customer satisfaction grew to 86%, even with the level of business disruption experienced by our guests.

Link to Strategy

Strategic Priorities
People

Strategic Priorities
Properties

Strategic Priorities
Customers

Strategic Priorities
Brands

Targeted Sustainable Growth

Clayton Hotel Cardiff Lane

Our Strategic Objective

To grow sustainable shareholder value as the leading four-star hotel operator in Ireland and the UK:

Market-leading performance at existing hotels

Targeted expansion at key city locations

Underpinned by a sustainable financial management policy designed to grow equity value and support stable borrowing and lease finance levels.

Read about:

Our Pandemic Response
↳ Page 15/16

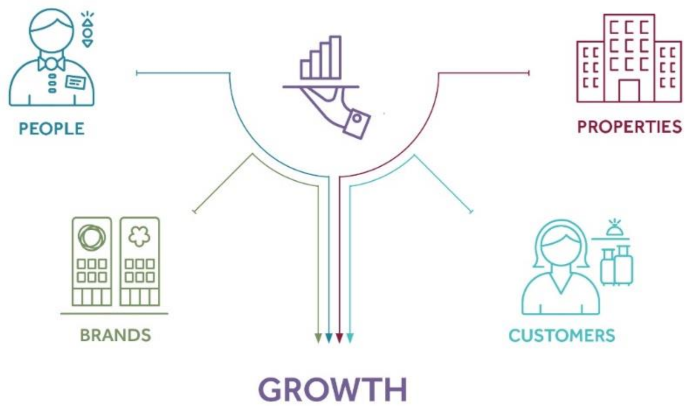
Our People
↳ Page 17

Our Properties
↳ Page 18

Our Customers
↳ Page 19

Our Brands
↳ Page 20

Our Pipeline
↳ Page 21/22



The impact of Covid-19 has been severe, but we remain steadfast in our vision for Dalata's future.

Strategy in Action

Our Pandemic Response

The Covid-19 pandemic prompted governments around the world to dramatically restrict travel and the movement of people. As a result, demand for travel and hospitality services collapsed. Strategic planning gave way to crisis management in the near term as our industry faced the greatest challenge in its history.

Protecting our People

We retained our core teams in each of the hotels and implemented local plans for operating the hotels while they were closed.

Through our Alkimii Connect platform, we maintained contact with our team members through regular local updates.

We were keenly aware of the impact that the lockdown and closures could have on our teams and their families. All of our teams had access to our confidential Employee Assistance Programme, which provided access to a wide range of supports.

Protecting Our Customers

We quickly changed our booking terms and conditions for our customers who had bookings, to allow for full free-of-charge rebooking. We refunded our customers if that was what they wanted.

Our reservations and guest teams worked tirelessly to see that we dealt with our customers openly and fairly.

Protecting Our Cash

To protect our cash, we halted all non-essential expenditure and cancelled dividends. Operational budgets were also suspended, and spending was overseen by executive management.

Our financial strategies in response to the Pandemic are detailed from page 25.

Enabling Continued Learning

We moved our training and development programmes to our Dalata Online platform to enable continued learning. We also consolidated our programmes under the Dalata Academy umbrella.

We launched our Reach upskilling programme, which focused on our team members that were not at work. Designed by our group learning & development team, and delivered through Dalata Online, this eight-week course focused on personal development and skills.

Initially, 277 people enrolled, and the course was run again. In 2020, some 450 employees graduated from this programme.

Further details on this programme are on page 56.

Using our Time Wisely – Our Systems

While most of our hotels were closed during 2020, we did not stand still.

We realised quickly that we now had time to implement a range of strategic developments that would have taken considerably longer to execute in normal operating conditions.

Our IT and business systems and their supporting infrastructure are vital to us in delivering on our strategies.

In 2020, we accelerated our investment in our property management systems. We have 26 out of our 41 owned and leased hotels operating in the OPERA Cloud environment. This rollout will continue across our other hotels during 2021.

We also used this time to upgrade to a Micros Simphony point-of-sale environment and standardise our card processing systems in the hotels. In 2020 we upgraded 20 hotels and we plan to complete this rollout across all remaining hotels in 2021.

Additional details on the rollout of new technologies are on page 33.

Reopening our Business

As 2020 progressed we saw that there would come a time when governments would ease restrictions and our business would reopen.

Before reopening, we engaged with industry bodies, government and public health to understand what reopening would look like for our customers and us.

We accepted that our customers could wish to interact with us differently while staying in our hotels. To meet this need, in July 2020, we launched our multifunctional guest portal. This project took three months from inception to go-live.

The portal facilitated:

- Online check-in and check-out
- Table reservations and room service delivery options
- Hotel information and messaging
- Gym and pool bookings

KEEP SAFE
COVID
INDUCTION

BUREAU
VERITAS

Dalata Keep Safe Programme

We also recognised that our hotels needed to adapt to new hygiene and social distancing requirements recommended by public health authorities.

The health and safety of our employees and guests has always been a priority area for us.

We developed and put in place our Dalata Keep Safe programme. We updated all of our hotel operating procedures to reflect the latest public health requirements. We engaged with our suppliers to ensure the safe delivery of products to the hotels, updated menu options and cleaning materials.

Bureau Veritas, a world leader in testing certification and inspection, were tasked with auditing and accrediting each hotel's compliance. We are glad to say that all of our hotels comply, and continue to comply, with the highest hygiene standards. This accreditation programme will continue in 2021.

We also developed our associated Keep Safe Covid induction programme for all employees, delivered through Dalata Online. This was training that all employees, whether guest-facing, back-of-house or office-based, had to complete before returning to the workplace.

Creating Long-Term Value

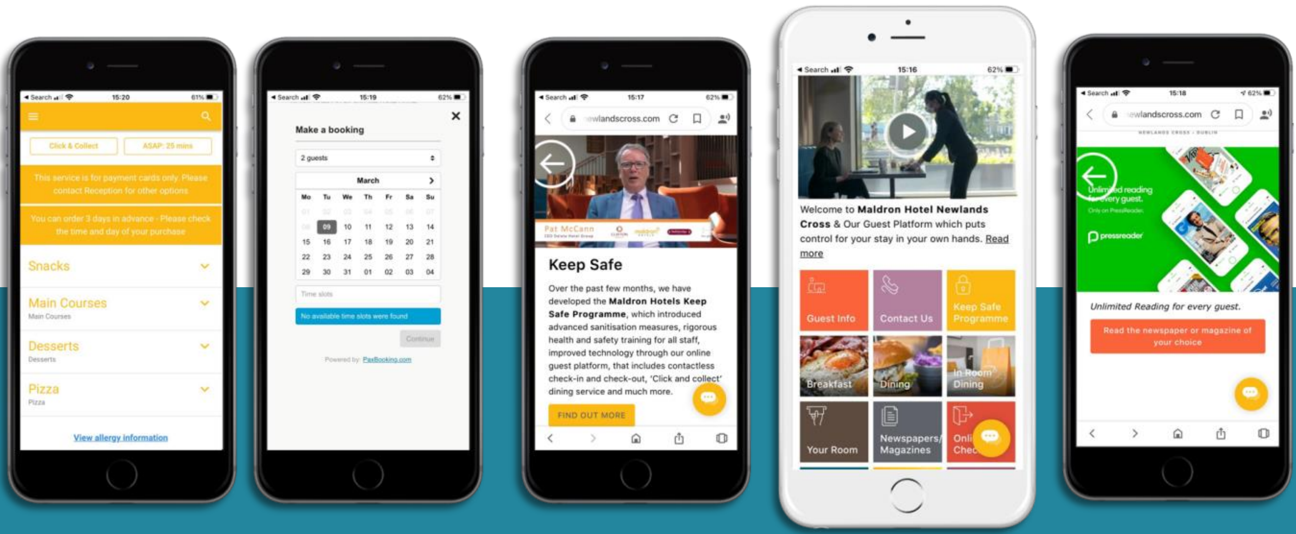
During the lockdown periods of 2020, we continued to focus on the future of Dalata and our hotel expansion plans. We recognised that there would be opportunities in the market that could add value to us.

We strengthened our pipeline and, in 2020, announced three new hotels. We extended hotel and conference facilities at key existing hotels and we raised finance to commence construction for our new Maldron hotel in Shoreditch (London).

Plans are well in train for our new openings planned for 2021, The Samuel, Dublin and Maldron Glasgow.

We are putting management teams in place, and we have already made several senior management appointments for the new hotels. These have come predominately from within our existing teams and show that our strategy of developing from within is working successfully. The appointments also create additional opportunities to backfill management positions from within our teams.

During 2020 we have had a relentless focus on costs in the business and driving value from what we spend. We have a strong management team in place, that has shown its ability to respond to rapidly emerging and unforeseen conditions. Our ownership and operating models, we believe, give us a strong competitive advantage in our market.



STRATEGY AND BUSINESS MODEL

Strategic Priorities

Our People

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

Our strategy is to develop our hotel leadership teams from within. To support this, we have invested in learning and development strategies for all levels of our organisation.

943
employees engaged on our structured programmes in 2020.

At Dalata, we provide a job along with a career and development pathway for anyone who wishes to develop themselves further.

We also provide extensive on-the-job training so that all our employees have the skills necessary to deliver the best possible service to our customers.

Dalata Academy

Our Dalata Academy brings together our full learning, development and training programmes under a single coordinated umbrella.

152
online courses available.

During 2020, in response to the Covid-19 pandemic restrictions, our programmes were re-engineered and moved online to facilitate safe distance learning for all our teams.

At a glance, employees can see their completed training and select courses they wish to complete. All activity is recorded on a dedicated IT system that can be accessed through any computer or mobile device.

100%
increase in courses completed in 2020 on Dalata Online

90%+
of employees active on Dalata Online during 2020.

Our Partners

Management development courses are often delivered in association with external partners including the Irish Management Institute (IMI), Tralee Institute of Technology and the Institute of Chartered Accountants in Ireland (ICAI) to name but a few.

These partnerships mean that our teams can avail of external qualifications while learning specialist on-the-job skills to benefit both their current and future careers.

In Dalata, we want to build our future expertise from within our teams.

Strategic Priorities

Our Properties

Our strategy for our hotels is to have modern, well-maintained and high-quality hotel assets in attractive locations to our customers, allowing us to deliver superior hotel services.

Our Current Properties

We have upgraded our 41 hotels to a high standard, and we continue to invest in maintaining these standards. We also recognise where we can adapt hotel assets to generate additional returns.

17 years
is the average age of a Dalata hotel

During 2020 we completed a state-of-the-art meeting and events centre at our Clayton Hotel Cardiff Lane, Dublin.

With our partners, Deka Immobilien, we completed an extensive upgrade of facilities at Clayton Burlington Road, including guest rooms and hotel infrastructures.

We added 44 additional rooms to our Clayton Birmingham hotel.

We look to maximise our current hotel assets, and plan to add an extra 115 rooms to our existing hotels over the coming years.

Our Development Pipeline

We plan to add to our hotel portfolio through a targeted hotel development strategy.

We identify potential opportunities in cities where we can create value for Dalata in that market.

13
hotels in the pipeline

3
hotels added to the pipeline in 2020

With our strong balance sheet, covenant and financial position, we are attractive to development partners in these cities.

Our track record of acquiring our hotels and redeveloping these and working with various development partners gives us recognisable advantages in implementing this strategy.

These opportunities add to our exciting development pipeline of almost 3,300 rooms.

36%
committed growth in room numbers

2,604
rooms in development in the UK, almost doubling our market capacity

Further details on our pipeline are on page 21.

Clayton Hotel Charlemont

STRATEGY AND BUSINESS MODEL

Strategic Priorities

Our Customers

Our strategy is to deliver what our customers want from a hotel, create positive guest experiences and remain a respected quality hotel operator.

Our customers are at the centre of everything we do

Our customers come from wide and varied sources, from a corporate guest, a wedding party, a family on holiday, a major international conference, a member using our leisure centres to friends having lunch and a coffee.

Our Decentralised Model

To put our strategy into action, we operate a decentralised hotel operating model.

Local general managers and their teams take responsibility for managing the hotel and meeting their customers' expectations.

They are supported in this by an experienced and specialist central management team.

This decentralisation allows our management teams to provide for, and meet, the specific needs of their customers within their markets.

Customer Feedback

We listen to what our customers are saying to us.

We use an industry-leading online reputation management tool as the leading barometer of our customer satisfaction. In previous years we have seen growth in our customer satisfaction response rates and overall scores.

86%
customer satisfaction rating in 2020

Customer feedback is also received at a hotel level, and our teams are trained and encouraged to respond promptly where a guest raises an issue.

Getting to know our customers better using technology

Working with our partners we have used a custom data tool to connect disparate data sources and create dashboards to help us better understand our customers,

The project will enable real time, cross-channel analysis of our online and offline activity;

Guest analytics dashboards will enable us to discover where our guests travel from and booking pattern trends by major market segment, and any changes over time.

We plan to launch this facility to the hotels in Q2 2021.

Clayton Hotel Burlington Road

Strategic Priorities

Our Brands

Our strategy is to own and build our brands. Clayton Hotels and Maldron Hotels are the two largest hotel brands in Ireland and have a growing presence in the UK.

Building the Brands
Our pipeline is building new hotels which will also build our Clayton and Maldron brands across the UK.

Pipeline of 3 Clayton and 9 Maldron hotels

As these new hotels open and our pipeline grows, our brands become more visible in our markets.

We work closely with our partners in delivering hotels that meet our brand expectations and brand guidelines.

The two principal hotel brands are supported by our other associated brands and brand initiatives. These provide us with branding opportunities in specific areas of our business and complement our hotel brands.

Details on our brands are on page 10.

Brand Awareness Research
In 2020 we completed a major market research project on the awareness of our brands in our markets.

As part of this research we:
- Spoke to over 5,500 people
- Held ten focus groups
- Completed 3,000 surveys
- Reviewed 2,500 customer satisfaction surveys

We also assessed the performance of our hotel websites to users.

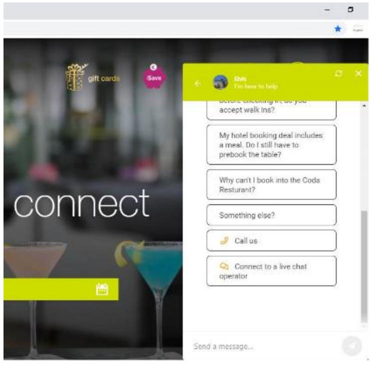
The results were positive and highlighted an increased awareness among customers of our brands.

As well as this, the research identified areas for us to work on, and we plan to action these during 2021.

Research into Action – Our plans
We plan to develop, using upgraded technologies, the brand website booking engine to enhance the customer booking journey.

Our direct book brand initiatives will be enhanced to support the hotel brands.

We are now trialling an upgraded live-chat guest platform to give a seamless customer service platform.



Clayton Hotel Charlemont

Our Pipeline

13 NEW-BUILD 4-STAR HOTELS

3,148 ROOMS

THE SAMUEL

DUBLIN, SPENCER PLACE

4-star, leased[1] property with bespoke branding within walking distance from The Convention Centre Dublin and the IFSC business district.
Rooms: 204
Opening: Q4 2021

CLAYTON HOTELS

BRISTOL, BROAD STREET

4-star, leased[1] property located on Broad Street, close to the city's commercial centre, shopping and leisure district.
Rooms: 253
Opening: Q1 2022

CLAYTON HOTELS

MANCHESTER, PORTLAND STREET

4-star, leased[1] property located on Portland Street, just 5 minutes' walk from Piccadilly Gardens.
Rooms: 329
Opening: Q1 2022

maldron HOTELS

GLASGOW, RENFREW STREET

4-star, leased[1] property ideally located on Renfrew Street in the centre of Glasgow.

Rooms: 300
Opening: Q3 2021

maldron HOTELS

MANCHESTER, CHARLES STREET

4-star, leased[1] property ideally located in the centre of the city, adjacent to the largest mixed-use development in Manchester, Circle Square.
Rooms: 278
Opening: Q1 2022

maldron HOTELS

DUBLIN, MERRION ROAD

4-star, owned property developed on the former Tara Towers Hotel site in Dublin 4, close to the RDS and Aviva Stadium.
Rooms: 140
Opening: Q1 2022

maldron HOTELS

BRIGHTON, CANNON PLACE

4-star, leased[1] property located close to the waterfront in the city, within walking distance of the Brighton Conference Centre.
Rooms: 221
Opening: H1 2024

CLAYTON HOTELS

GLASGOW, CLYDE STREET

4-star, leased[1] property located on the River Clyde in the centre of Glasgow.

Rooms: 303
Opening: Q2 2022

maldron HOTELS

BIRMINGHAM, SUFFOLK STREET

4-star, leased[1] property located on Suffolk Street in the city, with close proximity to the Mailbox and Bullring shopping centres.
Rooms: 323
Opening: TBC[2]

maldron HOTELS

LONDON, SHOREDITCH

4-star, owned property located in the heart of Shoreditch, immediately to the north of the City of London.
Rooms: 149
Opening: Q3 2023

maldron HOTELS

MANCHESTER, VICTORIA

4-star, leased[1] property located close to the Victoria train station, Manchester Arena and Spinningfields Commercial district.
Rooms: 188
Opening: TBC[2]

maldron HOTELS

DUBLIN, CROKE PARK

4-star, leased[1] property located adjacent to Croke Park Stadium in central Dublin.

Rooms: 200
Opening: Q1 2024

maldron HOTELS

LIVERPOOL

4-star, leased[1] property adjacent to the Liverpool One retail and leisure complex. Within walking distance of key attractions.
Rooms: 260
Opening: TBC[2]

[1] 35-year operating lease
[2] Hotel opening dates to be confirmed

The Samuel Hotel
Under construction at Dublin's IFSC Business Disrict

OPERATIONS REVIEW

Keeping all Engines Running

After a positive start, Covid-19 landed, and governments implemented severe restrictions on people's movement with devastating consequences for the company. We needed to adapt to a changed operating environment.

A year of disruption

It is an understatement to say that nobody could have anticipated the disruption to our business experienced in 2020. After a positive start, Covid-19 landed, and governments implemented severe restrictions on people's movement with devastating consequences for the company. We needed to adapt to a wholly changed operating environment.

We resolved from the outset to approach these new challenges with our usual Dalata "can do" positive outlook. We worked through the difficult process of temporarily closing many of the hotels in March before preparing rigorously for reopening in July. We really focused on making the best of all business opportunities presented through the remainder of 2020.

Planning and communication

We developed a clear and decisive action plan which was communicated over countless video calls and employee communication seminars. This supported our colleagues right across the business as they dealt with the various issues that presented themselves.

We retained the management team at each of our hotels right throughout the year. Each team was busy maintaining contact with temporarily laid off staff, training and preparing for a safe re-opening and customer engagement. Customers were supported through the complex process of an orderly unwind of future booked business.

Safety

Safety for staff and customers was and continues to be, our top priority. We adopted the highest of safety standards under the guidance of Fáilte Ireland in the Republic of Ireland and the relevant local authorities across the UK.

To further assure customers and staff, we engaged Bureau Veritas, world leaders in testing, inspection and certification, to risk assess and test the processes, procedures, systems, and controls implemented to ensure our teams' and our guests' safety on re-opening.

Bureau Veritas carried out an onsite audit at each of our hotels.

The fruit of this labour was evident in the strong conversion of inquiries throughout the remainder of the year. These measures allowed us to protect existing business and grow our market share of the business on offer. It also provides our employees with the opportunity to work with total confidence in a safe and secure working environment.

A new business environment

Customers' plans and requirements often changed rapidly and having our management teams in place meant we were agile and able to promptly and efficiently deal with inquiries.

We changed or amended reservations without fuss.

Feedback we received indicated that customers appreciated our proactive and prompt approach.

During 2020 many of our guests were essential service workers, including those providing health and welfare services. We also catered for many working in the construction sector, and for a wide range of elite sports teams in Ireland and the UK.

Food and beverage

We continued to serve a full breakfast and hot meals which gave us a competitive edge when these options were not generally available in hotels.

Many aspects of service delivery had to change, and our food and beverage teams responded very well. Buffet service discontinued, and we focused on training for table service.

Technology

The pandemic accelerated the introduction of several innovations through technology. These included a multifunctional guest mobile phone app that eliminated several physical touchpoints including guest information, communication with reception, table reservation and food and beverage ordering. These innovations eliminated the need for queuing and made the meal experience stress-free.

We upgraded our online check-in and check-out facility and made it widely available across the hotels.

The low occupancy rate provided an opportunity to speed up the roll-out of other technologies as we strove to use our time well during lockdown. See page 33 for more detail.

Brexit

A deal on Brexit was concluded at the end of 2020, and we are relieved that the common travel area agreement between the Republic of Ireland and the UK remains in place. This is good news for our people and customers.

We will continue to be alert for issues arising from Brexit in 2021.

ESG

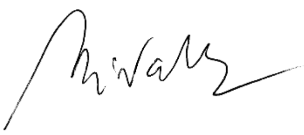
I am happy to be a member of the board's ESG committee. Conal O'Neill, Group General Manager for Maldron Hotels leads a cross functional environmental steering group that has overseen many initiatives over the past two years and their work is reflected in the company's improving CDP score (2020 B, up from B- in 2019 and C in 2018). We continue to make measurable improvements in energy consumption, carbon emissions, water consumption and waste management (see pages 53 and 54 in the environmental and social responsibility section of this report). We are a people centred business and very committed to making a positive impact on society and the communities our hotels are located in. For more, please turn to the environmental and social responsibility section on pages 49 to 58.

Dalata Academy

2020 was an exceptional year for learning and development at Dalata. We reached record numbers of employees, (including many temporarily laid off) with courses and personal development and skills workshops delivered online. The work of the Dalata Academy is central to our strategic ambition at Dalata and will continue to develop in 2021.

Our Team

2020 was a year like no other in the hotel industry and I would like to acknowledge my colleagues all around the business, general managers and their teams and colleagues in central office, for their unfailing commitment, hard work and good humour in the face of adversity. We'll need more of it in 2021, but we have laid a good foundation and together we will rebuild and recover.



Stephen McNally
Deputy Chief Executive

I would like to acknowledge my colleagues all around the business, general managers and their teams and colleagues in central office, for their unfailing commitment, hard work and good humour in the face of adversity.

FINANCIAL REVIEW

Strongly Positioned for Recovery and Growth

Revenue fell 68.1% to €136.8 million

Basic EPS fell 220.0% to (50.9) cents (negative)

Strong liquidity with cash and undrawn facilities of €298 million

Property, plant and equipment of €1.2 billion

Conservative gearing with Net Debt to Value[1] ratio of 23%

Overview of 2020

At the end of my report last year, I said that I was excited about 2020 and the opportunities that lay ahead. I could not have envisioned what lay ahead for us as a company and for society as a whole. 2020 will be a year that we all remember as being very challenging both in our business and personal lives.

The impact of the pandemic on our business has been extraordinary. In the context of the huge impact on our industry and our ability to generate revenue and earnings, I am proud of the way we have navigated our way through the storm to date.

We have retained the bulk of our management teams at our hotels as well as at our central office. We have striven to be fair with all our various stakeholders – paying our suppliers, paying our rent, servicing our debt, communicating openly with our people and shareholders, returning deposits when appropriate to our customers and all the time putting the safety of our people, our customers, and our suppliers at the top of our agenda.

Strong support from stakeholders

In March, we engaged with our banking club to adjust our covenant limits for 2020. As the extent of the crisis became more apparent, we further engaged with the club and secured an addition €39.4 million in facilities as well as getting the measurement of our Net Debt to EBITDA and Interest Cover covenants waived until June 2022.

In April, we completed the sale and leaseback of Clayton Hotel Charlemont for €65.0 million with Deka Immobilien.

In September, we completed a 20% share placing which gave us a further €92.0 million in cash. By the start of September, we had generated an additional €196.4 million in liquidity from these actions.

Continued focus on opportunities

We also ensured that we remained focused on opportunity as opposed to just crisis management. During 2020, we added three new hotels to our pipeline in Dublin, Manchester and Brighton. We continued to build out our development pipeline and the equity raise has enabled us to seek out further opportunities in the UK. With our hotels running at very low occupancies, we took the opportunity to accelerate a number of our technology projects as outlined in the case study later in my report.

1 See endnotes page 35

Maintaining a strong financial position

In 2019, we generated free cashflow of €100.6 million and would have been expecting to generate at least a similar amount in 2020. We ended up with a negative free cash outflow of €41.3 million.

We have been able to withstand the huge impact on our cashflows for a number of reasons. Firstly, we entered this crisis with an appropriate level of gearing. Secondly, our balance sheet is underpinned by high quality hotel assets. Thirdly, we achieved very significant savings through the hard work and diligence of our people across the group as well as the considerable personal financial sacrifices made by everyone in the group. Finally, our various other stakeholders such as our shareholders, suppliers, landlords and governments made invaluable contributions throughout the year.

Group Revenue and Earnings

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

The impact of Covid-19 on our business is starkly illustrated by a 68% reduction in revenues. Adjusted EBITDA fell by €143.5 million to €18.7 million. As large a fall as that is, it would have been significantly worse if (i) very significant cost savings had not been achieved throughout the group and (ii) the Irish and UK governments had not provided supports to the hospitality industry.

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

1 See endnotes page 35

Adjusting Items to EBITDA

€million	2020	2019
Net revaluation movements through P&L	(30.8)	1.6
Impairment of right-of-use assets	(7.6)	-
Impairment of goodwill	(3.2)	-
Accounting loss on sale and leaseback of Clayton Hotel Charlemont	(1.7)	-
Impairment of FF&E at leased hotels	(1.0)	-
Hotel pre-opening expenses	(0.1)	-
Adjusting items	(44.4)	1.6

Covid-19 has had a significant impact on valuations across the hospitality industry – this has resulted in Adjusting Items of €44.4 million in 2020 which in turn caused a loss at Group EBITDA level of €25.7 million.

Government grants

Given that there were restrictions of varying degrees imposed on the hospitality industry from March onwards in 2020, it is not surprising that there has been substantial government support for the sector. We have utilised these supports to mitigate our losses and maintain employment of our people where at all possible. These supports are essential to protect the hospitality industry through a crisis that is not of its own making. We appreciate the support shown by both governments.

During 2020, we received grants from the Irish government totalling €17.6 million across the various support schemes and benefitted from a commercial rates waiver running from 27th March to the end of the year worth €5.5 million. We received grants from the UK government totalling £4.3 million (€4.8 million) as well as benefitting from a commercial rates waiver from 1st April to the end of the year worth £3.3 million (€3.6 million).

The group adopts a revaluation policy for its hotel property assets. In 2020, the value of our hotel assets was revalued downward by €174.4 million, of which €143.6 million was recorded as a movement in the revaluation reserve as it reversed previous gains posted to that reserve. €30.8 million was recorded through profit or loss as some properties were valued at less than their cost price including subsequent capital expenditure.

Following the impact of Covid-19 on future expected trading, assets related to our leased properties including goodwill, fixtures and fittings and right-of-use assets were assessed for impairment based on their estimated discounted future cash flows. The impact on near term cashflows has led to an impairment through profit or loss on a limited number of the group's assets related to leased properties, resulting in the impairments shown in the table above.

Goodwill at our owned properties was also tested for impairment resulting in an impairment charge of €0.6 million (£0.6 million) at one of our UK hotels.

On 24 April, we completed the sale and leaseback of Clayton Hotel Charlemont in Dublin. The asset cost us €41.6 million in total to purchase the site and construct the hotel. We sold the hotel for €65.0 million but the accounting treatment (as explained in note 12 of the financial statements) results in a loss of €1.7 million.

Unprecedented year of challenge for our industry. Sustained measures to protect our people, cash and our business from the impact of Covid-19.

Depreciation and amortisation

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

Depreciation of property, plant and equipment increased marginally by €0.4 million to €26.6 million driven by refurbishment projects in 2019 and the first quarter of 2020 which replaced items that had been fully depreciated in previous accounting periods. This was partially offset by a decrease in the depreciation charge following the revaluation losses on land and buildings during 2020 and the sale and leaseback of Clayton Hotel Charlemont, Dublin in April 2020.

The application of IFRS 16 *Leases*, resulted in a depreciation of right-of-use assets amounting to €17.1 million in 2019. Right-of-use assets are depreciated on a straight-line basis from the transition date of 1 January 2019 or the commencement date of the lease, whichever is later, typically to the end of the lease term. Depreciation of right of use assets increased by €3.6 million in 2020 primarily due to (i) the new lease created from the sale and leaseback of Clayton Hotel Charlemont, Dublin in April 2020 and (ii) the full year impact of the lease we entered in November 2019 for Clayton Hotel Cambridge.

Finance costs

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

As a result of the amended and restated loan facility in July 2020, the group assessed the discounted cash flows under the new facility agreement discounted at the old effective interest rate compared to the discounted cash flows under the old facility agreement. This resulted in a modification loss of €4.3 million.

The group also incurred higher margins on loans as shown by an increase to the group's weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, which were 1.8% (2019: 1.4%) and 3.1% (2019: 2.9%) respectively.

Interest on lease liabilities results from the application of IFRS 16. The interest on the lease liabilities for existing hotels is calculated using the estimated incremental borrowing rate applicable to each lease at the date of transition, 1 January 2019, or the date the hotel becomes operational if opened afterwards.

The increase in 2020 is primarily related to the new and full year impact of the leases for Clayton Hotel Charlemont and Clayton Hotel Cambridge respectively.

These increases were offset by additional capitalised interest (on the site in Shoreditch, London acquired in August 2019) and higher interest rates being capitalised for 2020 compared to 2019.

Earnings per share

€million	2020	2019
(Loss)/earnings per share - basic	(50.9)	42.4
(Loss)/earnings per share - diluted	(50.9)	42.0
Adjusted (loss)/earnings per share - basic[1]	(27.2)	42.0

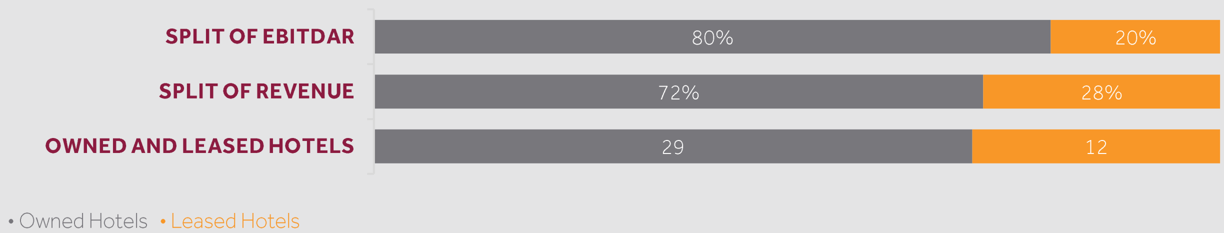
The negative Basic EPS of 50.9 cents reflects the impact of falling revenues and EBITDA combined with increases in the charges associated with depreciation and finance costs as noted above.

As the group incurred a loss in 2020, a tax credit is recognised in the profit or loss statement. A portion of those losses (€16.5 million) have already been offset against taxes of prior periods for which a repayment of €2.3 million has been already received. We are confident that the remaining tax losses carried forward will be utilised in future periods.

Due to tax incentives introduced in Ireland following the Global Financial Crisis to stimulate the property market, no tax charge arises on the gain following the sale of Clayton Hotel Charlemont.

1 See endnotes page 35

GROUP SNAPSHOT OF OWNED AND LEASED PORTFOLIO AT 31 DECEMBER 2020



Trading Review by Segment

Dublin

As a market, Dublin normally benefits hugely from international travel, of which there has been effectively none since the middle of March 2020. In addition to that, the city has been under varying level of restrictions since March apart from July, August and a portion of September. As a result, RevPAR is down 74.8% and total revenue is down 73.4%.

Government supports together with a huge focus on the elimination of any discretionary costs helped us achieve a very credible EBITDAR margin of 26.8%. Hotel overheads[2] were reduced by 40.1% versus 2019.

2, 3 See endnotes page 35

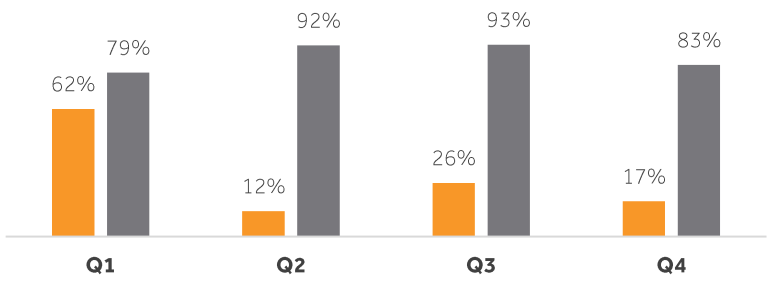
Dublin

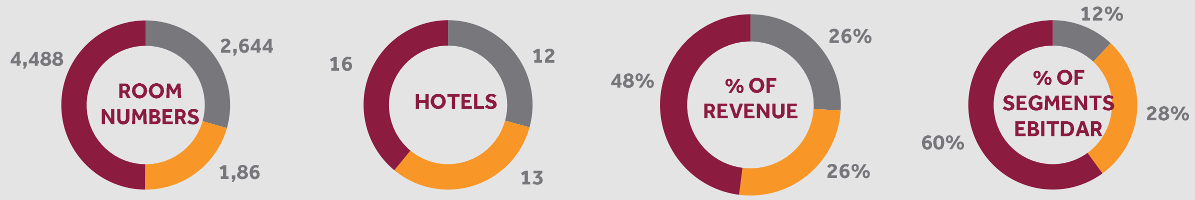
€million	2020	2019
Room revenue	43.5	176.3
Food and beverage revenue	16.0	53.0
Other revenue	5.7	16.1
Total revenue	65.2	245.4
EBITDAR	17.5	119.7
EBITDAR margin %	26.8%	48.8%

Performance statistics (like for like)[3]	2020	2019
Occupancy	30.4%	87.7%
Average room rate (€)	90.76	124.79
RevPAR (€)	27.62	109.40
RevPAR change %	-74.8%	

Dublin owned and leased portfolio	2020	2019
Hotels	16	16
Room numbers	4,488	4,482

Dublin occupancy





• Dublin • UK • Regional Ireland

Regional Ireland

Our Regional Ireland hotels were also negatively impacted by Covid-19. Although not as reliant upon international travel as Dublin, the closure of our Regional Ireland hotels for most of the year since mid-March has had a significant impact. Lockdown in Q2 resulted in an occupancy of 10.4% for that quarter.

Our hotels did benefit from a very strong staycation market in Q3 with occupancy for that quarter coming in at 60.2% before falling to 25.0% in Q4 as restrictions were reimposed.

For the full year, RevPAR fell 56.6% versus 2019 with total revenue down 57.3%.

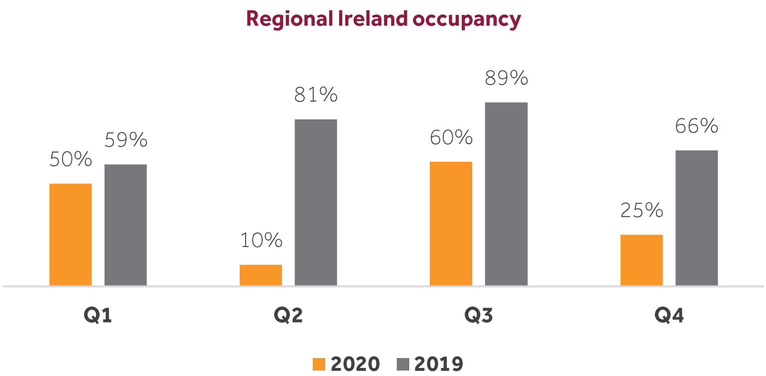
As with our Dublin hotels, there was an intense focus on costs throughout the year which together with government supports enabled us to deliver an EBITDAR margin of 22.0% for the year. Hotel overheads[2] were reduced by 33.7% versus 2019.

Regional Ireland

€million	2020	2019
Room revenue	21.6	49.7
Food and beverage revenue	11.1	26.8
Other revenue	3.6	8.4
Total revenue	36.3	84.9
EBITDAR	8.0	24.5
EBITDAR margin %	22.0%	28.9%

Performance statistics[3]	2020	2019
Occupancy	36.4%	73.7%
Average room rate (€)	87.04	98.90
RevPAR (€)	31.64	72.93
RevPAR change %	-56.6%	

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



2, 3 See endnotes page 35

UK (local currency)

As you would expect, the performance of all our UK hotels have been very badly impacted by the Covid-19 crisis. However, the impact was greatest for our London hotels, as like Dublin, the virtual elimination of international visitors had a devastating impact on hotels in the city. RevPAR for our UK hotels fell by 68.3% with total revenues down 64.2%.

Government supports for employees have worked differently in the UK. The UK scheme worked on a furlough basis which means that as soon as an employee comes back to work, there is a full cost to the group. In Ireland, there is the Pandemic Unemployment Payment (PUP) for those out of work and a subsidy scheme whereby the government pays the employer a subsidy to fund a portion of the wages of those back at work. As a result, EBITDAR margin in our UK hotels was considerably lower than in Ireland at 9.4%.

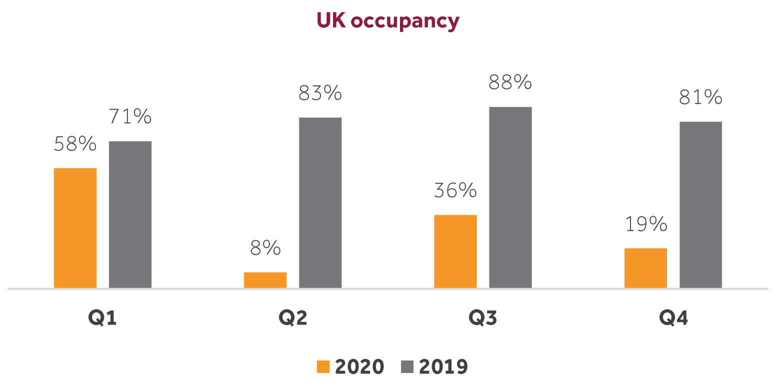
As with the Irish hotels, significant savings were made in hotel overheads[2] which were reduced by 24.8%.

UK

£million	2020	2019
Room revenue	21.7	62.8
Food and beverage revenue	6.9	17.8
Other revenue	2.4	6.1
Total revenue	31.0	86.7
EBITDAR	2.9	33.8
EBITDAR margin %	9.4%	39.0%

Performance statistics[3]	2020	2019
Occupancy	30.3%	80.7%
Average room rate (£)	75.06	88.79
RevPAR (£)	22.72	71.66
RevPAR change %	-68.3%	

UK owned and leased portfolio	2020	2019
Hotels	12	12
Room numbers	2,644	2,600



2, 3 See endnotes page 35

Central Costs and Share-Based Payments Expense

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

As with the hotels, we achieved very substantial savings at the centre. There was a writeback of our insurance provision in 2019 relating to claims being lower than anticipated in the years preceding 2019. This reflected the excellent work being done in managing our public liability and employee liability risks. That good work has continued in 2020 where we introduced our Dalata Keep Safe programme soon after the onset of Covid-19. Excluding the impact of the insurance provision writeback in 2019, the reduction in central costs amounted to €5.5 million.

Payroll costs reduced by €4.2 million due to a combination of salary cuts, reduced working hours, non-payment of bonuses and employment subsidy support from the Irish government. Similar to our teams at the hotels, everyone at the centre suffered financial pain whilst also working very hard to ensure that the group could continue to function effectively. Considerable savings were also made in all central office expense lines.

Comprehensive Efforts to Limit Cash Outflows

€million	2020	2019
Net cash from operating activities	22.8	155.0
Fixed lease payments[4]	(28.0)	(27.5)
Finance costs paid	(13.0)	(11.2)
Refurbishment capital expenditure	(9.7)	(15.7)
Exclude taxes deferred until 2021	(13.5)	-
Exclude adjusting items which have a cash effect (net of tax)	0.1	-
Free cash (outflow)/inflow	(41.3)	100.6

Obviously, net cash from operations fell substantially from 2019 with a fall of €132.2 million to €22.8 million. Included in that fall is an outflow of €0.3 million from working capital, offset by a net tax refund of €2.2 million. In normal times, hotels operate with negative working capital and when revenues drop sharply, they experience an outflow of working capital. This outflow was mitigated by a deferral of VAT and payroll tax liabilities under government support schemes of €13.5 million at year end that are expected to be paid during 2021. We have excluded these liabilities in our calculation of Free Cash Flow above.

As soon as the magnitude of the pandemic became apparent, we suspended all but essential refurbishment capital expenditure. As a result, this fell from €15.7 million in 2019 to €9.7 million in 2020. The reduction would have been larger but for the fact in a typical year, a large proportion of refurbishment projects are carried out in the first quarter when occupancies at the hotels are lower.

Fixed lease payments have increased marginally due to the full year impact of new leases offset by the timing of rent payments. As explained earlier, finance costs paid have increased due to higher levels of debt drawn during the year and higher margins.

We exclude adjusting items to present normalised cash flows for the portfolio.

Property, Plant and Equipment

€million	2020	2019
Property plant and equipment at end of the year	1,202.7	1,471.3

The value of our property, plant and equipment reduced by €268.6 million to €1.2 billion at the end of 2020. The decrease is driven principally by revaluation losses of €174.4 million, €71.9 million in relation to the sale and leaseback of Clayton Hotel Charlemont, foreign exchange movements which decreased the value of the UK hotel assets by €21.6 million, the depreciation charge of €26.6 million offset by additions of €25.4 million.

Although, the value of our hotels has fallen during the current crisis, the benefit of having an asset backed balance sheet was very apparent during the year. It allowed us to realise total consideration of €64.2 million (with a further €0.8 million receivable contingent on the addition of three bedrooms to the property) through the sale and leaseback of Clayton Hotel Charlemont and was also a key factor in securing strong support from our banking club throughout the year.

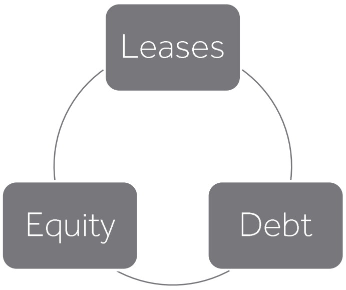
4 See endnotes page 35

Capital Structure

Last year, I outlined how our shareholders, banking club and landlords were providing the finance to support the growth of the group. In 2020, the strength of those relationships was demonstrated when we generated just under €200 million in additional liquidity from our shareholders (€92 million), our landlords (€65 million) and our banking club (€39 million).

Generated just under €200m in additional liquidity from our shareholders, our landlords and our banking club.

SUPPORTING OUR GROWTH WITH THE APPROPRIATE MIX OF FINANCE



Long term leases

The adoption of IFRS 16 in January 2019 brought an accounting estimate of lease liabilities on to the balance sheet, amounting to €399.6 million at the end of 2020. We view leases as another form of debt with the associated lease costs being a financial commitment for the group. We look for a strong stabilised rental cover of 1.85x for all new leases we commit to. However, due to the impact of Covid-19 in 2020, our leased properties generated operating profits well below rental levels. We are very confident that these properties will become cash generative again as the hotel industry recovers.

Many of our current landlords are providing the finance to the developers of our pipeline of leased hotels. We value greatly the strong relationship that we enjoy with them and look forward to continuing to work together as we expand our presence in the UK. The strong relationship with Deka Immobilien enabled us to conclude a sale and leaseback of Clayton Hotel Charlemont in April for €65 million.

Strong financial position - asset backed by €1.2bn of prime assets. Our portfolio of young, well-maintained hotels offers competitive advantage as business recovers.

Debt

We have always viewed our banks as being partners and I am delighted with and grateful for their support over the last 12 months. In July, they provided an additional €39 million in facilities as well as agreeing to change covenants until June 2022 due to the devastating impact of Covid-19 on our earnings and consequently on our ability to meet Net Debt/EBITDA and Interest Cover covenant levels.

At the end of 2020, our Net Debt to Value[1] ratio was 23%. This shows the strength of the security that the banking club has for the facilities that they have provided us with. I am confident that our banking club will continue to be very supportive of us as we emerge from this crisis. The undrawn loan facilities as at 31 December 2020 were €247.9 million (2019: €121.2 million).

Equity

It has been a difficult year for our shareholders. Unfortunately, we were not able to pay dividends in 2020 as we sought to protect our liquidity in the face of the Covid-19 challenges. The value of the equity held by our shareholders also fell due to Covid-19. I greatly appreciate the support of our shareholders throughout 2020 and especially when we executed a 20% placing in September. We as a management team are committed and confident that we will take advantage of the opportunities presented as the world recovers from Covid-19. We will work hard to repay the support shown by our shareholders.

1 See endnotes page 35

Investment in new technologies

Continuing to deliver efficiencies at our hotels

Since 2017, we have been on a journey to improve the effectiveness and efficiency of our finance function across the group. We acquired a large number of our hotels in separate transactions. As a result, we inherited a range of different systems that did not integrate and impacted the speed at which we could consolidate information across the group. We recognised that this was an area we could improve further and invested time re-engineering processes and introducing new systems to ensure we could scale the various functions for further growth. Furthermore, having standard systems across the group makes it very easy for our people to move between hotels as they develop their careers with Dalata.

In my report last year, I highlighted the important work being done by our Shared Service Centre (SSC) based in Cork. The SSC team manages routine administration tasks efficiently and provides support and training to the hotels' finance teams. This, in turn, allows our people at hotels to focus on value-adding activities such as serving our customers and analysing the business. It is also simpler and faster to set up the finance team when we open or acquire a new hotel as we arrive with our systems and processes ready to bolt on to the group network.

When the pandemic hit in 2020, we considered how we could continue with our plans to invest in new technologies and systems, deepening the value-add. We agreed to accelerate several technology projects. These projects are part of our strategic plan to increase efficiencies at our hotels. We felt that postponing implementation would not benefit our long-term performance and our ultimate goal of creating more time for delivering excellent guest experiences. We also wanted to take advantage of the fact that the lower level of activity at the hotels would mean less disruption and impact on the business than if we did this when occupancies were at their usual high levels.

Experienced team members from Finance, Revenue, IT and Operations worked together to develop and implement significant system changes which will have a lasting influence on how we do business in the future.

Opera Cloud PMS

The key system in hotels is the Property Management System (PMS). A PMS is a software application which manages daily tasks at the hotel, including bookings, guest check-in/check-out, assigning rooms and billing. Even though all of our hotels operated a version of the same PMS, it was configured independently, making management and reporting less efficient. Our ambition has long been to move all of our hotels to the same environment on Opera Cloud. In 2020, we decided to take advantage of when our hotels were less busy to accelerate the roll-out of Opera Cloud. The lower volume of hotel bookings meant it was easier and faster to transfer booking information from one system to another. Opera Cloud will bring many benefits to the group, including:

- Common configuration and functionality across all hotels
- Cloud-based technology simplifies IT infrastructure at a property level
- Simplifies rate management, maximising revenues
- Increasing oversight and control with a single database
- Fully integrated with accounting software, reducing the need for manual intervention
- Complete oversight of billing enhancing audit options

Currently, 26 out of our 41 owned and leased hotels are now on Opera Cloud. We will continue the rollout to the remaining hotels during 2021 and are targeting that all hotels will be on Opera Cloud by the end of this year.

Oracle Micros Simphony POS System

Similar to the PMS system described above, the Point of Sale (POS) system deployed in our Food and Beverage operations was a locally installed version of Oracle's Micros product. It was configured independently and administered locally, making it very challenging for group reporting and management. In 2020, we commenced the rollout of Micros Simphony, the Cloud-based equivalent to Micros, which meant we could follow through on our strategy of holding all our data in a standardised format on the Cloud and avail of the many benefits that brings. We have rolled out the new system to 22 of our 41 owned and leased hotels to date. We plan to complete the roll out to the remaining 19 hotels in 2021.

Micros Simphony will bring a multitude of benefits to the group, including:

- Common configuration and functionality across all hotels
- Providing real-time information
- Centralising menu management across the group
- Enhancing reporting and analytics to maximise revenue
- Increasing oversight and control

As more and more payments are transacted through cards, we have begun integrating our card devices into our PMS and POS systems, strengthening our PCI (Payment Card Industry) compliance and streamlining the process from payment to reconciliation.

Integrating card transactions into our systems reduces the possibility of user error and makes it easier to perform reconciliations. It also improves our health and safety standards in the current environment as it reduces the number of touchpoints where a guest is paying for their stay at reception or a meal in one of our food and beverage outlets.

Completion of centralisation of payroll

In 2019, we introduced a new payroll system across the group and installed a dedicated SSC team. In November 2020, we completed the project to centralise payroll, and now all payroll for the employees across our 41 hotels is administered and paid centrally. A centralised payroll function was critical during the pandemic when the various government payroll subsidies were introduced in Ireland and the UK. Our team of experts coped with the administration around these new schemes and kept up to date with the changes that followed. This allowed us to use the government support schemes to their full extent supporting our people's employment.

Guest Focused Technologies

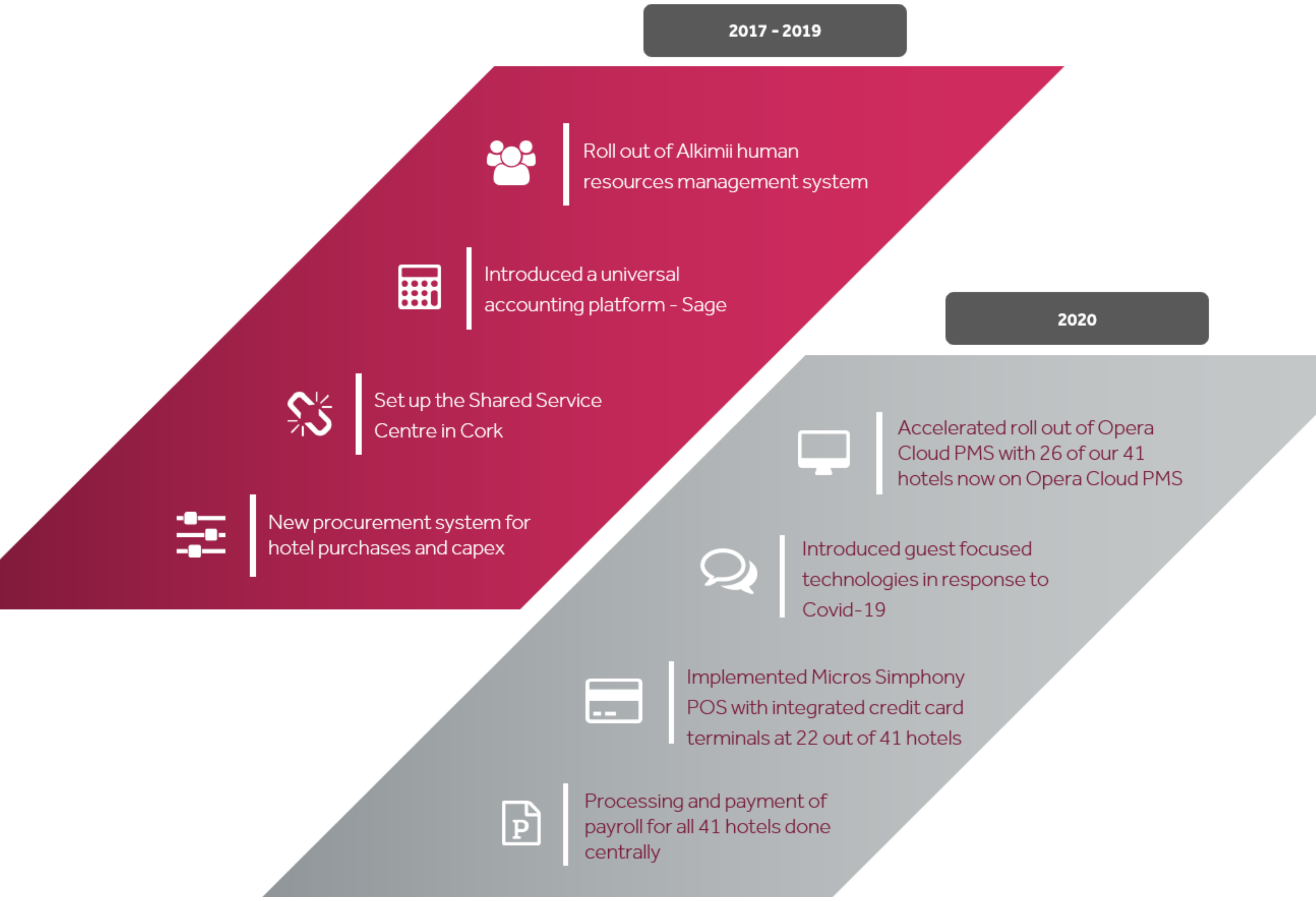
In response to Covid-19, we also implemented new technologies at all of our hotels to ensure a safer guest experience. These included an Advance Check-in/Check-out option at our hotels and the launch of a mobile and online ordering tool for guests in our hotels. Both technologies have been well-received by our guests.

Conclusion

I believe that Dalata has taken advantage of the Covid-19 crisis to accelerate and deliver improvements in its technology which will see it emerge even stronger from the crisis. Equipping our people with the best technology ensures they have the relevant information to make better decisions. It allows us to follow through with our decentralised strategy by enabling management to spend more time delivering exceptional guest experiences. We will continue to roll out these technologies, and we remain convinced that they will allow us to become more effective as hotel operators.

Achievements to date

Processes are becoming more efficient, providing more time to deliver excellent customer experiences



Growth Strategy

Covid-19 has impacted on our growth strategy in a number of ways. The construction of our existing pipeline has slowed due to the imposition of various restrictions on the construction industry in both the UK and Ireland over the last 12 months. However, all projects continue to progress, and I look forward to the opening of close to 3,300 rooms over the next four years. We opened our new conference centre in Clayton Hotel Cardiff Lane, Dublin and the 44-room extension to our Clayton Hotel Birmingham in November 2020.

Despite the immense challenges of 2020, we managed to add a further three hotels to the development pipeline during the year. This a great achievement by our development team. The new Maldron hotels at Croke Park in Dublin, on the waterfront in Brighton and on Chapel Street in Manchester will be great additions to the Maldron brand when they open.

We continue to look for opportunities to build new hotels with developers in the cities that we have identified as being target locations in the UK. We also are interested in taking over leases of existing hotels should suitable hotels become available. We have an especially strong interest in expanding our presence further in London. I am excited that we will be able to start construction of our new hotel in Shoreditch in the coming months.

As I said previously, we enjoy a very strong relationship with fixed income partners. Deka Immobilien now own five of our hotels, Aberdeen Standard own one of our existing hotels and will be the landlord for two more in the current pipeline, M&G Real Estate own one of our existing hotels while Aviva and Union Investment have contracted to buy three of our current pipeline properties in the UK.

Outlook for the future

The impact of the pandemic on our industry has been extraordinary. For a large proportion of the year, we were not able to welcome any volume of guests to our properties – that is not easy for us as hoteliers. The financial impact has also been severe. I am proud of how the extended Dalata team with the support of our external stakeholders has pulled together and navigated through the storm to date.

As expected, it has been a difficult start to 2021 but as the pace of the vaccination process picks up throughout the world, the outlook for 2021 is improving. I am looking forward to starting out on the road to recovery as all our lives gradually return to normal. We will need to continue to be vigilant in the way we manage the business over the coming year. However, it is time also to start looking forward to the opportunities that will arise as recovery takes hold. We have an exciting pipeline of hotels to open in the coming four years and we are chasing down other exciting opportunities throughout the UK.

In 2020, we accelerated our investment in technology and will continue to do so in 2021. This investment will allow us to continue the process of centralising processing tasks, leaving local hotel management to focus on operating our hotels and taking care of our customers. Our investment in technology will also give us enhanced information with which to manage the business.

We rose to the immense challenges of 2020, and we look forward to the easing of restrictions and welcoming guests back to our hotels in the numbers that we are accustomed to. We are excited about the opportunities that will present as our industry recovers.

Dermot Crowley
Deputy Chief Executive
Business Development and Finance

I am proud of how the extended Dalata team with the support of our stakeholders has pulled together and navigated the storm to date.

Endnotes:

1 See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions on pages 197 to 202
2 Hotel overheads mainly include costs related to administration & general, training, indirect payroll, sales and marketing, utilities and maintenance.
3 Performance statistics include a full year performance of all hotels regardless of when acquired. In Dublin, we exclude the Ballsbridge Hotel as the hotel effectively did not trade for most of 2020.
4 Under IFRS 16, in 2019 fixed lease payments are represented by lease repayments and interest.


Clayton Hotel Ballsbridge

RISK MANAGEMENT

Managing our risks is part and parcel of how we run our business.

This year has demonstrated how our agile and adaptable risk management framework pivoted to face challenging emerging risks.

The board is responsible for risk management, and a risk management policy is in place, which we review annually. The audit & risk committee reviews the group's risks at each of its meetings, focusing on new and emerging risks and changes to risk profiles.

Our risk management framework is well established and provides us with the basis for managing our business risks. The framework is designed to be flexible and reactive and enable the board and senior management team to react promptly to emerging risks.

Risk management framework

We adopt the principles of the "three lines of defence" risk management model, with distinct yet integrated structures that combine to provide us with a sound framework to managing risk. The key elements of this are:

- Major strategic decisions concerning the group are made by the board, following detailed analysis and discussion on the associated risks.
- Executive management is responsible for implementing board decisions and managing risk within the business. There are clear lines of responsibility within the group's management structure. Specific management functions are assigned responsibility for managing risks, either in full or as part of their overall responsibilities. These are clearly defined.
- We manage risks across diverse locations and properties. The group has invested in IT, health & safety and operational systems to better understand and manage these risks.
- We have also invested in our people, providing them with knowledge and systems to manage their businesses' risks.
- We have an executive risk committee in place, with meeting agendas led by the head of risk & compliance. These meetings provide a forum for detailed review and discussion on risks and are usually held five times a year.

  The executive directors and members of the senior management team attend these meetings. The output of these is the basis for the audit & risk committee's risk review at each of its discussions. This structure enables us to keep abreast of developments in our risk management environment and enables ongoing focus on risks facing the group.

How we manage risk

In Dalata, risk management is an integrated activity, and our teams at all levels have a role in managing our risks. This may be part of their regular daily functions in our hotels or as part of our oversight and review structures.

We have embedded risk management in our business through our risk-focused culture. We monitor risks every day and have structures in all our hotels relating to financial controls, business forecasting, health & safety, training, employee development and target setting (both financial and non-financial). This approach aims to manage risks from the bottom-up, identifying risks as they arise, dealing effectively with them at a local level, and ensuring that more material risks are notified promptly to our senior management.

We also approach risks from a top-down level. The board determines the group's strategic goals and assesses the "big-picture" risks that could affect this strategy's delivery.

In Central Office, the company secretary and head of risk & compliance has oversight responsibility for risk management in the group, reporting to the chief executive. The chief executive is incentivised to improve the group's risk management processes.

The audit & risk committee reviews the group risk register as a standing agenda item at each of its meetings. This provides a challenge to management on how risks are being managed and sets the tone from the board on risk management.

The group has specific internal resources and expertise around risk management areas. This is supplemented by external advisors, notably in relation to food safety, health & safety, property facilities, insurance risks and cyber/privacy matters.

OUR ASSURANCE FRAMEWORK

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

Our Covid-19 Risk Management Response

2020 was an unprecedented year. Like other businesses within the hospitality sector and across the wider business community, the Covid-19 pandemic and governments' public health actions have affected our risk management framework and processes.

We believe that our agile risk management structure has enabled us to react promptly and decisively as our business's immediate risks caused by the pandemic became more evident from early-March 2020.

We had been monitoring the rapidly changing circumstances surrounding the spread of the virus throughout Europe. We geared up our response processes to react once clarity on the gravity of the situation became evident.

Our key mantra concerning the pandemic's impact was to "Protect our People, Protect our Business and Protect our Cash". The board and senior management team used these three principles to guide our response and actions.

We reviewed our risk register in light of the emerging crisis. We developed a specific covid risk register, which highlighted both immediate risks and mitigations requiring a quick response, and those risks that would potentially emerge over time as the pandemic response by governments and society developed.

These risks were considered by the audit & risk committee and board throughout the year and specific actions were tailored to the prevailing circumstances.

Our Principal Risks

Our principal risks and uncertainties are those that we believe could have the most significant impact on our business going forward. For 2020 we have included specific risks associated with Covid-19. The rollout of vaccines and improved medical treatments will hopefully reduce the impact of the virus and prevent the need for ongoing stringent government actions. However, a definitive timeline for this, at the time of writing, remains unclear.

We also include risks specific to our business growth strategies and hotel activities, which remains unchanged over 2019.

We believe that the pandemic, which has had a negative effect on us, our people and our industry, will provide opportunities to us that may not otherwise have arisen. Our actions in managing the risks in 2020 have left Dalata, we believe, well placed to take advantage of these opportunities.

Principal Risk Analysis

External

1. Impact of Covid-19 restrictions

Strategic Priorities

During 2020 the impact of Covid-19 restrictions on the hospitality industry was evident.

The group remains vulnerable should demand for our products and services be further restricted.

Potential Impact

Should government restrictions remain in place, there is a risk of a continued fall in the group's revenues and profitability.

Mitigation

The company has a robust corporate governance structure that enables the board and management to react and respond promptly to external threats.

Management actively prepares for adverse external events affecting the business as a whole, maintaining flexibility in the cost base to allow for a timely reaction, maintaining a critical incident plan, and developing and maintaining strong relationships and good communication with key customers and suppliers.

Trend: Increased

2020 Commentary

The group's robust response to the pandemic throughout 2020, and its strong financial position, should allow it to emerge safely from this crisis.

There is also an opportunity for sustained recovery and growth, considering the impact of the crisis on the industry as a whole.

2021 Focus

Ongoing assessment of this ever-changing situation continues to be a priority for board and management.

Financial

2. Debt and Cash/Liquidity Positions

Strategic Priorities

With the reduced business activity in 2020, there was an increased focus on managing the group's debt and cash positions.

Potential Impact

Without action, the group could be at risk of breaching its loan covenants.

Mitigation

Dalata practices a disciplined and consistent approach to financial risk management, including investment appraisal and financing, the level of traditional bank and lease debt, and interest rate exposures.

The group's corporate governance structure enables effective oversight of financial risk management.

Trend: Increased

2020 Commentary

In response to the Covid-19 crisis, the board took immediate action to secure the financial position of the group, both in relation to debt levels and protecting its cash position.

- Significant reduction in operating costs
- Cancellation of dividends
- Reduction of capital expenditure
- Sale and leaseback of the Clayton Hotel Charlemontl.
- Equity placing
- Increase in bank facilities

2021 Focus

This area continues to be monitored closely, supported by detailed forecasting and financial modelling.

Strategic

3. Expansion strategy & risks associated with growth
4. Concentration in the Dublin Market

Strategic Priorities

Our strategy of expanding into key UK cities and towns, and availing of specific Ireland opportunities that arise, is unchanged. This strategy also mitigates the risk associated with the Dublin market.

There are also risks associated with growth, including overstretching of management resources, systems and talent development.

Potential Impact

There is a risk that this strategy may not deliver in terms of expected returns, revenue and profitability. This risk has also increased due to the impact of the pandemic.

Mitigation

All new hotel developments and potential expansion plans are rigorously assessed and approved by the board before their commencement. Updates are provided regularly to the board on developments.

The group has structured plans to prepare the group for expansion, including the development of internal resources, standardisation of systems and processes and promotion of our culture as a competitive advantage. Management updates the board regularly on the progress of these plans.

Trend: Increased

2020 Commentary

During 2020 we reassessed the investment case criteria, both financial and non-financial, underlying our planned projects. We remain confident the group accurately identified a structural opportunity to expand in the UK and that each location secured for the development of new hotels will be commercially successful.

2021 Focus

We believe that additional opportunities may become available and that the group is well placed to take advantage of these during 2021.

Strategic

5. Culture and Values

Strategic Priorities

As Dalata expands, there is a risk that our unique culture and values could be damaged. The successful rollout of the Dalata business model is dependent on the retention of its strong culture.

Potential Impact

There is a risk that behaviours in the expanded group do not reflect our established norms and, as a result, our culture is damaged.

Mitigation

The group has defined values and behaviours that are embedded in the group, our senior teams and our employees.

Our culture is supported by policies and procedures, investment in learning and development, and employee and stakeholder engagement. We constantly focus on what our culture means to us and our stakeholders.

Trend: Stable

2020 Commentary

The group is actively managing this risk by focusing on management behaviours, investing in training and development and through its employee engagement programme. These values were reflected in our decision-making process during 2020.

2021 Focus

The ESG committee oversees our culture and its continued development, and this will be an area of key focus for 2021.

Principal Risk Analysis (continued)

Strategic

6. Preparing for the Changing Face of the Hospitality and Hotel Markets

Strategic Priorities

Covid-19 has impacted the hotel and hospitality industry as never before, as well as its effects on wider society.

Potential Impact

There is a risk that the group does not prepare and adapt to what could be the new "normality" in terms of how hotels operate, for example, increased guest technology expectations, the importance of hygiene and distancing, the utilisation of hotel public spaces and increased focus on sustainability.

Mitigation

As well as considering specific risks linked to the pandemic, we are also considering how our business will look when a more normalised business environment returns. The board and senior management are reviewing this area regularly.

We are continuing to assess several initiatives that we introduced during 2020 and whether they help meet our future customers' needs and expectations.

Trend: Increased

2020 Commentary

We have accelerated investment in technology solutions, both from a guest-facing perspective, such as our new guest portal and back-of-house system upgrades. Our decentralised model also facilitates our general managers to look at how to better operate their hotel spaces, and senior management support investment where it is needed in these areas.

2021 Focus

Continue with developments into 2021 as the business environment improves.

Strategic

7. Environment & Climate Change

Strategic Priorities

The group is keenly aware of the risks to society associated with climate change and environmental issues. We also understand that environmental and climate change issues are factors for our guests, customers and shareholders when choosing to do business with us.

Potential Impact

There is a risk that we do not meet stakeholder expectations, particularly concerning environmental performance reporting, target setting and creating a more sustainable operating environment.

Mitigation

As a business, we strive to adopt environmentally-friendly policies with supporting practical actions.

The board has an environmental, social & governance (ESG) committee, which provides oversight and focus. The committee's report is set out on pages 103 and 104.

The group environmental steering committee is also tasked with developing appropriate strategies in this area. Further details are set out in the Environmental and Social Responsibility section on page 51.

Trend: Increased

2020 Commentary

The impact of Covid-19 disrupted our practical plans in this area during 2020. Nonetheless, our management steering committee moved ahead with additional initiatives in this area.

2021 Focus

The board and management are committed to further implementing a sustainable and environmentally responsible business. Our work will continue in 2021.

Strategic Priorities People

Strategic Priorities Properties

Strategic Priorities Customers

Strategic Priorities Brands

Strategic

8. Development and Retention of Expertise

Strategic Priorities

The group's business model is built on our ability to develop and retain expertise. The pandemic's effect on our industry has seen an increased number of people out of work across the hospitality industry. Government supports have helped us to retain as many people as possible within the group.

Potential Impact

There is a risk that we cannot retain key expertise and experience and develop talent within the group to ensure its future success.

We are also aware of the risk that hospitality as an industry could be perceived as less attractive, affecting our ability to fill future positions.

Mitigation

The group recognises, as a strategic priority, the importance of the development of its people. We have invested in unique management development programmes to create a pipeline of expertise and talent.

The remuneration committee reviews pay structures and market rates, and there is an ongoing focus on training and retaining our people. We do this by offering career paths to those who wish to have one and offering flexible working hours, benefits and support to all our people.

Trend: Increased

2020 Commentary

The group maintained its commitment to our key people during the pandemic. We retained the core teams in the hotels and increased the availability of learning and development programmes to our people. We continue to focus on Dalata as the "employer of choice" within the hotel industry where we operate.

2021 Focus

There will be continued investment in our people during 2021. We are also reviewing our retention programmes and incentives for key professional expertise within the group to recognise its transferability in wider industry circles.

Operational

9. Health and Safety

Strategic Priorities

As a large hotel operator, there is a range of risks associated with life safety, fire safety and food safety.

In the Covid-19 environment, additional hotel and workplace hygiene controls have been prescribed to provide a safe environment for guests, employees and hotel patrons.

Potential Impact

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

Mitigation

Our hotels, employees, and guests' health and safety is a key priority for us, and we have invested continually in improving and maintaining the hotels' H&S environments to a high standard.

Central support is provided to all hotels, and local dedicated H&S resources are in place, supported by information management systems. A portion of the group's capital budget is reserved for health and safety, and identified risks are remediated promptly. The audit & risk committee also includes health and safety risks as part of its remit.

Trend: Stable

2020 Commentary

During 2020 we continued with our programme of health & safety management. We developed and implemented our Dalata Keep Safe Programme, accredited by Bureau Veritas, which complies fully with all Ireland and UK public health and hygiene requirements.

2021 Focus

We continuously monitor the operation of our health & safety and hygiene processes. Investment in these areas will continue as a priority.

Principal Risk Analysis (continued)

Reputational

10. Information Security and Data Protection

Strategic Priorities

All businesses face increased information security risks associated with sophisticated cyber-attacks, including those targeting data held by companies.

With Covid-19, more people are working from home, increasing the risk profile in these areas.

Potential Impact

A successful cyber event could cause significant disruption to the business.

Losing control of personal data could result in reputational damage and regulatory fines.

Mitigation

Dalata's Information Security Management System is based on ISO27001 and protects the group's information resources. This framework is supported by audits, company policies and employee training, overseen by external advisors and ongoing security monitoring.

We continue to invest in modern and secure technologies, supported by employee awareness and information security training.

Our data protection policies set out our obligations regarding handling personal data and the procedures and principles that are to be followed.

Our privacy committee, including senior management and external privacy specialists, provide leadership in this area, with regular updates to executive management, board and board committees.

Trend: Increased

2020 Commentary

In 2020 we upgraded our IT user security platforms, providing a secure environment for remote working.

Our principle of investing in proven technologies with trusted partners provides a stable, robust IT platform.

We added additional external expertise to support our privacy committee's work and support the senior management team in this area.

2021 Focus

In 2021 we will continue our rollout of upgraded systems to our hotels and users.

We also expect to complete the rollout of enhanced data and privacy training across all levels in the group.

Information security and data protection remain priority areas.

Clayton Hotel Belfast

Viability Statement

There is no better illustration of the group's ability to withstand extreme shocks than 2020.

The combination of appropriate gearing and an asset-backed balance sheet gave us flexibility to execute anumber of strategies to mitigate the impact of Covid-19.

Together with our proactive response, this allowed the group to end 2020 with increased liquidity despite the unprecedented challenges.

Confirmation of viability

Following consideration of the group's prospects through our strategic, risk and financial planning processes, the directors have a reasonable expectation that the company remains viable, will be able to continue in operation and will meet its liabilities as they fall due over the three years to December 2023. This assessment is made based on an analysis of the group's business model and strategy, the group's resilience and strong financial position, the group's principal risks and how these are managed, trading performance under Covid-19 related restrictions, contracted capital expenditure, and future trading prospects in scenarios related to the length of the Covid-19 pandemic. The group's business model and strategy are central to understanding its prospects, and details can be found on pages 7 to 22.

The impacts of the Covid-19 pandemic and, in particular, the timing of the lifting of restrictions on travel and hospitality continue to influence the ability to reasonably forecast the timing of the recovery in trading. Consequently, there is a risk that trade is slower to recover than forecast, which could, when analysing scenarios, potentially lead to a temporary breach in covenants based on trailing twelve-month EBITDA at 30 June 2022. If such a situation arose, the group would be confident of its banking club's ongoing support given the strong relationships and the asset-backed, low gearing nature of the group's balance sheet upon which our facilities are secured. However, covenants would not necessarily be breached as numerous mitigating actions not modelled are available, which we could choose to undertake before that arose, such as those taken in 2020 or more severe cost-cutting.

The actions the group has taken to deal strategically with the unprecedented impacts of Covid-19 during 2020 has allowed the group to emerge with increased liquidity. This is clear evidence to support both the ongoing viability of the group and its ability to continue to pursue its strategy.

Setting the scene – our response to Covid-19 impact

The Covid-19 pandemic has had an unprecedented impact on the hospitality industry. The ability of the group to end 2020 with a lower amount of debt and increased liquidity, when compared to December 2019, is no better illustration of the ability of the group to withstand extreme shocks. This was underpinned by a sustainable financial management policy designed to grow equity value and support stable borrowing and lease finance levels.

The combination of having an appropriate level of gearing and an asset-backed balance sheet entering the crisis gave the group the flexibility to examine and execute a number of strategies to mitigate the impact of the pandemic in 2020. These strategies can either be repeated or extended if the pandemic lasts longer than currently envisaged.

As soon as the pandemic emerged as a significant threat to the trading prospects of the group, the directors met on a more regular basis to review potential scenarios and the options available to protect the liquidity of the group. The directors quickly moved to suspend all non-committed capital expenditure, cancel previously announced dividends, utilise all available government supports, implement reduced working hours, agree temporary salary reductions, and cut all uncommitted non-essential expenditure.

The group also executed three separate strategies during 2020 that significantly increased its liquidity. Firstly, it executed a sale and leaseback of Clayton Hotel Charlemont in April for €65 million at a very attractive yield. Secondly, the group renegotiated covenant measures and increased its debt facilities by €39 million with its banking club in July. Finally, through a 20% share placing, the group raised net proceeds of €92 million in September.

Setting the scene – our current liquidity

The group has a €564 million multicurrency facility available until 30 September 2022. Thereafter, a portion of the facilities expire and the group has €505 million available until 26 October 2024.

As part of our early response to the impact of Covid-19, in April we renegotiated covenants for 2020 testing. As the duration and the depth of the pandemic restrictions became evident, we agreed with our banking partners a more appropriate medium-term amendment to the group's debt facilities agreement in July. The previous covenants comprising Net Debt to EBITDA and Interest Cover will not be tested again until June 2022. These two covenants have been replaced, until that date, by Net Debt to Value covenants and a minimum liquidity test, whereby the group must have, at all times, (until 31 March 2021) a minimum of €50 million available to it in cash and/or undrawn facilities.

The directors have considered the impact of a further decrease in the group's asset values and are comfortable that the group can remain in compliance with its Net Debt to Value covenant. At current debt levels, valuations on each of our hotels across all our regions would need to decrease by in excess of 50% to breach covenants. The renegotiation of covenants provides the additional flexibility and headroom and reduces liquidity risk in the current disrupted trading environment.

As at 31 December 2020, the group had hotel assets of €1.2 billion, loans and borrowings of €314 million, cash of €50 million and undrawn debt facilities of €248 million.

Assessment process and key assumptions

The group's prospects are assessed primarily through our strategic planning process. This includes an annual review of the current plan led by the corporate development director. The board is a key part of the process and this is achieved by annual Strategy Days and updates on developments and approval of any key new projects at each board meeting. The strategic planning process is also underpinned by the financial planning process which comprises a budget for the next financial year, together with projections for the following two financial years.

In a typical year, achievement of the one-year budget has a greater level of certainty and is used as the base to build more medium-term projections. Whilst achievement of these projections is subject to greater uncertainty, they form the base upon which strategic analysis and risk assessment can be performed and decisions informed and made. The process considers each hotel's revenues and profitability, new projects, our maintenance and development capital expenditure plans, gearing, covenants, cashflows, and other key financial metrics.

Our financial plans are living documents, regularly updated and are core to how we manage and monitor the business and its growth. This allows the group to foresee emerging challenges and opportunities and take proactive action as demonstrated in the timing and nature of the strategies and actions taken during 2020.

These projections are then subjected to sensitivity testing for further insight and analysis and form the basis of our viability testing.

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

- It aligns with the group's risk assessment timeline of current risks facing the group;
- All current committed projects are expected to be substantially completed during this period and the risks associated with this phase of development are fully considered; and
- A longer period would lead to less certainty around market performance and expectations.

The directors have also carried out a robust assessment of the principal risks that could potentially threaten the business model, future performance, solvency or liquidity of the group within the viability period. Details of the principal risk analysis can be found on pages 39 to 43.

In the midst of Covid-19, we believe the near-term projections are subject to greater uncertainty than the more medium term as we pass through a pivotal point in the world's response to the pandemic with increasing vaccination, improving treatments and the consequent impact on timing and pace of the eventual lifting of travel and public health restrictions. The major risk currently facing the group is the length of time that restrictions on travel and hospitality remain in place due to the Covid-19 pandemic (risk 1 page 39). In addition, due to the impact of Covid-19, the group has increased risks relating to the level of bank borrowings, the associated interest payments and covenants (risk 2 page 39). The other risks set out on pages 40 to 43 are also deemed very important but these risks are difficult to model for sensitivity analysis as the financial impact would vary depending on the extremity of the situation. However, the possible impact of these other risks are not believed to be as potentially material as those tested in the scenarios either individually or in combination.

STRATEGIC PLANNING PROCESS		
RISK ASSESSMENT	STRATEGIC REVIEW	FINANCIAL PLANNING PROCESS
• Robust risk assessment process in place • See pages 37 to 38	• Annual review by corporate development director • Board Strategy Days • Updates/approval for new projects discussed at board meetings	• Preparation of budget and projections • Sensitivity testing • Regular updates

Based on its risk assessment, the group has modelled severe but plausible scenarios which could affect the viability of the group.

A key judgement applied is when international travel and events will return. The directors believe that there is likely to be a strong rebound in demand for travel and hospitality when travel does resume.

Base Case

Predicting the path and eventual containment of Covid-19 is a very difficult task. The directors are of the view that there is likely to be a strong rebound in demand for travel and hospitality when consumers are permitted and feel safe to travel again. This assumption is supported through the marked and immediate increase in hotel occupancies each time restrictions were lifted in 2020, in addition to ongoing feedback from our corporate customers as regards their future plans. However, a key judgement applied is the likely time period when international travel and events will return.

The base case assumes that significant restrictions on hospitality and travel will be in place in both the UK and Ireland for the first half of 2021. As vaccines continue to be rolled out to the general population through the summer, it is assumed that international travel returns at the start of the fourth quarter of the year. This in turn is expected to bring a gradual recovery in revenues and earnings at the group's hotels with hotels largely back to 2019 levels of trade in 2023.

We expect to benefit from government supports in 2021 in line with pronouncements from both governments. Over the three-year period, there is forecasted capital spend, including on entry to new leases, of €158 million and the receipt of circa €42 million of funds for the pre-contracted sale of the residential development on the site of the former Tara Towers hotel in Q1 2022. At 31 December 2020, €43 million of this forecast capital spend was committed or incurred.

Under this scenario, the group can comfortably meet all its liabilities and obligations as they fall due and remains in compliance with its debt covenants.

Stress testing

Based on its risk assessment, the group has modelled severe but plausible scenarios which could affect the viability of the group. The assumptions modelled are based on the estimated potential impact of Covid-19 restrictions on travel and hospitality, along with our proposed responses over the course of the next three years.

Scenario 1: Delays to the return of international travel and delay to current growth strategy

Link to risk: (1) Impact of Covid-19 restrictions, (2) Debt and Cash/Liquidity Positions (3) Expansion strategy and risks associated with growth on pages 39 and 40

The directors reviewed a scenario where international travel and events only resumes in Q1 2022 from which point a recovery begins in revenues and earnings. This scenario assumes the group continues to be impacted by varying levels of restrictions on trade during 2021 and benefits from domestic demand only. This scenario also included a delay to the growth strategy as the prolonged effects of Covid-19 make it more challenging for the new hotels to ramp up to normal operating performance. The new hotels were therefore not forecast to deliver the expected level of revenue and profitability due to further delays to their opening dates or slower than forecast time to reach normal operating performance. As a result, expected revenues from the new pipeline are lower by 15%.

With the delay in recovery, mitigating actions are taken in 2021 and are in line with what was implemented during 2020 including securing a reduction across all categories of expenditure and the postponement of non-essential and non-committed capital expenditure. The Irish and UK governments have confirmed that there will be no "cliff edge" on the withdrawal of government support to business impacted by Covid-19. Therefore, this scenario assumes that government support schemes are extended to the end of 2021 on a similar basis to 2020 which is set out on page 26.

This scenario assumes there is a significant level of pent-up demand for travel, and consequently hotel rooms, once people are free to travel from Q1 2022 after approximately 21 months of international travel restrictions.

Scenario 2: Slower recovery to normal operating performance

Link to risk: (1) Impact of Covid-19 restrictions, (2) Debt and Cash/Liquidity Positions (3) Expansion strategy and risks associated with growth on pages 39 and 40

The directors have considered a scenario whereby the medium-term recovery takes longer than currently expected and is delayed by 12 months with the hotels largely back to 2019 levels by 2024. This scenario builds on scenario one discussed above and assumes 2023 does not recover to the expected level of revenues and earnings. As a result, 2023 earnings remain 10% lower under scenario two versus the base case.

Mitigating actions taken are similar to scenario one and include the postponement of capital expenditure. Government supports are assumed to continue for the remainder of 2021 but are not extended into 2022.

Results of Scenario 1 and 2:
Under both of these scenarios, the group can comfortably meet all its liabilities and obligations as they fall due but is likely to temporarily breach covenants for one testing period due to the delayed recovery. If such a situation arose, the group would be confident of the ongoing support of its banking club given the strong relationship and the asset backed nature of the group's balance sheet and a Net Debt to Value ratio of 23% at 31 December 2020. However, there are also, further mitigating actions which are not currently modelled to prevent a covenant breach which could be considered such as a sale of an asset, a further share placing, negotiations with landlords on rental obligations and more severe cost cutting.

Reverse Stress Test: Ongoing Lockdowns

Link to risk: (1) Impact of Covid-19 restrictions, (2) Debt and Cash/Liquidity Positions on page 39

Given the scenarios discussed above are most sensitive to changes in the duration that Covid-19 impacts travel and hospitality and the depth of the impact, coupled with a high degree of uncertainty, the directors have considered a more severe stress test which looked at how long the group could survive a full lockdown similar to what is currently the case in the UK and Ireland.

In this stress test, hotels remain closed to the general public indefinitely and only benefit from demand from essential services consistent with that seen through 2020. The length of time any hospitality company could survive such a lockdown is a good indicator of viability.

The stress test assumes that the construction industry is open which is a more severe test as the group's committed and essential capital expenditure continues to be incurred. Consequently, it assumes all new hotels currently in the pipeline are built and rents commence despite hotels being closed.

Mitigating actions include those taken in scenario one and assume on-going government supports similar to current supports while the hotels are closed to the general public. This stress test assumes on-going access to available debt facilities, despite covenants being breached due to ongoing losses. This is for the purpose of looking at liquidity for this stress test. Obviously, this assumes the consent and support of our banking club.

Despite such a severe stress test which the directors do not consider reasonably plausible, not least because of the ongoing and rapidly accelerating vaccine roll-out, the directors estimate that the group has sufficient liquidity to continue to the end of Q2 2023 in such a stress test. Liquidity could also be further extended with a share placing, a sale of an asset, negotiations with landlords on rental obligations and more severe cost cutting.

Based on reverse stress testing the directors estimate that the group has sufficient liquidity to continue to the end of Q2 2023 in ongoing lockdowns.

The strategies executed in 2020 can either be repeated or extended to provide additional liqudity if required.

Viability Testing

BASE CASE	SCENARIO 1	SCENARIO 2
• Significant restrictions on travel and hospitality for H1 2021 • International travel returns for Q4 2021, followed by gradual recovery with hotels largely back to 2019 levels of trade in 2023	• Delay in return of international travel returns and events until Q1 2021 • Delay to current growth strategy	• Builds on Scenario 1 and assumes there is a 12-month delay to the expected medium-term recovery with hotels largely back to 2019 levels of trade in 2024

This year we will carry out a strategic review of our ESG programme, clarifying priorities, goal-setting and our communication and reporting.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Dear Shareholder,

The Covid-19 pandemic tested company in 2020 in ways that we never imagined when we signed off on last year's annual report in late February. Revenues and occupancy tumbled from early March, and by the end of the month, many hotels across our portfolio were closed until late June.

The board and management team responded swiftly to safeguard the company. We identified the protection of our people, our customers and our cash resources as our top priorities, determined that we would survive the crisis, and position the company for a strong recovery when travel restrictions were lifted.

We made a commitment to remain true to the company's values in the face of very difficult decisions particularly having to layoff many staff for whom there was no work.

Employee welfare

We took steps to stay connected with all other employees through regular communication, welfare programs, including the employee assistance program and doubled down on providing learning and development opportunities to colleagues across the business and made these programmes available to colleagues temporarily laid-off.

Customer care

In preparation for hotels reopening in early July, we developed our Dalata Keep Safe programme which is accredited by Bureau Veritas with re-vamped cleaning and sanitisation processes, along with a range of service modifications, supported by extensive staff training. The Keep Safe programme gave our staff and customers peace of mind that our revised operating procedures were well designed to mitigate against the risk of infection. We commissioned Bureau Veritas to audit each hotel's compliance with the programme.

ESG Trends

The trend towards sustainable investing continued to gather pace during 2020 and so too did the move towards more structured sustainability reporting and transparency driven by a combination of investor demand and regulatory developments.

Environment

The executive level environmental steering group, led by Conal O'Neill has used the time when hotels were quiet to engage colleagues and establish plans within each hotel to reduce its impact on the environment.

Social

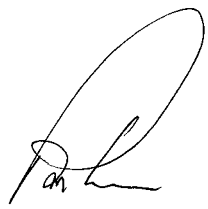
Group Head of HR, Dawn Wynne, is leading the development of a clear set of social priorities and goals and developed a revised diversity and inclusion policy toward the end of 2020, supported by comprehensive training back-up.

ESG committee

The board ESG subcommittee is up and running and already making an impact. Elizabeth McMeikan reports on progress to date on pages 103 and 104.

Plans for 2021

This year we will carry out a strategic review of our ESG programme, clarifying priorities, goal setting and our communication and reporting. We are encouraged that many of our recent initiatives have translated into favourable ESG ratings and improving CDP scores but we also recognise the need for a more structured approach to measuring our progress and communicating more effectively to a variety of stakeholders.



Pat McCann
Chief Executive

Non-financial and diversity information

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

Our Response to Managing Our Non-Financial Priorities.

Reporting requirement	Policies and standards	Further information and risk management
Environmental matters	Environmental policy Supplier Code of Conduct	**Environmental and Social Responsibility** Environmental ↳ Pages 51
Employee Matters	Employee Handbook	**Strategic Priorities** People ↳ page 17
	Health & safety policy	**Environmental and Social Responsibility** Social ↳ page 55
	Safe work practices policy Bullying and harassment-dignity in the workplace policy Equal opportunities policy Whistleblowing Statutory Training	**Environmental and Social Responsibility** Social ↳ page 55
Social matters	Food standards and traceability Community support Privacy policy	**Environmental and Social Responsibility** Social ↳ page 55
Human Rights	Modern slavery statement Data protection policy Supplier Code of Conduct Privacy policy Diversity & Inclusion Policy	**Environmental and Social Responsibility** Social ↳ page 55
Anti-bribery and corruption	Anti-bribery & Corruption policy	**Environmental and Social Responsibility** Social ↳ page 55
Business Model		**Business Model** ↳ page 9
Policies followed, due diligence and outcome		**Our Assurance Framework** ↳ page 38 **Risk Management in Practice** ↳ page 37
Description of principal risks and impact of business activity		**Key Risk Summary and Analysis** ↳ page 39
Non- financial key performance indicators		**Non-Financial KPIs** ↳ page 12

Environmental

Dalata is at the start of our environmental journey, but we are excited by the prospect of the positive impacts we can make and live up to our promise of "Living Green"

7 Silver

37 Bronze

100% of our electricity from renewable sources

LIVING GREEN

Living Green is Dalata's environment movement, launched in 2020, which inspires our environment as a "way of life" throughout our hotels, both for our people and our guests.

This initiative brings together in one cohesive plan

I. the work of our hotel Environment Impact Teams and Influencers
II. environmental and sustainability initiatives,
III. ideas and innovation

that positively impact our environmental footprint.

GREEN TOURISM

Green Tourism has accredited all 44 hotels and our Central Office.

The accreditation recognises the work of tourism businesses committed to becoming more sustainable.

Their Bronze/Silver/Gold awards are acknowledged worldwide as an indicator of good environmental impact management.

We have been awarded 7 Silver and 37 bronze awards. The awards are a great way of progressing on a green journey and acting as a hallmark of 'green quality', attracting custom from increasing numbers of eco-minded visitors.

This accreditation process is repeated every two years with our next audit in December 2021, all hotels are targeting a Silver award.

ENVIRONMENTAL STEERING GROUP

Our environmental steering group brings together 12 senior managers from across the business representing hotel operations, acquisitions and development, HR, and marketing.

The group covers all brands and geographies and is united in its ambition to reduce the group's environmental impact in a significant way.

ENERGY

We are committed to finding energy solutions that reduce our impact on the environment while balancing the need for guest satisfaction.

Our primary source of emissions is from our hotels' operation, and this year we continued our relentless focus on driving energy efficiency.

Our hotels in Ireland and the UK use 100% renewable energy. We continue to invest in our hotels' efficiency, focusing on improving our control of what we use and when.

We have building management systems that actively monitor and control consumption in our hotels, allowing us to avoid wasted energy and quickly pick up any excess energy use.

CDP - OUR JOURNEY

We looked to the CDP platform to help communicate our progress and provide a mechanism to share performance data with our stakeholders. In 2018 we submitted our first CDP return and have been improving each year.

CDP
DISCLOSURE INSIGHT ACTION

2018	2019	2020
C	B-	B

This has been achieved through many incentives and enhanced governance with the environmental steering committee and our ESG board committee. In 2021 we plan to incorporate Scope 3 data from our UK properties.

INFLUENCERS & ENVIRONMENTAL IMPACT

To foster engagement, we have appointed environmental impact team leaders to create environmental impact teams in each of our hotels we refer to as environmental influencers- these leaders are responsible for driving the sustainability agenda at the local level.

We have achieved this through a virtual conference in Autumn 2020, where over 80 team members across our 44 hotels attended. The company has provided ongoing support for our environmental impact team leaders and colleagues in the hotels through our online learning platform. We will further support and grow our teams at our second environmental impact conference in February 2021. In January 2022, we will be introducing an environment award at our annual company awards.

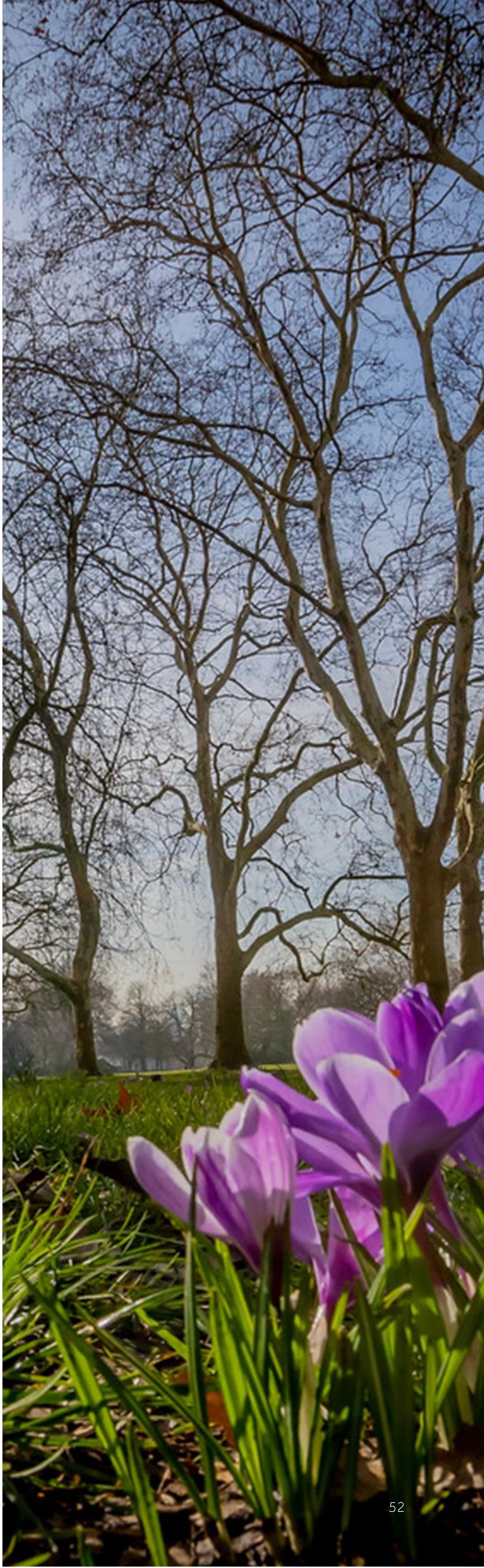
BREEAM

As part of the new build process, we issue a set of Employer Requirements to the developer/builder. In these requirements, we outline that a standard of BREEAM (Building Research Establishment Association Method) "very good" is to be achieved.

The Gibson Hotel is the first hotel in Ireland to receive the BREEAM In-Use certificate.

This is used to assess nine environmental categories: energy, water, transport, management, waste, pollution, health and well-being, land use & ecology, and materials. We are very proud of this achievement.

BREEAM®



Environmental

Our environmental management programme incorporates strategies to minimise the impact of waste disposal and water usage.

0%

waste to landfill

FOOD WASTE

Republic of Ireland

	2020	2019	2018
Food waste	548 tonne	1,236 tonne	1,155 tonne
Renewable Energy produced	219.2 MWH	494.5 MWH	461.9 MWH
CO2 emissions savings	274 tonne	618 tonne	577.4 tonne
Fertiliser digestate	109.6 tonne	247.2 tonne	230.9 tonne

2020 figures reflect reduced hotel activity due to Covid-19 restrictions

25

Irish Water accredited Water Stewards trained in 2020

WASTE

Dalata continues to reduce the amount of waste it produces and increase the amount of recycled waste.

We have achieved:

Zero waste to landfill in the Republic of Ireland through our partnership with Panda Recycling.

Separation of paper, glass, cardboard, electric, ink, plastic, and packaging.

Introduced mandatory waste management training delivered through the Dalata Online portal.

Single-use plastics

2020 was a challenging year for reducing single-use plastics, however we remain committed to eliminating all single-use plastics from our business.

Food waste

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

We track the volumes of energy produced quarterly.

Recent investments in information technology will improve our ability to measure and reduce food waste more effectively.

WATER

We implement effective strategies to minimise water usage without affecting our guest's experience.

We install low flow taps, low flush toilets, and low flow showerheads in our hotel rooms.

We installed water well at eight properties. These wells provide the hotels with a combined total of over 1.78 million litres of water annually, equivalent to over 71 Olympic-sized swimming pools.

None of our hotels are located in water-stressed areas.

Irish Water Stewardship Programme

During 2020 20 of our hotel staff (based in 18 hotels) completed the Irish Water accredited water stewardship training programme in partnership with Central Solutions and the Lean & Green Skillnet.

The specialised training provides our team with the knowledge and expertise to help lower water consumption, protect the environment and reduce costs.

We will continue our involvement in this programme throughout 2021. By the end of the year, we aim to have an accredited water steward in every property.

ANOLYTE: A SAFE STERILIZING SOLUTION FOR COVID-19

At the beginning of the pandemic, the group researched multiple solutions and initiatives to combat Covid-19. These varied from ultraviolet light to heavy-duty chemicals. While protecting our customers and our teams was always a top priority, we also wanted a solution that fitted with our developing sustainability and environmental principles.

We chose the water-based Anolyte product for enhanced sanitisation at our hotels.

Anolyte is an ECA - (Electrochemically Activated Water) - also known as hypochlorous acid is an approved disinfectant against Covid-19 in its liquid form on non-porous surfaces. Because it is a water-based product, having no added chemicals it is one of the most environmentally friendly products of its type on the market. It is a weak acid that forms when chlorine dissolves in water.

ENERGY-SAVING CHP AT CLAYTON SLIGO

We undertook a project to install a Combined Heat and Power unit (CHP) at Clayton Hotel Sligo to reduce our energy consumption and carbon emissions during 2020.

The CHP installed now generates electricity on site 16 hours a day. As part of the process to generate electricity, it also produces thermal output in the form of hot water, which is wholly utilised throughout the property in areas such as domestic hot water, heating, or maintaining temperature in the pool.

The original boilers which supplied all hot water services on site have become less relied upon. They were initially fuelled by oil, so as part of the CHP install, we converted these boilers to more environmentally friendly low-pressure gas (LPG), which is now used for the CHP.

Between July and December 2020, the unit produced over 336,000kwh of electricity. The install and conversion projects combined have saved over 634 tonnes of carbon in six months

EMPLOYEE TRAINING

We deliver a "Gateway Induction" to all our new employees, and as part of this induction, we introduce new employees to our Waste Management Training & Energy Awareness.

These training modules have also been added to our online Dalata Academy so all employees can access them, and this is now a yearly training program that all employees must complete.

As our steering group evolves, we will create additional modules to make available to our teams.

The growth of our people is an essential element in the sustainable development of our business.

92,617

Dalata Online courses taken in 2020

91%

of employees say that Dalata provides them with access to training courses to upskill themselves during the pandemic"

91

nationalities

3,434

team members have completed disability awareness training

The culture of Dalata is reflected in how we engage with customers, employees, communities and suppliers and through our values.

TRAINING & SUCCESSION

Our commitment to the training and development of our staff and management is a strategic priority.

In 2020 we almost doubled the courses completed, over 2019, on Dalata Online, our online training academy.

In December 2020, 91% of our employees felt that Dalata provides them with access to training courses to upskill themselves during the pandemic.

See our case study on the next page, which details the Reach programme set up in 2020 for all our employees during the pandemic while our hotels were closed.

HUMAN RIGHTS

The board has adopted a Modern Slavery Policy, and the 2020 modern slavery statement is published on the company website.

We held anti-human trafficking workshops with reception managers and accommodation managers from each hotel in 2020.

In 2020 we rolled out our supplier code of conduct applicable to all suppliers, including provisions designed to provide assurance.

In 2021 we plan to introduce a Human Rights Policy into the company.

DIVERSITY & INCLUSION

In Dalata, we value the richness that diversity brings to our workplace for our people and our customers. Our team members represent over 91 different nationalities, and each one of them has a unique set of personal and cultural values and identity, which we respect.

Dalata embraces diversity at all levels in the organisation; we are committed to actively working for and providing an inclusive, harmonious and fair working environment with real and equal opportunities for all in which no form of intimidation or discrimination exists. One where respect for human rights is paramount.

We aim to be a successful organisation. Fundamental to this is respecting, developing, and harnessing all our employees' talents. We commit to creating an inclusive and supportive organisation that delivers a positive experience for making our business innovative, creative and resilient.

We have launched our revised Diversity and Inclusion policy, and the board will undergo specific training in early 2021; and as part of the roll out we have designed a new training programme that will see all general managers, HR Managers, all people managers, as well as all the teams in the hotels completing our new Belong programme.

Of our total workforce, 53% are female, and 47% are male; among the senior management group in our hotels, 63% are female, and male is 37%.

REACH UPSKILLING PROGRAMME - A PRODUCT OF LOCKDOWN BUT HERE TO STAY

In the early stages of lockdown, we identified that our employees would benefit from a training and development initiative that would act as an engagement initiative and opportunity to focus on upskilling during the lockdown period when our teams were not at work.

The Dalata Academy team designed & delivered an 8-week programme via one of our virtual classrooms. This was our first programme which we provided entirely virtually. The initial sign up for this programme's first cohort was amazing, with 277 team members taking up this opportunity.

We have run the programme three more times, with 173 more team members completing the programme. This included a specific nights team cohort of 36, which we completed at night time.

In this development programme, the learners covered such topics as:

- Customer care
- Team working
- Building resilience
- Technology in hospitality
- Career development.

The learners attended a weekly online workshop and completed Dalata Online eLearning as part of the course work.

The feedback of graduates of the Reach programme has been very positive. This fed into the overall outcome that 91% of team members who completed the Covid pulse survey felt that Dalata provided them with access to training courses to upskill during the pandemic.

Learners benefited from interacting with colleagues from other hotels, improving self-awareness, having a development plan that could still be actioned during a difficult period, and having something to focus on during the Covid times.

In total, there were 450 graduates of the Reach programme during 2020. These people took part in a virtual graduation attended by senior executives of Dalata and hotel general managers and HR managers.

SAFETY AND SECURITY

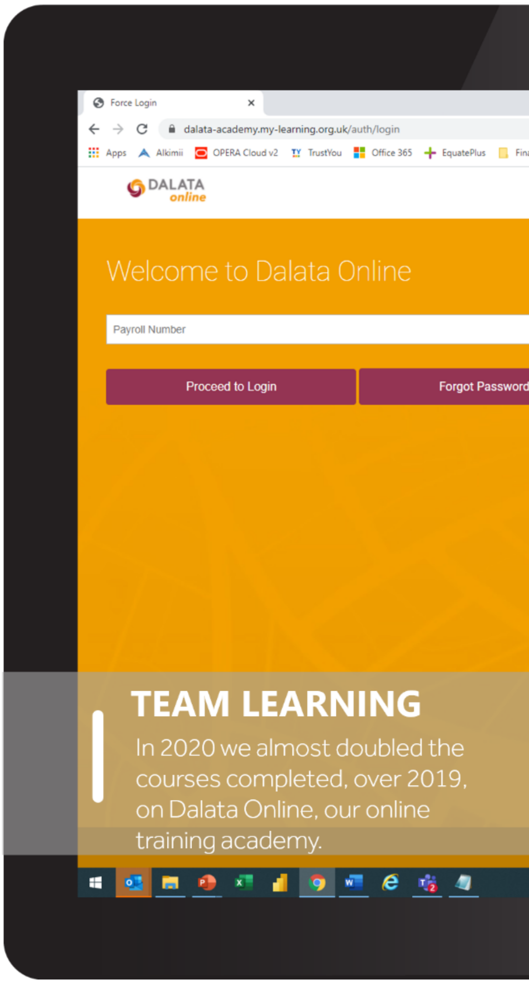
The safety and security of our guests and employees remain a priority at all times. We have online fire safety monitoring systems across all of our hotels, and rigorous safety measures are in place.

Access to hotel facilities and guest rooms is strictly controlled, and additional night time measures are in place.

Our privacy committee meets quarterly to ensure our systems and policies and ongoing practices reflect customers' expectations for respect of their privacy.

Information security is key in Dalata as it secures the environment in which we serve our customers and colleagues. Dalata's Information Security Policies are organised in accordance with the ISO 27001 Information Security Standard, an international standard and is compliant with other regulatory and compliance mandates where applicable. Policies apply equally to everyone within the company, regardless of location or role.

Employees are required to complete annual training on information security & data protection annually on the Dalata Online training platform.



Social

The wellbeing of our people and communities is fundamental to our approach to being a responsible social partner.

88%

of employees say that they have received regular and helpful communication from Dalata during the pandemic.

91%

of employees felt that appropriate precautions are being made in their workplace to prevent the spread of Covid-19

94%

of hotel management teams retained using furlough and EWSS Schemes

2,154

team members have completed anti bullying & harassment training

HEALTH & SAFETY

The health & wellbeing of our employees is a priority. We recognise that people work best and achieve sustainable high-performance over time when they are healthy and feeling valued. This is supported by our culture, leadership and how we manage our people.

In 2020 we ran an adapted employee engagement survey There were two sets of questions, one being Covid-19 company response and the other was on health & wellbeing. Across the group, the response to the Covid-19 response was extremely positive and high scoring.

Overall based on feedback, the company's actions in relation to the pandemic, communication and focus on learning & development have reached the employees in the manner intended whether they are on lay off or actively working. This has confirmed that our action planning and focus on employee safety and communication have been successful across the group.

Our wellness app and our EAP-mental health supports and councillor, which is available 24/7, have been essential for our employees and their families over the past year with everyone dealing with the pandemic differently.

RESPONSIBLE SOURCING

Every supplier that works for Dalata is required to abide by our Supplier Code of Conduct.

The Supplier Code of Conduct is based on international standards including the Universal Declaration of Human Rights and the International Labour Organization's Fundamental Conventions on Labour Standards. It stipulates a range of ethical, labour and environmental standards that we expect to be followed across our supply chain, including areas such as child labour, health and safety, working hours, discrimination and disciplinary processes.

Our centralised purchasing model with complete oversight from our CEO ensures our working relationships with all our suppliers, including our hotel's local suppliers.

COMMUNITY

Employment and employability
At Dalata, we are an equal opportunities employer, and we encourage people from all backgrounds to apply for positions at the group.

Community Engagement
We encourage our hotels to create long-lasting, meaningful and supportive relationships with their local community. See some examples of our charity work and community engagement on page 58.

BUREAU VERITAS

All of our new health and safety protocols are accredited by Bureau Veritas, a world leader in testing inspection and certification in the Health and Safety area.

The primary purpose of Bureau Veritas Return to Work Assurance service is to assess the processes and procedures, systems and controls we have implemented. Completing the assessments ensures that we thoroughly deliver on safety measures across all of our hotels to the highest standard providing a truly safe environment for our staff and our guests. The standards they adhere to are WHO, OSHA (Occupational Safety & Health Administration – US), ILO (International Labour organisation) and local government and authorities. We will continue our Bureau Veritas audits in 2021.

We are doing everything possible to protect all our guests, employees, and suppliers' Health and Safety.

CHARITY WORK

Our company charity of the year began in 2016. Dalata Hotel Group supports three national charities, the Crumlin Medical Research Foundation in the Republic of Ireland, the Air Ambulance in Northern Ireland and Great Ormond Street in the UK.

We have a national fundraising drive to support all of the above charities "Dalata Digs Deep." Through our "Dalata Digs Deep" initiative, we have raised over €1.1m.

While 2020 was a challenging year with the Covid-19 pandemic for our industry, colleagues and partners, our hotels remained focused on raising money for our charity partners. Our teams came up with some very innovative ideas to raise funds whilst complying with Government regulations, from bumper auctions to "Walking from Maldron to Malta". All of our hotels are competitive with one another and each year vie to be the winner of our Dalata Digs Deep Awards - Dalata Digs Deep Best Fundraising Initiative and Dalata Digs Deep Fundraising Leader.

COMMUNITY ENGAGEMENT

Clayton Hotel Charlemont supports the local canal clean-up, where once a month our Moment Makers volunteer their time to keep the Grand Canal clean, tidy and safe for all to enjoy.

Clayton Hotel Manchester Airport contributed to the "Free School Meals" in the UK. They prepared packed lunches as part of Marcus Rashford's #EndChildHunger campaign. These were delivered to their local community centre and given to children whose free school meals were suspended over the half-term break.

CHAIR'S OVERVIEW

Corporate Governance

More than ever, during these times of uncertainty and instability presented by the Covid-19 pandemic, the board is committed to delivering strong corporate governance for our shareholders, employees, suppliers, partners and customers.

Dear Shareholder,

On behalf of the board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2020.

More than ever, during these times of uncertainty and instability presented by the Covid-19 pandemic, the board is committed to delivering strong corporate governance for our shareholders, employees, suppliers, partners and customers.

This is evidenced by the increased number of board meetings held this year and a very high level of engagement with the management team throughout the year.

The company adopts the principles and provisions of the UK corporate governance code (and the Irish annex) on a comply or explain basis. This year we acknowledge that we did not comply fully with provision 38 in respect of two of our executive directors, whose contractual pensions benefits we continue to honour. We keep this matter under review.

Board Composition

I remain focused on ensuring we have the right balance of skills, knowledge and experience on the board, taking account of our business strategy. Having strengthened in 2019 and early 2020 with the appointments of Elizabeth McMeikan and Shane Casserly, we are confident that around the board table, we have all the skills, experience and diversity that the Company needs to see us through this pandemic.

Governance

The board met every two weeks online, during the period between March and June when the company needed to respond to the acute phase of the crisis in the business following the implementation of restrictions on travel and the movement of people. It has worked with management to review in-depth scenario planning and engaged teams throughout the business, mindful of its different stakeholders' needs.

The scale and pace with which the board has coordinated the company's response are significant. See pages 75 and 76 for a more detailed review of the board in action during the year.

Dividend

In March, as part of our update on the impact of Covid-19, we announced that we did not anticipate making a final dividend payment for the 2019/2020 financial year. While this was a difficult decision, this is one of the proactive steps we have taken to strengthen our balance sheet and maximise liquidity for the duration of the crisis and recovery period.

Board Effectiveness

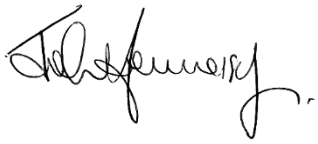
In 2020, the board's performance evaluation and its committees were externally facilitated by Geoffrey Shepheard from ICSA. I am pleased to announce that the 2020 evaluation results are positive, and a number of actions arising from the evaluation process will be implemented in the current year. More information can be found on page 71 of the Governance Report.

Stakeholder Engagement

Stakeholder Engagement is important for the board to help us in understanding their views and taking them into account when making business decisions, and we will continue this engagement throughout 2021.

On pages 73 and 74, we include an in-depth report from Non-executive Director, Alf Smiddy, detailing his engagement with the company's workforce in 2020.

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



John Hennessy
Non-executive Chair

The company has complied during 2020 and to date of this report with the UK Corporate Governance Code provisions published in 2018, with the exception of provision 38. This concerns the pension contribution rate for two of the company's four executive directors to whom the company has a contractual obligation to pay a rate higher than the majority of the pension eligible workforce. The remuneration committee keeps this matter under review and the company will announce any amendments to the application of the executive remuneration policy at the appropriate time. Further details concerning our remuneration policy which was approved by shareholders at the 2020 AGM are set out on page 87.

The Code is publicly available at the website of the Financial Reporting Council at www.frc.org.uk

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

BOARD OVERVIEW

Principal Responsibilities include

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

Board Meetings and attendance

The board held 16 formal meetings in 2020 and also met on one other occasion for a training day.

Member	No of Meetings
John Hennessy	16/16
Pat McCann	16/16
Dermot Crowley	16/16
Stephen McNally	16/16
Shane Casserly	16/16
Margaret Sweeney	16/16
Alf Smiddy	16/16
Robert Dix	16/16
Elizabeth McMeikan	16/16

Board of Directors

John Hennessy
Non-Executive Chair

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

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

Pat McCann
Chief Executive

Nationality: Irish
Expertise: Pat began his career with Ryan Hotels plc and joined Jurys Hotel Group plc in 1989. He was appointed operations director in 1994 and CEO in 2000. Pat founded Dalata in 2007. He is a non-executive director of Glenveagh Properties plc, board member and former president of Ibec and a former president of Irish Hotels Federation.

Principal Skills: International business, business leadership, governance, hotel operations, industry, customer, people management.

Margaret Sweeney
Non-Executive Director and Senior Independent Director

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

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

Dermot Crowley
Deputy Chief Executive -Business Development and Finance

Nationality: Irish
Expertise: Dermot worked with PwC, Procter & Gamble, Forte Hotels and Renault Ireland before joining Jurys Doyle Hotel Group plc in 2000 as head of development. He spent six years with Ion Equity before joining Dalata in 2012 as deputy chief executive – business development and finance. Dermot is a graduate of University College Cork and a chartered accountant.

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

Elizabeth McMeikan
Non-Executive Director

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

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

Alf Smiddy
Non-Executive Director

Nationality: Irish
Expertise: Former chair and managing director of Beamish and Crawford plc. Alf has over 25 years' experience in the Irish and international hospitality and beverage sector. He is a chartered accountant and a fellow of the Irish Marketing Institute. Holds a diploma in corporate direction and a masters in executive leadership. Alf is a non-executive director and chair of the marketing, brand and customer committee of ESB and chair and non-executive director of a number of private companies.

Principal Skills: International business, business leadership, finance, governance, customer, people management, marketing.

Robert Dix
Non-Executive Director

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

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

Shane Casserly
Corporate Development Director

Nationality: Irish
Appointed: January 1st 2020
Expertise: A graduate of University College Cork and chartered accountant, Shane joined Dalata in March 2014 as head of strategy and development and has been instrumental in driving the company's growth through acquisition and development activity in Ireland and the UK. Previously head of development at Jurys Doyle Hotel Group plc, also held senior positions with Ion Equity, Microsoft Europe and Musgrave Group.

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

Stephen McNally
Deputy Chief Executive

Nationality: Irish
Expertise: Stephen started his career with Ramada Hotels in the UK and Germany before joining Jurys Doyle Hotel Group plc in 1989. He managed hotels in the UK and Ireland before his appointment as head of group operations. He joined Dalata in 2017 as deputy CEO, is a non-executive director of Tourism Ireland and a past president of the Irish Hotels Federation.

Principal Skills: International business, hotel operations, industry, customer, people management.

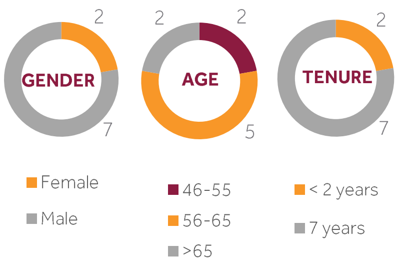
BOARD MATRIX

Name	Age	Director Since	Independent	Committee memberships 2021				Other current listed boards
				A&R	RemCo	NomCo	ESG	
John Hennessy	64	2014	N*		Member	Chair		1
Pat McCann	69	2014	N					1
Stephen McNally	56	2014	N				Member	
Dermot Crowley	53	2014	N					
Robert Dix	68	2014	Y	Chair			Member	1
Alf Smiddy	58	2014	Y	Member		Member		
Margaret Sweeney	60	2014	Y	Member	Chair			1
Elizabeth McMeikan	58	2019	Y		Member	Member	Chair	2
Shane Casserly	53	2020	N					

*Independent on appointment

PRINCIPAL SKILLS

DIVERSITY



Seán McKeon
Company Secretary,
Head of Risk and Compliance

Expertise: Seán joined Dalata as CFO in 2007 and was appointed company secretary and head of risk and compliance in 2017. He previously worked in senior finance positions with Dunnes Stores, Keelings, Roches Stores, Aer Rianta International and Diageo Finance Ireland.

He is chartered accountant and an MBA graduate of the UCD Smurfit Business School.

LEADERSHIP

Executive Management Team

Success Backed by People

Dalata has a strong executive management team with the skills and experience to manage our current business and capabilities to grow our portfolio.

30%
Of hotel general managers are female.

49%
Of executive team, below board level are female.

63%
Of managers across the group are female.

Executive team pictured in December 2019 at Clayton Hotel, Leopardstown

MEET THE TEAM

Top row from left to right:
Eoin Manley, *Group Facilities Manager*; Tony McGuigan, *Head of Procurement & F&B Projects;* Adrian Sherry, *Head of Marketing Development*; Patrice Lennon, *Head of Sales and Marketing;* Aine Doyle, *Head of Dalata Academy*; Karen Halpin, *Group Marketing Communications Manager*; Paul Maloney, *Projects Development Manager;* Martha Mannion, *Head of Rooms Revenue and Distribution*; Stephen McNally, *Deputy CEO*; Pat McCann, *CEO;* Dermot Crowley, *Deputy CEO- Business Development and Finance;* Josephine Norton, *Group Marketing and E-Commerce Manager;* Conal O'Neill, *Group General Manager-Maldron Hotels*; Rachel Cafolla, *Financial Reporting and Treasury Manager*; Anthony Murray, *Group IT Manager*; Shane Casserly, *Corporate Development Director;* Keith Rynhart, *Financial Planning and Analysis Manager*; Duncan Little, *Group Capital and Development Manager*; Stephen Clarke, *Group Financial Controller*.

Bottom row from left to right: Niall Macklin, *Acquisitions and Development Manager*; Emma Dalton, *UK Group General Manager* Caitriona Conroy, *Group Insurance, Risk, Health & Saftey Manager*; Michael McCann, *Head of Ancillary Revenue*; Des McCann, *Group General Manager-Clayton Hotels;* Sean McKeon, *Company Secretary- Head of Risk & Compliance;* Carol Phelan, *Group Head of Financial Reporting, Treasury and Tax*; Dawn Wynne, *Head of Human Resources;* Macarten McGuigan, *Group Internal Auditor*; Sinead O'Toole, *Group HR Manager*.

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

CORPORATE GOVERNANCE REPORT

UK Corporate Governance Code

The company adopts the principles and provisions of the UK corporate governance code (and the Irish annex) on a comply or explain basis and best practice generally in respect of our corporate governance practices.

The company has complied during 2020 and to date of this report with the UK Corporate Governance Code provisions published in 2018, with the exception of provision 38. This concerns the pension contribution in respect of two of the executive directors and is explained on page 60.

Our Governance Framework

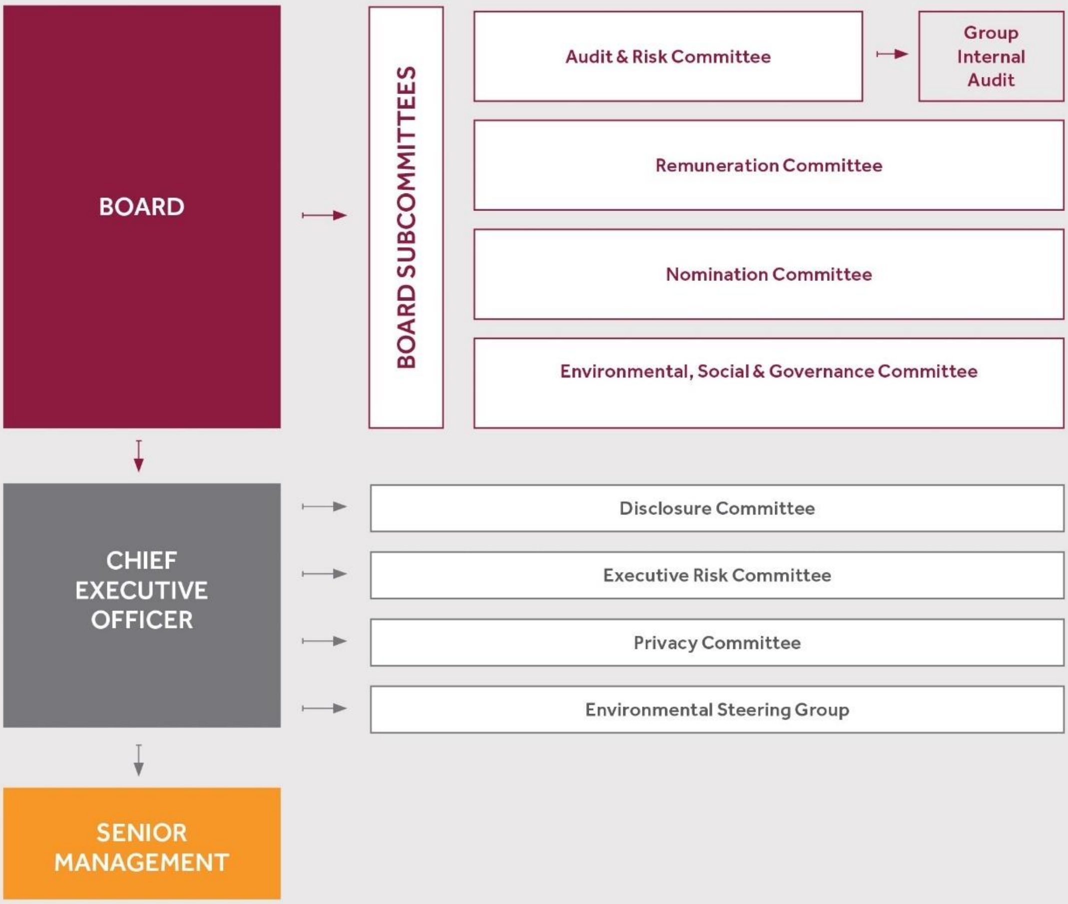
The board oversees the group's governance framework, reviews and approves the strategy, monitors management's performance against agreed targets and ensures appropriate controls are in place and operating effectively.

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

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

See the list of matters reserved to the board on www.dalatahotelgroup.com

OUR GOVERNANCE FRAMEWORK



Board membership

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

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

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

Role of the board

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

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

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

Division of responsibility

There is a clear division of responsibilities within the group between the board and executive management, with the board retaining control of strategic and other significant decisions.

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

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

The board includes an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There is a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Time commitment

Under the terms of their appointment, all directors agreed to the 'Time Commitment Schedule', requiring them to allocate sufficient time to effectively discharge their responsibilities. As part of the board evaluation process completed in November 2020, each non-executive director confirmed that they continue to allocate sufficient time to discharge their responsibilities effectively. Also, any potential appointment to the board of another company must be approved by the board.

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

Conflicts of interest

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

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

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

A sound understanding of how value is created over time has been key in steering strategies towards the level of sustainable value creation we have delivered.

KEY ROLES IN OUR GOVERNANCE FRAMEWORK

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

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

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

Meetings and attendance

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

During 2020, the board held 16 formal board meetings and one other full-day meeting dealing with board training and management presentations. There was full attendance of all members.

Board committees

The principal committees of the Board in 2020 were the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Environmental Social and Governance Committee. They support the operation of the board through their focus on specific areas of governance. Reports on the activities of the individual committees are presented to the board by the respective committee chair.

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

> Nomination Committee page 77
> Audit & Risk Committee page 79
> Remuneration Committee page 85
> ESG Committee page 103

Independence

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

Robert Dix is a director of The Quinn Property Group and of Glenveagh Properties plc, boards on which Pat McCann is also currently a non-executive director. The board has concluded that notwithstanding this relationship, Robert can apply objective, unfettered and independent judgement and act in the best interests of the company.

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

Appointments to board

The Nomination Committee is responsible for a formal, rigorous and transparent procedure for the appointment of new directors. There was one new appointment to the board during 2020, Shane Casserly.

Re-election of directors

The company's Articles of Association provide that one third of the directors retire by rotation each year and that each director seeks re-election at the Annual General Meeting every three years. New directors are subject to election by shareholders at the next Annual General Meeting following their appointment. However, in accordance with the provisions of the Code, the board has decided that all directors should retire at the 2021 Annual General Meeting and offer themselves for re-election.

New director inductions

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

Ongoing director training and development

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

The board received one full day of presentations made by senior management on various topics through the year about their areas of responsibility. In November 2020, the company secretary facilitated a Directors' Training Day which was attended by both executive and non-executive directors.

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

Information flow at meetings

Sixteen formal board meetings and one additional full-day meeting dealing with board training and management presentations were held during 2020. Prior to each board meeting the directors receive their papers on a fully encrypted electronic portal system. Included in these papers are detailed monthly accounts together with reports from the chief executive, deputy chief executive, deputy chief executive – business development and finance and the corporate development director.

The chief executive and the deputy chief executive - business development and finance ensure that the board is kept fully aware on a timely basis of business issues and prospects throughout the group.

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

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

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

Board diversity

The board has adopted a Board Diversity Policy which is reviewed annually, most recently in December 2020. The objective of the policy is to help achieve the optimum board composition of skills and experience.

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

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

Further detail on the application of the policy is set out in the Nomination Committee Report on page 77.

Board evaluation

We recognise the importance of evaluating the performance of the board, its main committees and all directors, in line with the Code. During 2020 we conducted an externally facilitated evaluation. For more information see page 71.

Risk management

On page 37 we explain how the board oversees risk management.

Internal controls

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

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

Assessment of the principal risks facing the group

The board and audit and risk committee received and reviewed reports from group internal audit to help with their annual assessment of the principal risks facing the group, and the controls in place to mitigate these risks. The principal risks and the mitigating factors are outlined on pages 39 to 41.

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

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

AGM

The Annual General Meeting will be held on 29th April 2021 at Clayton Hotel Cardiff Lane, Dublin.

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

If Covid-19 restrictions are still in place we will update our shareholders through Regulatory News Feed announcement and our website if there are any changes to the planned Annual General Meeting.

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

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

ENGAGEMENT WITH STAKEHOLDERS

Our approach

We engage actively with stakeholder groups affected by the board's principal decisions: shareholders, employees, customers, communities, lenders and landlords. We also engage with suppliers, industry peers, government and regulatory authorities.

Employees

The board has assigned responsibility for workforce engagement to Non-executive Director, Alf Smiddy (see pages 73 and 74 for his report).

The board and committees also meet employees informally on hotel visits where the majority of meetings take place (pandemic restrictions excepted). In 2019 meetings were conducted at 10 different hotel properties, including two in the UK.

The board also receives insights through employee engagement surveys. The executive directors engage extensively with employees throughout the year.

Shareholders

The company and the board are committed to maintaining an open and timely dialogue with shareholders.

This work is led by the CEO and the deputy CEO (business development and finance) with support from our investor relations manager.

We held 221 virtual investor meetings in 2020. Investor meetings are predominately attended by our CEO and Deputy CEO - Business Development and Finance.

Annual General Meetings
Provides an opportunity for private shareholders to question Directors and each of the Board Committees' chairs.

Community and society

An important element of our decentralised philosophy demands that the hotel general manager takes the lead in developing a healthy two-way communication with the local community. You can read more about this on pages 57 and 58.

The same approach is evident at the senior leadership level where executives are encouraged to engage at industry level. Both our CEO and deputy CEO are past presidents of the Irish Hotels Federation and many of our general managers contribute at local, regional and national level and in their business communities.

Customers

Customer feedback is direct and continuous at multiple levels and through various media. Continuously improving customer experience is a key performance indicator at hotel and group level. The group's annual performance, an aggregation of tens of thousands of reviews collated from multiple sources, is reported as a KPI on page 12. Central Office, including members of senior management engage regularly with large volume clients and the board receives a regular breakdown of customer satisfaction index scores by hotel.

Our lenders and landlords

Our lenders and landlords are key partners supporting a sustainable business model designed to balance the interests of our financial stakeholders.

Our deputy CEO (business development and finance) leads the relationship with our banks through clear communication and early action. In 2020, this allowed effective resolution of a potential covenant breach, within weeks, when the pandemic was declared.

Led by our corporate development director, we maintain clear and open communication with our landlords and other development partners.

ANNUAL BOARD EVALUATION

The 2020 external Board Effectiveness and Development Review was conducted according to the principles of the UK Corporate Governance Code 2018 (the Code) and the supporting guidance on board effectiveness. It was facilitated by Geoffrey Shepheard FCG on behalf of ICSA Board Evaluation. The company have no connection with Mr Shepheard or ICSA Board Evaluation The company's last externally facilitated board review process was in 2017.

The Evaluation Process

Stage 1

- Briefing and review of board papers
- One-to-one Zoom interviews with board members

A comprehensive brief was given to the evaluator by the Chair in October 2020. In November, detailed one-to-one interviews were conducted over Zoom with each board member. All participants were interviewed on the following topics:

- Board responsibilities
- Oversight
- Board meetings
- Support for the board
- Board composition
- Working together
- Outcome and achievements

Stage 2

- Results collated, reported & evaluated

The evaluator's account of the one-to-one meetings was drafted and content agreed with each interviewee.
A draft report was compiled by the evaluator based on the information and views supplied at the interviews.

Stage 3

- Discussed with chairman and company secretary

The draft report and recommendations were discussed initially with the company secretary and subsequently presented to the chair who approved its circulation to all board members.

Stage 4

- Presented findings to the board
- Action plan agreed

The board received and considered the report at its December 2020 meeting. Mr Shepheard attended the meeting and participated in a discussion on questions arising from its conclusion and recommendations. The board accepted the report's conclusions and agreed to implement its recommendations.

Feedback from the 2020 Board Evaluation

The review found the company achieved a very good result across all areas, demonstrating that the board is performing well.

The board was deemed well-constituted to meet the transformational challenges ahead and address key strategic decisions that need to be made about the business.

The review highlighted recommendations that would further lift the performance and effectiveness of the board. These were discussed at the Board, and the board agreed to take on these recommendations.

Board Committees

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

Board Action Plan

The following items were recommended and will be on the board's agenda for 2021.

- Review its policy regarding the committee compositions;
- Ensure a tailormade induction programme is developed for all new directors;
- When reviewing the board's composition to introduce staggered retirement by rotation, the Nomination Committee considers what additional skill sets would enhance board effectiveness.

Clayton Hotel
City of London

Alf Smiddy
Non-executive Director
Responsible for Workforce Engagement

At our board meeting in January 2021, we received independent staff engagement survey results on our management of Covid-19 within the group and the wellbeing of staff.

WORKFORCE ENGAGEMENT

2020 Review

As I write this report, I am sitting in the foyer of the Clayton Hotel, Cork City, having spent some time earlier at our sister Maldron Hotel on the South Mall. Despite being in the middle of a "level 5 Covid-19 lockdown", all our hotels across the group are open for "essential services". Today I can once again see first-hand that management and staff are as attentive as ever and are doing all they can to keep the bright side out as they engage and interact with guests.

It has been a very difficult and highly challenging year for the hotel and hospitality sector generally, and for Dalata specifically, but it is very obvious to me that our people are resilient. The general camaraderie and "esprit de corps" I see and feel before my eyes this morning is very heartening, with an "all hands on deck" mentality and approach from everyone. This is despite several "lockdowns" in our sector throughout 2020, salary and pay cuts, layoffs, and many staff put on furlough or pandemic unemployment payments.

As the non-executive director with designated responsibility for staff engagement, I am deeply proud of everyone at Dalata as we manage and negotiate our way through this crisis that has befallen our industry, as are all of my board colleagues.

Despite the pandemic, the level of staff engagement throughout the group has never been stronger.

Pat McCann, CEO, and the leadership team placed fantastic emphasis on virtual staff training and development and communication in 2020, doing everything possible to protect the great culture of Dalata during these unprecedented times.

Engagement survey

At our board meeting in January 2021, we received independent staff engagement survey results on our management of Covid-19 within the group and the wellbeing of staff. The results were very positive. Overall, the company's actions to the pandemic and our focus on learning and development and regular, meaningful communication were very well received by the workforce. This work and focus continue in 2021.

Visiting our hotels

Whenever possible, I visited our hotels in my workforce engagement role during 2020 and strived to be present and visible and listen to staff. Indeed, after a record year in 2019, my work in this role kicked off on 15 January 2020 at the Clayton Silver Springs Hotel in Cork with my attendance at the Dalata General Managers Conference, attended by well over 100 managers across the entire group from Ireland and the U.K. The Deputy CEO, Stephen McNally, made an inspiring presentation on the importance of workforce engagement and my board role relating to this. It was also an excellent opportunity to meet, engage and listen to so many of our people. I also took the opportunity to spend some time with Dawn Wynne and Sinead O'Toole from Group HR, reviewing the most recent independent staff engagement surveys.

I also attended and addressed management and staff at two town hall meetings at the Clayton Hotel, Dublin Airport and the Clayton Hotel, Cardiff Lane, Dublin, in January and February 2020. I was also invited by Conal O'Neill (Group GM of Maldron Hotels) to attend and speak at a management meeting of all Maldron hotels, which took place in March 2020 at the Maldron Hotel, Newlands Cross.

Several executive board colleagues and members of the leadership team were also present. This was a hugely engaging meeting and a very positive experience with opportunities for all present to ask questions and interact with each other.

The board of Dalata also took the opportunity to visit our London hotels at the end of January 2020.

Our first board meeting of the year took place at the Clayton Hotel Cambridge, with plenty of opportunities for board colleagues to meet and engage with management and staff.

When Covid-19 travel restrictions were loosened at various points throughout 2020, I took the opportunity to visit and meet with management and staff at our two hotels in Limerick, our four hotels in Cork, the Maldron Hotel in Portlaoise, and the Maldron Hotel Newlands Cross in Dublin.

During the year, the board also had virtual meetings and presentations from senior managers in HR, Health & Safety, Environment, IT & Digitalisation. We also received regular updates on the crisis management of Covid-19 throughout the year and updates on communication, training and development programmes that were put in place to protect and reinforce our "Dalata Way" culture.

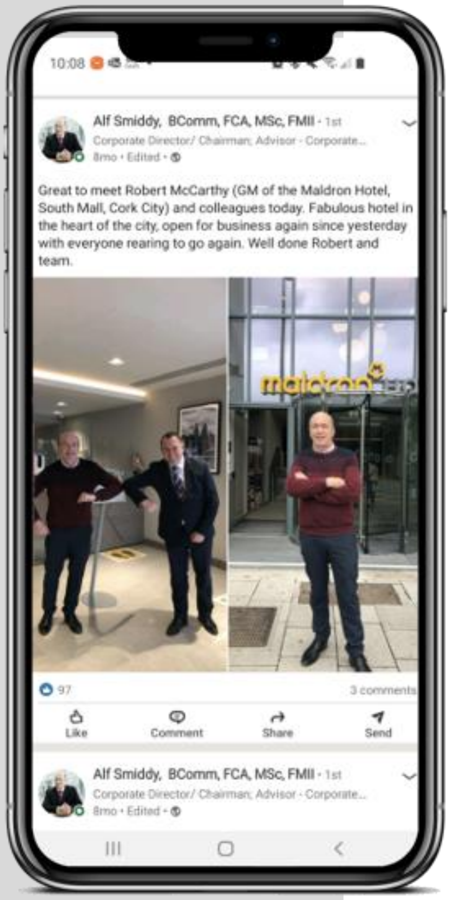
Workforce Engagement Role

The purpose of my role as non-executive director with responsibility for workforce engagement (as set out in the UK Code of Corporate Governance) is to assist the board in understanding the workforce's views and taking account of employees' interests in its discussions and decisions.

As I said in last year's Annual Report, underscored this year on the back of the pandemic's devastating impact on the hotel and hospitality sector, there continues to be a considerable level of interest among management and staff in my work as designated director responsible for staff engagement.

As a board of directors, we listen carefully to points raised by our staff. I can provide assurance that management and staff concerns with matters, including HR, training and development, health & safety, ESG, succession planning, and so on, are taken very seriously at board level and are regularly discussed.
I report to the board on my activities at every meeting. The board is also updated by other directors (executive and non-executive) on their relevant engagements with staff from hotel visits. In my opinion, the board is very well informed of the views and issues relating to the workforce, which helps as we monitor, develop and enhance the overall culture of the Dalata Hotel Group.

In my opinion, the board is very well informed of the views and issues relating to the workforce, which helps as we monitor, develop and enhance the overall culture of the Dalata Hotel Group.



GOVERNANCE IN ACTION: OUR COVID-19 RESPONSE

The Covid-19 pandemic shaped the board's calendar and agenda in 2020. The board met nine times during the eighteen-week period between 20 March and 6 July as the company developed and implemented its crisis response. In between meetings of the full board, sub-committee meetings dealt with the finalisation of matters considered in detail in the plenary sittings. From early July, the meeting schedule returned to its usual pattern but the pandemic response, business recovery and the impact on the company's medium to long-term strategy continues to dominate the agenda.

Management led the crisis response under the board's close guidance. The board considered all of the critical decisions taken and their

Quarter 1 January to March

27 Jan | Board meeting | Cambridge
- ESG presentation from company investor
- Finance, operations and development reports
- Shareholder and employee engagement

31 Jan | Covid-19 | UK confirms first case

24 Feb | Board meeting | Central Office, Dublin
- 2019 financial results sign-off
- Proposed dividend
- Annual report sign-off
- Development proposals

25 Feb | Announcement | **2019 full-year results**

29 Feb | Covid-19 | Ireland confirms first case

9 Mar | Announcement | Covid-19 statement

11 Mar | Covid-19 | WHO declares pandemic

12 Mar | Covid-19 | Ireland announces closure of schools; hospitality

13 Mar | Announcement | 2019 Annual Report

20 Mar | Board meeting | Video conference
- Crisis strategy: focus on protecting people, business and cash
- Uncommitted development capex review
- Temporary hotel closures
- Health & safety - staff, customers
- Impact on employees – lay-offs reduced working hours, communications
- Projected cash flow for 2020
- Loans and progress with covenant amendments
- Impact on proposed final dividend;
- Approach to government supports
- Communication with the market

23 Mar | Covid-19 | UK announces measures to combat spread of the virus

25 Mar | Announcement | Covid-19 update

27 Mar | Covid-19 | Ireland announces national "stay at home" order

Quarter 2 April to June

6 Apr | Board meeting | Video conference
- Finance, including potential Clayton Charlemont sale and leaseback transaction
- Operations; 3,500 staff laid off or furloughed
- Shareholder, employee, customer communication

20 Apr | Covid-19 | UK lockdown extended by three weeks

20 Apr | Board meeting | Video conference
- Trading, cash flow, liquidity and finance options
- Going concern and steps to survival and recovery
- Sale and leaseback of Clayton Hotel Charlemont AGM

21 Apr | Announcement | **Sale and Leaseback of Clayton Charlemont for €65 million.**

27 Apr | Board meeting | Video conference
- Finance and operations reports
- Government support schemes
- Going concern consideration
- Shareholder and employee communication

29 Apr | Announcement | AGM statement and Covid update

1 May | Covid-19 | Ireland announces five stage road map to easing restrictions

10 May | Covid-19 | UK announces phased easing of restrictions over summer months

11 May | Board meeting | Video conference call
- Going concern; outlook
- Operations; adapting forCovid-19; review of long-stay business
- Impact on long term strategy

18 May | Covid-19 | Ireland & UK commence easing

25 May | Board meeting | Video conference call
- Going concern;
- Strategic financing options
- Debt facilities
- Impact on hotels under construction
- Operations: employee welfare and communication;
- Consumer attitudes toward travel and leisure

27 May | Announcement | **Launch of Dalata Keep Safe**

8 Jun | Board meeting | Video conference call
- Going concern
- Finance options; projections to 2023
- Preparation for safe re-opening of hotels

22 Jun | Board meeting | Video conference call
- Going concern; Debt finance negotiations
- Preparation for safe re-opening of hotels

29 Jun | Covid-19 | Ireland allows hotels to reopen

… ON THE BOARD'S AGENDA IN 2020

impact on the company, shareholders and other stakeholders. It monitored the company's financial position and prospects continuously and specifically considered the group's ability to continue to operate and meet is liabilities as a going concern at its plenary meetings during the intensive March to July period when steps to secure the group's medium to long-term liquidity were a work in progress.

The following summary is designed to give readers an overview of the board activity during 2020 in the context of world events, and company communications to the market. It is not intended to be exhaustive.

Quarter 3 July to September

4 Jul Covid-19 | UK allows hotels to reopen

7 Jul Board Meeting | Video conference call
> Finance progress of bank negotiations
> Equity fundraising options
> Going concern
> Quarter 2 performance and Summer trading outlook
> Operations: hotel reopening, health and safety
> Development update including Brighton
Workforce engagement; post reopening hotel visits

10 Jul Announcement | **Amended debt facility.**

4 Aug Covid-19 | Ireland announces a slowdown in the easing of restrictions including hospitality

8 Aug Covid-19 | Ireland announces local lockdown in three counties

21 Aug Board meeting | Video conference
> Finance; summer trading, H2 outlook
> Interim results and announcement material
> In depth discussion on proposed equity placing with input from advisors
> Operations review including employee health, safety and wellbeing
> Development and construction report

31 Aug Board meeting | Video conference call
> Progress report on planned equity raise
> 2020 Interim Results and relevant announcements
> Plan for board evaluation

1 Sep Announcement | Half Year Results

1 Sep Announcement | **Equity Placing of €94.4m**

15 Sep Covid-19 | Ireland announces: Resilience and Recovery 2020-2021: Plan for Living with Covid-19 – Restrictions

22 Sep Covid-19 | UK announces new restrictions as case numbers increase

Quarter 4 October to December

5 Oct Board Meeting | Video conference
> Performance and outlook for Q4
> Cashflow forecast
> Results of the equity placing and shareholder engagement
> Process for the 2021 Budget.
> Employees and employee welfare, staffing levels, and government supports
> Acquisitions and development report including construction activity and progress with Shoreditch development

19 Oct Covid-19 | Ireland announces Level 5 restrictions for a six-week period

31 Oct Covid-19 | UK announces second lockdown to last 4 weeks from 5 November

2 Nov Board training day | Video conference
> Technology and systems, covering the rollout of Opera Cloud, Simphony and back-of-house technology upgrades presented by group head of IT
> HR and resources, covering talent management, and training and development presented by group head of HR
> Market abuse regime, presented by from company legal advisors

1 Dec Covid-19 | Ireland reopens retail and personal services

4 Dec Covid-19 | Ireland reopens restaurants

7 Dec Board meeting | Video conference
> External board evaluation; report and discussion
Finance Q4 Performance
> Shareholder engagement
> Review and approval of 2021 budget
> Operations covering health, safety and employee welfare
> Report on development, emphasis on construction activity
> Report on workforce engagement

8 Dec Covid-19 | UK administers the first Pfizer/BioNTech Covid-19 vaccine and commenced vaccine roll-out

17 Dec Announcement | Year End 2020 Trading and Development Update

19 Dec Covid-19 | UK reimposes Tier 4 restrictions in London and South East of England

22 Dec Covid-19 | Ireland reimposes Level 5 restrictions

26 Dec Covid-19 | UK extends Tier 4 restrictions

NOMINATION COMMITTEE REPORT

The appointment of Elizabeth McMeikan and Shane Casserly to the board in late 2019 was timely, their appointments added a new, fresh dimension to board deliberations during a very challenging year for our business.

COMMITTEE MEETINGS AND ATTENDANCE

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

The committee met three times during 2020.

Member	No of meetings
John Hennessy	3/3
Alf Smiddy	3/3
Margaret Sweeney	3/3

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

Dear Shareholder,

In late 2019 we expanded the number of directors from seven to nine with the appointment of Non-executive Director Elizabeth McMeikan and Shane Casserly on the executive team as corporate development director.

Their appointments were timely and added a new, fresh dimension to board deliberations during a very challenging year for our business.

During 2020, the committee met on three occasions, and although there were no new appointments during the year, the committee had an active agenda. We addressed board composition, succession planning, conducted a review of the first year of the role of the designated director responsible for workforce engagement, the board evaluation process, board training activity, reviewed policies for board diversity, evaluation and re-election and reviewed the composition of board sub-committees.

Board composition

Although there were no changes in the board composition during the year (the emphasis was on letting the changes made at the end of 2019 settle in), the committee regularly discusses board composition. We consider the current mix of skills and experience and the likely future needs of the company. These discussions inform our deliberations on both executive and non-executive director succession planning.

Succession planning and appointments process

The committee considers succession planning on an ongoing basis. I am very happy to report that the company fosters a strong ethos of continuous learning and development, and this is visible throughout the organisation. Board members have regular opportunities to engage with members of the executive management team (presented on pages 63 and 64).

Accordingly, the committee is in a position to evaluate internal succession options in the event of a contingency as well as for the medium and long-term.

The company's succession planning process is designed to produce internal candidates who may be considered for board positions but will also consider suitably qualified external candidates when vacancies arise. This will normally involve the engagement of a specialist search consultant to identify external candidates

The committee monitors the gender balance in the wider management team. Below board level the company has a 25-person executive management team (see page 63); 14 (56% are male and 11 (44% are female). Among the wider group of 96 executives below board level who participated in the company's long-term incentive plan, 51% were male and 49% were female.

Concerning non-executive director appointments, the company engages specialist external search consultants to assist with the process. As I noted in my chair's report on page 3 the committee will commence the important work of gradually refreshing the non-executive director membership of the board in the course of 2021.

Board evaluation

This year the board evaluation was externally facilitated under our policy of getting an external view every three years. We received proposals from a number of consultants experienced in this field before deciding to retain the services of ICSA. Details of the review process and findings are set out on page 71.

Board training

In 2020, due to travel restrictions and social distancing, we were unable to meet face to face for our annual training event so we moved to an online format. Topics covered included a refresh of market abuse regime training.

Diversity

We reviewed our Board Diversity Policy in 2020.

Under the policy, candidates for board appointments are considered on merit against objective criteria having due regard to the benefits of the diversity of gender, skills, regional and industry experience, background, and race.

The development of greater diversity at board level supports the company's commitment to equal opportunity, diversity and inclusion by showing leadership.

The board intends to increase female membership from the current two, and, as the process of refreshing the board commences, the company will have opportunities to make further progress towards achieving gender balance on the board.

Workforce engagement

The committee reviewed the operation and effectiveness the board's engagement with the workforce early in the year.

It received a report from Alf Smiddy, the non-executive director designated with this responsibility, considered the views of management and sought independent advice to get some insight on the experience of other companies.

Alf''s account of his engagement with the workforce is detailed on pages 73 and 74 of this report. His regular feedback to the board provides valuable perspective and the committee is satisfied that the engagement process is working well.

Senior independent director

The company had intended rotating the duties of the senior independent director periodically. Up to this point circumstances have not allowed this; however, the opportunity arises following the review of the workload of the director responsible for workforce engagement. Alf Smiddy has devoted a lot of time and energy to this role and the time commitment is likely to be even higher during the post-pandemic recovery phase for the business.

Accordingly, the committee proposed that Margaret Sweeney would assume the duties of senior independent director. Margaret's familiarity and contact with the investor community in her current executive role, would add a useful dimension to the senior independent director role. This change became effective on 1 January 2021.

Nomination committee composition

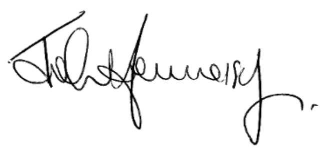
Following a review of board subcommittee composition, and the balance of the workload amongst the non-executive directors, the committee recommended that Elizabeth McMeikan would join the nomination committee, replacing Margaret Sweeney.

I anticipate that all existing NEDs will have an involvement in the process by which new directors (executive and non-executive) are selected and proposed for appointment. However, we agreed that the nomination committee ought to have amongst its members a more recently elected director with a perspective on longer-term succession.

This change also allows Margaret to rotate off the nomination committee, making time for the senior independent director role. This change became effective from 1 January 2021.

I wish to thank Margaret for her service on the nomination committee and Alf for his support as senior independent director and welcome Elizabeth to the nomination committee.

2021 will be a very important year for the Dalata as the company focuses on recovery from the impact of Covid-19. I am satisfied that our board has the right mix of skills and experience to support the business in this phase of the journey.



John Hennessy
Chair, Nomination Committee

ROLE OF THE COMMITTEE

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

AUDIT AND RISK COMMITTEE REPORT

The board agenda was adapted to focus on the key risk areas. The committee worked to complement and support the board.

COMMITTEE MEETINGS AND ATTENDANCE

The committee met seven times during 2020.

Member	No. of meetings
Robert Dix	7/7
Alf Smiddy	7/7
Margaret Sweeney	7/7

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

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

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

Dear Shareholder,

In last year's annual report, we wrote:

"we will closely watch the emerging threat of the coronavirus outbreak."

I often remind colleagues as we wrap up another review of the risk register that it is often the item unreported on the risk register that causes the most trouble. The old adage was certainly true in the case of the Covid-19 pandemic.

In my report this year I will explain the committee's work in overseeing management's response to the pandemic, assessing the effect on financial reporting and the key accounting judgements and estimates, reviewing the annual report and other publications and highlight some of the other important topics and themes arising during the year.

Approach

The committee met seven times, during 2020, twice more than usual with extra meetings in March and July. Between March and early July the board met every two weeks (see page 75 and 76) as management worked intensively to protect the company and manage the impact of the pandemic on cash resources, the workforce and customers. The board agenda was adapted to focus on the key risk areas: managing liquidity, the question of viability and going concern, and the impact on employees and customers. The committee worked to complement and support the work of the board and avoid unnecessary duplication.

Financial reporting and accounting judgements

At its May meeting, the committee received a detailed presentation from management setting out the key considerations for the interim financial statements. Discussions focused on the going concern basis of accounting, the status of negotiations with the company's lenders and the challenge of preparing reliable property valuations in light of the prevailing uncertainty. The committee also received comment from the external auditors on management's approach.

The committee's July meeting afforded an opportunity to scrutinise these questions in further detail and assess the progress made in negotiations to amend the company's credit facilities. I felt it was important that the committee had the opportunity to consider the important issues and had time to reflect on them early in the process of preparing the interim financial statements.

This process was repeated in the lead up to the full-year financial statements when property valuations and the impairment review of the carrying value of right of use assets and goodwill received further attention.

A detailed explanation of the assessment process concerning these items is given on pages 81 and 82 in the section of the committee's report dealing with significant financial judgements and key sources of estimation uncertainty.

Other areas of judgement scrutinised in detail included:

- The preparation of the financial statements on a going concern basis (see Note 1 to the financial statements on pages 122 and 123 for a detailed explanation of the basis of this judgement).
- Accounting for the sale and leaseback of Clayton Hotel Charlemont (see note 12 to the financial statements on page 151 for more details).
- Assessment of the provision for self-insurance loss provisions (see note 21 to the financial statements).

The committee is satisfied that in all of these matters the accounting treatment complies with relevant

IFRS and none gave rise to disagreement between management, the external auditors or the committee.

Concerning the Clayton Charlemont transaction, the committee noted the realised revaluation gain of €30.3 million was required to be accounted for through reserves and a loss of €1.7 million was recorded through profit or loss. The committee also noted that the group realised a gain in cash terms of €23.4 million on the 2016 site acquisition, subsequent development and ultimate sale of the hotel.

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

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

The committee ensures that the key messages communicated in the annual report and the other publications accurately reflect the company's performance and the strategy being pursued and that they are consistent with each other. The committee is satisfied that all of the key events reported to the board by management in the course of the year, positive and negative, are suitably narrated in the annual report.

Health and safety response to Covid-19

The committee supported the board in its ongoing scrutiny of measures taken to prevent the spread of infection at its properties. It received presentations from management on processes and procedures for managing risk and will continue to monitor this area.

Viability Statement

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

Information security and data protection

During the year, the committee received reports and presentations from management, management's external expert advisors, and internal audit concerning information security and data protection. Further details are set out on page 84.

Further reporting

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

In conclusion

My thanks to my colleagues on the committee, the management team, external and internal auditors and advisors to the company who assisted the committee in its work in 2020.

I acknowledged at the start of this report that pandemic risk planning was not high on our agenda before 2020. However, I am happy to conclude by saying that the company's embedded risk management approach, policy of sustainable financial management and nurturing of strong stakeholder relationships provided a solid foundation, when the company was severely tested, for timely and effective risk management responses.

We have more ground to cover to return the company to healthy profitability, but I look forward to working with the committee to support management on this journey in 2021.

Robert Dix
Chair, Audit and Risk Committee

ROLE OF THE COMMITTEE

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

The company's embedded risk approach, policy of sustainable financial management and nurturing of strong stakeholder relationships provided a solid foundation foundation, when the company was severely tested, for timely and effective risk management responses.

SIGNIFICANT FINANCIAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Matter	Significant financial judgements and key sources of estimation uncertainty
PROPERTY REVALUATIONS In line with the group's revaluation policy for land and buildings, valuations are carried out by suitably qualified professional valuers at each reporting period end.	The net carrying value of land and buildings at 31 December 2020 was €1,058.5 million (note 12, pages 150 to 153). The carrying value of land and buildings is determined using fair value. The calculation of fair value and the allocation of fair value to land and buildings requires judgement. The assumptions utilised by the valuation specialists are disclosed in note 12 to the group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates. Management has engaged appropriately qualified professional valuation specialists to determine the value attributable to land and buildings. The Covid-19 pandemic has had a significant impact on valuation. Valuations have decreased principally from reduced forecast near term cashflows impacted by ongoing restrictions on travel. There is a more limited ability for the professional valuers to place reliance on metrics of recent asset transactions given the lack of the same since the pandemic was declared and restrictions put in place. In light of the ability to attach less weight to previous market evidence for comparative purposes to fully inform opinions of value, they have reported based on "material valuation uncertainty" as per guidance by the Royal Institution of Chartered Surveyors. Management has reported in detail to the committee about the valuation approach, as determined by suitably qualified professionals, of land and buildings at 31 December 2020. The committee has discussed the valuation approach undertaken with management. Through discussion with management and considering the external auditor's findings, the committee is satisfied that the property valuations at 31 December 2020 are reasonable and that the revaluation movements have been appropriately presented in the group consolidated financial statements.
CARRYING VALUE OF RIGHT-OF-USE ASSETS AND GOODWILL Detailed impairment reviews are undertaken to determine whether the carrying value of Right-of-use assets and goodwill is impaired.	Right-of-use assets, representing the group's right to use underlying hotel assets which are operated under lease, amounted to €411.0 million at 31 December 2020 (2019: €386.4 million). Goodwill amounted to €30.0 million at 31 December 2020 (2019: €33.9 million). The carrying values of hotel cash-generating units (CGUs), which contain right-of-use assets, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable whilst CGUs to which goodwill has been allocated are required to be tested at least annually for impairment or also if there is an indication of impairment. As a result of the impact of Covid-19 on expected trading, in particular on near term profitability, the group tested each CGU for impairment deeming the impact to be a potential impairment indicator. The group applies IAS 36 Impairment of Assets to determine whether a cash-generating unit with goodwill and/or a right-of-use asset is impaired and accounts for any identified impairments through profit or loss. Each hotel operating business is deemed to be a CGU as the cashflows generated are independent of other hotels in the group. Management undertook detailed impairment reviews on a hotel-by-hotel basis, taking account of the valuations prepared by the qualified professional valuation specialists and other factors. The assumptions utilised by management in conducting these analyses are disclosed in note 10 to the group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates. The committee has reviewed the approach taken by management, as outlined in management's report to the committee, in conducting these impairment reviews and in particular, the assumptions utilised by management. As part of their audit, the external auditor assessed the group's impairment calculations on a CGU-by-CGU basis. Discussions were undertaken between management and the external auditor as to the underlying assumptions. Following discussions with management and with the external auditor, the committee is satisfied that these are reasonable. The recoverable amounts of certain CGUs were less than their pre-impairment review carrying value during 2020 and, in accordance with IAS 36, impairment charges for right-of-use assets amounting to €7.5 million, fixtures, fittings and equipment amounting to €1.0

Matter	Significant financial judgements and key sources of estimation uncertainty
	million and goodwill amounting to €3.2 million were recognised in profit or loss for the year. In line with the requirements of IAS 36 Impairment of Assets, where an impairment was required, in CGUs with other assets such as fixtures, fittings and equipment or right-of-use assets, any goodwill was impaired first and then the other assets in the CGU pro-rata. Accordingly, the committee has concluded that the carrying value of right-of-use assets and goodwill is appropriately stated at 31 December 2020 and that the disclosures included within note 10 and note 11 of the group consolidated financial statements are adequate.

EXTERNAL AUDIT

Appointment

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

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

Evaluation

During 2020, we evaluated KPMG based on their work completed, including the quality of documentation provided for the committee's review, and listened to input from group finance and the senior management team.

The committee receives a detailed presentation from the KPMG, usually in October, setting out its strategy and priorities for the upcoming audit. This allows the committee to provide input and monitor progress against the plan.

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

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

Independence

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

The company has adopted a policy in relation to the employment of former employees of the external auditor. The committee has implemented a procedure to pre-approve any non-audit services provided by KPMG to the company.

During 2020, KPMG provided non-audit services primarily in relation to the review of the interim half-year financial statements and certain Irish VAT advice.

KPMG fees for 2020 are set out in note 3 to the financial statements on page 138.

The EU fee cap on non-audit services is applicable for the first time for the year ended 31 December 2020. Non-audit services for 2020 are not permitted to exceed a ratio of 70% of the average annual audit fee for the preceding 3-year period (2017, 2018, 2019). The actual ratio in respect of 2020 non-audit fees was 9.8%.

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

The committee reviews documentation prepared by management in this regard. Additional details on risk management are set out on pages 37 to 43.

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

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

INTERNAL AUDIT

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

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

During 2020 the internal audit team adapted effectively to working remotely, and successfully leveraged the company's technology investment of recent years to deliver a comprehensive programme of work.

The committee meets with the group internal auditor after each committee meeting without management present.

WHISTLEBLOWING

Policy

The board has approved a Confidential Disclosure Policy (Whistleblowing Policy) which is reviewed annually. At its most recent review in January 2021, the committee approved a revised procedure for the reporting of wrongdoing within the company. The revised procedure provides a communication link for individuals to contact the audit and risk committee chair directly in relation to a matter of concern.

A copy of the Confidential Disclosure Policy is included in the Employee Handbook, which is provided to all employees.

Committee oversight

The committee considers the matter of whistleblower reports at each of its meetings. There are no outstanding matters of concern raised by employees using this procedure during the year.

HEALTH AND SAFETY AND INSURANCE PROGRAMMES

The committee is responsible for monitoring health and safety and operational risks and the group's insurance programs.

Health and Safety

During 2020 managing the health and safety risk associated with the spread of the Covid-19 virus was the top health and safety priority for the company. The committee received reports and presentations from management on the approach to managing this risk. In order to assure employees and guests the company commissioned an independent review of its processes by Bureau Veritas. The committee will continue to monitor the implementation of these processes.

Insurance

The committee receives regular reports from management on the operation of the company's public and employee liability programme, which incorporates a significant element of self-insurance, it receives a comprehensive annual briefing from the company's insurance brokers on the overall insurance programme, covering all insured risks, including property, business interruption, public and employer's liability, cyber, motor, travel, directors and officers, computers and engineering (lifts).

During 2020, the level of incidents involving members of the public and employees reduced considerably because of the reduced footfall. The company has not received any claims related to Covid-19.

The company's business interruption policy did provide limited cover related to the spread of infectious diseases where the spread occurred on-premises. The policy did not provide indemnity for Covid-19 related business interruption losses.

The committee is satisfied that the company has an appropriate insurance programme in place and that its operation is satisfactory.

COMPLIANCE FRAMEWORK

Compliance with S225(2) Companies Act 2014

The committee carries out an annual review of the Company's compliance framework and compliance with certain obligations specified in section 225(2) of the Companies Act 2014 arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Prospectus (Directive 2003/71/ EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007 and Tax laws.

This review is based on analysis prepared by internal audit of compliance activity during the year.

The committee also reviews the company's compliance with the market abuse regime in more detail on annual basis.

The committee carries out an annual review of the company's updated risk assessment and policies in relation to:

- Modern slavery
- Anti-bribery and corruption policy
- Anti-money laundering

INFORMATION SECURITY

The committee monitors the management of information security risks. In 2020, the committee received reports and presentations from specialist advisors retained by management and received two internal audit reports prepared by specialists at EY.

EY has been retained by internal audit to provide expertise in this area; in 2020 it updated its overall information security risk assessment and completed a series of penetration tests on several of the company's assets.

The group's IT department maintains a detailed information systems risk register and has developed a comprehensive suite of information security policies and training resources supporting these policies.

The company has entered into a cyber liability insurance policy and reviews limits and scope of this cover annually.

The committee is aware of the increased risk profile in this area and is satisfied that the company continues, as a component of its ongoing investment in information technology, to mitigate its information security risk (see page 43).

DATA PROTECTION

The company has established a data protection governance structure with oversight provided by the committee.

A key component of the structure is an executive level Privacy Committee, responsible for co-ordinating policy, procedures and compliance activities.

The company avails of DPO (data protection officer) as a service support from specialists at BH Consulting.

The committee received a report and presentation from BH Consulting in January 2021, assessing the company's compliance with GDPR and setting out priorities for 2021.

The report provided a summary of the group data incident log and noted in 2020 that two incidents were reported to the relevant data protection regulator.

Maldron Hotel South Mall

In its approach to decision making on management compensation, the committee has taken account of a wide spectrum of stakeholder, and this work continues.

ROLE OF THE COMMITTEE

- Review the ongoing appropriateness and relevance of the remuneration policy, having regard to the pay and employment conditions across the group.
- Consider and recommend to the board the group framework for the remuneration of the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package of the chair and each executive director, including salary benefits, bonuses and incentive payments.
- Review the design of all incentive plans for approval by the board and shareholders and, for each such plan, recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors and the performance targets to be used.

REMUNERATION COMMITTEE REPORT

Dear Shareholder,

As we head into a second year of upheaval caused by the global pandemic, I hope that you and those dear to you have been spared the worst of its effects.

Dalata is operating in one of the sectors dealing with the most adverse economic impact of restrictions implemented by governments on travel and the movement of people in order to limit the spread of the virus.

The context for remuneration decisions (more detail on page 91)

The negative impact on earnings and the balance sheet is thoroughly documented in this report. Despite the difficulties, we strike a note of optimism for the future and I wish to acknowledge the exceptional work done by the management team to protect the business, the company's employees and lay the groundwork for recovery and future growth.

There have been many sacrifices to get to this point. The board is grateful for shareholders continuing support following the decision to cancel last year's final dividend payment and the strong vote of confidence given through participation in September's share placing.

There has been no work for a great number of our employees but it has been management's strategy to continue to provide employment for the greatest number possible of our managers at all levels in order to protect our business model and customer relationships and enable the business to get back on its feet quickly when the measures to protect public health are eased.

The Irish and UK governments have provided supports to businesses seriously impacted by the measures taken to protect society and the company and has availed of these supports in all cases where it qualifies to receive them. Their value to the company is outlined in the financial review on page 26.

2020 Executive Compensation

Due to the severity of the impact of the pandemic on our business, executive director salaries and non-executive director fees were reduced by 15% from 1 April 2020. There were salary reductions below board level of up to 10% for employees earning above a certain threshold amount. We explain the impact of salary and working week reductions for the wider workforce in more detail on page 91.

From March onwards, the original bonus targets ceased to be relevant and attention shifted to achieving an entirely different set of financial and non-financial outcomes.

Management's commitment to guiding the company through the pandemic crisis has been outstanding. However, due to the losses suffered, the cancellation of dividends, staff layoffs, the impact on suppliers and reliance on government support, no executive director bonus was paid for 2020.

Due to the impact of the pandemic on our share price performance and earnings during 2020, the LTIP awards granted in 2018 will not vest.

The board and the committee are very mindful of retaining key personnel to support the recovery and future growth of the business and on that basis the committee used its discretion to approve management's proposal to vest 25% of the 2018 LTIP award granted to participants below executive director and company secretary level. The value of shares vesting is equivalent to approximately €5,050 per person.

Pay in 2021

Regrettably, the pandemic has continued into 2021 and is having a severe impact on the business, therefore no executive director salary increases will be granted this year. The 15% salary reduction will continue until 31 March 2021; as such base pay for 2021 will be 3.75% below normalised base salary for the full year.

Reductions in pay rates for employees below executive director and company secretary level were reversed on 1 January 2021; this decision was taken in recognition of exceptional performance in 2020 in very difficult circumstances. Pay increases in the business generally will be modest in 2021 subject to upward movement in the minimum wage and general market forces.

Bonus Opportunity

The committee has considered the question of 2021's executive director bonus plan carefully in the context of the prevailing impact on our stakeholders, the continuing market uncertainty and the need to retain, motivate and incentivise the senior management team.

The committee believes that for this year only, there needs to be a greater emphasis on non-financial measures. This is to establish the right platform for recovery. For 2021, the financial to non-financial ratio for performance criteria for the CEO and deputy CEOs will be 60:40 rather than 75:25, and 50:50 for the corporate development director (unchanged).

We will continue with stringent restrictions for most of the first half of 2021, and financial performance will differ greatly between the first and second halves of the year. The committee has decided because of the current level of uncertainty to set the bonus performance targets later in the year when we have more clarity on the evolving situation. The structure of the bonus plan is explained on page 92.

The committee will consider the group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period. It will also consider whether any proposed bonus payment is appropriate in the context of its alignment with the shareholder experience over the year and the experience of other stakeholders.

Target setting for the FY21 LTIP

The committee has decided to delay the target setting for the 2021 LTIP awards for several months with a view to publishing them upon release of the half-year results. LTIP awards will be granted for 2021, in line with the remuneration policy. Performance criteria will be based on relative TSR and earnings per share. Further detail is set out on page 93.

2020 LTIP awards

LTIP awards for 2020 were granted under the remuneration policy on 13 March 2020. Due to the speed of the Covid-19 outbreak and the impact on share prices throughout the market in early March, the share price used to determine awards was materially lower than the share price used to determine awards in 2019 and a much higher number of shares was awarded.

The committee is aware of shareholder guidance that the face value of awards be reduced where share prices have fallen significantly, and is prepared to exercise its discretion at the end of the performance period to avoid windfall gains.

Based on the current outlook, however, threshold performance is unlikely to be achieved for these awards (or those granted in 2019).

The committee is satisfied that the interests of the management team remain closely aligned with those of other shareholders, noting their periodic purchase of shares over the years (no sales). All vested shares under the LTIP continue to be held in a restricted share trust; the first are due for release in 2022.

Shareholder engagement

I propose to write to our leading shareholders in the coming weeks to further outline our approach as the company continues to review and deliberate on these matters. I would welcome your views and feedback.

Margaret Sweeney

Margaret Sweeney
Chair, Remuneration Committee

COMMITTEE MEETINGS AND ATTENDANCE

The committee met four times during 2020

Member	Attendance
Margaret Sweeney	4/4
John Hennessy	4/4
Elizabeth McMeikan	4/4

The board considers all committee members to be independent (the company chair being independent on appointment). The board considers that the committee chair has sufficient recent and relevant experience for the role and that there is sufficient and experience within the committee as a whole. Robert Dix was previously a member of the remuneration committee but has stepped down this year. Elizabeth McMeikan was appointed to the board in October 2019 and has been a member of the committee this year.

Dalata is committed to maintaining a high standard of governance and disclosure in keeping with our listings in Ireland and the UK.

This report complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020.

The Remuneration Committee also considered the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture recommended in the revised 2018 UK Corporate Governance Code (the Code) when determining the remuneration policy.

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

Directors’ Remuneration Policy 2020 – 2022

Approved by Shareholders in 2020

Shareholders approved Dalata’s Remuneration Policy at the 2020 AGM. A summary of the Remuneration Policy table for executive directors is reproduced below for information only. The full Remuneration Policy is set out on pages 80 to 85 of the 2019 Annual Report.

The remuneration committee considered the following principles as recommended in the revised 2018 UK Corporate Governance Code (the Code) in determining the policy:

Clarity

The Remuneration Policy is designed to allow our remuneration arrangements to be structured such that they support, in a sustainable way, the financial objectives and the strategic priorities of the company. The remuneration committee remains committed to reporting on its remuneration practices in a transparent, balanced, and understandable way.

Simplicity

The policy consists of three main elements: fixed pay (salary, benefits, and pension), an annual bonus award, and a long-term incentive award. The annual bonus is based on financial measures and individual strategic objectives tied to our key strategic objectives and risk framework. The LTIP is based on relative TSR and EPS measures, which provide a clear link to the shareholder experience. The committee will keep under review the measures used and may apply different measures for future years to ensure they continue to be aligned with strategy.

Risk

Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the shareholder experience. Post-employment shareholding policy further ensures executive directors are motivated to deliver sustainable performance that extends beyond their departure from the company.

Predictability

Annual bonus and LTIP awards levels are capped as set out in the policy.

The committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts found in the full Policy.

Proportionality

A substantial portion of the package comprises a performance-based reward linked to the achievement of solid company performance and the delivery of strategy. The committee uses discretion where required to ensure that performance outcomes are appropriate.

Alignment to culture

In determining executive remuneration policies and practices, the remuneration committee considers remuneration structures and opportunities at other companies of a similar size and complexity, as well as our approach to remuneration internally, to ensure that remuneration is appropriate compared to these reference points. The committee also considers other wider workforce themes as part of its review, including workforce demographics, engagement levels, and diversity to ensure executive remuneration is appropriate from a cultural perspective.

Policy Table for Executive Directors

The group’s policy on executive directors’ remuneration is designed to ensure that employment and remuneration conditions support strategy delivery and promote long-term sustainable success for all stakeholders. The remuneration package elements that may apply to executive directors are base salary, pension and benefits, annual bonus, and the long-term incentive plan.

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
Base Salary	An appropriate level of fixed remuneration to reflect the skills and experience of the individual. Salaries are normally reviewed annually by the committee, taking into account all relevant factors, which may include the size and scope of the role, the experience and performance of the individual, and appropriate market data.	There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce. Salary increases may be above this level in certain circumstances, such as: an increase in the size or complexity of the group; an increase in the size or responsibilities of the role; changes in the competitive market place; or move of salary position closer to typical market level when a new executive director has been appointed to the board at a lower than typical market salary and then gains experience.	n/a
Pension	Contributions into the company’s defined contribution pension. scheme, or an equivalent cash supplement.	0% of base salary for the chief executive.	n/a

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
		15% of base salary for the deputy chief executives. 5% of salary for the corporate development director in line with the pension contributions or allowances available to the wider pension eligible workforce. For new executive directors appointed to the board pension will be set on appointment, taking into account best practice, the pension contributions or allowances available to the wider pension eligible workforce, and market practice at similar-sized companies.	
Benefits	To provide a market competitive benefits package. The benefits available currently comprise a company car and fuel, and benefits under the group risk benefit scheme, which includes death in service cover and disability benefit. The committee may determine that other benefits will apply where appropriate. Directors are eligible to participate in the company's Sharesave Scheme on the same basis as all other employees. Directors may be reimbursed for reasonable business expenses (and any associated tax liabilities). Where an executive director is required to relocate to perform their role, appropriate one-off or ongoing expatriate benefits may be provided (e.g. housing, schooling, etc.).	The value of benefits is not capped as it is determined by the cost to the company, which may vary. Participation in Sharesave Scheme up to statutory limits.	n/a
Annual Bonus	To drive and reward the delivery of business objectives over the financial year. The bonus is discretionary, and the committee determines any pay-out based on performance. Targets are set and assessed by the committee each year. At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust. Malus and clawback provisions apply.	The maximum opportunity is: > Chief Executive: 125% of salary. > Other Executive Directors: 125% of salary.	Payment is determined by reference to performance assessed over one financial year, and will normally be measured against a combination of financial and individual strategic performance targets. The committee determines the weightings of the performance measures each year. The overall framework will normally be weighted towards financial measures of performance. The committee will consider the group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.
Long-term Incentive Plan (LTIP)	To reward executive directors for the delivery of long-term performance	The maximum annual award level is: > Chief Executive: 150% of salary.	Performance targets are normally measured over three financial years, using performance measures aligned

Element	Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
	and align their interests with shareholders. Awards are made under, and subject to the terms of, the 2017 LTIP approved by shareholders at the 2017 AGM. Awards are in the form of conditional share awards or nil-cost options (or in such other form that the committee determines has the same economic effect) which vest as soon as reasonably practicable after the end of the performance period, subject to performance conditions. Vested shares are subject to an additional holding period of at least two years. Shares subject to a holding period may be placed in a restricted share trust. Malus/clawback and dividend equivalent provisions apply (see notes).	> Other Executive Directors: 125% of salary.	with the strategy and shareholder value. This may include measures such as total shareholder return (TSR), earnings per share (EPS), or other financial or strategic measures. 25% normally vests for threshold performance. The committee has the discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned to the business strategy and objectives. The committee will consider the group's overall performance before determining the final vesting level and may adjust the vesting level if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment the committee may take into account such factors as the committee considers relevant.
Shareholding Guidelines	To increase long term alignment between executives and shareholders. Executive directors are required to build up and maintain a beneficial holding of at least 200% of base salary. Unvested deferred bonus shares and vested LTIP shares within a holding period will count towards the guideline (on a net of tax basis). Individuals who step down as an executive director after 1 January 2020 will normally be expected to retain a shareholding in the company of half of their in-employment shareholding requirement (or actual shareholding if lower) for two years after leaving.	n/a	

Notes to the table:

a. Dividend equivalents - LTIP awards may incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting (or where the award is subject to a holding period, release).

b. Malus and clawback - The annual bonus and the LTIP contain malus and clawback provisions. The cash and share elements of the annual bonus may be clawed back during the three years following payment, and awards under LTIP may be cancelled (prior to vesting), reduced, or clawed back for two years post vesting, in the event of a material misstatement of results or serious misconduct.

Policy Table for Non-executive Directors

Element	Purpose, link to strategy and operation	Opportunity
Chair and Non-executive Director ("NED") Fees	To attract and retain non-executive directors with the required qualities, skills, and experience. Fees for the chair are determined by a subcommittee of the board comprising the chief executive and the non-executive directors but excluding the chair. Fees for non-executive directors, other than the chair, are determined by a subcommittee of the board comprising the chief executive and the chair. The chair receives a single fee. NED fees include a base fee and may include additional fees for other board or committee duties. The chair and non-executive directors do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided. Non-executive directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in the performance of duties. Additional benefits may be introduced if considered appropriate.	There is no prescribed maximum annual increase or fee level. Fee levels are normally reviewed every two years, with reference to the time commitment of the role and market levels (for example, in companies of comparable size and complexity). Fees were reviewed at the beginning of 2021 (see page 94 for more details).

Service contracts/letters of appointment

Pat McCann and Stephen McNally are employed under service contracts commencing on 9 August 2007, Dermot Crowley is employed under a service contract commencing on 3 December 2012 and Shane Casserly's service contract commenced on 3 March 2014. Service contracts do not have a fixed end date but can be terminated by serving notice. The service contracts have a notice period of 24 weeks for Pat McCann and Stephen McNally and six months for Dermot Crowley and Shane Casserly. Other than entitlement to notice and payment of salary and contractual benefits in lieu of notice, the executive directors are not entitled to compensation on termination of their respective contracts. These terms would normally apply to a service contract for a new executive director.

Non-executive Directors, Alf Smiddy, Margaret Sweeney, Robert Dix, and the Chair, John Hennessy, have been appointed under the terms of letters of appointment commencing on 27 February 2014. Elizabeth McMeikan was appointed under the terms of a letter of appointment commencing on 8 October 2019. The appointment is renewed annually, and, under the company's director re-election policy, all directors are subject to annual re-election by shareholders. Non-executive director's appointment is terminable by either party giving one month's written notice.

Consideration of shareholder views

The committee undertook a consultation exercise with major shareholders, representing 62% of the share register, in respect of the development of this Remuneration Policy, and the feedback received was taken into account in finalising the proposals.

During each year, the committee considers shareholder feedback received at the time of the AGM, plus any additional feedback received through other means of dialogue. The committee also regularly reviews the policy in the context of published shareholder guidelines.

Consideration of conditions elsewhere in the company

The committee receives an annual briefing from group HR detailing pay policy, pay increase proposals for the following year, and benchmarking data covering roles across all markets and business functions before it sits to consider executive remuneration. The committee is also briefed on incentive award outcomes within the wider population before determining outcomes for the executive directors.

Annual bonus performance criteria are similar for executive directors and other bonus plan participants, for example, a general manager's bonus is normally based on a 70:30 ratio of financial to non-financial measures. Like the executive directors, in 2021, the ratio will be amended to focus more on non-financial measures.

The performance conditions applied to awards granted under the LTIP are identical for the approximately 100 participants, including the executive directors.

Engagement with the workforce

Details of executive director remuneration are published annually in the annual report and employees are encouraged to engage with the report through the company's website.

The non-executive director responsible for workforce engagement studies employee sentiment through engagement surveys and dialogue with group HR, and receives regular feedback from employees on a range of topics including pay and conditions. The company promotes direct contact with the designated non-executive director by email. These channels facilitate feedback for the committee to consider when reviewing executive pay.

To the extent that employees are shareholders, they may vote on remuneration resolutions at the AGM.

Annual Remuneration Report

This report will be submitted as an advisory vote to shareholders at the 2021 AGM. The report complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020.

COVID-19 – EXECUTIVE REMUNERATION IN CONTEXT

Following actions taken by governments in Ireland and the UK, in the interest of public health, the company's business activities were severely restricted in 2020. Revenue fell from €429 million in 2019 to €137 million and Adjusted EBITDA, the established measure of underlying performance declined from €162 million to €19 million.

2021 has started in the same vein but, with the roll-out of vaccines globally there are solid grounds for optimism that the industry and the company will start a meaningful recovery journey in the second half of the year. The committee has deliberated at length about how the executive remuneration policy may be implemented effectively, considering the interests of all stakeholders. In 2020 the Company undertook measures to ensure its survival under three priority headings: **people**, **business**, and **cash**.

- **People**. The workforce is essential to the company's operation and its strategic positioning. Dalata has a differentiated, decentralised operating model that depends on its experienced, well-trained workforce. Taking care of the health and welfare of staff was a priority. Many were (and remain) affected by temporary lay-offs or subject to furlough when hotels were temporarily closed or operating at very low occupancy levels. The company retained the greatest number possible of its staff and management and maintained connection with those laid off through a series of on-line training and development programmes. The company implemented independently accredited safety protocols upon reopening hotels and provided staff training on return. Throughout the pandemic, the company has supported employee wellness through regular communication and resources including a well-resourced employee assistance programme.
- **Business**. The company offered flexibility to customers through deposit refunds and the waiver of cancellations terms. Keeping key staff in the business allowed the hotels to maintain customer contact and relationships, and the independently accredited safety measures provided assurance to the guests we have been able to accommodate.
- **Cash**. To conserve cash resources, the company eliminated non-essential costs and paused all uncommitted capital expenditure. The company completed the €65 million sale and leaseback of Clayton Hotel Charlemont, expanded its lending facilities, cancelled the final dividend proposed for 2019 and raised €92 million (net) in a share placing. The company also received government grants and assistance valued at €31.5 million and liquidity supports through the deferral of tax liabilities (see note 8 to the financial statements on page 143). These measures and supports have minimised cash outflow from the business and resulted in an increase in cash and undrawn facilities from €162 million at the end of 2019 to €298 million at the end of 2020. This provides sufficient liquidity to survive an extended period of business restrictions (see viability statement on pages 45 to 48), and underpins the company's recovery strategy.

These measures are designed to ensure the company can survive a prolonged crisis and to help the business to quickly return to its historic operational capacity, with the same quality of product and service, when the restrictions depressing demand are lifted. The company gratefully acknowledges the financial and liquidity support it has received from shareholders, governments and its lenders and is using it to protect its strategic assets, including its people and customer relationships. This will allow the company to recover, restoring employment levels, generating a healthy return for shareholders and contributing to society as a quality employer and financially through the taxation system as a responsible business.

Wages and salaries across the group (including executive directors) fell from €102.0 million in 2019 to €64.9 million in 2020 (before government wage subsidies received) (see notes 6 and 8 to the financial statements on pages 140 and 143).

On 1 April 2020, in response to the effect of Covid-19 on the business, the company implemented temporary measures to reduce payroll costs across the business, including pay reductions and reduced working weeks in central office and hotels. This came in addition to temporary lay-off and furlough for many employees when hotels were temporarily closed or operating at very low occupancy levels.

Seventy-five central office workers commenced a four-day working week, and base salary was reduced by 10% for all others earning over €40,000 with no reduction for those below this level of pay. Over the course of the year, many returned to a full working week, subject to the salary reduction. Salary for hotel management continuing to work a five-day week was reduced by 10% for those earning over €55,000 (£50,000 in the UK) with no reduction for those below these levels. The company reversed pay reductions for all employees except executive directors and the company secretary on 1 January 2021.

Executive director and company secretary base salary was reduced by 15% on 1 April 2020. This reduction continued on 31 December 2020, producing an 11.25% reduction from normalised salary in the year. The temporary reduction will continue until 31 March 2021, reducing 2021 pay by 3.75% from normalised salary.

There were no bonuses paid (across the group) for 2020.

No LTIP awards from the 2018 grant vested for the executive directors or company secretary. For the remaining 77 participants a threshold vesting (25%) worth, on average. €5,050 per participant, was approved by the committee to support retention within this key group.

STATEMENT OF IMPLEMENTATION FOR 2021

This section summarises the remuneration arrangements for the directors for the 2021 financial year. The committee approached the 2021 implementation against the backdrop set out on page 85 while recognising the strategic importance of maintaining stability and motivation levels within the company's experienced management team whose continued leadership and decision-making will have a critical bearing on returning the company to its pre-pandemic standing.

The committee is satisfied that the remuneration proposal for 2021 is appropriate. The use of internal measures is explained on page 87 (alignment with culture). External comparisons are normally carried out only in years when the remuneration policy is reviewed. However, the committee carries out a thorough review of internal pay structures annually. The committee receives a briefing from group HR detailing pay policy, pay increase proposals for the following year, and benchmarking data covering roles across all markets and business functions before it sits to consider executive remuneration. The committee is also briefed on incentive award outcomes within the wider population before determining outcomes for the executive directors. Annual bonus performance criteria are similar for executive directors and other bonus plan participants, for example, a general manager's bonus is normally based on a 70:30 ratio of financial to non-financial measures. Similar to the executive directors, for 2021, the ratio will be amended to focus more on non-financial measures. The performance conditions applied to awards granted under the LTIP are identical for of the approximately 100 participants, including the executive directors.

Base Salaries (Normalised)

The following table shows the base salaries effective 1 January 2021 with comparative figures for 2020:

€'000	2021	2020	Increase
Pat McCann	610.2	610.2	0%
Stephen McNally	355.5	355.5	0%
Dermot Crowley	355.5	355.5	0%
Shane Casserly	325.0	325.0	0%

Salaries for executive directors are set at a competitive market level for the scope of the roles and the size and complexity of the business. In recommending 2021 salary, the committee took account of the review of wages and salaries across the group, the context described on page 91, and each individual's personal performance.

Executive director base salary (referred to as 'normalised' above) was reduced by 15% on 1 April 2020. This reduction continued on 31 December 2020, producing an 11.25% reduction from normalised salary in the year. The temporary reduction will continue until 31 March 2021, reducing 2021 pay by 3.75% from normalised salary.

Pension

The chief executive does not receive a pension contribution. Deputy chief executives will receive a contribution to the defined contribution pension scheme or an equivalent cash salary supplement, of 15% of base salary, in line with the Policy. The pension contribution for Shane Casserly is 5% of base salary, which is aligned to the contribution rate provided to the majority of pension eligible staff in Ireland. The committee will keep the pension contribution for Shane Casserly under review in the context of any changes in pension provision across the group.

For new executive directors, the board will determine pension arrangements on appointment, taking into account best practice, the rate available to the wider pension eligible workforce, and market practice at similar sized companies at the time of appointment.

Annual Bonus

The committee has considered the question of 2021's executive director bonus plan carefully in the context of the prevailing impact on our stakeholders, the continuing market uncertainty and the need to retain, motivate and incentivise the senior management team.

The committee believes that for this year only, there needs to be a greater emphasis on non-financial measures. This is to establish the right platform for recovery. For 2021, the financial to non-financial ratio for performance criteria for the CEO and Deputy CEOs will be 60:40 rather than 75:25.

The performance measure for the corporate development director is weighted 50:50 between financial and non-financial measures; this is unchanged from 2020.

The financial target is divided in two parts, based on EBIT (divided between the first and second half of the year), and liquidity. The non-financial targets are divided between group strategic objectives designed to position the company for strong recovery in 2022 and the development and implementation of an integrated ESG strategy. We intend on setting an EBIT target for each half of the year. This is to mitigate the ongoing economic uncertainty and to ensure that targets are both sufficiently stretching and incentivising to management at each stage of our recovery.

The committee will consider the group's overall performance before determining final bonus payment levels and may adjust the bonus award if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the group over the relevant period. It will also consider whether any proposed bonus payment is appropriate in the context of its alignment with the shareholder experience over the year and the experience of other stakeholders.

At least 30% of the bonus will be delivered in the form of Dalata shares deferred for at least three years. The remainder is payable in cash following the year-end. This deferral may be operated under the terms of a restricted share trust.

Malus and clawback provisions apply.

CEO and Deputy CEO's: Maximum Annual Bonus and structure of performance criteria (as a % of salary)

Category	EBIT	CEO and Deputy CEOs			Corporate Development Director		
		H1	H2	Total	H1	H2	Total
Financial	EBIT	18.8%	18.8%	37.5%	15.6%	15.6%	31.3%
	Year-end liquidity			37.5%			31.2%
Non-financial	Strategic business objectives			37.5%			50.0%
	ESG implementation			12.5%			12.5%
	Maximum			**125.0%**			**125.0%**

Notes to the table:

a. The committee has agreed a common set of strategic objectives concerned with: Health and safety and business continuity, key staff retention and hotel management team building, asset management, and the success of marketing the business on re-launch.

b. The company has agreed that it will develop and commence implementation of an integrated ESG strategy in 2021

LTIP

Awards granted in 2021 will be 150% of the chief executive's salary and 125% of salary for the other executive directors in line with the Remuneration Policy. Awards will vest after a three-year performance period based 50% on TSR and 50% on EPS. Vested shares will be subject to a minimum additional two-year post-vesting holding period.

The committee believes that TSR and EPS provide a balance between incentivising long-term profit growth from the execution of the strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to industry sector peers.

Target setting for the 2021 award grant

The committee intends to issue the grant of LTIP awards within the normal timeframe and but, given the continuing market uncertainty, defer target setting for up to six months, publishing the details upon release of the half-year financial report in early September 2021.

The LTIP is our key incentive and retention tool over the long-term and the committee believes that it is critical that targets set are to be stretching but fair in order to align management with the shareholder experience over this period. The committee believes that it will be better able to set LTIP targets which strike this balance later in the year.

Performance parameters

TSR – The committee will measure performance against appropriate an index or selection of peer companies

EPS – The committee will monitor projections, analyst forecasts and other market indicators to set a challenging but fair target for the threshold and maximum vesting levels.

€'000	TSR (50% of award)	EPS (50% of award)
Definition	TSR performance against an appropriate index or comparative set of peer companies, to be determined	Basic EPS achieved in the year ending 31 December 2023
Threshold (25% of the maximum)	Pending	Pending
Maximum vesting	Pending	Pending

Notes to the table:

a. The company intends to publish pending targets upon release of its interim financial statements in September 2021.

b. No vesting below threshold performance.

c. Straight-line vesting between points

c. TSR, the index, or comparative set of peer companies remains to be determined. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2021 to 31 December 2023).

d. Basic EPS may be adjusted to exclude items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either period on period or with other similar businesses. For reference, the relevant adjustments to EPS for 2019 and 2020 are set out in note 30 to the consolidated financial statements on pages 186 and 187. We want to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, we drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders.

Non-executive Director fees (normalised)

The following table shows non-executive director fees effective 1 January 2021 with comparative figures for 2020.

€000's	2021	2020	Change %
Board Chair	150	150	0%
Non-executive Director	65	65	0%
Chair Audit and Risk Committee	20	20	0%
Chair Remuneration Committee	20	20	0%
Chair Nomination Committee	n/a	n/a	n/a
Chair ESG Committee	20	20	0%
Senior Independent Director	n/a	10	-100%
Non-executive Director with responsibility for workforce engagement	20	10	100%

Under the Policy, the board carried out its biennial review of non-executive director fees for 2021 and agreed that there would be no increase applied this year. Following a review of non-executive director responsibilities (effective from 1 January 2021) and considering the overall workload balance, the board decided to discontinue the separate fee payable for the senior independent director duties. Simultaneously, the fee paid to the non-executive director responsible for workforce engagement increased from €10,000 to €20,000. Each of the non-executive directors (excluding the company chair) receive the same level of total compensation.

In line with the adjustment made to the executive director base salaries on 1 April 2020, fees for non-executive directors (referred to as 'normalised' above) were reduced by 15%. This adjustment continued on 31 December 2020, producing an 11.25% reduction from normalised fees in 2020. The temporary reduction will continue until 31 March 2021, reducing 2021 pay by 3.75% from normalised fees in 2021.

OUTCOMES IN RESPECT OF 2020

Where indicated the disclosure has been audited.

Directors' remuneration in 2020 was awarded in line with the remuneration policy, which was approved by shareholders at the AGM in April 2020. Overall, the committee is satisfied that the policy has operated as it was intended this year. It was a difficult year for the business and this is reflected in the level of executive director remuneration which fell by more than 50% on average. No annual bonus or long-term incentive benefits were paid to any of the executive directors in respect of 2020.

Single total figure of remuneration (audited)

The following table summarises the remuneration received by the Directors for the 2020 financial year (with the 2019 prior year comparator also shown).

€'000	Year	Base Salary / Fees	Pension	Benefits	Bonus	LTIP	Total Pay	Proportion of fixed and variable pay
		Fixed Remuneration			Variable Remuneration			
Executive directors								
Pat McCann	**2020**	**542**	**–**	**–**	**–**	**–**	**542**	**100:0**
	2019	598	-	-	411	283	1,292	46:54
Stephen McNally	**2020**	**316**	**47**	**3**	**–**	**–**	**366**	**100:0**
	2019	349	52	3	218	138	760	53:47
Dermot Crowley	**2020**	**316**	**47**	**12**	**–**	**–**	**375**	**100:0**
	2019	349	52	12	218	138	769	54:46
Shane Casserly	**2020**	**288**	**15**	**–**	**–**	**–**	**303**	**100:0**
	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-executive directors								
John Hennessy	**2020**	**133**	**–**	**–**	**–**	**–**	**133**	**100:0**
	2019	150	-	-	-	-	150	100:0
Margaret Sweeney	**2020**	**75**	**–**	**–**	**–**	**–**	**75**	**100:0**
	2019	85	-	-	-	-	85	100:0
Alf Smiddy	**2020**	**75**	**–**	**–**	**–**	**–**	**75**	**100:0**
	2019	85	-	-	-	-	85	100:0
Robert Dix	**2020**	**75**	**–**	**–**	**–**	**–**	**75**	**100:0**
	2019	85	-	-	-	-	85	100:0
Elizabeth McMeikan	**2020**	**75**	**–**	**–**	**–**	**–**	**75**	**100:0**
	2019	15	-	-	-	-	15	100:0

Notes to the table:

a. Base salary / fees represent all amounts received in respect of the financial year. As described in the Statement of Implementation, the company temporarily reduced base salaries for executive directors and fees for non-executive directors by 15% on 1 April 2020. This reduction continued on 31 December 2020, producing an 11.25% reduction from base salaries and fees in 2020.

b. Pension represents payments into the Company's defined contribution pension plan. For 2020 (and 2019) the Chief Executive, Pat McCann, did not participate in the pension plan. The Deputy Chief Executives received pension contributions of 15% of salary, and the Corporate Development Director received pension contributions of 5% of salary.

c. Shane Casserly was appointed as the Corporate Development Director with effect from 1 January 2020.

d. Benefits include a company car and fuel and benefits under the group risk-benefit scheme, which provides for death in service cover and disability benefit.

e. There was no bonus payment made for 2020; the company did not achieve the financial targets set under the group's annual bonus plan for the year. Individual directors did achieve the non-financial targets set; however, the management team recommended that no bonus be paid. The committee considered the pandemic's impact on the financial results for the year, the continuing layoffs in place at most hotels, the suspension of dividend payments and government supports received by the company in 2020 and exercised its discretion to cancel all bonus payments for 2020. The 2020 bonus plan outcomes are explained in detail below.

f. There will be no vesting of LTIP awards for 2020. The zero value for 2020 reflects the final vesting outcome of the 2018 LTIP award. Performance was measured over the three-year performance period from 1 January 2018 to 31 December 2020. Vesting of the 2018 award was based 50% on TSR performance compared to the STOXX Europe 600 Travel & Leisure Index and 50% on EPS performance achieved in FY20 (see page 97 for further details). No discretion was exercised.

g. The committee is satisfied that the bonus and LTIP outturn for 2020 the committee is appropriate. The committee made this judgement in light of the pandemic's impact on reported performance as well as the experience of shareholders and other stakeholders over the performance period(s). The committee exercised discretion to cancel any bonus payable for performance against the non-financial targets set and achieved, on management's recommendation.

h. The LTIP benefit for 2019 is restated to reflect the 55% fall in value on vesting date compared with the estimate published in the 2019 report. The 2017 award vested at 67% of maximum on 12 March 2020. The taxable fair value of each share on the date of vesting was €2.38 compared to the three-month average share price to 31 December 2019 used to estimate vesting, which was €5.3475. The restated LTIP outcomes (which include dividend equivalents accrued), are €283,317 for Pat McCann (€623,877 estimated), €137,552 for Stephen McNally and Dermot Crowley (€302,896 estimated). The final vesting outcome is significantly lower than the estimate owing to the significant impact of Covid-19 to the Company's share price on the date of vesting. Between grant and vesting, the share price had decreased from by €2.57 from €4.95 to €2.38. No portion of the value disclosed is therefore attributable to share price appreciation. The remuneration committee did not exercise discretion in respect of the share price appreciation.

i. Elizabeth McMeikan was appointed non-executive director of the board on 8 October 2019. Her fees for 2019 reflect her time in service during the year.

Annual Bonus outcome for 2020 (audited)

The maximum bonus for 2020 was 125% of salary for all executive directors. For the chief executive and deputy chief executives, this was based 75% on the achievement of a stretching profitability target and 25% on individual strategic objectives aligned to the delivery of key strategic and operational objectives. For the corporate development director, the performance measures were weighted equally (50/50) between profitability and strategic objectives.

Profitability

As in previous years, the company prepared a detailed profitability budget for 2020 based on a rigorous bottom-up process, hotel by hotel, and the committee used the budget to frame a challenging bonus target. After two months of 2020, the business was very much on target, but over the course of the following month, it became evident that the threshold target would be beyond reach. While the budget ceased to be relevant as a target, we set out here, for shareholders information, the detail concerning the earnings target and outcome.

Financial performance for annual bonus evaluation is measured using the Alternative Performance Measure (APM) Modified EBIT for Bonus Calculation (Modified EBIT). EBIT is thus modified to remove the effect of interest on lease liabilities, other interest and finance costs, foreign exchange losses/(gains), hotel pre-opening expenses, impairment of goodwill, impairment of fixtures, fittings and equipment, impairment of right-of-use assets, loss on sale and leaseback, and net revaluation movements through profit or loss, which were considered, by the remuneration committee, to fall outside of the framework of the budget target set for the year. Modified EBIT is described in detail and reconciled to Loss Before Tax on page 201.

Measure	Threshold (40% payout)	Target (50% payout)	Maximum (100% payout)	Actual	Outcome
Modified EBIT	€111.5m	€117.4m	€125.2m	(€29.1m)	Performance did not meet the threshold; no bonus is payable

Individual strategic objectives

Due to the unprecedented crisis from March 2020, the objectives originally set for the year ceased to be relevant.

Management guided the company through an evolving situation which was outside the company's or management's control and the objectives were recalibrated to navigate the crisis management situation. The management team demonstrated enormous commitment, agility and energy to bring the company through this crisis in 2020 and the committee decided that it would be inappropriate to apply performance measures that were invalid for most of the year.

As set out in the chair's letter on page 85, due to the impact of Covid-19 on profitability, the reliance on government support, the experience of our employees, our suppliers and our shareholders, no performance bonus was paid for achieving either financial or non-financial objectives.

LTIP – vesting outcome of the 2018 award (audited)

Due to the pandemic's impact on performance in 2020, zero % of the 2018 LTIP award will vest.

The 2018 LTIP award granted to executive directors on 7 March 2018 became eligible for vesting following the completion of the Performance Period on 31 December 2020. Vesting of the award was subject to two performance criteria: 50% based on TSR performance compared to the STOXX Europe 600 Travel and Leisure Index, and 50% based on EPS performance for the year ended 31 December 2020.

The assessment of the TSR and EPS performance is shown below.

	Weighting	Threshold (25% vesting)	Maximum (100% Vesting)	Actual	Vesting outcome
TSR	50%	Equal to index	Equal to or greater than 10% per annum above the index	Below the index	Zero %
EPS	50%	€0.44	€0.55	(€0.221)	Zero %
				Overall vesting	**Zero %**

a. Previously, we reported that TSR performance would be compared with the Dow Jones European STOXX Travel and Leisure Index. This index has been rebranded, and therefore, TSR will now be compared with the STOXX Europe 600 Travel and Leisure Index, which represents the same sector, geographic focus, size, and complexity, and which is comprised of virtually the same companies as the original Dow Jones Index. The same performance conditions apply. The updated index is reflected in the vesting outcomes for the 2018 award, as set out above.

b. TSR vesting is relative to the STOXX Europe 600 Travel and Leisure Index. TSR was calculated using a 3-month average at the start and end of the performance period (1 January 2018 to 31 December 2020).

c. The threshold EPS vesting target was not achieved based on the calculation of Pre-IFRS 16 Adjusted Basic EPS (under the accounting treatment of leases per IAS 17). A detailed calculation of Pre-IFRS 16 Adjusted Basic EPS (in accordance with IAS17) is set out in the supplementary financial information on page 199.

The committee did not exercise any discretion in relation to the LTIP outcomes for executive directors. In line with the Policy, the committee has the ability to exercise malus and clawback with regards to incentive awards in certain circumstances as outlined in the Policy.

Share incentive plan interests awarded during 2020 (audited)

The table below provides details of the LTIP awards made during the year to the executive directors.

Director	Type of Award	Face value of the award at grant	Number of shares awarded	Vesting at threshold (%of maximum)	Performance period
Pat McCann	LTIP	150% of salary	375,501	25%	1 Jan 2020 to 31 Dec 2022
Stephen McNally	LTIP	125% of salary	182,309	25%	1 Jan 2020 to 31 Dec 2022
Dermot Crowley	LTIP	125% of salary	182,309	25%	1 Jan 2020 to 31 Dec 2022
Shane Casserly	LTIP	125% of salary	166,665	25%	1 Jan 2020 to 31 Dec 2022

Notes to the table:

a. Vesting is based on two separate performance criteria: 50% of the award is based on TSR performance compared with the STOXX Europe 600 Travel and Leisure Index. Threshold vesting occurs for TSR equal to the index and maximum vesting where TSR is equal to or greater than 10% per annum above the index. The remaining 50% is based on Pre-IFRS 16 Adjusted Basic EPS (calculated under the accounting treatment of Leases per IAS 17) achieved in FY22 with threshold vesting for EPS equal to €0.44 and maximum vesting if EPS is equal to or greater than €0.55.

b. The number of shares awarded was calculated using the volume-weighted average share price on 12 March 2020 (€2.4375), the day prior to the date of the grant.

LTIP awards for 2020 were granted on 13 March 2020. Due to the speed of the Covid-19 outbreak and the impact on share prices throughout the market in early March the share price used to determine awards was materially lower than the share price used to determine awards in 2019. The Committee is aware of shareholder guidance that the face value of awards be reduced where share prices have fallen significantly, and is prepared to exercise its discretion at the end of the performance period to avoid windfall gains. Based on the current outlook, however, threshold performance is unlikely to be achieved for these awards (or those granted in 2019).

ADDITIONAL DISCLOSURES

Director's and Company Secretary's share interests

	Shares beneficially owned as at 31 December 2019	Shares beneficially owned as at 31 December 2020	Options to acquire shares under Sharesave Scheme	Conditional LTIP share awards subject to performance conditions			
				2018 Award (vesting after 31/12/20)	2019 Award (vesting after 31/12/21)	2020 Award (vesting after 31/12/22)	Total Conditional LTIP Awards
Pat McCann	1,406,860	1,673,319	7,894	145,221	150,121	375,501	670,843
Stephen McNally	498,335	612,833	7,894	70,506	72,885	182,309	325,700
Dermot Crowley	489,383	586,381	7,894	70,506	72,885	182,309	325,700
Shane Casserly	99,955	148,189	7,894	25,256	29,360	166,665	221,281
John Hennessy	120,000	170,000					
Margaret Sweeney	46,787	66,787					
Alf Smiddy	66,646	76,646					
Robert Dix	67,858	87,465					
Elizabeth McMeikan	2,100	8,000					
Sean McKeon	98,460	175,139	7,894	28,413	29,372	73,468	131,253

Notes to the table:

a. Shares beneficially owned include those of connected persons and include shares held in trust which are subject to deferral or holding periods.

b. On 30 September, each Executive Director and the Company Secretary were granted options to acquire 7,894 shares under the Sharesave Scheme. These options may be exercised between 1 March 2024 and 30 September 2024. This followed the lapse (on 2 September 2020) of options (granted on 2 October 2019), to acquire 5,000 shares each under the same Sharesave Scheme.

c. Total conditional LTIP awards include LTIP awards to Executive Directors and the Company Secretary representing the maximum number of shares which may vest under 2018, 2019, and 2020 LTIP awards based on the performance conditions as described elsewhere in this report. As described on page 97, no part of the 2018 award will vest.

d. There was no change in the beneficial interests of the Directors between the year-end and the date of this report.

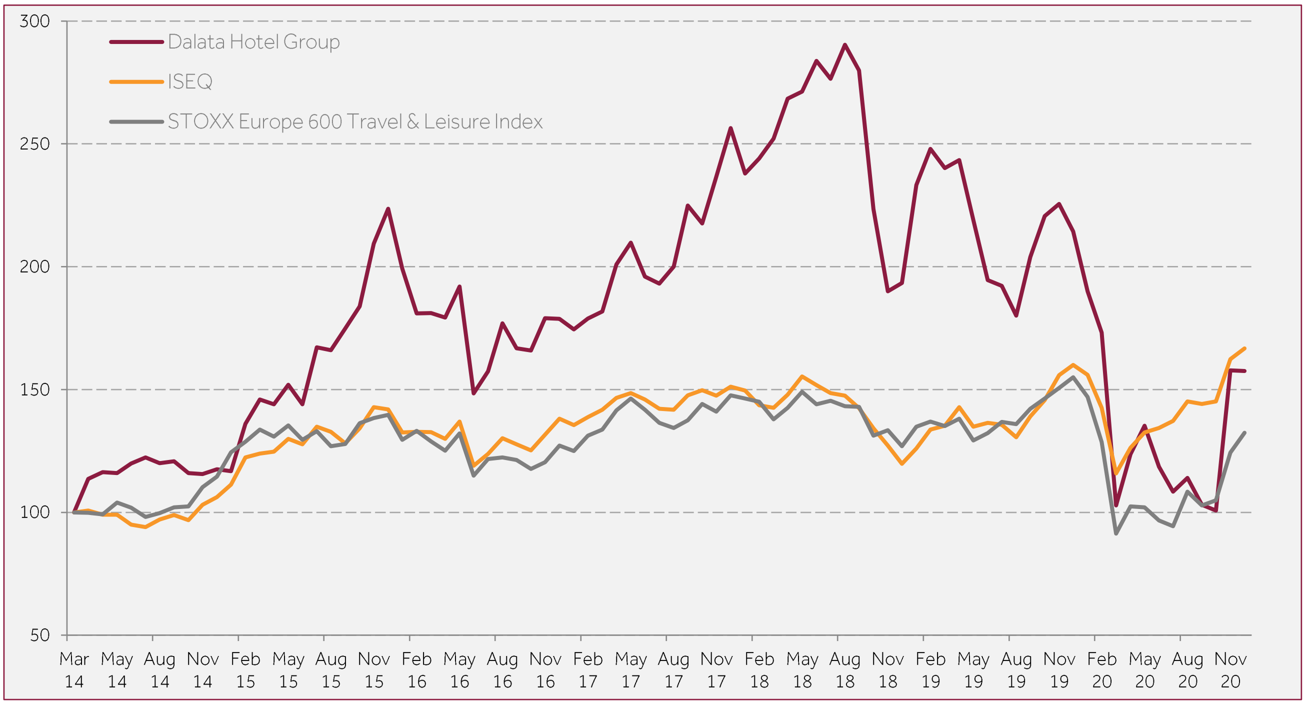
Shareholding guidelines

Executive directors are required to build up and maintain a beneficial holding of at least 200% of base salary. Based on the closing share price on 31 December 2020 of €3.785, the executive director's beneficial holdings as a percentage of 2020 base salary were as follows:

	Beneficial shareholding % base salary
Pat McCann	1,038%
Stephen McNally	652%
Dermot Crowley	624%
Shane Casserly	173%

TSR performance summary and historic remuneration outcomes

The graph below compares the TSR (re-based to 100) over the period since listing to the ISEQ Index's performance and the median of the STOXX Europe 600 Travel and Leisure Index.



The following table shows the total remuneration for the chief executive for each financial year over the same period.

	2014[1]	2015	2016	2017	2018	2019[2]	2020
Single figure (€'000)	441	840	1,603	1,764	1,511	1,293	542
Annual bonus outcome (% of maximum)	67%	100%	90%	100%	100%	62.5%	0%
LTIP vesting (% of maximum)	n/a	n/a	100%	100%	46%	67%	0%

1. 2014 includes remuneration prior to IPO
2. 2019 single figure is restated to reflect the final vesting outcome of LTIP awards granted in 2017, which vested in March 2020.

Relative spend on pay

The following table shows the group's aggregate actual spend on pay (for all employees) and dividends in respect of the current and previous financial year. The spend on pay in 2020 is net of government wage subsidies of €20.8 million. There were no share buy backs in either year.

	2019	2020	Change
Dividend	€19.4m	€0.0m	(100%)
Aggregate employee remuneration	€106.1m	€47.8m	(55%)

Percentage change in remuneration

The following analysis is presented in compliance with S1110N of the Companies Act 2014; it summarises the annual change in remuneration for each individual director over five years in comparison to the annual change in average employee remuneration.

	2016 v 2015	2017 v. 2016	2018 v. 2017	2019 v. 2018	2020 v. 2019	2020 €'000
Director's Remuneration						
Executive directors						
Pat McCann, CEO	91%	10%	(14%)	(14%)	(58%)	542
Stephen McNally, Deputy CEO	82%	9%	(16%)	(16%)	(52%)	366
Dermot Crowley, Deputy CEO	81%	9%	(16%)	(15%)	(51%)	375
Shane Casserly, Corporate Development Director	n/a	n/a	n/a	n/a	n/a	303
Non-executive Directors						
John Hennessy	0%	25%	0%	20%	(11%)	133
Margaret Sweeney	0%	25%	0%	13%	(12%)	75
Alf Smiddy	0%	25%	0%	13%	(12%)	75
Robert Dix	0%	25%	0%	13%	(12%)	75
Elizabeth McMeikan	n/a	n/a	n/a	n/a	400%	75
Company Performance						
Profit before tax	55%	75%	13%	3%	(224%)	(111,461)
Average Remuneration, on a Full-time Equivalent Basis, of employees of the group						
Average group FTE	(2%)	1%	2%	3%	17%	34

Payments to past directors

There were no payments to past directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

AGM voting

At last year's Annual General Meeting, the following votes were received on the resolution to receive and consider the Director's Report on Remuneration for the year ended 31 December 2019.

	Votes	%
Votes For	118, 624,009	93%
Votes Against	9,519,719	7%
Total Votes	128,143,728	100%
Votes withheld	4,750,000	

The following votes were received on the resolution to approve the director's remuneration policy.

	Votes	%
Votes For	131,980,613	99%
Votes Against	913,115	1%
Total Votes	132,893,728	100%
Votes withheld	0	

The committee was pleased with the level of support received for our Remuneration Report and Directors Remuneration Policy. As always, we are committed to taking into consideration the views of our shareholders each year in our approach to and disclosure of remuneration.

Remuneration Committee and advisors

The chief executive and the company secretary attended committee meetings at the invitation of the committee chair (but were not present for discussions on their own remuneration).

The committee's independent advisor Deloitte LLP and the group HR manager also attended some meetings.

The members of the committee have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided, and no day-to-day involvement in the running of the business.

In carrying out its duties, the committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange or Euronext Dublin and associated guidance and investor guidelines on executive remuneration. The committee acknowledges the application of the remuneration policy does not fully comply with provision 38 of the code. This concerns the pension contribution rate for two of the company's four executive directors to whom the company has a contractual obligation to pay a rate higher than the majority of the pension eligible workforce. The remuneration committee keeps this matter under review and the company will announce any amendments to the application of the executive remuneration policy at the appropriate time. The board approves the remuneration of the non-executive directors.

During 2020, the committee continued to receive independent advice from Deloitte LLP, based in London, in respect of the development of the Remuneration Policy.

Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its code concerning executive remuneration consulting. Deloitte Ireland also provided unrelated corporate finance advisory services during the year.

The committee appointed Deloitte LLP. It is the view of the committee that the Deloitte LLP engagement team that provide remuneration advice to the committee do not have connections with the company or its directors that may impair their independence.

The committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. The committee considers that the advice received from the advisors is independent, straightforward, relevant, and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

Fees charged by Deloitte LLP during the year were £15,500. These fees were charged on a time and materials basis.

Clayton Hotel Charlemont

The company is committed to fully integrating environmental and social considerations in the strategic planning process and communicating with stakeholders consistently so that progress is transparent.

COMMITTEE MEETINGS AND ATTENDANCE

The committee met twice during 2020

Member	No of meetings
Elizabeth McMeikan	2/2
Robert Dix	2/2
Stephen McNally	2/2

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

ESG COMMITTEE REPORT

Dear Shareholder,

We started 2020 full of optimism but found ourselves tested in ways we scarcely imagined in the months that followed.

However, at a time when few things stayed the same, one of the few unbroken trends from 2019 through 2020 has been the growth of investment in sustainable funds.

If further persuasion were needed, researchers at Savills Ireland recently proposed that in 2021 "ESG will cement its position as the dominant investment consideration."

Our commitment

Dalata was founded on a commitment to do business ethically and to follow a clear set of values. This commitment is illustrated in the report on environmental and social responsibility on pages 49 to 58 of this report.

In late 2019 the board recognised the need to invest more time in its oversight in this strategically important facet of the business and support management in achieving a closer alignment of its environmental and social objectives with the business strategy and the interests of other stakeholders.

Our ESG committee was established in 2020 and met twice before the year-end. Despite management's need to focus on the crisis response to the Covid-19 pandemic, particularly in the four months between March and June, I am delighted to report that the committee has enjoyed a refreshing engagement with the executive team.

The company is committed to fully integrating environmental and social considerations in the strategic planning process and communicating with stakeholders consistently so that progress is transparent.

Purpose

The committee will work with management to scrutinise and challenge the company's ESG priorities and performance. It will monitor and assess the interests of the company's stakeholders, including investors, employees, customers and the governance community, while maintaining a focus on its strategic objectives.

The committee will be forward-looking, and our work will complement the work of the audit and risk committee.

Committee composition

I am joined on the committee by Non-Executive Director Robert Dix and Deputy CEO Stephen McNally. The insight they bring from their roles as chair of the audit and risk committee and executive director responsible for operations, respectively, brings balance and will help the committee carve out its niche in the governance structure.

Dawn Wynne, group head of HR and Conal O'Neill, group general manager for Maldron Hotels, also attend each meeting. Conal leads the executive level environmental steering group.

Terms of reference

We researched and considered our terms of reference carefully, these are published on the company's website, and a summary is reproduced here in the side panel on page 104.

Current status

The committee received and considered presentations from management, assessing the company's tactical approach to managing its environmental and social impact. These presentations highlighted evidence of sound management practice, including the steadily improving CDP score over the last three years, the diligent work of the environmental steering group, the audit of each property against the standard established by Green Tourism and the setting up in each hotel of an environmental impact team tasked with developing its action plan for which it is accountable to the steering group.

We also heard about impressive initiatives (and supporting statistics) for internal career development, education and training, diversity and inclusion, and community engagement.

Opportunity

The presentations and our discussions also identified an opportunity to integrate the planning of all of this activity more cohesively within the process of strategy development and to communicate more effectively with stakeholders. This includes adopting a more structured reporting framework, thus increasing transparency and responding positively to shareholder and regulatory expectations.

Stakeholder perspective

In January 2020, the board received a presentation from a leading ESG strategist at one of our institutional investors.

At its December meeting, the committee invited the full executive director team and a sustainability specialist from one of our corporate brokers to discuss the investor and regulatory environment.

We also reviewed the strategic approach and reporting priorities of other listed companies in our industry.

Priorities for 2021

The engagement and analysis process we invested in during 2020 provided valuable insight and helped establish a common understanding between the committee and management on our respective responsibilities, and brought to light opportunities to improve the company's strategic planning and reporting processes in 2021 and beyond.

Management has committed to integrating environmental and social planning in the mainstream strategic planning process and building the processes needed to support reporting against established frameworks.

The committee is satisfied that solid foundations are in place, and I look forward to leading the committee in support of management's work to rebuild the business in the year ahead and measure progress against agreed targets that we aim to set in 2021.

Elizabeth McMeikan
Chair, ESG Committee

ROLE OF THE COMMITTEE

- Agree and recommend to the board the appropriate ESG reporting frameworks and standards to be applied by the company.
- Review and recommend to the board for approval the company's statements of purpose and values.
- Oversee the setting of the company's material environmental and social objectives, review the company's strategy to achieve the agreed goals, and monitor the extent to which they are integrated within the company's business strategy and risk management processes.
- Receive and consider internal and external reports concerning agreed metrics and targets and key performance indicators for environmental and social programmes and review progress towards the achievement of such targets and indicators.
- Consider the company's environmental risks and opportunities and the resources required to manage the company's impact on the environment.
- Assess and monitor relationships with key stakeholders, to better understand their views, particularly concerning the company's impact on the environment and society.

DIRECTORS' REPORT

The directors present their report and the consolidated financial statements of Dalata Hotel Group plc ("Dalata" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2020.

Principal activities and business review

Dalata Hotel Group plc is the largest hotel operator in the Republic of Ireland and operates twelve hotels in the UK. Shareholders are referred to the Chair's Statement, Chief Executive Officer's Review and the Financial Review which contain a review of operations and the financial performance of the group for 2020, the outlook for 2021 and the key performance indicators used to assess the performance of the group. These are deemed to be incorporated in the Directors' Report.

Results for the year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 and the consolidated statement of financial position at that date are set out on pages 117 and 118 respectively.

Dividends

There were no dividends paid or proposed by the company during the year.

Future developments

A review of future developments of the business is included in the Financial Review on pages 37 to 48.

Directors and company secretary

The names of the directors and company secretary and a biographical note on each appear on pages 61 and 62. In accordance with the provisions contained in the UK Corporate Governance Code, all directors will voluntarily retire and be subject to election by shareholders at the 2021 Annual General Meeting.

Directors' and company secretary's interests

Details of the directors' and company secretary's share interests and interests in unvested share awards of the company and group companies are set out in the Remuneration Committee Report on page 98.

Audit committee

The group has an established audit and risk committee comprising of three independent non-executive directors. Details of the committee and its activities are set out on pages 79 to 84.

Share capital

The issued share capital of Dalata Hotel Group plc at 1 March 2021 consists of 222,732,900 ordinary shares. Each share has a nominal value of €0.01. All shares have equal voting and dividend rights. The group has in place a number of employee share schemes, the details of which are set out in the Remuneration Committee Report and in Note 7 to the consolidated financial statements.

Substantial holdings

As at 1 March 2021, the company has been notified of the following interests of 3% or more in its share capital which are presented in the table at the bottom of the page.

Holder	Number of Ordinary Shares	% of shares in issue
Perpetua Holding Europe S.a.r.l.	21,757,250	9.77%
FMR LLC	21,489,579	9.65%
Ameriprise Financial, Inc	15,921,355	7.15%
Pioneer Asset Management, LLC	7,939,156	3.56%
TimesSquare Capital Management, LLC	7,601,901	3.41%
CI Investments Inc	6,901,669	3.10%
I.G. International Limited	6,867,668	3.08%
Franklin Mutual Advisors, LLC	6,746,714	3.03%
Janus Henderson Group plc	6,683,165	3.00%

Principal risks and uncertainties

Under Irish company law the company is required to give a description of the principal risks and uncertainties which the group faces. These principal risks and uncertainties form part of the Risk Management Report on pages 39 to 43. The Financial Risk Management policies are set out in Note 25 to the consolidated financial statements.

Non-financial reporting directive

Dalata aims to comply with the requirements of the Non- Financial Reporting Directive (S.I 360/2017) and these requirements are addressed throughout the Strategic Report. Information pertaining to each of the matters addressed by these regulations is set out on page 50.

Additionally, non-financial concerns are reflected in our Strategy and Business Model on pages 7 to 22 and in our risk management report on pages 37 to 48. The company uses a number of non-financial metrics, several of which are disclosed in this report, including in our key performance indicators on page 12.

Accounting records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function.

The accounting records of the company are maintained at its registered office: 4th Floor, Burton Court, Burton Hall Drive, Sandyford Industrial Estate, Dublin 18.

Takeover regulations 2006

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given in note 7 to the consolidated financial statements and in the Remuneration Committee Report on pages 85 to 101 in relation to the Long-Term Incentive Plan, employee share schemes, directors' service contracts and appointment and compensation for loss of office of directors is deemed to be incorporated in the Directors' Report.

Transparency regulations 2007

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the group, the Environmental and Social Responsibility section, set out on pages 49 to 58, is deemed to be incorporated in this part of the Directors' Report together with details of earnings per share in note 30 to the consolidated financial statements, employment details in note 6 and details of financial instruments in note 25.

Corporate Governance regulations

As required by company law, the directors have prepared a Report on Corporate Governance which is set out on pages 59 to 76, and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Directors' Report. Details of the capital structure and employee share schemes are included in notes 19 and 7 to the consolidated financial statements respectively.

Relevant audit information

The directors who held office at the date of approval of this Directors' Report confirm that, so far as, they are each aware, there is no relevant audit information of which the company's external auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditor is aware of that information.

Compliance statement

The directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the company's compliance with certain obligations specified in that section arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/ EC) Regulations 2005, the Prospectus (Directive 2003/71/ EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007 and Tax laws ('relevant obligations').

The directors confirm that:

- a compliance policy statement has been drawn up setting out the company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and a review has been conducted, during the financial year, of those arrangements and structures.

Going concern

The group's business activities in 2020 have been severely impacted as a result of government restrictions arising from the Covid-19 pandemic. A detailed assessment of going concern is set out in Note 1 of the Financial Statements on pages 122 and 123.

The current activities of the group and those factors likely to affect its future development, together with a description of its financial position, are described in the Strategic Report. Principal risks and uncertainties affecting the group, and the steps taken to mitigate these risks are described in the Risk Management section of the Strategic Report on pages 39 to 48.

After the measures taken through 2020 to protect the position and viability of the company and a robust review of the prospects of the business, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for three years (in line with the Viability Statement on pages 45 to 48). In making this assessment, the directors considered the going concern status for a period of at least 12 months from the date of signing this Annual Report and Accounts.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Political contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

Independent auditors

KPMG, Chartered Accountants, were appointed statutory auditor in 2014 and reappointed on 30 June 2016 and pursuant to section 383(2) of the Companies Act 2014 will continue in office.

Subsidiaries

Information on the group's subsidiaries is set out in note 29 to the consolidated financial statements.

Subsequent events

There are no subsequent events to disclose as set out in note 28 to the consolidated financial statements.

Approval of Financial Statements

The Financial Statements were approved by the board on 1 March 2021.

On behalf of the board

John Hennessy
Non-executive Chair

Pat McCann
Chief Executive

1 March 2021

Red Bean Roastery at Clayton Hotel Leopardstown

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Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the annual report and the consolidated and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and Company financial statements for each financial year. Under that law, the Directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and applicable law including Article 4 of the IAS Regulation. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the consolidated and Company financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and estimates that are reasonable and prudent;

> state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

> assess the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

> use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014 and Article 4 of the IAS Regulation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website www.dalatahotelgroup.com. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement as required by the Transparency Directive and UK Corporate Governance Code.

Each of the Directors, whose names and functions are listed on pages 61 to 62 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

> The consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, and the Company financial statements prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2020 and of the loss of the Group for the year then ended;

> The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and

> The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

John Hennessy
Chair
1 March 2021

Patrick McCann
Director

Independent Auditor’s Report

to the members of Dalata Hotel Group plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dalata Hotel Group plc (‘the Company’) and its consolidated undertakings (‘the Group’) for the year ended 31 December 2020 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2020 and of the Group’s loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the consolidated financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities* section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were appointed as auditor by the Directors on 30 June 2016. The period of total uninterrupted engagement is the five years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the directors’ assessment of the Group's and Company’s ability to continue to adopt the going concern basis of accounting we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group’s and Company’s available financial resources over this period were the ongoing impact of Covid-19 restrictions on travel and hotel operations, and delays in the easing of those restrictions and hence in the timing of the commencement and rate of recovery in trading activity.

We evaluated the going concern assessment by carrying out the following procedures among others:

- considering the cash and undrawn bank loan facilities available to the Group and the related covenants in the facility agreement which are applicable in the going concern period;

- analysing the base-case scenario cashflow projections prepared by management showing forecast available liquidity and considering the reasonableness of the underlying assumptions; and

- analysing worst-case scenario cashflow projections prepared by management illustrating the length of time that liquidity would be expected to remain available for in the remote likelihood scenario of continued indefinite strict Covid-19 lockdown restrictions, and examining the reasonableness of management's conclusion that liquidity would be maintained throughout the going concern period in this worst-case scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

In relation to the Group and the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Emphasis of matter - material valuation uncertainty

We draw attention to note 12 of the consolidated financial statements concerning the material valuation uncertainty in respect of the estimated fair value of the Group's owned land and buildings as at 31 December 2020, on the basis of uncertainties in the hotel property market caused by the Covid-19 pandemic. This resulted in a greater level of uncertainty in the determination of the estimated fair value of the Group's owned land and buildings of €1,058.5 million. Our opinion is not modified in respect of this matter.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of hotel cash-generating units is a new key Group audit matter in our report this year, due to the impact of Covid-19 as further described below.

In our prior year report, IFRS 16 lease accounting and hotel acquisitions were identified as key Group audit matters but are not identified as such for this year. We continue to perform procedures over IFRS 16 lease accounting. However, because the incremental impact in the current year is not as material as it was for the first-time application of IFRS 16 in the prior year, it is not separately identified as a key audit matter in our report this year. There were no new hotel acquisitions in the current year.

A Company key audit matter is included this year in relation to investments in subsidiaries due to its relative significance to the Company financial statements.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group: Property valuations – carrying value of land and buildings €1,058.5 million (2019: €1,324.5 million)

Refer to pages 79 to 84 (Audit and Risk Committee Report), Note 1(xii) to the consolidated financial statements (accounting policy for Property Plant and Equipment), and Note 12 to the consolidated financial statements (financial disclosures – Property, Plant and Equipment).

The key audit matter

The Group has a large owned hotel property portfolio and under its accounting policies applies the revaluation model to its land and buildings included within property plant and equipment. This gives rise to a significant risk of material misstatement if periodic revaluations are not performed on an appropriate basis or are not accounted for in accordance with relevant accounting standards. The Group engages independent external experts to perform periodic hotel revaluations, which are inclusive of fixtures fittings and equipment, which the Group accounts for under the cost model. Appropriate allocations of hotel valuations must therefore be made between land and buildings, and fixtures fittings and equipment for accounting purposes.

The estimation uncertainty in valuing property as at 31 December 2020 increased relative to previous years, due to the impact of Covid-19 on the hotel property market (see *Emphasis of matter – material valuation uncertainty* section above). The increased estimation uncertainty is in relation to the significant assumptions used in valuing the properties.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining and documenting our understanding of the process for undertaking and accounting for property valuations and testing the design and implementation of the relevant controls therein;
- evaluating the approach and findings of the work performed by the independent external experts engaged by the Group in relation to hotel valuations;
- assessing and challenging the significant assumptions in the hotel valuation reports, as applied in the accompanying discounted cash flow valuation calculations, in relation to, among others, future recovery in trading from the impact of Covid-19, the relativities of discount rates and capitalisation rates applied in valuations of different hotels, and other matters specific to particular hotels or the markets in which they operate which impacted on valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the valuations;
- obtaining clarification from the independent external experts in relation to the material valuation uncertainty basis on which the valuations were reported;
- considering the allocation of hotel valuations to land and buildings and fixtures fittings and equipment;
- testing the amounts of individual property revaluation movements and their presentation either in other comprehensive income or in profit or loss, as appropriate; and
- evaluating the adequacy of the Group's disclosures in relation to property valuations.

Our audit procedures did not identify any material issues with the assumptions adopted in the property valuations. We found the allocation of valuations between land and buildings and fixtures, fittings and equipment and the inclusion of revaluation losses in other comprehensive income (€143.6 million) or in profit or loss (€30.8 million) for the year to be appropriate. We also found the disclosures in the financial statements relating to property valuations to be adequate in providing an understanding of the basis of the valuations.

Group: Impairment of hotel cash-generating units – carrying values of right-of-use assets €411.0 million, goodwill €30.0 million, and fixtures fittings and equipment €82.3 million

Refer to pages 79 to 84 (Audit and Risk Committee Report), Note 1(viii), (xii) and (xiv) to the consolidated financial statements (accounting policies for Leases, Property Plant and Equipment, and Goodwill), Note 10 to the consolidated financial statements (financial disclosures – Impairment) and Note 11 to the consolidated financial statements (financial disclosures – Intangible Assets and Goodwill).

The key audit matter

Due to the ongoing impact on trading of Covid-19 restrictions on travel and hotel operations, impairment reviews of all hotel cash generating units (CGUs) were required, in accordance with *IAS36 Impairment of Assets* as at 31 December 2020. The Group has material right-of-use assets, goodwill and fixtures fittings and equipment. There is a risk that the carrying amounts of these assets will be more than the estimated recoverable amount. The recoverable amount of right-of-use assets, goodwill and fixtures fittings and equipment is arrived at by forecasting and discounting future cash flows to determine value in use for each CGU. These cash flows are inherently judgemental and rely on certain significant assumptions including in particular:

- future trading performance;
- future long-term growth rates; and
- discount rates.

The estimation uncertainty in performing impairment assessments increased for the year ended 31 December 2020, relative to previous years, due to the impact of Covid-19 in particular on the forecasting of future trading performance, and the carrying values of right-of-use assets, goodwill and fixtures fittings and equipment were identified as a significant audit risk.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining and documenting our understanding of the impairment assessment process and testing the design and implementation of the relevant controls therein;
- evaluating the methodology applied by management in determining the CGUs and the estimates of the recoverable amounts of right-of-use assets, goodwill and fixtures fittings and equipment to determine if they are in line with the requirements of the applicable financial reporting framework;
- evaluating significant assumptions used, in particular those relating to future trading performance and the profile of future recovery in trading from the impact of Covid-19, future long-term growth rates and discount rates;
- comparing the Group's significant assumptions to externally derived data in relation to key inputs such as long-term growth rates and discount rates, including where relevant the data in separately prepared independent property valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the impairment assessment; and
- evaluating the adequacy of the Group's disclosures in relation to impairment.

We found the resulting estimates of the impairment charges required and the post-impairment recoverable amounts of right-of-use assets, goodwill and fixtures fittings and equipment to be acceptable. Our audit procedures did not identify any material issues with the significant assumptions adopted in the impairment reviews. We found the impairment charges for right-of-use assets (€7.5 million), goodwill (€3.2 million) and fixtures fittings and equipment (€1.0 million) recorded in profit or loss for the year to be appropriate. We also found the disclosures in the financial statements relating to impairment to be adequate in providing an understanding of the basis of the impairment assessments.

Company: Investments in subsidiaries €864.7 million

Refer to Note 1(i) to the Company financial statements (accounting policy for Investments in Subsidiaries) and Note 2 to the Company financial statements (financial disclosures – Investments in Subsidiaries).

The key audit matter

The investments in subsidiaries are carried in the Company's financial statements at cost less any impairment. As the net assets of the Group are separately subject to property revaluations and impairment reviews as noted above, the carrying value of the investments in subsidiaries is not separately considered to give rise to a significant risk of material misstatement. However, due to the materiality of the investments in the context of the Company financial statements, this is considered to be the area that had the greatest focus of our overall audit of the Company financial statements.

How the matter was addressed in our audit

Our audit procedures included among others:

- obtaining an understanding of management's approach to the assessment of investments in subsidiaries for potential impairment;
- considering the audit work performed in the current year in relation to property valuation and impairment of hotel cash-generating units; and
- comparing the carrying value of the investments to the net assets of the subsidiaries.

We found management's assessment of the carrying value of investments in subsidiaries to be appropriate.

Our application of materiality and an overview of the scope of our audit

The materiality for the consolidated financial statements as a whole was set at €4.4 million *(2019: €4.4 million).* This has been calculated with reference to a benchmark of consolidated loss before taxation *(2019: profit before taxation).* Materiality represents approximately 4% *(2019: 5%)* of this benchmark, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. We adjusted the percentage of the benchmark applied in the current year from approximately 5% to approximately 4% having taken into consideration the absolute level of materiality applied in the prior year.

The Group has a significant asset base and we also considered total assets and net assets in establishing materiality. Total assets at 31 December 2020 amount to €1,752 million *(2019: €1,984 million)* and net assets at 31 December 2020 amount to €933 million *(2019: €1,073 million).* Our materiality measure represents 0.25% of total assets (2019: 0.22%) and 0.47% of net assets *(2019: 0.41%)* which are below the materiality measures of 0.5%-1.0% typically used for the materiality benchmarks, where applicable, in public company audits.

Independent Auditor's Report

to the members of Dalata Hotel Group plc (continued)

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.2 million *(2019: €0.2 million),* in addition to other audit misstatements below that threshold that we believed warrant reporting on qualitative grounds.

We subjected all of the Group's reporting components to audits for group reporting purposes. The work on all components was performed by the Group audit team.

Materiality for the Company financial statements as a whole was set at €4.0 million *(2019: €4.0 million),* determined with reference to a benchmark of total assets, of which it represents 0.46% *(2019: 0.52%).*

We used materiality to assist us to determine what risks were significant risks and to determine the audit procedures to be performed including those discussed above.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report, Chair's Statement, Chief Executive's Review, Purpose and Values section, Strategy and Business Model, Operations Review, Financial Review, Risk Management section, Environmental and Social Responsibility section, Chair's Overview – Corporate Governance section, Board of Directors section, Executive Management Team section, Corporate Governance Report, Nomination Committee Report, Audit and Risk Committee Report, Remuneration Committee Report, ESG Committee Report, and Supplementary Financial Information.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that, in those parts of the directors' report specified for our consideration:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors' confirmation within Viability Statement on pages 45 to 48 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor’s Report

to the members of Dalata Hotel Group plc (continued)

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- *Fair, balanced and understandable:* if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;

- *Audit and Risk Committee Report:* if the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;

- *Statement of compliance with UK Corporate Governance Code:* if the directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules of Euronext Dublin and the UK Listing Authority for our review;

- if the directors' statement relating to Going Concern required under the Listing Rules of Euronext Dublin and the UK Listing Authority set out on page 106 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 59 to 76 and the Directors' Report, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act;

- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and

- the Directors' Report contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

We also report that, based on work undertaken for our audit, the information required by the Act is contained in the Corporate Governance Statement.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion:

- the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made;
- the Company has not provided the information required by Section 1110N in relation to its remuneration report for the financial year ended 31 December 2019;
- the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 December 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

The Listing Rules of Euronext Dublin and the UK Listing Authority require us to review:

- the Directors' Statements, set out on pages 45 to 48 and 106 in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 59 to 76 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Remuneration Committee of the Board of Directors.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 109, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

P. Carroll

Patricia Carroll
for and on behalf of
KPMG
Chartered Accountants,
Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

1 March 2021

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Note	2020 €'000	2019 €'000
Continuing operations			
Revenue	*2*	**136,821**	429,184
Cost of sales		**(52,282)**	(154,584)
Gross profit		**84,539**	274,600
Administrative expenses	*3*	**(158,542)**	(155,505)
Other income	*4*	**495**	1,206
Operating (loss)/profit		**(73,508)**	120,301
Finance costs	*5*	**(37,953)**	(30,613)
(Loss)/profit before tax		**(111,461)**	89,688
Tax credit/(charge)	*9*	**10,783**	(11,476)
(Loss)/profit for the year attributable to owners of the Company		**(100,678)**	78,212
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Revaluation of property	*12*	**(143,631)**	120,723
Related deferred tax	*24*	**21,337**	(17,272)
		(122,294)	103,451
Items that are or may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(23,313)**	23,592
Gain/(loss) on net investment hedge		**16,804**	(16,987)
Fair value movement on cash flow hedges	*23*	**(6,511)**	(4,238)
Cash flow hedges – reclassified to profit or loss	*23*	**1,992**	1,177
Related deferred tax	*24*	**(565)**	382
		(11,593)	3,926
Other comprehensive (loss)/ income for the year, net of tax		**(133,887)**	107,377
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(234,565)**	185,589
Earnings per share			
Basic (loss)/earnings per share	*30*	**(50.9) cents**	42.4 cents
Diluted (loss)/earnings per share	*30*	**(50.9) cents**	42.0 cents

Consolidated statement of financial position

at 31 December 2020

	Note	2020 €'000	*Restated 2019 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	*11*	**31,733**	36,133
Property, plant and equipment	*12*	**1,202,743**	1,471,315
Right-of-use assets	*13*	**411,007**	386,407
Investment property	*14*	**2,089**	2,149
Deferred tax assets	*24*	**12,344**	3,527
Contract fulfilment costs	*15*	**22,374**	13,346
Other receivables	*16*	**9,059**	6,760
Total non-current assets		**1,691,349**	1,919,637
Current assets			
Trade and other receivables	*16*	**9,231**	21,802
Inventories	*17*	**1,258**	1,927
Cash and cash equivalents	*18*	**50,197**	40,586
Total current assets		**60,686**	64,315
Total assets		**1,752,035**	1,983,952
Equity			
Share capital	*19*	**2,227**	1,851
Share premium	*19*	**504,735**	504,488
Capital contribution	*19*	**25,724**	25,724
Merger reserve	*19*	**81,264**	(10,337)
Share-based payment reserve	*19*	**3,419**	4,900
Hedging reserve	*19*	**(9,042)**	(3,958)
Revaluation reserve	*19*	**199,306**	351,869
Translation reserve	*19*	**(13,102)**	(6,593)
Retained earnings		**138,249**	204,897
Total equity		**932,780**	1,072,841
Liabilities			
Non-current liabilities			
Loans and borrowings	*22*	**314,143**	411,739
Lease liabilities	*13*	**388,871**	352,434
Deferred tax liabilities	*24*	**39,404**	59,358
Derivatives	*23*	**9,042**	4,434
Provision for liabilities	*21*	**6,747**	4,804
Total non-current liabilities		**758,207**	832,769
Current liabilities			
Lease liabilities	*13*	**10,761**	9,667
Trade and other payables	*20*	**48,668**	66,163
Derivatives	*23*	**-**	89
Current tax liabilities		**91**	664
Provision for liabilities	*21*	**1,528**	1,759
Total current liabilities		**61,048**	78,342
Total liabilities		**819,255**	911,111
Total equity and liabilities		**1,752,035**	1,983,952

**The split of lease liabilities between current liabilities and non-current liabilities at 31 December 2019 has been reclassified on a basis consistent with the presentation applied at 31 December 2020, which reflects the timing of the future capital repayments of the lease liabilities (note 13).*

On behalf of the Board:

John Hennessy
Chair

Patrick McCann
Director

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2020	1,851	504,488	25,724	(10,337)	4,900	(3,958)	351,869	(6,593)	204,897	1,072,841
Comprehensive income:										
Loss for the year	-	-	-	-	-	-	-	-	(100,678)	(100,678)
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	(23,313)	-	(23,313)
Gain on net investment hedge	-	-	-	-	-	-	-	16,804	-	16,804
Revaluation of properties (note 12)	-	-	-	-	-	-	(143,631)	-	-	(143,631)
Transfer of revaluation gain to retained earnings on sale of property (note 12)	-	-	-	-	-	-	(30,269)	-	30,269	-
Fair value movement on cash flow hedges (note 23)	-	-	-	-	-	(6,511)	-	-	-	(6,511)
Cash flow hedges – reclassified to profit or loss (note 23)	-	-	-	-	-	1,992	-	-	-	1,992
Related deferred tax (note 24)	-	-	-	-	-	(565)	21,337	-	-	20,772
Total comprehensive loss for the year	-	-	-	-	-	(5,084)	(152,563)	(6,509)	(70,409)	(234,565)
Transactions with owners of the Company:										
Equity-settled share-based payments (note 7)	-	-	-	-	2,280	-	-	-	-	2,280
Vesting of share awards and options (note 7)	6	247	-	-	(3,761)	-	-	-	3,761	253
Equity share placing issuance (note 19)	370	-	-	93,980	-	-	-	-	-	94,350
Costs of share placing (note 19)	-	-	-	(2,379)	-	-	-	-	-	(2,379)
Total transactions with owners of the Company	376	247	-	91,601	(1,481)	-	-	-	3,761	94,504
At 31 December 2020	2,227	504,735	25,724	81,264	3,419	(9,042)	199,306	(13,102)	138,249	932,780

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital €'000	Share premium €'000	Capital contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2019	**1,843**	**503,113**	**25,724**	**(10,337)**	**4,232**	**(1,279)**	**248,418**	**(13,198)**	**144,061**	**902,577**
Comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	78,212	**78,212**
Other comprehensive income										
Exchange difference on translating foreign operations	-	-	-	-	-	-	-	23,592	-	**23,592**
Loss on net investment hedge	-	-	-	-	-	-	-	(16,987)	-	**(16,987)**
Revaluation of properties (note 12)	-	-	-	-	-	-	120,723	-	-	**120,723**
Fair value movement on cash flow hedges (note 23)	-	-	-	-	-	(4,238)	-	-	-	**(4,238)**
Cash flow hedges – reclassified to profit or loss (note 23)	-	-	-	-	-	1,177	-	-	-	**1,177**
Related deferred tax (note 24)	-	-	-	-	-	382	(17,272)	-	-	**(16,890)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(2,679)**	**103,451**	**6,605**	**78,212**	**185,589**
Transactions with owners of the Company:										
Equity-settled share-based payments (note 7)	-	-	-	-	2,679	-	-	-	-	**2,679**
Vesting of share awards and options (note 7)	8	1,375	-	-	(2,011)	-	-	-	2,011	**1,383**
Dividends paid (note 19)	-	-	-	-	-	-	-	-	(19,387)	**(19,387)**
Total transactions with owners of the Company	**8**	**1,375**	**-**	**-**	**668**	**-**	**-**	**-**	**(17,376)**	**(15,325)**
At 31 December 2019	**1,851**	**504,488**	**25,724**	**(10,337)**	**4,900**	**(3,958)**	**351,869**	**(6,593)**	**204,897**	**1,072,841**

Consolidated statement of cash flows

for the year ended 31 December 2020

	2020 €'000	2019 €'000
Cash flows from operating activities		
(Loss)/profit for the year	**(100,678)**	78,212
Adjustments for:		
Depreciation of property, plant and equipment	**26,607**	26,183
Depreciation of right-of-use assets	**20,663**	17,127
Amortisation of intangible assets	**558**	195
Net revaluation movements through profit or loss	**30,836**	(1,601)
Impairment of right-of-use assets	**7,541**	-
Impairment of goodwill	**3,226**	-
Impairment of fixtures, fittings and equipment	**1,015**	-
Loss on sale and leaseback	**1,673**	-
Share-based payments expense	**2,280**	2,679
Interest on lease liabilities	**22,405**	18,945
Other interest and finance costs	**15,548**	11,668
Tax (credit)/charge	**(10,783)**	11,476
	20,891	164,884
(Decrease)/increase in trade and other payables and provision for liabilities	**(13,620)**	1,569
Decrease/(increase) in current and non-current receivables	**12,707**	(793)
Decrease in inventories	**650**	85
Tax refund/(paid)	**2,176**	(10,776)
Net cash from operating activities	**22,804**	154,969
Cash flows from investing activities		
Purchase of property, plant and equipment	**(27,915)**	(176,933)
Contract fulfilment cost payments	**(8,065)**	(3,528)
Receipt of capital grants	**150**	-
Costs paid on entering new leases and agreements for leases	**(7,178)**	(5,790)
Proceeds from sale of Clayton Hotel Charlemont	**64,190**	-
Purchase of intangible assets	**(547)**	(1,076)
Net cash from/(used in) investing activities	**20,635**	(187,327)
Cash flows from financing activities		
Interest paid on lease liabilities	**(22,405)**	(18,945)
Other interest and finance costs paid	**(12,956)**	(11,196)
Receipt of bank loans	**61,486**	134,437
Repayment of bank loans	**(146,572)**	(42,158)
Repayment of lease liabilities	**(5,618)**	(8,569)
Dividends paid	**-**	(19,387)
Proceeds from vesting of share awards and options	**253**	1,383
Proceeds from share placing	**94,350**	-
Costs of share placing paid	**(2,379)**	-
Net cash (used in)/from financing activities	**(33,841)**	35,565
Net increase in cash and cash equivalents	**9,598**	3,207
Cash and cash equivalents at the beginning of the year	**40,586**	35,907
Effect of movements in exchange rates	**13**	1,472
Cash and cash equivalents at the end of the year	**50,197**	40,586

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 2020 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 1 March 2021.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU. In the preparation of these consolidated financial statements the accounting policies set out below have been applied consistently by all Group companies.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Such estimates and judgements are based on historical experience and other factors, including expectation of future events, that are believed to be reasonable under the circumstances and are subject to continued re-evaluation. Actual outcomes could differ from those estimates.

In preparing these consolidated financial statements, the key judgements and estimates impacting these consolidated financial statements were as follows:

Significant judgements

- Carrying value of property measured at fair value (note 12).

Key sources of estimation uncertainty

- Carrying value of property measured at fair value (note 12); and
- Carrying value of goodwill and right-of-use assets including assumptions underpinning value in use ('VIU') calculations in the impairment tests (notes 10, 11, 13).

The value of the Group's property at 31 December 2020 reflects open market valuations carried out as at 31 December 2020 by independent external valuers. The valuations have been reported on the basis of 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards in light of increased uncertainty as less weight can be attached to previous market evidence for comparative purposes, to fully inform opinions of value, as a result of the Covid-19 pandemic. The material valuation uncertainty basis does not invalidate the valuations.

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 12 – Property, plant and equipment.

(i) Going concern

The Covid-19 pandemic has severely impacted the trade and operations of the Group and resulted in a material loss of revenue for the year ended 31 December 2020. During the year, certain hotels had to temporarily close (principally between March and July) or were impacted by local or national government restrictions put in place in Ireland and the United Kingdom ('UK'), including being only able to open at a limited capacity for essential services business during certain times. Travel and operational restrictions and health and safety requirements, such as social distancing, have also impacted, and continue to impact, the trade and operations of the Group.

At the start of the pandemic in early March 2020, the Group was well positioned with a lowly levered financial position and significant levels of liquidity. Given the speed and scale of the impact, the Directors and management reacted early to implement immediate measures that protected the position and viability of the Group and implemented further measures as the effects continued.

The measures taken by the Group include, but are not limited to, the following:

- Cancellation of the final 2019 dividend which was originally recommended by the Board;
- Cessation/postponement of all non-essential and uncommitted capital expenditure;

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(i) Going concern (continued)

- Utilisation of government grants including the Temporary and Employment Wage Subsidy Schemes and other schemes including the Covid Restrictions Support Scheme (CRSS) in Ireland and the Coronavirus Job Retention Scheme in the UK;
- Utilisation of government assistance in the form of waivers of commercial rates and deferral of payroll taxes and VAT liabilities;
- Proactive cost control and working capital management including the cancellation of all non-essential discretionary spending; and
- A combination of reduced working hours and progressive reduction of basic salary for employees and Directors.

On 20 March 2020, the Group agreed an amendment to the facility agreement with its banking club to provide additional headroom on its covenants for the two covenant reporting periods, at 30 June 2020 and 31 December 2020 as a result of the impact of Covid-19.

On 24 April 2020, the Group successfully completed the sale and leaseback of Clayton Hotel Charlemont, Dublin for a total consideration of €64.2 million with a further €0.8 million receivable contingent on the addition of three bedrooms to the property (note 16). This transaction helped to further improve the liquidity and cash position of the Group.

On 9 July 2020, 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 impact of Covid-19. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants with its banking club. The revised covenants include Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The revised covenants were put in place to avoid potential breaches in covenants based on trailing 12 month EBITDA during the period of recovery in trading profits following the impact of Covid-19. The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover for testing at 30 June 2022. The Group is in compliance with its covenants as at 31 December 2020.

In September 2020, the Group successfully conducted a placing of 37,000,000 new ordinary shares, raising gross proceeds of €94.4 million (net proceeds of €92.0 million). This strengthened the financial position and further improved the liquidity and cash position of the Group.

The Group continues to actively monitor and preserve cash. The Group have prepared projections which assume a gradual improvement throughout 2021 as vaccines are rolled out and restrictions are loosened. The projections have been stress tested to assume a slower recovery through 2021 and also to assume ongoing full lockdowns throughout 2021 with no additional mitigating actions. In the stressed scenarios, the Group has sufficient liquidity to continue to meet its obligations as they fall due, for at least 12 months from the date of approval of these consolidated financial statements and is not forecast to be in breach of its covenants for at least the next two testing periods up to testing at 30 June 2022. There are also additional mitigating strategies available to the Group which the Group have not modelled which would further support and improve the Group's position. These include more severe forms of cost cutting, negotiations with landlords on rental obligations, sale of an asset or a further share placing.

Based on the current liquidity and capital position, the current projections and the results of stress testing of these projections, the Directors are satisfied that it is appropriate that the consolidated financial statements are prepared on a going concern basis and that there are no material uncertainties in that regard which are required to be disclosed in the consolidated financial statements.

(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 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*.
- Amendments to IAS 1 and IAS 8 *Definition of Material*.
- Amendments to IFRS 3 *Definition of Business Combinations*.
- Amendments to References to the Conceptual Framework in IFRS Standards.

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

Additional accounting policies

The accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2019. Accounting policies for government grants and government assistance and sale and leaseback accounting were applied in the year ended 31 December 2020 as there were new transactions which did not occur in the year ended 31 December 2019 or previous periods.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(ii) Statement of compliance (continued)

Additional accounting policies (continued)

Government grants and government assistance have emerged as key features of the business following the impact of Covid-19. The impact of government grants and government assistance is disclosed in note 8 and accounting policy (vii) Governments grants and government assistance.

During the year ended 31 December 2020, the Group completed the sale and leaseback of Clayton Hotel Charlemont, Dublin for a total consideration of €64.2 million with a further €0.8 million receivable contingent on the addition of three bedrooms to the property (notes 12, 16) and accounting policy (viii) Leases.

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 2021 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*.

While the Group had a limited number of rent concessions during the year ended 31 December 2020, the Group have chosen not to avail of the IFRS 16 *Leases* - Covid-19 Related Rent Concessions during the year ended 31 December 2020.

The following standards and interpretations are not yet endorsed by the EU. The potential impact of these standards on the Group is under review:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017), IASB effective date 1 January 2021.
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020). IASB effective date 1 January 2023.
- A number of narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (issued May 2020). IASB effective date 1 January 2022.

(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.

(v) Revenue recognition

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

Revenue is derived from hotel operations and includes the rental of rooms, food and beverage sales, car park revenue and leisure centre membership in leased and owned hotels operated by the Group. Revenue is recognised when rooms are occupied and food and beverages are sold. Car park revenue is recognised when the service is provided. Leisure centre membership revenue is recognised over the life of the membership.

Revenue in respect of a contract with a customer for sale of residential property is based on when the performance obligations inherent in the contract are completed. This relates to the contract to sell a residential development which the Group is developing as part of the overall development of a new hotel on the site of the former Tara Towers hotel. The contract for sale is assessed in line with IFRS 15 *Revenue from Contracts with Customers* and revenue is recognised when the performance obligations inherent in the contract are met.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(v) Revenue recognition (continued)

Management fees are earned from hotels managed by the Group. Management fees are normally a percentage of hotel revenue and/or profit and are recognised when earned and recoverable under the terms of the management agreement. Management fee income is included within other income.

Rental income from investment property is recognised on a straight-line basis over the term of the lease and is included within other income.

(vi) Sales discounts and allowances

The Group recognises revenue on a gross revenue basis and makes various deductions to arrive at net revenue as reported in profit or loss. These adjustments are referred to as sales discounts and allowances.

(vii) Government grants and government assistance

Government grants and government assistance represent the transfers of resources to the Group from the governments in Ireland and in the UK in return for past or future compliance with certain conditions relating to the Group's operating activities. Income-related government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The Group accounts for these government grants in profit or loss via offset against the related expenditure.

Capital-related government grants received by the Group related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

Government assistance is action by a government which is designed to provide an economic benefit specific to the Group or subsidiaries who qualify under certain criteria. Government assistance received by the Group includes a waiver of commercial rates for certain hotel properties and also the deferral of payment of payroll taxes and VAT liabilities and has been disclosed in these consolidated financial statements.

(viii) Leases

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset; and
- the Group has the right to direct the use of the asset.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate, which is defined as the estimated rate of interest that the lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The 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.

While the Group had a limited number of rent concessions during the year ended 31 December 2020, the Group have chosen not to avail of the IFRS 16 - Covid-19 Related Rent Concessions during the year ended 31 December 2020. Consequently, any adjustments to the terms of the impacted leases have been treated as a reassessment.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(viii) Leases (continued)

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 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 applies the fair value model in IAS 40 *Investment Property* to right-of-use assets that meet the definition of investment property.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of fixtures, fittings and equipment that have a lease term of 12 months or less and leases of low-value assets. Assets are considered low value if the value of the asset when new is less than €5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A sale and leaseback occurs where there is a transfer of an asset by the Group to a purchaser/lessor and the Group enters into an agreement with that purchaser/lessor to lease the asset. The Group applies the requirements of IFRS 15 *Revenue from contracts with customers* in assessing whether a sale has occurred by determining whether a performance obligation has been satisfied.

Where a sale and leaseback of an asset has occurred, the asset is derecognised and a lease liability and corresponding right-of-use asset is recognised. The Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the purchaser/lessor in profit or loss as calculated in accordance with IFRS 16.

(ix) Share-based payments

The grant date fair value of equity-settled share-based payment awards and options granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards and options. This incorporates the effect of market-based conditions, where applicable, and the estimated fair value of equity-settled share-based payment awards issued with non-market performance conditions.

The amount recognised as an expense is adjusted to reflect the number of awards and options for which the related service and any non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that met the related service and non-market performance conditions at the vesting date. The amount recognised as an expense is not adjusted for market conditions not being met.

On vesting of the equity-settled share-based payment awards and options, the cumulative expense recognised in the share-based payment reserve is transferred directly to retained earnings. An increase in ordinary share capital and share premium, in the case where the price paid per share is higher than the cost per share, is recognised reflecting the issuance of shares as a result of the vesting of the awards and options.

The dilutive effect of outstanding awards is reflected as additional share dilution in calculating diluted earnings per share.

(x) Tax

Tax charge/credit comprises current and deferred tax. Tax charge/credit is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable/receivable on the taxable income/loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes except for the initial recognition of goodwill and other assets that do not affect accounting profit or taxable profit at the date of recognition.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

1 Significant accounting policies (continued)

(x) Tax (continued)

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

Shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share.

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

(xii) Property, plant and equipment

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

Assets under construction include sites where new hotels are currently being developed and significant development projects at hotels which are currently operational. These sites and the capital investment made are recorded at cost. Borrowing costs incurred in the construction of major assets or development projects which take a substantial period of time to complete are capitalised in the financial period in which they are incurred. Once construction is complete and the hotel is operating, the assets will be transferred to land and buildings at cost, and will subsequently be measured at fair value. Depreciation will commence when the asset is 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 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.

(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.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xiii) Investment property (continued)

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 reviewed at each reporting date to determine if there is an indication of impairment. 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 10 and 11.

The assumptions and conditions for determining impairment of goodwill reflects management's best estimates and judgements, but these items involve significant inherent uncertainties, many of which are not under the control of management. As a result, accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in the future.

(xv) Intangible assets other than goodwill

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

Intangible assets are measured at cost (or fair value when acquired through business combinations), less accumulated amortisation and impairment losses.

An intangible asset is determined to have an indefinite useful life when, based on the facts and circumstances, there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the Group. Intangible assets with indefinite lives are reviewed for impairment on an annual basis and are not amortised. The useful life of an intangible asset that is not subject to amortisation is reviewed at least annually to determine whether a change in the useful life is appropriate.

Other 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 finite 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.

(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.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xvii) Contract fulfilment costs

Contract fulfilment costs are stated at the lower of cost or recoverable amount. Contract fulfilment costs represent assets that are to be sold by the Group but do not form part of normal trading. Costs capitalised as contract fulfilment costs include costs incurred in fulfilling the specific contract. The costs must enhance the asset, be used in order to satisfy the obligations inherent in the contractual arrangement and should be recoverable. Costs which are not recoverable are written off to profit or loss as incurred.

(xviii) 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.

(xix) Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method. Liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

(xx) Finance costs

Finance costs comprise interest expense on borrowings and related financial instruments, amortisation of capitalised costs directly related to debt raises, commitment fees and other costs relating to financing of the Group.

Interest expense 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 (xxv)), 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.

(xxi) Foreign currency

Transactions in currencies other than the functional currency of a Group entity are recorded at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the respective functional currency at the relevant rates of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Euro at the exchange rate ruling at the reporting date. The income and expenses of foreign operations are translated into Euro at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income, and are included in the translation reserve within equity.

(xxii) 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.

(xxiii) 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.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xxiv) Loans and borrowings

Loans and borrowings are recognised initially at fair value of 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.

(xxv) 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 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, 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. For floating-rate financial liabilities held at amortised cost, the original effective interest rate is adjusted to reflect the current market terms at the time of the modification. 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.

(xxvi) 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.

(xxvii) Cash flow hedge accounting

For those derivatives designated as cash flow hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on a semi-annual basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. Any ineffective portion is recognised immediately in profit or loss as finance income/costs. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

Notes to the consolidated financial statements

(continued)

1 Significant accounting policies (continued)

(xxvii) Cash flow hedge accounting (continued)

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.

(xxviii) 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.

(xxix) 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 and Adjusted EPS.

The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with the financial information presented under IFRS, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted to show the underlying operating performance of the Group and exclude items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.

Notes to the consolidated financial statements

(continued)

2 Operating segments

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

The Group segments its leased and owned business by geographical region within which the hotels operate being Dublin, Regional Ireland and the UK. These comprise the Group's three reportable segments.

Dublin, Regional Ireland and UK segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 31 December 2020, the Group owns 27 hotels (31 December 2019: 28 hotels) and has effective ownership of one further hotel which it operates (31 December 2019: one hotel). It also owns the majority of one of the other hotels which it operates (31 December 2019: one hotel). The Group also leases 12 hotel buildings from property owners (31 December 2019: 11 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 operating costs arising are payroll, cost of goods for resale, commissions paid to online travel agents on room sales, other operating costs, and, in the case of leased hotels, variable lease costs (where linked to turnover or profit) made to lessors.

	2020 **€'000**	2019 €'000
Revenue		
Dublin	**65,178**	245,401
Regional Ireland	**36,301**	84,925
UK	**35,342**	98,858
Total	**136,821**	429,184

The Covid-19 pandemic has resulted in a material loss of revenue for the year ended 31 December 2020. Varying global restrictions on travel and numerous public health initiatives have resulted in significantly reduced demand in the wider hospitality industry. Since March 2020, the Group's hotels have been subject to varying local and national government restrictions in Ireland and the UK. This included the temporary closure of certain hotels between March and July 2020. In the second half of 2020, all hotels except for one hotel remained open, however, periodically were only open at a limited capacity to provide for essential services business.

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

	2020 €'000	2019 €'000
Segmental results - EBITDAR		
Dublin	**17,462**	119,745
Regional Ireland	**7,983**	24,528
UK	**3,431**	38,505
EBITDAR for reportable segments	**28,876**	182,778
Segmental results - EBITDA		
Dublin	**17,250**	112,922
Regional Ireland	**7,956**	24,426
UK	**3,399**	38,109
EBITDA for reportable segments	**28,605**	175,457
Reconciliation to results for the year		
Segmental results - EBITDA	**28,605**	175,457
Other income	**495**	1,206
Central costs	**(8,128)**	(11,770)
Share-based payments expense	**(2,280)**	(2,679)
Adjusted EBITDA	**18,692**	162,214
Adjusting items		
Net property revaluation movements through profit or loss	**(30,836)**	1,601
Impairment of goodwill	**(3,226)**	-
Impairment of fixtures, fittings and equipment	**(1,015)**	-
Impairment of right-of-use assets	**(7,541)**	-
Loss on sale and leaseback	**(1,673)**	-
Hotel pre-opening expenses	**(81)**	(9)
Group EBITDA	**(25,680)**	163,806
Depreciation of property, plant and equipment	**(26,607)**	(26,183)
Depreciation of right-of-use assets	**(20,663)**	(17,127)
Amortisation of intangible assets	**(558)**	(195)
Interest on lease liabilities	**(22,405)**	(18,945)
Other interest and finance costs	**(15,548)**	(11,668)
(Loss)/profit before tax	**(111,461)**	89,688
Tax credit/(charge)	**10,783**	(11,476)
(Loss)/profit for the year attributable to owners of the Company	**(100,678)**	78,212

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Group EBITDA represents earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses. Consequently, Adjusted EBITDA represents Group EBITDA before:

- Net property revaluation movements through profit or loss (notes 12, 14);
- The accounting loss on the sale and leaseback (note 13);
- Impairment of goodwill, fixtures, fittings and equipment and right-of-use assets (notes 10,11,12,13); and
- Hotel pre-opening expenses (note 3) which relate primarily to payroll expenses, sales and marketing costs and training costs of new staff, and are incurred by the Group in advance of new hotel openings.

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. Share-based payments expense is presented separately from central costs as this expense relates to employees across the Group.

'Segmental results – EBITDA' for Dublin, Regional Ireland and the UK represents the 'Adjusted EBITDA' for each geographical location before central costs, share-based payments expense and other income. It is the net operational contribution of leased and owned hotels in each geographical location.

'Segmental results – EBITDAR' for Dublin, Regional Ireland and the UK represents 'Segmental results – EBITDA' before variable lease costs.

As a result of the amended and restated loan facility in July 2020, the Group recognised a modification loss of €4.3 million in profit or loss (note 5). As this is not reflective of normal trading activity, it is presented as an Adjusting item to arrive at Adjusted loss before tax and Adjusted loss after tax (note 30).

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Disaggregated revenue information

Disaggregated revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily, the Executive Directors. The key components of revenue reviewed by the chief operating decision makers are:

- Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- Food and beverage revenue which relates to sales of food and beverages at the hotel property. Revenue is recognised at the point of sale; and
- Other revenue includes revenue from leisure centres, car parks, meeting room hire and other revenue sources at the hotels. Leisure centre revenue is recognised over the life of the membership while the other items are recognised when the service is provided.

Revenue review by segment – Dublin	2020 €'000	2019 €'000
Room revenue	43,436	176,318
Food and beverage revenue	16,012	53,019
Other revenue	5,730	16,064
Total revenue	**65,178**	245,401

Revenue review by segment – Regional Ireland	2020 €'000	2019 €'000
Room revenue	21,620	49,695
Food and beverage revenue	11,084	26,767
Other revenue	3,597	8,463
Total revenue	**36,301**	84,925

Revenue review by segment – UK	2020 €'000	2019 €'000
Room revenue	24,699	71,503
Food and beverage revenue	7,922	20,373
Other revenue	2,721	6,982
Total revenue	**35,342**	98,858

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Other geographical information

	2020 Republic of Ireland €'000	2020 UK €'000	2020 Total €'000	2019 Republic of Ireland €'000	2019 UK €'000	2019 Total €'000
Revenue						
Owned hotels	**74,099**	**24,617**	**98,716**	227,237	76,278	303,515
Leased hotels	**27,380**	**10,725**	**38,105**	103,089	22,580	125,669
Total revenue	**101,479**	**35,342**	**136,821**	330,326	98,858	429,184

	2020 Republic of Ireland €'000	2020 UK €'000	2020 Total €'000	2019 Republic of Ireland €'000	2019 UK €'000	2019 Total €'000
EBITDAR						
Owned hotels	**20,528**	**2,491**	**23,019**	96,268	30,362	126,630
Leased hotels	**4,917**	**940**	**5,857**	48,005	8,143	56,148
Total EBITDAR	**25,445**	**3,431**	**28,876**	144,273	38,505	182,778

	2020 Republic of Ireland €'000	2020 UK €'000	2020 Total €'000	2019 Republic of Ireland €'000	2019 UK €'000	2019 Total €'000
Other information						
Variable lease costs	**239**	**32**	**271**	6,927	394	7,321
Depreciation of property, plant and equipment	**18,078**	**8,529**	**26,607**	17,798	8,385	26,183
Depreciation of right-of-use assets	**15,769**	**4,894**	**20,663**	14,371	2,756	17,127
Interest on lease liabilities	**14,804**	**7,601**	**22,405**	13,237	5,708	18,945

Notes to the consolidated financial statements

(continued)

2 Operating segments (continued)

Other geographical information (continued)

Assets and liabilities	At 31 December 2020			At 31 December 2019		
	Republic of Ireland €'000	UK €'000	Total €'000	Republic of Ireland €'000	UK €'000	Total €'000
Assets						
Intangible assets and goodwill	20,304	11,429	31,733	23,309	12,824	36,133
Property, plant and equipment	850,797	351,946	1,202,743	1,052,442	418,873	1,471,315
Right-of-use assets	284,759	126,248	411,007	250,179	136,228	386,407
Investment property	1,575	514	2,089	1,560	589	2,149
Contract fulfilment costs	22,374	-	22,374	13,346	-	13,346
Other receivables	3,305	5,754	9,059	1,959	4,801	6,760
Current assets	20,059	40,627	60,686	38,851	25,464	64,315
Total assets excluding deferred tax assets	1,203,173	536,518	1,739,691	1,381,646	598,779	1,980,425
Deferred tax assets			12,344			3,527
Total assets			1,752,035			1,983,952
Liabilities						
Loans and borrowings	14,376	299,767	314,143	98,505	313,234	411,739
Lease liabilities	271,549	128,083	399,632	231,808	130,293	362,101
Trade and other payables	40,650	8,018	48,668	50,886	15,277	66,163
Total liabilities excluding provision for liabilities, derivatives and tax liabilities	326,575	435,868	762,443	381,199	458,804	840,003
Provision for liabilities			8,275			6,563
Derivatives			9,042			4,523
Current tax liabilities			91			664
Deferred tax liabilities			39,404			59,358
Total liabilities			819,255			911,111
Revaluation reserve	186,343	12,963	199,306	317,165	34,704	351,869

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. Loans and borrowings denominated in Sterling of £269.5 million (€299.8 million) are classified as liabilities in the UK. £266.5 million (€296.4 million) of these Sterling borrowings act as a net investment hedge as at 31 December 2020 (31 December 2019: £266.5 million (€313.2 million)). Loans and borrowings denominated in Euro are classified as liabilities in the Republic of Ireland (note 22).

Notes to the consolidated financial statements

(continued)

3 Statutory and other information

	2020	2019
	€'000	€'000
Depreciation of property, plant and equipment	**26,607**	26,183
Depreciation of right-of-use assets	**20,663**	17,127
Variable lease costs: Land and buildings	**271**	7,321
Hotel pre-opening expenses	**81**	9

Hotel pre-opening expenses relate to costs incurred by the Group in advance of opening new hotels. In 2019, this related to one new hotel opened in late January 2019 and in 2020, this relates to two hotels scheduled to open in 2021. These costs primarily relate to payroll expenses, sales and marketing costs and training costs of new staff.

Variable lease costs relate to lease payments linked to performance which are excluded from the measurement of lease liabilities as they are not related to an index or rate or are not considered fixed payments in substance.

Administrative expenses

Administrative expenses of €158.5 million (2019: €155.5 million) include depreciation of €47.3 million (2019: €43.3 million) as set out above, net revaluation losses through profit or loss of €30.8 million (note 12) (2019: net gains of €1.6 million), impairments of goodwill, right-of-use assets and related fixtures, fittings and equipment of €11.8 million (note 10) (2019: nil), and loss on sale and leaseback of €1.7 million (note 12) (2019: nil). Excluding these items, other administrative expenses have decreased by €46.9 million (or 41.2%) to €66.9 million in 2020.

Auditor's remuneration	**2020**	2019
	€'000	€'000
Audit of Group, Company and subsidiary financial statements	**305**	405
Other assurance services	**24**	25
Tax services	**8**	37
Other non-audit services	**-**	87
	337	554

Auditor's remuneration for the audit of the Company financial statements was €15,000 (2019: €15,000). Other assurance services primarily relate to review of the interim condensed consolidated financial statements.

Tax services for the year ended 31 December 2020 relate primarily to Irish VAT advice. The majority of the fees for tax and other non-audit services for the year ended 31 December 2019 related to the review of capital allowances, financial due diligence in acquiring the lease of the Tamburlaine Hotel in Cambridge and other miscellaneous projects.

Directors' remuneration	**2020**	2019
	€'000	€'000
Salary and other emoluments	**1,525**	2,224
Gains on vesting of awards granted in 2016 under the 2014 LTIP	**-**	609
Gains on vesting of awards granted in 2017 under the 2017 LTIP	**612**	-
Gains on vesting of options granted under the Ireland Share Save scheme	**-**	50
Fees	**433**	420
Pension costs – defined contribution	**112**	108
	2,682	3,411

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

Gains associated with the shares which issued on vesting of awards granted in 2016 under the 2014 Long Term Incentive Plan ("LTIP") and in 2017 under the 2017 LTIP and shares granted in 2016 under the Ireland Share Save scheme represent the difference between the quoted share price per ordinary share and the exercise price on the vesting date (note 7). The shares granted under the LTIP schemes are held in a restricted share trust and may not be sold or dealt in any way for a period of five years and 30 days from the vesting date.

Details of the Directors' remuneration and interests in conditional share awards are set out in the Remuneration Committee report on pages 85 to 101.

4 Other income

	2020 €'000	2019 €'000
Rental income from investment property (note 14)	**279**	351
Income from managed hotels	**216**	855
	495	1,206

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.

5 Finance costs

	2020 €'000	2019 €'000
Interest on lease liabilities (note 13)	**22,405**	18,945
Interest expense on bank loans and borrowings	**9,097**	9,126
Cash flow hedges – reclassified from other comprehensive income	**1,992**	1,177
Other finance costs	**1,774**	1,536
Modification loss on amended debt facility	**4,272**	-
Net exchange loss on financing activities	**96**	366
Interest capitalised to property, plant and equipment (note 12)	**(1,392)**	(400)
Interest capitalised to contract fulfilment costs (note 15)	**(291)**	(137)
	37,953	30,613

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 the Group paid as a result of the interest rate swaps.

As a result of the amended and restated loan facility in July 2020 (note 22), the Group assessed whether the discounted cash flows under the new 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 loss of €4.3 million being recognised in profit or loss during the year ended 31 December 2020.

Other finance costs include amortisation of capitalised debt costs, commitment fees and other banking fees.

Net exchange losses on financing activities relate principally to loans which did not form part of the net investment hedge (note 25).

Interest on loans and borrowings amounting to €1.4 million was capitalised to assets under construction on the basis that this cost was directly attributable to the construction of qualifying assets (note 12) (2019: €0.4 million). Interest on loans and borrowings amounting to €0.3 million was capitalised to contract fulfilment costs on the basis that this cost was directly attributable to the construction of qualifying assets (note 15) (2019: €0.1 million). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, were 1.8% (2019: 1.4%) and 3.1% (2019: 2.9%) respectively.

Notes to the consolidated financial statements

(continued)

6 Personnel expenses

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

	2020	2019
Administration	**447**	568
Other	**1,487**	2,962
	1,934	3,530

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

	2020	2019
Dublin (including the Group's central functions)	**944**	1,892
Regional Ireland	**583**	976
UK	**407**	662
	1,934	3,530

The aggregate payroll costs of these persons were as follows:

	2020	2019
	€'000	€'000
Wages and salaries	**44,149**	102,043
Social welfare costs	**5,633**	10,514
Pension costs – defined contribution	**1,260**	1,314
Share-based payments expense	**2,280**	2,679
Severance costs	**83**	33
	53,405	116,583

€0.3 million (2019: €0.6 million) of payroll costs relating to the Group's internal development employees were capitalised as these costs are directly related to development and other construction work completed during the year ended 31 December 2020.

For the year ended 31 December 2020, wages and salaries amounting to €44.1 million are stated net of wage subsidies received by the Group from the Irish and UK governments. During 2020, the Group availed of wage subsidies of €16.0 million from the Irish government and €4.8 million (£4.3 million) from the UK government (note 8).

Notes to the consolidated financial statements

(continued)

7 Share-based payments expense

The total share-based payments expense for the Group's employee share schemes charged to profit or loss during the year was €2.3 million (2019: €2.7 million), analysed as follows:

	2020 €'000	2019 €'000
Long Term Incentive Plans	**1,238**	2,268
Share Save schemes	**1,042**	411
	2,280	2,679

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

Long Term Incentive Plans

During the year ended 31 December 2020, the Board approved the conditional grant of 2,282,533 ordinary shares ('the Award') pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was made to senior employees across the Group (100 in total). Vesting of the Award is based on two independently assessed performance targets, each one representing 50% of the Award. The first is based on earnings per share ('EPS') and the second on total shareholder return ('TSR'). The performance period for the award is 1 January 2020 to 31 December 2022 and 25% of the award will vest at threshold performance, provided service conditions attaching to the awards are met. Threshold performance for the TSR condition is performance in line with the Dow Jones European STOXX Travel and Leisure Index with 100% vesting for outperformance of the index by 10% per annum. Threshold performance for the EPS condition, which is a non-market based performance condition, is based on the achievement of Adjusted Basic EPS of €0.44 before taking account of the accounting impact of IFRS 16, as disclosed in the Group's 2022 audited consolidated financial statements, with 100% vesting for Adjusted Basic EPS of €0.55 or greater before taking account of the accounting impact of IFRS 16. Awards will vest on a straight-line basis for performance between these points. EPS targets may be amended in restricted circumstances if an event occurs which causes the Remuneration Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy. Participants are also entitled to receive a dividend equivalent amount in respect of their awards. Further details of the plans are set out in the Remuneration Committee Report on pages 85 to 101.

Movements in the number of share awards are as follows:

	2020 Awards	2019 Awards
Outstanding at the beginning of the year	**2,361,766**	2,159,409
Granted during the year	**2,282,533**	839,373
Dividend equivalents	**42,006**	-
Forfeited during the year	**(29,906)**	(15,763)
Lapsed unvested during the year	**(264,092)**	(335,444)
Exercised during the year	**(549,379)**	(285,809)
Outstanding at the end of the year	**3,842,928**	2,361,766

Grant date	**2020 Awards**	2019 Awards
May 2017	**-**	804,976
March 2018	**728,288**	717,417
March 2019	**847,276**	839,373
March 2020	**2,267,364**	-
Outstanding at the end of the year	**3,842,928**	2,361,766

During the year ended 31 December 2020, the Company issued 549,379 shares on foot of the vesting of awards granted in May 2017 under the terms of the 2017 LTIP. Over the course of the three-year performance period, 33,443 share awards lapsed due to vesting conditions which were not satisfied. 264,092 shares lapsed unvested due to TSR performance below maximum.

Notes to the consolidated financial statements

(continued)

7 Share-based payments expense (continued)

Long Term Incentive Plans (continued)

The weighted average share price at the date of exercise for awards exercised during the year was €2.38.

Measurement of fair values

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

	March 2020	March 2019
Fair value at grant date	€0.62	€3.76
Share price at grant date	€2.32	€5.98
Exercise price	€0.01	€0.01
Expected volatility	31.83% p.a.	29.96% p.a.
Performance period	3 years	3 years

Dividend equivalents accrue on awards that vest up to the time of vesting under the 2017 LTIP, 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.

Awards granted from 2017 to 2020 under the 2017 LTIP include EPS-based conditional share awards. The EPS-related performance condition is a non-market performance condition and does not impact the fair value of the award at the grant date, 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, 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.

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. 509 employees availed of the Schemes granted in 2020 (527 employees availed of the Schemes granted in 2019). 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 2020, the Company issued 82,901 shares on maturity of the share options granted as part of the Scheme granted in 2016. The weighted average share price at the date of exercise for options exercised during the year was €4.76.

Movements in the number of share options and the related weighted average exercise price ("WAEP") are as follows:

	2020		2019	
	Options	**WAEP € per share**	Options	WAEP € per share
Outstanding at the beginning of the year	**1,784,122**	**3.89**	1,638,119	3.85
Granted during the year	**2,104,301**	**2.31**	947,434	3.66
Forfeited during the year	**(1,211,336)**	**3.88**	(336,286)	4.47
Exercised during the year	**(82,901)**	**2.98**	(465,145)	2.96
Outstanding at the end of the year	**2,594,186**	**2.63**	1,784,122	3.89

The weighted average remaining contractual life for the share options outstanding at 31 December 2020 is 3.2 years (31 December 2019: 2.5 years).

At 31 December 2020, 139,815 shares are exercisable relating to the SAYE scheme granted in 2017 which ended in September 2020 and employees have a six month period to exercise their option. The weighted average exercise price of these options is €4.14.

8 Government grants and government assistance

	2020 €'000	2019 €'000
Temporary Wage Subsidy Scheme (Ireland)	**6,330**	-
Employment Wage Subsidy Scheme (Ireland)	**9,687**	-
Coronavirus Job Retention Scheme (UK)	**4,753**	-
Other government grants related to income	**1,492**	-
Grants related to income	**22,262**	-
Capital government grants	**150**	-
	22,412	-

Payroll-related government grants

As a result of the impact of the Covid-19 pandemic on the Group, the Group availed of the Irish and UK government schemes in relation to wage subsidies. The Group availed of the Temporary Wage Subsidy Scheme in Ireland from 26 March 2020 to 31 August 2020, the Employment Wage Subsidy Scheme in Ireland from 1 September 2020 to 31 December 2020, and the Coronavirus Job Retention Scheme in the UK from 1 March 2020 to 31 December 2020. The Group continues to avail of the wage subsidy schemes.

The Temporary Wage Subsidy Scheme was available to employers who lost a minimum of 25% of turnover as a result of the Covid-19 pandemic and who kept employees on their payroll during this time. The scheme has been availed of for employees who were on reduced hours and/or reduced pay. The scheme was replaced by the Employment Wage Subsidy Scheme from 1 September 2020 and contains similar conditions to the preceding scheme.

In the UK, the Group availed of the Coronavirus Job Retention Scheme. Up to 30 June 2020, the scheme only applied to furloughed employees and employees still working in the Group were not eligible. From 1 July 2020, the UK government introduced a flexible furlough scheme where employees can work part time and an employer can claim subsidies which are passed on to employees for the hours not worked. In order to be eligible for the scheme, employees must have been on at least a three week furlough period prior to 10 June 2020.

The Group was in compliance with all the conditions of the respective schemes during the year ended 31 December 2020 and availed of these schemes. The grant income received has been offset against the related costs in cost of sales and administrative expenses in profit or loss.

Other government grants

During the year ended 31 December 2020, the Group availed of a number of other grants schemes, including and not limited to the Covid Restrictions Support Schemes in Ireland, introduced by 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 €1.5 million, have been offset against the related costs of €1.5 million in administrative expenses in profit or loss.

During the year ended 31 December 2020, the Group received a grant amounting to €0.2 million for capital costs incurred in adapting premises for new public health requirements arising from the pandemic. The grant was conditional on being utilised for eligible expenditure. The grant has been presented as a deduction in arriving at the carrying amount of the asset in the statement of financial position.

Government assistance

In addition, the Group received financial assistance by way of commercial rates waivers and deferrals of tax liabilities from the Irish and UK governments.

In Ireland, the Group benefitted from a commercial rates waiver of €5.5 million for the period 27 March 2020 to 31 December 2020. In the UK, the Group benefitted from a commercial rates waiver of £3.3 million (€3.6 million) from 1 April 2020 to 31 December 2020 (2019: €nil).

Notes to the consolidated financial statements

(continued)

8 Government grants and government assistance (continued)

Government assistance (continued)

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Bill 2020 and Finance Act 2020 (Act 26 of 2020), Irish VAT liabilities of €4.9 million and payroll tax liabilities of €7.8 million relating to the year ended 31 December 2020 have been deferred and are payable during the year ending 31 December 2021 (note 20).

In the UK, VAT liabilities of £0.4 million (€0.5 million) have been deferred until 31 March 2021. Payroll tax liabilities are being paid by instalments, as agreed with the UK tax authorities. The outstanding deferred UK payroll tax balance as at 31 December 2020 is £0.3 million (€0.3 million) which is payable by 31 July 2021.

9 Tax (credit)/charge

	2020 €'000	2019 €'000
Current tax		
Irish corporation tax charge	-	10,148
Irish corporation tax – losses carried back to prior year	(1,535)	-
UK corporation tax charge	120	1,673
UK corporation tax – losses carried back to prior year	(808)	-
Over provision in respect of prior years	(563)	(770)
	(2,786)	11,051
Deferred tax (credit)/charge (note 24)	(7,997)	425
	(10,783)	11,476

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

	2020 €'000	2019 €'000
(Loss)/profit before tax	(111,461)	89,688
Tax on (loss)/ profit at standard Irish corporation tax rate of 12.5%	(13,933)	11,211
Effects of:		
Income taxed at a higher rate	417	673
Expenses not deductible for tax purposes	950	501
Impact of revaluation losses/(gains) not subject to tax	3,914	(144)
Insurance proceeds subject to capital gains tax	-	857
Foreign (losses)/income taxed at higher rate	(1,001)	696
Losses utilised at higher rate	(417)	(673)
Over provision in respect of current tax in prior periods	(563)	(770)
Under/(over) provision in respect of deferred tax in prior periods	56	(176)
Other differences	(206)	(699)
	(10,783)	11,476

Notes to the consolidated financial statements

(continued)

9 Tax (credit)/charge (continued)

As the Group has incurred a loss before tax in 2020, the Group has recognised a tax credit of €10.8 million for the year ended 31 December 2020, primarily relating to the net value of tax losses which are available to utilise against both prior year taxable profits and future taxable profits. The current year has resulted in utilisable tax losses of €64.5 million, €16.5 million which have been carried back and used against previous taxes paid. Following Irish and UK government initiatives to support businesses impacted by Covid-19, these losses have generated initial cash refunds of €2.3 million during 2020 despite returns not yet filed. Additional losses of approximately €12.3 million will be carried back on submission of 2020 tax returns in 2021, generating additional refunds of €1.5 million. This will leave €35.7 million of unutilised 2020 losses which will be used against taxable profits in 2021 and future years as appropriate, reducing future corporation tax liabilities payable by €5.7 million based on currently enacted tax rates. The Group is confident that the remaining tax losses incurred during 2020 will be fully utilised in future periods.

Due to tax incentives introduced following the global financial crisis to stimulate the property market, no tax charge arises on the increase in value between the cost of developing Clayton Hotel Charlemont, Dublin and the sales proceeds received.

The current tax credit for the year ended 31 December 2020 of €2.8 million relates primarily to the carry back of tax losses incurred in the year ended 31 December 2020 to the 2019 tax return period. This resulted in corporation tax refunds, on submission of the 2019 tax returns during the year ended 31 December 2020.

The deferred tax credit for the year ended 31 December 2020 of €8.0 million relates mainly to the recognition of deferred tax assets in respect of corporation tax losses during the year ended 31 December 2020.

In October 2018, the Group received a commercial settlement amounting to €2.6 million from an insurance claim as a result of a fire in December 2016 at Clayton Hotel Silver Springs, Cork in which a vacant building located on the grounds, but separate to, and unused by the hotel, was destroyed. During 2019, the Group elected not to proceed with the redevelopment of this site resulting in a €0.9 million capital gains tax charge on the commercial settlement in 2019 which was paid during the year ended 31 December 2020.

10 Impairment

At 31 December 2020, as a result of the impact of Covid-19 on expected trading, particularly on near term profitability, and the carrying amount of the net assets of the Group being more than its market capitalisation, the Group tested each cash generating unit ('CGU') for impairment as both were deemed to be potential impairment indicators. Impairment arises where the carrying value of the CGU (which includes, where relevant, revalued properties and/or right-of-use assets, allocated goodwill, fixtures, fittings and equipment) exceeds its recoverable amount on a value in use ('VIU') basis.

On 31 December 2020, the market capitalisation of the Group was lower than the net assets of the Group (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). Market capitalisation can be influenced by a number of different market factors and uncertainties, most evidently the impact of Covid-19 in 2020 and more specifically, the tightening of government restrictions and potential lockdowns at 31 December 2020. 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 2020, the recoverable amounts of the Group's CGUs were based on VIU, determined by discounting the estimated future cash flows generated from the continuing use of these hotels. VIU cash flow projections are prepared for each CGU and then compared against the carrying value of the assets, including goodwill, properties, fixtures, fittings and equipment and right-of-use assets, in that CGU. The VIU assumptions are detailed below. The VIU cash flows take into account changes in market conditions as a result of Covid-19.

The VIU estimates were based on the following key assumptions:

- Cash flow projections are based on operating results and forecasts prepared by management covering a ten year period in the case of freehold properties. This period was chosen due to the nature of the hotel assets and is consistent with the valuation basis used by independent external property valuers when performing their hotel valuations (note 12). For CGUs with right-of-use assets, the lease term was used;
- Revenue and EBITDA for 2021 and future years are based on management's best estimate projections as at 31 December 2020. Forecasted revenue and EBITDA are based on expectations of future outcomes taking into account the current earnings, impact of Covid-19, past experience and adjusted for anticipated revenue and cost growth;
- Cash flow projections assume a long-term compound annual growth rate post 2023 of 2% in EBITDA for CGUs in the Republic of Ireland and in the UK;

10 Impairment (continued)

- 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 10) capitalisation rates consistent with those used by the external property valuers which incorporates a long-term growth rate of 2% for Irish and for UK properties;
- The cash flows are discounted using a risk adjusted discount rate specific to each property which ranged from 7.0% to 11.25% (Ireland: 8.25% to 11.25%; UK: 7.0% to 11.25%) (2019: 8.25% to 11.25% (Ireland: 8.50% to 10.75%; UK: 8.25% to 11.25%)). The discount rates were consistent with those used by the external property valuers; 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.

At 31 December 2020, the recoverable amount was deemed lower than the carrying value in certain of the Group's CGUs. Where the VIU is lower than the carrying value of the CGU, an impairment is recognised, first against goodwill, and then pro-rata against the other assets in the CGU. Goodwill relating to two CGUs has been impaired by €3.2 million (note 11). In addition, an impairment of €7.5 million of right-of-use assets (note 13) and €1.0 million of fixtures, fittings and equipment (note 12) was recognised during the year ended 31 December 2020.

At 31 December 2020, the carrying value of the Group's other CGUs did not exceed their recoverable amount and no impairment was required following assessment.

The impact of Covid-19 continues to unfold and projections are subject to a greater level of uncertainty than usual as governments worldwide continue to implement measures to protect public health and also to support business and employment. The impact on the hospitality industry has been severe and predicting the path and the eventual containment of Covid-19 and the consequent lifting of travel and public health restrictions is difficult particularly in the immediate short term. Therefore, the estimation of cash flows which take into account the ongoing impacts of the pandemic, prepared to support the VIU estimates, is a key source of estimation uncertainty. Projections have been prepared on a conservative basis taking into account all information reasonably available in the environment at 31 December 2020. Broadly, the cash flow projections assume that significant restrictions on hospitality and travel will be in place for the first half of 2021. As the vaccine roll out continues, the projections assume international travel gradually returns during the second half of 2021 which continues through 2022 with trade broadly back to more normal levels in 2023.

If the 2021 EBITDA forecasts used in cashflow in VIU estimates for impairment testing as at 31 December 2020 had been forecast 25% lower, this would have resulted in an additional impairment charge of €0.5 million for the year ended 31 December 2020 for right-of-use assets and fixtures, fittings and equipment. There would have been no further impairment of goodwill.

Notes to the consolidated financial statements
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11 Intangible assets and goodwill

	Goodwill €'000	Other indefinite-lived intangible assets €'000	Other intangible assets €'000	Total €'000
Cost or valuation				
Balance at 1 January 2020	79,628	-	2,416	82,044
Addition of software licence agreement	-	-	54	54
Effect of movements in exchange rates	(665)	-	-	(665)
Balance at 31 December 2020	**78,963**	**-**	**2,470**	**81,433**
Balance at 1 January 2019	79,030	20,500	671	100,201
Transfer to investment property (note 14)	-	-	(671)	(671)
Transfer to right-of-use assets	-	(20,500)	-	(20,500)
Transfer from non-current prepayments	-	-	1,200	1,200
Addition of software licence agreement	-	-	1,216	1,216
Effect of movements in exchange rates	598	-	-	598
Balance at 31 December 2019	79,628	-	2,416	82,044
Accumulated amortisation and impairment losses				
Balance at 1 January 2020	(45,716)	-	(195)	(45,911)
Impairment loss during the year	(3,226)	-	-	(3,226)
Amortisation of intangible assets	-	-	(558)	(558)
Translation adjustment	(5)	-	-	(5)
Balance at 31 December 2020	**(48,947)**	**-**	**(753)**	**(49,700)**
Balance at 1 January 2019	(45,716)	-	(68)	(45,784)
Transfer to investment property (note 14)	-	-	68	68
Amortisation of intangible assets	-	-	(195)	(195)
Balance at 31 December 2019	(45,716)	-	(195)	(45,911)
Carrying amounts				
At 31 December 2020	**30,016**	**-**	**1,717**	**31,733**
At 31 December 2019	33,912	-	2,221	36,133

11 Intangible assets and goodwill (continued)

Goodwill

Goodwill is attributable to factors including expected profitability and revenue growth, increased market share, increased geographical presence, the opportunity to develop the Group's brands and the synergies expected to arise within the Group after acquisition.

As at 31 December 2020, the goodwill cost figure includes €11.4 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 2020 resulted in a foreign exchange loss of €0.7 million and a corresponding decrease in goodwill. The comparative retranslation at 31 December 2019 resulted in a foreign exchange gain of €0.6 million.

Carrying amount of goodwill allocated	Number of cash-generating units At 31 December 2020	2020 €'000	2019 €'000
Moran Bewley Hotel Group (i)	7	**24,366**	25,023
Other acquisitions (i)	3	**1,305**	2,022
2007 Irish hotel operations acquired (ii)	3	**4,345**	6,867
		30,016	33,912

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2020.

Annual goodwill testing

The Group tests goodwill annually for impairment and more frequently if there are indications that goodwill might be impaired. Due to the Group's policy of revaluation of land and buildings, and the allocation of goodwill to individual CGUs, impairment of goodwill can occur as the Group realises the profit and revenue growth and synergies which underpinned the goodwill. As these materialise, they are recorded as revaluation gains to the carrying value of the property and consequently, elements of goodwill may be required to be written off if the carrying value of the CGU (which includes revalued property and allocated goodwill) exceeds its recoverable amount on a VIU basis. The impairment of goodwill is 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.

The impact of Covid-19 has had a material impact on the operating revenues of the business since March 2020. Following an impairment review of the CGUs containing goodwill, goodwill related to two of the Group's CGUs has been impaired resulting in impairment charges in 2020 of €2.6 million for a CGU relating to an Irish hotel and €0.6 million (£0.6 million) for a CGU relating to a UK hotel (note 10). The Group continues to monitor the impact of Covid-19 on the operating results of the Group and also the impact of the UK's departure from the European Union.

Future under-performance in any of the Group's major CGUs may result in a material write-down of goodwill which would have a substantial impact on the Group's loss and equity.

(i) Moran Bewley Hotel Group and other single asset acquisitions

For the purposes of impairment testing, goodwill has been allocated to each of the hotels acquired as CGUs. As these hotel properties are valued annually by independent external valuers, the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the VIU of the CGU is assessed.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2020: Ireland 9.92%, UK 6.8%, 2019: 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 2020, the recoverable amounts of the ten CGUs were based on VIU, determined by discounting the future cash flows generated from the continuing use of these hotels. Note 10 details the assumptions used in the VIU estimates for impairment testing.

As a result of the impairment test, goodwill relating to one of the Group's CGUs was impaired at 31 December 2020 resulting in an impairment charge of €0.6 million (£0.6 million) for a CGU relating to a UK hotel (note 10).

Notes to the consolidated financial statements

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11 Intangible assets and goodwill (continued)

Annual goodwill testing (continued)

(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 during the year ended 31 December 2020. The remaining three of these hotels are valued annually by independent external valuers, as the freehold interest in the property is owned by the Group. Where hotel properties are valued annually by independent external valuers, the recoverable amount of each CGUs 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 2020 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.

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 (2020: 9.92%, 2019: 9.96%). Purchasers costs are a key difference between VIU and fair value less costs of disposal as prepared by external valuers.

Note 10 details the assumptions used in the VIU estimates.

Goodwill relating to one of the Group's 2007 Irish hotel operations acquired CGUs was impaired during the year ended 31 December 2020 resulting in an impairment of €2.6 million (note 10). There is no goodwill remaining in this CGU at 31 December 2020.

The key judgements and assumptions used in estimating the future cash flows in the impairment tests are subjective and include projected EBITDA (as defined in note 2), discount rates and the duration of the discounted cash flow model. Expected future cash flows are inherently uncertain and therefore liable to change materially over time (note 10).

Other indefinite-lived intangible assets

Acquired leasehold interests

The indefinite-lived intangible asset amounting to €20.5 million at 31 December 2018, related to the Group's acquired leasehold interest in The Gibson Hotel and was transferred to right-of-use assets on 1 January 2019 in accordance with the transition provisions of IFRS 16.

Other intangible assets

Other intangible assets of €1.7 million at 31 December 2020 represent a software licence agreement entered into by the Group during the year ended 31 December 2019. At the commencement date, there were €1.2 million of prepayments relating to the software licence which were transferred to intangible assets. Additions of €0.1 million relating to the software licence were made during the year ended 31 December 2020. This software licence will run to 31 January 2024 and is being amortised on a straight-line basis over the life of the asset.

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 2020, 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 2020.

Notes to the consolidated financial statements

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12 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2020				
Valuation	1,058,548	-	-	1,058,548
Cost	-	61,886	137,231	199,117
Accumulated depreciation (and impairment charges) *	-	-	(54,922)	(54,922)
Net carrying amount	**1,058,548**	**61,886**	**82,309**	**1,202,743**
At 1 January 2020, net carrying amount	1,324,468	59,600	87,247	1,471,315
Additions through capital expenditure	714	10,986	13,712	25,412
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	6,129	(7,489)	1,360	-
Capitalised labour costs (note 6)	30	69	66	165
Capitalised borrowing costs (note 5)	-	1,392	-	1,392
Disposal of property, plant and equipment	(68,902)	(536)	(2,462)	(71,900)
Net revaluation losses through OCI	(143,631)	-	-	(143,631)
Net revaluation losses through profit or loss	(30,807)	-	-	(30,807)
Impairment of fixtures, fittings and equipment	-	-	(1,015)	(1,015)
Depreciation charge for the year	(11,134)	-	(15,473)	(26,607)
Translation adjustment	(18,319)	(2,136)	(1,126)	(21,581)
At 31 December 2020, net carrying amount	**1,058,548**	**61,886**	**82,309**	**1,202,743**

The equivalent disclosure for the prior year is as follows:

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
At 31 December 2019				
Valuation	1,324,468	-	-	1,324,468
Cost	-	59,600	135,676	195,276
Accumulated depreciation (and impairment charges) *	-	-	(48,429)	(48,429)
Net carrying amount	**1,324,468**	**59,600**	**87,247**	**1,471,315**
At 1 January 2019, net carrying amount	**1,077,208**	**26,404**	**72,648**	**1,176,260**
Additions through freehold or site purchases	105,543	45,539	5,117	156,199
Other additions through capital expenditure	2,643	9,756	20,741	33,140
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	15,848	(18,336)	2,488	-
Capitalised labour costs (note 6)	550	-	-	550
Capitalised borrowing costs (note 5)	-	400	-	400
Reclassification from assets under construction to other receivables for assets disposed of as part of a contractual arrangement	-	(4,163)	-	(4,163)
Revaluation gains through OCI	124,962	-	-	124,962
Revaluation losses through OCI	(4,239)	-	-	(4,239)
Reversal of revaluation losses through profit or loss	1,967	-	-	1,967
Revaluation losses through profit or loss	(322)	-	-	(322)
Depreciation charge for the year	(11,786)	-	(14,397)	(26,183)
Translation adjustment	12,094	-	650	12,744
At 31 December 2019, net carrying amount	**1,324,468**	**59,600**	**87,247**	**1,471,315**

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

Notes to the consolidated financial statements

(continued)

12 Property, plant and equipment (continued)

The carrying value of land and buildings (revalued at 31 December 2020) is €1,058.5 million (2019: €1,324.5 million). The value of these assets under the cost model is €834.2 million (2019: €927.8 million). In 2020, unrealised revaluation gains of €1.1 million and unrealised losses of €144.7 million have been reflected through other comprehensive income and in the revaluation reserve in equity. A revaluation loss of €32.2 million and a reversal of prior period revaluation losses of €1.4 million have been reflected in administrative expenses through profit or loss.

Included in land and buildings at 31 December 2020 is land at a carrying value of €301.3 million (2019: €499.8 million) which is not depreciated.

There are €4.8 million of fixtures, fittings and equipment which have been depreciated in full but are still in use at 31 December 2020.

Additions to assets under construction during the year ended 31 December 2020 include the following:

- Development expenditure incurred on new hotel builds of €5.2 million primarily relating to the new hotel being built at the former Tara Towers site in Dublin and the site at Shoreditch in London;
- Development expenditure incurred on hotel extensions of €5.8 million primarily relating to the conference centre at Clayton Hotel Cardiff Lane;
- Interest capitalised on loans and borrowings relating to qualifying assets of €1.4 million (note 5); and
- Capitalised labour costs (€0.1 million) relating to the Group's internal development team and which are directly related to asset acquisitions and other construction work completed in relation to the Group's property, plant and equipment.

Development expenditure transferred from assets under construction to land and buildings and fixtures, fittings and equipment of €7.5 million primarily relate to the completion of the conference centre at Clayton Hotel Cardiff Lane.

On 24 April 2020, the Group completed the sale and leaseback of the Clayton Hotel Charlemont for €64.2 million. The Group now operates this hotel under a lease with a term of 35 years. As part of the transaction, a further €0.8 million is receivable contingent on the addition of three bedrooms to the property and the cost of this development will be borne by the Group. It is anticipated the costs associated with these additional bedrooms will not exceed the €0.8 million with planning permission already secured for the project.

The sale results in the derecognition of the property asset with the previously recognised revaluation gains of €30.3 million in the revaluation reserve being transferred to retained earnings. Immediately prior to sale, the property was revalued by external valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and the fair value restated accordingly. The valuation was based on the expected price that would be received to sell the asset outright in an orderly transaction between market participants at that date on the assumption that all future economic benefits for the asset are disposed of.

In a sale and subsequent leaseback, the vendor retains the economic benefit post rent of the asset for the period of the lease. Upon sale, the asset is derecognised entirely and, following the leaseback, under IFRS 16, is replaced with a right-of-use asset which corresponds to the value of the discounted lease liability and a portion of the difference between the fair value prior to sale and the sales proceeds received. The right of-use asset does not consequently recognise a significant element of the benefits which the Group continues to enjoy which was recognised in the fair value of the asset prior to sale and leaseback.

Consequently, this results in a portion of the €7.7 million difference between the fair value prior to sale and the sales proceeds being treated as an accounting loss (€1.7 million) recognised in profit or loss and €6.0 million being capitalised as part of the right-of-use asset.

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

At 31 December 2020, properties included within land and buildings with a carrying amount of €1,034.9 million (2019: €1,101.8 million) were pledged as security for loans and borrowings.

12 Property, plant and equipment (continued)

Material valuation uncertainty basis

The value of the Group's property at 31 December 2020 reflects open market valuations carried out as at 31 December 2020 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. As a result of Covid-19, similar to other real estate markets, the market for hotel assets has experienced significantly lower levels of transactional activity and liquidity. Consequently, the valuations have been reported on the basis of 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards, in light of the increased uncertainty as less weight can be attached to previous market evidence for comparative purposes, to fully inform opinions of value. As a result, the valuers have indicated that less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuations cannot be relied upon and does not invalidate the valuations. Rather, the declaration has been included to ensure transparency of the fact that in the current extraordinary circumstances less certainty can be attached to the valuations than would otherwise be the case.

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 2020, 29 properties were revalued by independent external valuers engaged by the Group (31 December 2019: 30).

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 revenue per available room ('RevPAR') calculated as total rooms revenue divided by rooms available) 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 9.92% for assets located in the Republic of Ireland (31 December 2019: 9.96%) and 6.8% for assets located in the UK (31 December 2019: 6.8%).

The valuers use their professional judgement and experience to balance the interplay between the different assumptions and valuation influences. For example, initial discounted cash flows based on individually reasonable inputs may result in a valuation which challenges the price per key metrics (value of hotel divided by room numbers) in recent hotel transactions. This would then result in one or more of the inputs being amended for preparation of a revised discounted cash flow. Consequently, the individual inputs may change from the prior period or may look individually unusual and therefore must be considered as a whole in the context of the overall valuation.

12 Property, plant and equipment (continued)

Measurement of fair value (continued)

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

Significant unobservable inputs	31 December 2020			
	Dublin	Regional Ireland	UK	Total
	Number of hotel assets			
RevPAR				
< €75/£75	**1**	**7**	**5**	**13**
€75-€100/£75-£100	**3**	**4**	**2**	**9**
> €100/£100	**5**	**1**	**1**	**7**
	9	**12**	**8**	**29**
Terminal (Year 10) capitalisation rate				
<8%	**9**	**4**	**6**	**19**
8%-10%	**-**	**8**	**2**	**10**
	9	**12**	**8**	**29**
Price per key*				
< €150k/£150k	**2**	**10**	**6**	**18**
€150k-€250k/£150k-£250k	**2**	**2**	**-**	**4**
€250k-€350k/£250k-£350k	**4**	**-**	**1**	**5**
> €350k/£350k	**1**	**-**	**1**	**2**
	9	**12**	**8**	**29**

	31 December 2019			
	Dublin	Regional Ireland	UK	Total
	Number of hotel assets			
RevPAR				
< €75/£75	1	7	5	13
€75-€100/£75-£100	3	4	2	9
> €100/£100	6	1	1	8
	10	12	8	30
Terminal (Year 10) capitalisation rate				
<8%	9	8	6	23
8%-10%	1	4	2	7
	10	12	8	30
Price per key*				
< €150k/£150k	1	10	6	17
€150k-€250k/£150k-£250k	1	1	-	2
€250k-€350k/£250k-£350k	5	1	1	7
> €350k/£350k	3	-	1	4
	10	12	8	30

**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 of 8.25% to 9.75% for Dublin assets (31 December 2019: 7.25% to 10.75%), 9.0% to 11.25% for Regional Ireland assets (31 December 2019: 6.75% to 11.0%), 7.0% to 11.25% for UK assets (31 December 2019: 7.25% to 11.25%);
- Terminal (Year 10) capitalisation rates of 6.25% to 7.75% for Dublin assets (31 December 2019: 5.25% to 8.75%), 7.0% to 9.25% for Regional Ireland assets (31 December 2019: 4.75% to 9.0%) and 5.0% to 9.25% for UK assets (31 December 2019: 4.75% to 8.75%); and
- Valuers have broadly assumed a recovery from the impact of Covid-19 to stabilised normal trading levels by 2023 which is a key valuation assumption. This is reflected in RevPAR assumptions, shown in the table above, which were generally 2019 RevPARs as the approximate base for 2023 and reduced for intervening years.

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

- Valuers' forecast cash flow was higher or lower than expected; and/or
- The risk adjusted discount rate and terminal capitalisation rate was lower or higher.

Valuations also had regard to relevant price per key metrics from hotel sales activity.

Notes to the consolidated financial statements

(continued)

13 Leases

Transition to IFRS 16 *Leases*

IFRS 16 *Leases* was effective for the first time in the financial year commencing 1 January 2019. IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective method. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liabilities adjusted by the amounts of any lease prepayments and accruals and reclassifications from intangible assets, where applicable. The weighted-average incremental borrowing rate applied on transition was 6.03% (Republic of Ireland: 5.86% and UK 6.49%)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on/or after 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Applied the exemption not to recognise right-of-use assets and lease liabilities for leases with a remaining lease term of less than 12 months as at 1 January 2019.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value equipment. The Group did not recognise any finance leases under IAS 17 prior to the date of initial application.

Group as a lessee

The Group leases assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	**Land and buildings**	**Fixtures, fittings and equipment**	**Total**
	€'000	**€'000**	**€'000**
Net book value at 1 January 2020	**386,258**	**149**	**386,407**
Additions	61,670	-	61,670
Depreciation charge for the year	(20,589)	(74)	(20,663)
Remeasurement of lease liabilities	(1,578)	-	(1,578)
Impairment charge	(7,541)	-	(7,541)
Translation adjustment	(7,288)	-	(7,288)
Net book value at 31 December 2020	**410,932**	**75**	**411,007**
Net book value at 1 January 2019	343,562	151	343,713
Additions	45,656	56	45,712
Depreciation charge for the year	(17,068)	(59)	(17,127)
Remeasurement of lease liabilities	9,239	-	9,239
Translation adjustment	4,869	1	4,870
Net book value at 31 December 2019	386,258	149	386,407

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

13 Leases (continued)

Group as a lessee (continued)

Lease liabilities	2020 €'000	2019 €'000
Current	9,667*	7,937*
Non-current	352,434*	306,493*
Lease liabilities at 1 January	**362,101**	314,430
Additions	51,946	42,391
Interest on lease liabilities (note 5)	22,405	18,945
Lease payments	(28,023)	(27,514)
Remeasurement of lease liabilities	(1,578)	9,239
Translation adjustment	(7,219)	4,610
Lease liabilities at 31 December	**399,632**	362,101
Current	10,761	9,667*
Non-current	388,871	352,434*
Lease liabilities at 31 December	**399,632**	362,101

**The split of lease liabilities between current liabilities and non-current liabilities at 1 January 2019 and 31 December 2019 has been reclassified on a basis consistent with the presentation applied at 31 December 2020, which reflects the timing of the future capital repayments of the lease liabilities.*

The remeasurement of lease liabilities relates to the reassessment of lease liabilities following agreed rent reductions as direct consequences of temporary hotel closures during the Covid-19 pandemic.

The split of lease liabilities between current liabilities and non-current liabilities at 1 January 2019 and 31 December 2019 has been reclassified on a basis consistent with the presentation applied at 31 December 2020, which reflects the timing of the future capital repayments of the lease liabilities. The current portion of the lease liabilities reflect lease cashflows offset by interest charges over a 12 month period from the reporting date. The adjustment represents the forecasted interest charge for the year ended 31 December 2020, as taken from the 2019 financial statements, that had not previously been offset against the lease cashflows for the same period. The split of lease liabilities at 1 January 2019 has also been reclassified on a consistent basis.

	As reported 31 December 2019 €'000	Adjustment €'000	Restated 31 December 2019 €'000
Current	30,557	(20,890)	9,667
Non-current	331,544	20,890	352,434
	362,101	**-**	**362,101**

	As reported 1 January 2019 €'000	Adjustment €'000	Restated 1 January 2019 €'000
Current	26,259	(18,322)	7,937
Non-current	288,171	18,322	306,493
	314,430	**-**	**314,430**

Additions in 2020 relate to the Group entering into a 35 year lease in April 2020 of the Clayton Hotel Charlemont in Dublin following a sale and leaseback transaction which resulted in a right-of-use asset and lease liability of €56.3 million and €46.6 million respectively. The Group included €3.6 million of lease prepayments and initial direct costs in the initial measurement of the right-of-use asset. In addition, as a result of the sale and subsequent leaseback, the Group retained the economic benefit post rent of the asset for the period of the lease. This resulted in a portion of the €7.7 million difference between the fair value prior to sale and the sale proceeds being capitalised as part of the right-of-use asset (€6.0 million) in accordance with IFRS 16.

13 Leases (continued)

Group as a lessee (continued)

In November 2020, the Group entered into a lease agreement to lease 44 newly built rooms at Clayton Hotel Birmingham for 32 years. This resulted in a right-of-use asset of €5.4 million (£4.8 million), which includes €0.1 million of initial direct costs and a lease liability of €5.3 million (£4.7 million).

In 2019, additions principally relate to the Group entering into a 30 year lease in November 2019 of the Tamburlaine Hotel in Cambridge, England which resulted in a right-of-use asset and a lease liability of €45.5 million (£38.9 million) and €42.4 million (£36.3 million) respectively. The Group included €3.1 million (£2.6 million) of lease prepayments and initial direct costs in the measurement of the right-of-use asset.

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 €33.9 million of lease liabilities at 31 December 2020 (31 December 2019: €29.9 million).

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

	At 31 December 2020			At 31 December 2019		
	Republic of Ireland	**UK**	**Total**	Republic of Ireland	UK	Total
	€'000	**£'000**	**€'000**	€'000	£'000	€'000
Year ended 31 December 2020	**-**	**-**	**-**	22,112	7,159	30,526
During the year 2021	**25,515**	**7,486**	**33,842**	22,256	7,090	30,590
During the year 2022	**22,492**	**7,526**	**30,863**	19,442	7,217	27,925
During the year 2023	**22,358**	**7,605**	**30,817**	19,308	7,295	27,882
During the year 2024	**20,205**	**7,673**	**28,740**	17,155	7,363	25,809
During the year 2025	**19,965**	**7,753**	**28,589**	16,843	7,437	25,584
During the year 2026	**20,048**	**7,772**	**28,693**	16,921	7,437	25,662
During the years 2027 – 2036	**198,375**	**82,545**	**290,191**	166,401	78,997	259,251
During the years 2037 – 2046	**134,791**	**91,183**	**236,215**	101,182	87,055	203,504
From 2047 onwards	**56,181**	**63,051**	**126,313**	27,878	60,565	99,064
	519,930	**282,594**	**834,263**	429,498	277,615	755,797

Sterling amounts have been converted using the closing foreign exchange rate of 0.89903 as at 31 December 2020 (0.8508 as at 31 December 2019).

The weighted average lease life of future minimum rentals payable under leases is 29.4 years (31 December 2019: 29.4 years). Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 December 2020, the total fixed cash outflows amounted to €28.0 million for land and building leases and €0.3 million for leases of fixtures, fittings and equipment.

Notes to the consolidated financial statements

(continued)

13 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 2020 and the release of the interest on the lease liabilities as at 31 December 2020 through profit or loss over the terms of the leases have been disclosed in the following table:

	Depreciation of right-of-use assets			Interest on lease liabilities		
	Republic of Ireland €'000	UK £'000	Total €'000	Republic of Ireland €'000	UK £'000	Total €'000
During the year 2021	15,068	4,090	19,617	15,265	7,008	23,060
During the year 2022	13,692	4,090	18,241	14,803	6,984	22,571
During the year 2023	13,522	4,090	18,071	14,368	6,949	22,097
During the year 2024	11,650	4,090	16,199	13,955	6,908	21,639
During the year 2025	11,568	4,090	16,117	13,600	6,860	21,230
During the year 2026	11,563	3,746	15,730	13,223	6,806	20,793
During the years 2027 – 2036	108,611	34,699	147,207	105,891	62,956	175,918
During the years 2037 – 2046	71,431	34,624	109,944	47,078	44,042	96,066
From 2047 onwards	27,665	19,973	49,881	10,200	18,910	31,234
	284,770	113,492	411,007	248,383	167,423	434,608

Sterling amounts have been converted using the closing foreign exchange rate of 0.89903 as at 31 December 2020.

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 of right-of-use assets.

As a result of the impact of Covid-19, impairment tests were carried out on the Group's CGUs at 31 December 2020 (note 10). Each hotel operating business is deemed to be a CGU as the cash flows generated are independent of other hotels in the Group. As a result of the impairment tests, right-of-use assets were impaired by €7.5 million at 31 December 2020 (31 December 2019: €nil). €4.3 million related to right-of-use assets in Ireland and €3.2 million (£2.9 million) related to right-of-use assets in the UK.

Leases of land and buildings

The Group leases land and buildings for its hotel operations and office space. The leases of hotels typically run for a period of between 25 and 35 years and leases of office space for 10 years.

Some leases provide for additional rent payments that are based on a percentage of the revenue/EBITDAR that the Group generates at the hotel in the period. The Group sub-leases part of one of its properties to a tenant under an operating lease.

Variable lease costs based on revenue/EBITDAR

These variable lease costs link rental payments to hotel cash flows and reduce fixed payments. Variable lease costs which are considered fixed in substance are included as part of lease liabilities and not in the following table.

Variable lease costs based on revenue/EBITDAR for the year ended 31 December 2020 are as follows:

	Variable lease costs element €'000	Estimated impact on variable lease costs of 5% increase in revenue/EBITDAR €'000
Leases with lease payments based on revenue/EBITDAR	**271**	**50**

13 Leases (continued)

Group as a lessee (continued)

Variable lease costs based on revenue/EBITDAR for the year ended 31 December 2019 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	7,321	600

Extension options and termination options

The Group, as a hotel lessee, does not have any extension options. The Group holds a single termination option in an office space lease. The Group assesses at lease commencement whether it is reasonably certain not to terminate the option and reassesses if there is a significant event or change in circumstances within its control. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted) €'000	**Potential future lease payments not included in lease liabilities (discounted) €'000**
Office building	**562**	**1,085**

Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 31 December 2020 and details of the non-cancellable lease rentals and other contractual obligations payable under these agreements are set out hereafter. These represent the minimum future lease payments (undiscounted) in aggregate that the Group is required to make under the agreements. An agreement for lease is a binding agreement between external third parties and the Group to enter into a lease at a future date. The dates of commencement of these leases may change based on the hotel opening dates. The amounts payable may also change slightly if there are any changes in room numbers delivered through construction.

Agreements for lease	**At 31 December 2020 €'000**	At 31 December 2019 €'000
Less than one year	**5,165**	1,910
One to two years	**20,794**	17,314
Two to three years	**21,682**	21,851
Three to five years	**51,801**	44,805
Five to fifteen years	**262,042**	236,011
Fifteen to twenty five years	**274,672**	249,344
After twenty five years	**336,512**	307,763
Total future lease payments	**972,668**	878,998

The significant movement since the year ended 31 December 2019 is due principally to the following:

- The Group has signed an agreement for lease of a Maldron Hotel (Victoria), to be built in Manchester. On completion of construction, the Group will commence operations in the hotel through a 35 year lease; and
- The Group has signed an agreement for lease of a Maldron Hotel, to be built in Brighton. On completion of construction, the Group will commence operations in the hotel through a 35 year lease.

Also, included in the above table are future lease payments for agreements for lease, with a lease term of 35 years, for Clayton Hotel Manchester City, Maldron Hotel Glasgow, Clayton Hotel Glasgow, Clayton Hotel Bristol, Maldron Hotel Birmingham, Maldron Hotel Manchester, Maldron Hotel Liverpool, The Samuel Dublin and Maldron Hotel Croke Park, Dublin.

Notes to the consolidated financial statements

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13 Leases (continued)

Group as a lessee (continued)

Leases of fixtures, fittings and equipment

The Group leases a small number of vehicles, IT equipment and hotel equipment with lease terms of up to five years. 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.

	2020	2019
	€'000	€'000
Expenses relating to short-term leases recognised in administrative expenses	**169**	172
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets recognised in administrative expenses	**130**	111
	299	283

Group as a lessor

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

	2020	2019
	€'000	€'000
Operating lease income (note 4)	**279**	351

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 2020 amounted to €0.1 million (31 December 2019: €0.1 million).

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

	2020	2019
	€'000	€'000
Less than one year	**310**	313
One to two years	**277**	283
Two to three years	**265**	249
Three to four years	**265**	238
Four to five years	**265**	238
More than five years	**1,371**	1,488
Total undiscounted lease payments receivable	**2,753**	2,809

Notes to the consolidated financial statements

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14 Investment property

	2020	2019
	€'000	€'000
Cost or valuation		
At 1 January	**2,149**	1,560
Transfer from intangible assets on transition to IFRS 16	**-**	603
Effect of movements in exchange rates	**(31)**	30
Net loss on revaluation recognised in profit or loss	**(29)**	(44)
At 31 December	**2,089**	2,149

Investment property at 31 December 2020 reflects the following assets and movements during the year:

- Two commercial properties which are leased to third parties for lease terms of 25 and 30 years, with 10 and 6 years remaining at 31 December 2020 (€1.2 million);
- A sub-lease of part of Clayton Cardiff Hotel, UK which has a carrying value of €0.5 million (2019: €0.6 million). This property is leased to a third party for a lease term of 20 years, with 12 years remaining at 31 December 2020. On 1 January 2019, this was transferred from intangible assets to investment property upon recognition of a right-of-use asset with respect to the head lease in accordance with IFRS 16; and
- A sub-lease of part of Clayton Whites Hotel, Wexford which has a carrying value of €0.4 million (2019: €0.4 million). This is leased to a third party for a lease term of 10 years, which commenced in 2020.

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

An investment property with a carrying value of €0.5 million (2019: €0.6 million) was pledged as security for loans and borrowings at 31 December 2020.

15 Contract fulfilment costs

	2020	2019
Non-current asset	**€'000**	€'000
At 1 January	**13,346**	9,066
Costs incurred in fulfilling contract to date	**8,737**	4,143
Capitalised borrowing costs (note 5)	**291**	137
At 31 December	**22,374**	13,346

Contract fulfilment costs, within non-current assets, relate to the Group's contractual agreement with Irish Residential Properties REIT plc ("I-RES"), entered into on 16 November 2018, for I-RES to purchase a residential development the Group is developing (comprising 69 residential units) on the site of the former Tara Towers hotel.

Revenue and the associated cost will be recognised on this contract in profit or loss when the performance obligation in the contract has been met. Based on the terms of the contract, this will be on legal completion of the contract which will occur on practical completion of the development project which is expected to be in 2022. As a result, revenue will be recognised at a point in time in the future when the performance obligation is met, rather than over time.

Costs incurred in fulfilling the contract during the year of €8.7 million (2019: €4.1 million) relate directly to this contractual arrangement with I-RES and are included within non-current assets at 31 December 2020. These costs, primarily build costs, have enhanced the asset which will be used for the residential development, have been used in order to satisfy the contract and are expected to be recovered.

Interest capitalised on loans and borrowings relating to this development (qualifying asset) was €0.3 million during the year ended 31 December 2020 (2019: €0.1 million) (note 5).

The overall sale value of the transaction is expected to be up to €42.4 million (excluding VAT). The overall value of the transaction will vary depending on how Part V obligations (Social and Affordable housing allocation) are settled with Dublin City Council.

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

16 Trade and other receivables

	2020 €'000	2019 €'000
Non-current assets		
Other receivables	**2,521**	1,400
Prepayments	**6,538**	5,360
	9,059	6,760
Current assets		
Trade receivables	**2,238**	7,920
Prepayments	**3,892**	6,135
Contract assets	**720**	2,456
Accrued income	**605**	1,886
Other receivables	**1,776**	3,405
	9,231	21,802
Total	**18,290**	28,562

Non-current assets

Included in non-current other receivables at 31 December 2020, is a rent deposit of €1.4 million paid to the landlord on the sale and leaseback of Clayton Hotel Charlemont. This deposit is measured at fair value and 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 which is interest-bearing and refundable at the end of the lease term.

Included in non-current prepayments at 31 December 2020 are costs of €6.3 million (31 December 2019: €5.2 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.

Current assets

Included in other receivables as at 31 December 2020 is an amount of €1.3 million for government grants relating to wage subsidies (€1.2 million) and other government grants (€0.1 million). These funds were received by the Group in January 2021.

Contingent asset

As part of the sale and leaseback of the Clayton Hotel Charlemont (note 13), €0.8 million is receivable contingent on the addition of three bedrooms to the property. The cost of this development will be borne by the Group. It is anticipated that the costs associated with these additional bedrooms will not exceed €0.8 million with planning permission already secured for the project. This contingent asset is not included in the above figures.

16 Trade and other receivables (continued)

Trade receivables are subject to the expected credit loss model in IFRS 9 *Financial Instruments*. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

Aged analysis of trade receivables

	Gross receivables 2020 €'000	Expected credit loss rate 2020	Impairment provision 2020 €'000	Net receivables 2020 €'000
Not past due	**802**	**0.0%**	**-**	**802**
Past due < 30 days	**817**	**0.0%**	**-**	**817**
Past due 30 - 60 days	**331**	**0.0%**	**-**	**331**
Past due 60 - 90 days	**143**	**18.2%**	**(26)**	**117**
Past due > 90 days	**527**	**67.6%**	**(356)**	**171**
	2,620		**(382)**	**2,238**

	Gross receivables 2019 €'000	Expected credit loss rate 2019	Impairment provision 2019 €'000	Net receivables 2019 €'000
Not past due	1,719	0.1%	(2)	1,717
Past due < 30 days	2,905	0.4%	(11)	2,894
Past due 30 - 60 days	2,016	0.8%	(16)	2,000
Past due 60 - 90 days	543	3.3%	(18)	525
Past due > 90 days	1,045	25.0%	(261)	784
	8,228		(308)	7,920

Management does not expect any significant losses from receivables that have not been provided for as shown above.

17 Inventories

	2020 €'000	2019 €'000
Goods for resale	**917**	1,542
Consumable stores	**341**	385
	1,258	1,927

Inventories recognised as cost of sales during the year amounted to €10.9 million (2019: €29.2 million).

18 Cash and cash equivalents

	2020 €'000	2019 €'000
Cash at bank and in hand	**50,197**	40,586
	50,197	40,586

Notes to the consolidated financial statements

(continued)

19 Capital and reserves

Share capital and share premium

At 31 December 2020

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

Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	222,732,900	**2,227**
Share premium		**504,735**

At 31 December 2019

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

Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	185,100,620	1,851
Share premium		504,488

All ordinary shares rank equally with regard to the Company's residual assets.

In September 2020, the Company issued 37,000,000 shares, as described further in note 19 (a) below. During the year ended 31 December 2020, the Company also issued 549,379 shares of €0.01 per share following the vesting of Awards granted in May 2017 under the 2017 LTIP (note 7). 82,901 shares were also issued during 2020 under the Share Save schemes granted in 2016 which had a weighted average exercise price of €2.98 per share (note 7).

Dividends

During the year ended 31 December 2020, the Group did not make any dividend payments (year ended 31 December 2019: 10.5 cents per ordinary share, €19.4 million).

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.

19 Capital and reserves (continued)

(a) Capital contribution and merger reserve (continued)
The insertion of Dalata Hotel Group plc as the new holding company of DHGL Limited in 2014 did not meet the definition of a business combination under IFRS 3 *Business Combinations*, and, as a consequence, the acquired assets and liabilities of DHGL Limited and its subsidiaries continued to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Dalata Hotel Group plc were prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement.

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

In September 2020, the Company completed the placing of new ordinary shares of €0.01 each in the share capital of the Company. 37.0 million ordinary shares were issued at €2.55 each which raised €92.0 million after costs of €2.4 million. The purpose of the share placing was to materially strengthen the Company's and the Group's financial position, provide additional headroom in the event of a more prolonged impact from Covid-19 and enable the commencement of the development of a hotel in Shoreditch, London, on a site owned by the Group. The Group availed of merger relief to simplify future distributions and as a result, €91.6 million was recognised in the merger reserve being the difference between the nominal value of each share (€0.01 each) and the amount paid (€2.55 per share) after deducting costs of the share placing of €2.4 million.

(b) Share-based payment reserve
The share-based payment reserve comprises amounts equivalent to the cumulative cost of awards by the Group under equity-settled share-based payment arrangements being the Group's Long Term Incentive Plans and the Share Save schemes. On vesting, the cost of awards previously recognised in the share-based payments reserve is transferred to retained earnings. Details of the share awards, in addition to awards which vested during the year, are disclosed in note 7 and on pages 85 to 101 of the Remuneration Committee report.

(c) Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, net of deferred tax where applicable. There is no deferred tax asset recognised in the hedging reserve at 31 December 2020, due to uncertainty of obtaining a tax benefit for cash flow hedges in future periods.

(d) Revaluation reserve
The revaluation reserve relates to the revaluation of land and buildings in line with the Group's policy to fair value these assets at each reporting date (note 12), net of deferred tax.

(e) Translation reserve
The translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (note 25).

20 Trade and other payables

	2020 €'000	2019 €'000
Trade payables	**5,917**	15,598
Accruals	**19,610**	32,135
Contract liabilities	**9,044**	10,348
Value added tax	**4,834**	5,278
Payroll taxes	**9,263**	2,804
	48,668	66,163

Accruals include capital expenditure accruals for work in progress at year end which has not yet been invoiced (2020: €6.5 million, 2019: €7.5 million).

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Bill 2020 and Finance Act 2020 (Act 26 of 2020), Irish VAT liabilities of €4.9 million relating to the year ended 31 December 2020 have been deferred and are payable during the year ending 31 December 2021. In the UK, VAT liabilities of £0.4 million (€0.5 million) have been deferred until 31 March 2021. This is offset with a €0.6 million VAT receivable relating to Ireland and the UK at 31 December 2020.

Irish payroll tax liabilities of €7.8 million relating to the year ended 31 December 2020 have been deferred under the Debt Warehousing scheme and are payable during the year ending 31 December 2021. In the UK, payroll tax liabilities are being paid by instalments, as agreed with the UK tax authorities and the outstanding balance as at 31 December 2020 is €0.3 million (£0.3 million) which is payable by 31 July 2021. The balance of payroll tax liabilities, being €1.2 million, relates to Irish and UK payroll tax liabilities incurred in December 2020.

21 Provision for liabilities

	2020 €'000	2019 €'000
Non-current liabilities		
Insurance provision	**6,747**	4,804
Current liabilities		
Insurance provision	**1,528**	1,759
	8,275	6,563

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

	2020 €'000	2019 €'000
At 1 January	**6,563**	6,642
Provisions made during the year – charged to profit or loss	**2,500**	2,500
Utilised during the year	**(758)**	(723)
Reversed to profit or loss during the year	**(30)**	(1,856)
At 31 December	**8,275**	6,563

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.

21 Provision for liabilities (continued)

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. The Group expects the majority of the insurance provision will be utilised within five years of the period end date, however, due to the nature of the provision, there is a level of uncertainty in the timing of settlement as the Group generally cannot precisely determine the extent and duration of the claim process. The provision has been discounted to reflect the time value of money though the effect is not significant.

The self-insurance programme commenced in July 2015 and increasing levels of claims data is becoming available. Claim provisions are assessed in light of claims experience and amended accordingly to ensure provisions reflect recent experience and trends. There has been a reversal of provisions made in prior periods of €0.03 million (2019: €1.9 million) which has been credited within administrative expenses.

22 Loans and borrowings

Non-current liabilities	2020 €'000	2019 €'000
Bank borrowings	314,143	411,739
Total loans and borrowings	**314,143**	411,739

On 26 October 2018, the Group successfully completed the refinancing of its previous debt facility with a banking club of six lenders. A new €525 million five year multicurrency facility was entered into consisting of a €200 million term loan facility and a €325 million revolving credit facility, with a maturity date of 26 October 2023. On 19 August 2019, the Group availed of its option to extend the €525 million multicurrency facility for an additional year to 26 October 2024.

On 20 March 2020, the Group agreed an amendment to its facility agreement with its banking club to provide additional headroom on its covenants for the two covenant reporting periods at 30 June 2020 and 31 December 2020 as a result of the impact of Covid-19.

On 9 July 2020, 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 impact of Covid-19. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants with its banking club. The revised covenants include Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The revised covenants were put in place to avoid potential breaches in covenants based on trailing twelve month EBITDA during the period of recovery in trading profits following the impact of Covid-19. The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover for testing at 30 June 2022. The Group is in compliance with its covenants as at 31 December 2020.

In line with IFRS 9 derecognition criteria, the Group assessed whether the terms and cash flows of the modified liabilities were substantially different as a result of this amended facility agreement. The Group performed the 10% test referred to in note 1 (xxv) (derecognition of financial liabilities accounting policy) to assess whether the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any fees paid net of any fees received, was at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. The Group also performed a qualitative assessment by comparing the amended terms with the original terms of the facility agreement, considering items such as changes to type of interest rate (fixed or variable), currency and covenants. The changes were not deemed to be substantial. As a result, the loans were deemed to be non-substantially modified which required the amortised cost of the loans to be remeasured at the date of modification and led to a modification loss of €4.3 million being immediately recognised in profit or loss in 2020 (note 5). Costs of €0.6 million incurred in relation to the amendment were capitalised and are amortised to profit or loss on an effective interest rate basis over the term of the loan facility.

As at 31 December 2020, the drawn loan facility is €313.8 million consisting of Sterling term borrowings of £176.5 million (€196.3 million) and revolving credit facility borrowings of €117.5 million - €14.0 million in Euro and £93.0 million (€103.5 million) in Sterling. The undrawn loan facilities as at 31 December 2020 were €247.9 million (2019: €121.2 million).

The loans bear interest at variable rates based on 3 month or 6 month Euribor/LIBOR plus applicable margins. The Group entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans (note 23). The loans are secured on the Group's assets. Under the terms of the loan facility agreement, an interest rate floor is in place which prevents the Group from receiving the benefit of sub-zero benchmark LIBOR and Euribor rates.

22 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2020

	Liabilities				Equity			
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives	Share capital	Share premium	Merger reserve	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2019	**411,739**	**362,101**	**66,163**	**4,523**	**1,851**	**504,488**	**(10,337)**	**1,340,528**
Changes from financing cash flows								
Vesting of share awards and options (note 7)	-	-	-	-	6	247	-	253
Equity share placing issuance	-	-	-	-	370	-	93,980	94,350
Costs of share placing	-	-	-	-	-	-	(2,379)	(2,379)
Borrowing costs	(556)	-	(10,408)	(1,992)	-	-	-	(12,956)
Receipt of bank loans	61,486	-	-	-	-	-	-	61,486
Repayment of bank loans	(146,572)	-	-	-	-	-	-	(146,572)
Interest on lease liabilities	-	(22,405)	-	-	-	-	-	(22,405)
Repayment of lease liabilities	-	(5,618)	-	-	-	-	-	(5,618)
Total changes from financing cash flows	**(85,642)**	**(28,023)**	**(10,408)**	**(1,992)**	**376**	**247**	**91,601**	**(33,841)**
Liability-related other changes								
The effect of changes in foreign exchange rates	(16,578)	(7,219)	(644)	(243)	-	-	-	(24,684)
Changes in fair value	-	-	-	6,754	-	-	-	6,754
Interest expense on bank loans and borrowings (note 5)	-	-	9,097	-	-	-	-	9,097
Other finance costs	4,624	-	1,146	-	-	-	-	5,770
Other movements in trade payables	-	-	(16,686)	-	-	-	-	(16,686)
Additions to lease liabilities during the year	-	51,946	-	-	-	-	-	51,946
Interest on lease liabilities	-	22,405	-	-	-	-	-	22,405
Other movements in lease liabilities	-	(1,578)	-	-	-	-	-	(1,578)
Total liability-related other changes	**(11,954)**	**65,554**	**(7,087)**	**6,511**	**-**	**-**	**-**	**53,024**
Balance as at 31 December 2020	**314,143**	**399,632**	**48,668**	**9,042**	**2,227**	**504,735**	**81,264**	**1,359,711**

22 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2019

	Liabilities				Equity			
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives	Share capital	Share premium	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance as at 31 December 2018	**301,889**	**-**	**65,250**	**1,306**	**1,843**	**503,113**	**144,061**	**1,017,462**
Changes from financing cash flows								
Proceeds from vesting of share awards	-	-	-	-	8	1,375	-	**1,383**
Borrowing costs	(300)	-	(9,875)	(1,021)	-	-	-	**(11,196)**
Receipt of bank loans	134,437	-	-	-	-	-	-	**134,437**
Repayment of bank loans	(42,158)	-	-	-	-	-	-	**(42,158)**
Repayment of lease liabilities	-	(8,569)	-	-	-	-	-	**(8,569)**
Interest on lease liabilities	-	(18,945)	-	-	-	-	-	**(18,945)**
Dividends paid	-	-	-	-	-	-	(19,387)	**(19,387)**
Total changes from financing cash flows	**91,979**	**(27,514)**	**(9,875)**	**(1,021)**	**8**	**1,375**	**(19,387)**	**35,565**
Liability-related other changes								
The effect of changes in foreign exchange rates	17,075	4,610	62	67	-	-	-	**21,814**
Changes in fair value	-	-	-	4,171	-	-	-	**4,171**
Interest expense on bank loans and borrowings	-	-	9,126	-	-	-	-	**9,126**
Other finance costs - net amortisation of debt costs	796	-	-	-	-	-	-	**796**
Other finance costs – other	-	-	1,600	-	-	-	-	**1,600**
Additions to lease liabilities at 1 January 2019	-	314,430	-	-	-	-	-	**314,430**
Additions to lease liabilities during the year	-	42,391	-	-	-	-	-	**42,391**
Interest on lease liabilities	-	18,945	-	-	-	-	-	**18,945**
Other movements in lease liabilities	-	9,239	-	-	-	-	-	**9,239**
Total liability-related other changes	**17,871**	**389,615**	**10,788**	**4,238**	**-**	**-**	**-**	**422,512**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**80,223**	**80,223**
Balance as at 31 December 2019	**411,739**	**362,101**	**66,163**	**4,523**	**1,851**	**504,488**	**204,897**	**1,555,762**

Notes to the consolidated financial statements

(continued)

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 2020 (rather than the amortised cost of the loans and borrowings) less cash and cash equivalents. The below table also includes a reconciliation to net debt and lease liabilities. Interest rate swaps of €9.0 million are not included in the below tables.

Reconciliation of movement in net debt for the year ended 31 December 2020

Loans and borrowings	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
At 1 January 2020	266,500	313,235	102,197	415,432
Cash flows				
Facilities drawn down	10,000	10,986	50,500	61,486
Loan repayments	(7,000)	(7,875)	(138,697)	(146,572)
Non-cash changes				
Effect of foreign exchange movements	-	(16,578)	-	(16,578)
At 31 December 2020	**269,500**	**299,768**	**14,000**	**313,768**
Cash and cash equivalents				
At 1 January 2020				40,586
Movement during the year				9,611
At 31 December 2020				**50,197**
Net debt at 31 December 2020				**263,571**

Reconciliation of net debt and lease liabilities

Net debt at 31 December 2020	**263,571**
Lease liabilities as at 1 January 2020	362,101
Additions	51,946
Interest on lease liabilities	22,405
Lease payments	(28,023)
Remeasurement of lease liabilities	(1,578)
Translation adjustment	(7,219)
Lease liabilities at 31 December 2020 (note 13)	**399,632**
Net debt and lease liabilities at 31 December 2020	**663,203**

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 2019 (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 €4.5 million are not included in the below tables.

Reconciliation of movement in net debt for the year ended 31 December 2019

Loans and borrowings	**Sterling facility £'000**	**Sterling facility €'000**	**Euro facility €'000**	**Total €'000**
At 1 January 2019	178,352	199,381	106,697	306,078
Cash flows				
Facilities drawn down	90,000	98,937	35,500	134,437
Loan repayments	(1,852)	(2,158)	(40,000)	(42,158)
Non-cash changes				
Effect of foreign exchange movements	-	17,075	-	17,075
At 31 December 2019	**266,500**	**313,235**	**102,197**	**415,432**
Cash and cash equivalents				
At 1 January 2019				35,907
Movement during the year				4,679
At 31 December 2019				**40,586**
Net debt at 31 December 2019				**374,846**

Reconciliation of net debt and lease liabilities

Net debt at 31 December 2019	**374,846**
Lease liabilities as at 1 January 2019	314,430
Additions	42,391
Interest on lease liabilities	18,945
Lease payments	(27,514)
Remeasurement of lease liabilities	9,239
Translation adjustment	4,610
Lease liabilities at 31 December 2019 (note 13)	**362,101**
Net debt and lease liabilities at 31 December 2019	**736,947**

23 Derivatives

The Group have 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.

The Group currently holds the following derivatives as at 31 December 2020:

- Two interest rate swaps with an effective date of 3 February 2020 which hedge the LIBOR 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 LIBOR 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 LIBOR benchmark rate on a total notional of £75 million of the Group's term Sterling denominated borrowings. These swaps fix the LIBOR benchmark rate at 1.27% on a notional of £63 million and 1.28% on a notional of £12 million of Sterling denominated borrowings.
- As a result of the loan facility being extended for an additional year to 26 October 2024, 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 LIBOR benchmark rate on the Sterling term denominated borrowings. These swaps fix the LIBOR benchmark rate between 0.95% and 0.96%.

As at 31 December 2020, the interest rate swaps cover 100% of the Group's term Sterling denominated borrowings of £176.5 million. All derivatives have been designated as hedging instruments for the purposes of IFRS 9.

Fair value	**2020**	2019
	€'000	€'000
Current liabilities		
Interest rate swap liabilities	**-**	(89)
Non-current liabilities		
Interest rate swap liabilities	**(9,042)**	(4,434)
Total derivative liabilities	**(9,042)**	(4,523)

	2020	2019
	€'000	€'000
Included in other comprehensive income		
Fair value loss on interest rate swap liabilities	**(6,511)**	(4,238)
Reclassified to profit or loss (note 5)	**1,992**	1,021
Other amounts reclassified to profit or loss (note 5)	**-**	156
	(4,519)	(3,061)

The amount reclassified to profit or loss represents the incremental interest expense arising under the interest rate swaps because actual LIBOR rates were lower than the swap rates.

24 Deferred tax

	2020 €'000	2019 €'000
Deferred tax assets	12,344	3,527
Deferred tax liabilities	(39,404)	(59,358)
Net deferred tax liabilities	(27,060)	(55,831)

Movements in year	2020 €'000	2019 €'000
At 1 January – net liability	(55,831)	(38,516)
Credit/(charge) for year – to profit or loss (note 9)	7,997	(425)
Credit/(charge) for year – to other comprehensive income	20,774	(16,890)
At 31 December – net liability	(27,060)	(55,831)

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 decreased from €59.4 million at 31 December 2019 to €39.4 million at 31 December 2020. This relates primarily to a reduction in taxable gains recognised on properties held, arising from the decrease in property valuations during the year ended 31 December 2020.

The majority of the deferred tax assets of €12.3 million recognised at 31 December 2020 relate to tax losses carried forward by the Group. As a result of the impact of Covid-19, the Group incurred Irish and UK corporation tax losses during the year ended 31 December 2020. A significant amount of these tax losses can be carried back and offset against corporation tax payable for the year ended 31 December 2019. The remainder of tax losses can be carried forward indefinitely for offset against future taxable profits. A deferred tax asset has been recognised in respect of Irish and UK tax losses, on the basis that it is probable that, after the carry back of tax losses for the year ended 31 December 2019, there will be sufficient taxable profits in future periods to utilise the carried forward tax losses.

The current year has resulted in utilisable tax losses of €64.5 million, €16.5 million which have been carried back and used against previous taxes paid. These have generated cash refunds of €2.3 million during 2020, which forms part of the total net cash refund of €2.2 million received during 2020. Additional losses of approximately €12.3 million will be carried back on submission of 2020 tax returns during 2021, generating additional refunds of €1.5 million. This will leave €35.7 million of unutilised 2020 losses, which will be used against taxable profits in 2021 and future years as appropriate, reducing future corporation tax liabilities payable by €5.7million based on currently enacted tax rates. The other €2.8 million within the total €10.0 million deferred tax asset for tax losses at 31 December 2020 is in respect of tax losses and interest carried forward relates to tax losses carried forward from earlier periods amounting to €0.7 million and unused interest expense carried forward in the UK amounting to €2.1 million. In the UK, there is a limit on corporation tax deductions for interest expense incurred. The unused interest carried forward by the UK Group companies at 31 December 2020 can be carried forward indefinitely and offset against future taxable profits.

The Group acquired Hotel La Tour Birmingham Limited in July 2017. At that time, the company had tax trading losses forward of £8.2 million (€9.6 million) which were not recognised as an asset in the statutory accounts of that company. Hotel La Tour Birmingham Limited sold Hotel La Tour Birmingham (now Clayton Hotel Birmingham) in August 2017, at which time a taxable capital gain of £6.0 million (€7.0 million) arose. The Group opted to roll over this capital gain by reducing the future tax base cost of capital assets.

24 Deferred tax (continued)

The Group previously recognised a deferred tax asset in respect of tax losses of £5.7 million (€6.3 million) carried forward by the Clayton Hotel Birmingham trade. Due to uncertainty over the future utilisation of these tax losses, this deferred tax asset was derecognised during the year ended 31 December 2020, resulting in a deferred tax charge of £1.1 million (€1.2 million), which is included within the overall deferred tax credit of €8.0 million for the year ended 31 December 2020. At 31 December 2020, there are unrecognised tax losses in respect of the Clayton Hotel Birmingham trade of £7.9 million (€8.8 million), which includes £2.2 million (€2.5 million) that was unrecognised at 31 December 2019. The tax effect of these unrecognised tax losses at 31 December 2020 is £1.5 million (€1.7 million).

There is no deferred tax asset recognised in the hedging reserve at 31 December 2020 due to uncertainty in obtaining a tax benefit for the cash flow hedges in future periods.

Deferred tax arises from temporary differences relating to:

			Balance as at 31 December 2020			
	Net balance at 1 January 2020	**Recognised in profit or loss**	**Recognised in OCI**	**Net deferred tax**	**Deferred tax assets**	**Deferred tax liabilities**
	2020 €'000	**2020 €'000**	**2020 €'000**	**2020 €'000**	**2020 €'000**	**2020 €'000**
Property, plant and equipment	**(56,287)**	(880)	21,337	**(35,830)**	722	(36,552)
Intangible assets	**(1,798)**	526	-	**(1,272)**	1,580	(2,852)
Tax losses and interest carried forward	**1,691**	8,351	-	**10,042**	10,042	-
Other	**563**	-	(563)	**-**	-	-
Net deferred tax (liabilities)/assets	**(55,831)**	7,997	20,774	**(27,060)**	12,344	(39,404)

			Balance as at 31 December 2019			
	Net balance at 1 January 2019	Recognised in profit or loss	Recognised in OCI	**Net deferred tax**	Deferred tax assets	Deferred tax liabilities
	2019 €'000	2019 €'000	2019 €'000	**2019 €'000**	2019 €'000	2019 €'000
Property, plant and equipment	**(38,204)**	(811)	(17,272)	**(56,287)**	753	(57,040)
Intangible assets	**(2,562)**	764	-	**(1,798)**	520	(2,318)
Tax losses carried forward	**2,069**	(378)	-	**1,691**	1,691	-
Other	**181**	-	382	**563**	563	-
Net deferred tax (liabilities)/assets	**(38,516)**	(425)	(16,890)	**(55,831)**	3,527	(59,358)

Notes to the consolidated financial statements

(continued)

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 is exposed to external economic risk associated with the Covid-19 pandemic which severely impacted the business and operations of the Group during the year ended 31 December 2020 (note 1).

The Group uses financial instruments throughout its business: loans and borrowings and cash and cash equivalents are used to finance the Group's operations; trade and other receivables, trade 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 2020. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. A fair value disclosure for lease liabilities is not required.

	Financial assets measured at fair value 2020 €'000	Financial assets measured at amortised cost 2020 €'000	Total carrying amount 2020 €'000	Level 1 2020 €'000	Level 2 2020 €'000	Level 3 2020 €'000	Total 2020 €'000
Financial Assets							
Trade and other receivables excluding prepayments (note 16)	-	7,860	7,860				
Cash at bank and in hand (note 18)	-	50,197	50,197				
	-	58,057	58,057				

	Financial liabilities measured at fair value 2020 €'000	Financial liabilities measured at amortised cost 2020 €'000	Total carrying amount 2020 €'000	Level 1 2020 €'000	Level 2 2020 €'000	Level 3 2020 €'000	Total 2020 €'000
Financial Liabilities							
Bank loans (note 22)	-	(314,143)	(314,143)		(314,143)0		(314,143)
Trade payables and accruals (note 20)	-	(25,527)	(25,527)				
Derivatives (note 23)-hedging instruments	(9,042)	-	(9,042)		(9,042)		(9,042)
	(9,042)	(339,670)	(348,712)				

Notes to the consolidated financial statements

(continued)

25 Financial instruments and risk management (continued)

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy for the year ended 31 December 2019. 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 2019 €'000	Financial assets measured at at amortised 2019 €'000	Total carrying amount 2019 €'000	Level 1 2019 €'000	Level 2 2019 €'000	Level 3 2019 €'000	Total 2019 €'000
Financial Assets							
Trade and other receivables excluding prepayments (note 16)	-	17,067	17,067				
Cash at bank and in hand (note 18)	-	40,586	40,586				
	-	57,653	57,653				

	Financial liabilities measured at fair value 2019 €'000	Financial liabilities measured at amortised cost 2019 €'000	Total carrying amount 2019 €'000	Level 1 2019 €'000	Level 2 2019 €'000	Level 3 2019 €'000	Total 2019 €'000
Financial Liabilities							
Bank loans (note 22)	-	(411,739)	(411,739)		(411,739)		(411,739)
Trade payables and accruals (note 20)	-	(47,733)	(47,733)				
Derivatives (note 23)- hedging instruments	(4,523)	-	(4,523)		(4,523)		(4,523)
	(4,523)	(459,472)	(463,995)				

25 Financial instruments and risk management (continued)

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included 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 2020, 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 carrying value is a reasonable approximation of fair value.

Bank loans
For bank loans, the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date. The carrying value of floating rate interest-bearing loans and borrowings is considered to be a reasonable approximation of fair value. There is no difference between margins available in the market at year end and the margins that the Group was paying at the year end.

(a) Credit risk

Exposure to credit risk
Credit risk is the risk of financial loss to the Group arising from granting credit to customers and from investing cash and cash equivalents with banks and financial institutions.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group is due €0.7 million from a key institutional landlord under a contractual agreement where the landlord reimburses the Group for certain amounts spent on capital expenditure in that specific property. 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.

The ageing profile of trade receivables at 31 December 2020 is provided in note 16. Management does not expect any significant losses from receivables that have not been provided for as shown in note 16. Other receivables primarily relate to amounts owed from the government in the form of wage subsidies and amounts from large institutional landlords.

The Group has a contractual agreement with I-RES whereby I-RES will purchase a residential development that the Group is developing on the site of the former Tara Towers hotel. The overall sale value of the transaction is expected to be up to €42.4 million (excluding VAT) with costs of €22.4 million incurred as at 31 December 2020 (note 15). These contract fulfilment costs are not considered financial assets and are not covered by the credit risk disclosures, however, the Group continues to monitor the potential for any future credit risk. There is no evidence of such as at 31 December 2020.

25 Financial instruments and risk management (continued)

(a) Credit risk (continued)

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 2020, cash and cash equivalents were held in line within predetermined limits depending on the credit rating of the relevant bank/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 2020 €'000	Carrying amount 2019 €'000
Trade receivables	**2,238**	7,920
Other receivables	**4,297**	4,805
Contract assets	**720**	2,456
Accrued income	**605**	1,886
Cash at bank and in hand	**50,197**	40,586
	58,057	57,653

(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.

During the year ended 31 December 2020, with the significant shock to the business from the impact of Covid-19, there was a more concentrated focus on managing liquidity. The normal forecasting process was accelerated and intensified with related time periods shortened to focus on both near term and longer term. In addition, significant levels of supplementary scenario and stress testing were performed in the face of the unprecedented levels of uncertainty and impact on the business. These supported Group strategic planning and decision making with early actions being taken to reduce liquidity risk including the following:

- Cancellation of the final 2019 dividend which was originally recommended by the Board;
- Completion of the sale and leaseback of Clayton Hotel Charlemont;
- Cessation/postponement of all non-essential and uncommitted capital expenditure;
- Utilisation of government supports and assistance to reduce costs (for example wage subsidies and commercial rates waivers);
- Utilisation of government assistance for liquidity including deferral of payroll taxes and VAT liabilities;
- Proactive cost control and working capital management including the cancellation of all non-essential discretionary spending; and
- A combination of reduced working hours and progressive reduction of basic salary for employees and Directors.

In addition, the Group executed a number of strategies that improved liquidity which were facilitated by the combination of having an appropriate level of gearing and a strong asset backed financial position entering the pandemic.

25 Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

Debt financing

At the start of 2020, the Group had a €525 million five year multicurrency facility consisting of a €200 million term loan facility and a €325 million revolving credit facility, with a maturity date of 26 October 2024. When the pandemic was first declared, the Group quickly moved to agree an amendment to its facility agreement on 20 March 2020. In the face of expected disruption to trading profits the amendment sought to provide additional headroom on its covenants for the two covenant reporting periods at 30 June 2020 and 31 December 2020.

As the extent and duration of the expected impacts of the pandemic on the business became apparent, the Group responded by seeking a longer-term solution which would provide further flexibility and liquidity. Consequently, on 9 July 2020, the Group entered into an amended and restated facility agreement with its banking club. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants. The revised covenants include, amongst others, Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining undrawn facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The revised covenants were put in place to avoid potential breaches in previous covenants based on trailing 12 month EBITDA during the period of recovery in trading profits following the impact of Covid-19. The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover for testing at 30 June 2022. Net Debt to Value at 31 December 2020 was 23%. The Group is in compliance with its covenants as at 31 December 2020.

Share placing

In September 2020, the Company successfully conducted a placing of 37,000,000 new Ordinary Shares, raising gross proceeds of €94.4 million (net proceeds of €92.0 million). This helped both strengthen the financial position of the Group and further improve the liquidity and cash position of the Group.

Sale and leaseback

The Group executed a sale and leaseback of Clayton Hotel Charlemont in April 2020 for €64.2 million, with a further €0.8 million receivable contingent on the addition of three bedrooms, at a very attractive yield.

As at 31 December 2020, the entire term facility was drawn in Sterling equating to £176.5 million (€196.3 million) and €117.5 million was drawn from the revolving credit facility - €14.0 million in Euro and £93.0 million (€103.5 million) in Sterling. The Group had cash and cash equivalents of €50.2 million and undrawn revolving credit facilities of €247.9 million as at 31 December 2020. Therefore, available funds (comprising cash and cash equivalents and undrawn revolving credit facilities) after taking account of the €50 million minimum liquidity restriction amounted to €248.1 million at 31 December 2020.

The Group have prepared financial plans and subjected them to scenario testing which also supports ongoing liquidity risk assessment and management. Further detail of this is disclosed in note 1 (i) Going concern on page 122 and in the Viability Statement on pages 45 to 48.

The Group also monitors its Debt and Lease Service Cover, which is 0.1 times for the year ended 31 December 2020 (31 December 2019: 3.2 times), in order to monitor gearing and liquidity taking into account both bank and lease financing.

25 Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

The following are the contractual maturities of the Group's financial liabilities at 31 December 2020, including estimated interest payments. In the below table, bank loans are repaid in line with their maturity dates, even though the Group has the flexibility to repay and draw the revolving credit facility throughout the term of the facilities which would improve its liquidity position. The non-cancellable undiscounted lease cashflows payable under lease contracts are set out in note 13.

		Contractual cashflows				
	Carrying value 2020 €'000	**Total 2020 €'000**	**6 months or less €'000**	**6 – 12 months €'000**	**1 – 2 years €'000**	**2 – 5 years €'000**
Bank loans	**(314,143)**	**(339,289)**	**(4,110)**	**(4,353)**	**(15,299)**	**(315,527)**
Trade payables and accruals	**(25,527)**	**(25,527)**	**(24,781)**	**(746)**	**-**	**-**
Interest rate swaps	**(9,042)**	**(9,036)**	**(1,293)**	**(1,366)**	**(2,634)**	**(3,743)**
	(348,712)	**(373,852)**	**(30,184)**	**(6,465)**	**(17,933)**	**(319,270)**

The equivalent disclosure for the prior year is as follows:

		Contractual cashflows				
	Carrying value 2019 €'000	Total 2019 €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(411,739)	(452,639)	(5,126)	(5,148)	(10,098)	(432,267)
Trade payables and accruals	(47,733)	(47,733)	(47,733)	-	-	-
Interest rate swaps	(4,523)	(4,523)	(572)	(707)	(1,299)	(1,945)
	(463,995)	(504,895)	(53,431)	(5,855)	(11,397)	(434,212)

(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 hedged item based on the reference interest rates, maturities and the notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Notes to the consolidated financial statements

(continued)

25 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)
As at 31 December 2020, the 3 month LIBOR forward curve indicates that LIBOR will be negative for three future consecutive quarters. The LIBOR is forecast to only go slightly below zero at (0.01%) and therefore has an immaterial impact on the hedging relationship and cashflows of the Group. As a result, the Group has continued to apply hedge accounting. All other terms of the hedging instruments and hedged items continue to match.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The IBOR reform will provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting. The Group have had initial discussions with their lenders and derivative counterparties and continue to monitor the IBOR reform. The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

At 31 December 2020, the Group has £269.5 million (€299.8 million) of loans and borrowings that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to SONIA in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes. Whenever the transition occurs, the Group expects to apply the amendments related to hedge accounting, however, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SONIA. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SONIA. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss as a result of the IBOR transition.

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	
	2020	2019
	€'000	€'000
Variable rate instruments		
Financial liabilities – borrowings	**313,768**	415,432
Effect of interest rate swaps	**(196,323)**	(236,836)
	117,445	178,596

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 2020 was 2.76% (2019: 2.42%), of which 1.94% (2019: 1.57%) related to margin. The new margins as a result of the amended debt facility agreement are taken into account in the measurement of loans and borrowings (note 22).

The interest expense for the year ended 31 December 2020 has been sensitised in the following tables for a reasonably possible change in variable interest rates. In relation to the downward sensitivity, LIBOR rates are forecast to be sub-zero for a period during the term of the Group's debt. As a result, the Group considers a reasonable change in the LIBOR rate to be a decrease to (0.1%). As there are floors embedded in the loan facilities, there is no benefit to the Group from any reduction in rates sub-zero, however it results in an additional interest cost for the Group on hedged loans. EURIBOR is included at zero in the sensitivities.

For the upward sensitivity, the Group have reviewed 9 years historical data for the 3/6 month LIBOR and EURIBOR rates. Based on this historical data and forward curves, the Group believe that a reasonable change in the rates would be an uplift to the highest average rates which would be approximately 1% for 3 month EURIBOR and 1.1% for 3 month LIBOR. Based on the forward curves at 31 December 2020, the rates are not expected to reach this point, however, they have been used in this sensitivity to show the impact if rates did reach this level.

Notes to the consolidated financial statements

(continued)

25 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)
At 31 December 2020, all Sterling term borrowings (£176.5 million) were hedged with interest rate swaps. The Group does not currently hedge its variable interest rates on its Sterling or Euro revolving credit facilities.

	2020 actual weighted average variable benchmark rate	If rate sensitised upwards	If rate sensitised downwards
Euribor	0%	1.0%	0%
LIBOR	1.10%	1.27%	1.04%

The rates above are the weighted average interest rates including the impact of hedging on hedged portions of the underlying loans. Changes in LIBOR rates have had a minimal impact due to the majority of Sterling borrowings being hedged (note 23).

The impact on profit or loss is shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable rate instruments

	Effect on profit or loss	
	Increase in rate €'000	Decrease in rate €'000
2020		
(Increase)/decrease in interest on loans and borrowings	**(1,494)**	**323**
Decrease/(increase) in tax credit	**187**	**(40)**
(Increase)/decrease in loss	**(1,307)**	**283**
2019		
(Increase)/decrease in interest on loans and borrowings	(1,600)	486
Decrease/(increase) in tax charge	200	(61)
(Decrease)/increase in profit	**(1,400)**	**425**

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 2020.

	31 December 2020			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(9,042)	(9,036)	(2,659)	(6,377)

Notes to the consolidated financial statements

(continued)

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 cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments for the year ended 31 December 2020.

	31 December 2020			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(9,042)	(9,036)	(2,659)	(6,377)

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 2019.

	31 December 2019			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(4,523)	(4,523)	(1,279)	(3,244)

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 2019.

	31 December 2019			
	Carrying Amount €'000	Total €'000	12 months or less €'000	More than 1 year €'000
Interest rate swaps				
Liabilities	(4,523)	(4,523)	(1,279)	(3,244)

(ii) Foreign currency risk

As per the Risk Management section of the annual report on page 37 to 48, the Group is exposed to fluctuations in the Euro/Sterling exchange rate.

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency and to foreign currency translation risk on the retranslation of foreign operations to Euro.

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

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

The Group limits its exposure to foreign currency risk by using Sterling debt to hedge part of the Group's investment in UK subsidiaries. The Group financed certain acquisitions and developments in the UK by obtaining funding through external borrowings denominated in Sterling. These borrowings amounted to £266.5 million (€296.4 million) at 31 December 2020 (2019: £266.5 million (€313.2 million)) and are designated as net investment hedges. The net investment hedge was fully effective during the year.

Notes to the consolidated financial statements

(continued)

25 Financial instruments and risk management (continued)

(c) Market risk (continued)

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

Sensitivity analysis on transactional risk
The Group performed a sensitivity analysis on the impact on the Group's loss after tax and equity had foreign exchange rates been different. The Group reviewed the historical average monthly EUR:GBP fx rates for the previous thirteen years. Based on this data, the highest and lowest average monthly EUR:GBP fx rates were used, respectively, 0.92 and 0.71. The lowest average fx 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. To calculate the impact of euro strengthening, the Group have decided to use EUR: GBP fx rate of 1 (parity) in the sensitivity of euro. The aforementioned rates are broadly in line with market forecasts which display a wide variation in fx rates.

	Loss		Equity	
	Strengthening of Euro €'000	Weakening of Euro €'000	Strengthening of Euro €'000	Weakening of Euro €'000
Decrease/(increase) on interest costs of Sterling loans	1,030	(2,459)	1,030	(2,459)
Impact on tax credit	(129)	307	(129)	307
Decrease/(increase) in loss/equity	**901**	**(2,152)**	**901**	**(2,152)**

(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 15% on investments and a rent cover of 1.85 times in year three for new 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 2020 is not relevant due to losses (31 December 2019: 2.8x). Following the amended facility agreement in July 2020, this covenant is not required to be tested until June 2022, however, continues to be monitored by the Group and serves to set margins on the Group's loans.

Similarly, the Group monitors Net Debt and lease liabilities to Adjusted EBITDA, however, it is also not relevant as at 31 December 2020 (31 December 2019: 4.5x) due to losses.

The Group's approach to capital management has ensured that it entered the Covid-19 pandemic with a very strong financial position and an appropriate level of gearing and that it has also emerged from 2020 in a similar position following actions taken. The Group's asset backing provided it with the ability to realise funds from the sale and leaseback of Clayton Hotel Charlemont whilst its level of gearing ensured the Group continues to be able to meet its funding costs of both interest and rent and retain the support of its banking club and institutional landlords. The Group completed a share placing in September 2020, raising €92.0m after costs. The purpose of this was to materially strengthen the Group's financial position, provide additional headroom in the event of a more prolonged impact from Covid-19 and enable the commencement of the development of a hotel in Shoreditch, London, on a site owned by the Group. The Board reviews the Group's capital structure on an ongoing basis including as part of the normal strategic and financial planning processes. It ensures that it is appropriate for the hotel industry given its exposure to demand shocks and the normal economic cycles.

Notes to the consolidated financial statements

(continued)

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

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

Capital commitments

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

	2020 **€'000**	2019 €'000
Contracted but not provided for	**30,608**	61,270

This relates primarily to the development of the new build hotel development of Maldron Merrion Road and the residential development (comprising 69 residential units) on the site of the former Tara Towers hotel (note 15) which are contractually committed. It also includes committed capital expenditure at other hotels in the Group.

The Group has further commitments in relation to fixtures, fittings and equipment in some of its leased hotels. Under certain lease agreements, the Group has committed to spending a percentage of turnover on capital expenditure in respect of fixtures, fittings and equipment in the leased hotels over the life of the lease. The Group has estimated this commitment to be €51.2 million (31 December 2019: €58.3 million) spread over the life of the various leases with the majority ranging in length from 21 years to 35 years. The turnover figures used in this estimate are based on 2019 revenues which reflects a more normal year of trading.

27 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with shareholders and Directors of the Company.

Remuneration of key management

Key management is defined as the Directors of the Company and does not extend to any other members of the Executive Management Team. The compensation of key management personnel is set out in the Remuneration Committee report on pages 85 to 101. In addition, the share-based payments expense for key management in 2020 was €0.7 million (2019: €1 million).

28 Subsequent events

There were no subsequent events which would require an adjustment or a disclosure thereon in these consolidated financial statements.

Notes to the consolidated financial statements

(continued)

29 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2020 is set out below:

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
DHG Glover Limited[1]	Ireland	Holding company	100%	-
DHG Fleming Limited[1]	Ireland	Financing company	100%	-
DHG Harton Limited[1]	Ireland	Holding company	100%	-
Cenan BV[2]	Netherlands	Financing company	-	100%
DHGL Limited[1]	Ireland	Holding company	-	100%
Dalata Limited[1]	Ireland	Holding company	-	100%
Hanford Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Anora Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Ogwell Limited[1]	Ireland	Hotel and catering	-	100%
Caruso Limited[1]	Ireland	Hotel and catering	-	100%
CI Hotels Limited[1]	Ireland	Hotel and catering	-	100%
Dalata Management Services Limited[1]	Ireland	Hotel management	-	100%
Tulane Business Management Limited[1]	Ireland	Hotel and catering	-	100%
Dalata Support Services Limited[1]	Ireland	Hotel management	-	100%
Fonteyn Property Holdings Limited[1]	Ireland	Hotel management	-	100%
Fonteyn Property Holdings No. 2 Limited[1]	Ireland	Asset management	-	100%
Suvanne Management Limited[1]	Ireland	Hotel and catering	-	100%
Carasco Management Limited[1]	Ireland	Hotel and catering	-	100%
Amelin Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Lintal Commercial Limited[1]	Ireland	Hotel and catering	-	100%
Bernara Commercial Limited[1]	Ireland	Property investment	-	100%
Pillo Hotels Limited[1]	Ireland	Dormant company	-	100%
Loadbur Limited[1]	Ireland	Property holding	-	100%
Swintron Limited[1]	Ireland	Holding company	-	100%
Heartside Limited[1]	Ireland	Hotel and catering	-	100%
Pondglen Limited[1]	Ireland	Hotel and catering	-	100%
Candlevale Limited[1]	Ireland	Hotel and catering	-	100%
Songdale Limited[1]	Ireland	Hotel and catering	-	100%
Palaceglen Limited[1]	Ireland	Hotel and catering	-	100%
Adelka Limited[1]	Ireland	Property holding	-	100%
Bayvan Limited[1]	Ireland	Property holding	-	100%
Leevlan Limited[1]	Ireland	Hotel and catering	-	100%
DHG Arden Limited[1]	Ireland	Hotel and catering	-	100%
DHG Barrington Limited[1]	Ireland	Hotel and catering	-	100%
DHG Cordin Limited[1]	Ireland	Property holding	-	100%
DS Charlemont Limited[1]	Ireland	Hotel and catering	-	100%
Cavernford DAC[1]	Ireland	Intermediate holding	-	100%
Vizmol Limited[1]	Ireland	Intermediate holding	-	100%
Sparrowdale Limited[1]	Ireland	Intermediate holding	-	100%
Galsay Limited[1]	Ireland	Hotel and catering	-	100%
Merzolt Limited[1]	Ireland	Hotel and catering	-	100%
DHG Burlington Road Limited[1]	Ireland	Hotel and catering	-	100%
DT Sussex Road Operations Limited[1] (In Liquidation)	Ireland	Dormant company	-	100%
DHG Eden Limited[1]	Ireland	Hotel and catering	-	100%
DHG Dalton Limited[1]	Ireland	Property holding	-	100%
Williamsberg Property Limited[1]	Ireland	Property holding	-	100%
Oak Lodge Management Company Limited by Guarantee[1]	Ireland	Management company	-	100%
DHG Indigo Limited[1]	Ireland	Holding company	-	100%

[1] The registered address of these companies is 4th Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18.
[2] The registered address of this company is Van Heuven Goedhartlaan 935A, 1181 LD Amstelveen, The Netherlands.

Notes to the consolidated financial statements

(continued)

29 Subsidiary undertakings (continued)

Subsidiary undertaking	Country of Incorporation	Activity	Ownership Direct	Ownership Indirect
DHG Belfast Limited[3]	N Ireland	Hotel and catering	-	100%
DHG Derry Limited[3]	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited[3]	N Ireland	Property holding company	-	100%
DHG Brunswick Limited[3]	N Ireland	Hotel and catering	-	100%
Dalata UK Limited[4]	UK	Holding company	-	100%
Dalata Cardiff Limited[4]	UK	Hotel and catering	-	100%
Trackdale Limited[4]	UK	Hotel and catering	-	100%
Islandvale Limited[4]	UK	Hotel and catering	-	100%
Crescentbrook Limited[4]	UK	Hotel and catering	-	100%
Hallowridge Limited[4]	UK	Hotel and catering	-	100%
Rush (Central) Limited[4]	UK	Property holding company	-	100%
Hotel La Tour, Birmingham Limited[4]	UK	Hotel and catering	-	100%
SRD (Trading) Limited[4]	UK	Hotel and catering	-	100%
SRD (Management) Limited[4]	UK	Hotel and catering	-	100%
Hintergard Limited[5]	Jersey	Property holding company	-	100%

[3] *The registered address of these companies is Butcher Street, Londonderry, County Derry BT48 6HL, UK.*

[4] *The registered address of these companies is St Mary Street, Cardiff, Wales, CF10 1GD, UK.*

[5] *The registered address of this company is 12 Castle Street, St Helier Jersey, JE2 3RT.*

30 Earnings per share

Basic earnings per share is computed by dividing the loss/profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the loss/profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted loss/earnings per share for the years ended 31 December 2020 and 31 December 2019.

	2020	2019
(Loss)/profit attributable to shareholders of the parent (€'000) – basic and diluted	**(100,678)**	78,212
Adjusted (loss)/profit attributable to shareholders of the parent (€'000) – basic and diluted	**(53,864)**	77,535
(Loss)/earnings per share – Basic	**(50.9) cents**	42.4 cents
(Loss)/earnings per share – Diluted	**(50.9) cents**	42.0 cents
Adjusted (loss)/earnings per share – Basic	**(27.2) cents**	42.0 cents
Adjusted (loss)/earnings per share – Diluted	**(27.2) cents**	41.6 cents
Weighted average shares outstanding – Basic	**197,751,585**	184,601,191
Weighted average shares outstanding – Diluted	**197,751,585**	186,305,549

There is no difference between basic and diluted loss per share for the year ended 31 December 2020. Potential ordinary shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share. There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic or adjusted diluted earnings per share in 2020.

30 Earnings per share (continued)

Adjusted earnings per share (basic and diluted) is presented as an alternative performance measure to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either year on year or with other similar businesses (note 2).

Reconciliation to adjusted (loss)/profit for the year	2020 €'000	2019 €'000
(Loss)/profit before tax	(111,461)	89,688
Finance costs	37,953	30,613
(Loss)/profit before tax and finance costs	(73,508)	120,301
Adjusting items (note 2)		
Net property revaluation movements through profit or loss	30,836	(1,601)
Impairment of goodwill	3,226	-
Impairment of fixtures, fittings and equipment	1,015	-
Impairment of right-of-use assets	7,541	-
Loss on sale and leaseback	1,673	-
Hotel pre-opening expenses	81	9
Adjusted (loss)/profit before tax and finance costs	(29,136)	118,709
Finance costs	(37,953)	(30,613)
Adjusting items in finance costs		
Modification loss on amended debt facility (note 5)	4,272	-
Adjusted (loss)/profit before tax	(62,817)	88,096
Tax credit/(charge)	10,783	(11,476)
Adjusting items in tax charge		
Tax adjustment for adjusting items	(1,830)	915
Adjusted (loss)/ profit for the year	(53,864)	77,535

31 Approval of the financial statements

The financial statements were approved by the Directors on 1 March 2021.

Company Financial Statements

For the year ended 31 December 2020

Meetings and Events at Clayton Hotel Cardiff Lane

Company statement of financial position

at 31 December 2020

	Note	2020 €'000	2019 €'000
Assets			
Non-current assets			
Investment in subsidiaries	2	**864,729**	48,408
Total non-current assets		**864,729**	48,408
Current assets			
Trade and other receivables	3	**120**	49
Amounts owed by subsidiaries	4	**3,988**	725,697
Cash and cash equivalents	5	**207**	167
Total current assets		**4,315**	725,913
Total assets		**869,044**	774,321
Equity			
Share capital	7	**2,227**	1,851
Share premium	7	**504,735**	504,488
Share-based payment reserve		**3,419**	4,900
Merger reserve	7	**91,601**	-
Retained earnings		**260,922**	259,682
Total equity		**862,904**	770,921
Current liabilities			
Trade and other payables	6	**6,140**	3,400
Total current liabilities		**6,140**	3,400
Total liabilities		**6,140**	3,400
Total equity and liabilities		**869,044**	774,321

On behalf of the Board:

John Hennessy
Chair

Patrick McCann
Director

Company statement of changes in equity

for the year ended 31 December 2020

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Merger reserve €'000	Retained earnings €'000	Total €'000
At 1 January 2020	**1,851**	**504,488**	**4,900**	**-**	**259,682**	**770,921**
Comprehensive income:						
Loss for the year	-	-	-	-	(2,521)	**(2,521)**
Total comprehensive loss for the year	-	-	-	-	**(2,521)**	**(2,521)**
Transactions with owners of the Company:						
Equity-settled share-based payments	-	-	2,280	-	-	**2,280**
Vesting of share awards and options (note 7)	6	247	(3,761)	-	3,761	**253**
Equity share placing issuance	370	-	-	93,980	-	**94,350**
Costs of share placing	-	-	-	(2,379)	-	**(2,379)**
Total transactions with owners of the Company	**376**	**247**	**(1,481)**	**91,601**	**3,761**	**94,504**
At 31 December 2020	**2,227**	**504,735**	**3,419**	**91,601**	**260,922**	**862,904**
At 1 January 2019	1,843	503,113	4,232	-	263,113	**772,301**
Comprehensive income:						
Profit for the year	-	-	-	-	13,945	**13,945**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**13,945**	**13,945**
Transactions with owners of the Company:						
Equity-settled share-based payments	-	-	2,679	-	-	**2,679**
Vesting of share awards and options (note 7)	8	1,375	(2,011)	-	2,011	**1,383**
Dividends paid (note 8)	-	-	-	-	(19,387)	**(19,387)**
Total transactions with owners of the Company	**8**	**1,375**	**668**	**-**	**(17,376)**	**(15,325)**
At 31 December 2019	**1,851**	**504,488**	**4,900**	**-**	**259,682**	**770,921**

Company statement of cash flows

for the year ended 31 December 2020

	2020	2019
	€'000	€'000
Cash flows from operating activities		
(Loss)/profit for the year	**(2,521)**	13,945
Adjustments for:		
Dividends received from subsidiary undertakings	**(33)**	(15,310)
Finance costs	**991**	64
Foreign exchange loss on borrowings	**74**	154
Share-based payment expense	**661**	975
	(828)	(172)
Increase/(decrease) in trade and other payables	**444**	(784)
Increase in trade and other receivables	**(71)**	(13)
Net cash used in operating activities	**(455)**	(969)
Cash flows from investing activities		
Cash movements on amounts due from subsidiaries	**736**	3,372
Dividends received	**33**	15,310
Net cash from investing activities	**769**	18,682
Cash flows from financing activities		
Interest and finance costs paid	**44**	-
Dividends paid	**-**	(19,387)
Proceeds from vesting of share awards and options	**253**	1,383
Purchase of shares in subsidiary undertakings	**(92,467)**	-
Proceeds from issue of share capital, net of expenses	**91,971**	-
Net cash used in financing activities	**(199)**	(18,004)
Net increase/(decrease) in cash and cash equivalents	**115**	(291)
Cash and cash equivalents at the beginning of the year	**167**	676
Effect of movements in exchange rates	**(75)**	(218)
Cash and cash equivalents at the end of the year	**207**	167

Notes to the Company financial statements

forming part of the Company financial statements

1 Significant accounting policies

The individual financial statements of the Company have been prepared in accordance with IFRS as adopted by the EU, and as applied in accordance with the Companies Act 2014.

Significant accounting policies specifically applicable to these individual Company financial statements and which are not reflected within the accounting policies for the Group consolidated financial statements are detailed below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for in these individual Company financial statements on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of investees. Investments in subsidiaries are carried at cost less impairment.

Share-based payments in respect of employees in subsidiaries are accounted for as an increase in the cost of investments in subsidiaries.

On 31 December 2020, the market capitalisation of the Company was lower than the Company's net assets, which principally comprise its investments in subsidiaries (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). This is a potential indicator of impairment and consequently, investments in subsidiaries were assessed for potential impairment at 31 December 2020. Market capitalisation can be temporarily influenced by a number of different market factors and uncertainties, most evidently the impact of Covid-19 in 2020 and more specifically, the tightening of government restrictions and potential lockdowns at 31 December 2020. In addition, share prices reflect a discount due to lack of control rights.

For the purposes of the consolidated financial statements, each subsidiary hotel operating unit is considered a CGU as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Therefore, impairment tests are carried out at a hotel operating unit level and an impairment recognised if required. This ensures the net assets of the Group on consolidation are not in excess of their recoverable amount. The value in use ('VIU') cashflow projections include the impact of Covid-19. Please see note 10 of the consolidated financial statements for further details.

The net assets of the Group of €932.8 million already include any required impairment charges in relation to the carrying value of the assets in subsidiaries. The Company concluded that the net assets of the Group, which are a reasonable estimate of the recoverable amount of the investments in subsidiaries, are significantly in excess of the carrying value of its investments in subsidiaries (€864.7 million). Note 10 of the consolidated financial statements include a sensitivity as to what impact a change in forecasts at 31 December 2020 would have had on the net assets of the Group at that date. Even taking account of these potential sensitised further impairment charges, the carrying value of the investment in subsidiaries is significantly less than the net assets of the Group. As a result of the above, the Company concluded that the carrying value of its investments in subsidiaries was not impaired as at 31 December 2020.

(ii) Intra-group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee.

2 Investments in subsidiaries

	2020 **€'000**	2019 €'000
Investments in subsidiaries	**864,729**	48,408

Movements in year	**2020** **€'000**	2019 €'000
At 1 January	**48,408**	46,704
Cost of share-based payments in respect of subsidiaries	**1,619**	1,704
Additions to investments	**814,702**	-
At 31 December	**864,729**	48,408

Notes to the Company financial statements

(continued)

2 Investments in subsidiaries (continued)

On 3 April 2020, the Directors of the Company, approved the capitalisation of a loan payable of €722.2 million from DHGL Limited, an indirect subsidiary of the Company, into share capital of DHGL Limited. As a result, DHGL Limited issued one €1 ordinary share for €722.2 million to the Company as consideration for the repayment of this loan. DHGL Limited was released from all its liabilities in respect of the loan.

In September 2020, the Company subscribed for share capital in DHG Fleming Limited and DHG Glover Limited, direct subsidiaries of the Company. The Company purchased 499 shares in DHG Glover Limited for €30.5 million and 499 shares in DHG Fleming Limited for €62.0 million.

Details of subsidiary undertakings are included in note 29 of the consolidated financial statements.

3 Trade and other receivables

	2020	2019
	€'000	€'000
Prepayments	**40**	45
Value added tax	**80**	4
	120	49

4 Amounts owed by subsidiaries

	2020	2019
	€'000	€'000
Amounts owed by subsidiaries	**3,988**	725,697
	3,988	725,697

Amounts owed by subsidiaries are non-interest bearing and are repayable on demand. On 3 April 2020, the Directors of the Company, approved the capitalisation of a loan payable of €722.2 million from DHGL Limited, an indirect subsidiary of the Company, into share capital of DHGL Limited. DHGL Limited was released from all its liabilities in respect of the loan (note 2).

The amounts owed by subsidiaries have been reviewed and no credit losses are expected based on the financial position of subsidiaries. As a result, no expected credit loss provision has been recognised.

5 Cash and cash equivalents

	2020	2019
	€'000	€'000
Cash at bank and in hand	**207**	167
	207	167

Notes to the Company financial statements

(continued)

6 Trade and other payables

	2020 €'000	2019 €'000
Trade payables	**93**	31
Accruals	**297**	1,050
Payroll taxes	**1,213**	78
Amounts due to subsidiary undertakings	**4,537**	2,241
	6,140	3,400

Irish payroll tax liabilities of €1.1 million relating to the year ended 31 December 2020 have been deferred under the Debt Warehousing scheme and are payable during the year ending 31 December 2021.

As at 31 December 2020, the amounts due to subsidiary undertakings are repayable on demand and include interest-bearing loans of €0.1 million (2019: €0.7 million) with an annual interest rate of 1.4% (2019: 1.4%). Other amounts due to group undertakings are non-interest bearing.

7 Share capital, share premium and merger reserve

At 31 December 2020

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

Allotted, called-up and fully paid shares	**Number**	**€'000**
Ordinary shares of €0.01 each	**222,732,900**	**2,227**
Share premium		**504,735**

At 31 December 2019

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

Allotted, called-up and fully paid shares	**Number**	**€'000**
Ordinary shares of €0.01 each	185,100,620	1,851
Share premium		504,488

All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2020, the Company issued 549,379 shares of €0.01 per share following the vesting of awards granted in May 2017 under the 2017 LTIP. 82,901 shares were also issued under the Share Save schemes granted in 2016 which had a weighted average exercise price of €2.98 per share during 2020.

Merger reserve

In September 2020, the Company completed a non pre-emptive placing of 37 million new ordinary shares of €0.01 each in the share capital of the Company. As part of the Placing, the Bookrunners J&E Davy and Joh. Berenberg, Gossler & Co. KG, London Branch subscribed for preference shares in Oak Funding Limited, a subsidiary of the company, for €92.5 million. The Company issued 37,000,000 new ordinary shares at €2.55 each (€94.4 million) in consideration of these preference shares and redeemed the preference shares for €92.5 million net of costs. The Company incurred additional costs of €0.5 million in relation to the share issuance. The subsidiary was subsequently liquidated. The Company availed of merger relief and as a result €91.6 million, representing the premium paid on the issue of ordinary shares net of costs, was recognised in the merger reserve.

Notes to the Company financial statements

(continued)

8 Dividends

During the year ended 31 December 2020, the Company did not make any dividend payments.

A final dividend for 2018 of 7.0 cents per share was paid on 8 May 2019 on the ordinary shares in the Company and amounted to €12.9 million. An interim dividend for 2019 of 3.5 cents per share was paid on 4 October 2019 on the ordinary shares in the Company and amounted to €6.5 million.

During the year ended 31 December 2020, the Company received dividend income which has been included in profit or loss amounting to €0.03 million (2019: €15.3 million) from its subsidiary undertakings.

9 Attributable profit or loss of the Company

The loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2020 was €2.5 million (2019: profit of €13.9 million). As permitted by Section 304 of the Companies Act 2014, the statement of profit or loss and other comprehensive income for the Company has not been separately presented in these financial statements.

10 Company related party disclosures

Under IAS 24 *Related Party Disclosures*, the Company has related party relationships with Directors of the Company and with its subsidiary undertakings (note 27 of the consolidated financial statements).

Remuneration of key management

Key management is defined as the Directors of the Company. The compensation of key management personnel is set out in the Remuneration Committee report on pages 85 to 101 and note 27 of the consolidated financial statements.

Transactions with related parties

During the year ended 31 December 2020, the Company charged fees amounting to €2.4 million (2019: €2.8 million) to its subsidiary undertakings for services provided during the year.

11 Commitments

Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent Company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, has entered into guarantees in relation to the liabilities of Republic of Ireland registered subsidiary companies which are listed below:

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

Notes to the Company financial statements

(continued)

11 Commitments (continued)

Other guarantees

At 31 December 2020, the Company has undertaken to guarantee the obligations of its subsidiaries in relation to the following:

Property	Subsidiary	Term (years)	Term remaining (years)
Lease			
Clayton Hotel Burlington Road	DHG Burlington Road Limited	25	20.9
The Gibson Hotel	Galsay Limited	35	32.0
Clayton Hotel Cardiff	Dalata UK Limited	35	31.4
Maldron Hotel Smithfield	Anora Commercial Limited	25	21.1
Clayton Hotel Birmingham	Hotel La Tour Birmingham Limited	35	31.6
Maldron Hotel Newcastle	Dalata Cardiff Limited	35	32.9
Clayton Hotel Cambridge	SRD (Trading) Limited	30	28.9
Clayton Hotel Charlemont	DS Charlemont Limited	35	34.3
Agreement for Lease			
Maldron Hotel, Glasgow	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Glasgow	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Bristol	Dalata Cardiff Limited	35	35.0
Maldron Hotel, Birmingham	Dalata Cardiff Limited	35	35.0
Maldron Hotel Victoria, Manchester	Dalata Cardiff Limited	35	35.0
Maldron Hotel, Manchester	Dalata Cardiff Limited	35	35.0
Clayton Hotel, Manchester City	Dalata Cardiff Limited	35	35.0
Maldron Hotel Liverpool	Dalata Cardiff Limited	35	35.0
Maldron Hotel, Brighton	Dalata Cardiff Limited	35	35.0
Maldron Hotel Croke Park, Dublin	Tulane Business Management Limited	35	35.0
The Samuel, Dublin	Tulane Business Management Limited	35	35.0
Loans and borrowings			
DHG Fleming Limited	DHG Fleming Limited	6	3.8

12 Subsequent events

There were no subsequent events which would require an adjustment or a disclosure thereon in these Company financial statements.

13 Approval of the financial statements

The financial statements were approved by the Directors on 1 March 2021.

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 the annual 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) Adjusted EBITDA

Adjusted EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax, adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.
Reconciliation: Note 2

(ii) EBITDA and Segments EBITDA

EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax.
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

(iii) EBITDAR and Segments EBITDAR

EBITDAR is an APM representing earnings before variable lease costs, interest on lease liabilities, other interest and finance costs, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and tax.
Reconciliation: Note 2

Segments EBITDAR represents Segments EBITDA before variable lease costs for each of the reportable segments: Dublin, Regional Ireland and the UK.
Reconciliation: Note 2

(iv) Segments EBITDAR margin

Segments EBITDAR margin represents 'Segments EBITDAR' as a percentage of the total revenue for the following Group segments: Dublin, Regional Ireland and the UK. Also referred to as Hotel EBITDAR margin.

(v) Adjusted basic (loss)/earnings per share (EPS)

Adjusted Basic EPS is presented as an alternative performance measure to show the underlying 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.
Reconciliation: Note 30

(vi) Effective tax rate

The Group's tax credit/(charge) for the year divided by the (loss)/profit before tax presented in the consolidated statement of profit or loss and other comprehensive income.

(vii) Available funds

As set out in note 25 to the consolidated financial statements, available funds comprises cash and cash equivalents and the undrawn revolving credit facilities at year end which are available for use after taking account of the €50 million minimum liquidity restriction when it is in effect.

(viii) Net Debt

Net Debt represents drawn amounts of loans and borrowings less cash and cash equivalents at year end.
Reconciliation: Note 22

(ix) Net Debt and Lease Liabilities

Net Debt (see definition viii) and Lease Liabilities at year end.
Reconciliation: Note 22

(x) Net Debt to Adjusted EBITDA excluding IFRS 16

Net Debt (see definition viii) divided by the 'Adjusted EBITDA' after deducting fixed lease costs for the year. This APM is presented to show the Group's financial leverage before the application of IFRS 16 *Leases*.
Reconciliation: Refer below

Supplementary Financial Information

(continued)

(xi) Net Debt and Lease Liabilities to Adjusted EBITDA

Net Debt and Lease Liabilities (see definition ix) divided by the 'Adjusted EBITDA' for the year. This APM is presented to show the Group's financial leverage after including the accounting estimate of lease liabilities following the application of IFRS 16.
Reconciliation: Refer below

(xii) Net Debt to Value

Net Debt (see definition viii) 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

(xiii) Free Cash Flow

Net cash from operating activities less amounts paid for interest and finance costs, refurbishment capital expenditure, fixed lease payments and after adding back cash paid in respect of adjusting items to EBITDA. Following the adoption of IFRS 16, fixed lease payments comprises the repayment of lease liabilities and interest paid on lease liabilities in the consolidated statement of cash flows.

In 2020, the deferral of VAT and payroll tax liabilities under government Covid-19 support initiatives permitting the warehousing of tax liabilities in Ireland and the UK resulted in liabilities of €13.5 million at year end and are expected to be paid during 2021. This non-recurring initiative was introduced by government Covid-19 support schemes. It allows the temporary retention of an element of taxes collected during 2020 on behalf of tax authorities. To remove the effect of this distortion on cash flows from trading, the impact of these deferrals have been excluded in the calculation of Free Cash Flow.

This APM is presented to show the cash generated to fund acquisitions, development expenditure, repayment of debt and dividends.
Reconciliation: Refer below

(xiv) Debt and Lease Service Cover

Free Cash Flow before payment of lease costs, interest and finance costs divided by the total amount paid for lease costs, interest and finance costs. Debt and Lease Service Cover is presented to show the Group's ability to meet its debt and lease commitments.
Reconciliation: Refer below

(xv) Return on Invested Capital

In prior years, the Group has presented this APM to provide stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group. Due to the significant impact of Covid-19 on the Group's financial performance, the return is negative for 2020 as the Group incurred losses in the current year. As a result, this APM is no longer disclosed here. The normalised return on invested capital was 12.1% for the 12 months ended 31 December 2019.

Excluding IFRS 16 numbers

Due to the significant impact from the adoption of IFRS 16 on the consolidated financial statements, the Group has included additional APMs that will provide the reader with more information to assist in interpreting the underlying operating performance of the Group. In particular, the Group refers to the following APMs to enable comparison between years following the adoption of IFRS 16.

(xvi) Adjusted EBITDA excluding IFRS 16

Earnings before adjusting items, interest and finance costs, tax, depreciation, amortisation of intangible assets as defined above and restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs as calculated under IAS 17.
Reconciliation: Refer below

(xvii) EBIT excluding IFRS 16

(Loss)/earnings before interest and finance costs, tax and restated to remove the impact of adopting IFRS 16, by excluding IFRS 16 right-of-use asset depreciation, impairment of right-of-use assets, impairment of fixtures, fittings and equipment and including the lease costs and additional loss on sale and leaseback as calculated under IAS 17. The Group disclose this APM to show the earnings generated by the Group before the application of IFRS 16.
Reconciliation: Refer below

(xviii) Adjusted EBIT excluding IFRS 16

EBIT excluding IFRS 16 as defined in (xvii) above before adjusting items. The Group disclose this APM to show the earnings generated by the Group before the application of IFRS 16 and excludes items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.
Reconciliation: Refer below

(xix) (Loss)/profit for the year excluding IFRS 16

(Loss)/profit for the year restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation, lease liability interest, impairment of right-of-use assets and impairment of fixtures, fittings with the lease costs and the additional loss on sale and leaseback as calculated under IAS 17.
Reconciliation: Refer below

(xx) (Loss)/earnings per share excluding IFRS 16 - basic

Basic (loss)/earnings per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right of-use-asset depreciation, lease liability interest, impairment of right-of-use assets and impairment of fixtures, fittings with the lease costs and the additional loss on sale and leaseback as calculated under IAS 17.
Reconciliation: Refer below

(xxi) (Loss)/earnings per share excluding IFRS 16 - diluted

Diluted (loss)/earnings per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation, lease liability interest and impairment of right-of-use assets and fixtures, fittings and equipment with the lease costs and the additional loss on sale and leaseback as calculated under IAS 17.
Reconciliation: Refer below

Supplementary Financial Information

(continued)

(xxii) Adjusted (loss)/earnings per share excluding IFRS 16 – basic

Basic (loss)/earnings per share before adjusting items 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

(xxiii) Adjusted (loss)/earnings per share excluding IFRS 16 - diluted

Diluted (loss)/earnings per share before adjusting items 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

(xxiv) Modified earnings before interest and tax (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. The 2019 budget, on which the Remuneration Committee use to frame the bonus target, was completed prior to the calculation and application of IFRS 16 whilst the 2020 budget was completed inclusive of the IFRS 16 impact.

Reconciliation: Refer below

Calculation of APMs excluding IFRS 16 – definitions (xvi), (xvii), (xviii), (xix), (xx), (xxi), (xxii), (xxiii)

		Reference in consolidated financial statements	2020 €'000	2019 €'000
Adjusted EBITDA		Note 2	**18,692**	162,214
Less fixed lease costs			**(30,641)**	(27,384)
Adjusted EBITDA excluding IFRS 16		**APM xvi**	**(11,949)**	134,830
Amortisation of lease costs			**(454)**	-
Amortisation of intangible assets as if IAS 17 still applied			**(602)**	(239)
Depreciation of property, plant and equipment		Note 2	**(26,607)**	(26,183)
Adjusted EBIT excluding IFRS 16		**APM xviii**	**(39,612)**	108,408
Total adjusting items to EBITDA as per the financial statements		Note 2	**(44,372)**	1,592
Reversal of impairment of right-of-use assets[1]		Note 2	**7,541**	-
Reversal of impairment of fixtures, fittings and equipment[1]		Note 2	**1,015**	-
Additional loss on sale and leaseback of Clayton Hotel Charlemont[2]		Note 13	**(5,977)**	-
Other			**44**	44
EBIT excluding IFRS 16		**APM xvii**	**(81,361)**	110,044
Other interest and finance costs		Note 2	**(15,548)**	(11,668)
Tax credit/(charge) excluding IFRS 16			**7,687**	(12,711)
(Loss)/profit for the year excluding IFRS 16	**(A)**	**APM xix**	**(89,222)**	85,665
Adjusting items excluding IFRS 16:				
Hotel pre-opening expenses		Note 2	**81**	9
Net revaluation movements through profit or loss as if IAS 17 still applied			**30,792**	(1,645)
Impairment of goodwill		Note 2	**3,226**	-
Loss on sale and leaseback of Clayton Hotel Charlemont[2]		Note 13	**7,650**	-
Modification loss on amended debt facility		Note 5	**4,272**	-
Tax impact of adjusting items			**(544)**	58
Tax impact of proceeds from insurance claim		Note 9	**-**	857
Adjusted (loss)/profit excluding IFRS 16	**(B)**		**(43,745)**	84,944
Weighted average shares outstanding – Basic	(C)	Note 30	**197,751,585**	184,601,191
Weighted average shares outstanding – Diluted	(D)	Note 30	**197,751,585**	186,305,549
(Loss)/earnings per share excluding IFRS 16 – basic	**(A/C)**	**APM xx**	**(45.1) cents**	46.4 cents
(Loss)/earnings per share excluding IFRS 16 – diluted	**(A/D)**	**APM xxi**	**(45.1) cents**	46.0 cents
Adjusted (loss)/earnings per share excluding IFRS 16 – basic	**(B/C)**	**APM xxii**	**(22.1) cents**	46.0 cents
Adjusted (loss)/earnings per share excluding IFRS 16 – diluted	**(B/D)**	**APM xxiii**	**(22.1) cents**	45.6 cents

[1] Right-of-use assets are not recognised under the previous accounting standard, IAS 17 Leases. Therefore, there would have been no impairment of right-of-use assets. As the impairment of fixtures, fittings and equipment related to the impairment of right-of-use assets, this impairment is excluded also.

[2] The accounting for the loss on the sale and leaseback of Clayton Hotel Charlemont differs under IFRS 16 compared to the previous accounting standard, IAS 17. Under IFRS 16, the property is derecognised upon sale of the asset and replaced with a right-of-use asset following the leaseback. A portion of the €7.7 million difference between the fair value prior to sale and the sales proceeds was capitalised as part of the right-of-use asset (€6.0 million), with the remaining balance recorded in profit or loss (€1.7 million). Under the previous accounting standard, the entire difference must be recorded immediately as a loss in profit or loss.

Supplementary Financial Information

(continued)

Calculation of Net Debt APMs – definitions (viii), (ix), (x), (xi), (xii)

		Reference in consolidated financial statements	2020 €'000	2019 €'000
Net Debt (viii)	(A)	Note 22	**263,571**	374,846
Net Debt and Lease Liabilities (ix)	(B)	Note 22	**663,203**	736,947
Adjusted EBITDA	(C)	Note 2	**18,692**	162,214
Adjusted EBITDA excluding IFRS 16	(D)	See APM xvi	**(11,949)**	134,830
Net Debt to Adjusted EBITDA excluding IFRS 16 [1]	**(A/D)**	**APM x**	**n/a**	2.8x
Net Debt and Lease Liabilities to Adjusted EBITDA	**(B/C)**	**APM xi**	**35.5x**	4.5x
Valuation of property assets as provided by external valuers	(E)		**1,124,256**	1,397,282
Net Debt to Value	**(A/E)**	**APM xii**	**23%**	27%

[1] Net Debt to Adjusted EBITDA excluding IFRS 16 is not applicable in 2020 as Adjusted EBITDA was negative.

Calculation of Free Cash Flow – definition (xiii)

	Reference in consolidated financial statements	2020 €'000	2019 €'000
Net cash from operating activities	Statement of cash flows	**22,804**	154,969
Other interest and finance costs paid	Statement of cash flows	**(12,956)**	(11,196)
Refurbishment capital expenditure paid		**(9,751)**	(15,625)
Exclude tax liabilities deferred until 2021 [2]	Note 8	**(13,484)**	-
Exclude adjusting items with a cash effect		**81**	9
Fixed lease payments:			
Interest paid on lease liabilities	Statement of cash flows	**(22,405)**	(18,945)
Repayment of lease liabilities	Statement of cash flows	**(5,618)**	(8,569)
Free cash (outflow)/inflow	**APM xiii**	**(41,329)**	100,643

[2] In 2020, the Group deferred VAT and payroll taxes under government support schemes resulting in liabilities of €13.5 million at year end that are expected to be paid during 2021. This non-recurring initiative was introduced by government Covid-19 support schemes. It allows the temporary retention of an element of taxes collected during 2020 on behalf of tax authorities. To remove the effect of this distortion on cash flows from trading, the impact of these deferrals have been excluded in the calculation of Free Cash Flow.

Calculation of Debt and Lease Service Cover – definition (xiv)

		Reference in consolidated financial statements	2020 €'000	2019 €'000
Free cash (outflow)/inflow	(A)	See APM xiii	**(41,329)**	100,643
Add back amounts paid for:				
Total lease costs paid [3]			**30,964**	34,982
Interest and finance costs paid		Statement of cash flows	**12,956**	11,196
Total lease costs, interest and finance costs paid	(B)		**43,920**	46,178
Free Cash Flow before lease and finance costs	(C=A+B)		**2,591**	146,821
Debt and Lease Service Cover	**C/B**	**APM xiv**	**0.1x**	3.2x

[3] Total lease costs paid relates to payments of fixed and variable lease costs during the year in accordance with the lease agreements if they relate to the year.

Supplementary Financial Information

(continued)

Calculation of Modified earnings before interest and tax (Modified EBIT) – definition (xxiv)

	Reference in consolidated financial statements	2020 €'000	2019 €'000
Loss before tax – 2020	Statement of profit or loss and other comprehensive income	**(111,461)**	-
Profit before tax excluding IFRS 16[1] – 2019		**-**	98,376
Remove impact of:			
Interest on lease liabilities	Note 2	**22,405**	-
Other interest and finance costs	Note 2	**15,548**	11,668
Foreign exchange gains[2]		**(2)**	(457)
Remove impact of adjusting items:			
Hotel pre-opening expenses	Note 2	**81**	9
Impairment of goodwill	Note 2	**3,226**	-
Impairment of fixtures, fittings and equipment	Note 2	**1,015**	-
Impairment of right-of-use assets	Note 2	**7,541**	-
Loss on sale and leaseback	Note 2	**1,673**	-
Net revaluation movements through profit or loss	Note 2	**30,836**	(1,601)
Add back loss on investment property not applicable under IAS 17	Note 14	**-**	(44)
Modified EBIT	**APM xxiv**	**(29,138)**	107,951

[1] The 2019 budget, on which the Remuneration Committee use to frame the bonus target, was completed prior to the calculation and application of IFRS 16 whilst the 2020 budget was completed inclusive of the IFRS 16 impact.
[2] Foreign exchange losses represent the difference on converting EBITDA as calculated from UK hotels at actual foreign exchange rates during 2020 versus budgeted foreign exchange rates, after depreciation. In 2020 the budgeted EUR/GBP exchange rate was 0.90 (2019: 0.90). A reconciliation is presented in the table below.

	2020 €'000	2019 €'000
UK hotels' EBITDA including IFRS 16 - GBP	**2,867**	-
UK hotels' EBITDA excluding IFRS 16 - GBP	**-**	28,306
UK hotels' EBITDA at budgeted FX rate - Euro	**3,186**	31,451
UK hotels' EBITDA at actual FX rates including IFRS 16 - Euro	**3,399**	-
UK hotels' EBITDA at actual FX rates excluding IFRS 16 - Euro	**-**	32,126
Foreign exchange gains on EBITDA - Euro	**(213)**	(675)
Depreciation of property, plant and equipment, right-of-use assets and amortisation on UK assets - GBP[3]	**12,010**	7,389
Depreciation of property, plant and equipment and right-of-use assets and amortisation and amortisation on UK assets at budgeted FX rate - Euro[3]	**13,344**	8,210
Depreciation of property, plant and equipment and right-of-use assets and amortisation and amortisation on UK assets at actual FX rates - Euro[3]	**13,555**	8,428
Foreign exchange losses on depreciation and amortisation - Euro	**211**	218
Foreign exchange gains - Euro	**(2)**	(457)

[3] The 2019 budget, on which the Remuneration Committee use to frame the bonus target, was completed prior to the calculation and application of IFRS 16 whilst the 2020 budget was completed inclusive of the IFRS 16 impact. As a result, the 2019 calculation does not include depreciation of right-of-use assets.

Glossary

1. 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.

2. 'Like for like' RevPAR

'Like for Like' RevPAR includes a full year performance of all hotels regardless of when acquired except for Dublin which excludes the Ballsbridge Hotel as the hotel effectively did not trade for most of 2020.

3. ARR

Average Room Rate (also ADR – Average Daily Rate)

4. Hotel assets

Hotel assets represents the value of property, plant and equipment per the consolidated statement of financial position at 31 December 2020.

5. Refurbishment capital expenditure

The Group typically allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards. Due to the sudden onset of the Covid-19 pandemic from March 2020, at which point spend had already been contracted, this ratio did not apply for 2020.

6. OTA

Online Travel Agents

7. GM

General Manager

8. IPO

Initial Public Offering (Dalata Hotel Group plc listed in March 2014)

9. LTIP

Long-Term Incentive Plan

10. MAR

Market Abuse Regulation

11. NED

Non-executive Director

12. SID

Senior Independent Director

13. STR

Global hotel industry market research specialists

14. TSR

Total Shareholder Return

15. VAT

Value Added Tax (also known as Goods and Services Tax)

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