

# The heart of hospitality

Annual Report & Accounts 2023



# Our people, our greatest asset

Hospitality is all about people. Dalata's focus on ensuring we have the best people and that they are genuinely looked after gives us an edge in a competitive recruitment and retention market. People are the cornerstone of our success, and we will continue to ensure they can enjoy a safe and inclusive working environment; one that embraces inclusion and diversity.

We also want to give our people the opportunity to grow personally and professionally with us. That is why our Dalata Academy and graduate programmes are so vital as part of our commitment to invest in people development and skills. We are dedicated to allowing our team members the opportunity to upskill and further their career and reach their ambitions within the Group.



**Dermot Crowley**  
Chief Executive

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## OUR STORY

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# The heart of hospitality

### Our Purpose

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

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### Our Brands



Maldron Hotels is home to 22 hotels throughout Ireland and the UK, with more exciting openings coming very soon. From starting the first step of your next big adventure to beginning the day fully rested and recharged, we're your epic basecamp so that you can unlock more during your stay. Whether you're in search of a couple's getaway, family holiday, business trip or a solo adventure, we can help to get you right to the good stuff, all the hidden gems and nearby experiences, because we know... It starts here at Maldron Hotels.



Clayton Hotels are a collection of 27 luxurious hotels throughout Ireland, the UK, Germany and the Netherlands. Located in Cork, Dublin, Galway, Sligo, Limerick, Wexford, Belfast, Cardiff, Leeds, London, Cambridge, Birmingham, Manchester, Bristol, Glasgow, Düsseldorf and Amsterdam, you're sure to find a destination to suit you. We know a personal touch is about human connection in all its wonderful ways, from small gestures to going the extra mile. It's the little differences that will make a big impression on you. At Clayton Hotels, it's personal.





## AT A GLANCE

⬆️  
Revenue  
**€607.7m**  
2022: €515.7m

⬆️  
Adjusted EBITDA<sup>1</sup>  
**€223.1m**  
2022: €183.4m

⬆️  
Free Cashflow<sup>1</sup>  
**€133.4m**  
2022: €126.5m

⬆️  
Property, Plant and Equipment  
**€1.68bn**  
2022: €1.43bn



⬆️  
Full and part-time employees  
**5,495**  
2022: 5,487



31 owned hotels  
**6,501**  
rooms

19 leased hotels  
**4,613**  
rooms

Current pipeline  
**1,548**  
rooms

3 managed hotels  
**299**  
rooms

⬆️  
Total rooms (incl. pipeline)  
**12,961**  
2022: 10,953 rooms

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



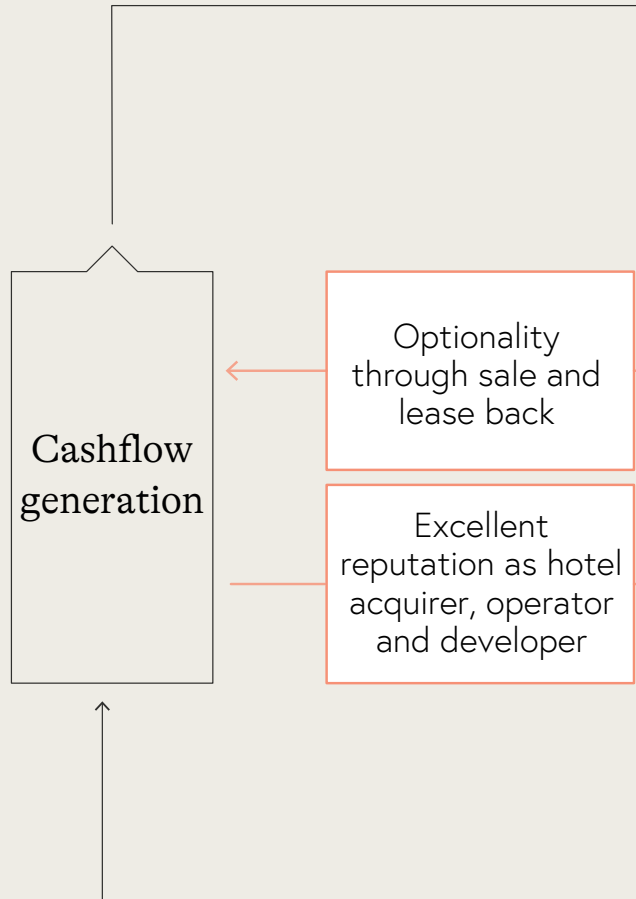
## SUSTAINABLE INVESTMENT CASE

# Primed for growth

Well established business model provides opportunities throughout the economic cycle.

Sustainable and responsible growth remains a key priority for Dalata. The Group's in-house capabilities and talent, underpinned by its strong culture and robust capital structure, provide agility to grow throughout the economic cycle. We grow by developing new freehold hotels, acquiring existing freehold assets, building extensions to existing Dalata hotels or partnering with Real Estate investors to lease existing or new hotels. We also continue to improve and innovate operations in our current portfolio to provide sustainable returns to shareholders.

Our growth will be achieved by focussing on the six pillars below



### Who we are



#### Expert Hotel Operators

- Own, lease and operate 4-star hotels in large cities with a strong mix of corporate and leisure guests
- Skilled operators at local level, backed by central office expertise
- High performance through a decentralised model provides agile response to each hotel's unique market and competitive landscape
- Delivering excellent customer service
- Successfully navigated global pandemic to deliver record performance in 2022 and 2023



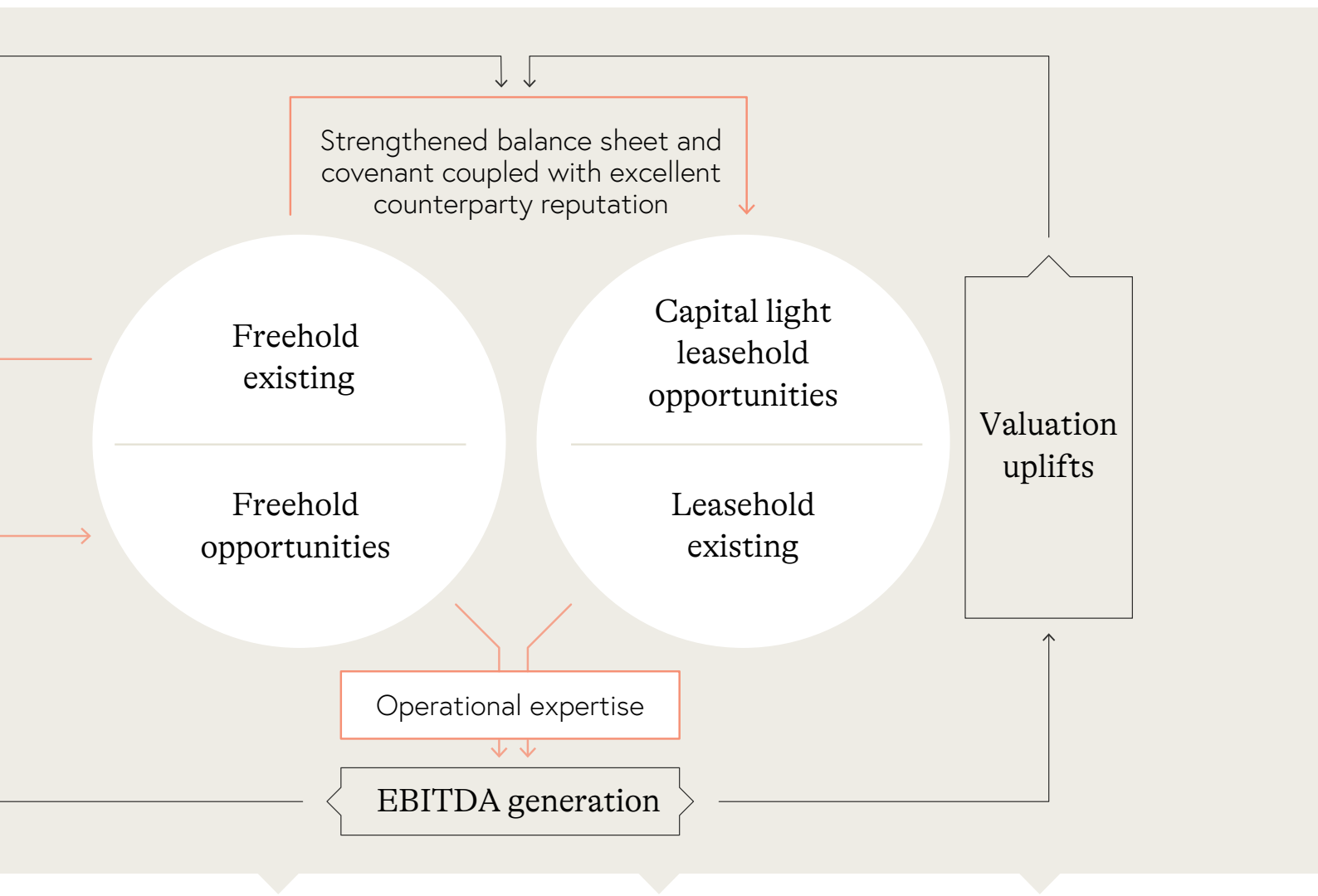
#### In-house Acquisition and Development Expertise

- Experienced in freehold, leasehold interests and development projects
- Successful track record of securing opportunities that add value
- Fostering strong relationships leads to further opportunities

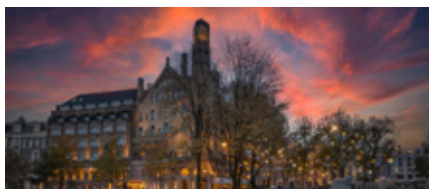


#### People Focus

- Engaged, experienced and ambitious team of approximately 5,500 employees
- Rewarding and inclusive environment
- Award-winning Dalata Academy
- Growing a strong internal talent pool with a culture of promoting from within



## Where are we going



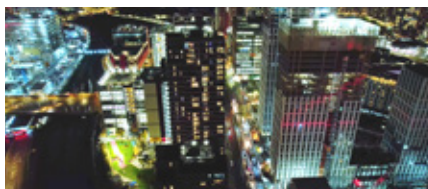
### Financial Discipline

Asset-backed balance sheet with hotels in excellent locations

Robust capital structure provides protection and a platform for further growth

Strong covenant provides access to quality, long term leasehold opportunities

Additional liquidity for further growth



### Ambitious Growth Strategy

Proven model in large cities with a strong mix of corporate and leisure guests

Strong pipeline of over 1,500 rooms

Considerable firepower to grow further

Target to add approximately 5,000 rooms in Regional UK, beyond the current pipeline



### Focus on sustainability and innovation

Innovative projects driving efficiency and protecting margins

Redesigning layout of new hotels to increase efficiency

Ambitious targets to reduce Scope 1 & 2 carbon emissions

Strong sustainability ambition for new hotel developments

## OUR PROGRESS

# Performance Highlights

### Key progress in 2023

2023 was another very successful year for the Group as we continue to execute our strategy. Dalata delivered record financial returns with revenue, EBITDA and Free Cashflow (see APM xi) increasing on the prior year. We identified and implemented innovative solutions to respond to the challenges facing our industry to protect or enhance profitability balanced with improving employee engagement and delivering the excellent hospitality our hotels are renowned for. The Group also delivered strategic growth, deploying €156m across attractive locations in London, Amsterdam and Edinburgh. Two hotels were successfully integrated and rebranded as Clayton Hotel London Wall and Clayton Hotel Amsterdam American, and the new Maldron Hotel Finsbury Park was opened in London.

#### Reached milestone revenue of €608m

Underpinned by a strong performance from existing hotels and the new hotel additions added in 2022/2023

#### Strong cashflows for investment and shareholder returns

as illustrated by 2023 Free Cashflow of €133m and cash and undrawn debt facilities of €284m at the end of 2023

#### Owned portfolio delivered Hotel EBITDAR of €156m

in 2023 (see APM iv) on well-located hotel assets - 73% asset value weighting in Dublin and London

#### Leased portfolio delivered Hotel EBITDA (after rent) of €42m

in 2023 (see APM xvii) through high-quality, long-term leases with 1.8x Rent Cover (see APM xviii) - weighted average lease life remaining of 29.5 years

#### Delivered €0.5bn property valuation uplift since IPO

2023 net property revaluation uplift of €94m across 31 owned hotels

#### Considerable firepower potential

Current pipeline of over 1,500 rooms and ambition to expand further

### Key priorities for 2024

#### Continue to invest in new hotel opportunities

Our pipeline of over 1,500 rooms includes four new Maldron hotels scheduled to open in the UK in mid-2024. We have a further two hotels in Dublin and Edinburgh, which are expected to open in 2026, and three extensions planned to our existing hotels. The Group is well positioned to expand the portfolio further with considerable firepower to deploy on hotel assets and access to leasing opportunities in partnership with Real Estate investors. Expanding in the UK remains our strategic priority while also targeting locations in key European cities for the next area of strategic focus.

#### Pay and grow dividend through a progressive policy

Recognising the importance of dividends to shareholders, the strength of the operational performance, cash generation of the business and our future prospects, the Board has re-introduced a progressive dividend policy in 2023. An interim dividend of 4.0 cents per share, representing a dividend payment of €8.9 million, was paid in October. The Board has proposed a final dividend of 8.0 cents per share.

#### Maintain a strong balance sheet to drive growth

The Group is committed to maintaining a robust and stable capital structure to support the business through the economic cycle. The Group's asset-backed balance sheet, with €1.7 billion in property, plant and equipment, provides a platform for sustainable growth, providing liquidity when required, access to debt funding and a strong covenant to attract and secure leasing opportunities. It also provides a source of protection while operating in a cyclical industry to withstand the impact of rapid change in the macroeconomic environment and unforeseen external shocks.

#### Strategic Priorities alignment



Portfolio Growth



Financial Discipline



Financial Discipline



Governance

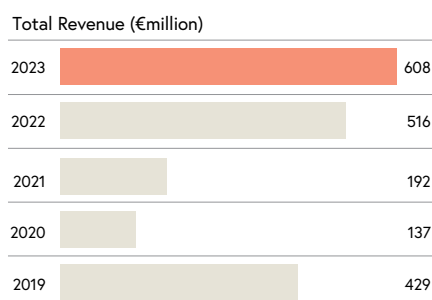


Financial Discipline



Governance

# KPIs – Financial



## Revenue

### Revenue (€million)

Refer to the [Consolidated statement of profit or loss and other comprehensive income](#)

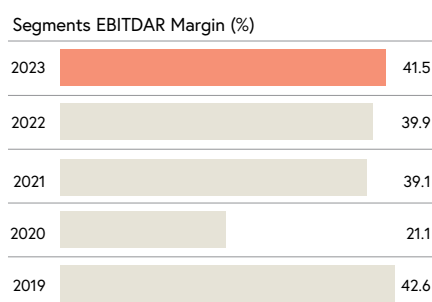
Total Group Revenue represents sales (excluding VAT) of goods and services, net of discounts provided in the normal course of business, and is recognised when services have been rendered.

### Commentary

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

### In 2023

Revenue exceeded €0.6 billion. This was supported by strong performance at our existing hotels and new hotels added to the portfolio.



## Margin

### Segmental EBITDAR Margin (%)

Refer to the [glossary](#) and [Note 3](#) Operating segments

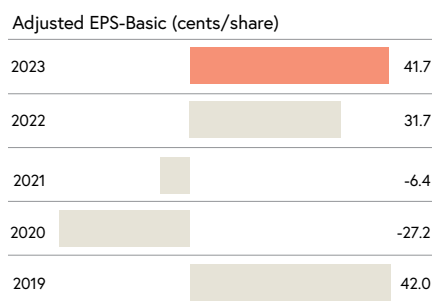
Earnings before interest and finance costs, tax, depreciation, amortisation and rent (EBITDAR) divided by revenue. By excluding lease costs, leased and owned properties are comparable.

### Commentary

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

### In 2023

Continued focus on driving innovation and cost efficiencies across the business to offset the impact of rising costs on business margins.



## Earnings

### Adjusted EPS-Basic (cents/share)

Refer to [Note 32](#) Earnings per share

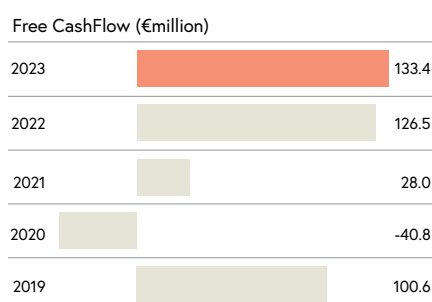
Profit for the year divided by the number of ordinary shares and adjusted for the effect of items that are not reflective of normal trading activities or distort comparability either 'year on year' or with other similar businesses.

### Commentary

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

### In 2023

The Adjusted EPS-Basic for 2023 was 41.7 cents/share (EPS-Basic 40.4 cents/share).



## Cash

### Free Cashflow (€million)

Refer to [APM xi](#) and [Financial Review-Cashflow](#)

Net cash from operating activities less amounts paid for interest, finance costs, fixed lease payments and refurbishment capital expenditure and after adding back the cash paid in respect of items that do not reflect normal trading activities or distort comparability either year on year or with other similar businesses.

### Commentary

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

### In 2023

In 2023 Free Cashflow totalled €133.4 million, up 5% on 2022. The prior year benefitted from reduced levels of corporation tax as permitted following Covid and working capital inflows from new openings and post-Covid ramp up.



## OUR PROGRESS (CONTINUED)

# ESG Highlights

### Key progress in 2023

We appointed a Sustainable Development Manager whose key focus was on science-based targets (SBTi) and establishing a decarbonisation strategy for existing and new-build hotels. We continued to reduce our carbon emissions per room sold by 27% versus 2019. All our hotels in Ireland and the UK achieved gold standard from Green Tourism. Awarded Silver by Investors in Diversity and achieved employee wellbeing accreditations in both Ireland and the UK.

#### Our energy-related emissions

We decreased Scope 1 & 2 carbon emissions per room sold by 27% vs 2019 levels.

#### Our water consumption

We have reduced our water consumption per sleeper by 13% vs 2019 levels.

#### Female % on the senior management team

Continuously working on removing barriers within the company to increase our female representation at all levels.

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

Our Gender Pay Gap figure of 8.9% in 2023 is an increase of 1.9% on our 2022 figure.

#### Working with local communities

Working with local communities is a vital component of our commitment to sustainability and engagement with our neighbours.

### Key priorities for 2024

#### Focus on innovative solutions

Continue the culture of innovation within Dalata. We need to be innovative in finding ways in which we operate our hotels to both reduce costs and increase revenues. We will continue to deliver on the projects implemented during 2023, including expanding the rollout of self-check-in pods, challenging how we do things, and harnessing emerging technologies.

#### Progressing sustainably

Continue to focus on sustainability. Hopefully, finalise our long-term decarbonisation strategy and publish our objectives and commitments; we will also focus on the reduction of food waste and water consumption.

#### Commitment to our people

People are our greatest asset, and in 2024, we will continue to invest in development courses and emphasise inclusive recruitment within Dalata. We aim to qualify for Investors in Diversity Gold Accreditation. We will closely monitor retention, employee engagement, inclusion & diversity and internal promotions.

Strategic Priorities alignment



Innovation



People



Integrating ESG



People



Integrating ESG



People

# KPIs – Non-Financial

## Our energy-related emissions /tCO2e per room let

2023		0.008832
2022		0.010600
2021		0.017622
2020		0.023353
2019		0.012183

## Carbon

### Our energy-related emissions

Measured as tCO2e per room let.

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

### Commentary

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

### In 2023

We decreased energy emissions per room sold by 27% compared to 2019 levels. This was driven by a reduction in our consumption by a 9% grid electricity fuel mix reduction in ROI.

## Water consumption / litres per sleeper

2023		167.58
2022		178.82
2021		221.53
2020		279.67
2019		192.88

## Water

### Our water consumption

Measured as litres per sleeper.

### Commentary

The group has targeted a 15% reduction in water consumption per sleeper by 2026, using 2019 as a baseline. Our 2019 baseline figure has been reviewed and restated due to more accurate reporting.

### In 2023

The installation of aerators in hotel showers has reduced consumption, and over 1,500 employees have completed our water stewardship training modules.

## Female % on the senior management team

2023		44
2022		45
2021		40
2020		37
2019		38

## Female Leaders

### Female % on the senior management team

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

### Commentary

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

### In 2023

We are continuously working on removing barriers within the company to increase our female representation at all levels.

## Gender Pay Gap %

2023		8.90
2022		7.00
2021		7.02
2020		6.58
2019		7.03

## Gender Pay Gap %

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

Our measurement is based on average hourly pay rates.

### Commentary

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

### In 2023

Our Gender Pay Gap figure of 8.9% in 2023 is an increase of 1.9% on our 2022 figure of 7%. However, this is mainly due to the reinstatement of bonus and LTIP (Long Term Incentive Plan) payments, which invariably are paid to employees in more senior roles in the business and therefore increase our Gender Pay Gap as we have a majority of males on our senior leadership team (57%) – particularly in the most senior positions.

# A year of success, growth and development



Welcome to the 2023 annual report of the Dalata Hotel Group. It is a pleasure to report on another year of success, growth and development in our business.

As we approach the tenth anniversary of our IPO in March 2014, it is worth reflecting briefly on how far the business has come since then.

In the year prior to flotation, our revenues totalled just over €60 million. We started life as a public company with 13 hotels operated under lease agreements, and a number of management contracts to operate hotels on behalf of their owners. We owned no properties, and only one of our leased hotels was outside Ireland.

Ten years later, our annual revenues have grown to more than €600 million, and we operate and manage 53 hotels, of which 19 are held under lease, 31 are owned by the Group, and three are operated under management contracts. Twenty of these hotels are located outside the Republic of Ireland, including two (the Clayton Hotel Düsseldorf and the Clayton Hotel Amsterdam American) in Continental Europe.

This exceptional and sustained growth has been achieved by a highly talented and motivated team of people, many of whom have been with us from the very beginning. Our people have sourced properties, secured necessary funding, overseen construction projects and delivered hotels to be opened and operated by our teams on the ground. They have been supported by talented teams at the centre, in areas such as HR, Marketing, Revenue Management, Sales, Purchasing, IT, Health and Safety, and Finance. They have all navigated challenging times, not least the Covid pandemic, and come through those difficulties with renewed energy. It has been wonderful to observe the commitment and teamwork of our people during all of that time.

## Leadership

Dalata has excellent leaders across the business. Dermot Crowley, CEO, continues to lead the business expertly, with a particular focus on strategy and operations, people, sustainability, marketing, and innovation, and substantial progress has been made in all these areas in the past year. Dermot has been supported by very strong teams in the business, including those led by executive directors Shane Casserly and Carol Phelan, and by our COO Des McCann.

Every year presents challenges, and 2023 has been no different. The economies in which we operate have faced difficulties, many of which have their origins in geopolitical uncertainties and conflicts. These challenges and uncertainties have led to cost pressures in many industries, including hospitality. We have focused significant attention on managing our costs through innovation and improved work practices across the Group. We have also placed increased focus on marketing, and on promoting our brands.

I can assure the shareholders that the business continues to be extremely well served in all areas by people who embody the Dalata culture and who display high levels of energy, vision and effectiveness in all that they do.

## People and Culture

I have had the pleasure of spending time in many of our properties over the past year, including our new additions in London Wall, Finsbury Park, and Amsterdam. Every time I visit a Dalata property I am struck by the fact that our decentralised management model and our culture of fairness, openness and clear communication are alive and well, even in hotels that are very new to the Group.

This is a result of the hard work done by our teams in identifying new hotels and then integrating them into the organisation. It is also a reflection of the fact that our growth provides opportunities for career development throughout the business, because, where possible, we appoint existing Dalata people to positions in our newly acquired properties. These appointments allow the Dalata culture to take hold and grow in our new hotels, while of course

opening up opportunities for others for promotion to the positions vacated by our new appointees.

I am particularly proud of the extent to which we provide support by way of development and training, through the Dalata Academy, to our people, and of the impressive numbers who avail of this support. Our people continue to show ambition and enthusiasm for career development, and this can only enhance our success in the years to come.

## Sustainability

Looking back to our first annual report, I note that sustainability featured in my Chairman's statement as a goal to which we were committed, and we subsequently formed our ESG Board committee more than four years ago. This committee has been ably led by Elizabeth McMeikan, and more recently by Gervaise Slowey, and it ensures that appropriate attention is paid to all environmental, social and governance issues at the highest levels in Dalata.

We take our responsibilities in these areas, and particularly in all aspects of sustainability, very seriously. Although thinking and practice in these areas continues to evolve, we will ensure that we follow best practice and that we measure our performance in ways that convey accurate and useful information to ourselves and to our stakeholders.

## Board changes

As was signalled last year, the refreshment of the non-executive cohort on our Board continued during 2023. After nine years of service on the Board, during which she provided extremely valuable input and insight to the benefit of the Group, Margaret Sweeney retired as a director of Dalata. We are grateful for all the experience and expertise that she brought to the Board during her time with us.

Later in 2023 we welcomed Jon Mortimore as an independent non-executive director. Jon brings to us a wealth of experience from customer-facing businesses, including the hotel industry, and deep financial experience and expertise. We look forward to working with Jon on the Board in the coming years.

It is worth recording that our Board now has eight members, four men and four women, and that our Senior Independent Director (Elizabeth McMeikan), our Chief Financial Officer (Carol Phelan), our Chair of the Audit and Risk Committee (Cathriona Hallahan) and our Chair of the ESG Committee and director with responsibility for employee engagement (Gervaise Slowey) are all women. We are delighted that we have achieved this level of gender balance and diversity on our Board.

I am grateful to all of the directors who served in 2023 for their support, hard work and commitment to the business. I am also very grateful to Sean McKeon, our company secretary, and his team, for all the valuable support they continue to provide to the Board.

## Looking ahead

Dalata has continued to grow profitably and sustainably in 2023, and the pipeline of properties that will be added to our portfolio in the coming years points to a continuation of that growth. The key to this success always comes back to people – our own exceptional teams in the hotels and in our Central Office, and the customers whom we seek to serve to the highest standards.

In this regard, we pay close attention to customer feedback, and to the results of our frequent surveys of employee engagement. The positive messages from these and other key indicators give us confidence that we will continue to grow profitably in the years ahead.

## Conclusion

Finally, to you, our shareholders, on behalf of the Board, may I express my sincere appreciation of your continued support for our outstanding business.

## John Hennessy

Non-executive Chair

## OUR STRATEGIC FRAMEWORK

# A strategy embedded in the heart of hospitality

### Our Purpose

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

### Our Values



#### 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.



#### 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. We are fair, consistent and balanced in everything we do.



#### 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 getting things right.



#### 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.

### Strategic Priorities



#### Portfolio Growth



See our [Ambitious Growth Strategy](#)



#### Financial Discipline



See our [Financial Review](#)



#### Integrating ESG



See our [Sustainability Review](#)



#### Innovation



See our [Stakeholder Engagement](#)



#### People



See our [Stakeholder Engagement](#)



#### Governance



See our [Corporate Governance](#)



## Ambitious growth strategy

**UK** - Strategic priority

**Continental Europe** - Targeting locations in large European cities for next area of strategic focus

**Ireland** - Maintaining leading market share

Proven track record of creating shareholder value

**Balance sheet strength and sensible gearing**

**Excellent counter party reputation**

**Acquire**  
Added two owned hotels in London during 2023. Cash Enhancing.

**Lease**  
Capital efficient so enables quicker room growth.  
Clayton Hotel Amsterdam American added in 2023.  
Four leases in pipeline

**Maximising EBITDA, cash generation and asset value uplifts for shareholder returns**

**In-house design capability**  
Construction and project management experience

**Develop**  
Maldron Hotel Shoreditch is currently under construction. Acquired building conversion opportunity in Edinburgh in 2023.

**In-house development team**  
Leasing and acquisitions experience

## Expanding our geographical footprint in line with our strategic priorities

2023 represented yet another year of growth at Dalata, in which we demonstrated our ability to re-invest funds generated from the existing portfolio for further strategic expansion and shareholder value enhancement. The ability to drive growth across our markets speaks to our highly adaptive business model and our ability to grow through our experience in freehold, leasehold and development activities.



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## OUR STRATEGIC FRAMEWORK (CONTINUED)

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### UK – Strategic priority

The Group's UK portfolio comprises over 4,200 rooms, and we continue to see significant potential for growth in the UK across 11 target cities, including London.

Our ambition is for Dalata to be the four-star market leader across targeted cities in regional UK, which have a strong RevPAR and mix of corporate and leisure demand. Our target cities include cities where we see an opportunity to increase our market share further, for example, Edinburgh, Glasgow, Birmingham, Manchester, Liverpool, Bristol, Cambridge and Brighton, in addition to York and Oxford, where we do not have a presence yet.

Our target cities in regional UK have a high concentration of older stock which will either come out of the market or require a refresh. Development works will be more challenging in a higher cost and higher interest rate environment. Data suggests this trend is occurring across the 4-star segment, which should create near term opportunities for Dalata. We estimate that 33% of the 3 and 4-star hotels in our ten target cities are over 40 years old. The average of Dalata's regional UK portfolio is ten years. Dalata's strong financial position, operating newer and more sustainable hotels in prime locations, positions it well to capitalise on this opportunity.

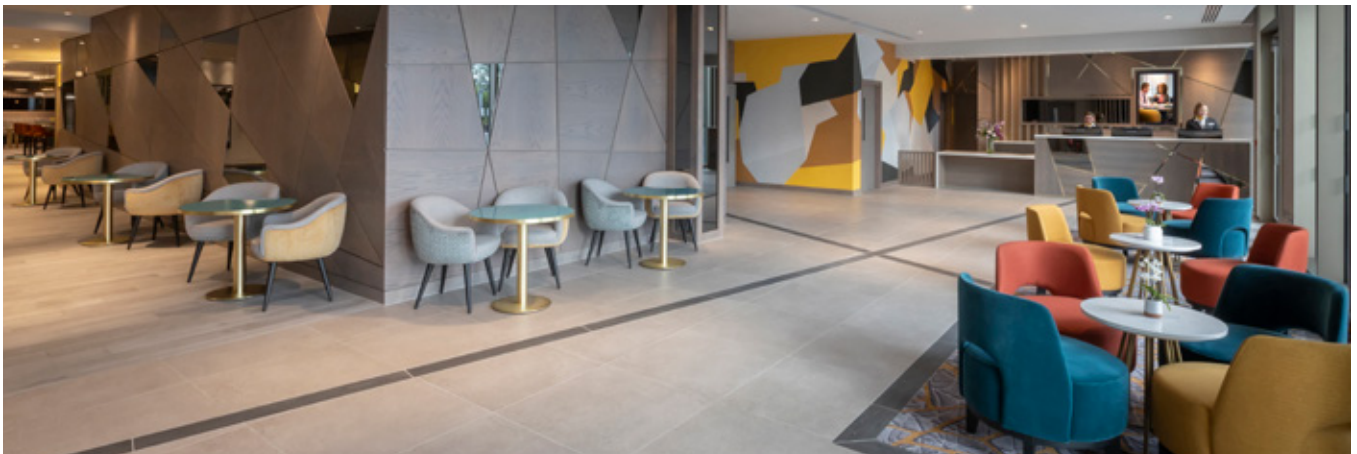
In regional UK, Dalata currently has 3,523 rooms and this will increase to 4,583 rooms on completion of the current pipeline. Three centrally located leasehold hotels in **Manchester, Liverpool and Brighton** are scheduled to open in 2024, adding 677 rooms. During 2023, Dalata announced the acquisition of a building conversion opportunity in **Edinburgh**, within close proximity to the city's key corporate and leisure demand drivers, scheduled for completion in the second half of 2026. We are also adding a 216 room extension at our Clayton Hotel Manchester Airport. We see the potential to add approximately 5,000 further rooms, growing our portfolio in regional UK to over 9,500 rooms over time.

London, a global hub for both business and tourism, is a very attractive city commercially, with strong RevPARs. In 2023, the Group acquired two hotels in London, typically a challenging city to secure hotels. **Maldron Hotel Finsbury Park and Clayton Hotel London Wall** began operating under Dalata in July 2023. Dalata now operates four hotels in London, with a fifth, **Maldron Hotel Shoreditch**, due to open during 2024, which will bring the total London portfolio to 890 rooms. We have a strong appetite for further hotels in London with its vast market size highlighting the significant opportunity here. However, patience and discipline are required in a highly competitive city to secure opportunities.

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### Ireland – Maintain leading market share

Dalata remains the **largest hotel operator in the Irish market** with over 6,300 rooms in operation and a further 317 rooms in the pipeline via **Maldron Hotel Croke Park**, Dublin, a leasehold interest, and a 117-room extension to the existing Clayton Hotel Cardiff Lane, Dublin.



## Continental Europe – Targeting locations in large European cities for next area of strategic focus

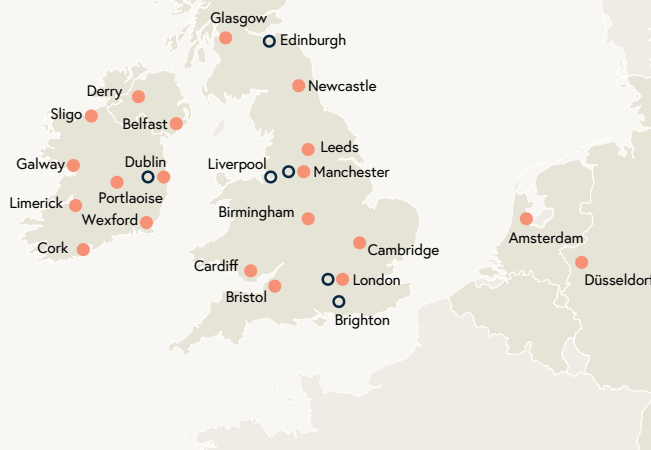
The Group has expanded its geographical footprint in Continental Europe during 2023 with the acquisition of the leasehold interest in the now rebranded **Clayton Hotel Amsterdam American** (formerly Hard Rock Hotel Amsterdam American). The hotel represents Dalata's first hotel in Amsterdam and second hotel in Continental Europe, following the addition of Clayton Hotel Düsseldorf in 2022. This is in line with the Group's strategy to target large European cities with attractive market dynamics for the next phase of growth while the rollout of Dalata's primary growth strategy is ongoing in the UK. By leveraging our strong counterparty relationships to access opportunities, growth will primarily be achieved through leases, but we will consider opportunistic acquisitions while maintaining a disciplined approach.

Amsterdam is a very attractive commercial city for hotels with a strong mix of corporate and leisure demand. Clayton Hotel Amsterdam American is primely located within the city. We have been careful to ensure that the unique character of this hotel is maintained, especially with respect to its iconic Café and Bar American. In partnership with the existing strengths of this landmark hotel, which has recently undergone an extensive modernisation, we will bring Dalata's unique strengths, including operational expertise, reputation with corporate customers and cross-functional leadership team.

The Group is pleased with its performance in Continental Europe, with the hotels performing in line with expectations in 2023 and were cash positive. Clayton Hotel Düsseldorf outperformed the RevPAR growth for its compset.

The Group is excited to continue growing in Europe and to continue to learn and adapt its business model there to provide the optimum Continental European guest experience.

## Our primary markets driving our expansion strategy

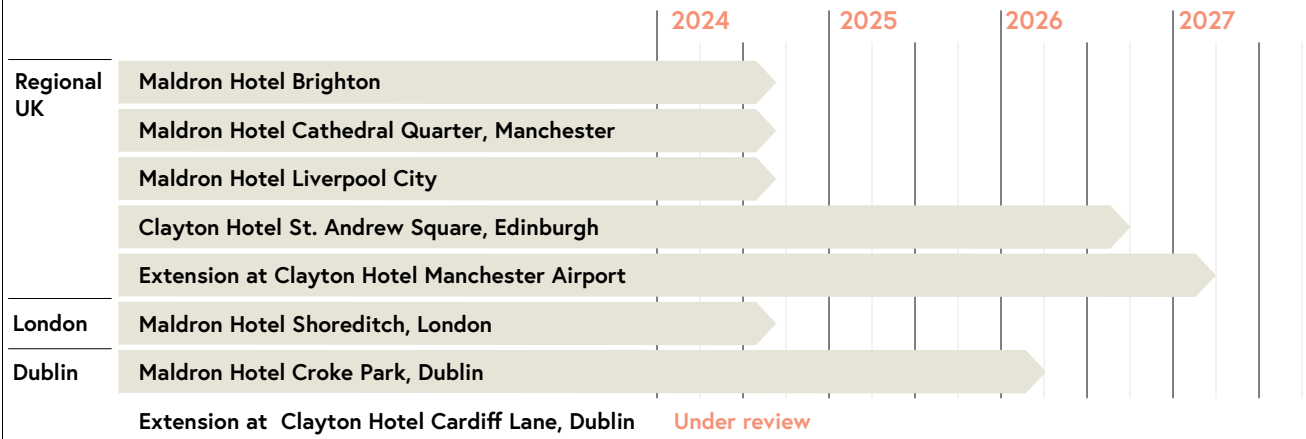


**"Amsterdam has been a priority location for Dalata** since we commenced our journey into continental Europe. To have acquired such an attractive existing hotel, in a city which has traditionally high barriers of entry, is a testament to our standing in the market and a credit to all involved across the Group."

**Shane Casserly,**  
 Corporate Development Director

## OUR STRATEGIC FRAMEWORK (CONTINUED)

### Our pipeline hotels and extensions

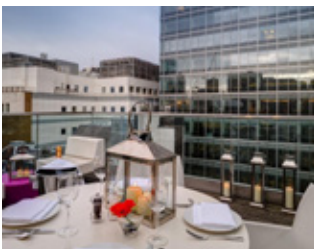


### Executing our strategy

#### Dalata Strengths

- Combining expertise as a hotel operator and developer with a strong financial position enables an agile approach to new opportunities.
- Excellent counter-party reputation provides access to off-market transactions.
- Disciplined approach with an ability to move quickly on the right opportunities.
- Central operations team skilled at supporting the opening and onboarding of hotels.
- Led by internally developed teams with a proven decentralised model that supports swift ramp-up.

€156m capital deployed during 2023 from existing cash and banking facilities to finance hotel additions



#### Clayton Hotel London Wall

- Operated from July 2023*
- Long leasehold (effective freehold)
  - 89 bedrooms
  - 4-star, city centre location
  - Total consideration: £53.4m (€62.1m)



#### Maldron Hotel Finsbury Park, London

- Opened July 2023*
- Freehold
  - 191 bedrooms
  - 4-star, excellent location
  - Total consideration: £44.3m (€50.1m). Over £4m invested post-acquisition



#### Clayton Hotel Amsterdam American

- Operated from October 2023*
- Leasehold interest
  - 173 bedrooms
  - 4-star, city centre location
  - Total consideration: €29.5m plus annual rent



#### St. Andrew Square, Edinburgh

- Planning permission lodged January 2024*
- Planning to convert office to a 167-bedroom Clayton hotel
  - Site cost £12.5m (€14.4m)
  - Estimated overall investment: c. £50m (€58m)







# Continuous delivery of our ambitious growth strategy



In Dalata, we continually refer to our purpose statement. It guides us in the priorities we set, the strategic directions we take and the decisions we make. It also helps us assess how we are performing as a team. As I reflect on our performance in 2023 and look forward to 2024, let me start with that purpose statement.

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

### Customer

I am delighted that we are launching our refreshed Dalata brand. We wanted to describe what we believe Dalata is about and explain what we mean when we talk about the difference with Dalata. It is a special blend of hospitality that we want to share with the world - we call it *the heart of hospitality*. It's what pushes us to grow and become leaders in delivering excellence in customer service. In the coming months, we will also refresh and reposition our Clayton and Maldron brands.

In 2022, we separated the sales and marketing disciplines into two separate functions. It has allowed our sales function to focus on maintaining existing customer relationships and securing new ones. The sales team has had great success in rebuilding our corporate business in 2023 – we saw the return of many of our pre-Covid customers as well as the establishment of valuable new relationships.

The separation has also allowed us to focus on our brands and how we market our products in a way in which we have never done before. We carried out consumer research to add to the very valuable data we routinely collect through customer reviews. We used this information to inform the decisions we have made in relation to the repositioning of our brands. I am very excited about the value that we can add to the company through the clearer definition of what the Clayton and Maldron brands stand for.

### People

For me, hospitality is fundamentally about people, and we have great people in Dalata. People are the heart of our business success, and that is why we will continue to invest in development courses; it's why there were 585 internal promotions in 2023 and why we were awarded Silver by Investors in Diversity and, for the first time, achieved employee wellbeing accreditations in both Ireland and the UK.

Approximately 800 people have attended development courses in our Dalata Academy. This ensures that we have had the pipeline of people to open new hotels and take over existing ones. In 2023, the General Managers in each of our three additional hotels in London and Amsterdam have come through the Dalata development pathways. It will be the same this year as we open new Maldron hotels in Liverpool, Manchester, Brighton and London. We continually review our staff benefits and upgraded the benefits package again in 2023, taking account of feedback from our people.

I want to thank all my colleagues in our 53 hotels and at Central Office for their dedication and professionalism which was central to our very positive performance in 2023. As I have said in the past, I am honoured and privileged to be their CEO.

### Innovation

We have faced considerable increases in costs over the last two years as countries around the world have experienced high levels of inflation. We saw a reduction in inflation as we got closer to the end of 2023. However, due to ongoing and necessary increases in the minimum wage in Ireland and the living wage in the UK, our entry level pay rates continue to increase sharply.

Since taking over as CEO in 2021, I have asked that we place a significant focus on creating a culture of innovation within Dalata. We are always looking at ways in which we can increase productivity without negatively impacting on employee engagement or customer satisfaction. We are also looking at innovative ways in which we can increase revenues at our hotels.

I am delighted with the progress that we have made. The projects completed in 2023 include a 'time and motion' review of how we clean bedrooms, leading to significant productivity gains and increased employee engagement scores amongst our accommodation staff. We have rolled out our Dalata Signature Range, which has helped protect our food margins, increase customer satisfaction levels and boost employee engagement scores in our kitchens. We have also expanded the rollout of our self-check-in pods as well as several other smaller initiatives. We have many more projects planned for 2024 and beyond.

### The Environment

We continued our focus on sustainability, reducing both the embodied carbon and operational carbon emissions when designing new hotels. We continue to reduce our carbon emissions per room sold – achieving a reduction of 27% in 2023 versus 2019. We await SBTi to publish their final building sector guidance to assess whether we can commit to science-based targets – I am very hopeful that we will be able to do so. All our hotels in Ireland and the UK achieved gold standard from Green Tourism. This year, we will increase further our focus on the reduction of food waste and water consumption.

### Growth

It has been a very successful year of portfolio growth with the addition of two new hotels in London and our second hotel in Continental Europe – Clayton Hotel Amsterdam American. We also secured our first hotel development opportunity in Edinburgh. The opening of our four new Maldron hotels in the UK this year will mean that we will have grown from 42 to 57 hotels in less than three years – an increase of 40% in the number of rooms that we will be operating. By the end of 2024, close to 50% of the rooms we operate will be outside the Republic of Ireland as we continue our journey of transformation into an international hotel company.

### Our Community

Our charity programme, Dalata Digs Deep, remains very close to my own heart. All the hotels in our portfolio contributed to the significant funds raised for our three partner charities. In addition, we actively encourage our hotel teams to be part of the communities in which they operate – I am delighted with their efforts in this regard. It will remain a key component of how we do business.

### Financial Performance

We are very aware of our responsibility to our shareholders, and I am very happy to report a very strong financial performance for the year. Revenues exceeded €600 million for the first time while Adjusted EBITDA (see APM ii) grew by 22% to €223.1 million. I am particularly happy that despite a significant increase in costs, we have got back to the EBITDAR margin (see glossary) we were achieving pre-Covid. I am also delighted that we are today in a position to announce a final dividend of 8 cents per share.

### Heart of Hospitality

Despite the continuing global uncertainty, I remain very optimistic for the future of Dalata. As I said earlier, hospitality is all about people and we have great people in Dalata. In 2024, we will be striving to deliver on the special blend of hospitality that we call 'the heart of hospitality'. We will be focused on delivering for all our stakeholders and be guided by our purpose statement as we go. I hope that you find our Annual Report interesting and informative.

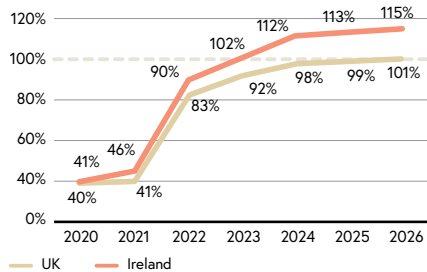
**Dermot Crowley**  
Chief Executive

## MARKET OUTLOOK

# Trends and impacts on our marketplace

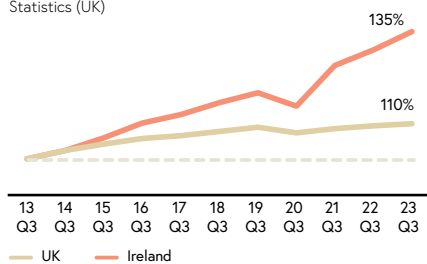
### Further flight traffic growth and recovery forecast

Source: Eurocontrol (October 2023 Base scenario)



### Growing levels of employment encourages sustained demand, with strong FDI presence supporting corporate travel

Source: Central Statistics Office (Ireland), Office for National Statistics (UK)



### International travel

2023 represented a strong year for international travel, and according to the Irish Tourism Industry Confederation (ITIC, December 2023):

- Consumers in developed countries prioritised leisure travel in 2023 despite inflation, rising interest rates and pressure on disposable incomes, and;
- Global tourism spending is expected to hit record levels of US\$2 trillion in 2024, with more than 2 billion international trips, 3% above pre-pandemic levels.

Indeed, ongoing geopolitical instability represents a risk to the global tourism industry. However, given people's propensity for travel, we remain encouraged in our outlook supported by future demand indicators.

### Supply

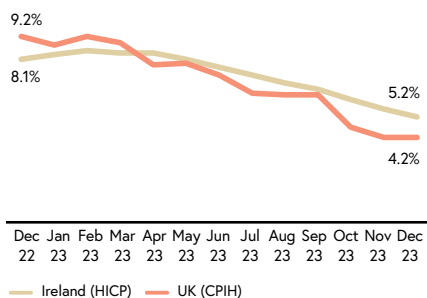
Higher construction costs and interest rates are making hotel developments more challenging.

The Dublin market is digesting the impact of approximately 1,400 new rooms which have opened since January 2023. Savills are forecasting that 2,200 rooms that are currently either under construction or at the pre-construction stage will open over the next three years, representing a c. 8% increase to the current market size of approximately 28,000 rooms (per AM:PM).

Failte Ireland estimates that 12% of their Irish registered bed stock is contracted to the government for the provision of emergency accommodation (as of November 2023), with 10% of Dublin supply out of use. We do not envisage a return to market for the majority of this bed stock in 2024.

### Inflation trends moderated through 2023

Source: Central Statistics Office (Ireland), Office for National Statistics (UK)



Connectivity at key regional airports continued to improve throughout 2023, with Dublin, Manchester and London airports recovering to passenger numbers broadly in line with 2019 levels. Inbound travel from North America has been particularly strong across Europe in 2023, supported by the strong dollar. The latest forecasts from Eurocontrol show flight traffic forecasts remain optimistic, with strong growth projected for Ireland and the UK in 2024 (+9% and +7%, respectively), which is expected to have a positive impact on hospitality.

A large proportion of the current supply in regional UK is outdated, resulting in an opportunity for Dalata's modern portfolio to grow market share. We estimate that 33% of the 3 and 4-star stock in our target cities in regional UK is at least 40 years old, whereas the average age of Dalata's portfolio in regional UK is ten years.

### Event-driven demand

Popular events such as the Notre Dame versus Navy American college football game that took place in Dublin in August 2023 can generate high demand for hotels and provide strong revenue generation. A strong events calendar is taking shape across our markets through 2024 with music artists such as Taylor Swift, Coldplay and Bruce Springsteen due to sell out Irish and UK arenas, and key sporting events such as 6 Nations rugby in 2024, with one-off gains such as Dublin hosting the UEFA Europa League final in May 2024 and Düsseldorf hosting UEFA Euro 2024 matches through June and July.

### Corporate Travel

Positive demand indicators exist, with each of corporate, conference and tour group travel showing positive recovery across our markets. Conferences are also on the rise, with over 3,000 delegates expected to arrive in Dublin for the European Congress of Immunology in September 2024, for example.

### Sustainability transition

There is an expectation for businesses to respond to the challenges of sustainability and the need to transition to a low and zero-carbon economy. For the hotel sector, this means designing, constructing, and operating a sustainable hotel portfolio and upgrading older hotel assets to make them more environmentally efficient. Smaller independent operators may find it more difficult to meet existing and emerging regulatory requirements and emissions targets, and there is an expectation that some of these operators will either leave the industry or become consolidated into larger hotel operators' portfolios.

Dalata continues to progress its sustainability journey, achieving a 27% reduction in Scope 1 & 2 carbon emissions per room sold in 2023 versus 2019. The Green Tourism 'Gold' standard was awarded across all hotels tested in Ireland and the UK. The Group also remains ambitious in the sustainability of its new hotel developments. The building conversion opportunity at St. Andrew Square in Edinburgh will be one of the Group's first properties to be designed to operate with zero on-site carbon emissions. In addition, as a conversion scheme, external consultants estimate it has been designed with approximately 70% lower embodied carbon and 50% lower whole life cycle CO<sub>2</sub>e (carbon dioxide equivalent) compared with a hypothetical new-build structure.

### The macroeconomic picture

Despite mixed economic signals, global GDP performed stronger than expected in 2023, with conditions appearing reasonable as we enter 2024. The IMF projects 3.1% global GDP growth for 2024 (as of January 2024), with 0.9% growth projected for the Euro Area.

### Focus on our largest markets - Ireland and the UK:

Ireland's economic performance and market confidence have held up well despite mixed global macroeconomic and uncertain geopolitical factors. The Central Bank of Ireland continues to expect growth in the Irish economy through 2024, forecasting 2.5% GDP and 2.5% MDD (modified domestic demand) in their most recent quarterly bulletin (released December 2023). Robust employment and saving levels, along with moderating inflation levels and a more stabilised interest rate environment, support an encouraging outlook.

Similarly, the UK's economy has performed better than expected in 2023. In November 2022, the Bank of England was forecasting a GDP decline of 1.9% in the UK economy in 2023; GDP is now expected to show growth of c. 0.5% in the final 2023 numbers, per the IMF (January 2024). The labour market remains tight, and monetary policy has been successful in moderating inflation levels, with interest rates stabilising from Q3 2023.



# OUR BUSINESS MODEL – VALUE CREATION OVER TIME

## Capital inputs & management

### Financial Capital

By partnering with our financial stakeholders, we seek to grow our hotel portfolio and provide returns ahead of our cost of capital and in line with our ESG priorities.

### Manufactured Capital

By investing in our capital programmes, we aim to maximise the efficiency and value of our existing portfolio and expand our development pipeline.

### Intellectual Capital

In Dalata, we aim to provide a positive experience for all customers and guests through their journey with us. This is achieved through our commitment to innovation, technology, and the development of our people, as well as our focus on exceptional customer service.

### Natural Capital

Through greater integrated decision-making, supported by the environmental steering groups set up at all levels within the Group coupled with external expert advice, sustainable management is embedded in our business.

### Social and Relationship Capital

We nurture our relationships with our communities, society and our environment. We value the trust placed in us by our customers, suppliers and society, and we will always conduct our business in a sustainable way in everything we do.

### Human Capital

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

## Strategic priorities



### Portfolio Growth

See our [Strategic Framework](#)



### Financial Discipline

See our [Financial Review](#)



### Integrating ESG

See our [Sustainability Review](#)



## The heart of hospitality



### Innovation

See our [Stakeholder Engagement](#)



### People Development & retention

See our [Stakeholder Engagement](#)



### Governance

See our [Corporate Governance](#)



## Value created for stakeholders



### Shareholders, banks and real estate investors

Dalata delivered record revenue, operating profitability and Free Cashflow (see APM xi) during 2023. Our strong operating performance, whilst remaining financially responsible, ensures we maintain and grow hotel asset values for our landlords and generate sustainable returns for shareholders.



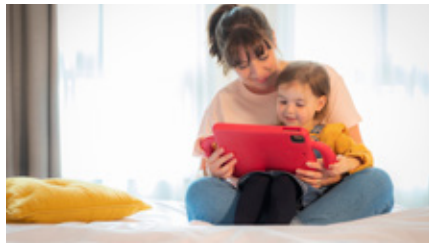
### Employees

We continued investing in our employees through our development programmes and Dalata Academy. Our strategy is to develop our hotel management teams from within where we can and provide them with the skills to continue providing our guests with the best possible service. We aim to provide a fair, inclusive and respectful working environment and, in 2023, launched a range of initiatives on employee wellbeing and mental health, diversity and inclusion and working environment. We also launched an improved employee benefit programme for all employees.



## Delivering excellence in customer service

Creating positive guest experiences and continuing to develop our brands as the leading sustainable hotel operator in Ireland, with a growing presence in the UK and Europe, is at the heart of our vision.



### Customers & Guests

Understanding our customers and guests and delivering a strong service offering are priorities for us. We listen to what our guests tell us by using a range of different communication channels. During 2023, we launched our 100 Voices initiative to gain better and deeper insights from our guests. We also innovated in our guest technology solutions, such as our check-in pods, online room service, and food menu options, to better meet our guests' needs.



### Suppliers

As a large hospitality group, we provide a market for both large and local suppliers to showcase their products. Our supply chain initiatives enable smaller local producers to reach larger markets, and we encourage local and seasonal food and drink offerings at all of our hotels. We also purchase responsibly and support our supply chain in this growing and important area.



### Community

We aim to make a meaningful contribution to the communities where we operate. We encourage our teams to be involved with and, in 2023, they supported many local employment, educational, sporting and charity initiatives. We foster a culture of community engagement with our three regional charity partners and a series of successful fundraising events across the year.



### Planet & Society

The impact of our business on our planet and society is a key strategic consideration. We aim to reduce our carbon footprint through a series of targeted environmental initiatives across our hotels, investment in sustainable developments and responsible procurement. In 2023, the success of our Green Tourism framework supported us in improving our sustainability performance.

# STRATEGIC PRIORITIES

Our strategic priorities are the key drivers for growth for Dalata, supporting a sustainable operating model that delivers strong financial performance and sustained stakeholder value.

## Portfolio Growth



The Group's robust financial position and ambitious teams provide a strong platform for further growth.

## Innovation



A culture of innovation and enterprise across all parts of our business, including operational, technological and central functions, will support us in creating additional value while meeting guest and business performance needs.

## People

Development & retention



Our people are essential to Dalata's ongoing and future success. Our strategy is to develop our future expertise from existing teams and retain motivated and skilled people who continue to deliver superior service to all our customers.

### How are we performing

In 2023, the Group delivered another milestone year with revenues exceeding €0.6 billion for the first time and the opening of the Group's 53rd hotel. The Group added three hotels to its portfolio and secured a building conversion opportunity in Edinburgh. Operations have commenced at the two London hotels acquired in 2023, with both performing well. In September, Dalata announced its second acquisition on the continent with the lease of Clayton Hotel Amsterdam American. The Group is confident in its future growth prospects, with a strong pipeline of over 1,500 rooms in core markets and due to the quality of potential opportunities we are exploring.

### Strategy in action

The Group is delighted to have secured its first opportunity in Edinburgh with the acquisition of a building conversion opportunity, which is superbly located, fronting on to St. Andrew Square, one of the most prestigious areas in Edinburgh. The site includes a Category A listed building, which is currently vacant and approved for office use. The Group has submitted a planning application to enable the construction of a new 4-star Clayton Hotel, which is expected to be completed in the second half of 2026. We have, subject to planning, identified the potential to add 14 additional bedrooms, leveraging our development and operational expertise to enhance the asset value. The overall investment in the project, including the site purchase and the additional rooms added during post-design, will be circa £50m (€58m). This hotel will be one of our first to be designed to operate with zero on-site carbon emissions, with significant potential for biodiversity gains. As a conversion scheme, external consultants estimate it has been designed with approximately 50% lower whole life cycle CO2e (carbon dioxide equivalent) compared with a hypothetical new build structure.



#### Related links

[See our Strategic Framework](#)



### How are we performing

2023 was a year where innovative solutions were introduced across our hotels. For example - new food menu options as part of our Dalata Signature Range programme were developed in partnership with our suppliers, delivering high-quality guest offerings while reducing food waste. An enhanced room servicing offering was introduced, supported by process analytics and modern equipment, which delivered increased productivity, higher employee satisfaction and provided the service our guests wanted.

Our strategy is to continue innovating across our business – each part of our business is being reviewed to identify areas where better solutions can be implemented.

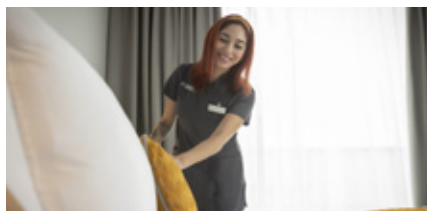
### Strategy in action

We are also rolling out guest check-in pods in selected hotels, which give our guests an alternative and efficient option to check in and receive their room keys. Our Reception teams will continue to provide a personal check-in service for guests should they wish. Our implementation teams continually monitor the rollout of this programme and its benefits to our guests and teams.



#### Related links

[See our Stakeholder Engagement](#)



### How are we performing

The Group continued its investment in its acclaimed development programmes in 2023. The senior management teams for our new openings were recruited from within, providing additional backfill opportunities for new senior managers. The general managers for our 2024 new openings have also been selected from our existing teams, with internal recruitment programmes underway to fill the other senior hotel roles.

Complementing these programmes, our Dalata Academy is a source of task and skills learning, enabling personal development while providing skills to deliver for our guests. Our employee strategies, comprised of tangible benefits in a fair and respectful working environment, continue to support retention across our business.

### Strategy in action

During 2023, over 800 employees participated in development programmes across 15 streams.



#### Related links

[See our Stakeholder Engagement](#)



## Integrating ESG



We strive to be sustainable and responsible across all parts of our business, and our strategy is to embed ESG considerations into all aspects of business performance and decision-making.

### How are we performing

The board is keenly aware of its responsibilities in this area, and various strategies support us on this journey. We adopt a considered approach which is guided by leading industry expertise. Our ESG Committee supports the board in this area.

### Strategy in action

In 2023, we appointed a Sustainable Development Manager to support our decarbonisation strategy and develop our science-based target programme. Our Green Tourism accreditation programme continued, with strong results in all hotels. Our senior management-led steering group has supported the hotels in delivering environmental initiatives relating to energy consumption, waste, recycling, and biodiversity. A project is underway to consider our pathway to CSRD reporting, which the Group will report on in 2025.



#### Related links

[See our Sustainability Review](#)



## Financial Discipline



The Group is focused on generating returns for its stakeholders through operational excellence and maintaining a robust and stable capital structure to support the business through the economic cycle. We also strategically acquire assets in areas with opportunities for capital appreciation.

### How are we performing

2023 was a record year for revenue and operating profitability, with revenues exceeding €0.6bn and Adjusted EBITDA of €223m (see APM ii), with strong translation to Free Cashflow of €133m (see APM xi). The Group's financial position remains strong with low gearing and property, plant and equipment of €1.7bn, with a €0.5bn uplift in property valuation delivered since IPO. Dalata delivered a Normalised Return on Invested Capital (see APM xiv) of 13.8% in 2023 (2022: 11.6%).

### Strategy in action

Dalata is focused on improving and innovating operations to respond to the challenges facing the hospitality industry and capitalise on opportunities. During 2023, we started to realise the benefits of our efficiency projects with increases in productivity in our accommodation and food and beverage departments, in addition to enhancing our employee and customer experience. 'Like for like' Hotel EBITDAR margin (see glossary) increased from 41.7% in 2022 to 42.3% in 2023, supported by our relentless focus on proactively managing the impact of inflation on our cost base. Excluding the impact of Covid supports from government during 2022, Hotel EBITDAR margin would be 380bps ahead in 2023.



#### Related links

[See our Financial Review](#)



## Governance



As a responsible business, the Group operates to the highest corporate governance and business conduct standards. We apply the principles of fairness and respect in how we manage our business.

### How are we performing

Dalata strives to comply with the provisions of the UK Corporate Governance Code and has a well-established board and board sub-committee structure. Our gender-balanced board has a wide range of relevant expertise, supported by a sound governance framework.

Our business culture is embedded in the Group and supports how we operate. We strive to treat our employees, suppliers and business partners with respect. Our position as a valued partner in the hospitality industry shows how our conduct supports our strategy.

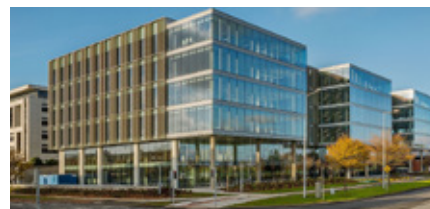
### Strategy in action

In 2023, the board commissioned Independent Audit to challenge and assess the board's effectiveness. They attended several board and board committee meetings and met separately with executives and advisors who interacted with the board. The board considered their report in November, and recommendations will be implemented in 2024.



#### Related links

[See our Corporate Governance](#)



## OUR SUSTAINABILITY PHILOSOPHY

# Growing an economically, environmentally and socially sustainable business

We approach our business with a multi-stakeholder mindset, infusing our core business strategy with our focus on environmental and social sustainability.

There is only one strategy, and delivering it is everybody's job.

### Development and Construction

- Design and planning
- Embodied and lifetime operational GHG emissions
- Nature and biodiversity
- Materials
- Energy efficiency
- Water management
- Community impact
- Funding
- Demolition and materials recovery
- Waste management
- Managing third-party risk
  - Contractors
  - Sub-contractors
  - Supply chain

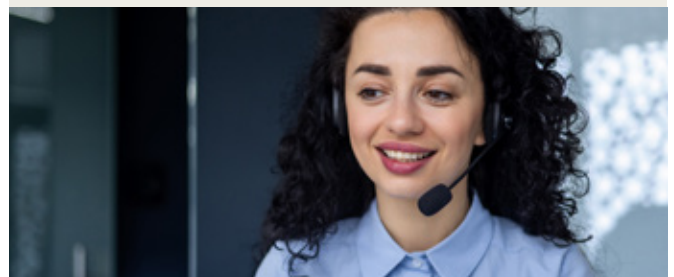
Since 2010, Dalata has opened fifteen new-built hotels and extended many others. It will open four new hotels in 2024 and has two others in pre-construction. The company continuously improves specifications to reduce embodied GHG emissions and minimise the building's lifetime operations emissions.



### Hotel Operations

- Customer care
- Employee well-being and development
- Accommodation management
- Food and beverage services management
- Leisure centre management
- Transportation
- Resource procurement
- Guest supplies
- Food and beverage
  - Managing third-party risk
    - Suppliers of goods and services
    - Supply chain

Dalata has 53 hotels in Ireland, the UK, Germany, and the Netherlands, as well as 12 Club Vitae Leisure Centres. A central office team supports the hotels; it includes specialists in human resources, procurement, health, safety and security management. Please refer to the Delivering Value for our Stakeholders and Climate Related Risk Management sections to read more about our work and its results.





We aim to lead in our high-impact areas and foster a culture of compliance when addressing the broader range of sustainability matters.

Our focus on decarbonisation aligns with the Paris Accord, aiming to limit global warming to well below 2°C above pre-industrial levels. However, before committing to science-based targets, we're evaluating their economic impact. This approach ensures our actions benefit shareholders and sustain our long-term goals. Comprehensive analysis will guide our responsible and strategic commitment to environmental stewardship and shareholder value.

Please refer to the [Delivering Value for our Stakeholders, Climate Related Risk Management](#) and the [ESG Committee report](#) to read more about our work and its results.

## Facilities Management

- Energy Efficiency
- Water management
- Waste management
- Engineering and technology

Our small central facilities management team supports operations in our 53 hotels and 12 leisure centres. This team is dedicated to innovating and implementing strategies that consistently minimise resource use and environmental footprint, reinforcing our focus on sustainable management.



## Refurbishment and Disposal

- Design and planning
- Embodied and lifetime operational GHG emissions
- Materials
- Energy efficiency
- Water management
- Demolition and materials recovery
- Community impact
- Disposal of waste products
- Managing upstream risk
  - Contractors
  - Subcontractors
  - Materials suppliers

The Corporate Development Director is responsible for the management of the maintenance capital expenditure budget, which averages 4% of annual turnover. All significant refurbishment, plant, fixtures and fittings and replacement expenditure requests are challenged to ensure, where possible, we are adopting the most sustainable solution.





# STAKEHOLDER ENGAGEMENT

## Shareholders, banks and real estate investors

### How we engage

Engagement with our various financial stakeholders is very different, but we have grouped them for this report. Dalata values its strong relationships with all stakeholders and believes it gives us a competitive advantage, providing the platform and structures to deliver growth and outperformance. Management and the board ensure regular, open dialogue with shareholders and prospective investors, led by the CEO and CFO, with the support of the investor relations team. Meetings and calls are concentrated around results announcements. However, the investor relations team maintain an open-door policy toward investor enquiries. The CFO manages our relationships with our banks, and the Corporate Development Director manages our relationships with real estate investors.

### Material matters

Management held a group meeting with our banks following each results announcement. Dalata participated in over 150 investor meetings in 2023, attending eight investor conferences and two busy results roadshows in March and September. The Group maintains regular communication with the investor community, issuing updates to the stock market to ensure our financial stakeholders remain up to date with new developments as appropriate.

In 2023, we also engaged an advisor to carry out an investor perception study to externally evaluate how the investor community views Dalata. The study covered a mix of shareholders and sell-side analysts and assessed the participants' views on a number of key areas, including Dalata's strategy, business, financial performance and position, management team, and ESG. There was a strong level of engagement from the participants, and the constructive feedback will help guide our communications in the future.

### Board considerations and actions

At each board meeting, the CFO reports on our engagement with shareholders and potential investors and the feedback received. The board considers the experience of our shareholders and ensures they are always considered in any decision making. The results of the perception study were presented to the Board, demonstrating the importance placed on engagement and listening to our investors. The Corporate Development Director also regularly updates the board on acquisitions and development, including engagement with real estate investors.

## Employees

### How we engage

Board engagement with our workforce is the responsibility of Independent non-Executive Director Gervaise Slowey. The Corporate Governance Report contains an account of her work in 2023, which complements the work of the management team and the board. The board also considers a range of employee-related topics across its meeting agendas and is updated by executives on progress in this area. In addition, the board and committees hold a number of their meetings in our hotel properties, which provides an opportunity to engage directly with our employees and experience the hotel operating environment.

### Material matters

We view our employees as one of our most valuable assets and a source of competitive advantage for the group. Our strategy is to grow and develop future expertise within our teams and provide development opportunities to any employee who wishes to grow within our business. Employee welfare, engagement and the environment that our teams work in are also highly important, and various initiatives to foster a more inclusive and supportive workplace have been implemented or are underway. Our Dalata culture and its stability as the group grows is also a focus area for us. We also strive to ensure that the group complies with all relevant employment legislation in the countries where we operate.

### Board considerations and actions

At its January and August meetings, the board considered the results, trends, and underlying employee sentiment identified from the employee engagement surveys, completed twice a year. Company culture was assessed by the ESG Committee at its February meeting, including consideration of how Dalata's culture would develop as the group expanded. The committee also considered the group's inclusion and diversity strategy at its April meeting, which included topics such as gender pay and barriers to female progression. The board further considered the inclusion and diversity strategy at subsequent meetings, including the Investors in Diversity silver accreditation attained by the group. At its August meeting, the board considered an enhanced employee benefits programme proposed by management. The group's strategy on learning and development, along with the Dalata Academy as a learning source, was considered by the ESG Committee in September.

## Customers & Guests

### How we engage

Multiple levels of the business are engaged in actively seeking, reviewing, and reacting to feedback received from customers and guests through various channels. Central Office teams, including senior management, regularly meet large corporate customers via one-to-one meetings and sales conferences.

### Material matters

Continuing to deliver on our guests' expectations is a significant factor in the group's continued strong performance. We understand that guest needs continue to evolve, and innovation in service delivery, technology, and operational structures support us in meeting these needs. We receive updates from management on these topics and consider strategies to improve our hotel experiences, development and refurbishment plans and the results of guest engagement surveys and market insights.

### Board considerations and actions

Senior executives briefed the board on customer satisfaction index scores throughout the year. Innovations in guest service delivery were considered when included in the Chief Operating Officer's update. The board was conscious of public concern about the high cost of hotel accommodation and supported management's commitment to a responsible pricing model.

### Strategic Priorities alignment



Portfolio Growth



Financial Discipline



Governance

### Strategic Priorities alignment



Innovation



People

### Strategic Priorities alignment



Innovation



People

## Suppliers

### How we engage

Engaging with our suppliers is an ongoing process carried out by our procurement and management teams. In 2023, this engagement focused on responsible and sustainable procurement principles and adopted a partnership approach. The board is briefed by the Chief Operating Officer at each meeting on, among other areas, material supply contract renewals, any tender process and supply chain matters. Our development team manages the relationships with our construction service providers and development partners. Again, the Corporate Development Director provides the board with a comprehensive update at each meeting, including supplier, partner and contractor considerations.

### Material matters

Our operational supplier base and the stability of our supply chains are important factors for the board as these support the delivery of guest services at our hotels. Consideration is also given to actual and potential cost pressures in this process. We also recognise that innovation, supported by our supplier partners, benefits us all. Our construction partners support us in delivering our hotel development strategy. The board considers all development and construction projects before commencement.

### Board considerations and actions

During 2023, the board considered the Chief Operating Officer and the Corporate Development Director updates at each meeting, which included supplier-related matters. Topics reviewed included supply chain costs and product availability due to external factors. The board was also updated during the year on innovations with suppliers, particularly the rollout of our Dalata Signature Food range programme across the hotels. In September, the ESG Committee considered the group's sustainable procurement strategy and framework, its progress and engagement with the group's tier-one suppliers.

### Strategic Priorities alignment



Innovation



People

## Community

### How we engage

Our business model is decentralised, allowing each hotel general manager to lead in building strong two-way relationships of trust with their local community. Our senior executives are encouraged to engage at an industry level, and our teams engage positively in every community where our hotels are located.

### Material matters

Being active in our communities is an important consideration for the board, and we recognise our teams' engagement with and commitment to local community groups, charities and sporting organisations.

### Board considerations and actions

At its April meeting, the ESG Committee considered a detailed update on the group's charity partner programme, fundraising and events calendar. In September, the Committee also considered the social impact of Dalata Academy, including a range of youth development and learning programmes with several external community partners.

### Strategic Priorities alignment



Integrating ESG



People

## Planet & Society

### How we engage

The board and ESG committee have considered Dalata's strategic approach to this key area. We continue to take active steps to evaluate our impact on the environment and society within our business function structures and at our hotels. Executive management has established several central and local steering groups to develop initiatives and support our hotels. We are currently identifying a pilot project on the circular economy, which could be rolled out to a greater degree across the company. We are also expanding online employee training with a five-module package covering energy, waste, food waste, biodiversity, and water stewardship. So far, 10 of our Dublin properties have participated in a Green Skills Course, while 1,537 employees have completed the Environmental Awareness module.

### Material matters

The ESG Committee considered the question of decarbonisation at each meeting, receiving management updates on research into the feasibility of committing to the Science Based Targets Initiative (SBTi). The Committee also monitored the company's progress concerning waste management (where there was a particular focus on food waste in 2023) and water conservation. The Committee also monitored the management's preparation for reporting (from next year) in compliance with the EU Corporate Sustainability Directive (CSRD). The Audit and Risk Committee will oversee compliance with CSRD as we enter 2024.

### Board considerations and actions

In February, the ESG Committee considered an ESG governance report, which included our organisational structures and alignment to ESRS (European Sustainability Reporting Standards) priorities. At its April meeting, the Committee considered priorities from the recently appointed Sustainable Development Manager, including science-based targets (SBTi) and decarbonisation strategy for existing and new-build hotels. In September, papers on double materiality and CSRD (Corporate Sustainability Reporting Directive) readiness were considered. The Committee was also updated throughout the year on ongoing projects, including waste management initiatives, net zero carbon roadmaps and SBTi strategy. The committee chair updated the board regularly on ESG meeting matters. In 2023, the group attained the gold standard in Green Tourism certification for all our hotels in the programme, along with a Gold and Silver for two new hotel additions to the scheme. Green Tourism provides a framework at a hotel level to implement day-to-day measures to improve our sustainability performance. To be successful in this journey, it is critical that we have daily practical engagement with our teams at the hotel level on this topic.

### Strategic Priorities alignment



Integrating ESG



People

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## DELIVERING VALUE FOR STAKEHOLDERS

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# Shareholders, banks and real estate investors

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### Growing our portfolio

**11,400+**  
rooms

**€0.6bn**  
Revenue

**€133m**  
Free Cashflow (APM xi)

**3 hotels**  
added in 2023

**6 new hotels**  
to open from 2024 onwards

After reaching the milestone of 50 hotels last year, we have continued to grow our portfolio with the addition of three excellent properties during 2023 – and we secured our first development opportunity in Edinburgh. We now have 53 hotels across Ireland, the UK and Continental Europe, with a further four hotels planned to open in 2024.

In 2023, Dalata deployed €156m on opportunities in leading hotel markets. In July, Dalata delivered two hotels in London (Maldron Hotel in Finsbury Park and Clayton Hotel London Wall). In October, we saw the addition of our second hotel in Continental Europe – and our first in the Netherlands — Clayton Hotel Amsterdam American. These 2023 acquisitions altogether represented an additional 453 rooms. Our portfolio is now more than 11,400 rooms. We also acquired a building conversion opportunity in St Andrew Square, Edinburgh, where we plan to convert an office building into a new Clayton Hotel.

In 2024, we look forward to the completion of four new Maldron hotels in the UK, adding 834 new rooms, including our first hotels in Brighton and Liverpool. The Group will complete the development of its fifth hotel in London, which is a testament to its ability to compete for opportunities in this gateway city, and the opening of its fourth hotel in Manchester will further strengthen its position in this great city.

Maldron Hotel Croke Park, Dublin, is scheduled for completion in H1 2026, and the Clayton Hotel in Edinburgh is expected to open in H2 2026, adding another 367 hotel rooms to the portfolio. We also plan to add extensions at Clayton Hotel Cardiff Lane, Dublin (117 rooms) and Clayton Hotel Manchester Airport (216 rooms).

In addition to identifying, developing, and acquiring modern, well-located hotels, we also continue to drive efficiency and sustainable work practices across our established portfolio as we provide our customers with a great place to stay, our employees with a great place to work and enhance the communities in which we operate.

Dalata's relationships with its shareholders, banks and real estate investors are critical for its continued successful growth and development. The Group is well positioned to continue to execute its strategic growth strategy with considerable firepower potential from ongoing cashflows to expand its property portfolio over the medium term, in addition to leveraging its strong balance sheet to secure leasehold opportunities whilst always maintaining financial discipline. See our [Ambitious growth strategy](#)

Our new 4-star hotels secured during 2023



**Clayton Hotel Amsterdam American**  
(October 2023 - 4 star hotel, 173 hotel rooms, leased)



**Clayton Hotel London Wall**  
(July 2023 - 4 star hotel, 89 hotel rooms, effectively owned)



**Maldron Hotel Finsbury Park**  
(July 2023 - 4 star hotel, 191 hotel rooms, owned)



**Clayton Hotel St Andrew Square**  
(Expected opening H2 2026 - 4 star hotel, 167 Edinburgh hotel rooms, owned)



## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)



### Case Study:

## Maldron Hotel Finsbury Park

Dalata was delighted to open its first Maldron Hotel in London in July 2023. We were very proud that the 191-bedroom hotel in Finsbury Park has already achieved a BREEAM Excellent rating as well as meeting EPC A status – the most energy-efficient rating a building can achieve. Dalata purchased the ready-to-open hotel at Finsbury Park for £44.3m and invested over £4m into the hotel post-acquisition.

The four-star Maldron Hotel Finsbury Park brings the total number of Maldron hotels in the UK to seven. Four more Maldron Hotels are set to open across the UK in the next 12 months in Shoreditch in east London, Brighton, Liverpool and a second Maldron hotel in Manchester.

## 2022 New UK Additions Coming to Fruition

In 2022, Dalata opened four hotels in Regional UK located in the centre of Manchester, Glasgow and Bristol. In 2023, these hotels made strong contributions to the overall performance of the Group. Led by Dalata teams, who know our culture and processes, these hotels have achieved occupancy levels of 78%, EBITDAR margin of 38% ([see glossary](#)) and a Rent Cover of 1.7x ([see APM xviii](#)).

## Financial Discipline

Financial discipline drives strong financial returns and provides the Group with strategic autonomy when considering new opportunities to create long-term shareholder value. Developing and maintaining excellent relationships with our shareholders, banking partners and real estate investors is critical to how we operate and provides access to long-term leases, debt and equity funding to support continued expansion.

The Group maintains a robust and stable capital structure capable of supporting the business through the economic cycle while withstanding the impact of rapid change in the macroeconomic environment and unforeseen external shocks. The Group's asset-backed balance sheet provides liquidity when required and a strong covenant to secure leasing opportunities. It also allows the

group to benefit from flexible financing and arrangement options, ensuring that Dalata remains agile to secure opportunities that arise.

The Group continues to deliver underlying growth through ongoing monitoring of performance, remaining vigilant for developments in the macro environment and responding proactively.

A robust review of the prospects for the business for the next five years is outlined in our [Viability Statement](#). At 31 December 2023, the Group had cash and available facilities of €284 million, thus maintaining financial discipline and providing flexibility for future growth opportunities.



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## Innovation

By embracing innovation, we can drive competitive advantage, especially in periods of elevated payroll inflation and labour shortages, unlocking efficiencies across the Group. By challenging the way we do things and harnessing emerging technologies, we can effectively respond to an ever-changing regulatory and business landscape and spend more time focusing on what really matters - delivering an excellent hospitality experience to our customers. Our innovation agenda is grounded in looking to best practice in the industry and listening to feedback from our customers and our people.

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### Some examples of projects introduced in 2023 include:

#### Accommodation innovations service

We implemented the results of the detailed study and review of work practices and processes in our accommodation department to eliminate redundant work practices. This included new cleaning equipment, the launch of a new standard 'Room Refresh' service offering, a reduction in physical labour required to maintain service levels under the Group's standing operating procedures ('SOP') and utilising IT to streamline the cleaning process. We now carry out a monthly data analysis review, which has led to increased productivity, reduced labour costs, increased monitoring and evaluation, higher employee satisfaction and the maintenance of a high-quality guest experience.

#### Maldron ground floor lobby redesign

We have invested in a redesign of the ground floor footprint of our hotels, which will be rolled out in some of our new Maldron properties. The new footprint incorporates an optimised workflow, new technology and new ways of working and will provide a high-quality customer offering with fewer staff on average. We believe this change to the Maldron model responds to changing customer needs and enhances their experience. It also allows us to respond to key macroeconomic drivers and changing workforce dynamics while managing the higher cost environment more effectively. We are excited about realising the full potential of these changes in our second London Maldron, which will open in the first half of 2024.

#### Food & Beverage changes

The rollout of the Dalata Signature Range was a response to changing guest requirements, behaviours, and expectations. It also incorporates enhanced sustainability practices in our procurement process, reduces food waste and delivers enhanced revenue management. We are extremely happy with the progress made so far, which has increased the flexibility and offerings in our menus throughout the day while also enhancing the overall consistency and quality of the food. This is an ongoing process to improve food and beverage across the Group, and we will build on this work further during 2024.



## Employees

### Our People

53 hotels, one growing team

Our people-first focus at Dalata is the cornerstone of our success as a hospitality business. We work hard to provide a safe and inclusive working environment for our 5,500-strong team. We do this by maintaining high labour practice standards, creating a space where everyone feels valued and free to contribute equally. This ethos aligns with our new Employer Brand - *Dalata 'A different way, a better way'.*

With most of our team employed in operations and customer service roles, it is vital that we continue to invest in people development and skills.

Our award-winning Dalata Academy and graduate programmes provide team members with the opportunity to upskill, progress in their areas of expertise and accelerate into senior positions within the business.

Our people are the embodiment of our culture, and we want them to grow along with us every step of the way.

#### A snapshot of 2023

<b>585</b> (695 In 2022) internal promotions	<b>56%</b> (44% In 2022) of all management vacancies filled internally	<b>242</b> (290 In 2022) internally developed candidates into management positions
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## Our culture

The warmth of Dalata's open, inclusive, and ambitious culture puts people at the heart of what we do – from our employees to our guests, suppliers and local communities.

### 2023 Employee Engagement Survey

**92%** (91% In 2022)

of our colleagues feel that people from all backgrounds are treated fairly

**96%** (95% In 2022)

feel respected and included by their colleagues

We want to deliver exceptional service and experiences for our customers and guests as we maintain our strong financial performance while creating value for our stakeholders.

Our culture and business decisions are directed by our essential core values of People, Fairness, Individuality and Service.

Recruitment in 2023 was brisk to keep pace with the continued growth in customer demand. This year saw the opening of our new hotel, Maldron Hotel Finsbury Park London, and the acquisition of two further hotels – Clayton Hotel London Wall and Clayton Hotel Amsterdam American.

Each opening embeds the Dalata culture, allowing our people to develop, ensuring a stream of talent to fill key positions.

Fairness and Individuality are the keystones of our inclusive culture in which everyone can contribute and thrive in an open and safe environment. Our 2023 employee engagement survey returned great results which we can build upon.

The results provide an action plan for General Managers and HR Managers as part of their engagement strategy. General Managers' performance in this regard is incentivised through their remuneration package.



### Our Values



### Our People

Whether working alone or as part of a team, you will be able to achieve greatness at Dalata. We give you the opportunity to grow and develop your talent and confidence, allowing you to shine and enjoy a rewarding and fulfilling career.



### Our Fairness

We work hard to maintain a solid, supportive, and fair working environment for our employees, guests, suppliers and the communities we work within.



### Our Individuality

Our people are as individual as our hotels. It is their personality, professionalism and enthusiasm that make each stay at a Dalata hotel memorable, warm, and engaging.



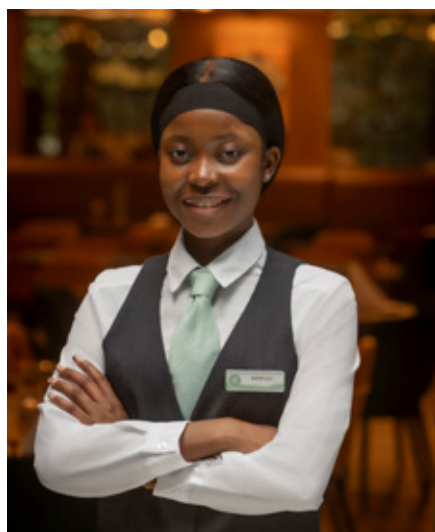
### Our Service

Consistently high service standards are what we are all about. We are always striving for success, and we want to get it right every time.

## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)

### Inclusion and Diversity

Crucial to our success is the flourishing of an inclusive culture.



In 2023, we continued to place an emphasis on inclusion and diversity, which helps attract and retain our talented and diverse workforce.

The Investors in Diversity Silver Accreditation (see box below) was the first time we had conducted a widespread in-depth survey of all employees evaluating our approach to diversity as a company.

The results provide us with valuable insights, giving us a roadmap to implement in 2024 and beyond.

Our silver accreditation was extremely welcome, and while we scored highly in all areas, we know we have some work to do in the areas of disability inclusion, the inclusion of younger and older colleagues and race/ethnicity inclusion.

Big strides were made in Gender equality in 2023, with an extensive consultation project for all female colleagues to identify any barriers to female career progression into senior roles in Dalata, with a report with

recommended actions due in early 2024. This will be added to our Inclusion and Diversity action plan for implementation in 2024.

We will also be establishing a Female Employee Resource Group. Our Gender Pay Gap for 2023 was 8.9% across the Group. This compares to the national Gender Pay Gap average of 9.6% in Ireland. You can read the full Gender Pay Gap report on our website.

To mark the global 'Celebrate Diversity Month' in April, Dalata held food-tasting days and festivities to celebrate the varied cultural backgrounds of our workforce of over 100 nationalities. We also celebrated Pride and International Women's Day and recognised the month of Ramadan.

Training continued in 2023 with Managing Multi-Cultural teams training provided by AllTalk Training for our HR Managers and all Heads of departments. We created an e-module training on Inclusion and Diversity, which we launched to all employees in April.

#### Gender mix at Dalata

**50% Female**

(63% In 2022)  
Board of Directors

**44% Female**

(45% In 2022)  
Senior Leadership Team

**60% Female**

(55% In 2022)  
On Dalata Development Programmes

**56% Female**

(53% In 2022)  
Internal promotions

In 2024, we will continue to emphasise inclusive recruitment, working alongside our partners Open Doors, Employers for Change, The Valuable 500 and IBEC. We plan to seek voluntary disclosure to gain a greater understanding of where we stand in the areas of disability, ethnicity, and educational attainment.

#### Investors in Diversity Silver Accreditation

Dalata was delighted to achieve the Investors in Diversity Silver accreditation in 2023. This involved a survey of all employees on their real-life experiences of inclusion and diversity practices in Dalata. In 2024, we aim to apply for Gold accreditation.



## Learning, Development & Succession

Our well-known Dalata Academy is an excellent one-stop shop for people development, allowing our team to go on to further their careers while meeting our growth strategy and maintaining our culture.

In 2023, over 101,000 e-learning courses were completed on the Dalata Online training portal. In addition, over 81,000 hours of live and on-the-job training were completed – equivalent to 15 hours of training per employee.



One of the most important goals of our People Development and Succession Strategy is developing our people to be future leaders of our business. In 2023, this included:

- Skills development for operational new members of the team who entered hospitality for the first time.
- Our graduate programme, into which we welcomed another 50 graduates in 2023 across eight streams.
- Approximately 800 employees are either completing or have completed a development programme in 2023.
- Management development to ensure a pipeline of internally developed managers

## Labour Practices

Dalata is intensely focused on maintaining high labour practice standards to protect and support our colleagues at all stages of their employee journey. We ensure that we adhere to all labour legislation in the jurisdictions we operate in. However, more than adhering to laws, we are guided by our core values to act ethically with integrity, honesty and professionalism in all aspects of our business.

This allows us to provide a fair and safe working environment for our employees, and both employees and managers receive extensive training and support to maintain these high standards, including training on the risks of exploitation through modern slavery.

Any employee documentation is delivered in a timely fashion, and we deal with any employee grievance fairly and effectively. Our disciplinary process is designed to be equitable, with three stages, and requires our managers to uphold our core value of fairness. We provide training and support in all the key areas, such as health and safety and human rights.

Speak Up is our protected disclosure mechanism, which allows our employees to speak up in confidence should an issue arise. As part of induction, all new employees complete a training module on labour practices and are briefed on the policies, guidance and safeguards that are in place.

### 2023 Highlights

We are constantly reviewing our policies to protect employees' rights. In 2023, we:

- Reviewed our uniform and grooming standards with an inclusive lens and have a revised version in draft.
- Drafted a new Workplace Transition and Trans policy to support and protect our employees who are transgender and to outline a best practice approach to support those who wish to transition while being a Dalata employee.
- Have seen an increased understanding and use of Speak Up

Investment in our Human Resource Team to maintain Dalata Culture in 2023:

- 18 HR and Learning and Development professionals in our Central HR Team
- 43 HR Managers across the Group
- 19 people graduated from our HR Development Programme
- 11 HR Graduates commenced in September 2023



## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)

### Employee Engagement & Wellbeing



Caring for our people's wellbeing is at the forefront of our organisational agenda. We are committed to supporting our team's efforts to lead healthier, more active lives.

In 2023, we launched our new Wellbeing strategy, focussing on three main elements of Mental, Physical and Financial Fitness.

We also achieved accreditation in the form of the IBEC KeepWell Mark in Ireland & Health at Work Workplace Wellbeing Charter in the UK. The KeepWell Mark and the Workplace Wellbeing Charter are the gold standard for health, safety, and workplace wellbeing in Ireland & the UK.

This achievement places Dalata at the forefront of Ireland's and the UK's collective efforts to elevate workplace health and wellbeing. We want to nurture best practices and high standards of supporting employees with their wellbeing, and The KeepWell Mark and Workplace Wellbeing Charter will steer us towards our own needs as a company and help strengthen our strategy for wellbeing so that our people continue to benefit from our commitment to their health and wellbeing.

TELUS Health (Wellbeing Platform & Employee Assistance Programme) is a wellbeing solution that provides resources, support and advice across a range of topics such as family, health, money and work. We will continue to encourage members of our team who may be struggling to access supports available through TELUS.

#### TELUS Health

**647**

current active users during the last reporting 12-month period (October 2022 to September 2023)

This is an annualised utilisation of the TELUS employee wellbeing app of **2.17%** - an increase of 0.48% from the previous year

We provided support to **95 employees** through 19 services over the 12-month period.

It is our intention to create a physically and psychologically safe and inclusive environment for all our people, with a focus on prevention rather than treatment.

Details of the initiatives for 2024 include:

- Develop the wellbeing strategy further based on the two accreditation reports.
- Continue with Mental Health First Aid Training.
- Have a minimum of 1 Mental Health First Aider in each hotel and roll out awareness training to management and the teams.

### Engagement Surveys

In 2023, two engagement surveys were carried out over two weeks in both July and December. **Participation was 15% above the consumer benchmark for similar organisations, with 89% in July and 88% in December.** July saw us achieve an overall engagement score of 8.6. This increased in December to 8.9 – 0.9 above the consumer benchmark.

The statement "**Employee Health and Wellbeing is a priority of Dalata**" scored 8.9 overall in December – **up from 8.6 in July.**

"**I have the necessary mental and physical health to perform effectively at work**" scored 9.1 overall in December – **up from 9.0 in July.**

"**Senior leaders at Dalata show that employee wellbeing is important to them**" scored 8.8 overall in December 2023 – **up from 8.6 in December 2022.**

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# Customers & Guests

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## Satisfied customers are our goal

Our team's aim is that any person or organisation that engages with us as a customer – from guests and corporate clients to tour operators and other organisations – enjoys a positive and memorable experience.

First-class customer service can be found at all our Dalata properties. We credit this uniformity of excellence to our flexible, decentralised business model, which means that no matter where we serve our customers, we can tailor our offering to their needs and expectations.



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## Customer Research

This year, we formed the Dalata Customer Panel, comprising 150 individuals from Ireland, the UK, Germany, and the Netherlands. The panel will serve as a touchstone for the business, providing feedback through one-on-one interviews and focus groups to help us understand the mindset of our target audience. The initiative is a critical resource and will help empower our brands to make better, more informed, customer-led decisions.

In addition, we have commissioned an external agency to conduct Point of Sales (PoS) and customer journey audits on 51 of our properties across Ireland, the UK, and Europe. These audits are supplemented with findings from a series of field research

projects carried out on two Clayton and two Maldron properties in the UK and Ireland. The research uses state-of-the-art eye-tracking technology to track exactly what customers are seeing at these properties. This data will help our team make better choices about how and when we should interact with customers, how we can enhance their overall experience when staying in our hotels, and where we should place our PoS to maximise returns.

The results of these audits will help us build our best-in-class PoS design and delivery system, which will enable us to deliver consistency in our communications across all hotels.

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## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)

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### Customer Feedback

In 2023, we welcomed 5.3 million sleepers to our 53 hotels and continuously monitored their feedback on key measures, including customer service, cleanliness, atmosphere, location, and price. We also receive monthly reports from our online guest sentiment trackers, which help us understand customer sentiment across our key business drivers and deliver on their needs.

The feedback led us to identify an opportunity to improve our evening dining experience. In 2023, food and beverage revenue grew to €117 million. We believe there is more potential to enhance our customers' overall experience by enhancing customer experience in our food and beverage division.

Feedback for 2023 shows that we are seeing positive momentum in how our customers rate us.

**Our 'Value for Money' score in Ireland is 80.** While this is down from 84 in 2022, the drop-off is attributed to inflation and the supply and demand fluctuations affecting the tourism and hospitality industry.

**Customers love our locations.** Positive sentiment on this issue moved from 88 in 2019 to 91 in 2023.

**We do the basics well.** Cleanliness has increased by one point to 75 in 2023. Overall, customer satisfaction has remained stable at 85.

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### Using tech to enhance the experience



Our commitment to enhancing the experience of our customers, particularly in the areas of guest services and customer booking, has been the driving force behind our recent investments in digital technology.

In 2023, our digital guest platform served over 500,000 customers, facilitating check-in, check-out, room service and guest information. This comes following the launch of our redesigned booking engine in 2022, an easy-to-use online tool allowing customers to enrol in our members' programme and to book directly with us. This has not only strengthened our relationships with our customers but has also given them access to the best rates when they book through Click-on-Maldron and Click-on-Clayton.

In 2023, we grew the share of room nights booked directly through our brand websites. The creation of a new, simple and efficient digital shopping and booking experience increased the average spend per room per night and made it easier for our customers to access our products and services.

We also reviewed search engine marketing strategy by partnering with Core, a digital marketing agency. Scaling down the number of Google and Microsoft ad accounts helped us optimise campaign performance and quickly onboard new openings and acquisitions.

We plan to continue our investment in digital technology in 2024. We plan to launch new websites for all brands, with design based on first-party customer insights and research, user experience audits, and benchmarking against industry leaders. Built on composable architecture, the modular tech stack is pluggable, replaceable, and scaleable. Our ambition is to create a world-class experience founded on customer research and expert analysis of leading hotel and travel sites inspired by world-class brands.

The results of an econometrics-marketing mix-modelling (MMM) project to holistically measure the impact of media investment on business performance have shaped our media investment strategies and planning for 2024. We will complete another MMM study in early 2024 to analyse the effectiveness of Dalata's marketing activities and refine our approach further.

Email direct marketing remains an incredibly cost-effective channel. Analysing sent data and overlaying consumer segmentation has helped us develop a more personalised approach to our communications strategy, which has increased bookings by 47% in the past 12 months.

Also, in the last year, we launched self-check-in pods; the pods give customers an alternative that many of them value.

## Our Brands

Maldron Hotels and Clayton Hotels are our principal hotel brands. We operate 27 four-star Clayton Hotels and 22 Maldron Hotels. We also own The Gibson Hotel and Samuel Hotel brands.

We own and manage a number of ancillary brands which are located within our hotels, including our Grain & Grill restaurant, which is part of the Maldron Hotels brand, our individually named restaurants in our Clayton Hotels, 45 Red Bean Roastery hubs, four stand-alone coffee shops, and 12 Club Vitae leisure club facilities across both hotel brands.

As well as our core and sub-brands, we use associations to drive awareness of our sustainable business management model, including, for example, Green Tourism, which offers sustainable accreditation. In 2023, we achieved 50 Gold accreditations, up from 48 in 2022. We also received Green Meeting Gold Standard accreditation across all 48 hotels that applied.

We plan to invest more in understanding our brands and our customers, ensuring we build customer-centric plans that meet our customers evolving expectations and drive recognition of our brands.

Corporate customers are critical to our success. Dalata had over 2,000 corporate accounts active in 2023, and this is a key growth platform as companies seek new solutions in a post-pandemic world. We have sales teams in each of our properties, providing great service and creating tailored experiences for our corporate customers.

Dalata also has a strong heritage with our tour group customers, and our relationships here are unparalleled within the industry.

In 2024 and beyond, intensifying our focus on our customers and brands will become an increasingly important priority for the business. We believe there is untapped potential in this space, which can enhance the overall value for our business.





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## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)

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# Suppliers

### Strong partnerships reap rewards

Our goal of delivering excellent customer service and experiences is vitally supported by our strong supplier relationships.

These partnerships, many of which are long established, are fundamental to the profitability of Dalata. Sustainable procurement is a key requirement when it comes to the awarding of all main supply contracts, following a thorough and complete tender process.

Dalata's procurement team put sustainability goals at the heart of all supplier contracting.

The success of our Dalata Shared Services function has greatly improved the promptness of payment through our centralised order-invoice matching and payment platform. This has delivered efficiencies while offering certainty to suppliers of payment on time and in full.

### Focus on grassroots

Market trends and new supplier collaboration opportunities are constantly informing our central purchasing function.

Throughout 2023, we introduced several new local suppliers – particularly for the supply of fruit, vegetables, and meats – giving us more local supply as well as better choices amid an inflationary market.

The launch of the Dalata Signature Food Range in the first quarter of 2023 was an initiative between our suppliers and Group Chef Team to develop dishes with full foodservice industry standard operating procedures (SOPs), improving efficiencies and delivering consistency to our customers.

We carried out showcase events in both Ireland and the UK of our new Signature Food Range with the rollout of full SOP documentation through our Procure Wizard platform.





## Engaging with our suppliers



Good relationships with our suppliers ensure that they are responding to our needs and that we, in turn, provide value for them.

In August 2023, we carried out a series of Supplier Engagement webinars, focusing on biodiversity and, particularly, on supply chain sourcing.

Following on from what we learned, we held intensive one-to-one meetings with the Tier 1 suppliers to offer us a deeper insight into the maturing of this supplier group and their ability to deliver on the target of collection of Scope 1 & 2 Carbon data by 2024.

The supplier meetings helped pinpoint potential gaps that we can address. A gap analysis document allows us to identify training and support needed for any supplier who might fall short of this target.

Dalata Group Published Target

**“Collecting carbon emissions Scope 1 & 2 data from 100% of Tier 1 suppliers by 2024”**

We selected 24 of Dalata's largest and most influential suppliers to engage with for this survey.

### 2023 highlights:

Ensuring security of supply in a challenging supply chain environment

Setting the agenda with our suppliers around expectation of the integrity of the supply chain

Setting sustainable procurement targets and goals

Engaging with more local suppliers supporting small businesses and increasing the supply options

## Community

### Fostering partnerships in our localities

Working with local communities is a vital component of our focus on sustainability and engagement with our neighbours. We set out below some of the ways in which we are actively involved in our communities.



### Charity partnerships

**€67,778**

Donations made to flagship charity partners

**€251,665**

Amount raised by employee fundraising for flagship charity partners. An increase of almost €105,000 or 72% on the 2022 figure, which was €146,743

**€319,443**

Total Giving (to Charity partners)

Our strong partnerships formed with trusted charities are still going strong two years on, thanks to the infrastructure we put in place to ensure successful outcomes and to create the greatest social impact possible. Our employees chose the theme of Health and Wellbeing for our charity engagement, and we are making a significant positive impact with our three chosen charity partners.

Our innovative network of 'charity champions' plan and drive fundraising activities and other initiatives at an individual property level, while centrally, we have established a charity committee to help drive group initiatives.

In 2023, based on feedback from the previous year, we extended our Dalata Digs Deep Week from a week to a whole month as a focus period for charity fundraising. More than 200 fundraising events – an increase of 30 from the previous year - took

place across all Dalata hotels in September. These included the Great Dalata Cycle, which raised almost €40,000 – our largest fundraising event of the year.

From Sky Dives to Bungee Jumps, running marathons to half-marathons and 10K races, from voting to pie your manager or dunk them in a pool, our own employees, customers, and guests went above and beyond to 'dig deep'. Bake sales, car boot sales, football matches between hotels and climbing mountains were among the many innovative activities that bolstered our support for charities in 2023.

## Impact of our fundraising



### Republic of Ireland

As a result of our fundraising to date, the Marie Keating Foundation commissioned the purchase of two new mobile vehicle units that will appear in communities across Ireland for years to come, providing a space for members of the public to speak to qualified nurses about spotting the early signs of cancer. They originally had three units, but two of these were in desperate need of replacement, and we are delighted to say they can now do this as a direct result of our partnership.

### Great Britain

Leukaemia Care established the CAR-T Away from Home fund as a result of the partnership with Dalata.

Through this programme, we are privileged to support Leukaemia patients and their families by removing barriers to accessing this new life-saving treatment. Dalata tries

to provide heavily discounted hotel stays – where available – to these families. The remaining cost of the stay and other travel costs are paid by the fund.

The treatment, originally only for young people under 25, can last between 30-40 days on average and is only administered in a small number of hospitals in the UK.

So far, the fund has supported 30 patients through the service, with 186 nights of accommodation provided. The average age of patients receiving CAR-T was 14, with the patients travelling on average from 97 to 335 miles to access treatment.

### Northern Ireland

Air Ambulance Northern Ireland is a service that has saved hundreds of lives in the region. The support from Dalata allows them to continue saving lives. They receive, on average, 700 calls a year – or more than two calls every day.

## Community Engagement

Each and every one of our hotels supports their local community in a multitude of ways – from litter clean-ups to sponsoring local sports clubs and community organisations. We also respond to crises or local needs while supporting people with barriers to employment and providing free or low-cost meeting spaces to community partners.

In 2023, we drafted an innovative volunteering policy, which we hope to publish in 2024 to formally facilitate engagement and support our colleagues in supporting their local communities.

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## DELIVERING VALUE FOR STAKEHOLDERS (CONTINUED)

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### Employment Support Organisations

We work with employment support organisations in local communities, allowing Dalata to have a positive social impact by supporting people who may experience barriers to employment. These organisations have a focus on supporting people with disabilities, people who have experienced homelessness, long-term unemployment, and youth unemployment.

In some cases, we provide employment directly and are also learning how we can be more inclusive in our recruitment and workplace practices.

#### Down Syndrome Ireland Partnership

An example of one of these partnerships is a pilot programme we started with Down Syndrome Ireland in 2023. Our aim was to create a successful pathway for adults with Down Syndrome to gain paid employment in the hospitality industry.

We worked closely and diligently with Down Syndrome Ireland to tailor a bespoke pre-employment training and placement programme in our food and beverage departments. This included adapting our normal training plan and investing time and effort as we understood this would be crucial for success.

Five adults with Down Syndrome completed the training and work placement, which resulted in two of the participants entering permanent employment in the hotels they completed their placement with. We were proud to receive the highly commended award for advancing disability equality at the National Diversity and Inclusion Awards 2024 for this partnership.

### Partnership with Down Syndrome Ireland

In 2023, we partnered with Down Syndrome Ireland (DSI) on a training and placement programme for adults with Down Syndrome. DSI were able to advise us on how to modify our training and induction programme for new starters in a way that would be inclusive for adults with Down Syndrome. We had five participants who completed the training and a six-week placement, with two participants offered permanent employment after the placements.

### 26 partnerships

in 2023 between our hotels and local employment support organisations. Through these partnerships, 19 people were hired, and we provided 44 work placements.

### Adopt a School

Our learning and development team launched this community initiative in 2023 with the aim of showcasing careers in hospitality to young students in our communities. This has proven to be a huge success - with 75 of our hotels establishing partnerships with local schools to give career talks, attend career fairs, invite students to the hotel for a tour as well as providing 142 work placements. These partnerships have allowed young people in our communities to discover the opportunities available at Dalata and in the hospitality industry in general.

### 75 schools adopted.

Our new initiative, launched in 2023, has already cemented 75 partnerships with local schools and provided 142 work placements.



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# Planet and Society

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## Our steps to help the planet



We are delighted to have gained Gold standard in Green Tourism certification for all our existing hotels in the programme and a Gold and Silver for two new hotel additions to the scheme.

Green Tourism gives us a framework at the hotel level to put in place day-to-day measures to improve our sustainability performance. To be successful in this journey, it is critical that we have daily practical engagement with our teams at the hotel level on this topic. Our Green Tourism accreditation supports this engagement.



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## Development

In 2023, Dalata undertook an extensive analysis to understand the Science Based Targets Initiative (SBTi) draft buildings sector guidance and actively engaged with the consultation process.

Thanks to this, we have an in-depth understanding of the steps we need to take to achieve our targets to align with the 1.5 Celsius limit for global warming.

We have already begun our programme to remove carbon from our business. Onsite electricity will be part of this pathway but will be analysed on a property-by-property basis.

We are also currently sourcing the first electric bus as we begin the process of decarbonising our bus fleet.

In 2024, we will look to further decrease the carbon of fixtures and fittings. Our newest hotel in Edinburgh will be one of our first properties designed to operate with zero on-site carbon emissions.

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## STAKEHOLDER ENGAGEMENT (CONTINUED)

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### Energy and water management



We continue to see year-on-year improvements in energy consumption reductions thanks to usage awareness, as well as LED upgrades and the installation of aerators in hotel showers.

Improved utility metering of gas, electricity and water gives us crucial data to inform change in our behaviour.

We continue to explore technology to inform heating and cooling strategy, with trials taking place in a small number of hotels to establish the possible cost benefit.

Healthy competition between our hotels to reduce utility usage is driving additional savings in costs.

Since 1 January 2023, some 1,537 employees have completed the water stewardship element of our environmental awareness online training module.

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### Waste

In 2023, we carried out a complete audit of practices with action planning around food waste, focussed on segregation practices SOP and training across the Group. Some of the progress made in 2023 includes:

- All Head Chefs availed of in-depth food waste awareness sessions
- Introduction of the Dalata Signature Food range, fully costed dishes which reduce food production waste

- Hotels signed up to the 'Too Good to Go' initiative to sell left-over daily produce through the app
- We continue to trial camera technology to measure food waste in production and service
- Front of House waste segregation bins have been introduced to hotel public areas.

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### Biodiversity

We are currently defining our biodiversity strategy with a view to setting targets in our hotels in the three areas of construction, general operations and food and beverage operations.

In 2023, we ran a "Grow it Yourself" challenge with some 250 employees taking part, growing vegetables such as kale, French beans, and basil with the aim of raising awareness around reducing food miles and pesticide use to combat biodiversity loss and help pollinators.



We are proud to say that most of our hotels are acting to help pollinators, with activities including planting pollinator-friendly plants and installing insect hotels.



## Climate Engagement

### Customer Engagement

Each year, we have our 'Earth Week' that coincides with Earth Day on April 22nd. During this week, our hotel teams take the opportunity to communicate with their customers about all the sustainability activities and initiatives they are working on. Daily themes include energy, waste, community and biodiversity.

### Training

During 2023, we increased the range of sustainability training courses in our online portal with the development of an environmental awareness module. The five-module package covers energy, waste, food waste, biodiversity and water stewardship. A total of 1,537 employees completed the module in 2023.

We also partnered with Loughinstown Training Centre on a supported QQI Level 5 Green Skills Course for employees wishing to improve their green skills, and ten of our Dublin properties took part.

### Awards

Many of our hotels have won Environmental Awards in 2023, while others were shortlisted for both Environmental and Community-Focused awards.

The Clayton Leopardstown won the Green Business Award with Dun Laoghaire Chamber; Maldron Hotel Parnell/Smithfield/ Kevin Street won Business Environment Initiative and Sustainability Initiative in the Dublin City Council Awards, while the Clayton Hotel Cardiff Lane won 'Responsible Business Award' at the Docklands Business Awards.







## FINANCIAL REVIEW

# Delivering strong returns while executing growth strategy



Revenue of  
**€607.7 million**  
up 18% on 2022

Group 'like for like' RevPAR<sup>1</sup> of  
**€116.69**  
up 11% on 2022

Adjusted EBITDA<sup>1</sup> of  
**€223.1 million**  
up 22% on 2022

Free Cashflow<sup>1</sup> of  
**€133.4 million**  
up 5% on 2022

Basic EPS of  
**40.4 cent**  
(2022: Basic EPS of 43.4 cent)

Strong liquidity with cash and undrawn facilities of  
**€283.5 million**  
(2022: €455.7 million)

Property, plant and equipment of  
**€1.7 billion**  
(2022: €1.4 billion)

Normalised Return on Invested Capital<sup>1</sup> of  
**13.8%**  
(2022: 11.6%)

## Overview

I am delighted to report an exceptional set of results, with year on year growth and record highs for the Group in revenues, EBITDA<sup>1</sup> and cashflow generation. We continue to build a sustainable business for the benefit of all our stakeholders, through our proven decentralised model with high performing, internally developed teams delivering excellent customer service across our growing portfolio.

2023 built on the strong momentum from the significant pent-up demand post pandemic in 2022. In the first half of 2023 we achieved strong 'like for like' RevPAR<sup>1</sup> growth of 23% compared to the same period in 2022 with ongoing recovery to both occupancy and ARR, particularly as Q1 2022 was impacted by Covid-related restrictions. The second half of 2023 saw more moderated growth rates with 'like for like' RevPAR<sup>1</sup> increasing by 2% on 2022 levels.

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## FINANCIAL REVIEW (CONTINUED)

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The Group achieved revenue of €607.7 million, up 18% from last year, which converted to Adjusted EBITDA<sup>1</sup> of €223.1 million, supported by the strong performance at our existing hotels and new hotels added to the portfolio. We have responded to the challenges and opportunities facing our industry with agility and ambition while striving to remain true to our values of financial discipline and sustainable growth. We have had success with our innovation projects this year with benefits for our profitability whilst protecting or indeed enhancing our customer and our employee experience. We will continue to focus on driving innovation and efficiencies across the business to offset the impact of rising costs, particularly in payroll following increases in minimum wage rates in Ireland and the UK. The rates increased by 15% and 27% respectively from 2019 to 2023. Yet, despite this and significantly more elevated energy costs in recent years, the Group's Hotel EBITDAR margin<sup>1</sup> for 2023 exceeded the comparable levels in 2022 and was in line with 2019 levels on a 'like for like' basis. With minimum wage increases of 12% and 10% in Ireland and the UK in 2024 and payroll costs representing 41% of our operating costs in 2023, it will be an ongoing challenge to maintain margin percentages. However, our focus and our successes to date mean we are well positioned to continue to respond.

Property, plant and equipment amounted to €1.7 billion at the end of 2023 and delivered gains on revaluation of €94.1 million during 2023 underpinned by growing EBITDA<sup>1</sup>. The carrying value of the Group's land and buildings is €0.5 billion greater than under the cost model, showcasing the Group's ability to deliver value through successful acquisition and/or development and strong

operating performance. 73% of the value of our property assets are located in the excellent locations of Dublin and London, offering both protection and opportunity for further value uplifts.

We continue to deliver on our ambitious growth strategy. In 2023 we added three hotels in excellent business and leisure demand cities. We acquired two hotels in London and made our entrance into the vibrant Amsterdam hotel market with the addition of Clayton Hotel Amsterdam American, our second hotel in Continental Europe. We also secured our first location in Edinburgh with a planned hotel conversion.

The ten hotels added to the portfolio in 2022 and 2023 generated €45.7 million in revenue uplift to the Group versus revenue achieved in 2022. All our new hotels have ramped up quickly and are performing well, supported by our experienced hotel teams.

I am excited by our acquisition of a building conversion opportunity at St. Andrew Square, which will be our first Clayton Hotel in Edinburgh. This 167-room hotel, subject to final planning outcomes, will be managed by our in-house development team, and will be one of our first to be designed to operate with zero on-site carbon emissions. Whilst we are still in the planning process, it is a testament to our development team that they have managed to add 14 rooms to the original proposal through clever design working with the operations teams, which will add significant value uplift.

Our capital allocation priorities remain unchanged: maintaining or enhancing our current portfolio, maintaining a strong balance sheet to drive growth, continuing

to invest in strategic hotel opportunities and paying dividends through a progressive dividend policy. The Board has proposed a final dividend of 8.0 cents per share subject to approval at the AGM bringing the proposed full year dividend to approximately €27 million. This represents a c. 35% uplift on our proposed full year dividend in 2019, recognising our commitment to deliver returns to our shareholders and the strong growth in the business.

We are fully hedged on most of our drawn debt, our term debt, until October 2024 and are encouraged by the signs that interest rates are expected to commence receding in 2024.

At the reporting of our interim financial results, I set out the Group's firepower potential of €750 million to grow in the medium term beyond our announced pipeline at that point. Since then, we announced two further acquisitions and I believe our business model and our experience places us in an excellent position to continue to grow the business organically through our underlying portfolio and through strategic acquisitions and developments.

## Group Revenue and Earnings

€million	2023	2022
Revenue (2022 restated)	<b>607.7</b>	515.7
Adjusted EBITDA <sup>1</sup>	<b>223.1</b>	183.4
Group EBITDA <sup>1</sup>	<b>220.2</b>	212.1
Profit before tax	<b>105.5</b>	109.7
Basic EPS (cent)	<b>40.4</b>	43.4

Revenue in 2023 grew by €92.0 million (+18%) to €607.7 million and has continued to build on the momentum gained during 2022. The seven hotels added in 2022 and three hotels added during 2023 contributed €45.7 million of this growth.

Adjusted EBITDA<sup>1</sup> grew by €39.7 million (+22%) to €223.1 million due to strong bottom-line conversion despite a number of cost inflation pressures, namely on payroll. The existing hotels added €38.6 million and the ten recently added hotels contributed €23.3 million. Adjusted EBITDA<sup>1</sup> for 2022 included Covid-19 related government supports totalling €15.2 million.

We disclose Adjusted EBITDA<sup>1</sup> 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.

Adjusting items<sup>1</sup> (the difference between Adjusted EBITDA<sup>1</sup> and Group EBITDA<sup>1</sup>) in 2023 amounting to €2.9 million comprised of acquisition-related costs of €3.8 million and €0.6 million arising from the acquisitions of Clayton Hotel London Wall and Clayton Hotel Amsterdam American respectively, the reversal of previous periods revaluation losses of €2.0 million recorded through profit or loss and pre-opening costs of €0.5 million. In the prior year, adjusting items amounting to €28.7 million comprised of the reversal of previous periods revaluation losses of €21.2 million recorded through profit or loss, net reversals of previous impairment charges of right-of-use assets and fixtures and fittings of €4.7 million, a gain on disposal of Clayton Crown Hotel, London of €3.9 million, net impact on profit or loss of sale of the Merrion Road residential units of €1.6 million and pre-opening expenses of €2.7 million.

The Group's profit after tax of €90.2 million for the year (2022: €96.7 million) represents basic earnings per share of 40.4 cents (2022: 43.4 cents). The Group's profit after tax decreased by 7% year on year, mainly due to the impact of the reversal of previous periods revaluation losses through profit or loss recorded in 2022, which increased profits in that year. Excluding the impact of adjusting items<sup>1</sup>, adjusted basic earnings per share<sup>1</sup> grew by 32% to 41.7 cents in 2023 (2022: 31.7 cents).

## Central costs and share-based payments expense

€million	2023	2022
Central costs	<b>21.1</b>	16.5
Share-based payments expense	<b>5.9</b>	3.3

Central costs amounted to €21.1 million in 2023. This included the positive impact of an insurance provision write-back and discounting of €1.3 million (2022: €0.7 million). Excluding the impact of this, the increase of €5.2 million primarily relates to payroll costs due to additional headcount and pay increases post pandemic era restrictions to support the growth of the Group and increases in performance-related remuneration for executive directors (refer to [Remuneration Committee Report](#)). The Group also incurred additional costs in relation to strategic marketing projects to support the brand refresh and centralisation of digital marketing.

The Group's share-based payment expense represents the accounting charge for the Group's LTIP and SAYE share schemes and increased to €5.9 million in 2023 (2022: €3.3 million) primarily based on the Group's assessment of non-market performance conditions of active LTIP award schemes. The Group also recognised an additional charge of €0.9 million during the year on foot of the vesting of awards granted in March 2020.

## Depreciation and amortisation

€million	2023	2022
Depreciation of property, plant and equipment	<b>32.8</b>	28.4
Depreciation of right-of-use assets	<b>30.7</b>	27.5
Amortisation of intangible assets	<b>0.6</b>	0.6
<b>Total depreciation and amortisation</b>	<b>64.1</b>	56.5

Depreciation of property, plant and equipment and amortisation increased by €4.4 million to €33.4 million in 2023. The increase primarily relates to the acquisition of two London hotels during the year, fixtures, fittings and equipment acquired with the leasehold addition of Clayton Hotel Amsterdam American and the full year impact of the depreciation of Maldron Hotel Merrion Road, Dublin which opened in August 2022.

The depreciation of right-of-use assets increased by €3.2 million to €30.7 million for the year ended 31 December 2023, primarily due to the full year impact of six leased hotels added to the portfolio during 2022, and the impact of the lease of Clayton Hotel Amsterdam American, which was added in October 2023.

## FINANCIAL REVIEW (CONTINUED)

### Finance costs

€million	2023	2022
Interest expense on loans	15.6	7.9
Impact of interest rate swaps	(6.9)	(0.2)
Other finance costs	1.3	2.4
Net exchange (gain)/loss on financing activities	(0.2)	0.2
Capitalised interest	(2.0)	(2.5)
Interest on lease liabilities	42.8	38.1
<b>Finance costs</b>	<b>50.6</b>	<b>45.9</b>

Overall, finance costs (before capitalised interest and excluding lease interest) amounted to €9.8 million in 2023, decreasing by €0.5 million compared to 2022. Lower banking margins on the Group's term loan and RCF drawn amounts, which are set with reference to the Net Debt to EBITDA<sup>1</sup> covenant levels, lower commitment fee charges, which are benchmarked as a percentage of margin, and lower average borrowings were mostly offset by the impact of IFRS 9 accounting adjustments recorded in 2022 which reduced finance costs in the prior year and a higher variable interest cost on RCF drawn amounts.

Interest on lease liabilities for the year increased from €38.1 million in 2022 to €42.8 million in 2023 primarily due to the full year impact of six leased hotels added to the portfolio during 2022, and the impact of the lease of Clayton Hotel Amsterdam American, which was added in October 2023.

The Group's weighted average interest cost in respect of Sterling denominated borrowings was 3.2% (2022: 3.6%).

### Earnings per share

Cent	2023	2022
Earnings per share – basic	40.4	43.4
Earnings per share – diluted	39.9	43.2
Adjusted earnings per share – basic <sup>1</sup>	41.7	31.7

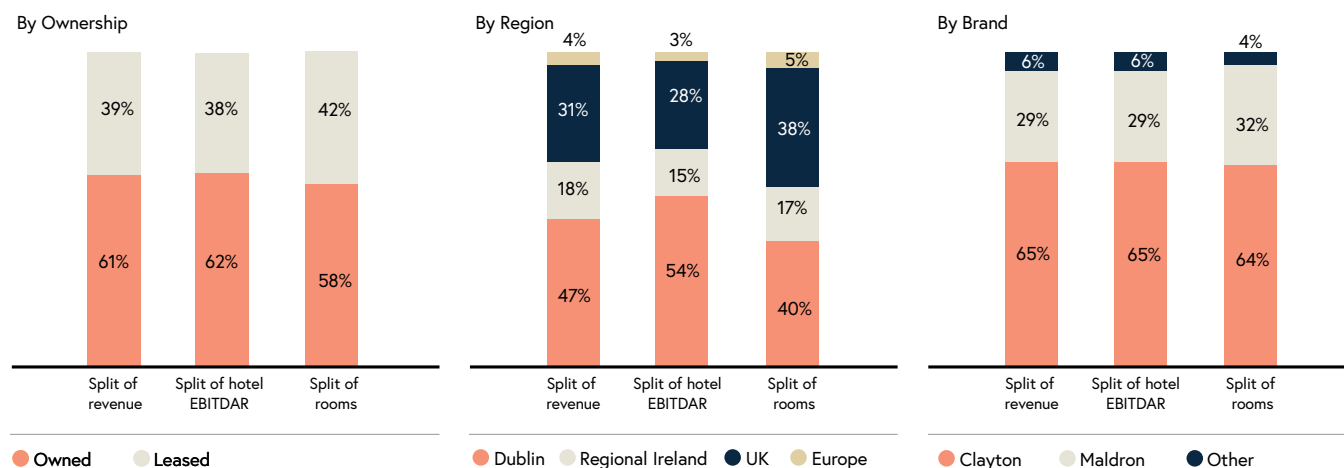
The performance of the Group in 2023 has resulted in basic earnings per share of 40.4 cents per share (2022: basic earnings per share of 43.4 cents per share). The decrease compared to 2022 is primarily due to a large reversal of valuation losses recorded through profit or loss in 2022 of €21.2 million following pandemic recovery. When excluding the impact of adjusting items<sup>1</sup>, adjusted basic earnings per share<sup>1</sup> grew by 32% to 41.7 cents per share.

### Tax expense

The Group's effective tax rate for the year was 14.5% (2022: 11.8%), resulting in a tax charge of €15.3 million. The Group's effective tax rate increased from the prior year mainly due to non-taxable gains, such as the reversal of previous periods revaluation losses and the gain on disposal recorded in the prior year profit or loss which decreased the effective tax rate in the prior year.

<sup>1</sup> See [Financial Review endnotes](#)

### Group Snapshot of Owned and Leased Portfolio at 31 December 2023





## Trading Review by Segment

### Dublin

The Dublin portfolio delivered Hotel EBITDAR<sup>1</sup> of €135.9 million for the year, representing growth of 15% compared to Hotel EBITDAR<sup>1</sup> in the prior year of €118.5 million (which included Covid-19 related government support totalling €9.2 million). The two new hotels opened during 2022, The Samuel Hotel and Maldron Hotel Merrion Road, contributed an increase of €4.9 million. 'Like for like'<sup>2</sup> Hotel EBITDAR margin<sup>1</sup> was 47.6% in 2023, 360 basis points ahead of 2022 levels (excluding Covid-19 related government support).

Revenue for the Dublin portfolio totalled €286.1 million in 2023, up €35.5 million (14%) on the prior year. 'Like for like' hotels<sup>2</sup> contributed €26.4 million of this increase, while the two hotel additions during 2022 added a further €9.1 million.

'Like for like' Dublin RevPAR<sup>2</sup> for the year was €132.89, up from €119.98 (+11%) in 2022. The 'like for like' Dublin hotels<sup>2</sup> returned to high occupancy levels achieving 84% in 2023, supported by the recovery in the first quarter. Average room rate<sup>1</sup> grew by 7% on a 'like for like' basis<sup>2</sup>. The Dublin hotels benefitted from a strong return of corporate demand with conference and corporate business exceeding 2019 levels on a 'like for like' basis<sup>2</sup>. Demand in the final quarter was softer due to the lack of the Autumn Rugby Internationals as a result of the 2023 Rugby World Cup. There was also a 4.5% increase in the VAT rate effective from 1 September 2023. Despite this, for the second half of 2023, 'like for like' RevPAR<sup>2</sup> was in line with the 2022 equivalent levels.

On a 'like for like' basis<sup>2</sup>, food and beverage revenues grew by €4.6 million to €48.3 million (2022: €43.7 million), supported by recovery in the first quarter. We are increasing earnings from our food and beverage outlets through competitive pricing and driving efficiencies to enhance profitability. 'Like for like'<sup>2</sup> food and beverage departmental margin increased to 30% in 2023 (+710 bps on 2022).

Hotel room supply remains constrained with a significant number of rooms being used for the provision of emergency accommodation and external estimates suggest approximately 10% of the total room supply in Dublin is currently out of hotel use.

### Dublin

€million	2022	
	2023	Restated
Room revenue	216.9	190.1
Food and beverage revenue	51.3	45.3
Other revenue	17.9	15.2
Total revenue	286.1	250.6
Hotel EBITDAR <sup>1</sup>	135.9	118.5
Hotel EBITDAR margin % <sup>1</sup>	47.5%	47.3%

Performance statistics (like for like) <sup>2</sup>		2023	2022
Occupancy		84.0%	80.9%
Average room rate (€)		158.28	148.26
RevPAR (€)		132.89	119.98
RevPAR growth year-on-year		11%	

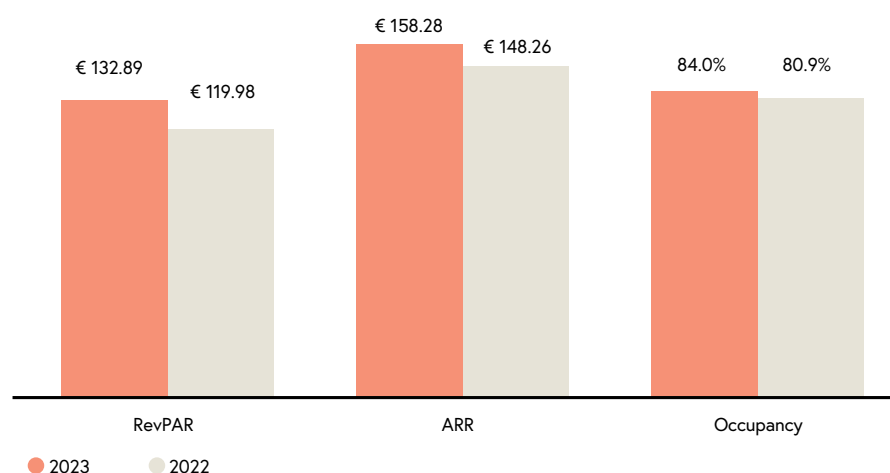
Dublin owned and leased portfolio <sup>3</sup>		2023	2022
Hotels		17	17
Room numbers		4,439	4,437

1 See [Financial Review endnotes](#)

2 See [Financial Review endnotes](#)

3 See [Financial Review endnotes](#)

### Dublin – 'like for like' performance statistics



## FINANCIAL REVIEW (CONTINUED)

### Regional Ireland

The Regional Ireland portfolio generated Hotel EBITDAR<sup>1</sup> of €37.0 million in 2023, which was an increase of €5.3 million compared to 2022. Hotel EBITDAR<sup>1</sup> of €31.7 million in 2022 included Covid-19 related government support of €4.7 million. Hotel EBITDAR margin<sup>1</sup> was 33.0% in 2023, 590 basis points ahead of 2022 levels (excluding Covid-19 related government support).

Revenue exceeded €100 million for the first time, growing by €12.5 million to €112.3 million in 2023 (2022: €99.8 million).

Room revenue growth of 15% benefitted from a continued increase in the number of international travellers visiting Ireland as airline capacity returns to pre-pandemic levels. Occupancy was strong at 79.5% in 2023, up from 74.6% in 2022, supported by a large growth in tour group and corporate business. The hotels continued to grow rates across all customer categories with average room rates<sup>1</sup> increasing by 8% on 2022 levels. Domestic demand also remained robust although travel patterns are normalising. Trade remained strong in the second half of 2023 with RevPAR<sup>1</sup> growth of 7%, led by pricing.

Food and beverage revenues grew by 8% from €28.1 million in 2022 to €30.3 million in 2023, supported by recovery in the first quarter. Strong focus on driving efficiencies resulted in food and beverage departmental margin increasing to 27% in 2023 (+700 bps on 2022).

Similar to Dublin, the provision of emergency accommodation for refugees is reducing hotel room supply in Regional Ireland.

### Regional Ireland

€million	2023	2022
Room revenue	73.2	63.8
Food and beverage revenue	30.3	28.1
Other revenue	8.8	7.9
Total revenue	112.3	99.8
Hotel EBITDAR <sup>1</sup>	37.0	31.7
Hotel EBITDAR margin % <sup>1</sup>	33.0%	31.8%

### Performance statistics

	2023	2022
Occupancy	79.5%	74.6%
Average room rate (€)	135.13	125.48
RevPAR (€)	107.44	93.60
RevPAR growth year-on-year	15%	

### Regional Ireland owned and leased portfolio<sup>3</sup>

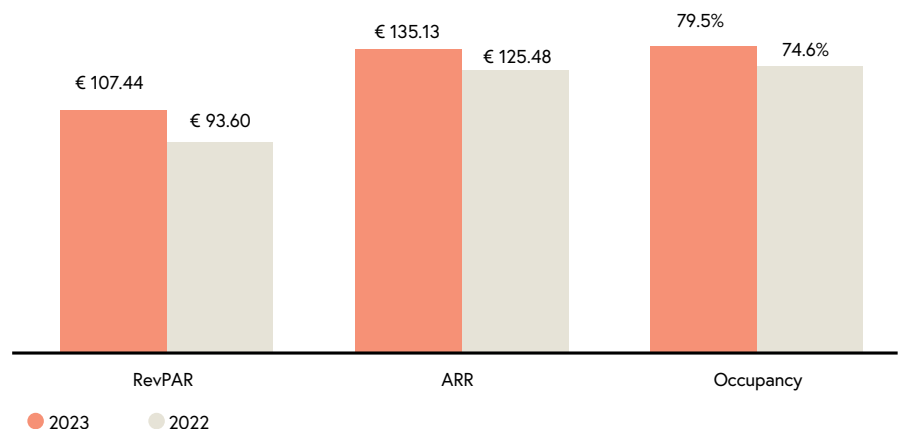
	2023	2022
Hotels	13	13
Room numbers	1,867	1,867

1 See [Financial Review endnotes](#)

2 See [Financial Review endnotes](#)

3 See [Financial Review endnotes](#)

### Regional Ireland – performance statistics



### United Kingdom (local currency)

The UK portfolio delivered Hotel EBITDAR<sup>1</sup> of £62.2 million in 2023, growing £16.4 million (+36%) from the portfolio's Hotel EBITDAR<sup>1</sup> of £45.8 million in 2022 (which included Covid related government support of £1.1 million). This growth reflects an uplift of £10.7 million relating to the full year impact of the four hotels added to the portfolio in 2022 and two additions during 2023. 'Like for like' Hotel EBITDAR margin<sup>1</sup> of 39.4% in 2023 was 260 basis points ahead of 2022 levels (excluding Covid-19 related government support).

The four hotels added to the portfolio during 2022 performed well achieving a Rent Cover<sup>1</sup> of 1.7x despite being only in their second year of operation and open on average for 20 months as at 31 December 2023.

'Like for like' occupancy<sup>2</sup> was strong at 77.8% in 2023, up from 73.7% in 2022. Our London hotels, which had been slower to recover from the Covid-19 pandemic, rebounded strongly from the ongoing recovery in inbound leisure travel and corporate business during 2023 with RevPAR<sup>1</sup> 17% ahead of 2022 levels on a 'like for like' basis<sup>2</sup>. 'Like for like' RevPAR<sup>2</sup> at our Regional UK and Northern Ireland hotels was 9% ahead of 2022 levels driven by sustained domestic demand, particularly within the corporate category. Trade remained strong in the second half of 2023 with 'like for like' UK RevPAR<sup>2</sup> growth of 3%.

'Like for like'<sup>2</sup> food and beverage revenue for the year grew by £1.6 million (9%) to £19.9 million (2022: £18.3 million) supported by recovery in the first quarter. 'Like for like'<sup>2</sup> food and beverage departmental margin increased to 28% in 2023 (+400 bps on 2022).

### United Kingdom

£million	2023	2022
Room revenue	127.3	101.0
Food and beverage revenue	26.5	22.3
Other revenue	8.0	7.0
Total revenue	161.8	130.3
Hotel EBITDAR <sup>1</sup>	62.2	45.8
Hotel EBITDAR margin % <sup>1</sup>	38.4%	35.2%

Performance statistics (like for like) <sup>2</sup>	2023	2022
Occupancy	77.8%	73.7%
Average room rate (£)	110.68	105.79
RevPAR (£)	86.11	77.95
RevPAR growth year-on-year	10%	

UK owned and leased portfolio <sup>3</sup>	2023	2022
Hotels	18	16
Room numbers	4,242	3,962

1 See [Financial Review endnotes](#)

2 See [Financial Review endnotes](#)

3 See [Financial Review endnotes](#)

### UK – 'like for like' performance statistics



## FINANCIAL REVIEW (CONTINUED)

### Continental Europe

The Continental Europe hotel portfolio includes Clayton Hotel Düsseldorf (393 rooms) which was added to the portfolio in February 2022 and was disclosed within the Dublin portfolio in previous reporting periods due to its size in the context of the overall Group. In October 2023, the Group added the leasehold interest in the Hard Rock Hotel Amsterdam American (173 rooms) which was subsequently rebranded as Clayton Hotel Amsterdam American. Both hotels are operated under leases.

Clayton Hotel Düsseldorf performed well during the year, despite the challenging backdrop of the German economy. The Group continues to integrate the hotel into the Dalata portfolio and we are already seeing tangible benefits of our revenue management approach and relationships as the hotel outperformed in RevPAR<sup>1</sup> growth against its compset<sup>1</sup>. The Group is also

pleased with the performance of Clayton Hotel Amsterdam American since the integration into the portfolio. Both hotels in this region were cash positive for the year or period of trading since being added to the portfolio.

### Continental Europe

€million	2022	
	2023	Restated
Room revenue	16.4	9.8
Food and beverage revenue	4.9	2.4
Other revenue	1.7	0.7
Total revenue	23.0	12.9
Hotel EBITDAR <sup>1</sup>	7.7	2.0
Hotel EBITDAR margin % <sup>1</sup>	33.6%	15.1%

Continental Europe leased portfolio <sup>3</sup>	2022	
	2023	Restated
Hotels	2	1
Room numbers	566	393

<sup>1</sup> See [Financial Review endnotes](#)

<sup>3</sup> See [Financial Review endnotes](#)

## Cashflow generation funding growth ambitions

Free Cashflow<sup>1</sup> of

**€133.4 million**

up 5% on 2022

Free Cashflow per Share<sup>1</sup> of

**59.7 cent**

up 5% on 2022

Debt and Lease Service Cover<sup>1</sup> of

**3.0x**

(2022: 3.1x)

Net cash used in investing activities of

**€214.4 million**

Proposed final dividend per share of

**8.0 cents**

(Full year: 12.0 cents)

Cash and undrawn facilities of

**€283.5 million**

(2022: €455.7 million)

€million	2023	2022
Net cash from operating activities	171.4	207.9
Fixed lease payments <sup>4</sup>	(53.5)	(47.4)
Finance costs paid	(8.7)	(12.2)
Refurbishment capital expenditure	(26.1)	(15.9)
	83.1	132.4
Exclude adjusting items with a cash impact:		
Net impact of tax deferrals from government	34.9	(8.5)
2022 corporation tax payment in 2023	10.5	-
Acquisition-related costs	4.4	-
Pre-opening costs	0.5	2.6
<b>Free Cashflow<sup>1</sup></b>	<b>133.4</b>	<b>126.5</b>
Weighted average number of shares (millions)	223.3	222.9
<b>Free Cashflow per Share (cent)<sup>1</sup></b>	<b>59.7</b>	<b>56.8</b>

The Group continues to generate strong Free Cashflow<sup>1</sup> to fund future acquisitions, development expenditure and shareholder returns. In 2023, Free Cashflow<sup>1</sup> totalled €133.4 million, up 5% on 2022, which benefitted from reduced levels of corporation tax and refurbishment capital expenditure payments.



During the year, the Group paid corporation tax totalling €23.8 million, compared with a corporation tax refund of €1.2 million received during 2022. This increase reflects both an increase in the Group's taxable profit levels as well as the normalisation of the timing of payments. Preliminary corporation tax is typically paid in the year the charge arises however due to the pandemic impact on tax liabilities, the payment of 2022 corporation tax liabilities of €10.5 million did not fall due until 2023 when the 2023 preliminary tax payment was also made.

In April 2023, the Group fully repaid the tax deferrals under the Irish government's Debt Warehousing scheme of €34.9 million (2022: repaid Irish VAT and payroll tax liabilities totalling €2.5 million). Deferrals under the

Debt Warehousing scheme ended in May 2022 and as such no further amounts were deferred during the year (2022: deferred Irish VAT and payroll tax liabilities totalling €11.0 million).

The Group made refurbishment capital expenditure payments totalling €26.1 million (4.3% of 2023 revenues) during the year, compared to payments of €15.9 million in 2022 (3.1% of 2022 revenues). Completion of refurbishment projects was impacted by supply chain disruptions, which reduced the value of payments during 2022. The Group allocates approximately 4% of revenue to refurbishment capital expenditure projects.

This strong cashflow generation, in addition to our stable balance sheet and excellent relationships with our property partners, enabled us to deploy over €156 million into four hotel properties during the year: two hotels in London, one building conversion opportunity in Edinburgh and one hotel in Amsterdam. These acquisitions clearly demonstrate the execution of our ambitious yet disciplined growth strategy, targeting large cities in the UK and establishing a presence in Continental Europe.

1 See [Financial Review endnotes](#)  
4 See [Financial Review endnotes](#)

## Asset-backed Balance Sheet

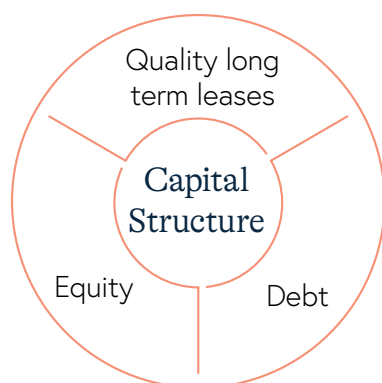
The Group's balance sheet position is strong with property, plant and equipment of €1.7 billion in excellent locations, low levels of gearing and cash and undrawn debt facilities of €283.5 million. Our balance sheet provides security for the facilities provided by our banking club and for obtaining real estate investor lease covenants at competitive yields. There is significant firepower potential from this and on-going cash flows for further growth beyond the committed pipeline.

The carrying value of our property, plant and equipment increased by €257.4 million to €1,684.8 million at the end of 2023 (2022: €1,427.4 million). The increase is driven

by additions of €118.3 million, acquisitions through business combinations of €68.2 million, revaluation movements on property assets of €94.1 million, a foreign exchange gain on the retranslation of Sterling-denominated assets of €7.3 million and capitalised borrowing and labour costs of €2.3 million, partially offset by a depreciation charge of €32.8 million for the year.

### Capital Structure

We are committed to carefully managing our capital structure to ensure we have the right mix of leases, debt and equity while remaining agile in responding to both opportunities and challenges that may emerge.



### Asset-backed balance sheet provides

Strong covenant for real estate investors who are funding some of our growth

Security for our banking partners

Optionality to sell an asset to provide cash for protection or re-investment

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## FINANCIAL REVIEW (CONTINUED)

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### Banking partners

Following the maturity of a €59.5 million revolving credit facility (RCF) in September 2023, debt facilities now comprise a €200 million term loan facility and €304.9 million RCF (both maturing October 2025).

At 31 December 2023 Net Debt<sup>1</sup> amounted to €224.6 million. During 2023, we returned to testing the banking covenants, Net Debt to EBITDA<sup>1</sup> and Interest Cover<sup>1</sup>, having previously reached an agreement with our banking partners to waive these covenants during the pandemic. I am pleased to report that 2023 Net Debt to EBITDA<sup>1</sup> was 1.3x (maximum ratio of 4.0x) and Interest Cover<sup>1</sup> was 19.5x (minimum ratio of 4.0x).

### Real Estate Investors

Our excellent counter-party reputation, robust financial position and ability to finance acquisitions through cash flows and existing facilities has provided access to off-market transactions and led to us securing four opportunities during the year. We continue to expand our network of real estate investors and enhance our relationship as a partner of choice.

Lease liabilities on the balance sheet under IFRS 16 amounted to €698.6 million at year-end (31 December 2022: €651.8 million). The corresponding right-of-use assets were €685.2 million at year-end (31 December 2022: €658.1 million).

### Shareholders

In 2023 we reinstated dividends to our shareholders, which reflects the strength of our ongoing operational performance, cash generation of the business and our confidence in the growth of the Group. The Board has proposed a final dividend of 8.0 cents per share, bringing the full year dividend to 12.0 cents per share and the total payment to approximately €27 million, subject to approval at the AGM. The Group has implemented a progressive dividend policy while also continuing to invest in new hotel opportunities that provide sustainable returns to our shareholders.

1 See [Financial Review endnotes](#)

**Carol Phelan**  
Chief Financial Officer

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### Endnotes

1. See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.
2. 'Like for like' or 'LFL' analysis excludes hotels that newly opened or ceased trading under Dalata during the comparative periods. For newly acquired, previously operating hotels, where pre-acquisition data is available, these hotels are included on a 'like for like' basis for analysis. The 'like for like' Dublin portfolio excludes The Samuel Hotel and Maldron Hotel Merrion Road. The 'like for like' UK portfolio excludes the four hotels added in 2022 (Clayton Hotel Manchester City Centre, Maldron Hotel Manchester City Centre, Clayton Hotel Bristol City and Clayton Hotel Glasgow City), Clayton Hotel London Wall and Maldron Hotel Finsbury Park, which were acquired during the year and Clayton Crown Hotel, London which was sold in June 2022.
3. Room numbers and hotel numbers reported for the Group's owned and leased portfolio includes hotels that are operational at year-end.
4. Under IFRS 16, fixed lease payments are represented by lease repayments and interest on the statement of cash flows.





## RISK MANAGEMENT

### Dalata's risk management framework

Our risk governance structure, which is the framework by which we oversee risk, can be best set out as follows and comprises five principal elements:



The board is responsible for managing risk and the risk culture in Dalata. The Audit & Risk Committee supports the board in this task. A review and discussion of current and emerging risks and the outcome of targeted risk reviews are standing items on the committee's meeting agenda. The board considers risk as part of its decision-making process, and risk is also linked to the Group's overall strategies.

We also have an Executive Risk Committee, which includes the executive directors, senior operations and central office management. The CEO chairs this group, and it meets at least six times annually. This

committee considers risks and opportunities across our business and commissions specific risk analysis, particularly on emerging risks. It also considers practical action plans to better manage risks across our business.

Executive management has a crucial role in managing risks in our business, and they and the hotel and operational teams consider risks on an ongoing basis. Internal control systems and processes assist the hotels in effectively managing risk.

We have several specific risk and oversight functions supporting our business, including health & safety, finance and compliance.

An internal audit function is in place, which assesses the risk management environment and supports the audit & risk committee in this important area.

Supporting our risk governance structure is our risk assessment framework. This framework sets out the process by which risks are managed and the methodology for identifying, analysing and reporting risks.

This is a dynamic process, with the Group's risk register, principal risks and emerging risk profiles being updated at least quarterly.



During 2023, we continued to assess risks in the prevailing economic conditions in our markets and across the broader hospitality and travel market. These conditions also provided opportunities for us, notably in innovations across our business processes and the delivery of guest-facing services. Our risk mitigation strategies delivered improved certainty, particularly with energy and product costs. At the same time, our business information systems continue to provide accurate business information across our hotel estate, enabling us to take prompt and considered action. Our strong asset-backed balance sheet provides us with financial strength and stability.

The Audit & Risk Committee considered the Group's principal risks and emerging risk environment at each meeting. This included consideration of any papers relating to risk, internal controls and risk mitigations. The committee also engaged with internal and external experts on several risk-related topics. These included information security and cyber risks, tax, insurance, claims market conditions, and health and safety risks.



Technology and cyber security risks, along with the emergence of AI and machine learning tools, continue to be areas that are being closely considered. We use internal and external expertise to improve our knowledge and understanding of these topics, including associated threats and the opportunities these technologies could provide. Expert guidance was provided to the board as part of the board training day in November.

Our development strategy is reviewed regularly from a risk perspective by the board. In 2023, we added two hotels to the Group in the UK and our second hotel in Continental Europe, the Clayton Amsterdam American. Our hotel development pipeline remains strong; details are in [Our Strategic Framework](#).

The emergence of climate and non-financial reporting was considered during the year. A senior management-led working group is in place to support the Group's reporting, associated data systems and assurance delivery. Our first report will be published

in quarter one of 2025, and this area will continue to be on the board's agenda throughout 2024.

Our teams' and customers' health and safety remain crucial for the board. We have well-established risk mitigation structures that continue to be reviewed and assessed. External expert oversight is also used in this area, with targeted hotel audit assessments across food safety and operational health and safety areas.

Emerging risks are specifically categorised on our risk register. These are usually brought to the executive risk committee meetings as part of the discussion on the group's risk environment. The risk, its potential impact across our business, mitigations and planned actions are documented and then considered by the audit & risk committee. These risks are followed up over the subsequent meetings and are then integrated into the risk register. For example, in 2023, we considered emerging risks in relation to AI and privacy and updated the Group's acceptable usage policy. Management also

completed risk assessments on several emerging guest health and safety topics, which were subsequently rolled out to the hotel operations teams.

In 2024, we plan to review the Group's risk management framework to assess whether it best meets Dalata's expanding business needs. This will include a detailed consideration of risk capture and reporting, risk appetite and enhanced risk management integration across business functions. The audit and risk committee will oversee this project throughout the year.

The Group will also undertake its debt refinancing programme during 2024. While we do not expect this to create additional risk for the Group, the board will monitor the progress of this project and its completion.

The principal risks facing the Group are set out below. These are not presented in a particular order, as we believe the risks, their business impact and mitigations are, in many cases, interrelated and should be viewed as such.

## Principal Risk Analysis

### External, economic & geopolitical risks

Dalata operates in an open market, and its activities and performance are influenced by uncertainty resulting from broader geopolitical and economic factors outside the Group's control.

These factors can directly or indirectly impact the Group's strategy, labour costs and our direct cost base.

We recognise that current conditions may also provide opportunities for the Group, particularly concerning innovations in guest service delivery, business operation efficiencies and potential acquisitions.

#### Potential risk & impact

An extended period of uncertainty, aligned with external factors, could hinder the Group's financial performance and achievement of its objectives.

#### How we manage the risk

- Board and executive awareness of external circumstances, their actual and potential impact and decision-making processes that allow prompt action.
- The Group also has an experienced management team with functional expertise in relevant areas.
- Modern and resilient information systems that provide the executive and board with up-to-date information.
- A strong asset-backed balance sheet supporting the Group's healthy financial position.

**Trend:** Increasing

#### 2023 Commentary

The risk associated with business uncertainty contains multiple factors, many of which have developed over the past two years. Given the geopolitical, social, trade and economic landscape, we envisage business uncertainty to be a factor over the coming year. During 2023, we reacted to these changing circumstances systematically while continuing to deliver to our customers.

Our strategy of innovating in our business continues to improve business efficiencies and customer experiences while maintaining and growing our business.

We remain confident that the risk management strategies we have implemented during 2023, including the resilience of our cost base, our financial position, improved energy efficiencies and customer and business innovations, will minimise the impact on the Group's performance and financial position.

## RISK MANAGEMENT (CONTINUED)

### Innovation

The hospitality market has seen ongoing change and innovation in its structure and how it delivers on guest expectations. Technological advances in guest bookings, pricing and service delivery in hospitality will continue.

#### Potential risk & impact

There is a risk that the Group does not consider and act, where necessary, to respond to changes in our markets and customer behaviour and does not adapt to changes in the broader hospitality market. This could then cause a loss of competitiveness and challenge the success of our business model.

#### How we manage the risk

- Innovation in our business is a core objective for senior leadership, with ongoing executive management focus on developing hotel trends.
- The Corporate Development Director is responsible for innovation in the Group, though continual innovation is encouraged throughout the business.
- Detailed research on customer wants and needs within our hotels.
- Ongoing review of market trends with feedback from customers and teams on initiatives taken.
- Allocated resources to develop and implement business efficiencies and innovation.
- Enhanced use of business systems, new technologies and information to support innovation.

**Trend:** Increasing

#### 2023 Commentary

The innovation process has delivered multiple examples of change in how we approach tasks centrally and in our hotels. This innovation will, we believe, provide an additional competitive advantage.

We are also conscious of longer-term trends in hospitality and hotels, particularly in relation to guest technology, climate change and sustainability.

Extensive market and consumer research and brand positioning assessments were completed, with initiatives now planned for rollout in 2024.

### Health, safety and security

The Group operates multiple hotels in Ireland, the UK and Continental Europe.

Given the nature of these operations, health, safety, and security concerns will always remain a key priority for the board and executive management. Our strategy has always been one of prevention and planning concerning this risk area.

#### Potential risk & impact

There is a risk that a material operational health & safety-related event, for example, a fire, food safety event or public health event resulting in loss of life, injury or significant property damage, occurs at a hotel and is not adequately managed.

Should such a material event occur, it could impact the Group's operational activities, have a financial effect and divert management resources.

#### How we manage the risk

- Well-established health and safety resources, structures and oversight.
- Supporting health and safety policies and procedures that comply with relevant legislation.
- There is ongoing capital investment in hotel life, fire and safety systems and servicing, and identified health and safety risks are remediated promptly.
- A programme of external health and safety, night safety and food safety audits, complemented by reviews by statutory external bodies.
- Comprehensive insurance and risk assessment programme across the hotel estate.
- Ongoing employee and management training and awareness programmes.
- New hotels are built to high health and safety standards, and all refurbishments include health and safety as a principal consideration.

**Trend:** Stable

#### 2023 Commentary

In May 2023, the Audit & Risk Committee was updated by management on developments in the Group's health and safety environment.

We also conducted a major crisis simulation exercise, which was supported by external experts in this area. Detailed follow-up analysis was completed, with the board updated on the outcome and learnings.

Supported by our health and safety management and reporting tools, in 2023, our hotels completed frequent routine H&S checks and procedures in line with our company health and safety operating policies, all of which are supported and monitored by our central H&S team and further tested by our robust audit programme, delivered by Bureau Veritas. All hotels delivered strong results again in 2023.

In addition, and continuing into 2024, the hotels' operations were audited during the night to ensure they operated to the highest fire, health, safety and security standards.

## Developing, recruiting and retaining our people

Our strategy is to develop our management and operational expertise, where possible, from within our existing teams. This expertise can be deployed throughout our business, particularly at management levels in our new hotels.

We must also recruit and retain well-trained and motivated people to deliver our desired customer service at our hotels.

### Potential risk & impact

There is a risk that we cannot implement our management development strategy as planned or recruit and retain sufficient resources to operate our business effectively. This could impact our guest service delivery and hotel performance.

### How we manage the risk

- The Group invests in extensive development programmes, including hotel management and graduate development programmes across various business-related areas.
- These programmes are continually reviewed to reflect growing business needs and competencies.
- A wide variety of other training programmes are available to all employees, helping our people to develop their careers as they wish.
- Continued focus on the state of labour markets, locally to hotels and from an overall perspective.
- Ongoing development of retention strategies (such as employee benefits, workplace culture, training, employee development programmes, progression opportunities and working conditions).

**Trend:** Stable

### 2023 Commentary

Our strategy in this area remains unchanged. In 2023, the Group ran 15 development programmes with 803 participants. Two new programmes were introduced during the year, and our development programmes attracted 50 university graduates to the Group.

The Group operates in a competitive labour market. A strategic assessment of expected future statutory and living wage rates was completed. During the year, we implemented a range of recruitment and retention strategies around pay rates, flexible working and enhanced benefits. We also launched our employer brand, designed to support Dalata as the employer of choice in our industry.

An updated employee benefits programme was launched for 2024 to support our retention strategy.

## Cyber security, data and privacy

In the current environment, all businesses face heightened information security risks associated with increasingly sophisticated cyber-attacks, ransomware attacks and those targeting data held by companies. Dalata is no different in this regard.

### Potential risk & impact

There is an ongoing risk that the Group's information systems are subject to a material cyber event that could have the potential for data loss or theft, denial of service or associated negative impact.

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

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

### How we manage the risk

- The ongoing security of our information technology platforms is crucial to the board. The Group has invested in a modern, standardised technology platform supported by trusted IT partners.
- Established information technology security resources, systems, procedures and controls are in place. Our Information Security Management System is based on ISO27001 and audited twice annually.
- Tested technology business continuity and recovery plans are in place.
- An established data privacy and protection structure, including dedicated specialist resources, is operational across our business.
- Our teams have ongoing training and awareness programmes on technology and data privacy risks.
- External support and monitoring of cyber and privacy risks by external expertise.

**Trend:** Increasing

### 2023 Commentary

During 2023, the board and the audit and risk committee received internal and external briefings on technology and data protection risks. In particular, emerging new technologies, increased phishing sophistication from advances in AI technology, end user risk and risks associated with external industry partners were considered.

The Group continued its investment to enhance its technology and infrastructure and undertook a range of technology security reviews, including phishing simulations, ransomware and vulnerability scans.

Other privacy initiatives are in place over management and team training, data impact assessments, and improved data protection awareness.

## RISK MANAGEMENT (CONTINUED)

### Expansion and development strategy

The Group's strategy is to expand its activities in the UK and European markets, using a capital-light and long-term leasing model or by directly financing a project, enabled by the Group's financial position.

We recognise that current market conditions provide opportunities to the Group, and we continue to leverage our financial position to avail of opportunities should they arise.

#### Potential risk & impact

There is a risk that as the development programme continues, fewer viable opportunities could become available, or opportunities that do arise could have a higher risk profile. Changes in the cost of financing, yields and the availability of investment funds could also impact the strategy. These risks could hinder our expansion strategy.

#### How we manage the risk

- Acquisitions and development expertise within Central Office.
- Funding flexibility and position as a preferred development partner.
- The board scrutinises all development projects before commencement and is regularly updated on the progress of the development programme.
- Agreed financial criteria and due diligence are completed for all projects, including specific site selection criteria, detailed city analysis and market intelligence.
- A track record of successful new hotel projects and acquisitions supports our position as a trusted market partner.

**Trend:** Stable

#### 2023 Commentary

All development opportunities have been thoroughly researched and considered by the board before any commitment.

The Group's hotel pipeline and expected opening dates are expected to proceed as planned.

During 2023, the Group acquired two hotels in London, one hotel in Amsterdam and a development opportunity in Edinburgh.

### Our culture and values

Dalata's culture is viewed by the board and executive management as a critical Group asset, a market differentiator and a source of competitive advantage.

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

#### Potential risk & impact

There is a risk that the Group's continued expansion, in terms of the number of hotels and countries where we operate, may dilute the culture that has been a key to the Group's success.

This could weaken our performance or result in actions that may not reflect the Group's values.

#### How we manage the risk

- Defined Group values that are embedded in how we, as a Group and individuals, behave, which are set out in the Group's Code of Conduct.
- Consistent messaging on these behaviours by executive management through face-to-face engagement and Group communication channels.
- A comprehensive employee engagement programme.
- Continued investment in training & development programmes supporting our culture.
- Feedback from our people on culture and values.

**Trend:** Stable

#### 2023 Commentary

Culture remains a priority for the board and executive management. The ESG committee considers culture as part of its remit. There is also a non-executive director with responsibility for employee engagement.

In 2023, the Group implemented changes to its regional management structures to support the promotion of our culture and values. The Dalata employer brand was also launched, and a review of our business culture and values is underway.



## Climate change, ESG & decarbonisation strategy

The board is keenly aware of the risks to society associated with climate change and environmental matters. We are also aware that being a socially responsible business supports our strategic objectives and benefits society and the communities in which we operate.

Climate change and the drive for a sustainable and responsible business create risks and provide opportunities for our business.

This area is now subject to increased regulation, reporting and oversight requirements.

### Potential risk & impact

There is a risk that we will not meet stakeholder expectations in this regard, particularly concerning target setting, environmental performance reporting and corporate performance.

Not meeting our strategic goals in this risk area could affect stakeholders' perception of the Group and our financial performance.

### How we manage the risk

- Additional details on how we oversee these risks are in the Climate-related Risks section.

At summary level:

- The Board ESG committee has oversight responsibility for this key area.
- A climate change and decarbonisation strategy is in place across our businesses, with published short-term environmental targets.
- A senior executive-led environment steering group is also in place, supporting hotel initiatives.
- All capital projects are reviewed through a sustainability lens and as part of our overall strategy.
- Inclusion of the group in the Carbon Disclosure Project (CDP), associated reporting, and external accreditation by Green Tourism.
- As with climate and environmental initiatives, significant resources have been put in place to develop initiatives and monitor progress concerning our social and responsible business programme.

**Trend:** Increasing

### 2023 Commentary

The ESG Committee actively supports the board in overseeing the development and implementation of the Group's strategy and targets in this area. See also the committee's report for 2023.

All 48 hotels and our Central Office retained their Gold accreditation from Green Tourism. In addition, 45 hotels were also assessed against the "Green Meeting" standard, with 44 achieving Gold and one new hotel achieving Silver.

In 2023, the Group achieved the Investors in Diversity Silver accreditation and gained the Diversity & Inclusion Award at the Irish Published Accounts Awards 2023.

The Group commenced a wide-ranging project to consider the optimal approach to meeting its CSRD obligations and developing business systems to meet non-financial reporting requirements. This work will continue during 2024 for the Group to support reporting as part of the 2024 year-end process.

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## RISK MANAGEMENT (CONTINUED)

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### Viability Statement

The Board has a reasonable expectation that the Group remains viable, will be able to continue in operation and meet its liabilities as they fall due over the five years to December 2028

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the Group's prospects and viability over the five-year period ending 31 December 2028 through the Group's strategic, risk and financial planning processes. This assessment is made based on a comprehensive analysis of the Group's:

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Business model and strategy (refer to [Our Strategic Framework](#), [Our Business Model](#) and [Strategic Priorities](#))

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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 and the mitigating factors available (refer to [Principal Risk Analysis](#))

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Current trading performance and financial position (refer to [Financial Review](#))

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Policies and processes for capital management, financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit and liquidity risk (refer to [Note 27](#) of consolidated financial statements)

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Contracted capital expenditure (refer to [Note 28](#) of consolidated financial statements)

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Agreements for lease not yet commenced (refer to [Note 16](#) of consolidated financial statements)

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Profile of debt facilities (refer to [Note 24](#) of consolidated financial statements)

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Future trading prospects in scenarios as set out below

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The Group's loans and borrowings are set out in [Note 24](#) of the consolidated financial statements. The Group's debt facilities now consist of a €200 million term loan facility and a €304.9 million revolving credit facility ('RCF'), both with a maturity date of 26 October 2025. The Group will therefore need to agree refinancing terms for these borrowings prior to them falling due. However, we do not expect this will create additional risk to the Group due to the Group's low gearing levels (Net Debt to Value of 14.5% at 31 December 2023 – see [APM ix](#)) and strong covenant with Net Debt to EBITDA after rent of 1.3x at 31 December 2023 (see [APM xv](#)) and Interest Cover of 19.5x (see [APM xvi](#)). For the purposes of viability testing, we have assumed that the Group refinances both the term loan and RCF at similar levels to those currently in place.

#### Assessment process

The directors concluded that five years was an appropriate period for the assessment, for the following reasons:

- It is in line with the Group's forecasting horizon;
- It coincides with the Group's strategic planning horizon used for investment and development projects;
- 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
- An extended period would inherently incorporate greater uncertainty around market performance and expectations.

Whilst all the risks identified in our [Principal Risk Analysis](#), including the financing environment for further expansion, could have an impact on the Group's performance, the specific risks which pose the greatest threat to the business model, future performance, solvency and liquidity are:

#### External, economic & geopolitical risks

An extended period of uncertainty, aligned with external factors, could hinder the Group's financial performance and achievement of its objectives.

#### Innovation

We do not sufficiently respond to changes in our markets and customer behaviour and/or adapt to changes in the broader hospitality market. This could then cause a loss of competitiveness and challenge the success of our business model.

#### Developing, recruiting and retaining our people

We cannot implement our management development strategy as planned or recruit and retain sufficient resources to operate our business effectively resulting in higher pay rates to address the recruitment and retention difficulties.

#### Climate change, ESG & decarbonisation strategy

We fail to meet stakeholder expectations on sustainability, particularly concerning target setting, environmental performance reporting and corporate performance, impacting stakeholders' perception of the Group and our financial performance.

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

## Dalata's strategic, risk and financial planning processes

### Strategic review

- Annual review of the current plan led by the Corporate Development Director
- Board Annual Strategy Days (refer to [Corporate Governance Report](#))
- Updates and approval for new projects are discussed at board meetings (refer to [Corporate Governance Report](#))

### Risk assessment

- Robust assessment of the principal risks (refer to [Principal Risk Analysis](#))

### Financial planning process

- Preparation of a budget for the next financial year and projections for the following four financial years
- Subjected to stress testing and sensitivity analysis
- Regularly updated

## Stress testing

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

## Scenarios modelled

Scenario	Assumptions and level of severity reviewed	Related principal risk(s)
<p><b>1(a). Reduced trading due to external, economic and geopolitical factors</b></p> <p>An extended period of macro-economic and/or geopolitical uncertainty reduces consumer confidence, discretionary spending and corporate travel budgets, negatively impacting the demand for hotels.</p>	<p>18-month downturn with a decline of 15% to RevPAR and 10% to food and beverage ('F&amp;B') revenue versus the base case over the period. Lost revenue has a significant impact on profitability and cash flow due to the Group's high operating leverage. Performance reverts to the base case from July 2025 onwards.</p>	<p><b>External, economic &amp; geopolitical risks</b></p>
<p><b>1(b). Reduced trading if Group does not respond and/or adapt to changes in guest expectations and the broader hospitality sector</b></p> <p>The Group's innovation and sustainability strategies fail to meet changing consumer expectations which results in a loss of competitiveness, impacting the Group's financial performance.</p>	<p>Permanent decline of 10% to RevPAR and 5% to F&amp;B revenue versus base case in each of the years modelled, with resulting impact on profitability and cash flow.</p>	<p><b>Innovation</b></p> <p><b>Climate change, ESG &amp; decarbonisation strategy</b></p>
<p><b>2. Prolonged elevated cost base with labour shortages</b></p> <p>Cost base remains elevated for a prolonged period of time due to a continuation and potential worsening of geopolitical and macro-economic issues.</p> <p>The labour market also remains challenging, where we find it difficult and more costly to recruit and retain talent. This assumes our investment and focus on the Dalata employer brand does not alleviate these issues.</p>	<p>18-month period with additional 5% inflation applied to the operating cost base and central costs, with resulting impact on cash flows. Performance reverts to the base case from July 2025 onwards.</p>	<p><b>External, economic &amp; geopolitical risks</b></p> <p><b>Developing, recruiting and retaining our people</b></p>
<p><b>3. Increased levels of capital expenditure required to meet environmental initiatives</b></p> <p>The Group's portfolio requires additional investment in capital expenditure to align with decarbonisation initiatives to ensure we continue to meet changing stakeholder expectations on sustainability and avoid a loss of competitiveness.</p>	<p>An additional 1% of revenue is spent each year on capital projects related to environmental initiatives (c. 20 – 25% increase in maintenance capex spend per annum versus base case).</p>	<p><b>Climate change, ESG &amp; decarbonisation strategy</b></p>
<p><b>4. A combination of scenarios 1(a), 1(b), 2 and 3</b></p> <p>Directors believe this is a severe scenario and unlikely.</p> <p><b>Principal risks as above</b></p>		

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## RISK MANAGEMENT (CONTINUED)

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### Mitigating actions

Under each of the above-mentioned scenarios, no mitigating actions are deemed necessary to assure the ongoing viability of the Group. If the impact of risks materialising did require mitigating actions, there are a number of actions available to the Group, as demonstrated during the Covid-19 pandemic. These include:

- Decrease expenses through a reduction in all non-essential spend, including bonuses
- Postpone maintenance capex supported by the Group's modern, well-invested portfolio
- For a more severe scenario, spend could be reduced further to include only committed and emergency maintenance capex and an introduction of a combination of pay cuts and reduced hours for employees
- Postpone all uncommitted development capital expenditure/trigger break clauses where applicable
- Execute a sale of one of its hotel assets
- Enter negotiations with banking partners to agree on further support and flexibility
- Engage with landlords to postpone rent payments
- Withdraw dividends
- Raise equity from shareholders

### Reverse Stress Test

Management has also considered a reverse stress test scenario which models the decline in revenue that the Group would be able to absorb before cash and undrawn facilities are reduced to zero prior to the maturity of the Group's debt facilities in Q4 2025.

This scenario is calculated before reflecting any additional mitigating actions other than reductions in the level of refurbishment spend and dividends paid. However, as previously mentioned, a number of mitigating actions could be taken to improve the cash position of the Group under such a scenario.

Despite such a severe stress test which the directors do not consider reasonably possible, the Group would be able to continue operating until Q4 2025 before cash and undrawn facilities are reduced to zero, having taken a revenue reduction of c.55% per annum compared to the base case. The Group, however, would breach covenants from June 2024. For the purposes of looking at the Group's liquidity, this stress test assumes the ongoing consent and support of our banking club to access available debt facilities until maturity.

### Related principal risk(s)

The reverse stress test scenario indirectly considers all principal risks.

### Conclusion

In conclusion, having considered the above scenarios and the mitigating actions available to the Group, the Board has a reasonable expectation that the Group remains viable, will be able to continue in operation and will meet its liabilities as they fall due over the five years to December 2028.



## CLIMATE-RELATED RISK MANAGEMENT

Dalata is committed to responding to the threat of climate change in a responsible and measured way. During 2023, we carried out in-depth research to better understand our decarbonisation pathways.

The company has a long-term ambition to decarbonise its business. However, this is a complex objective for a growth-focused, vertically integrated hotel business. We are concerned with the embedded carbon emissions associated with hotel construction and carbon emissions in our hotel operations.

We continue to assess the feasibility of working with the Science Based Targets initiative (SBTi) to establish a decarbonisation framework aligned with best practice, and we await the conclusion, in early 2024, of the pilot test being carried out on the building sectors guidance. The pilot test phase will ensure that the guidance, criteria and tools are robust, clear and practical. The test will also identify possible challenges for implementing the SBTi Buildings Guidance across regions and business types.

Our finance team is leading the way in developing systems and processes to gather reliable data to support better reporting, measurement and target setting. Last year, we published several short-term targets (up to 2026); we are pleased to report good progress here.

We submit non-financial information to a small number of indices and monitor our standing compared with peers and stakeholder expectations.

	Index	2023 rank or rating
	MSCI ESG Rating	AA  <b>29 November 2023</b>
	Sustainalytics ESG Risk rating	22.0 risk rating 9th percentile in travel, lodging and amusement Ranked 11 of 130  <b>February 2024</b>
	CDP	Climate change C Taking coordinated action on climate issues  In line with the bars, hotels and restaurants sector average of C  <b>2023</b>

This report sets out our approach to climate change risk management, incorporating the Task Force on Climate-related Financial Disclosures framework. We also disclose our eligible and aligned economic activities in accordance with the EU Taxonomy Regulation and report on the ESG concerns most relevant to our financial performance using the Sustainability Accounting Standards Board (SASB) materiality finder.

## CLIMATE-RELATED RISKS (CONTINUED)

### European non-financial reporting directive

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

Reporting requirement	Policies and standards	Further information and risk management
<b>Environmental matters</b>	Environmental policy Supplier Code of Conduct	<a href="#">Stakeholder Review   Planet and Society</a> <a href="#">Stakeholder Review   Suppliers</a>
<b>Employee Matters</b>	Employee Handbook Employee Code of Conduct	<a href="#">Stakeholder Review   Employees</a> <a href="#">Stakeholder Review   Employees</a>
	Health & safety policy	<a href="#">Stakeholder Review   Customers and Guests</a>
	Safe work practices policy Bullying and harassment-dignity in the workplace policy Equal opportunities policy Whistleblowing Statutory Training	<a href="#">Stakeholder Review   Employees</a>
<b>Social matters</b>	Food standards and traceability Community support Privacy policy	<a href="#">Stakeholder Review   Suppliers</a> <a href="#">Stakeholder Review   Community</a> <a href="#">Stakeholder Review   Customers and Guests</a>
<b>Human Rights</b>	Modern slavery statement Data protection policy Supplier Code of Conduct Privacy policy Diversity & Inclusion Policy	<a href="#">Stakeholder Review   Employees</a> <a href="#">Stakeholder Review   Suppliers</a> <a href="#">Audit and risk committee report</a>
<b>Anti-bribery and corruption</b>	Anti-bribery & corruption policy	<a href="#">Stakeholder Review   Shareholders, Banks and Real Estate Investors</a>
<b>Business Model</b>		<a href="#">Our Business Model</a>
<b>Policies followed, due diligence and outcome</b>		<a href="#">Risk Management   Dalata's risk management framework</a>
		<a href="#">Stakeholder Review   Various sections</a>
<b>Description of principal risks and impact of business activity</b>		<a href="#">Risk Management   Principal Risk Analysis</a>
<b>Non-financial key performance indicators</b>		<a href="#">Non-Financial KPIs</a>

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## Governance

### The board's oversight of climate-related risks and opportunities

The board of Dalata Hotel Group takes overall responsibility for the oversight of the Group's climate-related issues. The ESG committee is a sub-committee of the board and oversees the Group's ESG response. Chaired by an independent non-executive director, the majority of its members are independent non-executive directors. The board receives an update from the ESG Committee at each meeting. However, the board's consideration of climate-related issues is not confined to this scheduled agenda item.

Climate-related responsibilities of the ESG committee include:

- oversight of setting material environmental objectives;
- review of the company's strategy to achieve agreed goals and monitor the extent to which they are integrated within the company's business strategy and risk management processes;

- consideration of internal and external reports concerning agreed metrics and targets and key performance indicators for environmental programmes and review progress towards the achievement of such targets and indicators;
- consideration of environmental risks and opportunities and the resources required to manage the company's impact on the environment and review of commitments by the company to reduce operational and embodied carbon emissions;
- reduction in energy usage, reducing waste, and water conservation.

### Management's role in assessing and managing climate-related risks and opportunities

The board is supported in assessing and managing climate-related issues by the Environmental Steering Group and the Senior Management team.

The Environmental Steering Group is responsible for environmental management at the hotel level, including climate-related initiatives such as supporting hotels to achieve emission reduction targets and co-ordinating cross-departmental work at

Group level. Members are senior executives representing each of the primary business functions and include hotel general managers representing the Irish and UK divisions. The Group's leader reports to the COO.

The Corporate Development Director: is responsible for the development and integration (within the business strategy) of the company's strategic response to climate-related issues; evaluates the climate impact of capital allocation; and is responsible for developing the company's decarbonisation roadmap. The Chief Financial Officer develops systems and processes to measure and report non-financial data, including carbon emissions and other climate-related information. The Chief Operating Officer implements agreed climate-related strategies within the business operation and monitors procurement and work of the Environmental Steering Group. All senior management report to the Chief Executive Officer, who sits on the Board of Directors and reports regularly on climate-related issues. The Chief Executive Officer leads the integration of climate-related objectives within the business strategy, delegating responsibility within the executive team and organisation, and monitoring the delivery of objectives by delegates.

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## Risk Management

### Processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Consideration of climate-related risk (and opportunity) is integrated within the company's overall risk management process. This approach, along with ongoing education of executives, is designed to foster a culture of responsibility for managing climate-related issues as part of every manager's job with support from external specialist advisors.

The Company Secretary and Head of Risk and Compliance (reporting to the CEO)

is responsible for risk management and compliance activities across the Group, which includes climate-related risks. He coordinates the activity of the Executive Risk Committee, which is chaired by the CEO and includes the other two executive directors and the COO. This Committee receives inputs from across the executive management team on the management of existing risks and the identification of emerging risks. These include the environmental steering group, the group health and safety management, and the internal audit department. External specialists support the work of this Group, in some cases providing assurance services. Oversight is provided through quarterly reviews by the audit and risk committee, whose members are independent non-executive members of the board.

Risk assessment identifies the likelihood that an event may occur, over what timeline and the impact it would have on the Group's operations.

For the purposes of assessing climate-related risks, the Group defines short-term as up to five years, medium-term as five to ten years and long-term as ten to thirty years. The financial impact is assessed in terms of the effect on reported earnings and/or the carrying value of assets and strategic impact in terms of the ability of the company to achieve its published strategic objectives.

In addition to the quarterly review of risks channelled through the executive risk committee, acquisition and development projects and capital expenditure commitments are subject to separate risk evaluation processes under the direct supervision of the executive directors.

The Audit and Risk Committee reviews the Group's principal risks quarterly, including climate-related risks and reports to the board.

## CLIMATE-RELATED RISKS (CONTINUED)

### Strategy

#### The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Operationally, Dalata has achieved significant savings through our efforts to address climate change risks through improved hotel energy efficiency, water stewardship and resource utilisation, as well as our integration of sustainability best practices across the hotel departments. Climate-related risks and opportunities are considered carefully in the planning and development of each new hotel building project with a view to minimising the energy, embodied carbon and life cycle impacts on the path to low-carbon building techniques, such as net-zero buildings. Dalata has also adopted a sustainable procurement strategy to mitigate climate-related supply chain risk.

The risk of increasing energy costs is factored into business planning and future budgets. Opportunities are also evaluated to release savings associated with more environmentally friendly and efficient processes. The future price of carbon is reviewed for capital expenditure decisions when making the business case. For acquisitions, the energy consumption profiles of a hotel will impact the investment decision. Access to capital may be affected by ratings on investor-led sustainability disclosures such as CDP.

**Climate-related risks and opportunities the organisation has identified over the short, medium, and long term and the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

In line with TCFD recommendations, Dalata undertook a climate-related scenario analysis this year to identify climate-related risks and opportunities. Dalata reviewed two scenarios: a transitional scenario in line with

a 1.5°C world and a physical scenario in line with a >3°C world. In order to make the analysis as relevant as possible, Dalata used a number of external inputs and assumptions to build its scenarios, which are detailed below.

- **Transitional Scenario (1.5°C):** Inputs from the Climate Risk Real Estate Monitor (CRREM) decarbonisation pathways for the UK and Ireland, Ireland's Climate Action Plan 2021, UK Net Zero Strategy: Build Back Greener, International Energy Authority (IEA) Net Zero by 2050 Scenario and the London Energy Transformation Initiative (LETI) were used for a comprehensive view on a Net Zero economy.
- **Physical Scenario (>3°C):** Climate modelling of the IPCC Representative Concentration Pathway (RCP) 8.5 scenario for Ireland (EPA Ireland) and the UK (Met Office UK) were used.

This climate-related scenario analysis helped to identify material risks and opportunities and inform Dalata's strategy to manage these risks, which are detailed further below.

### Risks

	Impairment of property value	Loss of revenue
<b>Risk Type</b>	Considering our hotel assets, we assess the risk of impairment of property value as a consequence of a failure to achieve the high standards of environmental efficiency required to minimise emissions through the lifecycle of the hotel's operation. We also consider the risk of an increased cost of or inability to access finance to develop the business due to a failure to manage climate-related risks effectively.	Corporate customers, an increasing number of whom have committed to science-based targets to reduce their emissions, are scrutinising their supply chains to reduce their Scope 3 emissions. Hotels unable to respond to these customer needs face the risk of a loss of business and competitive advantage.
<b>Category</b>	Transitional – Market	Transitional – Market
<b>Risk Driver</b>	Changing customer behaviour	Changing customer behaviour
<b>Time horizon</b>	Medium-term	Medium-term
<b>Likelihood</b>	High	High
<b>Impact</b>	High	Medium



	Impairment of property value	Loss of revenue
<b>Financial impact</b>	<p>The value of a hotel property is normally closely linked to projected financial performance, and reliable evidence supporting a valuation premium for hotels conforming to high environmental standards is not readily available.</p> <p>Considering property assets more generally, rather than the specialised hotel category, there is evidence to suggest that LEED-certified buildings attract higher valuations.</p> <p>Dalata owned property plant and equipment valued at €1.7 billion on 31 December 2023.</p>	<p>The financial risk associated with future customer behaviour is extremely difficult to predict in these circumstances, and further analysis and emerging trends will help refine the analysis in future years. In circumstances where the company or, more likely, individual hotels, lose high-performing corporate clients because of a failure to satisfy climate-related criteria, the financial loss may be mitigated by replacing the business lost with other guests; however, depending on market conditions, at a lower price.</p>
<b>Response</b>	<p>For new properties, optimise design and construction to reduce both embedded and lifetime carbon emissions.</p> <p>At existing properties, plan refurbishment works and plant replacement to reduce energy consumption and the consumption of fossil fuels.</p>	

	Precipitation increases in winter and decreases in summer	Increased precipitation in winter and rising sea levels means flooding will be more frequent in this scenario
<b>Risk Type</b>	The decrease of rain in summer will lead to extended dry periods, which will put pressure on Ireland's and the UK's water supply. Dalata currently gets warnings to be prepared for water cut-off, but this has yet to happen, but it may in this future scenario. This may lead to a need to reduce water access at certain times of the day.	Dalata currently has nine hotels in flood plains. However, not all of these hotels have flood defences. If flooding is to become more frequent and has a higher impact, this may cause damage to these defenceless hotels and, in some cases, disrupt business.
<b>Category</b>	Chronic Physical	Acute Physical
<b>Risk Driver</b>	Changing precipitation patterns and types (rain, hail, snow/ice)	Flood (coastal, fluvial, pluvial, groundwater)
<b>Time horizon</b>	Long-term	Long-term
<b>Likelihood</b>	Medium	Low
<b>Impact</b>	Low	Medium
<b>Financial impact</b>	This may lead to a loss of revenue if the customer experience worsens. It may also lead to increased cost of water as there will be high demand with less supply.	Any loss of this nature could potentially adversely affect our business in one of two ways (or both): damage to property or business interruption. All our hotels are insured against this risk and have an excess deductible of €25,000.
<b>Response</b>	<p>Risk mitigation is based on adapting to market conditions, including changing patterns of seasonal demand.</p> <p>The risk to water supply is a risk to business continuity that requires monitoring and potential investment to secure contingency supplies if the risk threat increases in the future.</p>	In the event of a weather alert warning, hotel management follows a structured crisis management protocol to promptly ensure the safety of employees and guests. We have insurance to mitigate the financial risk linked to the damage caused to hotels by extreme weather events.

## CLIMATE-RELATED RISKS (CONTINUED)

### Opportunities

	Developing a modern energy-efficient hotel portfolio	Reducing food waste	Increasing attraction of hotel locations
<b>Opportunity type</b>	<p>In the planning for the construction of new hotels, we identify opportunities to use the latest design and materials technologies and building management systems that will reduce the carbon footprint of these new buildings compared with older properties.</p> <p>Exploiting these opportunities will have a positive impact on the business, resulting in lower costs of operation, and will appeal to customers who favour hotels, which can demonstrate that they minimise their impact on the environment.</p>	<p>Hotels have a higher rate of food waste generation than restaurants and canteens. The Irish climate action plan aims to reduce food waste by 50% by 2030. The UK Net Zero Strategy commits to exploring options for the near elimination of biodegradable municipal waste to landfills from 2028.</p>	<p>As consumers choose holiday destinations, Dalata's hotel locations may become more attractive relative to today's most popular holiday destinations.</p>
<b>Category</b>	Transitional – resource efficiency	Transitional – resource efficiency	Chronic Physical
<b>Opportunity driver</b>	Move to more efficient buildings	Use of recycling	Changing Temperature
<b>Time horizon</b>	Short-term	Short-term	Long-term
<b>Likelihood</b>	High	High	Medium
<b>Impact</b>	Medium	Medium	Medium
<b>Financial impact</b>	The financial impact of the opportunity will be reflected in the lower annual running costs of the property into the future.		<p>Less heating will be needed.</p> <p>However, increased air cooling may be required, which would offset the cost of heating.</p>
<b>Response</b>	<p>Central to our core objective of designing sustainable new hotels is to create cost-effective, durable, low maintenance, energy efficient, low carbon and sustainable installations. Sustainable energy has two key components: renewable energy and energy efficiency. In the UK, we are targeting a high BREEAM (Building Research Establishment Environmental Assessment Method), and as part of our commitment to provide the best-integrated design solutions, our design teams also work collaboratively to target a LEED (Leadership in Energy and Environmental Design) rating of 'Gold'.</p>	<p>This opportunity is based on self-help through a coordinated approach involving suppliers and upskilling employees involved in food preparation and food service.</p> <p>In Dalata, initial initiatives to improve waste management successfully diverted all waste to landfill and diverted all food waste to use in fertiliser digestate and renewable energy production.</p> <p>Our procurement team works to influence and incentivise the supply chain to eliminate or minimise packaging waste associated with all consumable products.</p>	<p>Ongoing monitoring of trends to strategically align business development opportunities with emerging opportunities.</p>

## Metrics

The metrics used by the organisation to assess climate-related risks and opportunities are in line with its strategy and risk management process.

### Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions and the related risks

Dalata currently measures emissions in line with The Greenhouse Gas Protocol and ISO 14064-1. Dalata emissions are verified to the ISO 14064-3 standard. Comparing 2023 Scope 1, 2 and 3 emissions to the company's base year emissions, emissions have increased by 42%. This is largely due to increased activity in the seven properties opened in 2022 and the addition of three new properties in 2023 for a partial year.

Prior year figures included the emissions associated with the construction of newly added properties to the portfolio. These additions are reflected in Scope 3 Capital Goods in 2022. The volume of this activity in 2023 was not at the same level.

Most of Dalata's impact lies in Scope 3, with a particular emphasis on the embodied carbon emissions from the construction of new builds and the goods and services Dalata buys, such as food products and cleaning services.

		Total Emissions (tCO <sub>2</sub> e)				
		2019	2020	2021	2022	2023
Scope 1	Natural Gas	15,157	12,005	11,815	13,467	13,183
	Other Heating Oils (Kerosene/Gasoil/Diesel)	1,440	1,317	1,317	1,297	914
	F-Gas	1,585	1,127	939	434	465
	Vehicle Fleet	50	47	33	-	140
Scope 2	Electricity- Location Rate	13,779	9,115	9,219	14,376	13,093
	Electricity- Market Rate	-	-	-	-	-
	District Heating	-	-	-	583	729
Scope 3	Purchased Goods and Services	18,902	8,578	11,083	25,073	43,293
	Capital Goods	8,842	4,105	8,192	30,392	7,269
	Waste Generated in Operations	65	32	36	95	85
	Business Travel	356	93	66	268	446
	Employee Commute	3,230	972	1,539	6,960	4,223
	Use of Sold Product *	-	-	-	6,036	-
	End of Life of Sold Product *	-	-	-	380	-
	Downstream Leased Assets	82	60	64	64	64
	<b>Total Emissions (Assuming Market Rate emissions for Scope 2):</b>	<b>49,709</b>	<b>28,336</b>	<b>35,084</b>	<b>85,049</b>	<b>70,811</b>

\*Use of sold product and end of life of sold product related to the disposal of Clayton Hotel Crown and The Ballsbridge Hotel in 2022.

As noted in the introduction, Dalata has set short-term targets to focus efforts on reducing carbon emissions within our portfolio. Dalata continues to work towards its short-term 2026 targets established in 2022. Diverting waste from landfill was achieved in 2022. The active targets are listed below.

	Energy	Food Waste	Water	Supplier
<b>Summary Target</b>	Reduce energy-related emissions by 20% per room by 2026 from a 2019 baseline	Reduce food waste by 15% per sleeper by 2026 from a 2019 baseline	Reduce water consumption per sleeper by 15% by 2026 from a 2019 baseline	Collect carbon emissions Scope 1 & 2 data from 100% of Tier 1 suppliers by 2024
<b>Target Coverage</b>	Dalata consumption of natural gas, kerosene, diesel, gas oil and electricity (scope 1 & 2 energy-related emissions).	All Ireland and UK food waste	All Ireland and UK water consumption	All Tier 1 Dalata suppliers

## CLIMATE-RELATED RISKS (CONTINUED)

	Energy	Food Waste	Water	Supplier
<b>Unit</b>	tCO2e per room	Tonnes per sleeper	Litres per sleeper	% of Tier 1 suppliers who have given carbon emissions data
<b>Target Percentage Reduction</b>	20%	15%	15%	N/A
<b>Progress in 2023</b>	Achieved (Exceeded in 2023) 27% reduction in Scope 1 & 2 Energy-related emissions per room let in 2023.	Baseline under review - Suppliers engaged to provide accurate collection data to report on food waste.	Exceeding Expectation 96% completion of water meter installation across our hotels.13% reduction per sleeper against base year.	In progress. Engaging with top suppliers to gather emissions information

How we have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

TCFD Recommendation	Alignment
<b>Governance</b> Describe the board's oversight of climate-related risks and opportunities	Yes
Describe management's role in assessing and managing climate-related risks and opportunities.	Yes
<b>Risk Management</b> Describe the organisation's processes for identifying and assessing climate-related risks.	Yes
Describe the organisation's processes for managing climate-related risks.	Yes
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Yes
<b>Strategy</b> Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	We described the risks and opportunities for our business and their impact on our strategic planning.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We described the financial impact and response associated with them and will develop this analysis in the coming years.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We considered the resilience of our strategy under two scenarios: a transitional scenario in line with a 1.5C world and a physical scenario in line with a >3C world.
<b>Metrics and targets</b> Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Yes
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Yes for Scopes 1, 2, and 3
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Yes



## EU Taxonomy

### Taxonomy Aligned Economic Activities

Under EU Taxonomy regulation, Dalata acknowledges the requirement to disclose information on its environmentally sustainable economic activities that are Taxonomy-aligned, identifying Key Performance Indicators (KPIs) under the headings as defined by Regulation (EU) 2020/852, Turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx).

### Taxonomy Regulation

EU Taxonomy regulation provides a classification system for sustainable economic activities to help direct investments towards sustainable projects and activities. It is part of a wider EU sustainable finance action plan to reorient capital flows towards a more sustainable economy.

EU Taxonomy establishes a list of sustainable economic activities to which the activity must substantially contribute to at least one of six environmental objectives:

- climate change mitigation.
- climate change adaptation.
- protection of water and marine resources.
- transition to a circular economy.
- pollution prevention and control.
- and protection of healthy ecosystems.

In addition to contributing substantially to one of the six environmental objectives, the regulation requires assessments that the activity 'does no significant harm' (DNSH) to the remaining five objectives. (Annex I and Annex II of the Commission Delegated Regulation (EU)).

In order to identify the success or not of "substantially contributing" or "doing no significant harm" to the objectives of sustainable investment activities, the regulation provides for technical screening, which must be met in order for eligible activities to be aligned with EU Taxonomy goals. Whilst it is obligatory to report under EU Taxonomy, there is no obligation to align activities with the Technical Screening Criteria of the Delegated Acts.

### Accounting Principles

The EU Taxonomy regulation requires the disclosure of KPIs for Taxonomy-eligible and aligned activities. The methodology for calculating these is defined by the EU Commission document (Annex I). Dalata acknowledges the novelty of this regulation and has continued to adopt a conservative approach in the reporting of Taxonomy alignment. In arriving at the outcome, Dalata uses the technical screening criteria to assess the Turnover, CapEx and OpEx of eligible economic activities.

### Taxonomy Reporting

In accordance with regulation, Dalata considered the various categories of economic activity which might best represent its primary business functions of owning, operating and the construction of hotels. There were two categories under which Dalata might consider its activities, "Article 4 – Energy" and "Article 7 - Construction and Real Estate", with the latter category better representing its primary function. With this in mind, Turnover, CapEx and OpEx have been assessed through the subset of activities in this category.

Expenditure for 2023 is classified and disclosed under the following subcategories.

7.1 Construction of Buildings- building projects for own use or resale
7.2 Renovation of existing buildings – Construction and civil engineering works or preparation thereof
7.3 Installation, maintenance and repair of energy efficiency equipment -projects that focus on a reduction of Primary Energy demand in line with technical screening criteria.
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings – includes smart meters, monitoring equipment, building energy management systems (BMS).
7.6 Installation, maintenance, and repair of renewable energy technologies
7.7 Acquisition and ownership of buildings – Buying real estate and exercising ownership of that real estate.

### Taxonomy Research

As indicated in the 2022 report on EU Taxonomy, the company engaged with third-party consultants to review the portfolio of Dalata properties to ascertain the extent to which these assets and activities might align with EU Taxonomy. Two properties were selected as part of this review, Clayton Hotel Leopardstown and Maldron Hotel Shoreditch, with the aim of determining the extent of eligibility and alignment.

#### Clayton Hotel Leopardstown

Clayton Hotel Leopardstown was analysed under the subcategory "7.7 Acquisitions and ownership of buildings", as this was a purpose-built building, constructed pre-2020 to the building standards of the period and to some extent reflective of a number of hotels in the portfolio.

The study assessed whether the property made a substantial contribution to either Climate Change Mitigation or Adaptation and to what extent it "did no significant harm" to the other five objectives. It was determined that Clayton Hotel Leopardstown was eligible but not aligned, with some work required to achieve alignment. As a result of this study, the company is understanding the extent to which work needs to be undertaken to achieve alignment in future years.

## CLIMATE-RELATED RISKS (CONTINUED)

### Maldron Hotel Shoreditch

Maldron Hotel Shoreditch was analysed under subcategory "7.1 Construction of Buildings- building projects for own use or resale" as this is a hotel which is undergoing construction, with an opening date in mid-2024. This is a purpose-built building constructed post 2020, which will meet current building regulations. It is representative of processes undertaken in the construction of future hotels which the company will later operate.

The key outcome in the review of Maldron Hotel Shoreditch is that its construction can make a substantial contribution to climate change mitigation, with an expected energy rating that would meet the required technical screening of this objective. In its pursuit of alignment with the other five objectives, the results are as follows:

- Climate Change Adaptation - A climate change risk and vulnerability assessment would be required to satisfy "DNSH" criteria.
- Water & Marine Resources - The expected water usage for water appliances exceeded the technical screening criteria, and this is considered for remediation.
- Circular Economy – A Construction Environmental Management Plan would need to be completed for the hotel.
- Pollution – Information on the quantity and types of construction materials would need to be obtained.
- Biodiversity - A preliminary Environmental Impact Assessment was conducted on the site prior to construction. As all conditions were met, the technical screening criteria was satisfied.

For Dalata to meet the required specifications in the Technical Screening Criteria (TSC), these assessments, certificates and documentation will need to be provided. The review of both sites has identified next steps on the pathway to achieving alignment under EU Taxonomy.

### Turnover

The primary activities of Turnover within Dalata are the provision of hotel accommodation and the provision of food and beverage services. The most relevant category under which this activity could be assessed is "Article 7- Construction and Real Estate". Within this category exists seven subcategories through which turnover can be assessed. The subcategory most relevant to turnover in Dalata is subcategory "7.7 Acquisition and ownership of buildings", and it was deemed that turnover was eligible as an outcome of either owning or acquiring buildings.

However, due to the fact that the assets require a number of certifications under the Technical Screening Criteria (TSC) to determine alignment with EU Taxonomy, Dalata has chosen to categorise the revenue as eligible, however not aligned.

Sales revenue	Code(s)	€ 000	%	DNSH criteria (Do No Significant Harm)										T							
				Substantial contribution criteria					Enabling Activity												
Economic activities				Climate Change Mitigation	Climate Change Adaptation	Water and marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Taxonomy- aligned proportion of turnover 2022	Taxonomy- aligned proportion of turnover 2023	Minimum Safeguards	Category (Enabling Activity)	Category (Transitional Activity)	
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																					
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>																					
<b>A.2 Taxonomy-eligible activities but not environmentally sustainable activities</b>																					
<i>Acquisition and Ownership of Buildings</i>	7.7	607,698	100.0																		
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		607,698	100.0																		
<b>Total (A.1 + A.2)</b>		607,698	100.0																		
<b>B. Taxonomy-non-eligible activities</b>																					
<b>Turnover of Taxonomy-non-eligible activities(B)</b>																					
<b>Total (A + B)</b>		<b>607,698</b>	<b>100.0</b>																		

1 All percentages relate to the Group's total sales revenue.







### Minimum Safeguards

The minimum safeguards outline a number of minimum governance standards, social norms, human rights and labour rights that Dalata must be compliant with in order to achieve overall alignment with EU Taxonomy. Doing so prevents green investments being labelled as 'sustainable' when they are involved in illegal and unethical activities relating to:

- Human Rights, including workers' rights
- Bribery/corruption
- Taxation
- Fair Competition

The minimum safeguards consist of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights.

Dalata has always strived to operate in a highly ethical environment. It has a number of policies in relation to its people, customers, suppliers and other stakeholders. It communicates its values and policies as indicated below and takes a strong stance on the issues raised under minimum safeguards.

### People & Human Rights

Dalata is committed to providing all our colleagues with a safe working environment and an organisational culture that promotes inclusion, diversity, equal opportunities, mutual respect, and personal learning and development. We have reinforced our commitment to providing this environment through our Code of Conduct, Inclusion and Diversity policies, Fair Grievance Procedure, the Whistleblowing process – "Speak up", Modern Slavery Policy Statement and our Wellbeing policy.

Dalata's commitment to people and human rights extends to all of our suppliers through our Supplier Code of Conduct, where the requirement for those suppliers is to commit and adhere to our principles on people, planet and place. Our commitment to a diverse and inclusive workforce has been validated by achieving a Silver Award in Investors in Diversity across Ireland, UK and Germany.

### Anti-Bribery and Anti-Corruption

Dalata is committed to conducting business with all our suppliers, customers, and partners in a way that is fair and transparent and benefits all parties involved. Dalata operates to the highest standards of ethics, integrity, and honesty. Its Anti-Bribery and Anti-Corruption policies outline the expected standards that our colleagues, suppliers and third parties are obliged to follow in relation to gifts and hospitality, donations, and sponsorships. The Code of Conduct policy states that "Bribery will not be tolerated in any situation, either to gain an unfair advantage in securing commercial gain or to be in receipt of financial or non-financial gains".

Dalata's Protected Disclosure policies display our commitment to the highest standards of openness, probity, and accountability and to conducting our business with honesty and integrity. An important aspect of accountability and transparency is to put in place an effective mechanism to enable employees to voice concerns in a responsible and effective manner.

### Taxation

Dalata's in-house tax team manages the Group's ongoing tax risks through internal control processes and with the assistance of external professional advisors. The tax team maintain a tax risk register on an ongoing basis, which sets out the tax risks facing DHG and how these risks are managed and mitigated. The tax risk register is presented to the Audit and Risk Committee by the tax team.

### Fair Competition

The company and its senior management, including senior management of its subsidiaries, have not been found in breach of competition laws.

*As part of the research conducted by the third-party consultant, Dalata asked for a review of the internal and external policies and documents, which reference the overarching themes highlighted above.*

The following policies were reviewed as part of this process:

- DHG Board Diversity Policy
- DHG Gender Pay Gap
- DHG Anti-Bribery and Corruption Policy
- DHG Code of Conduct
- DHG Diversion and Inclusion Policy
- DHG Environmental Policy
- DHG Modern Slavery Policy & Statement
- DHG ROI Protected Disclosure Policy
- DHG Supplier Code of Conduct

*After reviewing the evidence, the consultants deemed that there was robust evidence to show how the minimum governance standards, social norms, human rights, and labour rights were met. It was their view that the policies above had provided enough evidence to prove that Dalata was aligned with the minimum safeguard objectives and that the technical screening criteria had been met.*

## CLIMATE-RELATED RISKS (CONTINUED)

### Sustainability Accounting Standards Board Disclosures

#### Standard for Hotels and Lodging (October 2018).

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

Topic	Accounting Metric	Unit of Measure	Measure 2022	Measure 2023	SASB Code
<b>Energy Management</b>	Total energy consumed	GJ	499,143	490,001	SV-HL-130a.1
	Percentage Grid Electricity	%	100%	100%	SV-HL-130a.1
	Percentage Renewable	%	41%	38% <a href="#">Note 5</a>	SV-HL-130a.1
<b>Water Management</b>	Total water withdrawn	m3	864,082 <a href="#">Note 4</a>	887,627	SV-HL-140a.1
	Total water consumed	m3	864,082	887,627	SV-HL-140a.1
	Percentage of each in regions with High or Extremely High Baseline Water Stress	%	4.1% <a href="#">Note 4</a>	3.2%	SV-HL-140a.1
<b>Ecological Impacts</b>	Number of lodging facilities located in or near areas of protected conservation status or endangered species habitat	Number	36	36	SV-HL-160a.1
<b>Ecological Impacts</b>	Description of environmental management policies and practices to preserve ecosystem services	Discussion & Analysis	<a href="#">Note 1</a>	<a href="#">Note 1</a>	SV-HL-160a.2
<b>Labour Practices</b>	Voluntary turnover rate for lodging facility employees	%	83% <a href="#">Note 2</a>	70% <a href="#">Note 2</a>	SV-HL-310a.1
	Involuntary turnover rate for lodging facility employees	%	1.6%	1.7%	SV-HL-310a.1
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations	€	€50,000	€0	SV-HL-310a.2
	Average hourly wage by region	€ / £	IRE: €13.00 UK: £11.24 GER: €14.98	IRE: €13.62 UK: £12.02 GER: €14.15	SV-HL-310a.3
	Percentage of lodging facility employees earning minimum wage by region	%	IRE: zero UK: zero GER: 10%	IRE: zero UK: 3% GER: zero	SV-HL-310a.3
	Description of policies and programs to prevent worker harassment	Discussion & Analysis	<a href="#">Note 3</a>	<a href="#">Note 3</a>	SV-HL-310a.4
<b>Climate Change Adaptation</b>	Number of lodging facilities located in 100-year flood zones	Number	11	11	SV-HL-450a.1

Activity Metric	Category	Unit of Measure	Measure 2022	Measure 2023	Code
<b>Number of available room-nights</b>	Quantitative	Number	3,735,002	3,951,946	SV-HL-000.A
<b>Average occupancy rate</b>	Quantitative	Rate	76%	80%	SV-HL-000.B
<b>Total area of lodging facilities</b>	Quantitative	m2	698,280	722,614	SV-HL-000.C
<b>Number of lodging facilities</b>	Quantitative	Number	50	53	SV-HL-000.D
<b>Percentage of lodging facilities that are managed</b>	Quantitative	%	6%	6%	SV-HL-000.D
<b>Percentage of lodging facilities that are owned &amp; leased</b>	Quantitative	%	94%	94%	SV-HL-000.D
<b>Percentage of lodging facilities that are franchised</b>	Quantitative	%	0%	0%	SV-HL-000.D

1. Board approved environmental policy is in place; Green Tourism accreditation promotes positive action and improved ratings: 48 hotels achieved a Gold rating.
2. Turnover is driven by fluctuation in the number of part-time employees, influenced by seasonality, hotel location, business mix, and demand dynamics, including room occupancy and event business.
3. Dalata adheres to all labour practices in accordance with the relevant legislation in the jurisdictions that we operate in and provides robust guidance and safeguards for employees to maintain a fair working environment. Our updated code of conduct was launched in 2022, complementing existing policies such as whistleblowing, anti-bullying and harassment, anti-bribery and corruption, health & safety, diversity & inclusion, employee handbook and our modern slavery statement. We launched an updated human rights policy in early 2023.
4. A comprehensive review and update was completed of all prior year water usage up to 2022, resulting in a restatement of the 2022 water usage. (Prior year disclosure- 747,573 meters cubed)
5. Impacted by the acquisition of properties during 2023, with a reliance on fossil fuel as a source of energy.

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## CHAIR'S OVERVIEW

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### Dear Shareholder,

I am pleased to introduce our Corporate Governance Report for the year ended 31 December 2023. This report provides details about the Board and an explanation of our individual roles and responsibilities as well as providing an insight into the activities of the Board and Committees over the year and how we seek to ensure the highest standards of corporate governance remain embedded throughout the Company, underpinning and supporting our business and the decisions we make.

### Corporate Governance Code

The principles set out in the UK Corporate Governance Code (the 'Code') emphasise the value of good corporate governance to the long-term sustainable success of listed companies. The Board is responsible for ensuring that the Group has in place appropriate frameworks to comply with the Code's requirements. This governance report and the strategic report set out how Dalata has applied the principles of the Code throughout the year. The Board believes that during 2023, the company was in full compliance with all applicable principles and provisions of the UK Corporate Governance Code and the Irish Annex.

### Board compositions, succession

During the year, we have continued to focus on Board succession to ensure that we have the appropriate balance of skills, experience and diversity in order to support the business.

The board has been further strengthened by the addition of Jon Mortimore, a non-executive director, during the year. He brings extensive executive experience across various consumer businesses in the UK and international markets, including in the hotel sector. His finance and capital markets expertise will complement the skills of the existing board members. His appointment was the subject of a formal, rigorous, and transparent process by the Nomination Committee. More information on this can be found in the Nomination Committee Report.

Margaret Sweeney retired from the board in April 2023 following the AGM. I would like to thank Margaret for her valued contribution to the Board over the last nine years

and her considered chairmanship of the Remuneration Committee, and the significant insight and support she provided as Senior Independent Director.

### Board Effectiveness

In 2023, the evaluations of the performance of the board and its committees were externally facilitated by Independent Audit. I am pleased to announce that the 2023 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 in the [Corporate Governance Report](#).

### Dividends

The board are responsible for setting the Group's dividend policy. An interim dividend of 4.0 cent per share, amounting to €8.9 million, was paid to shareholders on 6 October 2023. The board is recommending a payment of a final dividend of 8.0 cent per share for the year ended 31 December 2023, subject to shareholders' approval at the AGM in April 2024.

### Stakeholder Engagement

Stakeholder Engagement is important for the board to help us understand their views and take them into account when making business decisions, and we will continue this engagement throughout 2024.

I have been able to meet a range of stakeholders over the past year, including shareholders at our AGM, employees during hotel visits and investors on my recent Governance consultation programme.

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

## Governance at a Glance

### Employee Engagement

In 2023, we achieved an 8.9/10 employee engagement score, which is 0.8 above the Workday Peakon Employee Voice consumer benchmark.

8.9

Employee Engagement

8.6

Senior Leaders show employees that wellbeing matters to them

### Board Gender Representation as at 28 February 2024

50%  
Female (4)

50%  
Male (4)

11

Amount of hotel visits undertaken by the Board throughout the year for meetings.



See the UK Corporate Governance Code on [www.frc.org.uk](http://www.frc.org.uk)

## Board Overview

Principal responsibilities include:

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

### Board meetings and attendance

The board held nine formal meetings in 2023 and met for additional sessions in May, June and November to receive presentations from members of the management team, review strategy and for its annual training day.

Member	Attended
John Hennessy	12/12
Dermot Crowley	12/12
Shane Casserly	12/12
Carol Phelan	12/12
Margaret Sweeney*	3/3
Jon Mortimore**	4/4
Elizabeth McMeikan	12/12
Cathriona Hallahan	12/12
Gervaise Slowey	12/12

\*Margaret Sweeney retired from the board on 27 April 2023

\*\*Jon Mortimore joined the board on 1 August 2023



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## BOARD OF DIRECTORS

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### Leadership

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**John Hennessy**  
*Non-Executive Chair*



**Appointed:** 27 February 2014

**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:** Core Industry, Financial / Audit & Risk, Legal/Public Policy, M&A/ Capital Markets



**Dermot Crowley**  
*Chief Executive*



**Appointed:** 28 January 2014

**Expertise:** Dermot is a graduate of University College Cork and qualified as a chartered accountant while working with PwC in Cork. He has held finance roles in Procter & Gamble, Forte Hotels and Renault Ireland. He was Head of Acquisitions and Development at Jurys Doyle Hotel Group from 2000 to 2006 before spending six years with Ion Equity. He joined Dalata as Deputy Chief Executive in 2012 with responsibility for finance and corporate development. He was appointed Chief Executive in 2021.

**Principal Skills:** Core Industry, Financial / Audit & Risk, International Markets, M&A/ Capital Markets, Senior Executive



**Shane Casserly**  
*Corporate Development Director*



**Appointed:** 1 January 2020

**Expertise:** Shane is a graduate of University College Cork and qualified as a Chartered Accountant in PwC. He joined Dalata in March 2014 as Head of Strategy and Development and was appointed Corporate Development Director in January 2020. He was previously the Head of Development at Jurys Doyle Hotel Group plc and also held senior positions with Ion Equity, Microsoft Europe and Musgrave Group.

**Principal Skills:** Core Industry, Financial / Audit & Risk, International Markets, M&A/ Capital Markets, Senior Executive



**Carol Phelan**  
Chief Financial Officer



**Appointed:** 1 January 2022

**Expertise:** Carol joined the company in 2014 and was appointed Group Head of Financial Reporting, Treasury and Tax in 2017. She was appointed Chief Financial Officer in July 2021. Carol has played a leading role within the finance team, responsible for the development of the financial reporting function during a period of rapid growth and expansion. Prior to joining Dalata, Carol held senior finance positions in Ion Equity and KPMG. She is a qualified Chartered Accountant.

**Principal Skills:** Core Industry, Financial / Audit & Risk, International Markets, M&A/ Capital Markets, Senior Executive



**Elizabeth McMeikan**  
Non-Executive Director



**Appointed:** 8 October 2019

**Expertise:** Elizabeth is an experienced non-executive director and remuneration committee chair and was the former senior independent director at Unite plc, J.D. Wetherspoon plc and Flybe plc. She is currently Chair at Nichols plc, senior independent director at McBride plc, and Custodian Property Income REIT plc. She is also a non-executive director at Fresca Group Ltd.

**Principal Skill:** Communications/Marketing/ Customer Service, People/Social, Health & Safety, International Markets, Legal/Public Policy, Senior Executive



**Cathriona Hallahan**  
Non-Executive Director



**Appointed:** 1 November 2021

**Expertise:** Cathriona retired as Managing Director of Microsoft in Ireland in 2021 after 35 years with the Company. Cathriona represented Microsoft in Ireland on all strategic policy, corporate affairs and communications. Cathriona sits on a number of Boards, including Keelings, Dalata Hotel Group plc, Beats Medical, FoodCloud and the Public Interest Body for PwC. Cathriona also sits on Trinity Business School Advisory Board and is an industry advisor for ADAPT Centre Trinity. She is a member of the International Women's Forum, Institute of Directors, Institute of Accounting Technicians (IATI), a fellow of ACCA, and a fellow of the IMI. Cathriona is a qualified Executive Coach and is passionate about Change Management and Leadership Development.

**Principal Skills:** Cybersecurity/Digital, Communications/Marketing/Customer Service, Financial /Audit & Risk, People/ Social, Health & Safety, Legal/Public Policy, Senior Executive

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## BOARD OF DIRECTORS (CONTINUED)

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**Gervaise Slowey**  
Non-Executive Director



**Appointed:** 1 December 2021

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

**Principal Skills:** Communications/Marketing/Customer Service, People/Social, International Markets, M&A/Capital Markets, Senior Executive



**Jon Mortimore**  
Non-Executive Director/Independent Director



**Appointed:** 1 August 2023

**Expertise:** Jon is an experienced CFO with over 30 years experience in senior finance positions within global consumer brands, hospitality and retail in both listed and private equity structures. He is due to retire as CFO of Dr Martens Plc in 2024 and was previously CFO at Avant Homes and Travelodge Hotels and Finance Director at WHSmith Retail and Hodder Headline publishing. Jon is a qualified accountant.

**Principal Skills:** Core Industry, Financial/Audit & Risk, International Markets, M&A/Capital Markets, Senior Executive



**Seán McKeon**  
Company Secretary, Head of Risk and Compliance

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

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

## Board Matrix

Name	Age	Independent	Committee memberships 2023				Other current listed boards
			A&RCo	RemCo	NomCo	ESG	
John Hennessy	67	N*		Member	Chair		
Dermot Crowley	56	N					
Elizabeth McMeikan	61	Y	Member	Chair	Member		3
Shane Casserly	55	N				Member	
Cathriona Hallahan	59	Y	Chair		Member	Member	
Gervaise Slowey	56	Y		Member		Chair	1
Carol Phelan	45	N					
Jon Mortimore	56	Y	Member			Member	1

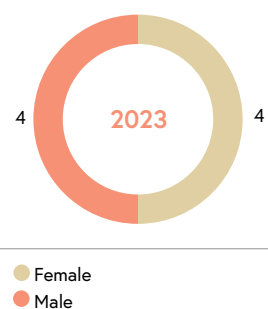
\*Independent on appointment

## Principal Skills (Number of Board Members)

Core Industry	5
Cybersecurity/Digital	1
Communications/Marketing/Customer Service	3
Environmental	0
Financial/Audit & Risk	6
People/Social	3
Health and Safety	2
International Markets	6
Legal/Public Policy	3
Mergers & Acquisitions/Capital Markets	6
Senior Executive	7

## Board Diversity in Figures (Number of Board Members)

### Gender



### Tenure

>9 years	2
7-9 years	0
4-6 years	1
1-3 years	4
<1 year	1

# CORPORATE GOVERNANCE REPORT

See the list of matters reserved for the Board on our website, [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com).

## 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, and executive decisions and implementation of strategy are delegated to management.

### The Board

The Board is primarily responsible for the Group's long-term success, for setting the strategy for the leadership and control of the Group and for providing appropriate challenges 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.

**Our Strategy**

**Our Purpose**

**Our Principal Risks**

**Key activities of the Board  
2023**

### The Board delegates certain matters to its four principal committees.

They support the Board's operation through their focus on specific areas of governance.

**Audit & Risk Committee**

**Remuneration Committee**

**ESG Committee**

**Nomination Committee**

The terms of reference of each Board Committee are available on the Group's website at [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com).

### Executive Directors

The Board delegates the execution of the company's strategy and the day-to-day management of the business to the Executive Directors, assisted by other members of the Executive Committee.

**Chief Executive Review**

**KPIs**

**Senior Management Team**

### Supporting Committees

The executive directors oversee a number of supporting management committees that provide insight into key business activities and risks.

**Disclosure  
Committee**

**Executive Risk  
Committee**

**Privacy  
Committee**

**Hotel Performance  
Committee**

**Environmental  
Steering Group**

The Group actively engages with stakeholders affected by the Board's strategy and principal decisions, including shareholders, employees, customers and guests, communities, banks and landlords. We also engage with suppliers, industry peers, government and regulatory authorities. Further details on our engagement with stakeholders and how these engagements inform our strategy and decisions can be found in the [Stakeholder Review](#) section.

### Board membership

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

The directors believe that the Board's composition 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, 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 Group's long-term success, for setting the strategy for the leadership and control of the Group, for providing appropriate challenges to ensure management remains focused on achieving the strategic objectives, and for delivering value to the shareholders and other stakeholders.

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

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

## Information flow at meetings

Before each board meeting, the directors receive their papers on a fully encrypted electronic portal system. These papers include detailed monthly accounts and reports from the chief executive, chief financial officer, corporate development director and chief operating officer.

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

The executive management team structure and the open communication approach in the Group enable issues to be raised quickly. 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.

## Whistleblowing

The Group's whistleblowing arrangements include a dedicated speak-up email address through which all employees and third parties can confidentially raise concerns about possible wrongdoings. All whistleblowing incidents are reviewed and formally investigated by the relevant functional heads. In 2023, the audit and risk committee considered the Group's whistleblowing policy and arrangements. They reviewed the whistleblowing incidents and outcomes and provided updates to the Board to assess the adequacy of the whistleblowing arrangements. The Board is satisfied that the Group's whistleblowing arrangements are operating effectively.

## Division of Responsibilities

### Board Roles

There is a clear division between the executive and non-executive responsibilities, ensuring accountability and oversight. The Chair and Chief Executive roles are separately held, and their responsibilities are well defined, set out in writing and reviewed by the Board.

<b>Chair - John Hennessy</b>	<ul style="list-style-type: none"><li>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;</li><li>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;</li><li>Regularly meets with the chief executive and other senior management to stay informed;</li><li>Ensures effective communication with shareholders and other stakeholders;</li><li>Promotes high standards of corporate governance; and</li><li>Promotes and safeguards the interests and reputation of the company.</li></ul>
<b>Chief Executive - Dermot Crowley</b>	<ul style="list-style-type: none"><li>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;</li><li>Leads the executive directors and senior management team in running the Group's business;</li><li>Develops and implements Group objectives and strategy having regard to shareholders and other stakeholders;</li><li>Manages the Group's risk profile and ensures appropriate internal controls are in place; and</li><li>Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements.</li></ul>
<b>Senior Independent Director - Elizabeth McMeikan</b>	<ul style="list-style-type: none"><li>Works closely with the Chair, acting as a sounding board and providing support;</li><li>Responsible for conducting an annual performance review of the Chair;</li><li>Provides advice and judgement to the Chair as necessary, serving as an intermediary to the other directors when necessary; and</li><li>Is available for shareholders with concerns that cannot be addressed through the normal channels of Chair or Chief Executive Officer.</li></ul>

## CORPORATE GOVERNANCE REPORT (CONTINUED)

<b>Non-Executive Directors</b>	<ul style="list-style-type: none"> <li>• Review the performance of executive management;</li> <li>• Review Group financial information and provide advice to management; and</li> <li>• Assist in strategy development and ensure appropriate and effective internal control systems and risk management are in place.</li> </ul>
<b>Company Secretary - Sean McKeon</b>	<ul style="list-style-type: none"> <li>• Ensures compliance with board procedures and provides support to the Chair to ensure board effectiveness;</li> <li>• Ensures the Board has high-quality information, adequate time and appropriate resources to function effectively and efficiently;</li> <li>• Assists the Chair by organising induction and training programmes and ensuring that all directors have full and timely access to all relevant information;</li> <li>• Provides advice and keeps the Board updated on corporate governance developments; and</li> <li>• Facilitates the directors' induction programmes and assists with professional development.</li> </ul>
<b>Designated Non-Executive Director With Responsibility For Workforce Engagement - Gervaise Slowey</b>	<ul style="list-style-type: none"> <li>• Monitors the effectiveness of engagement programmes established for employees;</li> <li>• Provides regular updates to the Board and</li> <li>• Attends regular engagement with employees from various sectors of the business.</li> </ul>

### Ongoing director training and development

The Board 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 two half-day presentations in May and October 2023 from management team members covering various topics related to their areas of responsibility.

In November 2023, the company secretary facilitated a directors' training day, which both executive and non-executive directors attended. Our Directors are invited to identify areas in which they would like additional information or training, following which the Company Secretary will arrange for the necessary resources to be put in place. The resulting sessions may be internally or externally facilitated.

This year, the Directors have received updates and presentations on the following areas:

- ESG Commitments and net zero carbon pathway;
- Executive remuneration trends and best practices;
- Inclusion and diversity;
- Carbon Pricing;
- Artificial Intelligence;

Each director may obtain independent professional advice at the company's expense to further their duties as a director. The company secretary and his deputy support each committee. In addition, each committee can seek independent professional advice.

### Board diversity

The Board has adopted a Board Diversity Policy, which is reviewed annually. The policy aims to help achieve the optimum board composition of skills and experience.

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

### Time commitment

Under the terms of their appointment, all directors agreed to the 'Time Commitment Schedule', requiring them to allocate sufficient time to discharge their responsibilities effectively. As part of the board evaluation process completed in October 2023, each non-executive director confirmed that they continue allocating sufficient time to effectively discharge their responsibilities. Also, any potential appointment to the Board of another company must be approved by the Board.

### Conflicts of interest

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

### 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 colleagues.

During 2023, the Board held nine formal board meetings and three other full-day meetings dealing with strategy, management presentations and a day dedicated to training.

### Independence

The Board considers the independence of each of the non-executive directors upon appointment and on an annual basis. The Board has determined all of the non-executive directors, except for the Chair, who was independent on appointment, to be independent within the meaning of the term as defined in the Code.

### Appointments to Board

The nomination committee is responsible for a formal, rigorous and transparent procedure for the appointment of new directors.

Jon Mortimore, non-executive director, joined the Board on 1 August 2023.

### Re-election of directors

In accordance with the provisions of the Code, the company's director re-election policy requires that all directors should retire at the 2024 Annual General Meeting and offer themselves for election.

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 details on the policy application are set out in the [Nomination Committee Report](#).

### Annual Board Evaluation

An annual evaluation process is undertaken, which considers the effectiveness of the Board, its principal committees and individual Directors. This review identifies areas for improvement and informs training plans for our directors.

The Board follows a formal three-year cycle developed to enable reviews to be led from a fresh perspective each year. In 2023, we conducted an externally facilitated evaluation.

### Board Induction

We develop detailed, tailored inductions for each new non-executive director and executive director. This includes one-to-one meetings with the Chair and each of the non-executive Directors. One-to-one meetings are also arranged with the CEO, CFO, Company Secretary, and other executive committee members. New Directors also meet members of our operational teams and visit our hotels to understand the business and have a chance to experience our culture in person.

### Workforce engagement

The Board is committed to meeting its responsibilities to all stakeholders in the business. It places significant value on maintaining successful relationships with the Group's workforce, suppliers, customers and the communities in which it operates. In her position as workforce engagement director, Gervaise Slowey has continued to work with the Company Secretary and the Chief People Officer to develop a meaningful two-way dialogue between employees across the company and the wider Board.

In February 2023, the Board received independent staff engagement results. The results were extremely positive, and any areas that need more focus are part of the action plan for 2023/2024.

During 2023, Gervaise met with the following employees:

- General Managers & teams at our new Maldron Finsbury Park Hotel;
- General Manager & team at Clayton Charlemont Hotel;
- Employees on our Altitude Training Programme;
- Employees on our Navigate Training Programme
- HR Managers

The engagement with the employees was designed to obtain feedback on things that work well and things we could do better considering customers, our people and our culture. The feedback from the workforce informed her recommendations to the Board for 2023/2024. The Board recognises the importance of ongoing communication. It demonstrates that it has listened to and acted upon feedback. The Board remains committed to enhancing its engagement activities and strengthening its relationship with the workforce into 2024.

### Risk management

The [Risk Management](#) section explains how the Board oversees risk management.

### Internal controls

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

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

### Assessment of the principal risks facing the Group

The Board and audit and risk committee received and reviewed reports from group internal audit to help their annual assessment of the Group's principal risks and the controls in place to mitigate them. The principal risks and the mitigating factors are outlined in the [Risk Management](#) section.

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

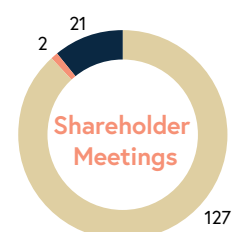
The Board and audit and risk committee received and reviewed reports from group internal audit to help with their annual assessment of the effectiveness of the Group's risk management, internal controls and financial reporting systems, and are satisfied that the systems have been operating effectively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

### Shareholder Engagement

The Board actively seeks and encourages engagement with investors, including its major institutional shareholders and shareholder representative bodies. During 2023, the Company has continued to engage with shareholders in a proactive manner.

The charts below set out the number of meetings held by the Non-Executives, Executive Directors and our Investor Relations team. These meetings include one-to-one meetings, group meetings, and conference meetings.

### Number of shareholder meetings in 2023



- Executive Directors
- Non-Executive Directors
- Investor Relations

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### AGM

The Annual General Meeting will be held on 25 April 2024 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 specific requirements are met, including prior approval by shareholders by way of a special resolution, upon 14 days' notice in accordance with the Code.

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

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

## Key Activities of the Board in 2023

### Key Activities of the Board:

The key activities considered by the Board during the year are set out opposite. The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's Purpose. The Group's key stakeholders and their differing perspectives are considered as part of the Board's discussions. Board meeting discussions are structured using a carefully tailored agenda that is agreed upon in advance by the Chair in conjunction with the CEO and Company Secretary. A typical Board meeting will comprise the following elements:

Performance reports, including Chief Executive Overview, CFO Review, Chief Operating Officer Review and Acquisitions and Development Report. Deep dive reports into areas of particular strategic importance to evaluate progress, provide insight and, where necessary, decide on appropriate action. Read more about some of the topics covered during the year opposite.

### Financial

- The Board approved the 2024 Group Budget
- The Board agreed on the Viability statement period to be reported in the Annual Report
- Approved the financial strategy of the business
- The Board approved the payment of the interim dividend to shareholders
- The Board approved the half and full-year results announcements, Annual Report and Investor Presentations on the recommendation of the Audit & Risk Committee

### Risk Management and Internal Control

- Reviewed the Group's principal risks and considered emerging risks which could impact the five-year plan
- Received regular reports on health and safety matters
- Ongoing review of the development risks at development sites
- Received an update on Cyber & IT Security
- Verbal updates from the Audit and Risk Committee chairs on the critical areas discussed
- Reviewed the compliance training completion rates

### Sustainability and Environmental

- The Board received updates on the evolution of the Group's innovation projects
- Regular updates/understanding of a net zero roadmap for the Group
- Received updates on progress made against our medium-term targets

### Acquisitions & Development

- Approved the acquisition of Maldron Hotel Finsbury Park
- Approved the acquisition of Clayton London Wall
- Approved the acquisition of Clayton Hotel Amsterdam
- Approved the acquisition of Edinburgh development site
- Received regular updates on planned refurbishments and development projects

### Workforce and Culture

- Discussed the gender pay gap
- Reviewed workforce policies
- Discussed our progress on Inclusion and Diversity within the Group
- Reviewed and analysed the results of employee engagement survey
- Received updates on our community and social impact work and fundraising activities for our charity partners
- Monitored the company's culture

### Governance, Legal and Regulatory

- Board succession planning and diversity
- Appointed Jon Mortimore as Non-Executive director
- Routinely considered potential Board conflicts of interest
- Received regular governance updates from the Company Secretary
- External Board Effectiveness Review

## Assessing Board performance

### Annual Board Evaluation

The Board undertakes a formal and rigorous evaluation of the performance of the board and its committees on an annual basis. The 2023 external Board Effectiveness Review was conducted according to the principles of the UK Corporate Governance Code 2018 (the Code) and the supporting guidance on board effectiveness. Susan Stenson facilitated it on behalf of Independent Audit. The company has no connection with Susan Stenson or Independent Audit. The company's last externally facilitated board review process was in 2020. This process follows a three-year cycle.

### Three-yearly evaluation Cycle



The Chairman and Company Secretary internally facilitated last year's evaluation. A number of actions were taken during the year in response to findings from the 2022 Board evaluation process, as set out below. The board has confirmed that these items were addressed to its satisfaction.

### Progress against 2022 evaluation findings

Opportunities for refinement	Update on actions
Broader Trends- Focus more on macro environment customer trends and how these impact the business	In 2023, at the board strategy day, the board received a presentation from the Head of Marketing on competitor brands and feedback from our 100 Voices project.
Strategy- Gain more of an understanding of how technology impacts our strategy	The board received a presentation from senior management on all the innovation projects within the Group and how they impact the company's strategy.
Decision Making- Incorporate ESG more into our understanding	The board has integrated ESG into all its decision-making.



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## CORPORATE GOVERNANCE REPORT (CONTINUED)

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### 2023 Board Evaluation Process

For the 2023 evaluation, Independent Audit was tasked with "challenging the board on whether they are as good as the 2022 self-assessment suggested, and holding the board to a high standard versus the best boards they see".

#### STAGE 1

- Briefing and review of board and committee papers
- One-to-one Teams interviews with board members, key executives, the Company Secretary, and external advisors
- Observing a Board meeting on 28 August 2023, the Audit and Risk Committee meeting on 24 August 2023, the ESG and Remuneration Committees on 18 September 2023 and the Nomination Committee on 2 October 2023.

A comprehensive brief was given to the evaluator by the Chair in June 2023. In September, detailed one-to-one interviews were conducted over Teams with each board member. The following topics were discussed during the one-to-one sessions:

- Value and Role
- Compositions and dynamics
- Strategic direction
- Management team
- Information and support
- Risk discussion
- People and culture
- Stakeholders

#### STAGE 2

- Results collated, reported & evaluated

The evaluator compiled a draft report based on the information and views supplied at the interviews.

#### STAGE 3

- Discussed with the chair and company secretary

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

#### STAGE 4

- Presented findings to the board

The board received and considered the report at its November 2023 meeting. Ms Stenson 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.

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### 2023 Board Evaluation findings

The findings affirmed that Dalata has a strong-performing board, performing well across all areas;

Key findings included:

- The Board is made up of experienced and knowledgeable NEDs who show real commitment and provide useful contributions.
- A constructive and open atmosphere in meetings, with inclusive discussions. The boardroom culture was something that NEDs and Management praised and appreciated.
- A highly regarded CEO who has quickly built the confidence and trust of the Board as well as his colleagues.
- Strategic alignment amongst the NEDs and the Management team with a shared vision for the organisation.

- A positive organisational culture which is embodied by the Management team. NEDs feel comfortable that they have enough insight into the organisation, and their oversight in this respect is enhanced by the work being done by the employee engagement NED.

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

#### Board Committees

Board committees were also reviewed and considered to function well regarding their effectiveness and decision-making.

#### Chair Performance

The Senior Independent Director evaluated the Chair's performance based on feedback gathered by an external facilitator, a thorough discussion with non-executive and Executive Directors, and individual input from non-executive and Executive Directors.

The output of this performance review confirmed that John Hennessy continues to be an effective Chair. He is a strong and well-respected Chair with a wealth of experience whose open and friendly style is greatly appreciated by his colleagues and the executive team.

#### Board Action Plan

The following items were recommended and will be on the board's agenda for 2024.

- Implement a more structured framework for the Board to keep track of strategy and strategy execution
- Elevating the risk discussion at board level
- Succession planning

### Case study

## How the board monitors culture

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

We are focused on delivering exceptional service and experiences for our customers and guests while maintaining our strong financial performance. We are also making great efforts to create value for all our stakeholders as a growing, ethical, responsible and sustainable business.

Our core values of People, Fairness, Individuality and Service underpin our company culture and inform all strategic business decisions.

### Purpose and Values

The Board promotes the Group's purpose and values through its interactions with management, including discussions as part of Board and Committee meetings and site visits to Group companies throughout the year.

The Board always supports and operates according to the Group's purpose and values. Specifically, discussions and decisions made by the Board and its Committees are based on fulfilling the Group's purpose and compatibility with our culture and values.

### Monitoring Culture

The Board uses multiple sources to assess the strength of culture and understand how it manifests across employee sentiment, observed behaviours and trends. These can be described as a combination of the metrics below, standing reports, and listening channels.

- Employee Engagement Surveys
- Compliance surveys
- Reports from and discussions with management, both in Board meetings and on-site visits
- Reports from the Workforce Engagement Director
- Audits conducted by Group Internal Audit
- Whistleblowing reports
- Training completion rates, including training on the Code of Conduct
- Succession and talent development, with a focus on diversity
- Health & Safety incidents and performance

A key section of the employee engagement survey details people metrics and KPIs under cultural strands. This allows the Board to consider where there are deviations between what is being heard and underlying behaviours.

Another key measure is that during 2023, the board also visited a number of hotels, providing direct access to operations and ensuring all employees could share their experiences with the board. These visits further enhance understanding of the culture and sentiment across the Group.

### Case study

#### Strategy in Action

## How The Board Is Making Strategic Decisions

The Board attended dedicated strategy away days in June 2023, discussing short-term and long-term strategic goals and determining the choices the business needs to make to achieve them.

The main discussion themes during the session were:

- Overview of financial projections and firepower
- Review of how recent acquisitions performed
- Understanding the hotel brand landscape
- Strategic options – Short term and Long term
- Understanding sustainability concepts and net zero target options

The Board's key conclusions included:

- We have the financial capacity to consider purchasing or developing our hotels and continue working with developers and fixed-income investors to secure new or existing leased hotels.
- We will continue to grow, do so responsibly and consider all our stakeholders when making strategic decisions.
- We will continue to look for new ways to deliver our product through our commitment to innovation and technology.
- We will continue on our net zero journey.

Regular strategy away days will continue to be arranged. The Board and management agreed the sessions were extremely productive and will be beneficial as the business continues to transform.

# NOMINATION COMMITTEE REPORT



## Committee Meetings and Attendance

The committee met four times during 2023.

Member	Attendance
John Hennessy	4/4
Cathriona Hallahan	2/2
Margaret Sweeney	2/2
Elizabeth McMeikan	4/4

See the committee's terms of reference on [dalatahotelgroup.com](https://dalatahotelgroup.com)

### Dear Shareholder,

I am pleased to present the report of the nomination committee for 2023.

This year, the committee reassessed board composition following the retirement of Margaret Sweeney, oversaw the recruitment and appointment of one new non-executive director, refreshed the composition of the board committees following the appointment of Jon Mortimore and initiated the board effectiveness review, which was facilitated this year by external consultants.

### Board composition and skills mix

Margaret Sweeney retired from the board following the 2023 AGM. Margaret had served on the board since our 2014 IPO. She was chair of the remuneration committee, a member of the nomination committee throughout her term, and a member of the audit and risk committee from July 2016 until the date of her retirement. She also served as Senior Independent Director from 1 January 2021 to her retirement date.

Margaret brought a broad range of skills, including financial, audit and risk management, international business experience, mergers and acquisitions and capital markets transactions. She also had extensive property industry experience. While refreshing the non-executive board membership in 2021, the committee focused on diversifying the range of skills and expertise on the board; however, in choosing a replacement for Margaret, the committee recognised the need to find a candidate with similar experience to hers.

See the board of directors section for information on each director's biography, principal skills, and an overview of the board skills matrix.

### Board effectiveness review

During 2023, a Board effectiveness review was conducted with the assistance of external expert consultants. The outcome of the review was very positive, and the board obtained valuable insights that will assist it in continuing to operate effectively in the future. A detailed account of the process and its outcome is provided in the Corporate Governance Report.

### Diversity

In line with the company's board diversity policy, the committee considers all aspects of

diversity, including gender, race, background, skills, regional and industry experience, and other distinctions, when reviewing board composition (and when agreeing on a job specification for a new non-executive director appointment).

In last year's report, I explained how, in the previous years, the committee had successfully addressed the gender imbalance on the board, and I undertook to engage with candidates with an ethnic minority background in the search to fill future vacancies while holding to the guiding principle, under our policy, that all appointments would be made on merit.

Today, 50% of the board is female, and the positions of CFO, senior independent director, audit and risk committee chair, remuneration committee chair, ESG committee chair and non-executive director with designated responsibility for workforce engagement are all held by women.

50% (2022: 50%) of the CEO's direct reports and 44% (2022: 45%) of senior managers (comprising our hotel and central office senior managers) are female.

The company has an inclusion and diversity policy, which is designed to promote broad diversity across the organisation and support our strategic priority of retaining and developing talent. See *Delivering Value for Stakeholders – Employees* to read more about our process.

### Non-executive director recruitment

Following a tender process, in April 2023, the committee appointed MWM Consulting (an executive search firm with no other connections to the company or its directors) to assist the company in recruiting a new non-executive director. Following input from all of the directors, the consultant was briefed to identify candidates with financial, risk management and capital markets experience and also to identify candidates with a non-white ethnic minority background.

Shortlisted candidates, including some with a non-white ethnic minority background, were identified, and final candidates were interviewed by a panel of two non-executive directors.

Jon Mortimore, the successful candidate, met with each of the directors before the committee recommended his appointment. In addition to the priority skills identified by the board, Jon has extensive business experience in international markets and has served on the senior management team at a large hotel business. We welcomed Jon to the board in August last year and look forward to working with him in the coming years. Upon appointment, he joined the audit and risk and ESG committees.

### Committee composition changes

Margaret Sweeney's retirement prompted a reallocation of responsibilities among non-executive directors.

Elizabeth McMeikan succeeded Margaret as remuneration committee chair; Elizabeth was initially appointed to the remuneration committee in October 2019. Elizabeth also succeeded Margaret as Senior Independent Director.

Elizabeth stepped down from her role as ESG committee chair, a position she held since the ESG committee was established in 2020, and Gervaise Slowey succeeded her.

Full committee membership details are set out in the board matrix in the corporate governance report.

### Non-executive director and chair succession

In last year's report, I provided a detailed update on non-executive director succession in the context of the retirement of the four directors appointed when the company was listed publicly in 2014.

I committed to managing this succession plan (communicated initially in 2019's annual report) in a manner and over a timescale that would allow a transfer of knowledge and avoid a sudden loss of experience while at the same time preserving the independence of the board's non-executive membership. The plan also took account of the retirement of company founders Pat McCann (2021) and Stephen McNally (2022).

Last year, the board considered the question of chair succession in the context of the approaching ninth anniversary of my appointment in March 2023 and provision 19 of the UK Corporate Governance Code, which states that the chair should not

remain in post beyond nine years from the date of their first appointment (except in limited circumstances referred to in provision 19).

The board also considered:

- the extent of change in board composition in the prior two years
- the significant senior management turnover following the company founders' retirement;
- the continuing uncertainty in the business environment at that time, reflected in volatile demand patterns in the aftermath of the Covid-19 pandemic, exacerbated by the war in Ukraine, high inflation and rising interest rates.

The board then proposed that it would be in the company's and its stakeholders' best interest that my term as chair be extended, subject to my re-election by shareholders, for two further years up to 2025.

Last year, before publishing the chair succession plan, we consulted with our ten largest shareholders. This engagement was to explain the board's strategy and hear the shareholders' views on it. Those we spoke to, or corresponded with, supported the plan, and the resolution calling for my re-election at last year's AGM received a 91% vote in favour.

The committee is satisfied the extension of my term complies with the limited circumstances provided for in provision 19 of the code.

The committee plans to initiate the process for the appointment of a new chair later this year.

### Management succession planning

During the year, the committee received a report from the CEO explaining the management succession pipeline, covering executive director positions and positions reporting to members of the senior management group. The committee is satisfied that the company is proactive in developing future leaders. The board and board committees regularly engage with members of the wider executive team through their periodic participation in board or committee meetings.

## Role of the Committee

Reviewing the structure, size and composition of the board and making recommendations to the board with regard to any changes.

Assessing the effectiveness and performance of the board and each of its committees, including consideration of the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works as a unit, and other factors relevant to its effectiveness.

Considering succession planning for directors and members of the executive management team.

Identifying and nominating new members to the board.

Reviewing the results of the board performance evaluation process that relate to the composition of the board.

Reviewing annually time input required from non-executive directors.

## Conclusion

Following a very successful twelve months for the company, the committee is satisfied that the board has the right blend of skills and experience to lead the company on its ambitious growth journey over the coming years.

I would like to express my gratitude to my committee members and board colleagues for their contributions during the year and extend my appreciation to our shareholders for their ongoing support. I look forward to your continued support at the forthcoming AGM. If you have any questions or wish to discuss any part of this year's report, you may contact me through the company secretary by email at [companysecretarial@dalatahotelgroup.com](mailto:companysecretarial@dalatahotelgroup.com).

### John Hennessy

Chair  
Nomination Committee

# AUDIT & RISK COMMITTEE REPORT



## Committee Meetings and Attendance

The committee met six times during 2023.

Member	Attendance
Cathriona Hallahan	6/6
Elizabeth McMeikan	6/6
Margaret Sweeney *	2/2
Gervaise Slowey *	2/2
Jon Mortimore *	2/3

\* Margaret Sweeney retired from the Board on 27 April 2023; Gervaise Slowey joined the Committee for the period of 27 April to 01 August 2023, while Jon Mortimore was appointed to the Board on 01 August 2023.

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](http://www.dalatahotelgroup.com)

### Dear Shareholder,

As chair of the audit and risk committee, I am pleased to present this report on the committee's work during 2023.

The Group's performance has been built on a sound financial platform and development strategy, which has supported the Group through a period of business uncertainty and increased costs. The committee has reviewed the Group's financial position throughout the year and is satisfied that sound financial and reporting structures are in place.

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

### Key accounting judgements

Throughout the year, the committee considered the key accounting judgement considerations. This process typically commences mid-year for interim reporting and continues through to the annual report and financial statements the following February.

At its June meeting, the committee received a detailed presentation from management on the key considerations and accounting judgements for the upcoming interim financial statements. These focused on property valuations, hotel acquisitions, existing hotel revaluations, the carrying value of goodwill and right-of-use assets and the Group's self-insurance programme.

The committee further considered these topics at its August meeting and conducted a thorough review of the interim financial statements and investor presentation. The committee also reviewed the dividend consideration paper at this meeting. The external auditors' report on management's approach was also provided to the committee.

At its October meeting, management outlined the key accounting judgement considerations for the 2023 year-end financial reporting cycle. A detailed explanation of the assessment process concerning these items is provided later in the committee's report.

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

During 2023, the committee considered a query by the Financial Reporting Supervision Unit of IAASA relating to the accounting treatment of income from the sale of residential property at the site of the former Tara Towers hotel. Detailed briefings were provided by management and the external auditor. Additional details are set out in [Note 2](#) of the Financial Statements.

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

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

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

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

### Viability Statement

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



### Further reporting

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

### In conclusion

My thanks to my colleagues on the committee, the management team, external and internal auditors, and advisors to the company who assisted the committee in its work in 2023.

### Cathriona Hallahan

Chair Audit and Risk Committee

### Role of the Committee

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

### Significant Financial Judgements and Key Sources of Estimation Uncertainty

Matter	Significant financial judgements and key sources of estimation uncertainty
<b>ACCOUNTING FOR ACQUISITIONS</b> The Group completed a number of business combinations and asset purchases during the year.	<p>During 2023, the Group completed the acquisition of three hotels and one development site. Depending on the nature of the transactions, these were accounted for as business combinations, the details of which are set out in <a href="#">note 13</a> to the Group consolidated financial statements, or as asset purchases, the details of which are outlined in <a href="#">note 15</a> to the Group consolidated financial statements.</p> <p>The Committee has evaluated the accounting treatment of the consideration paid, allocation to assets and liabilities acquired, and costs incurred as presented by management for each of the aforementioned transactions. Management have reported in detail to the Committee in relation to the accounting treatment applied to each transaction and the treatment of associated transaction costs in each case. In addition, the Committee discussed the transactions during the year with management and with the External Auditor. Accordingly, the Committee is satisfied that the correct accounting method has been chosen for each of the aforementioned transactions.</p> <p>Where applicable, the Committee has considered the valuations which underpin the accounting and which were performed by suitably qualified professional valuers, as reported to them by management.</p> <p>Based on the above, the Committee is satisfied that the assumptions used and judgements made in accounting for business combinations are reasonable and is satisfied that the acquired assets and liabilities and goodwill arising have been correctly stated and appropriately disclosed in the Group consolidated financial statements.</p>

## AUDIT & RISK COMMITTEE REPORT (CONTINUED)

Matter	Significant financial judgements and key sources of estimation uncertainty
<p>PROPERTY REVALUATIONS</p> <p>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.</p>	<p>The net carrying value of land and buildings at 31 December 2023 was €1,479 million (<a href="#">note 15</a>) (2022: €1,281 million). The carrying value of land and buildings is determined using fair value. The calculation of fair value and the allocation of fair value to land and buildings requires judgement.</p> <p>The assumptions utilised by the valuation specialists are disclosed in <a href="#">note 15</a> 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.</p> <p>Management have reported in detail to the Committee in relation to the valuation approach, as determined by suitably qualified professionals, of land and buildings at 31 December 2023. The Committee has discussed the valuation approach undertaken with management.</p> <p>Through discussion with management and considering the findings of the External Auditor, the Committee is satisfied that the property valuations at 31 December 2023 are reasonable and that the revaluation movements have been appropriately presented in the Group consolidated financial statements.</p>
<p>CARRYING VALUE OF RIGHT-OF-USE ASSETS AND GOODWILL</p> <p>Detailed impairment reviews are undertaken to determine whether the carrying value of right-of-use assets and goodwill is impaired.</p>	<p>Right-of-use assets, representing the group's right to use underlying hotel assets which are operated under lease, amounted to €685.2 million at 31 December 2023 (2022: €658.1 million). Goodwill amounted to €53.8 million at 31 December 2023 (2022: €30.2 million).</p> <p>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. At 31 December 2023, as a result of the carrying amount of the net assets of the Group being more than its market capitalisation, the Group tested each cash generating unit ('CGU') for impairment as both were deemed to be potential impairment indicators. On 31 December 2023, the market capitalisation of the Group (€1,032 million) was lower than the net assets of the Group (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). Market capitalisation can be influenced by a number of different market factors and uncertainties. In addition, share prices reflect a discount due to lack of control rights.</p> <p>The Group applies IAS 36 <i>Impairment of Assets</i> to determine whether a cash-generating unit with goodwill and/or a right-of-use asset is impaired and accounts for any identified impairments through profit or loss, or to determine whether any previous impairment of right-of-use assets and fixtures, fittings and equipment should be reversed.</p> <p>Management undertook detailed impairment reviews on a hotel-by-hotel basis, taking account of the valuations prepared by qualified professional valuation specialists and other factors. The assumptions utilised by management in conducting these analyses are disclosed in <a href="#">note 12</a> to the group consolidated financial statements and include projected cash flows for future revenue and costs, terminal value multiples and discount rates.</p> <p>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.</p> <p>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.</p> <p>The recoverable amount was not deemed lower than the carrying amount for any of the Group's CGUs as at 31 December 2023, and as a result, no impairment charges for goodwill, right-of-use assets and fixtures, fittings and equipment were recognised in profit or loss for the year.</p> <p>Accordingly, the committee has concluded that the carrying value of right-of-use assets and goodwill is appropriately stated at 31 December 2023 and that the disclosures included within <a href="#">note 12</a>, <a href="#">note 14</a> and <a href="#">note 16</a> of the group consolidated financial statements are adequate.</p>

## External Audit

### Appointment

Our External Auditor is KPMG, who was 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 the Irish Stock Exchange) and the London Stock Exchange.

The external auditor is subject to mandatory rotation ten years after the company becomes an EU PIE. As the ten-year limit is approaching, the committee, during 2023, considered the overall strategy and approach to this matter. The company has no immediate plan to tender for external audit services voluntarily.

### Evaluation

During 2023, we evaluated KPMG based on their work completed, management feedback and our review of the documentation provided to the committee. The committee received a detailed presentation from KPMG in October 2023, setting out its strategy and priorities for the upcoming audit. This allowed the committee to provide input and monitor progress against the plan.

The committee noted that there would be a change in the group's audit partner after the completion of the 2023 audit and considered the handover process for the incoming partner. This will also be reviewed in 2024.

KPMG attends all of the committee's meetings and regularly meets the committee without management present. The committee is satisfied that the statutory audit process and services provided by KPMG were satisfactory and effective.

### Independence

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

The committee has implemented a procedure to pre-approve any non-audit services provided by KPMG to the company.

During 2023, KPMG provided non-audit services primarily concerning the review of the half-year financial statements and certain other permitted services. KPMG fees for 2023 are set out in [note 4](#) to the financial statements. Under the EU fee cap rules, non-audit services are not permitted to exceed a ratio of 70% of the average annual audit fee for the preceding three-year period. The actual ratio for 2023 non-audit fees was 18.5%.

The company has adopted a policy concerning the employment of former employees of the external auditor.

Considering our findings regarding the effectiveness of the audit process and the independence of KPMG, the committee is satisfied that KPMG continues to be independent and free from any conflicting interests with the Group.

### Internal Control & Risk Management

The board has overall responsibility for risk management and has delegated this task to the committee. A consideration of the Group's risk register, with particular emphasis on principal risks, emerging risks and changes to risk profiles, is a standing agenda item for each committee meeting. The committee reviews documentation prepared by management and internal audit in this regard.

Additional details on our risk management framework, processes and principal risks are set out in the Risk Management Section.

The committee also has responsibility for the oversight of the internal control structures. These are reviewed throughout the year through the consideration of internal audit reports and other relevant papers. An assessment of the Group's high-level internal controls environment was also considered in January 2024.

### Internal Audit

The committee oversees the scope, work and effectiveness of the Group's internal audit function, which 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 departmental strategy and scope of work for the following year for consideration by the committee. The plan includes core internal control and risk management assessments covering the Group's activities and projects designed to provide additional insight and support the committee in this area. This plan is reviewed on an ongoing basis and updated at each committee meeting. The use of group-wide data analytics to provide assurance, harnessing the Group's investment in business system platforms, is now standard. This is supported by detailed business risk and control assessments in targeted business activities and consideration of the Group's wider risk and control environment.

The committee meets with the Group Internal Auditor after each meeting without management present.

### Tax and Treasury Updates

At its May meeting, the committee received and considered reports from management on the company's tax and treasury positions. The tax update provided an overview of the Group's existing and emerging tax risks, tax strategy, and related priorities for the coming years.

The treasury update provided an overview of existing interest rate hedging arrangements, future hedging strategy, and consideration of the Group's treasury policy. The committee also considered the Group's updated banking arrangements in the Republic of Ireland following the departure of Ulster Bank from the market.

### Whistleblowing & Speak-up

The board has approved a Confidential Disclosure Policy (Whistleblowing Policy), which is reviewed annually. A copy of the Confidential Disclosure Policy is included in the Employee Handbook, which is provided to all employees. Ongoing initiatives across the Group's communications platforms to increase awareness of this facility are also in place.

At its January meeting, the committee considered the Group's whistleblowing policy and arrangements, reviewed the whistleblowing incidents and outcomes,

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## AUDIT & RISK COMMITTEE REPORT (CONTINUED)

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and assisted the board in assessing the adequacy of these arrangements. There are no outstanding matters of concern raised by employees using the whistleblowing arrangements during 2023.

### Health and Safety and Insurance Programme

The committee is responsible for monitoring the effectiveness of the Group's health and safety and operational risks, and also the Group's insurance programmes.

In relation to health and safety, the committee received a detailed update from management in May on the Group's health and safety environment, emerging risks and the outcome of external assessments completed at the hotels by Bureau Veritas.

The committee also received a comprehensive briefing from management and the company's insurance brokers on the performance of the Group's insurance programme, including self-insurance trends, market conditions and the Group's claims environment.

The committee considered the Group's insurance cover and associated risks, including property, business interruption, public and employer's liability and other insurance coverage. Consideration was also given to emerging insurance-related risks and cover available to the Group. The committee is satisfied that the company has an appropriate insurance programme in place.

### Compliance Framework

#### Compliance with S225(2) Companies Act 2014

The committee carries out an annual review of the company's compliance framework and compliance with certain obligations specified in section 225(2) of the Companies Act 2014 arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/EC) Regulation 2005, the Prospectus (Directive 2003/71/EC) Regulation 2005, the Transparency (Directive 2004/109/EC) Regulation 2007 and Tax Laws. This review is based on an analysis prepared by internal audit of compliance activity during the year.

During 2023, the committee considered a report into the Group's structures and procedures overseeing compliance with the Market Abuse Regulations, including awareness and training in this area and the work of the disclosure committee during 2023.

The committee also carried out an annual review of the company's risk assessment and policies concerning modern slavery, anti-bribery and corruption and anti-money laundering.

### Information Security

The committee monitors the management of information security risks and the Group's technology risk environment. The committee is aware of the increased risk profile in this area and is satisfied that the company, through its ongoing investment in information technology, continues to mitigate its information security risk (see the Risk Management section for further analysis). The Group has a cyber liability insurance policy and reviews the limits and scope of this cover annually.

At its October meeting, the committee considered an information security management report, prepared by management, outlining the Group's strategy in this area. External information security experts also attended this presentation and provided the committee with updates on the wider technology security environment.

The Group's IT department maintains a detailed information system risk register and has implemented a comprehensive suite of information security tools supported by detailed policies and training resources.

### Data Protection & Privacy

The committee has oversight of data and privacy risk management at Dalata. The structured approach to data risk management and compliance with the General Data Protection Regulation (GDPR) enables the Group's compliance team to respond to, mitigate and manage these risks proactively.

At its October meeting, the committee considered a data protection accountability framework report and a management presentation on privacy, risks and priorities for 2024.

The Group has an active privacy committee, which met 11 times in 2023. Relevant senior management, supported by external expertise, attends privacy committee meetings.

The compliance team maintains a detailed incident register and provides support throughout the business in this complex area. 45 low-level incidents were recorded in 2023, with two incidents reported to the relevant data protection regulator.

The Group recognises the importance of ongoing training and communication to raise awareness of best practices when handling data and to help prevent personal data incidents. GDPR officers are in place at each hotel to lead their property in good GDPR practices, to promote GDPR awareness among colleagues and to be a point of contact between the hotels and central office.

# ESG COMMITTEE REPORT



The committee's focus concerns sustainability matters of strategic importance for Dalata.

## Committee Meetings and Attendance

The committee met five times during 2023.

Member	Attendance
Gervaise Slowey	5/5
Shane Casserly	5/5
Cathriona Hallahan	5/5
Elizabeth McMeikan	2/2
Jon Mortimore	3/3

See the committee's terms of reference on [dalatahotelgroup.com](https://dalatahotelgroup.com)

### Dear Shareholder,

I am pleased to report on the ESG committee's work in 2023. During the year, we have seen further progress in several environmental and social focus areas.

The environmental focus areas for the committee were monitoring the development of the group's decarbonisation strategy, progress against short-term targets for energy-related emissions, food waste and water consumption, and supplier engagement to collate carbon emissions data.

Our social priorities concern our workforce, learning and development, inclusion and diversity, and employee wellness. As a growing company operating in an environment with significant labour market constraints and wage inflation, retaining an engaged, skilled and motivated workforce is important for both the company and our employees.

We also consider the Group's community engagement activity, including its support for charities.

This year, we monitored the Company's preparation for compliance with CSRD reporting requirements. From 2024, the audit and risk committee will exercise oversight of compliance with CSRD, while the ESG committee will focus on sustainability matters of strategic importance for Dalata.

During the year, the committee also took time to engage with management to reflect on the Company's culture as part of the board's evaluation of whether policies, practices, and behaviours align with its purpose, values and strategy.

### Committee membership

Elizabeth McMeikan stepped down following her appointment as remuneration committee chair at the end of April, and Jon Mortimore joined the committee following his appointment to the board in August. I would like to thank Liz and acknowledge her ground-breaking work leading the committee since it was established in 2020, and to welcome Jon.

### Purpose and culture

The company's purpose statement describes the culture as one of integrity, fairness and inclusion. The committee observed positive indicators of the health of the company's culture through the results of the employee engagement survey and third-party recognition (Investors in Diversity, Ibec KeepWell Mark (Ireland), and Workplace Wellbeing Charter (UK), as well as direct engagement with management and staff during the year. We also discussed with management the challenge of maintaining and promoting the company's culture as the group expands, particularly into new countries.

The company's purpose and strategic priorities are closely linked (people, customer focus, growth, innovation, sustainability and financial discipline). The committee is satisfied that the board is appropriately involved in strategic decision-making and policy setting to maintain alignment in policy and practice. The company operates a speak-up email channel, and the audit and risk committee reviews its operation annually.

### CSRD readiness

The committee received a management presentation on the company's preparation for compliance with the EU Corporate Sustainability Reporting Directive (CSRD). The volume of work required to prepare for compliance is considerable; however, the committee is satisfied that management has set aside sufficient resources to fulfil the company's obligations. As I noted in my introduction, the audit and risk committee will oversee CSRD compliance from this point.

### Climate impact

Dalata is focused on decarbonising its business, and during the year, management engaged AECOM consultants to research the feasibility of committing to the Science Based Targets initiative (SBTi).

The committee considered the research findings, which produced three options:

1. Wait until the final SBTi guidance for buildings is published before making any public commitment.



## ESG COMMITTEE REPORT (CONTINUED)

2. Make a public commitment to setting validated science-based targets through SBTi on the basis that reductions through Corporate Purchase Power Agreements (CPPAs) would be accepted.
3. If option 2 is not possible or accepted by SBTi, setting alternative yet still ambitious carbon reduction targets that align with a science-based approach.

At the time of writing, the company aims to commit to SBTi; however, it is still waiting for the publication of SBTi's final building sector guidance. Without Corporate Purchase Power Agreements (CPPAs) to satisfy a portion of its energy needs, the company would be unable to attain the hurdle set by SBTi due to the pace of decarbonisation of the Irish grid.

In the meantime, the 27% reduction achieved in Scope 1 and 2 emissions per room sold (2023 over 2019) beat the 20% reduction target set in 2022 by three years and is evidence of the company's focus and progress to date in reducing emissions.

The company's 2023 CDP score moved from B in the previous three years to C, which was unpredicted and below expectation. The committee hopes that future CDP scores should better reflect our focus on decarbonisation.

### Water conservation

2023's 13% reduction in water usage (v. 2019) is ahead of expectation and very close to the 2026 target (also set in 2022; a 15% reduction).

The committee notes the restatement of prior-year figures for consumption following a review of calculation methodology where estimates were used at properties that did not have accurate metering. Much of the reduction is attributable to the company's investment in modern metering technology that underpins data accuracy for 2023 and future years.

### Food waste reduction

The committee received a management presentation on food waste reduction and supported its proposal to review the 2026 target. During the year, management has worked closely with suppliers and engaged the hotel teams in waste segregation

and measurement training. Research has demonstrated the challenge of accurate measurement and the absence of reliable benchmarks.

### Social impact

The company aims to have a positive social impact through the development of our people. The committee receives reports and insights from management, setting out its strategy for learning and development, inclusion and diversity, and employee wellness programs. Dalata's objective is to be the employer of choice in the hospitality sector, and it understands that the success of its growth and expansion strategy relies on its ability to attract, retain, and develop management talent from within. This social priority is linked to the goal of shareholder value creation.

The committee also received a detailed briefing from the social impact manager on the group's work in the community, including its charity support. The company is committed to forming positive relations with our neighbours in all the localities where we do business.

### Looking forward

I am excited about the continued progress planned for 2024 and will review the committee's terms of reference to reflect the growing maturity of the company's sustainability strategy.

The company's strategy of integrating responsibility for sustainability matters within existing management structures is progressing well. It will ensure that our advances are sustainable and aligned with the interests of our shareholders.

I welcome hearing the views of shareholders on environmental, social and governance matters and may be reached by email through the company secretary at [companysecretarial@dalatahotelgroup.com](mailto:companysecretarial@dalatahotelgroup.com).

### Gervaise Slowey

Chair  
ESG Committee

### Role of the Committee

Consider and recommend for board approval the sustainable business framework incorporating material priorities and implementation roadmap.

Consider and recommend for board approval environmental, social and governance policy documents reserved for board approval.

Agree and recommend the board approval of the appropriate ESG reporting frameworks and standards to be applied to the company.

Review and recommend to the board for approval the company's purpose and values.

Assess and monitor company culture to evaluate whether policies, practices, and behaviours align with its purpose, values and strategy.

Oversee the setting of the company's material environmental and social objectives, review the company's strategy to achieve the agreed goals, and monitor the extent to which they are integrated within the company's business strategy and risk management process.

Receive and consider internal and external reports concerning agreed metrics and targets and key performance indicators for environmental and social programmes and review progress towards the achievement of such targets and indicators.

Review commitments by the company to diversity and inclusion programmes, learning and development, human rights policy development, community programmes, and charitable support.

# REMUNERATION COMMITTEE REPORT



## Committee Meetings and Attendance

The committee met four times during 2023

Member	Attendance
Elizabeth McMeikan	4/4
John Hennessy	4/4
Gervaise Slowey	4/4
Margaret Sweeney	2/2

The Board considers all members of the committee to be independent (the company chair being independent on appointment). The Board considers that the committee chair has sufficient recent and relevant experience for the role and that there is sufficient experience within the committee as a whole.

Margaret Sweeney retired from the Board on 27 April 2023 and was succeeded as Chair of the Committee by Elizabeth McMeikan.

The report complies with the European Union (Shareholders' Rights) Regulations 2020, introduced in Ireland in March 2020.

Refer to the committee's terms of reference on: [dalatahotelgroup.com](https://dalatahotelgroup.com)

### Dear Shareholder

I am pleased to present the report of the Dalata Hotel Group plc remuneration committee for the year ended 31 December 2023.

### Performance in 2023

2023 was an outstanding year for Dalata. As detailed throughout this annual report, the company achieved several milestones: Revenue exceeded €600 million for the first time, Adjusted EBITDA (see [APM \(ii\)](#)) was a record €223 million, and the Group generated Free Cashflow (see [APM \(xi\)](#)) of €133 million. The Group also made measurable progress against all of its strategic priorities. It added three new hotels in high-priority cities (two in London and the first in Amsterdam) and secured a property to develop its first hotel in Edinburgh. Construction of four hotels (Shoreditch London, Manchester, Liverpool and Brighton), scheduled to open in mid-2024, is progressing well. The Group continued developing its decarbonisation strategy, introduced innovative solutions to boost efficiency and enhance the customer experience, invested in its talent pool through the Dalata Academy, and achieved recognition for its inclusion, diversity, and employee well-being programs. Having recommenced dividend payments, the company has the financial and human capital resources it needs to continue to grow and expand, consolidating its position in key UK cities and developing the foundations for further development in continental Europe.

### Remuneration outcomes for 2023 annual bonus

The 2023 annual bonus was assessed against a profitability measure (70% weighting), individual strategic objectives (18%) and ESG objectives (12%). The Modified EBIT (see [APM \(xix\)](#)) target applicable for the maximum bonus payment was exceeded.

The committee undertook a thorough assessment of performance against the individual and ESG objectives and judged that these targets were met in full for

each of the Directors (a detailed summary of performance achieved is provided under Outcomes in Respect of 2023). The committee also took into account the wider performance of the business during the year and determined that the formulaic outcome is appropriate. No discretion was applied.

### 2021 LTIP

The 2021 LTIP Award vested at 98.5% of the maximum maximum, reflecting the three-year performance period that ended on 31 December 2023.

Award vesting depends on two conditions, 50% based on Total Shareholder Return (TSR) over the three years ending on 31 December 2023 and 50% on Free Cashflow per Share (FCPS) (see [APM \(xii\)](#)) achieved in 2023. TSR for the three years was 33.6% and was assessed against a bespoke peer group of 19 companies in the leisure and hospitality industry. The return was marginally below the upper quartile of the peer group resulting in a vesting outcome of 96.9% of the TSR element. 2023 FCPS was €0.597, exceeding the maximum vesting hurdle of €0.47, resulting in 100% vesting for the FCPS element and an overall vesting outcome of 98.5% of maximum.

The committee also took into account performance of the business over the three year LTIP performance period and determined that the formulaic outcome is appropriate and did not exercise any discretion in relation to the 2021 LTIP award.

### Implementation of Policy for 2024

The Remuneration Policy (subject to an advisory vote) was approved at the 2023 AGM with a vote of 99% in favour.

### Salary

Dermot Crowley, Carol Phelan and Shane Casserly received salary increases of 3.5% effective 1 January 2024. This is in line with the minimum annual increase awarded to the wider workforce for 2024. The average 2024 pay increase for hotel-based employees was 7%. Base salaries for the Executive Directors continue to be positioned towards the lower end of the market compared to other companies of a similar size and complexity and the committee intend to keep positioning under review at the Group continues to grow and perform strongly.

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## REMUNERATION COMMITTEE REPORT (CONTINUED)

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### Pension

Effective January 1, 2024, the Group expanded its Irish pension scheme to include an additional 191 employees, offering a 3% contribution. This change, pivotal in enhancing financial well-being across our workforce, now positions the 3% contribution as the rate for a greater number of pension-eligible employees in Ireland (where the executive directors are resident) than the 5% contribution rate.

The remuneration committee has decided to maintain the executive directors' pension contribution at 5%, for now, in accordance with our existing remuneration policy. This decision is based on our view that alignment with the 5% cohort continues to be appropriate.

The expansion of the pension scheme reflects our broader investment in employee benefits and our dedication to equitable treatment across all levels of the organisation. We are committed to ongoing reviews of our policies to ensure they remain aligned with our values and the interests of our employees and stakeholders.

### Performance measures

The annual bonus for 2024 will continue to be based 70% on profit performance, with the remaining 30% based on individual strategic objectives, including ESG measures which account for 12% of maximum opportunity. However, for 2024 it is proposed that EBIT measure is replaced with Adjusted EBITDA as the profit measure used. Adjusted EBITDA is the primary measure used to communicate profit performance both internally and externally and the committee is of the view that it is the most appropriate financial metric to include within the annual bonus. The committee considers that Adjusted EBITDA will continue to motivate management to drive revenue performance as well as manage operational costs.

For the 2024 LTIP award 50% will continue to be based on TSR compared to peers and 50% on Free Cashflow per Share (FCPS).

### Other committee determinations in 2023

#### Chair Fee

As discussed in the 2022 Remuneration Committee report, following a review, the committee recognised that the fee paid for the Chair of the Board was considerably lower than typically paid at companies of a similar size to Dalata in the UK and Ireland. Balancing the company's interest in maintaining a competitive level of chair remuneration with the wider stakeholder experience, including the company's employees at a time of high inflation and rising living costs, a phased increase over two years was determined. This included an increase from €150,000 to €175,000 effective 1 January 2023, followed by a planned increase to €200,000 effective 1 January 2024.

However, the Chair fee was further reviewed this year, and it was noted that the increase initially proposed for 2024 (of €200,000) remained well below the fees typically paid at companies of a similar size to Dalata in the UK and Ireland. As mentioned above, the committee is conscious that it is in the company's interest to maintain a competitive chair fee and ensure that remuneration is appropriate and fair for the requirements of the role. Therefore, effective 1 January 2024, the Chair's fee was increased to €230,000. This fee is still below the typical Chair fee for comparable sized UK listed businesses.

#### Senior management remuneration

In addition to the executive directors, the committee determines the remuneration of those reporting directly to the CEO, including the company secretary. Pay and benefits for this Group are determined following processes similar to those applied for the executive directors.

### Supporting work of the committee

The committee actively consults with management to acquire the information and understanding required to fulfill its responsibilities and oversee matters related to employee remuneration and working conditions. It does this by receiving presentations and reports from the Chief People Officer, who attends all committee meetings.

### Wider workforce remuneration matters

As noted earlier, pay increased by 7%, on average, for hotel-based employees. The minimum wage in Ireland increased by 12.4% to €12.70 on 1 January 2024, and the company applied the 9.8% UK living wage increase (to £11.44) at the same time (i.e. ahead of its 1 April 2024 effective date). Wages increased by 3.75% in Germany on 1 January 2024, and a 3.4% increase will take effect in the Netherlands on 1 June 2024. The committee noted that where a lower pay rate is permitted for younger workers, the Group pays no less than the applicable adult minimum or living wage.

The group-wide minimum annual increase awarded for 2024 was 3.5%. The Group monitors pay rates in the market and awarded higher increases, where merited, to maintain competitiveness.

The committee also noted the introduction of several group-wide enhanced benefits at the beginning of 2024, including the extension of pension benefits to a significant cohort of heads of department and managers at Irish hotels to align with the benefits available to peers in the UK, a 20% cost allocation increase for the provision of staff meals in our hotels (to improve quality and availability), an increase in the staff discount for food, hot beverages and soft drinks from 25% to 50%, and the standardisation of the year-round staff accommodation rate at £60/€60, along with an increased allocation of rooms available at these rates.

During 2023, the committee also examined revisions to the annual bonus plan for hotel general managers to align it more closely with the executive director plan. 40% of hotel general manager incentive pay is based on non-financial criteria, including employee engagement, customer satisfaction, health and safety management and sustainability matters.

The committee also reviewed the Group's gender pay gap report before its publication in December 2023, noting the increase in the gap from 7% to 8.9%. The gap in Ireland was 9.8%, and in the UK, it was minus 1.4%. The report (published on the company's website) details the reasons for the gap, along with the action plan to close it over time. Steps include implementing recommendations from a study carried out in 2023 to identify barriers to female career progression and strategies to develop gender-balanced succession pipelines.

#### Workforce engagement

During the year, the committee sponsored a collaboration between the company secretarial department and the Dalata Academy to introduce a course module on corporate governance. This included a segment explaining the process for setting executive remuneration. The module was delivered to participants on Dalata Academy development programmes, either face-to-face or online and allowed learners to both participate in a remuneration committee role-play exercise and provide feedback on the current structure of remuneration. The committee received a report on the sessions, including unedited participant feedback. The course participants represented a diverse cross-section of employees in terms of their roles and seniority. This initiative will be further developed in 2024.

#### Committee changes

As set out in the 2022 Remuneration Report, Margaret Sweeney retired from the Board and as a Chair of the Committee in April 2023. I should like to thank Margaret for her accomplished leadership of the committee since taking over as Chair in 2014.

I remain open to hearing from shareholders (please refer any queries or requests for engagement to the company secretary at [companysecretarial@daltahotelgroup.com](mailto:companysecretarial@daltahotelgroup.com)) and look forward to your continuing support at the 2024 AGM.

#### Elizabeth McMeikan

Chair, Remuneration Committee

## Role of the Committee

Review the ongoing appropriateness and relevance of the remuneration policy, having regard to the pay and employment conditions across the Group.

Consider and recommend to the Board the group framework for the remuneration of the executive directors.

Within the terms of the agreed policy, determine the total individual remuneration package of the Chair and each executive director and member of senior management, 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.

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## REMUNERATION COMMITTEE REPORT (CONTINUED)

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### Directors' Remuneration Policy 2023 – 2025

Shareholders approved Dalata's Remuneration Policy at the 2023 AGM. A summary of the Remuneration Policy for executive directors is shown below. The full Remuneration Policy is set out in the 2022 Annual Report & Accounts.

#### Consideration of the 2018 UK Corporate Governance Code

In reaching its decisions on the new Remuneration Policy, the Remuneration Committee considered the following principles as recommended in the 2018 UK Corporate Governance Code (the Code).

<b>Clarity</b>	<p>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.</p> <p>The committee remains committed to reporting on its remuneration practices in a transparent, balanced, and understandable way.</p>
<b>Simplicity</b>	<p>The policy consists of three main elements: fixed pay (salary, benefits, and pension), an annual bonus award, and a long-term incentive award.</p> <p>The annual bonus is based on financial measures and individual strategic objectives, which may include ESG related measures tied to our key strategic objectives and risk framework. The LTIP is currently based on relative TSR and Free Cashflow per Share measures which provide a clear link to the shareholder experience.</p> <p>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.</p>
<b>Risk</b>	<p>Remuneration policies are in line with our risk appetite. A 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.</p> <p>The post-employment shareholding policy further ensures executive directors are motivated to deliver sustainable performance that extends beyond their departure from the company.</p>
<b>Predictability</b>	<p>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 Policy.</p>
<b>Proportionality</b>	<p>A substantial portion of the package comprises a performance-based reward linked to the achievement of solid company performance and the delivery of strategy.</p> <p>The committee uses discretion, where required, to ensure that performance outcomes are appropriate.</p>
<b>Alignment to culture</b>	<p>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.</p> <p>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.</p>



## Policy Table for Executive Directors

The Group's policy on executive directors' remuneration is designed to ensure that employment and remuneration conditions support the delivery of strategy and promote long-term sustainable success for all stakeholders. The elements of the remuneration package which may apply to executive directors are base salary, pension and benefits, annual bonus and the long-term incentive plan.

Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
<b>Element – Base salary</b>		
<p>An appropriate level of fixed remuneration to reflect the skills and experience of the individual.</p> <p>Salaries are normally reviewed annually by the committee, considering all relevant factors, which may include the size and scope of the role, the experience and performance of the individual, and appropriate market data.</p>	<p>There is no prescribed maximum. Salary increases are normally in line with those of the wider workforce.</p> <p>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; 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; or other exceptional circumstances.</p>	n/a
<b>Element – Pension</b>		
<p>Contributions into the company's defined contribution pension scheme or an equivalent cash supplement.</p>	<p>Pension contributions will be 5% for the executive directors in line with the pension contributions available to the majority of the pension-eligible Irish workforce. Pension may be increased in line with the wider workforce.</p>	n/a
<b>Element – Benefits</b>		
<p>To provide a market competitive benefits package.</p> <p>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.</p> <p>Directors are eligible to participate in the Company's Sharesave Scheme on the same basis as all other employees. Directors may participate in any other all-employee schemes introduced.</p> <p>Directors may be reimbursed for reasonable business expenses (and any associated tax liabilities).</p> <p>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.).</p>	<p>The value of benefits is not capped as it is determined by the cost to the company, which may vary.</p> <p>Participation in Sharesave Scheme up to statutory limits. Participation in any other all-employee scheme will be on the same terms as for other employees.</p>	n/a

## REMUNERATION COMMITTEE REPORT (CONTINUED)

Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
<b>Element – Annual Bonus</b>		
<p>To drive and reward the delivery of business objectives over the financial year.</p> <p>The bonus is discretionary, and the committee determines any pay-out based on performance. Targets are set and assessed by the committee each year.</p> <p>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.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum opportunity is 150% of salary for all executive directors.</p> <p>30% of the maximum bonus typically pays out for achieving threshold levels of performance, with 50% of maximum paying out for target levels of performance.</p>	<p>Payment is normally 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 which may include ESG related measures.</p> <p>The committee determines the weightings of the performance measures each year. The overall framework will normally be weighted towards financial measures of performance.</p> <p>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. When making this judgment, the committee may take into account such factors as the committee considers relevant.</p>
<b>Element – Long-term incentive plan (LTIP)</b>		
<p>To reward executive directors for the delivery of long-term performance and align their interests with shareholders.</p> <p>Awards are made under and subject to the terms of the 2017 LTIP approved by shareholders at the 2017 AGM.</p> <p>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.</p> <p>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.</p> <p>Malus/clawback and dividend equivalent provisions apply.</p>	<p>The maximum award in respect of a financial year is:</p> <p>Chief Executive: 150% of salary.</p> <p>Other Executive Directors: 125% of salary.</p>	<p>Performance targets are normally measured over three financial years, using performance measures aligned with the strategy and shareholder value. This may include measures such as total shareholder return (TSR) and other financial or strategic measures.</p> <p>25% normally vests for threshold performance.</p> <p>The committee has the discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned with the business strategy and objectives.</p> <p>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.</p>

Purpose, link to strategy and operation	Maximum opportunity	Performance Metrics
<b>Element – Shareholding guidelines</b>		
To increase long-term alignment between executives and shareholders.	n/a	n/a
Executive directors are expected 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).		

### Policy table for non-executive directors

Purpose, link to strategy and operation	Opportunity
<b>Element – Chair and Non-executive Director ("NED") Fees</b>	
To attract and retain non-executive directors with the required qualities, skills, and experience.	There is no prescribed maximum annual increase or fee level.
Fees for the Chair are determined by the remuneration committee (excluding the Chair).	
Fees for non-executive directors other than the Chair are determined by a sub-committee of the Board comprising the chief executive and the Chair.	Fee levels are reviewed periodically, with reference to the time commitment of the role and market levels (for example, in companies of comparable size and complexity).
The Chair receives a single fee. NED fees include a base fee and may include additional fees for other board or committee duties or to reflect additional time commitment.	
The Chair and non-executive directors do not participate in any incentive plan or pension arrangement. Where appropriate, benefits may be provided.	
The Chair and non-executive directors may be reimbursed for business expenses (and any associated tax liabilities) incurred when travelling in the performance of duties.	

### Service contracts/letters of appointment

Service contracts for the executive directors, Dermot Crowley (commencing 3 December 2012), Shane Casserly (3 March 2014), and Carol Phelan (17 November 2014), do not have a fixed end date but can be terminated by serving notice. The service contracts have a notice period of six months. Other than entitlement to notice and payment of salary and contractual benefits (which may include pension) in lieu of notice, the executive directors are not entitled to compensation on termination of their respective contracts. These terms would normally apply to a service contract for a new executive director.

The non-executive directors and chair have been appointed under the terms of letters of appointment commencing as follows: John Hennessy, 27 February 2014; Elizabeth McMeikan, 8 October 2019; Cathriona Hallahan, 1 November 2021, Gervaise Slowey, 1 December 2021 and Jon Mortimore, 1 August 2023. The appointment is renewed annually, and under the Company's director's re-election policy, all Directors are subject to annual re-election by shareholders. Non-executive director's appointment is terminable by either party giving one month's written notice.

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## REMUNERATION COMMITTEE REPORT (CONTINUED)

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### Policy on payments for loss of office

In addition to a payment in lieu of notice referred to above, a departing executive director may be eligible for incentive awards, which will be treated under the rules of the relevant plan, as summarised in the table below:

Incentive Plan	Summary of leaver provisions
Annual bonus	Annual bonuses may be payable for performance in the financial year of cessation of employment (pro-rated for time unless the committee determines otherwise). The committee retains the discretion to deliver any such bonus solely in cash, without any deferred share element.
Deferred bonus	Awards will normally continue to vest on the original vesting date unless the committee determines otherwise.  Awards remain subject to malus provisions.
LTIP	The default treatment is that any unvested awards lapse on cessation of employment.  However, the committee may determine that an executive should remain entitled to retain their LTIP award. Such awards would normally, unless the committee determines otherwise, be pro-rated for time, remain subject to performance conditions and vest at the normal vesting date.

The committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and the Director's legal or professional advice fees in connection with his or her cessation of office or employment.

### Post-employment interest in shares

The committee has a policy to promote interests in share awards following cessation of employment to enable former executive Directors to remain aligned with the interests of shareholders for an extended period after leaving the Company. Individuals who cease to be an Executive Director will normally be expected to retain a shareholding in the Company for two years after stepping down as an Executive Director at the lower of half of the shareholding requirement in place before departure or the actual shareholding on departure.

This requirement applies to shares acquired from incentive plans that vest after the introduction of the Policy and will normally include the net value of outstanding deferred bonus share awards and LTIP awards subject only to a holding period.

The committee will have the discretion to operate the Policy flexibly and may waive part or all of the requirement where considered appropriate, for example, in compassionate circumstances.

### Treatment in the event of a change of control

The default treatment is that any unvested LTIP awards vest in the event of a change of control to the extent the committee determines, taking into account the satisfaction of the relevant performance conditions and, unless the committee determines otherwise, the proportion of the performance period served. Shares subject to deferral or holding periods would normally be released on a change of control.

# Annual Remuneration Report

This report will be submitted as an advisory vote to shareholders at the 2024 AGM. The report complies with the European Union (Shareholders' Rights) Regulations 2020, introduced in Ireland in March 2020.

## Statement of Implementation for 2024

This section summarises the remuneration arrangements for the Directors for the 2024 financial year.

### Base salaries

Salaries for Dermot Crowley, Carol Phelan and Shane Casserly were increased by 3.5% effective 1 January 2024. This aligns with the minimum increase awarded to the wider workforce for 2024. As explained in the committee chair's letter, the average increase for hotel-based employees was 7%, and the Group monitors pay rates in the market and awards higher increases, where merited, to maintain competitiveness.

The following table shows the base salaries effective 1 January 2024:

2024	€'000	% increase
Dermot Crowley	€652	3.5%
Carol Phelan	€414	3.5%
Shane Casserly	€414	3.5%

### Pension

Effective January 1, 2024, the Group expanded its Irish pension scheme to include an additional 191 employees, offering a 3% contribution. This change, pivotal in enhancing financial well-being across our workforce, now positions the 3% contribution as the rate for a greater number of pension-eligible employees in Ireland (where the executive directors are resident) than the 5% contribution rate.

The remuneration committee has decided to maintain the executive directors' pension contribution at 5%, for now, in accordance with our existing remuneration policy. This decision is based on our view that alignment with the 5% cohort continues to be appropriate.

The expansion of the pension scheme reflects our broader investment in employee benefits and our dedication to equitable treatment across all levels of the organisation. We are committed to ongoing reviews of our policies to ensure they remain aligned with our values and the interests of our employees and stakeholders.

For future new executive director hires, the Board will take into account best practice, the rate available to the wider pension-eligible workforce, and market practice at similar-sized companies at the time of appointment.

### Annual bonus

Each of the executive directors will be eligible for a maximum bonus of 150% of salary, unchanged from 2023.

The performance measures for all executive directors will be weighted 70:30 between financial (profit) and individual strategic measures, including ESG measures. The choice of the performance measures reflects the committee's belief that any incentives should be aligned with the Group's financial and strategic objectives, including ESG objectives.

For 2024, it is proposed that the Modified EBIT measure is replaced with Adjusted EBITDA as the profit measure used. Adjusted EBITDA is the primary measure used to communicate profit performance both internally and externally, and the committee is of the view that it is the most appropriate financial metric to include within the annual bonus. The committee considers that Adjusted EBITDA will continue to motivate management to drive revenue performance as well as manage operational costs.

The non-financial measures will be based on specified strategic objectives linked to the individual's area of responsibility, including ESG measures, which comprise 12% of the maximum bonus opportunity. The ESG measures include the delivery of our decarbonisation strategy, measures related to our people as well as measures related to the company's social impact.

The committee will consider the Group's overall performance before determining the final bonus outcome. It 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.

The committee considers the targets commercially sensitive, although we commit to disclosing these in the 2024 Directors' Remuneration Report.

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, as set out in the Policy.

The following table shows the weighting of the bonus opportunity for all executive directors for 2024 (opportunity as a % of base salary):

Category	Annual bonus measure	All executive directors % base salary
Financial	Adjusted EBITDA	105%
Non-financial	Individual strategic business objectives	27%
	Environmental and social targets	18%
	Total	150%



## REMUNERATION COMMITTEE REPORT (CONTINUED)

### LTIP

Awards will be granted in 2024 of 150% of salary for the chief executive and 125% of salary for the other executive Directors in line with the Remuneration Policy. No changes to the performance measures and weightings are proposed.

Awards will vest after a three-year performance period based 50% on TSR and 50% on Free Cashflow per share (FCPS). Vested shares will be subject to a minimum additional two-year post-vesting holding period.

The committee believes that TSR and FCPS provide a balance between incentivising long-term growth from the execution of the strategy and recognising performance delivered for shareholders via share price growth and dividend performance relative to sector peers.

The TSR element of the award will continue to be assessed against a bespoke TSR peer group of 19 leisure and hospitality competitors for closer performance alignment. Autogrill delisted in July 2023 and have therefore been removed from the peer group for the 2024 LTIP. The list of companies in the Group is shown below:

Company	Sub-sector	Company	Sub-sector
<b>Marriot International</b>	Hotels and Motels	<b>easyJet</b>	Airlines
<b>Hilton Worldwide</b>	Hotels and Motels	<b>TUI</b>	Travel and Tourism
<b>Ryanair</b>	Airlines	<b>Air France-KLM</b>	Airlines
<b>IHG</b>	Hotels and Motels	<b>SSP Group</b>	Restaurants and Bars
<b>Accor</b>	Hotels and Motels	<b>Melia Hotels.</b>	Hotels and Motels
<b>IAG</b>	Airlines	<b>Finnair</b>	Airlines
<b>Hyatt</b>	Hotels and Motels	<b>Scandic</b>	Hotels and Motels
<b>Whitbread</b>	Hotels and Motels	<b>PPHE Hotel Group</b>	Hotels and Motels
<b>Deutsche Lufthansa</b>	Airlines	<b>On the Beach</b>	Travel and Tourism
<b>Wizz Air</b>	Airlines		

FCPS excludes items that are deemed one-off and thus do not reflect normal trading activities or distort comparability either period on period or with other similar businesses. This should 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.

Malus and clawback provisions apply, as set out in the Policy.

The performance targets for 2024 LTIP awards are shown below:

€'000	TSR (50% of award)	FCPS (50% of award)
<b>Definition</b>	TSR performance (compared with bespoke Group)	Basic FCPS achieved in the year ending 31 December 2026
<b>Threshold vesting (25% of maximum)</b>	TSR at median level of the Group	€0.631
<b>Maximum vesting</b>	TSR at upper quartile level of the Group	€0.771

**Notes:**

- a. No vesting below threshold performance.
- b. Straight-line vesting between points
- c. The Company's TSR performance will be calculated by using a ranked approach against the bespoke Group. TSR will be calculated using a three-month average at the start and end of the performance period (1 January 2024 to 31 December 2026).

### Non-executive Director fees

As discussed in the 2022 Remuneration Committee report, following a review, the committee recognised that the fee paid for the Chair of the Board was considerably lower than typically paid at companies of a similar size to Dalata in the UK and Ireland. Balancing the company's interest in maintaining a competitive level of chair remuneration with the wider stakeholder experience, including the company's employees at a time of high inflation and rising living costs, a phased increase over two years was determined. This included an increase from €150,000 to €175,000 effective 1 January 2023, followed by a planned increase to €200,000 effective 1 January 2024.

However, the Chair fee was further reviewed this year, and it was noted that the increase initially proposed for 2024 (of €200,000) remained well below the fees typically paid at companies of a similar size to Dalata in the UK and Ireland. As mentioned above, the committee is conscious that it is in the company's interest to maintain a competitive chair fee and ensure that remuneration is appropriate and fair for the requirements of the role. Therefore, effective 1 January 2024, the Chair's fee was increased to €230,000. This fee is still below the typical Chair fee for comparable sized UK listed businesses.

Non-executive fees are reviewed every two years. They were reviewed in 2023 and will be reviewed again in 2025.

The table below shows non-executive director fees effective 1 January 2024 with comparative figures for 2023. Each non-executive director receives an additional fee for a maximum of one committee chair or designated role.

€'000	2024	2023	Change %
Board Chair	230.0	175.0	31%
Basic Non-executive Director	67.6	67.6	0%
Chair Audit and Risk Committee	20.0	20.0	0%
Chair Remuneration Committee	20.0	20.0	0%
Chair ESG Committee	20.0	20.0	0%
Non-executive Director designated responsibility for workforce engagement	20.0	20.0	0%

## REMUNERATION COMMITTEE REPORT (CONTINUED)

### Outcomes in Respect of 2023

Where indicated, the disclosure has been audited.

Directors' remuneration in 2023 was awarded in line with the Remuneration Policy, which was approved by shareholders at the 2023 AGM. Overall, the committee is satisfied that the policy has operated as it was intended this year.

#### Single total figure of remuneration (audited)

The following table details director's remuneration for the 2023 financial year (with 2022 comparative figures).

€'000	Year	Base salary/ fees		Pension	Benefits	Bonus	LTIP	Total	Proportion of fixed and variable pay
		Fixed Remuneration							
<b>Executive Directors</b>									
	2023	630	32	12	945	445	2,064	33 : 67	
<b>Dermot Crowley</b>	2022	590	30	12	430	107	1,169	54 : 46	
	2023	400	20	-	600	406	1,426	29 : 71	
<b>Shane Casserly</b>	2022	350	18	-	255	97	720	51 : 49	
	2023	400	20	-	600	107	1,127	37 : 63	
<b>Carol Phelan</b>	2022	350	18	-	255	26	649	57 : 43	
<b>Non-Executive Directors</b>									
	2023	175	-	-	-	-	175	100.0 : 0	
<b>John Hennessy</b>	2022	150	-	-	-	-	150	100.0 : 0	
	2023	88	-	-	-	-	88	100.0 : 0	
<b>Cathriona Hallahan</b>	2022	78	-	-	-	-	78	100.0 : 0	
	2023	28	-	-	-	-	28	100.0 : 0	
<b>Jon Mortimore</b>	2023	88	-	-	-	-	88	100.0 : 0	
<b>Gervaise Slowey</b>	2022	85	-	-	-	-	85	100.0 : 0	
	2023	29	-	-	-	-	29	100.0 : 0	
<b>Margaret Sweeney</b>	2022	85	-	-	-	-	85	100.0 : 0	
	2023	88	-	-	-	-	88	100.0 : 0	
<b>Elizabeth McMeikan</b>	2022	85	-	-	-	-	85	100.0 : 0	

#### Notes:

- Base salary/fees represent all amounts received in respect of the financial year.
- Pension represents payments into the company's defined contribution pension plan. Dermot Crowley, Carol Phelan and Shane Casserly received pension contributions of 5% of salary.
- Benefits include a company car and fuel and benefits under the group risk-benefit scheme, which includes death in service cover and disability benefit.
- Bonus represents the value of the bonus receivable in respect of the Group's annual bonus plan for the relevant financial year. For 2022, the committee determined that executive directors should only receive a bonus in respect of the period where the Group was not receiving the Irish government's wage support. The value shown above was therefore pro-rated to a seven-month period (from 1 June 2022). 30% of any bonus shown above will be deferred into Dalata shares for a minimum period of three years.
- For the LTIP, the value shown for 2023 reflects the final vesting outcome of the 2021 LTIP award, with performance measured over the three-year performance period from 1 January 2021 to 31 December 2023. Vesting of the 2021 award is based 50% on TSR performance compared with company's bespoke TSR group and 50% on Free Cashflow per Share performance achieved in FY23 (see LTIP – vesting outcome of the 2021 award (audited) for further details). The values shown for 2023 have been calculated using the three-month average share price to 31 December 2023 of €4.19. 1% of the value disclosed in respect of the 2021 LTIP relates to the increase in share price from the date of the award. No discretion was exercised. The value shown for 2022, which represents the 2020 LTIP vesting, has been restated from last year to reflect the share price on the date of vesting (31 March 2023) of €4.19. 42% of the value disclosed in respect of the 2020 LTIP relates to the increase in share price from the date of the award.
- Concerning both the bonus and LTIP outturn for 2023, the committee considered whether the outcomes were appropriate in the context of the underlying performance of the business and the experience of shareholders and other stakeholders over the performance period(s) as well as considering whether there was any other significant negative event that would warrant an adjustment. The committee was satisfied that the incentive outcomes were merited, and no further discretion was exercised by the committee to adjust either award.
- In 2023 (2022) Non-executive directors received reimbursement for expenses incurred travelling to and from meetings as follows: Elizabeth McMeikan €3k (€8k), Cathriona Hallahan €1k (€0k), Gervaise Slowey €1k (€0k).
- Jon Mortimore was appointed non-executive director of the Board on 1 August 2023. His fees for 2023 reflect his time in service during the year.
- Margaret Sweeney retired from the Board following the 2023 AGM on 27 April 2023. Her fees for 2023 reflect her time in service during the year.

### Annual bonus plan outcome for 2023 (audited)

In line with the Policy, the maximum bonus for 2023 was 150% of salary for all executive directors. This was based 70% on the achievement of stretching financial targets and 30% on non-financial targets.

Owing to the company's outstanding performance in the year, as outlined earlier in this report, the Modified EBIT target was exceeded. With regards to the individual and ESG objectives, the committee undertook a thorough assessment of performance and judged that these targets were met in full. The committee also took into account the wider performance of the business during the year and determined that the formulaic outcome is appropriate and that no discretion would be applied.

Overall, therefore, the bonus outcome for 2023 was 100% of the maximum for each Executive Director.

### Profitability (70% weighting)

Financial performance for annual bonus evaluation is measured using Modified EBIT. 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. Modified EBIT is described in detail and reconciled to Profit Before Tax in the Supplementary Financial Information section: Alternative Performance Measures ('APM') and other definitions paragraph (xix).

	Threshold (30% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	Outcome
Modified EBIT	€115.7m	€128.6m	€137.6m	€157.2m	Performance met 122% of the target, leading to 100% of the maximum bonus payout for this element

### Individual strategic objectives (18% weighting)

The committee carefully considered each director's performance against individual strategic objectives set and the outcomes. The committee also had regard to the progress made by the senior management team as a whole toward delivering the company's strategic objectives. A summary of the objectives set and performance achieved is set out below. Commercially sensitive information is excluded from the narrative.

Objectives set	Summary of performance achieved	Outcome
<b>Dermot Crowley</b>		
Execute existing growth strategy and evaluate other strategic growth options.	Successful execution of growth strategy, new property integration, and positioning for further expansion.	18% out of 18% weighting achieved
Oversee the implementation of the various innovation projects identified in 2022.	Successful implementation of projects in accommodation, front of house, and food and beverage	
Ensure culture of innovation grows further in the Group.	Internal reporting on key initiatives developed to recognise success.	
Enhance further the effectiveness of the senior leadership team.	Senior executive team completed team development programme, increasing team effectiveness and cohesion.	
Maintain the high levels of employee engagement achieved in 2022	Engagement scores grew in 2023.	
Oversee the further development of marketing within the organisation through increased customer research and consolidation of marketing activities and strategies.	Increased investment in consumer research; revised brand proposition (launching in 2024). Successfully implemented findings of strategic review of digital marketing activity.	
Ensure that the hotel operating model is constantly adapted to mitigate impact of inflation and meet changing customer needs.	Successful protection of profit margin in an inflationary environment; effective monitoring of risk environment and testing of critical incident management plan.	

## REMUNERATION COMMITTEE REPORT (CONTINUED)

Objectives set	Summary of performance achieved	Outcome
<b>Shane Casserly</b>		
Prepare and present to Board an assessment of growth strategies by geography and product.	Completed revision of strategic growth options; adopted by Board.	18% out of 18% weighting achieved
Continue to promote a culture of innovation within the Group and ensure delivery of projects identified.	Successfully launched several technology-driven initiatives (front-of-house and food and beverage operations).	
Deliver new central office location for Group that attracts and retains talent in the changing hybrid working environment.	Successfully completed in June 2023.	
Secure new hotels through acquisition or leases in line with Group strategic targets.	Completed Finsbury Park, London Wall, Amsterdam and Edinburgh acquisitions.	
Ensure the successful opening of any new hotels secured in 2023 and manage the ongoing and new construction projects in 2023.	Finsbury Park opening; four development projects continue on schedule for 2024 openings (Shoreditch, London; Brighton, Liverpool and Manchester).	
Redesign the processes surrounding the management, execution and control of maintenance capital expenditure.	Process completed in H2 2023.	
<b>Carol Phelan</b>		
Present to Board a strategy on how to refinance existing debt facilities during FY 2024.	Completed Q4 2023; supported by financial management strategy and capital deployment strategy.	18% out of 18% weighting achieved
Prepare a strategic plan for the Shared Service Centre and implement virtual banking platform across the Group.	Five-year Shared Service Centre plan approved; banking project progressing on plan.	
Ensure that finance function is appropriately resourced and delivers value adding analysis to stakeholders.	Implemented revised internal structures - working well and providing increased resilience; positioned to support further growth.	
Actively monitor and manage financial risks facing the company such as utility price volatility and economic impacts of inflation.	Effective communication with and support for the business to protect margins in an inflationary environment. Revised approach to energy purchasing – improved risk management and visibility.	



### ESG objectives (12% weighting)

The committee carefully considered the Group's performance against the ESG objectives set and the outcomes.

Objectives set	Summary of performance achieved	Outcome
<b>Dermot Crowley</b>		
Examine and conclude on whether the Group can and should commit to the SBTi.	Examination complete; company's ability to commit to SBTi depends on the finalisation of sector guidance by SBTi.	12% out of 12% weighting achieved
Ensure Group on line to achieve medium term targets for reduction of carbon emissions, food waste and water consumption	The 2026 carbon emissions target was achieved in 2023; progress on food waste and water consumption.	
Identify barriers to progression and develop career pathways.	Completed project to identify barriers to progression for women.	
Achieve the 'Investors in Diversity' Silver award.	Achieved	
<b>Shane Casserly</b>		
Research strategies to align capital expenditure strategy to align with decarbonisation objectives	Implemented several strategic steps to align group capital expenditure decisions with decarbonisation objective. Commencing in 2024 all capital projects will undergo environmental assessment.	12% out of 12% weighting achieved
<b>Carol Phelan</b>		
Ensure that the Group is fully prepared for implementation of new reporting requirements of CSRD from the start of FY2024	Established and resourced CSRD reporting readiness project. Continued to develop the Group's reporting capacity across all material sustainability matters.	12% out of 12% weighting achieved
Explore the potential of green financing as part of examining facility refunding options.	Researched potential of green financing for Group, findings will inform refinancing of bank debt in 2024	

### Overall outcome

The table below summarises the overall bonus outcome for 2023.

	Weighting	Outcome against target
EBIT	70%	70%
Individual objectives	18%	18%
ESG objectives	12%	12%
<b>Sub-total</b>	<b>100%</b>	<b>100%</b>

The committee was satisfied that the outcome was appropriate in the context of overall performance, and no further discretion was applied.

### LTIP – vesting outcome of the 2021 award (audited)

The 2021 LTIP award granted to executive directors on 3 March 2021 became eligible for vesting following the completion of the Performance Period on 31 December 2023. Vesting of the award was subject to two performance criteria: 50% of the award is based on TSR performance compared with company's bespoke TSR group, and 50% is based on Free Cashflow per Share (FCPS) performance for the year ended 31 December 2023.

## REMUNERATION COMMITTEE REPORT (CONTINUED)

Overall, 98.5% of the award will vest based on the assessment of the TSR and FCPS performance, as shown below.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting outcome
TSR	50%	TSR at median level of the Group	TSR at the upper quartile level of the Group	33.6% TSR achieved versus 37.2% upper quartile	96.9%
Free Cashflow per Share ("FCPS")	50%	€0.35	€0.47	€0.597	100%
				Overall vesting	98.5% of maximum

- a. TSR was calculated using a 3-month average at the start and end of the performance period (1 January 2021 to 31 December 2023). Vesting determined based on TSR performance compared with the company's bespoke TSR group. A full list of the companies in the Group can be found on in the Annual Remuneration Report, Statement of Implementation for 2024.

### Share incentive plan interests awarded during 2023 (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
<b>Dermot Crowley</b>	LTIP	150% of salary	220,769	25%	1 January 2023 to 31 December 2025
<b>Carol Phelan</b>	LTIP	125% of salary	116,809	25%	1 January 2023 to 31 December 2025
<b>Shane Casserly</b>	LTIP	125% of salary	116,809	25%	1 January 2023 to 31 December 2025

- a. Vesting is based on two separate performance criteria: 50% of the award is based on TSR performance compared with the company's bespoke TSR group. A full list of the companies in the Group can be found on in the Annual Remuneration Report, Statement of Implementation for 2024. Threshold vesting occurs for TSR equal to the median TSR of the Group and maximum vesting where TSR is equal to or greater than the upper quartile TSR of the Group. The remaining 50% is based on Free Cash Flow per share achieved in FY25, with threshold vesting for FCPS equal to €0.498 and maximum vesting if FCPS is equal to or greater than €0.608.
- b. The number of shares awarded was calculated using the volume-weighted average share price on 10 March 2023 (€4.2805), the last trading day prior to the date of the grant.

## Additional Disclosures

### Directors and Company Secretary share interests

	Conditional LTIP share awards subject to performance conditions							Total Conditional LTIP Awards
	Shares beneficially owned as at 31 December 2022	Shares beneficially owned as at 31 December 2023	Option to acquire shares under Sharesave Scheme	2021 Award (vesting after 31/12/23)	2022 Award (vesting after 31/12/24)	2023 Award (vesting after 31/12/25)		
<b>Dermot Crowley</b>	596,381	661,793	7,894	106,761	218,848	220,769	546,378	
<b>Shane Casserly</b>	148,189	199,505	7,894	97,600	108,188	116,809	322,597	
<b>Carol Phelan</b>	31,159	56,396	7,894	25,730	108,188	116,809	250,727	
<b>John Hennessy</b>	170,000	200,000						
<b>Cathriona Hallahan</b>	-	-						
<b>Elizabeth McMeikan</b>	8,000	8,000						
<b>Jon Mortimore</b>	-	-						
<b>Gervaise Slowey</b>	8,939	25,939						
<b>Margaret Sweeney</b>	66,787	66,787						
<b>Seán McKeon</b>	175,139	188,332	7,894	43,023	45,612	44,808	133,443	

- a. Shares beneficially owned include those of connected persons and include shares held in trust, which are subject to deferral or holding periods.
- b. Total conditional LTIP awards include LTIP awards to Executive Directors representing the maximum number of shares that may vest under 2021, 2022, and 2023 LTIP awards based on the performance conditions associated with each award. The 2021 award will vest at 98.5% of maximum, see LTIP – vesting outcome of the 2021 award (audited).
- c. There was no change in the beneficial interests of the Directors between the year-end and the date of this report.
- d. The interests of Margaret Sweeney in the column header "Shares beneficially owned as at 31 December 2023" are shown as at the date of her retirement as a Director on 27 April 2023.
- e. Carol Phelan's beneficial shareholding as of December 31, 2022, has been restated to account for an automated intermediary-executed disposal of 40 shares.

## Shareholding guidelines

Executive Directors are expected to build up and maintain a beneficial holding of at least 200% of base salary. Based on the closing share price on 31 December 2023 of €4.62 the Executive Directors' beneficial holdings as a percentage of their base salary (on that date) were as reported below.

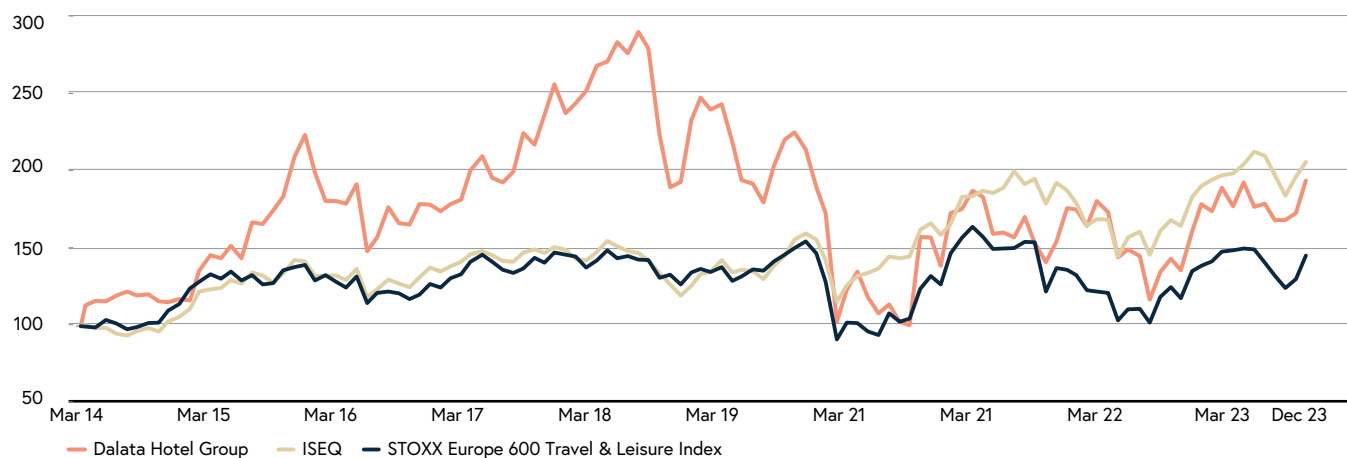
	Appointed	Personal investment Number of shares	Post-appointment incentive awards (after tax) Number of shares	Total holding Number of shares	Beneficial shareholding % base salary
<b>Dermot Crowley</b>	March 2014	387,207	274,586	661,793	485%
<b>Shane Casserly</b>	January 2020	146,175	53,330	199,505	230%
<b>Carol Phelan</b>	January 2022	39,349	17,162	56,511	65%

The executive directors have accumulated their shareholdings through pre-appointment personal investment, further post-appointment personal investment, and shares awarded post-appointment through share-based incentive plans (minus the associated taxes). When a director chooses to pay the taxes associated with an incentive award using their own money, and keeps the full amount of shares initially granted, the shares that correspond in value to the tax expense are considered a personal investment.

Carol Phelan (2022) is a relatively recent board appointee and, in the absence of share award vesting in recent years, has not yet had an opportunity to build her shareholding up to the 200% of base salary level.

## TSR performance summary and historic remuneration outcomes

The graph below compares the TSR (re-based to 100) over the period since listing to the performance of the ISEQ Index and the median of the STOXX Europe 600 Travel and Leisure Index.



The following table shows the total remuneration for the chief executive for each financial year over the same period.

	2015	2016	2017	2018	2019	2020	2021 <sup>1</sup>	2022 <sup>2</sup>	2023
Single figure (€'000)	840	1,603	1,764	1,511	1,293	542	583	1,169	2,064
Annual bonus outcome (% of maximum)	100%	90%	100%	100%	62.5%	0%	0%	58.3%	100%
LTIP vesting (% of maximum)	N/A	100%	100%	46%	67%	0%	0%	14%	99%

- 2021 single figure includes the outgoing CEO's pay until 31 October and the new CEO's pay from 1 November until 31 December 2021.
- The single figure outcome for 2022 has been updated based on the actual share price on the date of LTIP vesting in March 2023. The 2022 bonus was pro-rated to seven months to take into consideration the Group's use of government support.

## REMUNERATION COMMITTEE REPORT (CONTINUED)

### Relative spend on pay

The following table shows the Group's aggregate actual spend on pay (for all employees) and dividends in respect of the current and previous financial year. There were no share buybacks in either year.

	2022	2023	Change
Dividend	€0.0m	€8.9m	>100%
Aggregate employee remuneration	€126.1m	€148.3m	18%

The above figures are stated net of government grants of €Nil (2022: €10.5 million).

### Percentage change in remuneration

The following analysis is presented in compliance with S1110N of the Companies Act 2014: it summarises the annual change in remuneration for each director over five years in comparison to the annual change in average employee remuneration.

	Appointed	Retired	2019 v. 2018	2020 v. 2019	2021 v. 2020	2022 v. 2021	2023 v. 2022	2023 €'000's
<b>Director's Remuneration</b>								
<b>Executive Directors</b>								
<b>Dermot Crowley</b>	Mar 2014		(15%)	(51%)	17%	166%	77%	2,064
<b>Shane Casserly</b>	Jan 2020		n/a	n/a	9%	119%	98%	1,426
<b>Carol Phelan</b>	Jan 2022		n/a	n/a	n/a	n/a	74%	1,127
<b>Non-executive Directors</b>								
<b>John Hennessy</b>	Mar 2014		20%	(11%)	8%	4%	17%	175
<b>Cathriona Hallahan</b>	Nov 2020		n/a	n/a	n/a	609%	13%	88
<b>Elizabeth McMeikan</b>	Oct 2019		n/a	400%	9%	4%	4%	88
<b>Jon Mortimore</b>	Aug 2023		n/a	n/a	n/a	n/a	n/a	28
<b>Gervaise Slowey</b>	Dec 2021		n/a	n/a	n/a	1600%	4%	88
<b>Margaret Sweeney</b>	Mar 2014	Apr 2023	13%	(12%)	9%	4%	-66%	29
<b>Company performance</b>								
<b>Profit (loss) before tax</b>			3%	(224%)	90%	1,059%	-4%	105,532
<b>Average remuneration, on a full-time equivalent basis, of employees of the Group</b>								
<b>Average group FTE</b>			3%	17%	(1%)	15%	0%	37

1. Dermot Crowley was promoted to group CEO effective 1 November 2021.

### 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 2022.

	Votes	%
Votes For	158,726,162	99%
Votes Against	2,304,863	1%
Total Votes	161,031,025	100%
Votes Withheld	0	

The following votes were received on the resolution to approve the Directors Remuneration Policy at the 2023 AGM.

	Votes	%
Votes For	159,372,439	99%
Votes Against	1,658,586	1%
Total Votes	161,031,025	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 Chief People Officer also attended meetings.

The members of the committee have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided and no day-to-day involvement in the running of the business.

In carrying out its duties, the committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange or Euronext Dublin and associated guidance and investor guidelines on executive remuneration.

The Board approves the remuneration of the non-executive directors. During 2023, the committee continued to receive independent advice from Deloitte LLP, based in London, in respect of the development of the Remuneration Policy.

Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its Code concerning executive remuneration consulting. Deloitte Ireland also provided unrelated corporate finance advisory services during the year.

It is the view of the committee that the Deloitte LLP engagement team that provide remuneration advice to the committee do not have connections with the company or its directors that may impair their independence.

The committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

The committee considers that the advice received from the advisors is independent, straightforward, relevant, and appropriate and that it has an appropriate level of access to them and has confidence in their advice.

Fees charged by Deloitte LLP during the year were £49,100. These fees were charged on a time and materials basis.

On behalf of the Board

### Elizabeth McMeikan

Chair  
Remuneration Committee  
28 February 2024



# 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 2023.

## Principal activities and business review

The principal activities of Dalata Hotel Group plc are hotel operations and hotel-related development activity across Ireland, the UK, Germany and the Netherlands. Shareholders may refer to the Chair's Statement, Chief Executive's Review, Financial Review, the Key Performance Indicators (KPI's) and Stakeholder Review sections of the Annual Report, which contain a review of operations and the financial performance of the Group for 2023, the outlook for 2024 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 2023, and the consolidated statement of financial position at that date are set out in our Financial Statements.

## Dividends

An interim dividend of 4.0 cent per share, amounting to €8.9 million, was paid to shareholders on 6 October 2023. The Directors recommend the payment of a final dividend of 8.0 cent per share for the year ended 31 December 2023. Subject to shareholders' approval at the Annual General Meetings on 25 April 2024, the payment date for the final dividend is 1 May 2024 to shareholders registered on the record date of 5 April 2024.

## Future developments

A review of future developments of the business is included in the Strategic Report.

## Directors and company secretary

The names of the directors and company secretary and a biographical note on each appear in the [Board of Directors](#) Section.

The following changes were made to the board of directors in 2023:

- Jon Mortimore was appointed to the board on 1 August 2023
- Margaret Sweeney retired from the board on 27 April 2023

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 2024 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](#).

## Audit committee

The Group has established an audit and risk committee comprising three independent non-executive directors. Details of the committee and its activities are set out in our [Audit and Risk Committee Report](#).

## Share capital

The issued share capital of Dalata consists of 223,456,844 ordinary shares as at 28 February 2024. Each share has a nominal value of €0.01. All shares have equal voting and dividend rights.

The Group has in place a number of employee share schemes. Details of these are set out in the [remuneration committee report](#) and in [Note 9](#) to the consolidated financial statements.

## Substantial holdings

As at 28 February 2024, the company has been notified of the following interests of 3% or more in its share capital which are presented in the table below.

Holder	Number of Ordinary Shares	% shares in issue
Perpetua Holding Europe S.a.r.l	22,311,796	9.99%
FMR LLC	20,284,556	9.08%
Ameriprise Financial	13,448,102	6.02%
Helikon Investments Limited	9,076,077	4.06%
Franklin Templeton Investments	9,003,876	4.03%
TimesSquare Capital Management, LLC	7,601,901	3.40%

## 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. The Financial Risk Management policies are set out in [Note 27](#) to the consolidated financial statements.

Additionally, non-financial concerns are reflected in our Stakeholder Review section and in our Risk Management Report. The company uses a number of non-financial metrics, several of which are disclosed in this report, including our key non-financial performance indicators in the KPIs section.

## 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.

## Non-financial reporting directive

Dalata aims to comply with the requirements of the Non-Financial Reporting Directive (S.I 360/2017), and these requirements are addressed in the Strategic Report. Information pertaining to these regulations' matters is set out in the [Climate-Related Risks](#) Section.

The accounting records of the company are maintained at its registered office: Termini, 3 Arkle Road, Sandyford Industrial Estate, Dublin 18, D18 C9C5.

### 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 9](#) to the consolidated financial statements and in the remuneration committee report 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 Climate-Related Risks section is deemed to be incorporated in this part of the Directors' Report together with details of earnings per share in [note 32](#) to the consolidated financial statements, employment details in [note 8](#) and details of financial instruments in [note 27](#).

### Corporate governance regulations

As required by company law, the directors have prepared a Report on Corporate Governance, which is set out in the Corporate Governance Report Section 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 21 and [9](#) 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 2004/109/EC) 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

A detailed assessment of going concern is set out in [Note 1](#) of the Financial Statements.

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.

The Board has an expectation that the company remains viable and will be able to continue in operation and meet its liabilities as they fall due over the five years to December 2028 (in line with the Viability Statement in the Risk Management Section).

In making this assessment, the directors considered the going concern status for a period of at least 12 months from the date of signing this Annual Report and Accounts.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Political contributions

There were no political contributions that required disclosure under the Electoral Act 1997.

### Independent auditors

KPMG, Chartered Accountants, were appointed statutory auditor in 2014 and reappointed on 30 June 2016 and, pursuant to section 383(2) of the Companies Act 2014, will continue in office.

### Subsidiaries

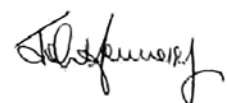
Information on the Group's subsidiaries is set out in [note 31](#) to the consolidated financial statements.

### Subsequent events

Details of subsequent events are set out in [note 30](#) to the consolidated financial statements.

The Financial Statements were approved by the board on 28 February 2024.

On behalf of the board



**John Hennessy**  
Non-executive Chair



**Dermot Crowley**  
Chief Executive

28 February 2024

# 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 the 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 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](http://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 in the Board of Directors section 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 the Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2023 and of the profit 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

**Dermot Crowley**  
Director

28 February 2024

# 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 2023, contained within the reporting package 635400L2CWET7ONOBJ04-2023-12-31-en.zip which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows and related notes, including the summary of material accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is Irish Law, including the Commission Delegated Regulation 2019/815 regarding the single electronic reporting format (ESEF) and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group 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 Group 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 directors on 30 June 2016. The period of total uninterrupted engagement is the eight years ended 31 December 2023. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included consideration of the inherent risks to the Group's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the potential impact from market uncertainty, due to external geopolitical and economic factors outside of the Group's control, on consumer demand and the cost base of the Group.

We evaluated the going concern assessment by carrying out the following procedures among others:

- considering the cash and undrawn bank loan facilities available to the Group and the related covenants in the facilities agreement which are applicable in the going concern period; and

- analysing the base-case and alternative downside scenario cashflow projections prepared by management showing forecast available liquidity and considering the reasonableness of the underlying assumptions.

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's 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to the Group's and the Company's reporting on how they have applied the UK Corporate Governance Code and the Irish Corporate Governance Annex, 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.

#### Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the Group's industry, regulatory environment and other external factors and inquiry with the directors and other management. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, and identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors, the Audit and Risk Committee and internal audit as to the Group's policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DALATA HOTEL GROUP PLC (CONTINUED)

"whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Inquiring of directors, the Audit and Risk Committee and internal audit regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Reading Board, Audit and Risk Committee, and Remuneration Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors and other management.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and environmental law.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias
- Assessing the disclosures in the financial statements

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates in and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

#### **Group: Property valuations - carrying value of land and buildings €1,478.6 million (2022: €1,281.3 million)**

Refer to [Audit and Risk Committee Report, Note 1 \(xiii\)](#) to the consolidated financial statements (accounting policy for Property, Plant and Equipment), and [Note 15](#) to the consolidated financial statements (financial disclosures - Property, Plant and Equipment).

#### ***The key audit matter***

The Group has a large owned hotel property portfolio and under its accounting policies applies the revaluation model to its land and buildings included within property plant and equipment. This gives rise to a significant risk of material misstatement if periodic revaluations are not performed on an appropriate basis or are not accounted for in accordance with relevant accounting standards. The Group engages independent external experts to perform periodic hotel revaluations, which are inclusive of fixtures fittings and equipment, which the Group accounts for under the cost model. Appropriate allocations of hotel valuations must therefore be made between land and buildings, and fixtures and fittings and equipment for accounting purposes.



#### *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, forecasts of future performance and the key drivers behind revenue and cost estimates, the impact of inflation, the relativities of discount rates and capitalisation rates applied in valuations of different hotels, and other matters specific to particular hotels or the markets in which they operate which impacted on valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the valuations;
- considering the allocation of hotel valuations to land and buildings and fixtures fittings and equipment;
- testing the amounts of individual property revaluation movements and their presentation either in other comprehensive income or in profit or loss, as appropriate; and
- evaluating the adequacy of the Group's disclosures in relation to property valuations.

Our audit procedures did not identify any material issues with the significant assumptions adopted in the property valuations. We found the allocation of valuations between land and buildings and fixtures fittings and equipment and the inclusion of net revaluation gains in other comprehensive income (€92.1 million) and net reversals of revaluation losses in profit or loss (€2.0 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 €685.2 million (2022: €658.1 million), goodwill €53.8 million (2022: €30.2 million), and fixtures fittings and equipment €104.5 million (2022: €81.5 million).**

Refer to [Audit and Risk Committee Report, Note 1 \(ix\) \(xiii\) and \(xv\)](#) to the consolidated financial statements (accounting policies for Leases, Property, Plant and Equipment, and Goodwill), [Note 12](#) to the consolidated financial statements (financial disclosures - Impairment) and [Note 14](#) to the consolidated financial statements (financial disclosures - Intangible Assets and Goodwill).

#### ***The key audit matter***

As a result of the carrying amount of the net assets of the Group being more than its market capitalisation as at 31 December 2023, impairment assessments of all hotel cash generating units (CGUs) were required, in accordance with IAS36 Impairment of Assets as at 31 December 2023. The Group has material right-of-use assets, goodwill, and fixtures fittings and equipment. There is a risk that the carrying amounts of these assets could be more than the estimated recoverable amount. The recoverable amount of right-of-use assets, goodwill, and fixtures fittings and equipment is arrived at by forecasting and discounting future cash flows to determine value in use for each CGU. These cash flows are inherently judgmental and rely on certain significant assumptions including in particular:

- future trading performance
- discount rates; and
- future long-term growth rates

These impairment assessments are subject to estimation uncertainty due to economic conditions in relation to, among others, inflation and interest rates, and other external factors impacting on forecasting of future trading performance and the applicable discount rates for the purposes of estimating the recoverable amount of the CGUs. There is a significant audit risk of material misstatement in relation to the carrying values of right-of-use assets, goodwill, and fixtures fittings and equipment if impairment assessments are not performed on an appropriate basis or are not accounted for in accordance with relevant accounting standards.

#### *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, discount rates and future long-term growth rates;
- comparing the Group's significant assumptions to externally derived data in relation to key inputs such as discount rates and future long-term growth rates, including where relevant the data in separately prepared independent property valuations;
- testing the mathematical accuracy of all discounted cash flow models used in the impairment assessment; and
- evaluating the adequacy of the Group's disclosures in relation to impairment.

We found the resulting estimates of the recoverable amounts of right-of-use assets, goodwill, and fixtures fittings and equipment to be acceptable. Our audit procedures did not identify any material issues with the significant assumptions adopted in the impairment reviews. We found that the Group's conclusions were appropriate that for the year ended 31 December 2023 there was no impairment of goodwill, right-of-use assets, and fixtures fittings and equipment. We also found the disclosures in the financial statements to be adequate in providing an understanding of the basis of the impairment assessments.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DALATA HOTEL GROUP PLC (CONTINUED)

### **Group: Accounting for hotel acquisitions – including business combinations with consideration paid of €90.4 million**

Refer to [Audit and Risk Committee Report, Note 1 \(iv\) \(xiii\)](#) to the consolidated financial statements (accounting policies for Business Combinations and Property, Plant and Equipment), [Note 13](#) to the consolidated financial statements (financial disclosures – Business Combinations), Note 14 to the consolidated financial statements (financial disclosures – Intangible Assets and Goodwill), Note 15 to the consolidated financial statements (financial disclosures – Property, Plant and Equipment) and Note 16 to the consolidated financial statements (financial disclosures – Leases)

#### ***The key audit matter***

During the year the Group acquired Clayton Hotel London Wall, Clayton Hotel Amsterdam American (remaining lease term of 18 years), Maldron Hotel Finsbury Park, and a development site in St. Andrew Square, Edinburgh.

Hotel acquisitions give rise to a risk of material misstatement, if each acquisition is not correctly identified, according to the particular facts and circumstances, as (i) a business combination or (ii) an asset purchase or (iii) another type of transaction (e.g. new lease) and is not accounted for in accordance with the relevant accounting standards.

In particular, for any business combinations, the consideration paid, the costs incurred, the identifiable assets and liabilities acquired, and any goodwill arising must all be identified, measured and recorded appropriately.

#### ***How the matter was addressed in our audit***

Our audit procedures included among others:

- inspecting acquisition agreements and related documentation;
- examining the accounting papers prepared by Group management on the accounting treatment for each transaction, and evaluating the substance of the transactions;

- independently considering whether the acquisitions were business combinations or asset purchases or another type of transaction;
- reviewing the accounting for the amounts recorded in relation to these transactions and evaluating whether the relevant accounting standards for each had been applied appropriately;
- for business combinations:
  - evaluating the identification of, and allocation of the purchase price to, the identifiable assets and liabilities acquired, and the measurement of goodwill, where applicable, arising on acquisition. We did this by considering the financial and other information pertaining to the acquisition and related documents.
  - agreeing the dates of commencement of control, and therefore the inclusion in the Group's results, of the acquired businesses to documentary evidence.
  - agreeing acquisition-related costs to relevant supporting documentation and assessing whether they had been expensed correctly.
- for asset purchases, vouching the amounts recognised to purchase agreements and other appropriate documentary evidence of the value of assets and any liabilities acquired, consideration paid and other directly attributable costs.
- considering the adequacy of the Group's disclosures in relation to acquisitions in the year.

We found that the acquisitions of Clayton Hotel London Wall and Clayton Hotel Amsterdam American have been correctly treated as business combinations and that the acquisitions of Maldron Hotel Finsbury Park and the Edinburgh development site have been correctly treated as asset purchases. We also found that appropriate disclosures have been made in notes 13 to 16 of the consolidated financial statements in relation to these acquisitions and the principal assets and liabilities (property, right-of-use assets, lease liabilities and goodwill) recognised by the Group as a result.

### **Company: Investment in subsidiaries €898.5 million (2022: €893.4 million)**

Refer to [Note 1 \(i\)](#) to the Company financial statements (accounting policy for Investments in Subsidiaries) and [Note 3](#) 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 €5.4 million (2022: €4.5 million).

This has been calculated with reference to a benchmark of consolidated profit before tax for the year ended 31 December 2023. Materiality represents approximately 5% (2022: approximately 4%) 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.

As profit before tax is the benchmark typically used to calculate materiality for listed groups which have reached a mature stage in their development, we determined that it was the most appropriate benchmark.

Performance materiality for the Group financial statements as a whole was set at €4.05 million (2022: €3.375 million), determined with reference to materiality, of which it represents 75% (2022: 75%).

In using a profit before tax benchmark for the current year, we applied a materiality measure of approximately 5%. A range of 3%-5% is typically used for a profit before tax benchmark, where applicable, in public company audits. Our materiality measure for 2023, although based on a profit before tax measure, also had regard to the level of revenue and net assets and represented approximately 0.9% of 2023 revenue and approximately 0.4% of net assets at 31 December 2023.

We reported to the Audit and Risk Committee any corrected and uncorrected misstatements we identified through our audit exceeding €0.27 million (2022: €0.225 million), in addition to any other audit misstatements below that threshold that warranted reporting on qualitative grounds.

Materiality for the Company financial statements as a whole was set at €4.0 million (2022: €4.0 million), determined with reference to a benchmark of total assets, of which it represents approximately 0.4% (2022: approximately 0.4%). Performance materiality for the Company financial statements as a whole was set at €3.0 million (2022: €3.0 million), determined with reference to materiality, of which it represents 75% (2022: 75%).

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.

Our audit was undertaken to the materiality and performance materiality level specified above and was performed by a single Group engagement team.

### **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 Overview, Strategic Report, Corporate Governance Statement (which also includes the directors' report), and Supplementary 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.

### **Corporate governance statement**

We have reviewed the directors' statements in relation to going concern, longer-term viability, and that part of the Corporate Governance Statement 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 by the Listing Rules of Euronext Dublin and the UK Listing Authority.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate;
- directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities;
- directors' statement on fair, balanced and understandable and the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- section describing the work of the Audit and Risk Committee.

The Listing Rules of Euronext Dublin also require us to review certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee. We have nothing to report in this regard.

In addition, as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement (which also includes 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

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DALATA HOTEL GROUP PLC (CONTINUED)

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 purposes 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 2022;
- 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 2022 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

We have nothing to report in this regard.

### **Respective responsibilities and restrictions on use**

#### **Responsibilities of directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements>.

### **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 this report, or for the opinions we have formed.



#### **Patricia Carroll**

for and on behalf of  
KPMG

Chartered Accountants, Statutory Audit Firm  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

28 February 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 €'000	2022 €'000 Restated (Note 2)
<b>Continuing operations</b>			
Revenue	3	607,698	515,728
Cost of sales		(214,509)	(183,766)
<b>Gross profit from hotel operations</b>		<b>393,189</b>	<b>331,962</b>
Income from residential development activities	2, 17	-	42,532
Cost of residential development activities	2, 17	-	(40,998)
<b>Gross profit from residential development activities</b>		<b>-</b>	<b>1,534</b>
<b>Total gross profit</b>		<b>393,189</b>	<b>333,496</b>
Administrative expenses	5	(238,530)	(183,206)
Other income	6	1,484	5,237
<b>Operating profit</b>		<b>156,143</b>	<b>155,527</b>
Finance costs	7	(50,611)	(45,870)
<b>Profit before tax</b>		<b>105,532</b>	<b>109,657</b>
Tax charge	11	(15,310)	(12,932)
<b>Profit for the year attributable to owners of the Company</b>		<b>90,222</b>	<b>96,725</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property	15	92,098	188,185
Related deferred tax	26	(10,451)	(21,223)
		<b>81,647</b>	<b>166,962</b>
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) on translating foreign operations		11,396	(28,145)
(Loss)/gain on net investment hedge		(6,343)	17,482
Fair value movement on cash flow hedges	25	1,753	12,093
Cash flow hedges – reclassified to profit or loss	25	(6,949)	(179)
Related deferred tax	26	1,299	(2,929)
		<b>1,156</b>	<b>(1,678)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>82,803</b>	<b>165,284</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>173,025</b>	<b>262,009</b>
<b>Earnings per share</b>			
Basic earnings per share	32	40.4 cents	43.4 cents
Diluted earnings per share	32	39.9 cents	43.2 cents



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

		2023 €'000	2022 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets and goodwill	14	54,074	31,054
Property, plant and equipment	15	1,684,831	1,427,447
Right-of-use assets	16	685,193	658,101
Investment property		2,021	2,007
Derivative assets	25	-	6,825
Deferred tax assets	26	24,136	21,271
Other receivables	18	6,418	3,387
<b>Total non-current assets</b>		<b>2,456,673</b>	<b>2,150,092</b>
<b>Current assets</b>			
Derivative assets	25	6,521	4,892
Trade and other receivables	18	28,262	30,263
Inventories	19	2,401	2,342
Cash and cash equivalents	20	34,173	91,320
<b>Total current assets</b>		<b>71,357</b>	<b>128,817</b>
<b>Total assets</b>		<b>2,528,030</b>	<b>2,278,909</b>
<b>Equity</b>			
Share capital	21	2,235	2,229
Share premium	21	505,079	504,910
Capital contribution	21	25,724	25,724
Merger reserve	21	81,264	81,264
Share-based payment reserve	21	8,417	5,011
Hedging reserve	21	4,891	8,788
Revaluation reserve	21	461,181	379,534
Translation reserve	21	(12,182)	(17,235)
Retained earnings		316,328	232,541
<b>Total equity</b>		<b>1,392,937</b>	<b>1,222,766</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	24	254,387	193,488
Lease liabilities	16	686,558	641,444
Deferred tax liabilities	26	84,441	71,022
Provision for liabilities	23	6,656	7,165
Other payables	22	348	239
<b>Total non-current liabilities</b>		<b>1,032,390</b>	<b>913,358</b>
<b>Current liabilities</b>			
Lease liabilities	16	12,040	10,347
Trade and other payables	22	86,049	118,818
Current tax liabilities		2,659	11,606
Provision for liabilities	23	1,955	2,014
<b>Total current liabilities</b>		<b>102,703</b>	<b>142,785</b>
<b>Total liabilities</b>		<b>1,135,093</b>	<b>1,056,143</b>
<b>Total equity and liabilities</b>		<b>2,528,030</b>	<b>2,278,909</b>

On behalf of the Board:



**John Hennessy**  
Chair

**Dermot Crowley**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company									
	Share capital	Share premium	Capital contribution	Merger reserve	Share-based payment reserve	Hedging reserve	Revaluation reserve	Translation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2023	2,229	504,910	25,724	81,264	5,011	8,788	379,534	(17,235)	232,541	1,222,766
<b>Comprehensive income:</b>										
Profit for the year	-	-	-	-	-	-	-	-	90,222	90,222
<b>Other comprehensive income</b>										
Exchange gain on translating foreign operations	-	-	-	-	-	-	-	11,396	-	11,396
Loss on net investment hedge	-	-	-	-	-	-	-	(6,343)	-	(6,343)
Revaluation of properties ( <a href="#">note 15</a> )	-	-	-	-	-	-	92,098	-	-	92,098
Fair value movement on cash flow hedges ( <a href="#">note 25</a> )	-	-	-	-	-	1,753	-	-	-	1,753
Cash flow hedges – reclassified to profit or loss ( <a href="#">note 25</a> )	-	-	-	-	-	(6,949)	-	-	-	(6,949)
Related deferred tax ( <a href="#">note 26</a> )	-	-	-	-	-	1,299	(10,451)	-	-	(9,152)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(3,897)	81,647	5,053	90,222	173,025
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments ( <a href="#">note 9</a> )	-	-	-	-	5,910	-	-	-	-	5,910
Transfer from share-based payment reserve to retained earnings	-	-	-	-	(2,504)	-	-	-	2,504	-
Vesting of share awards and options ( <a href="#">note 9</a> )	6	169	-	-	-	-	-	-	-	175
Dividends paid ( <a href="#">note 21</a> )	-	-	-	-	-	-	-	-	(8,939)	(8,939)
<b>Total transactions with owners of the Company</b>	6	169	-	-	3,406	-	-	-	(6,435)	(2,854)
<b>At 31 December 2023</b>	2,235	505,079	25,724	81,264	8,417	4,891	461,181	(12,182)	316,328	1,392,937

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Capital contribution	Merger reserve	Share-based payment reserve	Hedging reserve	Revaluation reserve	Translation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2022	2,229	504,895	25,724	81,264	3,085	(197)	212,572	(6,572)	134,413	957,413
<b>Comprehensive income:</b>										
Profit for the year	-	-	-	-	-	-	-	-	96,725	96,725
<b>Other comprehensive income</b>										
Exchange loss on translating foreign operations	-	-	-	-	-	-	-	(28,145)	-	(28,145)
Gain on net investment hedge	-	-	-	-	-	-	-	17,482	-	17,482
Revaluation of properties ( <a href="#">note 15</a> )	-	-	-	-	-	-	188,185	-	-	188,185
Fair value movement on cash flow hedges ( <a href="#">note 25</a> )	-	-	-	-	-	12,093	-	-	-	12,093
Cash flow hedges – reclassified to profit or loss ( <a href="#">note 25</a> )	-	-	-	-	-	(179)	-	-	-	(179)
Related deferred tax ( <a href="#">note 26</a> )	-	-	-	-	-	(2,929)	(21,223)	-	-	(24,152)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	8,985	166,962	(10,663)	96,725	262,009
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments ( <a href="#">note 9</a> )	-	-	-	-	3,329	-	-	-	-	3,329
Transfer from share-based payment reserve to retained earnings	-	-	-	-	(1,403)	-	-	-	1,403	-
Vesting of share awards and options ( <a href="#">note 9</a> )	-	15	-	-	-	-	-	-	-	15
<b>Total transactions with owners of the Company</b>	-	15	-	-	1,926	-	-	-	1,403	3,344
<b>At 31 December 2022</b>	2,229	504,910	25,724	81,264	5,011	8,788	379,534	(17,235)	232,541	1,222,766

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 €'000	2022 €'000
<b>Cash flows from operating activities</b>		
Profit for the year	90,222	96,725
Adjustments for:		
Depreciation of property, plant and equipment	32,791	28,426
Depreciation of right-of-use assets	30,663	27,503
Amortisation of intangible assets	650	610
Net revaluation movements through profit or loss	(2,025)	(21,166)
Net impairment reversal of fixtures, fittings and equipment	-	(624)
Net impairment reversal of right-of-use assets	-	(4,101)
Gain on disposal of property, plant and equipment	-	(3,877)
Income from sale of Merrion Road residential units	-	(42,532)
Release of costs capitalised for Merrion Road residential units	-	40,998
Share-based payments expense	5,910	3,329
Interest on lease liabilities	42,751	38,101
Other interest and finance costs	7,860	7,769
Tax charge	15,310	12,932
	<b>224,132</b>	<b>184,093</b>
(Decrease)/increase in trade and other payables and provision for liabilities	(33,625)	37,168
Decrease/(increase) in current and non-current receivables	4,562	(13,912)
Decrease/(increase) in inventories	110	(677)
Tax (paid)/refunded	(23,800)	1,188
<b>Net cash from operating activities</b>	<b>171,379</b>	<b>207,860</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(120,277)	(40,315)
Contract fulfilment cost payments	(1,965)	(4,045)
Proceeds received from sale of Merrion road residential units	-	41,868
Costs paid on entering new leases and agreements for leases	(1,825)	(9,810)
Proceeds from sale of Clayton Crown Hotel	-	24,258
Acquisitions of undertakings through business combinations, net of cash acquired	(90,294)	-
Purchase of intangible assets	(7)	(202)
<b>Net cash (used in)/from investing activities</b>	<b>(214,368)</b>	<b>11,754</b>
<b>Cash flows from financing activities</b>		
Interest paid on lease liabilities	(42,751)	(38,101)
Other interest and finance costs paid	(8,726)	(12,233)
Receipt of bank loans	120,648	11,973
Repayment of bank loans	(64,374)	(117,838)
Repayment of lease liabilities	(10,747)	(9,324)
Proceeds from vesting of share awards and options	175	15
Dividends paid	(8,939)	-
<b>Net cash used in financing activities</b>	<b>(14,714)</b>	<b>(165,508)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(57,703)</b>	<b>54,106</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>91,320</b>	<b>41,112</b>
Effect of movements in exchange rates	556	(3,898)
<b>Cash and cash equivalents at the end of the year</b>	<b>34,173</b>	<b>91,320</b>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Material 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 Termini, 3 Arkle Road, Sandyford Business Park, Dublin 18. The consolidated financial statements of the Company for the year ended 31 December 2023 include the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the Directors on 28 February 2024.

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 15](#)).

#### Key sources of estimation uncertainty

- Carrying value of property measured at fair value ([note 15](#)); and
- Carrying value of goodwill and right-of-use assets including assumptions underpinning value in use ("VIU") calculations in the impairment tests ([notes 12, 14, 16](#)).

#### 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 27](#) – Financial instruments and risk management (in relation to financial assets and financial liabilities) and [note 15](#) – Property, plant and equipment.

#### (i) Going concern

The year ended 31 December 2023 saw the Group trade strongly and continue the execution of its growth strategy. The strong trade, the full year impact of hotels added during 2022 and the addition of three hotels during 2023 has led to an increase in Group revenue from hotel operations from €515.7 million to €607.7 million, as well as net cash generated from operating activities in the year of €171.4 million (2022: €207.9 million).

The Group remains in a very strong financial position with significant financial headroom. The Group has cash and undrawn loan facilities of €283.5 million (2022: €455.7 million).

The Group is in full compliance with its covenants at 31 December 2023. In accordance with the amended and restated facility agreement entered into by the Group on 2 November 2021 with its banking club, the Group's banking covenants have reverted to Net Debt to EBITDA and Interest Cover from 30 June 2023. This replaces the Net Debt to Value covenant and liquidity minimum covenants which were temporarily in place up to 30 June 2023. At 31 December 2023, the Net Debt to EBITDA covenant limit is 4.0x and the Interest Cover minimum is 4.0x.



## 1 Significant accounting policies (continued)

The Group's Net Debt to EBITDA, as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent, for the year ended 31 December 2023 is 1.3x (APM (xv)) and Interest Cover is 19.5x (APM (xvi)).

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

The Directors have considered the above, with all available information, and the current liquidity and financial position in assessing the going concern of the Group. On this basis, the Directors have prepared these consolidated financial statements on a going concern basis. Furthermore, they do not believe there is any material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

### (ii) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations issued by the International Accounting Standards Board ('IASB') as adopted by the EU and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation.

The following standards and interpretations were effective for the Group for the first time from 1 January 2023:

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on 12 February 2021).
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021).
- Amendments to IAS 12 *Income taxes: International Tax Reform – Pillar Two Model Rules*
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021).
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020).
- Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (issued on 9 December 2021).

With the exception of the above amendments to IAS 12 *Income Taxes*, the above standards, amendments and interpretations have no material impact on the consolidated financial statements of the Group.

### Accounting policies

The accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2022, apart from the amendments to IAS 12.

Amendments to IAS 12, effective for reporting periods beginning on or after 1 January 2023, clarify that the initial recognition exemption of deferred tax assets and liabilities does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments require separate presentation of deferred tax assets and liabilities arising on right-of-use assets and corresponding lease liabilities recognised under IFRS 16. The comparative gross deferred tax assets and deferred tax liabilities for 2022 have been restated in the deferred tax note in accordance with these amendments. The IAS 12 offsetting principle has been applied for deferred tax balances shown on the face of the Consolidated Statement of Financial Position. The changes to the deferred tax liabilities and deferred tax assets offset such that the net impact on the face of the Consolidated Statement of Financial Position at 31 December 2022 and the net impact on retained earnings was nil. ([note 2](#)).

### Prior period restatement

Certain comparative amounts in the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented as a result of a prior period restatement ([note 2](#)).

### 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 2024. The Group has not adopted these amendments to standards early, and instead intends to apply them from their effective date as determined by the date of EU endorsement. The potential impact of these amendments to standards on the Group is under review:

- Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current, and Non-current Liabilities with Covenants*.
- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Significant accounting policies (continued)

The following standards and interpretations are not yet endorsed by the EU. The potential impact of these standards on the Group is under review:

- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures: Supplier Finance Arrangements*. IASB effective date 1 January 2024
- Amendments to IAS 21 *Lack of exchangeability*. IASB effective date 1 January 2025.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS28 *Investments in Associates and Joint Ventures for sale or contribution of Assets between an Investor and its Associate or Joint Venture*. Effective date deferred indefinitely.

#### (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.

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.

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## 1 Significant accounting policies (continued)

### (vii) Income from residential development activities

Income in respect of a contract with a customer for the sale of residential property is recognised when the performance obligations inherent in the contract are completed. In 2022, the income related to the contract for the sale of the Merrion Road residential units which the Group developed as part of the overall development of the new Maldron Hotel Merrion Road on the site of the former Tara Towers hotel. Where there is variable consideration in the form of withheld retention receipts included in the transaction price, income is recognised for this variable consideration to the extent that it is highly probable it is receivable and is measured based on the most likely outcome.

Income from residential development activities has been presented within gross profit, separately from revenue from hotel operations ([note 2](#)).

### (viii) Government grants and government assistance

Government grants represent the transfers of resources to the Group from the governments in Ireland and 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 offsetting against the related expenditure.

Government assistance is action by a government which is designed to provide an economic benefit specific to the Group or subsidiaries who qualify under certain criteria. Government assistance received by the Group includes a waiver of commercial rates for certain hotel properties and also the deferral of payment of payroll taxes and VAT liabilities and has been disclosed in these consolidated financial statements.

### (ix) Leases

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset; and
- the Group has the right to direct the use of the asset.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate, which is defined as the estimated rate of interest that the lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate is calculated for each individual lease.

The estimated incremental borrowing rate for each leased asset is derived from country-specific risk-free interest rates over the relevant lease term, adjusted for the finance margin attainable by each lessee and asset-specific adjustments designed to reflect the underlying asset's location and condition.

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Significant accounting policies (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments.

The Group remeasures the lease liability where lease payments change due to changes in an index or rate, changes in expected lease term or where a lease contract is modified. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or a component thereof, or the end of the lease term. Right-of-use assets are reviewed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group applies IAS 36 *Impairment of Assets* to determine whether a cash-generating unit with a right-of-use asset is impaired and accounts for any identified impairments through profit or loss. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group also applies IAS 36 *Impairment of Assets* to any cash-generating units, which have right-of-use assets which were previously impaired, to assess whether previous impairments should be reversed. A reversal of a previous impairment charge is accounted for through profit or loss and only increases the carrying amount of the right-of-use asset to a maximum of what it would have been if the original impairment charges had not been recognised in the first place.

The Group applies the fair value model in IAS 40 *Investment Property* to right-of-use assets that meet the definition of investment property.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of fixtures, fittings and equipment that have a lease term of 12 months or less and leases of low-value assets. Assets are considered low value if the value of the asset when new is less than €5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (x) 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.

#### (xi) Tax

Tax charge or credit comprises current and deferred tax. Tax charge or credit is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

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## 1 Significant accounting policies (continued)

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 and liabilities that do not affect accounting profit or taxable profit at the date of recognition and at the time of the transaction, do not give rise to taxable and deductible temporary differences.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax liabilities are recognised where the carrying value of land and buildings for financial reporting purposes is greater than their tax cost base.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

### (xii) Earnings per share ('EPS')

Basic earnings per share is calculated based on the profit or loss for the year attributable to owners of the Company and the basic weighted average number of shares outstanding. Diluted earnings per share is calculated based on the profit or loss for the year attributable to owners of the Company and the diluted weighted average number of shares and potential shares outstanding.

Shares are only treated as dilutive if their dilution results in a decreased earnings per share or increased loss per share.

Dilutive effects arise from share-based payments that are settled in shares. Conditional share awards to employees have a dilutive effect when the average share price during the period exceeds the exercise price of the awards and the market or non-market conditions of the awards are met, as if the current period end were the end of the vesting period. When calculating the dilutive effect, the exercise price is adjusted by the value of future services that have yet to be received related to the awards.

### (xiii) Property, plant and equipment

Land and buildings are initially stated at cost, including directly attributable transaction costs, (or fair value when acquired through business combinations) and subsequently at fair value.

Assets under construction include sites where new hotels are currently being developed and significant development projects at hotels which are currently operational. These sites and the capital investment made are recorded at cost. Borrowing costs incurred in the construction of major assets or development projects which take a substantial period of time to complete are capitalised in the financial period in which they are incurred. Once construction is complete and the hotel is operating, the assets will be transferred to land and buildings and fixtures, fittings and equipment at cost. The land and buildings element will subsequently be measured at fair value. Depreciation will commence when the assets are available for use.

Fixtures, fittings and equipment are stated at cost, less accumulated depreciation and any impairment provision.

Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment unless it is acquired as part of a business combination under IFRS 3 *Business Combinations*, where the deemed cost is its acquisition date fair value. In the application of the Group's accounting policy, judgement is exercised by management in the determination of fair value of land and buildings at each reporting date, residual values and useful lives.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Significant accounting policies (continued)

Depreciation is charged through profit or loss on the cost or valuation less residual value on a straight-line basis over the estimated useful lives of the assets which are as follows:

Buildings	50 years
Fixtures, fittings and equipment	3 – 15 years
Land is not depreciated.	

Residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Land and buildings are revalued by qualified valuers on a sufficiently regular basis using open market value (which reflects a highest and best-use basis) so that the carrying value of an asset does not materially differ from its fair value at the reporting date. External revaluations of the Group's land and buildings have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13 *Fair Value Measurement*.

Surpluses on revaluation are recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that they reverse impairment losses previously charged to profit or loss, in which case the reversal is recorded in profit or loss. Decreases in value are charged against other comprehensive income and the revaluation reserve to the extent that a previous gain has been recorded there, and thereafter are charged through profit or loss.

Fixtures, fittings and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. If carrying values exceed estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs to sell and VIU. VIU is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The Group also applies IAS 36 *Impairment of Assets* to any cash-generating units, with fixtures, fittings and equipment which were previously impaired and which are not revalued, to assess whether previous impairments should be reversed. A reversal of a previous impairment charge is accounted for through profit or loss and only increases the carrying amount of the fixtures, fittings and equipment to a maximum of what it would have been if the original impairment charges had not been recognised in the first place.

#### (xiv) Investment property

Investment property is held either to earn rental income, or for capital appreciation, or for both, but not for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs, (or fair value when acquired through business combinations) and subsequently revalued by professional external valuers at their respective fair values. The difference between the fair value of an investment property at the reporting date and its carrying value prior to the external valuation is recognised in profit or loss.

The Group's investment properties are valued by qualified valuers on an open market value basis in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and IFRS 13 *Fair Value Measurement*.

#### (xv) Goodwill

Goodwill represents the excess of the fair value of the consideration for an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is the future economic benefits arising from other assets in a business combination that are not individually identified and separately recognised.

Goodwill is measured at its initial carrying amount less accumulated impairment losses. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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## 1 Significant accounting policies (continued)

The recoverable amount of a cash-generating unit is the greater of its VIU and its fair value less costs to sell. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis. Impairment losses of goodwill are not reversed once recognised.

The impairment testing process requires management to make significant judgements and estimates regarding the future cash flows expected to be generated by the cash-generating unit. Management evaluates and updates the judgements and estimates which underpin this process on an ongoing basis.

The impairment methodology and key assumptions used by the Group for testing goodwill for impairment are outlined in notes [12](#) and [14](#).

The assumptions and conditions for determining impairment of goodwill reflect management's best estimates and judgements, but these items involve significant inherent uncertainties, many of which are not under the control of management. As a result, accounting for such items could result in different estimates or amounts if management used different assumptions or if different conditions occur in the future.

### (xvi) Intangible assets other than goodwill

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

Intangible assets are measured at cost (or fair value when acquired through business combinations), less accumulated amortisation and impairment losses.

Intangible assets are amortised over the period of their expected useful lives by charging equal annual instalments to profit or loss. The useful life used to amortise intangible assets relates to the future performance of the asset and management's judgement as to the period over which economic benefits will be derived from the asset. The estimated total useful life of the Group's intangible assets is 5 years.

### (xvii) 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.

### (xviii) 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 the primary trading activities. Costs capitalised as contract fulfilment costs include costs incurred in fulfilling the specific contract. The costs must enhance the asset, be used in order to satisfy the obligations inherent in the contractual arrangement and should be recoverable. Costs which are not recoverable are written off to profit or loss as incurred. Contract fulfilment costs are released to profit or loss on completion of the sale to which the contract relates.

### (xix) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less, which are carried at amortised cost.

### (xx) 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.

### (xxi) Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount. Fair value for the initial recognition of payroll tax liabilities is the amount payable stated on the payroll submission filed with the tax authorities. Fair value for the initial recognition of VAT liabilities is the net amount of VAT payable to, and recoverable from, the tax authorities. Trade and other payables are subsequently carried at amortised cost using the effective interest method. Liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Significant accounting policies (continued)

#### (xxii) Finance costs

Finance costs comprise interest expense on borrowings and related financial instruments, commitment fees and other costs relating to financing of the Group.

Interest expense on loans and borrowings is recognised using the effective interest method. The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

If a financial liability is deemed to be non-substantially modified (less than 10 percent different) (see policy (xxvii)), 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.

#### (xxiii) 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.

#### (xxiv) 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.

#### (xxv) 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.

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## 1 Significant accounting policies (continued)

### (xxvi) Loans and borrowings

Loans and borrowings are recognised initially at the fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis. Directly attributable transaction costs are amortised to profit or loss on an effective interest rate basis over the term of the loans and borrowings. This amortisation charge is recognised within finance costs. Commitment fees incurred in connection with loans and borrowings are expensed as incurred to profit or loss.

### (xxvii) Derecognition of financial liabilities

The Group removes a financial liability from its statement of financial position when it is extinguished (when its contractual obligations are discharged, cancelled, or expire).

The Group also derecognises a financial liability when the terms and the cash flows of a modified liability are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, including any fees paid to lenders net of any fees received, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability, discounted at the original effective interest rate, (the '10% test'). In addition, a qualitative assessment is carried out of the new terms in the new facility agreement to determine whether there is a substantial modification.

If the financial liability is deemed substantially modified, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.

If the financial liability is deemed non-substantially modified, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting modification gain or loss is recognised in profit or loss. Any costs and fees directly attributable to the modified financial liability are recognised as an adjustment to the carrying amount of the modified financial liability and amortised over its remaining term by re-computing the effective interest rate on the instrument.

### (xxviii) 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.

### (xxix) Cash flow hedge accounting

Cash flow hedge accounting is applied in accordance with IFRS 9 *Financial Instruments*. For those derivatives designated as cash flow hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on a semi-annual basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Significant accounting policies (continued)

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the hedging reserve. Any ineffective portion is recognised immediately in profit or loss as finance income or costs. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting or the designation is revoked. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, if a hedged transaction is no longer anticipated to occur, the net cumulative gain or loss accumulated in equity is reclassified to profit or loss.

#### (xxx) 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.

#### (xxxi) 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, Free Cashflow per Share, and Adjusted EPS.

The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with the financial information presented under IFRS, provides stakeholders with a meaningful understanding of the underlying financial and operating performance of the Group.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted to show the underlying operating performance of the Group and exclude items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.

### 2 Prior period restatements

#### Restatement of the Consolidated Statement of Profit or Loss and Other Comprehensive Income

During 2022, the Group completed the sale to Irish Residential Properties REIT (plc) ('I-RES') of the Merrion Road residential units which had been developed by the Group on the site of the former Tara Towers Hotel. Proceeds from the sale of these units were presented as revenue in the Consolidated Financial Statements for the year ended 31 December 2022. The related costs were presented as cost of sales.

The Financial Reporting Supervision Unit of IAASA subsequently reviewed the presentation and, in their judgement, determined that, whilst inextricably linked to the normal activity of hotel development, the residential unit development was not part of the Group's ordinary activities and therefore should not be presented as Revenue as defined by IFRS 15 *Revenue Recognition*.

As there is no IFRS that covers this specific type of transaction (i.e. the transaction to build and sell residential units to a third party where they had been developed in conjunction with a hotel for own use) the Group had looked to the hierarchy in IAS 8.11 to select the most relevant and reliable accounting policy. IFRS 15 would be the standard typically used for the sale of inventories, therefore the Group determined that IFRS 15 would be the most appropriate standard to be used, by analogy, for the forward sale of the residential units and the ultimate completion of that sale.



## 2 Prior period restatement (continued)

The comparative figures as presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been amended for the following presentation corrections.

	2022 €'000
	Restated
Decrease in revenue	(42,532)
Increase in income from residential development activities	42,532
Decrease in cost of sales	40,998
Increase in cost of residential development activities	(40,998)
<b>Total impact on profit before tax</b>	<b>-</b>

As this is a correction to the presentation of the above items within the Consolidated Statement of Profit or Loss and Other Comprehensive Income only, there are no corrections required to basic or diluted earnings per share nor are there any corrections to the Consolidated Statement of Financial Position at the beginning of the current or prior year.

### Restatement of the deferred tax note

Amendments to IAS 12, effective for reporting periods beginning on or after 1 January 2023, clarify that the initial recognition exemption of deferred tax assets and liabilities does not apply to transactions that give rise to equal and offsetting temporary differences. The IAS 12 amendments require separate presentation of deferred tax assets and liabilities arising on right-of-use assets and corresponding lease liabilities recognised under IFRS 16, in the deferred tax note, with retroactive effect from 1 January 2022. These are offset on an individual entity basis and presented net in the statement of financial position.

The comparative gross deferred tax assets and deferred tax liabilities for 2022 have been restated in the deferred tax note in accordance with these amendments. The changes to the deferred tax liabilities and deferred tax assets offset such that the net impact on the face of the Consolidated Statement of Financial Position at 31 December 2022 and the net impact on retained earnings was nil ([note 26](#)).

	2022 €'000
	Restated
Increase in deferred tax assets	36,235
Increase in deferred tax liabilities	(36,235)
<b>Total net impact on deferred tax note</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Operating segments

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

In the 2022 financial statements, the results of Clayton Hotel Düsseldorf were disclosed as part of the Dublin segment due to their immateriality in the context of group results (less than 3% of total segmental revenue). Due to additions to the Group's Continental Europe portfolio in 2023, the Continental Europe segment is now to be presented separately below. The 2022 results of Clayton Hotel Düsseldorf have been reflected in the Continental Europe segment below to improve comparability.

The Group segments its leased and owned business by geographical region within which the hotels operate being Dublin, Regional Ireland, the UK and Continental Europe. These comprise the Group's four reportable segments.

#### Dublin, Regional Ireland, the UK and Continental Europe segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 31 December 2023, the Group owns 28 hotels (31 December 2022: 27 hotels) and has effective ownership of two further hotels which it operates (31 December 2022: one hotel). It also owns the majority of one further hotel it operates (31 December 2022: one hotel). The Group also leases 19 hotel buildings from property owners (31 December 2022: 18 hotels) and is entitled to the benefits and carries the risks associated with operating these hotels.

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

	2023 €'000	2022 €'000 <i>Restated</i>
<b>Revenue</b>		
Dublin	<b>286,130</b>	250,586
Regional Ireland	<b>112,317</b>	99,752
UK	<b>186,292</b>	152,481
Continental Europe	<b>22,959</b>	12,909
<b>Total revenue</b>	<b>607,698</b>	515,728

Segmental revenue for each of the geographical locations represents the operating revenue (room revenue, food and beverage revenue and other hotel revenue) from leased and owned hotels situated in the Group's four reportable segments.

The year ended 31 December 2023 saw the Group trade strongly and continue the execution of its growth strategy. The strong trade, the full year impact of hotels added during 2022 and the addition of three hotels during 2023 has led to an increase in Group revenue from hotel operations from €515.7 million to €607.7 million.

### 3 Operating segments (continued)

	2023 €'000	2022 €'000 Restated
<b>Segmental results - EBITDAR</b>		
Dublin	135,883	118,505
Regional Ireland	37,018	31,689
UK	71,658	53,574
Continental Europe	7,707	1,955
<b>EBITDAR for reportable segments</b>	<b>252,266</b>	<b>205,723</b>
<b>Segmental results – EBITDA</b>		
Dublin	133,750	116,485
Regional Ireland	36,889	31,576
UK	71,082	52,955
Continental Europe	6,915	892
<b>EBITDA for reportable segments</b>	<b>248,636</b>	<b>201,908</b>
<b>Reconciliation to results for the year</b>		
Segmental results – EBITDA	248,636	201,908
Other income (excluding gain on disposal of property, plant and equipment)	1,484	1,360
Central costs	(21,102)	(16,509)
Share-based payments expense	(5,910)	(3,329)
<b>Adjusted EBITDA</b>	<b>223,108</b>	<b>183,430</b>
<b>Adjusting items</b>		
Reversal of previous periods revaluation losses through profit or loss	2,025	21,166
Net reversal of previous impairment charges of right-of-use assets	-	4,101
Net reversal of previous impairment charges of fixtures, fittings and equipment	-	624
Income from sale of Merrion Road residential units	-	42,532
Release of costs capitalised for Merrion Road residential units	-	(40,998)
Gain on disposal of property, plant and equipment	-	3,877
Hotel pre-opening expenses	(497)	(2,666)
Acquisition-related costs	(4,389)	-
<b>Group EBITDA</b>	<b>220,247</b>	<b>212,066</b>
Depreciation of property, plant and equipment	(32,791)	(28,426)
Depreciation of right-of-use assets	(30,663)	(27,503)
Amortisation of intangible assets	(650)	(610)
Interest on lease liabilities	(42,751)	(38,101)
Other interest and finance costs	(7,860)	(7,769)
<b>Profit before tax</b>	<b>105,532</b>	<b>109,657</b>
Tax charge	(15,310)	(12,932)
<b>Profit for the year attributable to owners of the Company</b>	<b>90,222</b>	<b>96,725</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Operating segments (continued)

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses.

Consequently, Adjusted EBITDA represents Group EBITDA before:

- Net property revaluation movements through profit or loss ([note 5](#));
- Net reversal of previous impairment charges of right-of-use assets ([note 16](#));
- Net reversal of previous impairment charges of fixtures, fittings, and equipment ([note 15](#));
- Income from sale of Merrion Road residential units ([note 17](#));
- Release of costs capitalised for Merrion Road residential units ([note 17](#));
- Gain on disposal of property, plant and equipment ([note 6, 15](#));
- Hotel pre-opening expenses, which relate primarily to payroll expenses, sales and marketing costs and training costs of new staff, that are incurred by the Group in advance of new hotel openings ([note 5](#)); and
- Acquisition-related costs ([note 5](#)).

The line item 'central costs' includes costs of the Group's central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development. Also included in central costs is the unwinding of the discount on insurance provisions of €0.3 million (2022: €0.7 million) and the reversal of prior period insurance provisions of €0.9 million (2022: €Nil) ([note 23](#)). Share-based payments expense is presented separately from central costs as this expense relates to employees across the Group ([note 9](#)).

'Segmental results – EBITDA' for Dublin, Regional Ireland, the UK and Continental Europe 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, the UK and Continental Europe represents 'Segmental results – EBITDA' before variable lease costs.

#### Disaggregated revenue information

Disaggregated segmental revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily, the Executive Directors. The key components of revenue reviewed by the chief operating decision makers are:

- Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- Food and beverage revenue which relates to sales of food and beverages at the hotel property. Revenue is recognised at the point of sale; and
- Other revenue includes revenue from leisure centres, car parks, meeting room hire and other revenue sources at the hotels. Leisure centre revenue is recognised over the life of the membership while the other items are recognised when the service is provided.

	2023	2022
	€'000	€'000
<b>Revenue review by segment – Dublin</b>	<b>Restated</b>	
Room revenue	216,948	190,056
Food and beverage revenue	51,263	45,304
Other revenue	17,919	15,226
<b>Total revenue</b>	<b>286,130</b>	<b>250,586</b>

	2023	2022
	€'000	€'000
<b>Revenue review by segment – Regional Ireland</b>		
Room revenue	73,218	63,784
Food and beverage revenue	30,336	28,107
Other revenue	8,763	7,861
<b>Total revenue</b>	<b>112,317</b>	<b>99,752</b>

### 3 Operating segments (continued)

	2023 €'000	2022 €'000
<b>Revenue review by segment – UK</b>		
Room revenue	<b>146,584</b>	118,157
Food and beverage revenue	<b>30,491</b>	26,167
Other revenue	<b>9,217</b>	8,157
<b>Total revenue</b>	<b>186,292</b>	152,481

	2023 €'000	2022 €'000 Restated
<b>Revenue review by segment – Continental Europe</b>		
Room revenue	<b>16,353</b>	9,820
Food and beverage revenue	<b>4,935</b>	2,395
Other revenue	<b>1,671</b>	694
<b>Total revenue</b>	<b>22,959</b>	12,909

#### Other geographical information

	2023				2022			
	Republic of Ireland €'000	UK €'000	Continental Europe €'000	Total €'000	Republic of Ireland €'000 Restated	UK €'000	Continental Europe €'000 Restated	Total €'000 Restated
<b>Revenue</b>								
Owned hotels	<b>276,188</b>	<b>92,682</b>	-	<b>368,870</b>	241,972	81,400	-	323,372
Leased hotels	<b>122,259</b>	<b>93,610</b>	<b>22,959</b>	<b>238,828</b>	108,366	71,081	12,909	192,356
<b>Total revenue</b>	<b>398,447</b>	<b>186,292</b>	<b>22,959</b>	<b>607,698</b>	350,338	152,481	12,909	515,728

	Republic of Ireland €'000	UK €'000	Continental Europe €'000	Total €'000	Republic of Ireland €'000 Restated	UK €'000	Continental Europe €'000 Restated	Total €'000 Restated
<b>EBITDAR</b>								
Owned hotels	<b>118,632</b>	<b>37,284</b>	-	<b>155,916</b>	102,398	31,409	-	133,807
Leased hotels	<b>54,269</b>	<b>34,374</b>	<b>7,707</b>	<b>96,350</b>	47,796	22,165	1,955	71,916
<b>Total EBITDAR</b>	<b>172,901</b>	<b>71,658</b>	<b>7,707</b>	<b>252,266</b>	150,194	53,574	1,955	205,723

	Republic of Ireland €'000	UK €'000	Continental Europe €'000	Total €'000	Republic of Ireland €'000 Restated	UK €'000	Continental Europe €'000 Restated	Total €'000 Restated
<b>Other information</b>								
Variable lease costs	<b>2,262</b>	<b>576</b>	<b>792</b>	<b>3,630</b>	2,133	619	1,063	3,815
Depreciation of property, plant and equipment	<b>20,500</b>	<b>11,732</b>	<b>559</b>	<b>32,791</b>	18,753	9,643	30	28,426
Depreciation of right-of-use assets	<b>16,036</b>	<b>11,225</b>	<b>3,402</b>	<b>30,663</b>	15,108	10,017	2,378	27,503
Interest on lease liabilities	<b>17,797</b>	<b>21,048</b>	<b>3,906</b>	<b>42,751</b>	17,194	18,134	2,773	38,101

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Operating segments (continued)

#### Assets and liabilities

	2023				2022			
	Republic of Ireland €'000	UK €'000	Continental Europe €'000	Total €'000	Republic of Ireland €'000 Restated	UK €'000	Continental Europe €'000 Restated	Total €'000 Restated
<b>Assets</b>								
Intangible assets and goodwill	18,826	11,823	23,425	54,074	19,469	11,585	-	31,054
Property, plant and equipment	1,100,355	577,936	6,540	1,684,831	1,035,055	391,959	433	1,427,447
Right-of-use assets	296,774	306,381	82,038	685,193	307,832	305,865	44,404	658,101
Investment property	1,625	396	-	2,021	1,575	432	-	2,007
Other non-current receivables	3,287	3,131	-	6,418	3,103	284	-	3,387
Other current assets	35,033	23,388	6,415	64,836	76,180	45,823	1,922	123,925
<b>Total assets excluding derivatives and deferred tax assets</b>	<b>1,455,900</b>	<b>923,055</b>	<b>118,418</b>	<b>2,497,373</b>	<b>1,443,214</b>	<b>755,948</b>	<b>46,759</b>	<b>2,245,921</b>
Derivative assets				6,521				11,717
Deferred tax assets				24,136				21,271
<b>Total assets</b>				<b>2,528,030</b>	-			<b>2,278,909</b>
<b>Liabilities</b>								
Loans and borrowings	4,000	250,387	-	254,387	-	193,488	-	193,488
Lease liabilities	300,157	310,697	87,744	698,598	303,968	300,336	47,487	651,791
Trade and other payables	55,063	24,985	6,349	86,397	93,667	22,093	3,297	119,057
<b>Total liabilities excluding provision for liabilities and tax liabilities</b>	<b>359,220</b>	<b>586,069</b>	<b>94,093</b>	<b>1,039,382</b>	<b>397,635</b>	<b>515,917</b>	<b>50,784</b>	<b>964,336</b>
Provision for liabilities				8,611				9,179
Current tax liabilities				2,659				11,606
Deferred tax liabilities				84,441				71,022
<b>Total liabilities</b>				<b>1,135,093</b>				<b>1,056,143</b>
<b>Revaluation reserve</b>	<b>386,450</b>	<b>74,731</b>	<b>-</b>	<b>461,181</b>	<b>328,896</b>	<b>50,638</b>	<b>-</b>	<b>379,534</b>

The above information on assets, liabilities and revaluation reserve is presented by region as it does not form part of the segmental information routinely reviewed by the chief operating decision makers.

Loans and borrowings are categorised according to their underlying currency. The amortised cost of loans and borrowings was €254.4 million at 31 December 2023 (31 December 2022: €193.5 million). Drawn loans and borrowings consist of Euro Revolving Credit Facility ("RCF") borrowings of €4.0 million (2022: €Nil) and Sterling denominated borrowings of £221.4 million (€254.7 million) which are classified as liabilities in the UK (31 December 2022: £176.5 million (€199.0 million)). All of the Sterling borrowings act as a net investment hedge as at 31 December 2023 (31 December 2022: £176.5 million (€199.0 million)) (note 24).



#### 4 Statutory and other information

	2023	2022
	€'000	€'000
Depreciation of property, plant and equipment	32,791	28,426
Depreciation of right-of-use assets	30,663	27,503
Variable lease costs: land and buildings	3,630	3,815
Hotel pre-opening expenses	497	2,666

Hotel pre-opening expenses relate to costs incurred by the Group in advance of opening new hotels. In 2023, this related to Maldron Hotel Finsbury Park, London, a new hotel that opened during 2023. In 2022, this related to seven hotels, that opened throughout 2022. These costs primarily relate to payroll expenses, sales and marketing costs and training costs of new staff.

Variable lease costs relate to lease payments linked to performance which are excluded from the measurement of lease liabilities as they are not related to an index or rate or are not considered fixed payments in substance.

#### Auditor's remuneration

	2023	2022
	€'000	€'000
Audit of Group, Company and subsidiary financial statements	470	395
Other assurance services	32	32
Other non-audit services	37	-
Tax services	-	35
	539	462

Auditor's remuneration for the audit of the Company financial statements was €20,000 (2022: €15,000). Other assurance services primarily relate to the review of the interim condensed consolidated financial statements.

#### Directors' remuneration

	2023	2022
	€'000	€'000
Salary and other emoluments	3,575	2,242
Gains on vesting of awards granted under the 2020 LTIP	230	-
Fees	496	511
Pension costs – defined contribution	72	66
Transactions with past directors	225	131
Good leaver vesting of shares granted under Share Scheme 2020 for former directors	-	15
	4,598	2,965

Transactions with past directors in 2023 relate to gains associated with the shares issued on vesting of awards under the 2020 LTIP. This gain represents the difference between the quoted share price per ordinary share and the exercise price on the vesting date ([note 9](#)).

Retired director Stephen McNally received payment in lieu of annual leave upon cessation of employment on 28 February 2022, this sum is included in payments of €0.1 million to past directors reported in 2022.

Good leaver vesting of shares granted under Share Scheme 2020 for former directors in 2022 relates to 6,359 shares issued to two former directors. The weighted average share price at the date of exercise for the options exercised was €2.28

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Administrative expenses

	2023	2022
	€'000	€'000
Other administrative expenses	126,155	102,408
Depreciation and amortisation ( <a href="#">note 14,15,16</a> )	64,104	56,539
Commercial rates	14,924	12,013
Utilities – electricity and gas	27,783	31,656
Reversal of previous periods revaluation losses through profit or loss ( <a href="#">note 15</a> )	(2,025)	(21,166)
Net reversal of previous impairment charges ( <a href="#">note 15,16</a> )	-	(4,725)
Variable lease costs ( <a href="#">note 16</a> )	3,630	3,815
Acquisition-related costs	4,389	-
Hotel pre-opening expenses	497	2,666
Reversal of prior period insurance provisions ( <a href="#">note 23</a> )	(927)	-
	<b>238,530</b>	<b>183,206</b>

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

Commercial rates for the year ended 31 December 2023 are €14.9 million, net of a waiver of €0.3 million. As a result of the impact of Covid-19, commercial rates for the year ended 31 December 2022 of €12.0 million were net of a waiver of €3.0 million ([note 10](#)).

Net property revaluation movements through profit or loss relate to the net reversal of revaluation losses of €2.0 million through profit or loss ([note 15](#)).

### 6 Other income

	2023	2022
	€'000	€'000
Gain on disposal of property, plant and equipment	-	3,877
Income from managed hotels	1,099	968
Rental income from investment property	385	392
	<b>1,484</b>	<b>5,237</b>

On 21 June 2022, the Group completed the sale of Clayton Crown Hotel, London, for net proceeds of £20.7 million (€24.1 million). As a result, the hotel property and related fixtures, fittings and equipment of £17.4 million (€20.2 million) were derecognised from the statement of financial position. A gain on disposal of £3.3 million (€3.9 million) was recognised in profit or loss for the year ended 31 December 2022 ([note 15](#)).

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.

Rental income from investment property relates to the following properties:

- Two commercial properties which are leased to third parties for lease terms of 25 and 30 years;
- A sub-lease of part of Clayton Hotel Cardiff, which is leased to a third party for a lease term of 20 years, with 9 years remaining at 31 December 2023; and
- A sub-lease of part of Clayton Hotel Düsseldorf, which is leased to a third party for a rolling lease term.

The fair value of the investment properties at 31 December 2023 is €2.0 million (2022: €2.0 million).

## 7 Finance costs

	2023	2022
	€'000	€'000
Interest on lease liabilities (note 16)	42,751	38,101
Interest expense on bank loans and borrowings	15,665	7,937
Cash flow hedges – reclassified from other comprehensive income	(6,949)	(179)
Other finance costs	1,332	2,351
Net foreign exchange (gain)/loss on financing activities	(180)	168
Interest capitalised to property, plant and equipment (note 15)	(2,008)	(2,151)
Interest capitalised to contract fulfilment costs (note 17)	-	(357)
	<b>50,611</b>	<b>45,870</b>

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate (note 25). The cash flow hedge amount reclassified from other comprehensive income is shown separately within finance costs and primarily represents the additional interest received or paid by the Group as a result of the interest rate swaps. As at 31 December 2023, the Group has recognised derivative assets, in relation to these interest rate swaps, of €6.5 million (31 December 2022: €11.7 million). The derivative assets are due to the Group's fixed interest rates being forecast to be lower than the variable interest rates forward curve applicable on sterling borrowings. Margins on the Group's borrowings are set with reference to the Net Debt to EBITDA covenant levels and ratchet up or down accordingly.

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

Interest on loans and borrowings amounting to €2.0 million was capitalised to assets under construction on the basis that these costs were directly attributable to the construction of qualifying assets (note 15) (2022: €2.2 million). There was no interest on loans and borrowings capitalised for contract fulfilment costs in 2023 (2022: €0.4 million) (Note 17). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the relevant capitalisation period, were 4.2% (2022: 2.5%) and 3.2% (2022: 3.6%) respectively.

## 8 Personnel expenses

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

	2023	2022
Administration	886	707
Other	3,110	2,694
	<b>3,996</b>	<b>3,401</b>

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

	2023	2022
Dublin (including the Group's central functions)	1,854	1,653
Regional Ireland	978	910
UK	1,013	808
Continental Europe	151	30
	<b>3,996</b>	<b>3,401</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8 Personnel expenses (continued)

The aggregate payroll costs of these persons were as follows:

	2023 €'000	2022 €'000
Wages and salaries	140,674	120,895
Social welfare costs	14,187	11,788
Pension costs – defined contribution	1,702	1,799
Share-based payments expense	5,910	3,329
Severance costs	-	97
	<b>162,473</b>	<b>137,908</b>

Payroll costs of €0.5 million (2022: €0.4 million) relating to the Group's internal development employees were capitalised as these costs are directly related to development, lease and other construction work completed during the year ended 31 December 2023.

There were no wage subsidies received by the Group from the Irish and UK governments during the year ended 31 December 2023. During the year ended 31 December 2022, the Group availed of wage subsidies of €10.5 million from the Irish government ([note 10](#)).

### 9 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 €5.9 million (2022: €3.3 million), analysed as follows:

	2023 €'000	2022 €'000
Long Term Incentive Plans	5,580	3,242
Share Save schemes	330	87
	<b>5,910</b>	<b>3,329</b>

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

#### Long Term Incentive Plans

During the year ended 31 December 2023, the Board approved the conditional grant of 1,552,080 ordinary shares ('the Award') pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was granted to senior employees across the Group (120 in total). Vesting of the Award is based on two independently assessed performance targets, 50% based on total shareholder return ('TSR') and 50% based on Free Cashflow Per Share ('FCPS'). The performance period of this award is 1 January 2023 to 31 December 2025.

Threshold performance for the TSR condition, which is a market-based condition, is a performance measure against a bespoke comparator group of 21 listed peer companies in the travel and leisure sector, with threshold 25% vesting if the Group's TSR over the performance period is ranked at the median compared to the TSR of the comparator group. If the Group's TSR performance is at or above the upper quartile compared to the comparator group, the remaining 75% of the award will vest, with pro-rata vesting on a straight-line basis for performance in between these thresholds.

Threshold performance (25% vesting) for the FCPS condition, which is a non-market-based performance condition, is based on the achievement of FCPS of €0.498, as disclosed in the Group's 2025 audited consolidated financial statements, with 100% vesting for FCPS of €0.608 or greater. The FCPS based awards will vest on a straight-line basis for performance between these points. FCPS targets may be amended in restricted circumstances if an event occurs which causes the Remuneration Committee to determine an amended or substituted performance condition would be more appropriate and not materially more or less difficult to satisfy. Participants are also entitled to receive a dividend equivalent amount in respect of their awards.

## 9 Share-based payments expense (continued)

In addition to the above, the Board approved the conditional grant of 22,719 shares pursuant to the terms and conditions of the 2017 LTIP in May 2023. Performance criteria in relation to this additional award is the same as that originally set out for the awards granted on 2 March 2022.

Movements in the number of share awards are as follows:

	2023 Awards	2022 Awards
Outstanding at the beginning of the year	4,837,170	4,344,481
Granted during the year	1,574,799	1,443,764
Forfeited during the year	(52,901)	(128,294)
Lapsed unvested during the year	(1,733,533)	(822,781)
Exercised during the year	(535,634)	-
<b>Outstanding at the end of the year</b>	<b>4,089,901</b>	<b>4,837,170</b>

	2023 Awards	2022 Awards
<b>Grant date</b>		
March 2020	-	2,022,523
March 2021	1,099,661	1,115,183
December 2021	-	255,700
March 2022	1,427,175	1,443,764
March 2023	1,540,346	-
May 2023	22,719	-
<b>Outstanding at the end of the year</b>	<b>4,089,901</b>	<b>4,837,170</b>

### Awards vested

During the year ended 31 December 2023, the Company issued 281,734 ordinary shares on foot of the vesting of awards granted in March 2020 under the terms of the 2017 LTIP. In order to ensure a like-for-like assessment with the basis on which the targets were set at the start of 2020, the Company assessed EPS performance a) excluding the number of shares issued as part of the placing in September 2020 and b) including the impact of the interest charge that would have accrued if the placing was excluded. Adjusted EPS performance was accordingly determined to be €0.458, resulting in a vesting outcome of 37.27% for the portion of the award based on adjusted performance (i.e. 18.64% of the overall award). This resulted in an additional charge of €0.9 million recognised in the year ended 31 December 2023.

The Company also considered shareholder guidance in relation to 'windfall gains'. The LTIP awards granted in 2020 were granted at a price of €2.4375, which compares to a price of €5.9775 for the 2019 awards. The Company did not make a reduction on the award to reflect this lower share price during the performance period but committed to reviewing the outcome at vesting.

The Company judged that it would be appropriate to exercise its discretion to reduce the level of vesting by 25% from 18.64% to 14%. This has been accounted for as a modification under IFRS 2 *Share-based Payment*. As a result, no adjustment has been made to the calculation of the share-based payment charge in relation to this reduced level of vesting and the Group continued to recognise the full cost of the related share-based payment charge in profit or loss.

In total, 281,734 ordinary shares were issued in relation to the vesting of the March 2020 awards. The weighted average share price at the date of exercise of these awards was €4.22.

During the year ended 31 December 2023, the Company issued 253,900 ordinary shares on foot of the vesting of awards granted in December 2021. This award was conditional on relevant employees being in employment at 31 March 2023. The weighted average share price at the date of exercise for these awards was €4.54.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Share-based payments expense (continued)

#### Measurement of fair values

The fair value, at the grant date, of the TSR-based conditional share awards was measured using a Monte Carlo simulation model. Non-market-based performance conditions attached to the awards were not taken into account in measuring fair value at the grant date.

The valuation and key assumptions used in the measurement of the fair values of awards at the grant date were as follows:

	March 2023	March 2022	March 2021
Fair value at grant date for TSR-based awards	<b>€2.93</b>	€2.60	€2.40
Fair value at grant date for FCPS-based awards	<b>€4.29</b>	€3.89	€3.83
Share price at grant date	<b>€4.30</b>	€3.90	€3.84
Exercise price	<b>€0.01</b>	€0.01	€0.01
Expected volatility for TSR-based awards	<b>54.83% p.a.</b>	53.0% p.a.	52.01% p.a.
Performance period	<b>3 years</b>	3 years	3 years
Risk-free rate	<b>2.78%</b>	(0.31%)	(0.76%)

Dividend equivalents accrue on awards that vest up to the time of vesting under the LTIP schemes, and therefore the dividend yield has been set to zero to reflect this. Such dividend equivalents will be released to participants in the form of additional shares on vesting subject to the satisfaction of performance criteria. In the absence of available market-implied and observable volatility, the expected volatility has been estimated based on the historic share price over a three-year period.

All active awards include FCPS-related performance conditions which are non-market-based performance conditions that do not impact the fair value of the award at the grant date, which equals the share price less exercise price. Instead, an estimate is made by the Group as to the number of shares which are expected to vest based on satisfaction of the FCPS-related performance condition, where applicable, and this, together with the fair value of the award at grant date, determines the accounting charge to be spread over the vesting period. The estimate of the number of shares which are expected to vest over the vesting period of the award is reviewed in each reporting period and the accounting charge is adjusted accordingly.

#### 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 2022. Each Scheme is for three years and employees may choose to purchase shares over the six month period following the end of the three year period at the fixed discounted price set at the start of the three year period. The share price for the Schemes has been set at a 25% discount for Republic of Ireland based employees and 20% for UK based employees in line with the maximum amount permitted under tax legislation in both jurisdictions.

During the year ended 31 December 2023, 47,488 ordinary shares were issued on maturity of the share options granted as part of the Share Save scheme in 2019. The weighted average exercise price at the date of exercise for options exercised during the year ended 31 December 2023 was €3.57.

Movements in the number of share options and the related weighted average exercise price ('WAEP') are as follows:

	2023		2022	
	Options	WAEP € per share	Options	WAEP € per share
Outstanding at the beginning of the year	<b>1,695,307</b>	<b>2.53</b>	1,859,309	2.59
Granted during the year	-	-	253,795	2.68
Forfeited during the year	<b>(167,520)</b>	<b>2.78</b>	(411,438)	2.71
Exercised during the year	<b>(47,488)</b>	<b>3.46</b>	(6,359)	2.28
<b>Outstanding at the end of the year</b>	<b>1,480,299</b>	<b>2.39</b>	1,695,307	2.53

The weighted average remaining contractual life for the share options outstanding at 31 December 2023 is 0.8 years (31 December 2022: 1.8 years).



## 10 Government grants and government assistance

### Government grants

During the year ended 31 December 2023, the Group availed of the Temporary Business Energy Support Scheme (TBESS) for energy costs in the Republic of Ireland. These grants, which totalled €0.7 million, have been offset against the related costs in administrative expenses in profit or loss (2022: €1.2 million).

During the year ended 31 December 2022, the Group availed of payroll-related grants for EWSS (Employment Wage Subsidy Scheme) of €10.5 million and other grant schemes related to income (including the Covid Restrictions Support Schemes and the Failte Ireland Tourism Accommodation Providers Continuity Scheme) totalling €2.9 million. No such grants were available in 2023.

### Government assistance

In the UK, the Group benefitted from a commercial rates waiver of £0.2 million (€0.3 million) for the year ended 31 December 2023 (2022: £1.0 million (€1.2 million)). Additionally, under the Energy Business Relief Scheme, the Group benefitted from discounted energy prices of £0.2 million (€0.2 million) for the year ended 31 December 2023 (2022: £0.7 million (€0.8 million)).

The Group did not avail of any commercial rates waiver in Ireland during the year ended 31 December 2023 (2022: €1.8 million).

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Act 2020 and Finance Act 2020 (Act 26 of 2020) and amended by the Finance (Covid-19 and Miscellaneous Provisions) Act 2021, Irish VAT liabilities of €11.7 million and payroll tax liabilities of €23.2 million were deferred as at 31 December 2022. These liabilities were paid in full during the year ended 31 December 2023.

## 11 Tax charge

	2023	2022
	€'000	€'000
<b>Current tax</b>		
Irish corporation tax charge	<b>15,377</b>	11,654
Irish corporation tax – losses incurred in 2020 carried back to 2019	-	(1,457)
Foreign corporation tax charge	<b>33</b>	7
Over provision in respect of prior years	<b>(560)</b>	(136)
	<b>14,850</b>	10,068
Deferred tax charge ( <a href="#">note 26</a> )	<b>460</b>	2,864
	<b>15,310</b>	12,932

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Tax charge (continued)

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

	2023 €'000	2022 €'000
Profit before tax	<b>105,532</b>	109,657
Tax on profit at standard Irish corporation tax rate of 12.5%	<b>13,192</b>	13,707
<b>Effects of:</b>		
Income taxed at a higher rate	<b>1,131</b>	-
Expenses not deductible for tax purposes	<b>1,556</b>	606
Impact of revaluation gains not subject to tax	<b>(108)</b>	(2,054)
Foreign losses taxed at higher rate	<b>(1,137)</b>	(262)
Over provision in respect of current tax in prior periods	<b>(560)</b>	(136)
Over provision in respect of deferred tax in prior periods	<b>(893)</b>	(548)
Impact of differing rates between current tax and deferred tax	<b>991</b>	465
Foreign tax losses not recognised as deferred tax assets	-	442
Gain on disposal not subject to tax	-	(485)
Other differences	<b>1,138</b>	1,197
	<b>15,310</b>	12,932

The Group has recognised a tax charge of €15.3 million for the year ended 31 December 2023 (2022: €12.9 million). The tax charge primarily relates to current tax in respect of profits earned in Ireland during the year of €15.4 million (2022: €11.7 million).

The deferred tax charge for the year ended 31 December 2023 of €0.5 million (2022: €2.9 million) primarily relates to deferred tax arising on revaluations of land and buildings through profit and loss. The 2022 deferred tax charge primarily related to the reversal of impairments of the fair value of land and buildings and the carry back of losses incurred in 2020, in respect of which a deferred tax asset had previously been recognised at 31 December 2021, against prior periods, generating cash refunds.

During the year ended 31 December 2021, the UK government substantively enacted an increase in the corporation tax rate from 19% to 25%, with effect from 1 April 2023. The UK deferred tax assets and liabilities which were forecasted to reverse after 1 April 2023 were remeasured at the 25% corporation tax rate during 2021. As the 25% corporation tax rate came into effect during the year ended 31 December 2023, all UK deferred tax assets and liabilities are recognised at the 25% tax rate as at 31 December 2023.

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## 12 Impairment

At 31 December 2023, as a result of the carrying amount of the net assets of the Group being more than its market capitalisation, the Group tested each cash generating unit ('CGU') for impairment as this was deemed to be a potential impairment indicator. Impairment arises where the carrying value of the CGU (which includes, where relevant, revalued properties and/or right-of-use assets, allocated goodwill, fixtures, fittings and equipment) exceeds its recoverable amount on a value in use ('VIU') basis.

At 31 December 2023, the market capitalisation of the Group (€1,032 million) was lower than the net assets of the Group (€1,393 million) (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue). Market capitalisation can be influenced by a number of different market factors and uncertainties. In addition, share prices reflect a discount due to lack of control rights. The Group as a whole is not considered to be a CGU for the purposes of impairment testing and instead each hotel operating unit is considered as a CGU as it is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

At 31 December 2023, 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 Group has not yet committed to a decarbonisation pathway and therefore the impact on cashflows of any possible commitment is not included.

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 15](#)). For CGUs with right-of-use assets, the lease term was used;
- Revenue and EBITDA for 2024 and future years are based on management's best estimate projections as at 31 December 2023. Forecasted revenue and EBITDA are based on expectations of future outcomes taking into account the macro-environment, current earnings, past experience and adjusted for anticipated revenue and cost growth;
- Cash flow projections assume a long-term compound annual growth rate post 2028 of 2% (2022: 2%) in EBITDA for CGUs in the Republic of Ireland, 2% in the UK (2022: 2.5%) and 2% in Continental Europe (2022: 2%);
- Cash flows include an average annual capital outlay on maintenance for the hotels dependent on the condition of the hotel or typically 4% of revenues but assume no enhancements to any property;
- In the case of CGUs with freehold properties, the VIU calculations also include a terminal value based on terminal (year ten) capitalisation rates consistent with those used by the external property valuers which incorporates a long-term growth rate of 2% (2022: 2%) for Irish and 2% (2022: 2.5%) for UK properties;
- The cash flows are discounted using a risk adjusted discount rate specific to each property. Risk adjusted discount rates of 8.5% to 11.35% for Dublin assets (31 December 2022: 8.5% to 11.25%), 10% to 12.75% for Regional Ireland assets (31 December 2022: 9.75% to 12.5%), 7.4% to 11.5% for UK assets (31 December 2022: 7.5% to 13%), 7.5% to 8% for Continental Europe assets (31 December 2022: 8.25%) have been used; and
- The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience of the valuers and of management and taking into account the stability of cash flows typically associated with these factors.

Following the impairment assessments carried out on the Group's CGUs at 31 December 2023, the recoverable amount was not deemed lower than the carrying amount for any of the Group's CGUs. No impairment charge relating to right-of-use assets ([note 16](#)), allocated goodwill ([note 14](#)) and fixtures, fittings and equipment ([note 15](#)) has therefore been recognised in profit or loss for the year ended 31 December 2023.

At 31 December 2023, impairment reversal assessments were carried out on the Group's CGUs where there had been a previous impairment of fixtures, fittings and equipment. Following this assessment, no impairment reversals of previous impairments were noted (2022: €4.1 million on right-of-use assets and €0.6 million on fixtures, fittings and equipment).

If the 2024 EBITDA forecasts used in cashflow in VIU estimates for impairment testing as at 31 December 2023 had been forecast 10% lower, there would still have been no impairment for the year ended 31 December 2023 for right-of-use assets and fixtures, fittings and equipment and allocated goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Business combinations

#### Acquisition of Clayton Hotel London Wall

On 3 July 2023, the Group acquired the long leasehold interest and trade of Apex Hotel London Wall, now trading as Clayton Hotel London Wall, for cash consideration of £53.4 million (€62.1 million).

The Group became party to a ground lease as part of the acquisition and recognised lease liabilities and right-of-use assets of £2.0 million (€2.3 million). The ground lease has a remaining life of 107 years. This exceeds the estimated useful life of the building as at the acquisition date and hence the building is accounted for as an owned hotel.

The fair value of the identifiable assets and liabilities acquired were as follows:

	3 July 2023 Fair value	3 July 2023 Fair value
	£'000	€'000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>		
<b>Non-current assets</b>		
Hotel property	<b>51,366</b>	59,742
Fixtures, fittings and equipment	<b>2,034</b>	2,365
Right-of-use asset	<b>2,017</b>	2,346
<b>Current assets</b>		
Net working capital liabilities	<b>(21)</b>	(24)
<b>Non-current liabilities</b>		
Lease liability	<b>(1,997)</b>	(2,323)
<b>Current liabilities</b>		
Lease liability	<b>(20)</b>	(23)
<b>Total identifiable net assets</b>	<b>53,379</b>	62,083
<b>Total cash consideration</b>	<b>53,379</b>	62,083

The acquisition method of accounting has been used to consolidate the business acquired in the Group's consolidated financial statements. No goodwill has been recognised on acquisition as the fair value of the net assets acquired equated to the consideration paid.

Acquisition-related costs of £3.3 million (€3.8 million) were charged to administrative expenses in profit or loss in respect of this business combination.

### 13 Business combinations (continued)

#### Acquisition of Clayton Hotel Amsterdam American

On 3 October 2023, the Group acquired 100% of the share capital of American Hotel Exploitatie BV which holds the operational lease of the Hard Rock Hotel Amsterdam American, now trading as Clayton Hotel Amsterdam American, for cash consideration of €28.3 million and assumed net working capital liabilities of €1.2 million.

The remaining lease term is 18 years, with two 5-year tenant extension options. This resulted in the recognition of a lease liability of €41.0 million and a right-of-use asset of €41.0 million.

The fair value of the identifiable assets and liabilities acquired were as follows:

	3 October 2023 Fair value €'000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
<b>Non-current assets</b>	
Right-of-use asset	41,036
Fixtures, fittings and equipment	6,065
Deferred tax asset	10,587
<b>Current assets</b>	
Trade and other receivables	974
Stock	98
Cash	8
<b>Non-current liabilities</b>	
<b>Deferred tax liability</b>	(10,587)
Lease liability	(40,066)
<b>Current liabilities</b>	
Trade and other payables	(1,962)
Lease liability	(970)
Accruals	(264)
<b>Total identifiable net assets</b>	<b>4,919</b>
<b>Total cash consideration</b>	<b>28,344</b>
<b>Goodwill</b>	<b>23,425</b>

Goodwill of €23.4 million has been recognised due to the acquisition of Clayton Hotel Amsterdam American, as the consideration exceeded the fair value of the identifiable net assets acquired.

The goodwill acquired as part of this transaction comprises certain intangible assets that cannot be separately identified. This includes future trading and the future growth opportunities the business provides to the Group's operations due to the geographical location of the hotel, access to the Amsterdam market, which restricts new hotel developments, and the skills and experience of an assembled workforce.

Acquisition-related costs of €0.6 million were charged to administrative expenses in profit or loss in respect of this business combination.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Business combinations (continued)

#### Impact of new acquisitions on trading performance

The post-acquisition impact of the acquisitions completed during 2023 on the Group's profit for the financial year ended 31 December 2023 was as follows:

	2023 €'000
Revenue	<b>7,671</b>
Loss before tax and acquisition-related costs	<b>(1,044)</b>

The Group has limited access to the pre-acquisition books and records of the acquired businesses, and as such it is impracticable to determine the impact to the Group if the acquisitions had occurred on 1 January 2023.

These two transactions have added to the scale of the Group with the acquisition of Clayton Hotel London Wall and Clayton Hotel Amsterdam American increasing the geographical spread of the Group in line with the Group's strategy of expanding across larger UK cities and further entry into Continental Europe.

### 14 Intangible assets and goodwill

	Goodwill €'000	Other intangible assets €'000	Total €'000
<b>Cost or valuation</b>			
Balance at 1 January 2023	79,106	2,797	81,903
Additions	23,425	7	23,432
Effect of movements in exchange rates	238	-	238
<b>Balance at 31 December 2023</b>	<b>102,769</b>	<b>2,804</b>	<b>105,573</b>
Balance at 1 January 2022	79,716	2,517	82,233
Additions	-	280	280
Effect of movements in exchange rates	(610)	-	(610)
Balance at 31 December 2022	79,106	2,797	81,903
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 January 2023	(48,947)	(1,902)	(50,849)
Amortisation of intangible assets	-	(650)	(650)
<b>Balance at 31 December 2023</b>	<b>(48,947)</b>	<b>(2,552)</b>	<b>(51,499)</b>
Balance at 1 January 2022	(48,947)	(1,292)	(50,239)
Amortisation of intangible assets	-	(610)	(610)
Balance at 31 December 2022	(48,947)	(1,902)	(50,849)
<b>Carrying amounts</b>			
<b>At 31 December 2023</b>	<b>53,822</b>	<b>252</b>	<b>54,074</b>
At 31 December 2022	30,159	895	31,054



## 14 Intangible assets and goodwill (continued)

### Goodwill

Goodwill is attributable to factors including expected profitability and revenue growth, increased market share, increased geographical presence, the opportunity to develop the Group's brands and the synergies expected to arise within the Group after acquisition.

Additions to goodwill during 2023 include €23.4 million attributable to the acquisition of Clayton Hotel Amsterdam American ([note 13](#)) (2022: €Nil).

As at 31 December 2023, the goodwill cost figure includes €11.8 million (£10.3 million) which is attributable to goodwill arising on acquisition of foreign operations denominated in sterling. Consequently, such goodwill is subsequently retranslated at the closing rate. The retranslation at 31 December 2023 resulted in a foreign exchange gain of €0.2 million and a corresponding increase in goodwill. The comparative retranslation at 31 December 2022 resulted in a foreign exchange loss of €0.6 million.

Carrying amount of goodwill allocated	Number of cash-generating units	2023	2022
	At 31 December 2023	€'000	€'000
Moran Bewley Hotel Group (i)	7	24,725	24,500
Other acquisitions (i)	3	1,327	1,314
2007 Irish hotel operations acquired (ii)	3	4,345	4,345
Clayton Hotel Amsterdam American (iii)	1	23,425	-
	14	53,822	30,159

The above table represents the number of CGUs to which goodwill was allocated at 31 December 2023.

### Annual goodwill testing

The Group tests goodwill annually for impairment and more frequently if there are indications that goodwill might be impaired. Due to the Group's policy of revaluation of land and buildings, and the allocation of goodwill to individual CGUs, impairment of goodwill can occur for CGUs where the Group owns the freehold as the Group realises the profit and revenue growth and synergies which underpinned the goodwill. As these materialise, they are recorded as revaluation gains to the carrying value of the property and consequently, elements of goodwill may be required to be written off if the carrying value of the CGU (which includes revalued property and allocated goodwill) exceeds its recoverable amount on a VIU basis. The impairment of goodwill is recorded through profit or loss though the revaluation gains on property are taken to reserves through other comprehensive income provided there were no previous impairment charges through profit or loss.

Following an impairment review of the CGUs containing goodwill at 31 December 2023, no goodwill was required to be impaired (2022: €Nil).

Future under-performance in any of the Group's major CGUs may result in a material write-down of goodwill which would have a substantial impact on the Group's results and equity.

#### (i) Moran Bewley Hotel Group and other single asset acquisitions

For the purposes of impairment testing, goodwill has been allocated to each of the hotels acquired as CGUs. The freehold interest in the property is owned by the Group and therefore these hotel properties are valued annually by independent external valuers. As such the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the VIU of the CGU is assessed.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the asset are significant for these assets (2023: Ireland 9.96%, UK 6.8%, 2022: 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 2023, the recoverable amounts of the ten CGUs were based on VIU, determined by discounting the future cash flows generated from the continuing use of these hotels. Following the impairment assessment carried out at 31 December 2023, there was no impairment relating to the CGUs. [Note 12](#) details the assumptions used in the VIU estimates for impairment testing.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Intangible assets and goodwill (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 (€2.6 million) during the year ended 31 December 2020. The remaining three of these hotels are valued annually by independent external valuers, as the freehold interest in the property is now also owned by the Group. Where hotel properties are valued annually by independent external valuers, the recoverable amount of each CGU is based on a fair value less costs of disposal estimate, or where this value is less than the carrying value of the asset, the VIU of the CGU is assessed. The recoverable amount at 31 December 2023 of each of these CGUs which have associated goodwill is based on VIU. VIU is determined by discounting the future cash flows generated from the continuing use of these hotels. Following the impairment assessment carried out at 31 December 2023, there was no impairment of goodwill relating to these CGUs.

Costs of acquisition of a willing buyer which are factored in by external valuers when calculating the fair value price of the assets are significant for these assets (2023: 9.96%, 2022: 9.96%). Purchaser's costs are a key difference between VIU and fair value less costs of disposal as prepared by external valuers. [Note 12](#) details the assumptions used in the VIU estimates.

The key judgements and assumptions used in estimating the future cash flows in the impairment tests are subjective and include projected EBITDA (as defined in [note 3](#)), 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 12](#)).

#### *(iii) Clayton Hotel Amsterdam American*

Goodwill of €23.4 million has been recognised due to the acquisition of Clayton Hotel Amsterdam American, as the consideration exceeded the fair value of the identifiable net assets acquired.

The goodwill acquired as part of this transaction comprises certain intangible assets that cannot be separately identified. This includes future trading and the future growth opportunities the business provides to the Group's operations due to the geographical location of the hotel, access to the Amsterdam market, which restricts new hotel developments, and the skills and experience of an assembled workforce.

For the purposes of impairment testing, goodwill has been allocated to the CGU, representing Clayton Hotel Amsterdam American's operations, acquired in 2023. The recoverable amount at 31 December 2023 of this CGU is based on VIU. VIU is determined by discounting the estimated future cash flows generated from the continuing use of the hotel. Following the impairment assessment carried out at 31 December 2023, there was no impairment of goodwill relating to this CGU.

#### **Other intangible assets**

Other intangible assets of €0.3 million at 31 December 2023 (2022: €0.9 million) primarily represent a software licence agreement entered into by the Group in 2019. This software licence will run to 31 May 2024 and is being amortised on a straight-line basis over the life of the asset.

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 2023, 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 2023.

## 15 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
<b>At 31 December 2023</b>				
Valuation	1,478,636	-	-	1,478,636
Cost	-	101,703	187,951	289,654
Accumulated depreciation (and impairment charges) *	-	-	(83,459)	(83,459)
<b>Net carrying amount</b>	<b>1,478,636</b>	<b>101,703</b>	<b>104,492</b>	<b>1,684,831</b>
<b>At 1 January 2023, net carrying amount</b>	<b>1,281,344</b>	<b>64,556</b>	<b>81,547</b>	<b>1,427,447</b>
Acquisitions through business combinations	59,742	-	8,430	68,172
Additions through capital expenditure	50,351	33,892	34,038	118,281
Capitalised labour costs	120	142	66	328
Capitalised borrowing costs (note 7)	-	2,008	-	2,008
Revaluation gains through OCI	92,098	-	-	92,098
Reversal of revaluation losses through profit or loss	2,020	-	-	2,020
Depreciation charge for the year	(12,769)	-	(20,022)	(32,791)
Translation adjustment	5,730	1,105	433	7,268
<b>At 31 December 2023, net carrying amount</b>	<b>1,478,636</b>	<b>101,703</b>	<b>104,492</b>	<b>1,684,831</b>

The equivalent disclosure for the prior year is as follows:

<b>At 31 December 2022</b>				
Valuation	1,281,344	-	-	1,281,344
Cost	-	64,556	153,879	218,435
Accumulated depreciation (and impairment charges) *	-	-	(72,332)	(72,332)
<b>Net carrying amount</b>	<b>1,281,344</b>	<b>64,556</b>	<b>81,547</b>	<b>1,427,447</b>
<b>At 1 January 2022, net carrying amount</b>	<b>1,088,847</b>	<b>79,094</b>	<b>75,961</b>	<b>1,243,902</b>
Additions through capital expenditure	31	18,732	21,165	39,928
Reclassification from assets under construction to land and buildings and fixtures, fittings and equipment for assets that have come into use	28,627	(31,796)	3,169	-
Capitalised labour costs	52	32	79	163
Capitalised borrowing costs (note 7)	1,088	1,063	-	2,151
Disposals	(19,008)	-	(1,204)	(20,212)
Revaluation gains through OCI	188,185	-	-	188,185
Reversal of revaluation losses through profit or loss	21,234	-	-	21,234
Reversal of previous impairment charges of fixtures, fittings and equipment	-	-	624	624
Depreciation charge for the year	(11,237)	-	(17,189)	(28,426)
Translation adjustment	(16,475)	(2,569)	(1,058)	(20,102)
<b>At 31 December 2022, net carrying amount</b>	<b>1,281,344</b>	<b>64,556</b>	<b>81,547</b>	<b>1,427,447</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Property, plant and equipment (continued)

The carrying value of land and buildings (revalued at 31 December 2023) is €1,478.6 million (2022: €1,281.3 million). The value of these assets under the cost model is €959.9 million (2022: €855.4 million). In 2023, unrealised revaluation gains of €92.1 million have been reflected in other comprehensive income and in the revaluation reserve in equity (2022: €188.2 million). Reversal of previous periods revaluation losses of €2.0 million have been reflected in administrative expenses through profit or loss (2022: €21.2 million).

Included in land and buildings at 31 December 2023 is land at a carrying value of €521.9 million (2022: €463.7 million) which is not depreciated. There are €13.5 million of fixtures, fittings and equipment which have been depreciated in full but are still in use at 31 December 2023 (31 December 2022: €3.3 million).

Acquisitions through business combinations relate to the acquisition of Clayton Hotel London Wall of £53.4 million (€62.1 million) and Clayton Hotel Amsterdam American of €6.1 million during the year ([note 13](#)).

Additions to assets under construction during the year end 31 December 2023 primarily relate to development expenditure incurred on the construction of Maldron Hotel Shoreditch in London and the purchase of a building conversion opportunity in Edinburgh.

Other additions through capital expenditure primarily relate to the acquisition of and further investment in Maldron Hotel Finsbury Park, London, which totalled £49.5 million (€56.9 million).

Capitalised labour costs of €0.3 million (2022: €0.2 million) relate to the Group's internal development team and are directly related to asset acquisitions and other construction work completed in relation to the Group's property, plant and equipment.

Impairment assessments were carried out on the Group's CGUs at 31 December 2023. No impairment charge has been recorded as the recoverable amount was deemed higher than the carrying amount for all the Group's CGUs.

At 31 December 2023, impairment reversal assessments were carried out on the Group's CGUs where there had been a previous impairment of fixtures, fittings and equipment. Following this assessment, no impairment reversals of previous impairments were necessary (2022: €4.7 million) ([note 12](#)).

At 31 December 2023, property, plant and equipment, including fixtures, fittings and equipment in leased properties, with a carrying amount of €1,368.3 million (2022: €1,217.0 million) were pledged as security for loans and borrowings.

On 21 June 2022, the Group completed the sale of Clayton Crown Hotel, London, for net proceeds of £20.7 million (€24.1 million). As a result, the hotel property and related fixtures, fittings and equipment of £17.4 million (€20.2 million) were derecognised from the statement of financial position. A gain on disposal of £3.3 million (€3.9 million) was recognised in profit or loss for the year ended 31 December 2022 ([note 6](#)).

The Group operates the Maldron Hotel Limerick and, since the acquisition of Fonteyn Property Holdings Limited in 2013, holds a secured loan over that property. The loan is not expected to be repaid. Accordingly, the Group has the risks and rewards of ownership and accounts for the hotel as an owned property, reflecting the substance of the arrangement.

The value of the Group's property at 31 December 2023 reflects open market valuations carried out as at 31 December 2023 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.

## 15 Property, plant and equipment (continued)

### 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 2023, 31 properties were revalued by independent external valuers engaged by the Group (31 December 2022: 29).

The principal valuation technique used by the independent external valuers engaged by the Group was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of year 10). Valuers' forecast cash flow included in these calculations represents the expectations of the valuers for EBITDA (driven by average room rate ('ARR') (calculated as total revenue divided by total rooms sold) and occupancy) for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 3%-4% of revenue per annum, dependent on the extent of hotel facilities. This does not always reflect the profile of actual capital expenditure incurred by the Group. On specific assets, refurbishments are, by nature, periodic rather than annual. Valuers' expectations of EBITDA are based off their trading forecasts (benchmarked against competition, market and actual performance). The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location. The final valuation also includes a deduction of full purchaser's costs based on the valuers' estimates at 9.96% for assets located in the Republic of Ireland (31 December 2022: 9.96%) and 6.8% for assets located in the UK (31 December 2022: 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.

It was noted by the independent valuers that climate risk and ESG considerations have had little or no impact on valuations at 31 December 2023.

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

### Significant unobservable inputs

	31 December 2023			Total
	Dublin	Regional Ireland	UK	
	<i>Number of hotel assets</i>			
<b>RevPar (Revenue per available room)</b>				
€75-€100/£75-£100	-	-	2	2
€100-€125/£100-£125	2	7	4	13
>€125/£125	8	5	3	16
	<b>10</b>	<b>12</b>	<b>9</b>	<b>31</b>
<b>Terminal (Year 10) capitalisation rate</b>				
<8%	7	-	5	12
8%-10%	3	8	4	15
>10%	-	4	-	4
	<b>10</b>	<b>12</b>	<b>9</b>	<b>31</b>
<b>Price per key*</b>				
< €150k/£150k	1	9	4	14
€150k-€250k/£150k-£250k	1	2	1	4
€250k-€350k/£250k-£350k	5	1	2	8
> €350k/£350k	3	-	2	5
	<b>10</b>	<b>12</b>	<b>9</b>	<b>31</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Property, plant and equipment (continued)

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

\* Price per key represents the valuation of a hotel divided by the number of rooms in that hotel.

The significant unobservable inputs are:

- Valuers' forecast cash flows.
- Risk adjusted discount rates and terminal (Year 10) capitalisation rates are specific to each property;

Dublin assets:

- Risk adjusted discount rates range between 8.50% and 11.35% (31 December 2022: 8.50% and 11.25%).
- Weighted average risk adjusted discount rate is 9.40% (31 December 2022: 9.56%).
- Terminal capitalisation rates range between 6.50% and 9.35% (31 December 2022: 6.50% and 9.25%).
- Weighted average terminal capitalisation rate is 7.40% (31 December 2022: 7.56%).

Regional Ireland:

- Risk adjusted discount rates range between 10.0% and 12.75% (31 December 2022: 9.75% and 12.50%).
- Weighted average risk adjusted discount rate is 11.06% (31 December 2022: 10.75%).
- Terminal capitalisation rates range between 8.0% and 10.75% (31 December 2022: 7.75% and 10.50%).
- Weighted average terminal capitalisation rate is 9.06% (31 December 2022: 8.75%).

UK:

- Risk adjusted discount rates range between 7.40% and 11.50% (31 December 2022: 7.50% and 13.00%).
- Weighted average risk adjusted discount rate is 8.77% (31 December 2022: 9.47%).
- Terminal capitalisation rates range between 5.40% and 9.50% (31 December 2022: 5.00% and 10.50%).
- Weighted average terminal capitalisation rate is 6.77% (31 December 2022: 6.97%).

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

- Valuers' forecast cash flow was higher or lower than expected; and/or
- The risk adjusted discount rate and terminal capitalisation rate was lower or higher.

Valuations also had regard to relevant price per key metrics from hotel sales activity.



## 15 Property, plant and equipment (continued)

The property revaluation exercise carried out by the Group's external valuers is a complex exercise, which not only takes into account the future earnings forecast for the hotels, but also a number of other factors, including and not limited to, market conditions, comparable hotel sale transactions, inflation and the underlying value of an asset. As a result, it is not possible, for the Group to perform a quantitative sensitivity for a change in the property values. A change in an individual quantitative variable would not necessarily lead to an equivalent change in the overall outcome and would require the application of judgement of the valuers in terms of how the variable change could potentially impact on overall valuations.

## 16 Leases

### Group as a lessee

The Group leases property assets, which includes land and buildings and related fixtures and fittings, and other equipment, relating to vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below:

### Right-of-use assets

	Property assets €'000	Other equipment €'000	Total €'000
<b>Net book value at 1 January 2023</b>	<b>657,790</b>	<b>311</b>	<b>658,101</b>
Acquisitions through business combinations	43,382	-	43,382
Additions	-	375	375
Depreciation charge for the year	(30,570)	(93)	(30,663)
Remeasurement of lease liabilities	7,808	-	7,808
Translation adjustment	6,190	-	6,190
<b>Net book value at 31 December 2023</b>	<b>684,600</b>	<b>593</b>	<b>685,193</b>
<b>Net book value at 1 January 2022</b>	<b>491,832</b>	<b>37</b>	<b>491,869</b>
Additions	195,167	330	195,497
Depreciation charge for the year	(27,447)	(56)	(27,503)
Remeasurement of lease liabilities	10,441	-	10,441
Reversal of previous impairment charges	4,101	-	4,101
Translation adjustment	(16,304)	-	(16,304)
<b>Net book value at 31 December 2022</b>	<b>657,790</b>	<b>311</b>	<b>658,101</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Leases (continued)

#### Lease liabilities

	2023	2022
	€'000	€'000
Current	10,347	10,049
Non-current	641,444	471,877
<b>Lease liabilities at 1 January</b>	<b>651,791</b>	<b>481,926</b>
Additions	375	185,061
Acquisitions through business combinations	43,382	-
Interest on lease liabilities (note 7)	42,751	38,101
Lease payments	(53,498)	(47,425)
Remeasurement of lease liabilities	7,808	10,427
Translation adjustment	5,989	(16,299)
<b>Lease liabilities at 31 December</b>	<b>698,598</b>	<b>651,791</b>
Current	12,040	10,347
Non-current	686,558	641,444
<b>Lease liabilities at 31 December</b>	<b>698,598</b>	<b>651,791</b>

Acquisitions through business combinations during the year ended 31 December 2023 relate to:

- In July 2023, the Group acquired the ground lease of the Apex Hotel London Wall, which was subsequently re-branded Clayton Hotel London Wall, with 107 years remaining on the lease. This resulted in the recognition of a lease liability of €2.3 million (£2.0 million) and a right-of-use asset of €2.3 million (£2.0 million).
- In October 2023, the Group acquired 100% of the share capital of American Hotel Exploitatie BV which held the operational lease of the Hard Rock Hotel Amsterdam American, now trading as Clayton Hotel Amsterdam American. The lease term remaining is 18 years, with two 5-year tenant extension options. This resulted in the recognition of a lease liability of €41.0 million and right-of-use asset of €41.0 million.

Additions during the year ended 31 December 2022 related to:

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

## 16 Leases (continued)

The weighted average incremental borrowing rate for leases acquired or newly entered into during the year ended 31 December 2023 is 8.8% (2022: 7.5%).

During the year ended 31 December 2023, a lease amendment, which was not included in the original lease agreement was made to one of the Group's leases. This has been treated as a modification of lease liabilities and resulted in an increase in lease liabilities and the carrying value of the right-of-use asset of €4.5 million.

Following agreed rent reviews and rent adjustments, which formed part of the original lease agreements, certain of the Group's leases were reassessed during the year. This resulted in an increase in lease liabilities and related right-of-use assets of €3.3 million.

During the year ended 31 December 2022, lease amendments, which were not included in the original lease agreements were made to three of the Group's leases. These were treated as a modification of lease liabilities and resulted in a decrease in lease liabilities of €2.8 million and a €2.8 million decrease in the carrying value of the right-of-use assets. Following agreed rent reviews and rent adjustments, which formed part of the original lease agreements, certain of the Group's leases were reassessed during the year. This resulted in an increase in lease liabilities and related right-of-use assets of €13.4 million. In addition, the termination of one of the Group's leases resulted in a decrease in lease liabilities and related right-of-use assets of €0.2 million.

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 €61.2 million of lease liabilities at 31 December 2023 (31 December 2022: €63.8 million).

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

At 31 December 2023

	Republic of Ireland €'000	Continental Europe €'000	UK £'000	Total €'000
During the year 2024	26,283	8,780	19,588	57,603
During the year 2025	26,475	8,827	19,660	57,924
During the year 2026	24,577	8,827	19,753	56,133
During the year 2027	24,419	8,827	20,211	56,502
During the years 2028	24,500	8,827	20,327	56,717
During the years 2029 – 2038	235,934	88,268	211,761	567,872
During the years 2039 – 2048	147,009	27,948	230,195	439,838
From 2049 onwards	71,432	-	168,646	265,490
	<b>580,629</b>	<b>160,304</b>	<b>710,141</b>	<b>1,558,079</b>

At 31 December 2022

	Republic of Ireland €'000	Continental Europe €'000	UK £'000	Total €'000
Year ended 31 December 2023	26,517	3,537	19,267	51,777
During the year 2024	24,096	4,386	19,208	50,139
During the year 2025	23,986	4,433	19,280	50,157
During the year 2026	24,089	4,433	19,373	50,365
During the year 2027	24,369	4,433	19,831	51,161
During the years 2028	24,467	4,433	19,945	51,387
During the years 2029 – 2038	235,808	44,330	207,880	514,521
During the years 2039 – 2048	147,003	13,669	226,213	415,723
From 2049 onwards	71,432	-	152,399	243,259
	<b>601,767</b>	<b>83,654</b>	<b>703,396</b>	<b>1,478,489</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Leases (continued)

Sterling amounts have been converted using the closing foreign exchange rate of 0.86905 as at 31 December 2023 (0.88693 as at 31 December 2022).

The actual cash flows 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; and
- reassessments of lease liabilities following periodic rent reviews.

It excludes leases on hotels for which an agreement for lease has been signed.

The weighted average lease life of future minimum rentals payable under leases is 29.5 years (31 December 2022: 29.8 years). Lease liabilities are monitored within the Group's treasury function.

For the year ended 31 December 2023, the total fixed cash outflows relating to property assets and other equipment amounted to €53.5 million (31 December 2022: €47.4 million).

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

The unwinding of the right-of-use assets as at 31 December 2023 and the release of the interest on the lease liabilities as at 31 December 2023 through profit or loss over the terms of the leases have been disclosed in the following tables:

#### Depreciation of right-of-use assets

	Republic of Ireland €'000	Continental Europe €'000	UK £'000	Total €'000
During the year 2024	16,185	4,437	9,877	31,987
During the year 2025	16,092	4,749	9,866	32,194
During the year 2026	14,109	4,749	9,521	29,814
During the year 2027	13,634	4,749	9,301	29,085
During the year 2028	13,461	4,749	9,147	28,735
During the year 2029	13,240	4,474	8,487	27,480
During the years 2030-2039	121,287	44,492	83,002	261,288
During the years 2040-2049	63,889	9,639	82,892	168,910
From 2050 onwards	24,877	-	44,167	75,700
	<b>296,774</b>	<b>82,038</b>	<b>266,260</b>	<b>685,193</b>

#### Interest on lease liabilities

	Republic of Ireland €'000	Continental Europe €'000	UK £'000	Total €'000
During the year 2024	17,723	6,534	18,511	45,557
During the year 2025	17,167	6,249	18,441	44,636
During the year 2026	16,630	6,054	18,364	43,815
During the year 2027	16,174	5,844	18,265	43,035
During the year 2028	15,680	5,618	18,133	42,163
During the year 2029	15,152	5,374	17,989	41,226
During the years 2030-2039	117,821	35,356	166,772	345,079
During the years 2040-2049	54,650	1,531	116,420	190,143
From 2050 onwards	9,475	-	47,235	63,827
	<b>280,472</b>	<b>72,560</b>	<b>440,130</b>	<b>859,481</b>

## 16 Leases (continued)

Sterling amounts have been converted using the closing foreign exchange rate of 0.86905 as at 31 December 2023.

The actual depreciation and interest charge through profit or loss will depend on the composition of the Group's lease portfolio in future years and is subject to change, driven by:

- commencement of new leases;
- modifications of existing leases;
- reassessments of lease liabilities following periodic rent reviews; and
- impairments and reversals of previous impairment charges of right-of-use assets.

Impairment assessments were carried out on the Group's CGUs at 31 December 2023. No impairment charge has been recorded as the recoverable amount was deemed higher than the carrying amount for all the Group's CGUs (31 December 2022: impairment reversals of €4.1 million) ([note 12](#)).

### Leases of property assets

The Group leases properties for its hotel operations and office space. The leases of hotels typically run for a period of between 25 and 35 years and leases of office space for 10 years.

Some leases provide for additional rent payments that are based on a percentage of the revenue/EBITDAR that the Group generates at the hotel in the period. The Group sub-leases part of two of its properties to a tenant under an operating lease.

#### Variable lease costs based on revenue

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 for the year ended 31 December 2023 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	3,630	782

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Leases (continued)

#### Extension options

As at 31 December 2023, the Group, as a hotel lessee, has two hotels which each have two 5-year extension options. The Group assesses at lease commencement whether it is reasonably certain to exercise the options and reassesses if there is a significant event or change in circumstances within its control. At 31 December 2023, the Group has assessed that it is not reasonably certain that the options will be exercised. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted) €'000	Potential future lease payments not included in lease liabilities (discounted) €'000
Hotel leases	<b>87,850</b>	<b>13,274</b>

#### Termination options

The Group holds a termination option in an office space lease. The Group assesses at lease commencement whether it is reasonably certain not to exercise the option and reassesses if there is a significant event or change in circumstances within its control. At 31 December 2023, the Group has assessed that it is not reasonably certain that the option will not be exercised. The relative magnitude of optional lease payments to lease payments is as follows:

	Lease liabilities recognised (discounted) €'000	Potential future lease payments not included in lease liabilities (discounted) €'000
Office building	<b>3,579</b>	<b>1,372</b>

#### Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 31 December 2023 and details of the non-cancellable lease rentals and other contractual obligations payable under these agreements are set out hereafter. These represent the minimum future lease payments (undiscounted) in aggregate that the Group is required to make under the agreements. An agreement for lease is a binding agreement between external third parties and the Group to enter into a lease at a future date. The dates of commencement of these leases may change based on the hotel opening dates. The amounts payable may also change slightly if there are any changes in room numbers delivered through construction.

	At 31 December 2023 €'000	At 31 December 2022 €'000
<b>Agreements for lease</b>		
Less than one year	<b>9,503</b>	-
One to two years	<b>5,745</b>	10,178
Two to three years	<b>7,991</b>	5,629
Three to five years	<b>16,389</b>	15,737
Five to fifteen years	<b>86,181</b>	81,307
Fifteen to twenty five years	<b>92,658</b>	87,473
After twenty five years	<b>107,305</b>	109,229
<b>Total future lease payments</b>	<b>325,772</b>	309,553

Included in the above table are future lease payments for agreements for lease, with a lease term of 35 years with the expected opening dates as follows: Maldron Hotel Cathedral Quarter Manchester (Q2 2024), Maldron Hotel Liverpool City (Q2 2024), Maldron Hotel Brighton (Q3 2024) and Maldron Hotel Croke Park, Dublin (H1 2026).



## 16 Leases (continued)

### Other leases

The Group has applied the short-term and low-value exemptions available under IFRS 16 where applicable and recognises lease payments associated with short-term leases or leases for which the underlying asset is of low-value as an expense on a straight-line basis over the lease term. Where the exemptions were not available, right-of-use assets have been recognised with corresponding lease liabilities.

	2023	2022
	€'000	€'000
Expenses relating to short-term leases recognised in administrative expenses	174	204
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets, recognised in administrative expenses	365	237
	<b>539</b>	<b>441</b>

For the year ended 31 December 2023, cash outflows relating to fixtures, fittings and equipment, for which the Group has availed of the IFRS 16 short-term and low-value exemptions, amounted to €0.5 million (31 December 2022: €0.4 million).

### Group as a lessor

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

	2023	2022
	€'000	€'000
Operating lease income (note 6)	385	392

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 2023 amounted to €0.2 million (31 December 2022: €0.2 million).

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

	2023	2022
	€'000	€'000
Less than one year	364	375
One to two years	303	335
Two to three years	303	335
Three to four years	262	335
Four to five years	248	293
More than five years	767	1,102
<b>Total undiscounted lease payments receivable</b>	<b>2,247</b>	<b>2,775</b>

Sterling amounts have been converted using the closing foreign exchange rate of 0.86905 as at 31 December 2023 (31 December 2022: 0.88693).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17 Contract fulfilment costs

	2023	2022
	€'000	€'000
At 1 January	-	36,255
Costs incurred in fulfilling contract in the year	-	4,386
Capitalised borrowing costs ( <a href="#">note 7</a> )	-	357
Release of costs to profit or loss on sale	-	(40,998)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

During 2022 contract fulfilment costs related to the Group's contractual agreement with Irish Residential Properties REIT plc ('I-RES'), entered into on 16 November 2018, for I-RES to purchase a residential development on completion of its construction by the Group (comprising 69 residential units) on the site of the former Tara Towers Hotel.

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

The income from the sale of the residential units was €42.5 million of which €41.8 million was received on completion. €0.7 million has been withheld as a retention payment and included in contract assets ([note 18](#)). The full receipt of these funds is expected in 2024. Total sales proceeds of €42.5 million were recognised as income from residential development activities in profit or loss for the year ended 31 December 2022.

The related capitalised contract fulfilment costs of €41.0 million were released from the statement of financial position to profit or loss and recognised within cost of residential development activities in profit or loss for the year ended 31 December 2022.

### 18 Trade and other receivables

	2023	2022
	€'000	€'000
<b>Non-current assets</b>		
Other receivables	<b>2,328</b>	2,314
Prepayments	<b>4,090</b>	1,073
	<b>6,418</b>	3,387
<b>Current assets</b>		
Trade receivables	<b>10,830</b>	13,816
Prepayments	<b>9,251</b>	8,003
Contract assets	<b>4,612</b>	4,465
Accrued income	<b>3,069</b>	2,309
Other receivables	<b>500</b>	1,670
	<b>28,262</b>	30,263
<b>Total</b>	<b>34,680</b>	33,650

## 18 Trade and other receivables (continued)

### Non-current assets

Included in non-current other receivables at 31 December 2023 is a rent deposit of €1.4 million paid to the landlord on the sale and leaseback of Clayton Hotel Charlemont (31 December 2022: €1.4 million). This deposit is repayable to the Group at the end of the lease term. Also included is a deposit paid as part of another hotel property lease contract of €0.9 million (2022: €0.9 million) which is interest-bearing and refundable at the end of the lease term.

Included in non-current prepayments at 31 December 2023 are costs of €4.1 million (31 December 2022: €1.1 million) associated with future lease agreements for hotels which are currently being constructed or in planning. The increase at 31 December 2023 is as a result of a rise in expenses related to projects due to complete in 2024. When these leases are signed, these costs will be reclassified to right-of-use assets.

### Current assets

Current other receivables at 31 December 2023 of €0.5 million (2022: €1.7 million) have decreased by €1.2 million as the amounts for government grants relating to the Temporary Energy Business Support Scheme (TBESS) for energy costs were received in full during 2023 and the scheme has now ceased ([note 10](#)).

Included in current contract assets is €0.7 million (2022: €0.7 million) which relates to a retention payment, details of which are included in [note 17](#).

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	Expected credit loss	Impairment provision	Net receivables
	2023	Rate	2023	2023
	€'000	2023	€'000	€'000
Not past due	5,984	0.0%	-	5,984
Past due < 30 days	2,804	0.0%	-	2,804
Past due 30 – 60 days	1,337	0.0%	-	1,337
Past due 60 – 90 days	147	0.0%	-	147
Past due > 90 days	883	36.8%	(325)	558
	11,155		(325)	10,830

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

Management does not expect any significant losses from trade receivables that have not been provided for as shown above, contract assets, accrued income or other receivables. Details are included in the credit risk section in [note 27](#).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 Inventories

	2023	2022
	€'000	€'000
Goods for resale	1,882	1,863
Consumable stores	519	479
	2,401	2,342

Inventories recognised as cost of sales during the year amounted to €33.6 million (2022: €30.7 million).

### 20 Cash and cash equivalents

	2023	2022
	€'000	€'000
Cash at bank and in hand	34,173	91,320
	34,173	91,320

### 21 Capital and reserves

#### Share capital and share premium

At 31 December 2023

	Number	€'000
<b>Authorised share capital</b>	<b>10,000,000,000</b>	<b>100,000</b>
Ordinary shares of €0.01 each		

	Number	€'000
<b>Allotted, called-up and fully paid shares</b>	<b>223,454,844</b>	<b>2,235</b>
Ordinary shares of €0.01 each		

<b>Share premium</b>		<b>505,079</b>
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At 31 December 2022

	Number	€'000
<b>Authorised share capital</b>		
Ordinary shares of €0.01 each	10,000,000,000	100,000

	Number	€'000
<b>Allotted, called-up and fully paid shares</b>		
Ordinary shares of €0.01 each	222,871,722	2,229

<b>Share premium</b>		<b>504,910</b>
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All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2023, the Company issued 535,634 shares of €0.01 per share at par, following the vesting of Awards granted in relation to the 2020 LTIP scheme and the December 2021 LTIP issue (note 9). During the year ended 31 December 2023, 47,488 ordinary shares were issued on maturity of the share options granted as part of the Share Save scheme in 2019. The weighted average exercise price at the date of exercise for options exercised during the year ended 31 December 2023 was €3.57 (2022: €2.28).

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## 21 Capital and reserves (continued)

### Dividends

On 6 October 2023, an interim dividend of 4 cents per share was paid at a total cost of €8.9 million (year ended 31 December 2022: €Nil).

On 28 February 2024, the Board proposed a final dividend of 8 cents per share. Based on shares in issue at 31 December 2023, the amount of dividends proposed is €17.9 million. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 1 May 2024 to shareholders registered on the record date 5 April 2024. These consolidated financial statements do not reflect this dividend.

### Nature and purpose of reserves

#### (a) Capital contribution and merger reserve

As part of a Group reorganisation in 2014, the Company became the ultimate parent entity of the then existing Group, when it acquired 100% of the issued share capital of DHGL Limited in exchange for the issue of 9,500 ordinary shares of €0.01 each. By doing so, it also indirectly acquired the 100% shareholdings previously held by DHGL Limited in each of its subsidiaries. As part of that reorganisation, shareholder loan note obligations (including accrued interest) of DHGL Limited were assumed by the Company as part of the consideration paid for the equity shares in DHGL Limited.

The fair value of the Group (as then headed by DHGL Limited) at that date was estimated at €40.0 million. The fair value of the shareholder loan note obligations assumed by the Company as part of the acquisition was €29.7 million and the fair value of the shares issued by the Company in the share exchange was €10.3 million.

The difference between the carrying value of the shareholder loan note obligations (€55.4 million) prior to the reorganisation and their fair value (€29.7 million) at that date represents a contribution from shareholders of €25.7 million which has been credited to a separate capital contribution reserve. Subsequently, all shareholder loan note obligations were settled in 2014, in exchange for shares issued in the Company.

The insertion of Dalata Hotel Group plc as the new holding company of DHGL Limited in 2014 did not meet the definition of a business combination under IFRS 3 *Business Combinations*, and, as a consequence, the acquired assets and liabilities of DHGL Limited and its subsidiaries continued to be carried in the consolidated financial statements at their respective carrying values as at the date of the reorganisation. The consolidated financial statements of Dalata Hotel Group plc were prepared on the basis that the Company is a continuation of DHGL Limited, reflecting the substance of the arrangement.

As a consequence, a merger reserve of €10.3 million (negative) arose in the consolidated statement of financial position. This represents the difference between the consideration paid for DHGL Limited in the form of shares of the Company, and the issued share capital of DHGL Limited at the date of the reorganisation which was a nominal amount of €95.

In September 2020, the Company completed a placing of new ordinary shares of €0.01 each in the share capital of the Company. 37.0 million ordinary shares were issued at €2.55 each which raised €92.0 million after costs of €2.4 million. The Group availed of merger relief to simplify future distributions and as a result, €91.6 million was recognised in the merger reserve being the difference between the nominal value of each share (€0.01 each) and the amount paid (€2.55 per share) after deducting costs of the share placing of €2.4 million.

#### (b) Share-based payment reserve

The share-based payment reserve comprises amounts equivalent to the cumulative cost of awards by the Group under equity-settled share-based payment arrangements, being the Group's Long Term Incentive Plans and the Share Save schemes. On vesting, the cost of awards previously recognised in the share-based payments reserve is transferred to retained earnings. Details of the share awards, in addition to awards which vested during the current year, are disclosed in [note 9](#) and in the Remuneration Committee report.

#### (c) Hedging reserve

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21 Capital and reserves (continued)

#### (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 15](#)), 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 27](#)).

### 22 Trade and other payables

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
<b>Non-current liabilities</b>		
Other payables	<b>348</b>	239
	<b>348</b>	239
<b>Current liabilities</b>		
Trade payables	<b>16,724</b>	17,645
Accruals	<b>45,839</b>	45,821
Contract liabilities	<b>13,459</b>	14,265
Value added tax	<b>4,957</b>	15,040
Payroll taxes	<b>3,641</b>	26,047
Tourist taxes	<b>1,429</b>	-
	<b>86,049</b>	118,818
<b>Total</b>	<b>86,397</b>	119,057

Accruals at 31 December 2023 include €6.2 million related to amounts not yet invoiced for capital expenditure and costs incurred on entering new leases and agreements for lease (31 December 2022: €9.1 million).

#### Value added tax and payroll taxes

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Act 2020 and Finance Act 2020 (Act 26 of 2020) and amended by the Finance (Covid-19 and Miscellaneous Provisions) Act 2021, Irish VAT liabilities of €11.7 million and payroll tax liabilities of €23.2 million were deferred as at 31 December 2022. These liabilities were paid in full during the year ended 31 December 2023 ([note 10](#)).

#### Tourist taxes

Tourist taxes of €1.4 million are tax liabilities due relating to the Clayton Hotel Amsterdam American (2022: €Nil). The tourist tax is a charge on overnight visitors staying in hotels in the city charged at a rate of 12.5%.



## 23 Provision for liabilities

	2023	2022
	€'000	€'000
<b>Non-current liabilities</b>		
Insurance provision	6,656	7,165
<b>Current liabilities</b>		
Insurance provision	1,955	2,014
	<b>8,611</b>	<b>9,179</b>

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

	2023	2022
	€'000	€'000
At 1 January	9,179	8,188
Provisions made during the year – charged to profit or loss	2,500	2,500
Utilised during the year	(1,815)	(859)
Impact of discounting – credited to profit or loss	(326)	(650)
Reversed to profit or loss during the year	(927)	-
<b>At 31 December</b>	<b>8,611</b>	<b>9,179</b>

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

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. The Group expects the majority of the insurance provision will be utilised within five years of the period end date, however, due to the nature of the provision, there is a level of uncertainty in the timing of settlement as the Group generally cannot precisely determine the extent and duration of the claim process. The provision has been discounted to reflect the time value of money.

The self-insurance programme commenced in July 2015 and increasing levels of claims data is becoming available. Claim provisions are assessed in light of claims experience and amended accordingly to ensure provisions reflect recent experience and trends. There has been a reversal of €0.9m in the year ended 31 December 2023 of provisions made in prior periods (2022: €Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 Loans and borrowings

#### Non-current liabilities

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
Bank borrowings	<b>254,387</b>	193,488
<b>Total loans and borrowings</b>	<b>254,387</b>	193,488

The amortised cost of loans and borrowings at 31 December 2023 is €254.4 million (31 December 2022: €193.5 million). The drawn loan facility at 31 December 2023 is €258.7 million (31 December 2022: €199.0 million). This consists of Sterling term borrowings of £176.5 million (€203.1 million) at 31 December 2023 (2022: £176.5 million (€199.0 million)), Sterling Revolving Credit Facility ('RCF') borrowings of £44.9 million (€51.6 million) and Euro RCF borrowings of €4.0 million. The drawn RCF borrowings at 31 December 2023 were primarily utilised to fund business combinations ([note 13](#)) completed during the year ended 31 December 2023.

The undrawn loan facilities as at 31 December 2023 were €249.3 million (2022: €364.4 million). The decrease in the undrawn facilities during the year ended 31 December 2023 relates to the drawn RCF borrowings at 31 December 2023 of €55.6 million (2022: €Nil) and the expiry of €59.5 million of RCF on 30 September 2023.

As at 31 December 2023, the Group's debt facilities consist of a €200.0 million term loan facility and a €304.9 million RCF, both with a maturity date of 26 October 2025.

In accordance with the amended and restated facility agreement entered into by the Group on 2 November 2021 with its banking club, the Group's banking covenants have reverted to Net Debt to EBITDA, as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent (APM (xv)), and Interest Cover (APM (xvi)) from 30 June 2023. This replaces the Net Debt to Value covenant and liquidity minimum covenants which were temporarily in place up to 30 June 2023. At 31 December 2023, the Net Debt to EBITDA covenant limit is 4.0x and the Interest Cover minimum is 4.0x. The Group's Net Debt to EBITDA for the year ended 31 December 2023 is 1.3x and Interest Cover is 19.5x. The Group is in compliance with its banking covenants as at 31 December 2023.

At 31 December 2023, property, plant and equipment, including fixtures, fittings and equipment in leased properties, with a carrying amount of €1,368.3 million (2022: €1,217.0 million) were pledged as security for loans and borrowings ([note 15](#)).

## 24 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2023.

	Liabilities				Equity		Total €'000
	Loans and borrowings	Lease liabilities	Trade and other payables	Derivatives (net)	Share capital	Share premium	
	€'000	€'000	€'000	€'000	€'000	€'000	
<b>Balance as at 31 December 2022</b>	<b>193,488</b>	<b>651,791</b>	<b>119,057</b>	<b>(11,717)</b>	<b>2,229</b>	<b>504,910</b>	<b>1,459,758</b>
<b>Changes from financing cash flows</b>							
Vesting of share awards and options	-	-	-	-	6	169	175
Other interest and finance costs paid	(14,414)	-	(1,261)	6,949	-	-	(8,726)
Receipt of bank loans	120,648	-	-	-	-	-	120,648
Repayment of bank loans	(64,374)	-	-	-	-	-	(64,374)
Interest on lease liabilities	-	(42,751)	-	-	-	-	(42,751)
Repayment of lease liabilities	-	(10,747)	-	-	-	-	(10,747)
<b>Total changes from financing cash flows</b>	<b>41,860</b>	<b>(53,498)</b>	<b>(1,261)</b>	<b>6,949</b>	<b>6</b>	<b>169</b>	<b>(5,775)</b>
<b>Liability-related other changes</b>							
The effect of changes in foreign exchange rates	3,448	5,989	(480)	-	-	-	8,957
Changes in fair value	-	-	-	(1,753)	-	-	(1,753)
Interest expense on bank loans and borrowings	15,665	-	-	-	-	-	15,665
Other movements in loans and borrowings	(74)	-	1,152	-	-	-	1,078
Other movements in trade and other payables	-	-	(32,071)	-	-	-	(32,071)
Additions to lease liabilities during the year	-	375	-	-	-	-	375
Acquisition of lease liabilities through business combinations	-	43,382	-	-	-	-	43,382
Interest on lease liabilities	-	42,751	-	-	-	-	42,751
Remeasurement of lease liabilities	-	7,808	-	-	-	-	7,808
<b>Total liability-related other changes</b>	<b>19,039</b>	<b>100,305</b>	<b>(31,399)</b>	<b>(1,753)</b>	<b>-</b>	<b>-</b>	<b>86,192</b>
<b>Balance as at 31 December 2023</b>	<b>254,387</b>	<b>698,598</b>	<b>86,397</b>	<b>(6,521)</b>	<b>2,235</b>	<b>505,079</b>	<b>1,540,175</b>

Dividends paid of €8.9 million are excluded from financing cash flows in the above table and have no impact on opening or closing liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

**24 Loans and borrowings (continued)**

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

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

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 2023 (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.

## 24 Loans and borrowings (continued)

### Reconciliation of movement in net debt for the year ended 31 December 2023

	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
<b>Loans and borrowings – drawn amounts</b>				
At 1 January 2023	176,500	199,001	-	199,001
<b>Cash flows</b>				
Facilities drawn down	72,882	84,648	36,000	120,648
Loan repayments	(28,015)	(32,374)	(32,000)	(64,374)
<b>Non-cash changes</b>				
Effect of foreign exchange movements	-	3,448	-	3,448
<b>At 31 December 2023</b>	<b>221,367</b>	<b>254,723</b>	<b>4,000</b>	<b>258,723</b>

### Cash and cash equivalents

At 1 January 2023	91,320
Movement during the year	(57,147)

### At 31 December 2023

34,173

### Net debt at 31 December 2023

224,550

### Reconciliation of net debt and lease liabilities

<b>Net debt at 31 December 2023</b>	<b>224,550</b>
Lease liabilities as at 1 January 2023	651,791
Acquisitions through business combinations	43,382
Additions	375
Interest on lease liabilities	42,751
Lease payments	(53,498)
Remeasurement of lease liabilities	7,808
Translation adjustment	5,989
<b>Lease liabilities at 31 December 2023 (note 16)</b>	<b>698,598</b>
<b>Net debt and lease liabilities at 31 December 2023</b>	<b>923,148</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)

**24 Loans and borrowings (continued)**

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

	Sterling facility £'000	Sterling facility €'000	Euro facility €'000	Total €'000
<b>Loans and borrowings – drawn amounts</b>				
At 1 January 2022	266,500	317,156	-	317,156
<b>Cash flows</b>				
Facilities drawn down	10,000	11,973	-	11,973
Loan repayments	(100,000)	(117,838)	-	(117,838)
<b>Non-cash changes</b>				
Effect of foreign exchange movements	-	(12,290)	-	(12,290)
<b>At 31 December 2022</b>	<b>176,500</b>	<b>199,001</b>	<b>-</b>	<b>199,001</b>

**Cash and cash equivalents**

At 1 January 2022	41,112
Movement during the year	50,208
<b>At 31 December 2022</b>	<b>91,320</b>
<b>Net debt at 31 December 2022</b>	<b>107,681</b>

**Reconciliation of net debt and lease liabilities**

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



## 25 Derivatives

The Group has entered into interest rate swaps with a number of financial institutions in order to manage the interest rate risks arising from the Group's borrowings (note 24). Interest rate swaps are employed by the Group to partially convert the Group's Sterling denominated borrowings from floating to fixed interest rates.

As at 31 December 2023, the Group holds four interest rate swaps which became effective on 26 October 2023 and will mature on 26 October 2024. These swaps hedge the SONIA benchmark rate on the Sterling term denominated borrowings of £176.5 million, fixing the SONIA benchmark rate between 0.95% and 0.96%.

The interest rate swaps that became effective on 26 October 2023 replaced four interest rate swaps which previously hedged the Sterling term denominated borrowings until their maturity date on 26 October 2023 as follows:

- Two interest rate swaps with an effective date of 3 February 2020 which hedged the SONIA benchmark rate on £101.5 million of the Sterling denominated borrowings for the period to the original maturity of the term borrowings on 26 October 2023. These swaps fixed the SONIA benchmark rate to 1.39%.
- Two interest rate swaps with an effective date of 26 October 2018 and a maturity date of 26 October 2023 which hedged the SONIA benchmark rate on £75.0 million of the entirety of the Sterling denominated borrowings. These swaps fixed the SONIA benchmark rate to 1.27% on a notional of £63.0 million and to 1.28% on a notional of £12.0 million of Sterling denominated borrowings.

As at 31 December 2023, the interest rate swaps cover 100% of the Group's term Sterling denominated borrowings of £176.5 million for the period to 26 October 2024. The extended year of the term debt, to 26 October 2025, is currently unhedged. All derivatives have been designated as hedging instruments for the purposes of IFRS 9.

### Fair value

	2023	2022
	€'000	€'000
<b>Non-current assets</b>		
Derivative assets	-	6,825
<b>Current assets</b>		
Derivative assets	6,521	4,892
<b>Total derivative assets</b>	<b>6,521</b>	<b>11,717</b>
<b>Included in other comprehensive income</b>		
Fair value gain on interest rate swaps	1,753	12,093
Reclassified to profit or loss (note 7)	(6,949)	(179)
	<b>(5,196)</b>	11,914

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26 Deferred tax

	2023 €'000	2022 €'000
Deferred tax assets	<b>24,136</b>	21,271
Deferred tax liabilities	<b>(84,441)</b>	(71,022)
<b>Net deferred tax liabilities</b>	<b>(60,305)</b>	(49,751)
	2023 €'000	2022 €'000
<b>Movements in year</b>		
At 1 January – net liability	<b>(49,751)</b>	(22,735)
Charge for year – to profit or loss ( <a href="#">note 11</a> )	<b>(460)</b>	(2,864)
Charge for year – to other comprehensive income	<b>(9,152)</b>	(24,152)
Acquired net deferred tax liabilities	<b>(942)</b>	-
<b>At 31 December – net liability</b>	<b>(60,305)</b>	(49,751)

Amendments to IAS 12, effective for reporting periods beginning on or after 1 January 2023, clarify that the initial recognition exemption of deferred tax assets and liabilities does not apply to transactions that give rise to equal and offsetting temporary differences. The IAS 12 amendments require separate presentation of deferred tax assets and liabilities arising on right-of-use assets and corresponding lease liabilities recognised under IFRS 16, with retroactive effect from 1 January 2022 ([note 2](#)). The impact of the amendments increases the gross deferred tax liabilities recognised in respect of ROU assets from €3.8 million to €61.1 million (2022: €3.5 million to €39.7 million) and the gross deferred tax assets recognised in respect of lease liabilities from €4.9 million to €62.2 million (2022: €2.6 million to €38.8 million). The changes to the deferred tax liabilities and deferred tax assets offset such that the net impact on the face of the Consolidated Statement of Financial Position and the net impact on retained earnings is nil. The deferred tax assets and liabilities related to leases are offset on an individual entity basis and presented net in the statement of financial position.

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 net deferred tax liabilities have increased from €71.0 million at 31 December 2022 to €84.4 million at 31 December 2023. This relates primarily to an increase in taxable gains recognised on properties held through other comprehensive income and other temporary differences on assets through profit or loss during the year ended 31 December 2023.

A deferred tax asset of €18.1 million (2022: €17.7 million) has been recognised in respect of cumulative tax losses and interest carried forward at 31 December 2023 of €73.7 million (31 December 2022: €75.4 million). The tax losses can be carried forward indefinitely for offset against future taxable profits and cannot be carried back for offset against profits earned in earlier periods.

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## 26 Deferred tax (continued)

The increase in the deferred tax asset recognised on tax losses and interest carried forward from €17.7 million at 31 December 2022 to €18.1 million at 31 December 2023, relates to the increase in foreign tax losses and interest recognised during the year ended 31 December 2023 partially offset by losses utilised in Ireland. The increase in the deferred tax asset recognised despite the decrease in the gross tax losses and interest carried forward is because a greater proportion of the losses are recognised at higher foreign tax rates in 2023. The Group utilised Irish tax losses carried forward of €6.2 million (tax impact €0.8 million) against profits arising during the year ended 31 December 2023.

Included within the €73.7 million tax losses and interest carried forward at 31 December 2023, is a balance of €30.8 million (31 December 2022: €27.1 million) relating to interest expenses carried forward in the UK. In the UK, there is a limit on corporation tax deductions taken each year for interest expense incurred. The unused interest expense carried forward by the UK Group companies at 31 December 2023 can be carried forward indefinitely and offset against future taxable profits.

A deferred tax asset has been recognised in respect of Irish and foreign tax losses and interest, to the extent that it is probable that, after the carry back of tax losses to earlier periods, there will be sufficient taxable profits in future periods to utilise the carried forward tax losses and interest.

In considering the available evidence to support the recognition of the deferred tax asset, the Group takes into consideration the impact of both positive and negative evidence including historical financial performance, projections of future taxable income and the enacted tax legislation.

In preparing forecasts to determine future taxable profits, there are a number of positive factors underpinning the recoverability of the deferred tax assets:

- Prior to the Covid-19 pandemic, the Group displayed a history of profit growth every year. When normal trading resumed in 2022 the Group returned to profitability and currently forecasts that taxable profits will continue to be earned in future years against which losses can be offset
- The Group is confident that it is well positioned to take advantage of opportunities that will arise during 2024 and into the future, including the opening of a large pipeline of new hotels which will contribute particularly to the utilisation of UK tax losses, which can be carried forward and utilised on a Group basis. The Group added three hotels in 2023 (two in the UK and one in the Netherlands). The Group has six new hotels in the pipeline (five in the UK, one in Ireland), which will contribute to future growth.
- The absence of expiry dates for carrying forward foreign and Irish tax losses.

The Group also considered the relevant negative evidence in determining the recoverability of deferred tax assets:

- The quantum of profits required to be earned to utilise the tax losses carried forward; and
- Forecasts of future taxable profitability are subject to inherent uncertainty which is heightened due to the ongoing impact of operating cost increases, in particular payroll costs, and external geopolitical and economic factors outside of the Group's control.

Based on the Group's financial projections, the deferred tax asset of €0.4 million in respect of gross Irish tax losses carried forward of €2.8 million is estimated to be recovered in full by the year ending 31 December 2024. The deferred tax asset of €17.7 million in respect of gross foreign tax losses and interest expense carried forward of €71.4 million is estimated to be recovered in full by the year ending 31 December 2030, with the majority being recovered by the end of the year ending 31 December 2027.

The total tax losses on which deferred tax is not recognised at 31 December 2023 is €9.1 million (2022: €12.9 million). The tax effect of these unrecognised tax losses at 31 December 2023 is €2.3 million (2022: €3.3 million). These specific losses are not permitted to be group relieved and there is uncertainty over sufficient future profits arising in the respective Group companies to utilise the losses not recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26 Deferred tax (continued)

Deferred tax arises from temporary differences relating to:

	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired net deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities
	2023	2023	2023	2023	2023	2023	2023
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	(63,563)	(2,954)	(10,451)	(942)	(77,910)	1,081	(78,991)
Leases	(969)	2,109	-	-	1,140	62,243	(61,103)
Tax losses and interest carried forward	17,710	385	-	-	18,095	18,095	-
Hedging reserve	(2,929)	-	1,299	-	(1,630)	-	(1,630)
Deferred tax (liabilities)/assets	(49,751)	(460)	(9,152)	(942)	(60,305)	81,419	(141,724)
Offsetting of temporary differences related to ROU assets and lease liabilities on individual entity basis	-	-	-	-	-	(57,283)	57,283
Net deferred tax (liabilities)/assets per statement of financial position	(49,751)	(460)	(9,152)	(942)	(60,305)	24,136	(84,441)

	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Acquired deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities
	2022	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
						Restated	Restated
Property, plant and equipment	(38,424)	(3,916)	(21,223)	-	(63,563)	1,025	(64,588)
Leases	(1,287)	318	-	-	(969)	38,771	(39,740)
Tax losses and interest carried forward	16,976	734	-	-	17,710	17,710	-
Hedging reserve	-	-	(2,929)	-	(2,929)	-	(2,929)
Deferred tax (liabilities)/assets	(22,735)	(2,864)	(24,152)	-	(49,751)	57,506	(107,257)
Offsetting of temporary differences related to ROU assets and lease liabilities on individual entity basis	-	-	-	-	-	(36,235)	36,235
Net deferred tax (liabilities)/assets per statement of financial position	(22,735)	(2,864)	(24,152)	-	(49,751)	21,271	(71,022)

The Group has multiple legal entities across the UK and Ireland that will not settle current tax liabilities and assets on a net basis and their assets and liabilities will not be realised on a net basis. Therefore, deferred tax assets and liabilities are recognised on an individual entity basis and are not offset on a Group or jurisdictional basis.

## 27 Financial instruments and risk management

### Risk exposures

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency exchange rates.

The Group uses financial instruments throughout its business: loans and borrowings and cash and cash equivalents are used to finance the Group's operations; trade and other receivables, trade and other payables and accruals arise directly from operations; and derivatives are used to manage interest rate risks and to achieve a desired profile of borrowings. The Group uses a net investment hedge with Sterling denominated borrowings to hedge the foreign exchange risk from investments in certain UK operations. The Group does not trade in financial instruments.

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy for the year ended 31 December 2023. 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 2023 €'000	Financial assets measured at amortised cost 2023 €'000	Total carrying amount 2023 €'000	Level 1 2023 €'000	Level 2 2023 €'000	Level 3 2023 €'000	Total 2023 €'000
<b>Financial assets</b>							
Derivatives (note 25) - hedging instruments	6,521	-	6,521		6,521		6,521
Trade and other receivables excluding prepayments (note 18)	-	21,339	21,339				
Cash at bank and in hand (note 20)	-	34,173	34,173				
	<b>6,521</b>	<b>55,512</b>	<b>62,033</b>				
	Financial liabilities measured at fair value 2023 €'000	Financial liabilities measured at amortised cost 2023 €'000	Total carrying amount 2023 €'000	Level 1 2023 €'000	Level 2 2023 €'000	Level 3 2023 €'000	Total 2023 €'000
<b>Financial liabilities</b>							
Bank loans (note 24)	-	(254,387)	(254,387)		(254,387)		(254,387)
Trade and other payables and accruals (note 22)	-	(62,911)	(62,911)				
	<b>-</b>	<b>(317,298)</b>	<b>(317,298)</b>				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 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 2022. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. A fair value disclosure for lease liabilities is not required.

	Financial assets measured at fair value 2022 €'000	Financial assets measured at amortised cost 2022 €'000	Total carrying amount 2022 €'000	Level 1 2022 €'000	Level 2 2022 €'000	Level 3 2022 €'000	Total 2022 €'000
<b>Financial assets</b>							
Derivatives (note 25) - hedging instruments	11,717	-	11,717		11,717		11,717
Trade and other receivables excluding prepayments (note 18)	-	24,574	24,574				
Cash at bank and in hand (note 20)	-	91,320	91,320				
	11,717	115,894	127,611				

	Financial liabilities measured at fair value 2022 €'000	Financial liabilities measured at amortised cost 2022 €'000	Total carrying amount 2022 €'000	Level 1 2022 €'000	Level 2 2022 €'000	Level 3 2022 €'000	Total 2022 €'000
<b>Financial liabilities</b>							
Bank loans (note 24)	-	(193,488)	(193,488)		(193,488)		(193,488)
Trade and other payables and accruals (note 22)	-	(63,705)	(63,705)				
	-	(257,193)	(257,193)				

#### 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 2023, 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.



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## 27 Financial instruments and risk management (continued)

### *Cash at bank and in hand*

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

### *Derivatives*

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

### *Receivables/payables*

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

### *Bank loans*

For bank loans, the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date. The carrying value of floating rate interest-bearing loans and borrowings is considered to be a reasonable approximation of fair value. There is no material 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 €0.5 million (2022: €0.5 million) from a key institutional landlord under a contractual agreement where the landlord reimburses the Group for certain amounts spent on capital expenditure in that specific property. Non-current receivables include rent deposits of €2.3 million (2022: €2.3 million) owed by two landlords at the end of the lease term ([note 18](#)). 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 2023 is provided in [note 18](#). Management does not expect any significant losses from trade receivables, apart from those provided for in [note 18](#), contract assets, accrued income or other receivables.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and give rise to credit risk on the amounts held with counterparties. The maximum credit risk is represented by the carrying value at the reporting date. The Group's policy for investing cash is to limit risk of principal loss and to ensure the ultimate recovery of invested funds by limiting credit risk.

The Group reviews regularly the credit rating of each bank and, if necessary, takes action to ensure there is appropriate cash and cash equivalents held with each bank based on their credit rating. During the year ended 31 December 2023, cash and cash equivalents were held in line within predetermined limits depending on the credit rating of the relevant bank or financial institution.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Financial instruments and risk management (continued)

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

	Carrying amount 2023 €'000	Carrying amount 2022 €'000
Trade receivables	10,830	13,816
Other receivables	2,828	3,984
Contract assets	4,612	4,465
Accrued income	3,069	2,309
Cash at bank and in hand	34,173	91,320
	<b>55,512</b>	<b>115,894</b>

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. In general, the Group's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity, through a combination of cash and cash equivalents, cash flows and undrawn credit facilities to:

- Fund its ongoing activities;
- Allow it to invest in hotels that may create value for shareholders; and
- Maintain sufficient financial resources to mitigate against risks and unforeseen events.

The year ended 31 December 2023 saw the Group trade strongly and continue the execution of its growth strategy. The strong trade, the full year impact of hotels added during 2022 and the addition of three hotels during 2023 has led to an increase in Group revenue from hotel operations from €515.7 million to €607.7 million, as well as net cash generated from operating activities in the year of €171.4 million (2022: €207.9 million).

The Group remains in a very strong financial position with significant financial headroom. The Group is in full compliance with its covenants at 31 December 2023. The key covenants relate to Net Debt to EBITDA, as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent, (see APM (xv) in Supplementary Financial Information section) and Interest Cover (see APM (xvi) in Supplementary Financial Information section). As per the amended and restated facility agreement of 2 November 2021, the Group was tested under Net Debt to Value and minimum liquidity covenants at 31 December 2022 but reverted to the Net Debt to EBITDA (as defined in the Group's bank facility agreement which is equivalent to Net Debt to EBITDA after rent) and Interest Cover covenants for testing from 30 June 2023. The Net Debt to EBITDA covenant limit is 4.0 times and the Interest Cover minimum is 4.0 times. At 31 December 2023, Net Debt to EBITDA after rent for the Group is 1.3x and Interest Cover is 19.5 times ([note 24](#)).

During the year ended 31 December 2023, the Group incurred expenditure in completing the acquisitions of Clayton Hotel London Wall and Clayton Hotel Amsterdam American ([note 13](#)), the freehold interest of the newly built Maldron Hotel Finsbury Park, London, and a building conversion opportunity in Edinburgh. The Group utilised a mixture of funds generated from Free Cashflow and RCF borrowings to finance these acquisitions. RCF borrowings increased to €55.6 million as at 31 December 2023 (31 December 2022: €Nil) and cash at bank and in hand decreased to €34.2 million as at 31 December 2023 (31 December 2022: €91.3 million) which partially relates to the expenditure incurred on completion of these acquisitions during the year ([note 24](#)).

The Group monitors its Debt and Lease Service Cover (see APM (xiii) in Supplementary Financial Information section), which is 3.0 times for the year ended 31 December 2023 (31 December 2022: 3.1 times), in order to monitor gearing and liquidity taking into account both bank and lease financing. The Group have prepared financial projections and subjected them to scenario testing which also supports ongoing liquidity risk assessment and management. Further detail of this is disclosed in the Viability Statement.

## 27 Financial instruments and risk management (continued)

The following are the contractual maturities of the Group's financial liabilities at 31 December 2023, including estimated undiscounted interest payments. In the below table, bank loans are repaid in line with their maturity dates, even though the Group has the flexibility to repay and draw the RCF 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 16](#).

	Carrying value 2023 €'000	Total 2023 €'000	Contractual cashflows			
			6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Bank loans	(254,387)	(281,042)	(8,347)	(7,978)	(264,717)	-
Trade and other payables and accruals	(62,911)	(62,911)	(62,563)	-	(348)	-
	(317,298)	(343,953)	(70,910)	(7,978)	(265,065)	-

The equivalent disclosure for the prior year is as follows:

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

### (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 25](#)) which hedge the variability in cash flows attributable to interest rate risk. All such transactions are carried out within the guidelines set by the Board. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the reference interest rates, maturities and notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

As at 31 December 2023, the interest rate swaps cover 100% of the Group's term Sterling denominated borrowings of £176.5 million for the period to 26 October 2024. The extended year of the term debt, to 26 October 2025, is currently unhedged.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Financial instruments and risk management (continued)

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	
	2023	2022
	€'000	€'000
<b>Variable rate instruments</b>		
Financial liabilities – borrowings	<b>258,723</b>	199,001
Effect of interest rate swaps	<b>(203,095)</b>	(199,001)
	<b>55,628</b>	-

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 2023 was 3.20% (2022: 3.61%), of which 1.46% (2022: 2.38%) related to margin.

The interest expense for the year ended 31 December 2023 has been sensitised in the following tables for a reasonably possible change in variable interest rates.

In relation to the upward sensitivity, the Group believes that a reasonable change in the Sterling variable interest rate would be an uplift in the SONIA rate plus spread to 5.3% and for the Euro variable interest rate an uplift in the EURIBOR rate to 3.9%.

In relation to the downward sensitivity, the Group has used an interest rate of zero as there is a floor embedded in the loan facilities, which prevents the Group from benefiting from any reduction in rates sub-zero, however, it results in an additional interest cost for the Group on hedged loans.

At 31 December 2023, all Sterling term borrowings (£176.5 million) up to 26 October 2024 were hedged with interest rate swaps. The Group does not currently hedge its variable interest rates on its Sterling RCF or Euro RCF.

The following table shows the sensitised weighted average interest rates where the variable rate is sensitised upwards or downwards. The weighted average interest rate includes the impact of hedging on hedged portions of the underlying loans. Changes in SONIA rates have had a minimal impact due to the majority of Sterling borrowings being hedged (note 24). The impact on profit or loss is shown hereafter. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2023 actual weighted average variable benchmark rate	Sensitised weighted average as a result of upward sensitivity	Sensitised weighted average as a result of downward sensitivity
Euro variable rate	<b>3.02%</b>	<b>3.93%</b>	<b>0.00%</b>
Sterling variable rate	<b>1.72%</b>	<b>1.74%</b>	<b>1.14%</b>

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

## 27 Financial instruments and risk management (continued)

### Cash flow sensitivity analysis for variable rate instruments

	Effect on profit or loss	
	Increase in rate €'000	Decrease in rate €'000
<b>2023</b>		
(Increase)/decrease in interest on loans and borrowings	(71)	1,487
Decrease/(increase) in tax charge	9	(186)
<b>(Decrease)/increase in profit</b>	<b>(62)</b>	<b>1,301</b>
<b>2022</b>		
(Increase)/decrease in interest on loans and borrowings	(2,551)	484
Decrease/(increase) in tax charge	319	(60)
(Decrease)/increase in profit	(2,232)	424

### 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 2023. A positive cash flow in the below table indicates the variable rate for interest rate swaps, based on current forward curves, is forecast to be higher than fixed rates. The below amounts only refer to the undiscounted interest forecasted to be incurred under the interest rate swap assets.

	Carrying amount €'000	31 December 2023		
		Total €'000	12 months or less €'000	More than 1 year €'000
<b>Interest rate swaps</b>				
Assets	6,521	7,573	7,573	-

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 2023. A positive cash flow in the table indicates the variable rate for interest rate swaps, based on current forward curves, is forecast to be higher than fixed rates. The below amounts only refer to the undiscounted interest forecasted to be incurred under the interest rate swap assets.

	Carrying amount €'000	31 December 2023		
		Total €'000	12 months or less €'000	More than 1 year €'000
<b>Interest rate swaps</b>				
Assets	6,521	7,573	7,573	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Financial instruments and risk management (continued)

The following table indicates the periods in which the cash flows associated with the interest rate swaps are expected to occur and the carrying amounts of the related hedging instruments for the year ended 31 December 2022:

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

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to impact profit or loss and the carrying amounts of the related hedging instruments for the year ended 31 December 2022:

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

#### (ii) Foreign currency risk

As per the Risk Management section of the annual report, the Group is exposed to fluctuations in the Euro/Sterling exchange rate.

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency and to foreign currency translation risk on the retranslation of foreign operations to Euro.

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

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

The Group limits its exposure to foreign currency risk by using Sterling debt to hedge part of the Group's investment in UK subsidiaries. The Group financed certain acquisitions and developments in the UK by obtaining funding through external borrowings denominated in Sterling. These borrowings amounted to £221.4 million (€254.7 million) at 31 December 2023 (2022: £176.5 million (€199.0 million)) and are designated as net investment hedges. The net investment hedge was fully effective during the year.

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



## 27 Financial instruments and risk management (continued)

### Sensitivity analysis on transactional risk

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

	Profit		Equity	
	Strengthening of Euro	Weakening of Euro	Strengthening of Euro	Weakening of Euro
	€'000	€'000	€'000	€'000
Decrease/(increase) in interest costs on Sterling loans	1,138	(1,885)	1,138	(1,885)
Impact on tax charge	(142)	236	(142)	236
<b>Increase/(decrease) in profit</b>	<b>996</b>	<b>(1,649)</b>		
<b>Increase/(decrease) in equity</b>			<b>996</b>	<b>(1,649)</b>

### (d) Capital management

The Group's policy is to maintain a strong capital base to preserve 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 internal rate of return of at least 15% on investments and typically a rent cover of 1.85 times in year three for leased assets.

Typically, the Group monitors capital using a ratio of Net Debt to EBITDA after 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 EBITDA after rent as at 31 December 2023 is 1.3 times (31 December 2022: 0.8 times).

The Group also monitors Net Debt and Lease Liabilities to Adjusted EBITDA which, at 31 December 2023, is 4.1x (31 December 2022: 4.1x) (APM (viii)).

The Group's approach to capital management has ensured that it continues to maintain a very strong financial position and an appropriate level of gearing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28 Commitments

#### Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, has entered into guarantees in relation to the liabilities and commitments of the Republic of Ireland registered subsidiary companies which are listed below:

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

#### Capital commitments

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

	2023	2022
	€'000	€'000
Contracted but not provided for	<b>20,569</b>	24,875

This relates primarily to the construction of a new hotel in Shoreditch, London (€9.6 million) which is contractually committed. It also includes committed capital expenditure at other hotels in the Group.

The Group has further commitments in relation to fixtures, fittings and equipment in some of its leased hotels. Under certain lease agreements, the Group has committed to spending a percentage of turnover on capital expenditure in respect of fixtures, fittings and equipment in the leased hotels over the life of the lease. The Group has estimated this commitment to be €77.3 million (31 December 2022: €71.2 million) spread over the life of the various leases with the majority ranging in length from 18 years to 34 years. The turnover figures used in this estimate are based on 2024 budgeted revenues.

### 29 Related party transactions

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with Shareholders and the Executive Directors of the Company.

#### Remuneration of key management

Key management is defined as the Directors of the Company and does not extend to any other members of the Executive Management Team. The compensation of key management personnel is set out in the Remuneration Committee report. In addition, the share-based payments expense for key management in 2023 was €0.9 million (2022: €0.8 million).

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

### 30 Subsequent events

On 28 February 2024, the Board proposed a final dividend of 8 cents per share. Based on shares in issue at 31 December 2023, the amount of dividends proposed is €17.9 million. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 1 May 2024 to shareholders registered on the record date 5 April 2024. These consolidated financial statements do not reflect this dividend.

On 16 February 2024, the Group signed an agreement for lease with the landlord of Clayton Hotel Manchester Airport to extend the current lease term from the remaining 61 years to 200 years in total. The new lease is conditional on the receipt of a grant of planning permission for a 216 bedroom extension to be developed by the Group.

### 31 Subsidiary undertakings

A list of all subsidiary undertakings at 31 December 2023 is set out below:

Subsidiary undertaking	Country of Incorporation	Activity	Ownership	
			Direct	Indirect
DHG Glover Limited <sup>1</sup>	Ireland	Holding company	100%	-
DHG Fleming Limited <sup>1</sup>	Ireland	Financing company	100%	-
DHG Harton Limited <sup>1</sup>	Ireland	Holding company	100%	-
DHGL Limited <sup>1</sup>	Ireland	Holding company	-	100%
Dalata Limited <sup>1</sup>	Ireland	Holding company	-	100%
Hanford Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Anora Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Ogwell Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Caruso Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
C I Hotels Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Tulane Business Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Dalata Support Services Limited <sup>1</sup>	Ireland	Hotel management	-	100%
Fonteyn Property Holdings Limited <sup>1</sup>	Ireland	Hotel management	-	100%
Fonteyn Property Holdings No. 2 Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Suvanne Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Carasco Management Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Amelin Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Lintal Commercial Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Bernara Commercial Limited <sup>1</sup>	Ireland	Property investment	-	100%
Pillo Hotels Limited <sup>1</sup>	Ireland	Dormant company	-	100%
Loadbur Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Heartside Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Pondglen Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Candlevale Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Songdale Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Palaceglen Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Adelka Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Leevlan Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Arden Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Subsidiary undertakings (continued)

Subsidiary undertaking	Country of Incorporation	Activity	Ownership	
			Direct	Indirect
DHG Barrington Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Cordin Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DS Charlemont Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Galsay Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
Merzolt Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Burlington Road Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Eden Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Dalton Limited <sup>1</sup>	Ireland	Property holding company	-	100%
Williamsberg Property Limited <sup>1</sup>	Ireland	Hotel and catering	-	100%
DHG Indigo Limited <sup>1</sup>	Ireland	Holding company	-	100%
DHG Belfast Limited <sup>2</sup>	N Ireland	Hotel and catering	-	100%
DHG Derry Limited <sup>2</sup>	N Ireland	Hotel and catering	-	100%
DHG Derry Commercial Limited <sup>2</sup>	N Ireland	Dormant company	-	100%
DHG Brunswick Limited <sup>2</sup>	N Ireland	Hotel and catering	-	100%
Dalata UK Limited <sup>3</sup>	UK	Holding company	-	100%
Dalata Cardiff Limited <sup>3</sup>	UK	Hotel and catering	-	100%
Trackdale Limited <sup>3</sup>	UK	Hotel and catering	-	100%
Islandvale Limited <sup>3</sup>	UK	Dormant company	-	100%
Crescentbrook Limited <sup>3</sup>	UK	Hotel and catering	-	100%
Hallowridge Limited <sup>3</sup>	UK	Hotel and catering	-	100%
Rush (Central) Limited <sup>3</sup>	UK	Property holding company	-	100%
Hotel La Tour Birmingham Limited <sup>3</sup>	UK	Hotel and catering	-	100%
SRD (Trading) Limited <sup>3</sup>	UK	Hotel and catering	-	100%
SRD (Management) Limited <sup>3</sup>	UK	Hotel and catering	-	100%
DHG Finsbury Park Limited <sup>3</sup>	UK	Hotel and catering	-	100%
DHG Castle Limited <sup>3</sup>	UK	Hotel and catering	-	100%
DHG Phoenix Limited <sup>3</sup>	UK	Property holding company	-	100%
Hintergard Limited <sup>4</sup>	Jersey	Property holding company	-	100%
Dalata Deutschland Holding GmbH <sup>5</sup>	Germany	Holding company	-	100%
Dalata Deutschland Hotelbetriebs GmbH <sup>5</sup>	Germany	Hotel and catering	-	100%
American Hotel Exploitatie B.V. <sup>6</sup>	Netherlands	Hotel and catering	-	100%
DHG Amsterdam B.V. <sup>6</sup>	Netherlands	Holding company	-	100%

1. The registered address of these companies is Termini, 3 Arkle Road, Sandyford Business Park, Dublin 18, D18C9C5.

2. The registered address of these companies is Butcher Street, Londonderry, County Derry BT48 6HL, UK.

3. The registered address of these companies is St Mary Street, Cardiff, Wales, CF10 1GD, UK.

4. The registered address of this company is 12 Castle Street, St Helier Jersey, JE2 3RT.

5. The registered address of this company is Thurn-und-Taxis-Platz 6, 60313 Frankfurt am Main, Germany.

6. The registered address of this company is Leidsekade 97, 1017 PN Amsterdam, Netherlands.

During the 2023 year the registered address for the Irish subsidiary undertakings was changed from 4<sup>th</sup> Floor, Burton Court, Burton Hall Drive, Sandyford, Dublin 18 to Termini, 3 Arkle Road, Sandyford Business Park, Dublin 18.

## 32 Earnings per share

Basic earnings per share is computed by dividing the profit for the year available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by dividing the profit for the year 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 earnings per share for the years ended 31 December 2023 and 31 December 2022.

	2023	2022
Profit attributable to shareholders of the parent (€'000) – basic and diluted	90,222	96,725
Adjusted profit attributable to shareholders of the parent (€'000) – basic and diluted	93,213	70,557
Earnings per share – Basic	40.4 cents	43.4 cents
Earnings per share – Diluted	39.9 cents	43.2 cents
Adjusted earnings per share – Basic	41.7 cents	31.7 cents
Adjusted earnings per share – Diluted	41.2 cents	31.5 cents
Weighted average shares outstanding – Basic	223,299,760	222,867,676
Weighted average shares outstanding – Diluted	226,396,287	223,849,560

The difference between the basic and diluted weighted average shares outstanding for the year ended 31 December 2023 is due to the dilutive impact of the conditional share awards granted in 2020, 2021, 2022 and 2023. For the year ended 31 December 2022, the difference between basic and diluted EPS is due to the dilutive impact of the conditional share awards granted in 2020, 2021 and 2022.

Adjusted earnings per share (basic and diluted) are presented as alternative performance measures to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or distort comparability either year on year or with other similar businesses (note 3).

	2023	2022
	€'000	€'000
<b>Reconciliation to adjusted profit for the year</b>		
Profit before tax	105,532	109,657
<b>Adjusting items (note 3)</b>		
Net property revaluation movements through profit or loss	(2,025)	(21,166)
Net reversal of previous impairment charges of right-of-use assets	-	(4,101)
Net reversal of previous impairment charges of fixtures, fittings and equipment	-	(624)
Income from sale of Merrion Road residential units	-	(42,532)
Release of costs capitalised for Merrion Road residential units	-	40,998
Gain on disposal of property, plant and equipment	-	(3,877)
Hotel pre-opening expenses	497	2,666
Acquisition-related costs	4,389	-
<b>Adjusted profit before tax</b>	<b>108,393</b>	<b>81,021</b>
Tax charge (note 11)	(15,310)	(12,932)
<b>Adjusting items in tax charge</b>		
Tax adjustment for adjusting items	130	2,468
<b>Adjusted profit for the year</b>	<b>93,213</b>	<b>70,557</b>

## 33 Approval of the financial statements

The financial statements were approved by the Directors on 28 February 2024.

# COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Note	2023 €'000	2022 €'000 Restated (Note 2)
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3	898,478	893,440
Deferred tax asset	4	71	71
<b>Total non-current assets</b>		<b>898,549</b>	<b>893,511</b>
<b>Current assets</b>			
Trade and other receivables	5	57	41
Amounts owed by subsidiaries	6	24,434	23,474
Cash and cash equivalents	7	1	5
<b>Total current assets</b>		<b>24,492</b>	<b>23,520</b>
<b>Total assets</b>		<b>923,041</b>	<b>917,031</b>
<b>Equity</b>			
Share capital	11	2,235	2,229
Share premium	11	505,079	504,910
Share-based payment reserve		8,417	5,011
Merger reserve		91,601	91,601
Retained earnings		290,760	292,543
<b>Total equity</b>		<b>898,092</b>	<b>896,294</b>
<b>Non-current liabilities</b>			
Other financial liabilities	8	4,756	10,562
<b>Total non-current liabilities</b>		<b>4,756</b>	<b>10,562</b>
<b>Current liabilities</b>			
Trade and other payables	9	2,776	1,534
Amounts owed to subsidiaries	10	11,611	2,323
Other financial liabilities	8	5,806	6,318
<b>Total current liabilities</b>		<b>20,193</b>	<b>10,175</b>
<b>Total liabilities</b>		<b>24,949</b>	<b>20,737</b>
<b>Total equity and liabilities</b>		<b>923,041</b>	<b>917,031</b>

On behalf of the Board:



**John Hennessy**  
Chair

**Dermot Crowley**  
Director



## COMPANY STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to equity holders of the Company					Total €'000
	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Merger reserve €'000	Retained earnings €'000	
<b>At 1 January 2023</b>						
As previously reported	2,229	504,910	5,011	91,601	284,987	888,738
Impact of prior period restatement ( <a href="#">note 2</a> )	-	-	-	-	7,556	7,556
As restated	2,229	504,910	5,011	91,601	292,543	896,294
<b>Comprehensive income:</b>						
Profit for the year	-	-	-	-	4,652	4,652
<b>Total comprehensive income for the year</b>	-	-	-	-	4,652	4,652
<b>Transactions with owners of the Company:</b>						
Equity-settled share-based payments	-	-	5,910	-	-	5,910
Vesting of share awards and options ( <a href="#">note 11</a> )	6	169	(2,504)	-	2,504	175
Dividends paid ( <a href="#">note 12</a> )	-	-	-	-	(8,939)	(8,939)
<b>Total transactions with owners of the Company</b>	6	169	3,406	-	(6,435)	(2,854)
<b>At 31 December 2023</b>	2,235	505,079	8,417	91,601	290,760	898,092
<b>At 1 January 2022</b>						
As previously reported	2,229	504,895	3,085	91,601	262,140	863,950
Impact of prior period restatement ( <a href="#">note 2</a> )	-	-	-	-	1,065	1,065
As restated	2,229	504,895	3,085	91,601	263,205	865,015
<b>Comprehensive income:</b>						
Profit for the year – restated ( <a href="#">note 2</a> )	-	-	-	-	27,935	27,935
<b>Total comprehensive loss for the year</b>	-	-	-	-	27,935	27,935
<b>Transactions with owners of the Company:</b>						
Equity-settled share-based payments	-	-	3,329	-	-	3,329
Vesting of share awards and options	-	15	(1,403)	-	1,403	15
<b>Total transactions with owners of the Company</b>	-	15	1,926	-	1,403	3,344
<b>At 31 December 2022</b>	2,229	504,910	5,011	91,601	292,543	896,294

## COMPANY STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	€'000	€'000
		Restated
<b>Cash flows from operating activities</b>		
Profit for the year	4,652	27,935
<i>Adjustments for:</i>		
Dividends received from subsidiary undertakings	-	(22,839)
Tax credit	-	(71)
Foreign exchange loss/(gain)	10	(25)
Share-based payment expense	871	754
Finance income	(6,319)	(6,491)
	(786)	(737)
Increase/(decrease) in trade and other payables	1,242	(590)
(Increase)/decrease in trade and other receivables	(16)	19
<b>Net cash from/ (used in) operating activities</b>	440	(1,308)
<b>Cash flows from investing activities</b>		
Cash movements on amounts due from subsidiaries	8,328	(21,562)
Dividends received from subsidiaries	-	22,839
<b>Net cash from investing activities</b>	8,328	1,277
<b>Cash flows from financing activities</b>		
Dividends paid	(8,939)	-
Proceeds from vesting of share awards and options	175	-
<b>Net cash used in financing activities</b>	(8,764)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	4	(31)
<b>Cash and cash equivalents at the beginning of the year</b>	5	12
Effect of movements in exchange rates	(8)	24
<b>Cash and cash equivalents at the end of the year</b>	1	5

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# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

### 1 Material 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.

Material 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.

The fair value of intra-group financial guarantees at inception is accounted for as an increase in the cost of investments in subsidiaries.

Investments in subsidiaries were assessed for potential impairment at 31 December 2023. 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. Please see [note 12](#) of the consolidated financial statements for further details.

The net assets of the Group of €1.4 billion (2022: €1.2 billion) already reflect the outcome of the impairment tests 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 (€898.5 million). [Note 12](#) of the consolidated financial statements includes a sensitivity as to what impact a change in forecasts at 31 December 2023 would have had on the net assets of the Group at that date. No impairment charges were required as a result of the sensitivity, and therefore, the carrying value of the investment in subsidiaries remains significantly less than the net assets of the Group. As a result of the above, the Company concluded that the carrying value of its investments in subsidiaries was not impaired as at 31 December 2023.

#### (ii) Intra-group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of companies within the Group, the financial guarantee liability is initially measured at its fair value. The fair value of a financial guarantee contract is determined as the present value of the cost of the guarantee for the total debt facility.

At each reporting date the financial guarantee liability is subsequently measured at the higher of (i) the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* and (ii) the loss allowance i.e. the expected credit losses under IFRS 9 *Financial Instruments*.

### 2 Prior period restatement

#### Restatement of the Company Statement of Financial Position

The Company has undertaken to guarantee certain obligations of its subsidiaries. At 31 December 2022, these guarantees were accounted for in accordance with the requirements of IFRS 4 *Insurance Contracts*. IFRS 4 *Insurance contracts* was replaced by IFRS 17 *Insurance Contracts*, effective from 1 January 2023.

The replacement requires companies which explicitly asserted that intra-group guarantees were considered insurance contracts, and accounted for as such, to elect for the application of IFRS 17 *Insurance Contracts* or IFRS 9 *Financial Instruments* on a contract-by-contract basis. The Company has elected to account for intragroup guarantees in accordance with IFRS 9 *Financial Instruments*.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2 Prior period restatement (continued)

IFRS 9 *Financial Instruments* requires a financial liability to be measured at its fair value in relation to the intra-group guarantee contracts at initial recognition, with the corresponding entry recorded as an investment in subsidiary. Subsequently, the financial liability is measured at the higher of (i) the initial fair value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* and (ii) the expected credit loss. Amortisation for the unwinding of the financial liability is recognised within profit or loss over the period of the guarantee contract.

The change has been applied retrospectively with voluntary restatement of the period immediately preceding the date of initial application.

The Company Statement of Financial Position as at 31 December 2022 and 1 January 2022 has been voluntarily restated in accordance with these amendments as follows;

	31 December 2022 €'000 Restatement	1 January 2022 €'000 Restatement
<b>Non-current assets</b>		
Increase in investments in subsidiaries	24,436	24,436
<b>Non-current liabilities</b>		
Increase in other financial liabilities	(10,562)	(16,880)
<b>Current liabilities</b>		
Increase in other financial liabilities	(6,318)	(6,491)
<b>Increase in retained earnings</b>	7,556	1,065

The Company profit for the year ended 31 December 2022 has been voluntarily restated in accordance with these amendments as follows;

	2022 €'000
<b>Profit for the year</b>	
As previously reported	21,444
Impact of prior period restatement	6,491
As restated	27,935

### 3 Investments in subsidiaries

	2023 €'000	2022 €'000 Restated
Investments in subsidiaries	<b>898,478</b>	893,440
	2023 €'000	2022 €'000
<b>Movements in year</b>		
At 1 January	<b>893,440</b>	890,865
Cost of share-based payments in respect of subsidiaries	<b>5,038</b>	2,575
<b>At 31 December</b>	<b>898,478</b>	893,440

Investments in subsidiaries have been restated to account for the retrospective application of IFRS 9 *Financial instruments* to intra-group financial guarantees which were initiated in prior periods. Investments have increased by €24.4 million as at initial recognition in 2021 and as at each subsequent reporting date ([note 2](#)).

Details of subsidiary undertakings are included in [note 31](#) of the consolidated financial statements.

#### 4 Deferred tax asset

	2023	2022
	€'000	€'000
Deferred tax asset	71	71
	<b>71</b>	<b>71</b>

The deferred tax asset arises in respect of corporation tax losses carried forward of €0.1 million (2022: €0.1 million).

#### 5 Trade and other receivables

	2023	2022
	€'000	€'000
Prepayments	28	8
Value added tax	29	31
Corporation tax	-	2
	<b>57</b>	<b>41</b>

#### 6 Amounts owed by subsidiaries

	2023	2022
	€'000	€'000
Amounts owed by subsidiaries	24,434	23,474
	<b>24,434</b>	<b>23,474</b>

Included in amounts owed by subsidiaries is an amount of €8.7 million (2022: €Nil) which is interest bearing and repayable on demand. Interest was charged at a rate of 0.12% per annum. The remaining balances are non-interest bearing and are repayable on demand.

The amounts owed by subsidiaries have been reviewed and no credit losses are expected based on the financial position of subsidiaries. As a result, the expected credit losses have been assessed as immaterial and no provision has been recognised.

There were no dividends paid by subsidiaries to the Company during the year ended 31 December 2023. During the year ended 31 December 2022, DHG Harton Limited, a wholly owned subsidiary, paid dividends of €22.8 million to the Company.

#### 7 Cash and cash equivalents

	2023	2022
	€'000	€'000
Cash at bank and in hand	1	5
	<b>1</b>	<b>5</b>

#### 8 Other financial liabilities

	2023	2022
	€'000	€'000
Financial guarantees	10,562	16,880
Current	5,806	6,318
Non-current	4,756	10,562
	<b>10,562</b>	<b>16,880</b>

Other financial liabilities relate to intra-group guarantees measured in accordance with IFRS 9 *Financial Instruments*. Finance income of €6.3 million (2022: €6.5 million) has been recognised to account for the unwinding of the liability balance for the current year ([note 2](#)). The expected credit loss risk is assessed to be low at 31 December 2023 and 31 December 2022.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 9 Trade and other payables

	2023 €'000	2022 €'000
Trade payables	26	16
Accruals	2,656	1,435
Payroll taxes	94	83
	<b>2,776</b>	<b>1,534</b>

### 10 Amounts owed to subsidiaries

	2023 €'000	2022 €'000
Amounts owed to subsidiaries	11,611	2,323
	<b>11,611</b>	<b>2,323</b>

Amounts due to group undertakings are non-interest bearing and repayable on demand.

### 11 Share capital and share premium

At 31 December 2023

	Number	€'000
<b>Authorised share capital</b>	<b>10,000,000,000</b>	<b>100,000</b>
Ordinary shares of €0.01 each		

	Number	€'000
<b>Allotted, called-up and fully paid shares</b>	<b>223,454,844</b>	<b>2,235</b>
Ordinary shares of €0.01 each		

<b>Share premium</b>		<b>505,079</b>
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At 31 December 2022

	Number	€'000
<b>Authorised share capital</b>		
Ordinary shares of €0.01 each	10,000,000,000	100,000

	Number	€'000
<b>Allotted, called-up and fully paid shares</b>		
Ordinary shares of €0.01 each	222,871,722	2,229

<b>Share premium</b>		<b>504,910</b>
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All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2023, the Company issued 535,634 shares of €0.01 per share following the vesting of Awards granted in relation to the 2020 LTIP scheme and the December 2021 LTIP issue.

During the year ended 31 December 2023, 47,488 ordinary shares were issued on maturity of the share options granted as part of the Share Save scheme in 2019. The weighted average exercise price at the date of exercise for options exercised during the year ended 31 December 2023 was €3.57.



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## 12 Dividends

During the year ended 31 December 2023, a dividend of 4 cents per share was paid on 6 October 2023 on the ordinary shares in Dalata Hotel Group plc which amounted to €8.9 million (year ended 31 December 2022: €Nil).

On 28 February 2024, the Board proposed a final dividend of 8 cents per share. Based on shares in issue at 31 December 2023, the amount of dividends proposed is €17.9 million. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 1 May 2024 to shareholders registered on the record date 5 April 2024. These financial statements do not reflect this dividend.

During the year ended 31 December 2022, the Company received dividend income of €22.8 million from its subsidiary undertaking, DHG Harton Limited ([note 6](#)).

## 13 Attributable profit or loss of the Company

The profit attributable to shareholders in the financial statements of the Company for the year ended 31 December 2023 was €4.7 million (2022: profit attributable to shareholders €27.9 million – restated ([note 2](#))). 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.

## 14 Company related party disclosures

Under IAS 24 *Related Party Disclosures*, the Company has related party relationships with Directors of the Company and with its subsidiary undertakings ([notes 29](#) and [31](#) 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](#) and [note 29](#) of the consolidated financial statements.

### Transactions with related parties

During the year ended 31 December 2023, the Company charged fees amounting to €4.7 million (2022: €3.8 million) to its subsidiary undertakings for services provided during the year.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 15 Commitments

#### Section 357 Companies Act 2014

Dalata Hotel Group plc, as the parent company of the Group and for the purposes of filing exemptions referred to in Section 357 of the Companies Act 2014, has entered into guarantees in relation to the liabilities and commitments of Republic of Ireland registered subsidiary companies which are listed hereafter:

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

#### Other guarantees

At 31 December 2023, the Company has undertaken to guarantee the obligations of its subsidiaries in relation to the following:

Property	Subsidiary	Term (years)	Term remaining (years)
<b>Lease</b>			
Clayton Hotel Burlington Road	DHG Burlington Road Limited	25	17.9
The Gibson Hotel	Galsay Limited	35	29.7
Clayton Hotel Cardiff	Dalata UK Limited	35	28.5
Maldron Hotel Smithfield	Anora Commercial Limited	25	18.1
Clayton Hotel Birmingham	Hotel La Tour Birmingham Limited	35	28.6
Maldron Hotel Newcastle	Dalata Cardiff Limited	35	29.9
Clayton Hotel Cambridge	SRD (Trading) Limited	30	25.9
Clayton Hotel Charlemont	DS Charlemont Limited	35	31.3
Maldron Hotel Glasgow City	Dalata Cardiff Limited	35	32.6
Clayton Hotel Manchester City Centre	Dalata Cardiff Limited	35	33.0
Clayton Hotel Glasgow City	Dalata Cardiff Limited	35	33.8
Clayton Hotel Bristol City	Dalata Cardiff Limited	35	33.2
Maldron Hotel Manchester City Centre	Dalata Cardiff Limited	35	33.1
The Samuel Hotel, Dublin	Tulane Business Management Limited	35	33.2
Clayton Hotel Düsseldorf	Dalata Deutschland Hotelbetriebs GmbH	20	18.1
Central Office, Dublin	DHGL Limited	10	8.5
Clayton London Wall	DHG Castle Limited	107	106.5
Clayton Hotel Amsterdam American	DHG Amsterdam BV	18.5	18.2

## 15 Commitments (continued)

Property	Subsidiary	Term (years)	Term remaining (years)
<b>Agreement for Lease</b>			
Maldron Hotel Cathedral Quarter Manchester	Dalata Cardiff Limited	35	35
Maldron Hotel Liverpool City	Dalata Cardiff Limited	35	35
Maldron Hotel Brighton	Dalata Cardiff Limited	35	35
Maldron Hotel Croke Park, Dublin	Tulane Business Management Limited	35	35
<b>Loans and borrowings</b>			
DHG Fleming Limited	DHG Fleming Limited	7	1.8

The intra-group financial guarantees of loans and borrowings have been accounted for as described in [notes 2, 3 and 8](#). The intra-group guarantees of leases are immaterial for accounting purposes, as they cover payments as and when they fall due and there was no exposure to credit loss on lease guarantees as at inception and as at each subsequent reporting date.

Section 357 guarantees are not financial guarantees in the context of IFRS 9 *Financial Instruments*.

## 16 Subsequent events

On 28 February 2024, the Board proposed a final dividend of 8 cents per share. Based on shares in issue at 31 December 2023, the amount of dividends proposed is €17.9 million. This proposed dividend is subject to approval by the shareholders at the Annual General Meeting. The payment date for the final dividend will be 1 May 2024 to shareholders registered on the record date 5 April 2024. These financial statements do not reflect this dividend.

There were no other subsequent events which would require an adjustment or a disclosure thereon in these Company financial statements.

## 17 Approval of the financial statements

The financial statements were approved by the Directors on 28 February 2024.

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## SUPPLEMENTARY FINANCIAL INFORMATION

### Alternative Performance Measures ('APMs') and other definitions

The Group reports certain alternative performance measures ('APMs') that are not defined under International Financial Reporting Standards ('IFRS'), which is the framework under which the consolidated financial statements are prepared. These are sometimes referred to as 'non-GAAP' measures.

The Group believes that reporting these APMs provides useful supplemental information which, when viewed in conjunction with the IFRS financial information, provides stakeholders with a more comprehensive understanding of the underlying financial and operating performance of the Group and its operating segments.

These APMs are primarily used for the following purposes:

- to evaluate underlying results of the operations; and
- to discuss and explain the Group's performance with the investment analyst community.

The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of the results in the consolidated financial statements which are prepared under IFRS. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The definitions of and reconciliations for certain APMs are contained within the consolidated financial statements. A summary definition of these APMs together with the reference to the relevant note in the consolidated financial statements where they are reconciled is included below. Also included below is information pertaining to certain APMs which are not mentioned within the consolidated financial statements but which are referred to in other sections of this report. This information includes a definition of the APM, in addition to a reconciliation of the APM to the most directly reconcilable line item presented in the consolidated financial statements. References to the consolidated financial statements are included as applicable.

#### (i) Adjusting items

Items which are not reflective of normal trading activities or distort comparability either year on year or with other similar businesses. The adjusting items are disclosed in [note 3](#) and [note 32](#) to the consolidated financial statements. Adjusting items with a cash impact are set out in APM xi below.

#### (ii) Adjusted EBITDA

Adjusted EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets, adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or which distort comparability either year on year or with other similar businesses.

Reconciliation: [Note 3](#)

#### (iii) EBITDA and Segmental EBITDA

EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets. Also referred to as Group EBITDA.

Reconciliation: [Note 3](#)

Segmental EBITDA represents 'Adjusted EBITDA' before central costs, share-based payments expense and other income for each of the reportable segments: Dublin, Regional Ireland, the UK and Continental Europe. It is presented to show the net operational contribution of leased and owned hotels in each geographical location. Also referred to as Hotel EBITDA.

Reconciliation: [Note 3](#)

#### (iv) EBITDAR and Segmental EBITDAR

EBITDAR is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and variable lease costs.

Segmental EBITDAR represents Segmental EBITDA before variable lease costs for each of the reportable segments: Dublin, Regional Ireland, the UK and Continental Europe. It is presented to show the net operational contribution of leased and owned hotels in each geographical location before lease costs. Also referred to as Hotel EBITDAR.

Reconciliation: [Note 3](#)

## Alternative Performance Measures ('APM') and other definitions (continued)

### (v) Adjusted earnings per share (EPS) (basic and diluted)

Adjusted EPS (basic and diluted) is presented as an APM to show the underlying performance of the Group excluding the tax adjusted effects of items considered by management to not reflect normal trading activities or which distort comparability either year on year or with other similar businesses.

Reconciliation: [Note 32](#)

### (vi) Net Debt

Net Debt is calculated in line with banking covenants and includes external loans and borrowings drawn and owed to the banking club as at year end (rather than the amortised cost of the loans and borrowings), less cash and cash equivalents.

Reconciliation: Refer below

### (vii) Net Debt and Lease Liabilities

Net Debt (see definition vi) plus Lease Liabilities at year end.

Reconciliation: Refer below

### (viii) Net Debt and Lease Liabilities to Adjusted EBITDA

Net Debt and Lease Liabilities (see definition vii) divided by the 'Adjusted EBITDA' (see definition ii) for the year. This APM is presented to show the Group's financial leverage after including the accounting estimate of lease liabilities following the application of IFRS 16 Leases.

Reconciliation: Refer below

### (ix) Net Debt to Value

Net Debt (see definition vi) divided by the valuation of property assets as provided by external valuers at year end. This APM is presented to show the gearing level of the Group.

Reconciliation: Refer below

Reconciliation of Net Debt APMs - definitions (vi), (vii), (viii), (ix)			31 Dec 2023	31 Dec 2022
		Reference in financial statements	€'000	€'000
Loans and borrowings at amortised cost		<a href="#">Statement of financial position</a>	254,387	193,488
Accounting adjustment to bring to amortised cost			4,336	5,513
External loans and borrowings drawn		<a href="#">Note 24</a>	258,723	199,001
Less cash and cash equivalents		<a href="#">Statement of financial position</a>	(34,173)	(91,320)
<b>Net Debt (APM vi)</b>	A	<a href="#">Note 24</a>	<b>224,550</b>	107,681
Lease Liabilities - current and non-current		<a href="#">Statement of financial position</a>	698,598	651,791
<b>Net Debt and Lease Liabilities (APM vii)</b>	B	<a href="#">Note 24</a>	<b>923,148</b>	759,472
Adjusted EBITDA (APM ii)	C	<a href="#">Note 3</a>	223,108	183,430
<b>Net Debt and Lease Liabilities to Adjusted EBITDA (APM viii)</b>	B/C		<b>4.1x</b>	4.1x
Valuation of property assets as provided by external valuers <sup>1</sup>	D		1,545,314	1,337,088
<b>Net Debt to Value (APM ix)</b>	A/D		<b>14.5%</b>	8.1%

<sup>1</sup> Property assets valued exclude assets under construction and fixtures, fittings and equipment in leased hotels.

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

### Alternative Performance Measures ('APM') and other definitions (continued)

#### (x) Lease Modified Net Debt to Adjusted EBITDA

Lease Modified Net Debt, defined as Net Debt (see definition vi) plus eight times the Group's lease cash flow commitment, divided by 'Adjusted EBITDA' (see definition ii) for the year. The Group's lease cash flow commitment is based on its non-cancellable undiscounted lease cash flows payable under existing lease contracts for the next financial year as presented in note 16.

Reconciliation: Refer below

Reconciliation of Lease Modified Net Debt to Adjusted EBITDA APM - definition (x)	Reference in financial statements	31 Dec 2023 €'000	31 Dec 2022 €'000
Non-cancellable undiscounted lease cash flows payable under lease contracts in the next financial year	A	<b>57,603</b>	51,777
<b>Modified Lease Debt</b>	B=A*8	<b>460,824</b>	414,216
<b>Net Debt (APM vi)</b>	C	<b>224,550</b>	107,681
<b>Lease Modified Net Debt</b>	D=B+C	<b>685,374</b>	521,897
Adjusted EBITDA (APM ii)	E	<b>223,108</b>	183,430
<b>Lease Modified Net Debt to Adjusted EBITDA (APM x)</b>	D/E	<b>3.1x</b>	2.8x

#### (xi) Free Cashflow

Net cash from operating activities less amounts paid for interest, finance costs, refurbishment capital expenditure, fixed lease payments and after adding back the cash paid in respect of items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses (see definition i). This APM is presented to show the cash generated from operating activities to fund acquisitions, development expenditure, repayment of debt and dividends.

Reconciliation: Refer below

#### (xii) Free Cashflow per Share (FCPS)

Free Cashflow (see definition xi) divided by the weighted average shares outstanding - basic. This APM forms the basis for the performance condition measure in respect of share awards made after 3 March 2021.

FCPS for LTIP performance measure purposes has been adjusted to exclude the impact of items that are deemed one-off and thus not reflecting normal trading activities or distorting comparability either year on year or with other similar businesses. The Group takes this approach to encourage the vigorous pursuit of opportunities, and by excluding certain one-off items, drive the behaviours we seek from the executives and encourage management to invest for the long-term interests of shareholders.

Reconciliation: Refer below

## Alternative Performance Measures ('APM') and other definitions (continued)

### (xiii) Debt and Lease Service Cover

Free Cashflow (see definition xi) before payment of lease costs, interest and finance costs divided by the total amount paid for lease costs, interest and finance costs. This APM is presented to show the Group's ability to meet its debt and lease commitments.

Reconciliation: Refer below

Reconciliation of APMs (xi), (xii), (xiii)	Reference in financial statements	2023 €'000	2022 €'000
Net cash from operating activities	<a href="#">Statement of cash flows</a>	171,379	207,860
Other interest and finance costs paid	<a href="#">Statement of cash flows</a>	(8,726)	(12,233)
Refurbishment capital expenditure paid		(26,050)	(15,836)
Fixed lease payments:			
• Interest paid on lease liabilities	<a href="#">Statement of cash flows</a>	(42,751)	(38,101)
• Repayment of lease liabilities	<a href="#">Statement of cash flows</a>	(10,747)	(9,324)
		83,105	132,366
Exclude adjusting items with a cash effect:			
Net impact from tax deferrals from government Covid-19 support schemes <sup>1</sup>	<a href="#">Note 22</a>	34,917	(8,531)
2022 corporation tax payment in 2023 <sup>2</sup>		10,451	-
Acquisition-related costs	<a href="#">Note 3</a>	4,389	-
Pre-opening costs	<a href="#">Note 3</a>	497	2,666
<b>Free Cashflow (APM xi)</b>	A	133,359	126,501
Weighted average shares outstanding – basic	B	223,299,760	222,867,676
<b>Free Cashflow per Share (APM xii) – cents</b>	A/B	59.7	56.8
Total lease costs paid <sup>3</sup>		57,373	48,537
Other interest and finance costs paid	<a href="#">Statement of cash flows</a>	8,726	12,233
Total lease costs, interest and finance costs paid	C	66,099	60,770
Free Cashflow before lease and finance costs	D=A+C	199,458	187,271
<b>Debt and Lease Service Cover (APM xiii)</b>	D/C	3.0x	3.1x

1 During the year, the Group paid deferred VAT and payroll tax liabilities totalling €34.9 million under the Debt Warehousing scheme in the Republic of Ireland. This non-recurring initiative was introduced under Irish government Covid-19 support schemes and allowed the temporary retention of an element of taxes collected between March 2020 and May 2022 to assist businesses who experienced cashflow and trading difficulties during the pandemic.

2 During the year, the Group paid €10.5 million of Irish corporation tax relating to the 2022 financial year due to available payment schedule following pandemic losses.

3 Total lease costs paid comprises payments of fixed and variable lease costs during the year.



## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

### Alternative Performance Measures ('APM') and other definitions (continued)

#### (xiv) Normalised Return on Invested Capital

Adjusted EBIT after rent divided by the Group's average normalised invested capital. The Group defines normalised invested capital as total assets less total liabilities at the year end and excludes the accumulated revaluation gains/losses included in property, plant and equipment, loans and borrowings, cash and cash equivalents, derivative financial instruments and taxation related balances. The Group also excludes the impact of deferred VAT and payroll tax liabilities which were payable at prior year end as these were quasi-debt in nature, and the investment in the construction of future assets. The Group's net assets are adjusted to reflect the average level of acquisition investment spend and the average level of working capital for the accounting period. In most years, the average normalised invested capital is the average of the opening and closing normalised invested capital for the year.

Adjusted EBIT after rent represents the Group's operating profit for the year restated to remove the impact of adjusting items (see definition i) and to replace depreciation of right-of-use assets with fixed lease costs and amortisation of lease costs.

The Group presents this APM to provide stakeholders with a meaningful understanding of the underlying financial and operating performance of the Group.

Reconciliation: Refer below

Reconciliation of APM (xiv)	Reference in financial statements	2023 €'000	2022 €'000
Operating profit	<a href="#">Statement of comprehensive income</a>	156,143	155,527
Add back/(less):			
Total adjusting items as per the financial statements	<a href="#">Note 3</a>	2,861	(28,636)
Depreciation of right-of-use assets	<a href="#">Note 3</a>	30,663	27,503
Movement in amortisation of intangible assets if IAS 17 still applied		5	(46)
Fixed lease costs (see glossary)		(53,531)	(46,330)
Amortisation of lease costs		(813)	(757)
<b>Adjusted EBIT after rent</b>	A	<b>135,328</b>	<b>107,261</b>
Net assets at balance sheet date	<a href="#">Statement of financial position</a>	1,392,937	1,222,766
<b>Add back</b>			
Loans and borrowings	<a href="#">Statement of financial position</a>	254,387	193,488
Deferred tax liabilities	<a href="#">Statement of financial position</a>	84,441	71,022
Current tax liabilities	<a href="#">Statement of financial position</a>	2,659	11,606
Deferred VAT and payroll tax liabilities	<a href="#">Note 22</a>	-	34,790
<b>Less</b>			
Revaluation uplift in property, plant and equipment <sup>1</sup>	<a href="#">Note 15</a>	(518,770)	(425,974)
Cash and cash equivalents	<a href="#">Statement of financial position</a>	(34,173)	(91,320)
Deferred tax assets	<a href="#">Statement of financial position</a>	(24,136)	(21,271)
Derivative assets	<a href="#">Statement of financial position</a>	(6,521)	(11,717)
<b>Invested capital</b>	B	<b>1,150,824</b>	<b>983,390</b>
<b>Average invested capital</b>	C	<b>1,067,107</b>	<b>993,715</b>
<b>Return on Invested Capital</b>	A/C	<b>12.7%</b>	<b>10.8%</b>
<b>Assets under construction at year end</b>	D	<b>(101,703)</b>	<b>(64,556)</b>
<b>Normalised invested capital</b>	B-D	<b>1,049,121</b>	<b>918,834</b>
<b>Average normalised invested capital</b>	E	<b>983,978</b>	<b>921,890</b>
<b>Normalised Return on Invested Capital (APM xiv)</b>	A/E	<b>13.8%</b>	<b>11.6%</b>

<sup>1</sup> Includes the combined net revaluation uplift included in property, plant and equipment since the revaluation policy was adopted in 2014 or in the case of hotel assets acquired after this date, since the date of acquisition. The carrying value of land and buildings, revalued at 31 December 2023, is €1,478.6 million (31 December 2022: €1,281.3 million). The value of these assets under the cost model is €959.9 million (31 December 2022: €855.4 million). Therefore, the revaluation uplift included in property, plant and equipment is €518.8 million (31 December 2022: €426.0 million). Refer to note 15 to the financial statements.

## Alternative Performance Measures ('APM') and other definitions (continued)

### (xv) Net Debt to EBITDA after rent (banking covenant)

Net Debt (see definition vi) divided by EBITDA after rent for the year. EBITDA after rent is defined as Adjusted EBITDA (see definition ii) less fixed lease costs (see definition in glossary) calculated in line with banking covenants which specify the inclusion of pre-opening expenses and exclusion of share-based payment expense.

This APM is presented to show the Group's financial leverage before the application of IFRS 16 *Leases*, in line with banking covenants.

Reconciliation: Refer below

### (xvi) Interest Cover (banking covenant)

EBITDA after rent (see definition xv) divided by interest and other finance costs paid or payable during the year. The calculation excludes professional fees paid or payable during the year in line with banking covenants.

Reconciliation: Refer below

Reconciliation of banking covenants APMs (xv), (xvi)		2023	2022
		€'000	€'000
Operating profit	Reference in financial statements <a href="#">Statement of comprehensive income</a>	156,143	155,527
Add back/(less):			
Total adjusting items as per the financial statements	<a href="#">Note 3</a>	2,861	(28,636)
Depreciation of property, plant and equipment	<a href="#">Note 3</a>	32,791	28,426
Depreciation of right-of-use assets	<a href="#">Note 3</a>	30,663	27,503
Amortisation of intangible assets	<a href="#">Note 3</a>	650	610
Share-based payment expense	<a href="#">Note 3</a>	5,910	3,329
Fixed lease costs (see glossary)		(53,531)	(46,330)
Pre-opening costs	<a href="#">Note 3</a>	(497)	(2,666)
<b>EBITDA after rent</b>	A	<b>174,990</b>	137,763
<b>Net Debt (APM vi)</b>	B	<b>224,550</b>	107,681
<b>Net Debt to EBITDA after rent (APM xv)</b>	B/A	<b>1.3x</b>	0.8x
Interest and other finance costs paid	<a href="#">Statement of cashflows</a>	8,726	12,233
Interest and other finance costs accrued but not yet paid		258	-
Interest and other finance costs per banking covenants	C	8,984	12,233
<b>Interest Cover (APM xvi)</b>	A/C	<b>19.5x</b>	11.3x

### (xvii) Hotel EBITDA (after rent) from leased portfolio

'Segmental EBITDAR' (see definition iv) from leased hotels less the sum of variable lease costs and fixed lease costs relating to leased hotels. This excludes variable lease costs and fixed lease costs relating to effectively, or majority owned hotels. This APM is presented to show the net operational contribution from the Group's leased hotel portfolio after lease costs.

Reconciliation: Refer below

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

### Alternative Performance Measures ('APM') and other definitions (continued)

#### (xviii) Rent Cover

'Segmental EBITDAR' (see definition iv) from leased hotels divided by the sum of variable lease costs and fixed lease costs relating to leased hotels. This excludes variable lease costs and fixed lease costs that do not relate to fully leased hotels. This APM is presented to show the Group's ability to meet its lease commitments through the net operational contribution from its leased hotel portfolio.

Reconciliation: Refer below

Reconciliation of APMs (xvii), (xviii)		Reference in financial statements	2023 €'000	2022 €'000
'Segmental EBITDAR' from leased hotels	A	<a href="#">Note 3</a>	<b>96,350</b>	71,916
Variable lease costs		<a href="#">Note 3</a>	<b>3,630</b>	3,815
Fixed lease costs			<b>53,531</b>	46,330
Total variable and fixed lease costs			<b>57,161</b>	50,145
Exclude variable and fixed lease costs not relating to fully leased hotels			<b>(2,576)</b>	(2,642)
Variable and fixed lease costs from leased hotels	B		<b>54,585</b>	47,503
<b>Hotel EBITDA (after rent) from leased portfolio (APM xvii)</b>	A-B		<b>41,765</b>	24,413
<b>Rent Cover (APM xviii)</b>	A/B		<b>1.8x</b>	1.5x

#### (xix) Modified EBIT

For the purposes of the annual bonus evaluation, EBIT is modified to remove the effect of fluctuations between the annual and budgeted EUR/GBP exchange rate and other items which are considered, by the Remuneration Committee, to fall outside of the framework of the budget target set for the year. Foreign exchange movements represent the difference on converting EBIT from UK hotels at actual foreign exchange rates during 2023 versus budgeted foreign exchange rates. The budgeted EUR/GBP exchange rate was 0.90 in 2023 (2022: 0.90).

Reconciliation: Refer below

Reconciliation of APM (xix)		Reference in financial statements	2023 €'000	2022 €'000
Operating profit		<a href="#">Statement of comprehensive income</a>	<b>156,143</b>	155,527
Remove impact of:				
Adjusting items		<a href="#">Note 3</a>	<b>2,861</b>	(28,636)
Foreign exchange movements			<b>(1,766)</b>	(2,720)
<b>Modified EBIT (APM xix)</b>			<b>157,238</b>	124,171

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## GLOSSARY

### **Revenue per available room (RevPAR)**

Revenue per available room is calculated as total rooms revenue divided by the number of available rooms, which is also equivalent to the occupancy rate multiplied by the average daily room rate achieved. This is a commonly used industry metric which facilitates comparison between companies.

### **Average Room Rate (ARR) - also Average Daily Rate (ADR)**

ARR is calculated as rooms revenue divided by the number of rooms sold. This is a commonly used industry metric which facilitates comparison between companies.

### **'Like for like' hotels**

'Like for like' or 'LFL' analysis excludes hotels that newly opened or ceased trading under Dalata during the comparative periods. For newly acquired, previously operating hotels, where pre-acquisition data is available, these hotels are included on a 'like for like' basis for analysis. 'Like for like' metrics are commonly used industry metrics and provide an indication of the underlying performance.

### **Segmental EBITDAR margin**

Segmental EBITDAR margin represents 'Segmental EBITDAR' as a percentage of revenue for the following Group segments: Dublin, Regional Ireland, the UK and Continental Europe. Also referred to as hotel EBITDAR margin.

### **Effective tax rate**

The Group's tax charge for the year divided by the profit before tax presented in the consolidated statement of comprehensive income.

### **Fixed lease costs**

Fixed costs incurred by the lessee for the right to use an underlying asset during the lease term as calculated under IAS 17 *Leases*.

### **Hotel assets**

Hotel assets represents the value of property, plant and equipment per the consolidated statement of financial position at 31 December 2023.

### **Refurbishment capital expenditure**

The Group typically allocates approximately 4% of revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards.

### **Balance Sheet Net Asset Value (NAV) per Share**

Balance Sheet NAV per Share represents net assets per the consolidated statement of financial position divided by the number of shares outstanding at year end.

### **Competitive Set (compset)**

A Competitive Set (compset) is a group of hotels that a hotel property competes against for business. These hotels are typically located in the same geographic area and offer similar services and amenities.

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AMERICAN HOTEL

Oudezijde  
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