

# Emerging Strong as Recovery Commences

**Occupancy levels improving month on month**  
**Dermot Crowley to assume role of CEO on 31 October**

**ISE: DHG LSE: DAL**

**Dublin and London | 1 September 2021:** Dalata Hotel Group plc (“Dalata” or the “Group”), the largest hotel operator in Ireland with a growing presence in the United Kingdom, announces its results for the six month period ended 30 June 2021.

Results Summary €million	H1 2021	H1 2020	Variance
Revenue	39.6	80.8	(51.0%)
Segments EBITDAR <sup>1</sup>	6.7	15.6	(57.1%)
Adjusted EBITDA <sup>1</sup>	1.4	10.1	(85.8%)
Loss before tax	(37.8)	(70.9)	46.6%
Basic loss per share (cents)	(13.6)	(34.0)	60.0%
Adjusted basic loss per share <sup>1</sup> (cents)	(14.5)	(13.1)	(10.7%)

  

Group key performance indicators	H1 2021	H1 2020	Variance
Occupancy %	19.9%	34.3%	
Average room rate <sup>1</sup> (€)	81.99	95.28	(13.9%)
RevPAR <sup>1</sup> (€)	16.28	32.69	(50.2%)

## PROTECTING OUR PEOPLE, CASH AND BUSINESS

- Hotels now fully re-opened having remained operational for essential services throughout the period in line with government restrictions
- Positive Adjusted EBITDA of €1.4 million driven by strong operational management
- Cash outflow<sup>2</sup> of €24 million for the first six months
- Proactive working capital management and government support schemes allowed us to protect employment within the Group and preserve cash during periods of low occupancies
- Maintained engagement with our employees enabling the business to effectively ramp up with an engaged workforce as economies re-open

## WELL-POSITIONED FOR THE RECOVERY

- Increasing demand for staycations since hotels fully re-opened for leisure in May (UK) and June (ROI)
- Group occupancy<sup>3</sup> of 44% in June 2021 - increasing to 58% in July and 68% in August
- Strong customer satisfaction scores since re-opening

## STRONG BALANCE SHEET PROVIDES SECURITY, FLEXIBILITY AND THE ENGINE FOR FUTURE GROWTH

- Robust balance sheet backed by €1.2 billion in property, plant and equipment (no significant change to property valuations since 31 December 2020)
- Liquidity remains strong with cash and undrawn committed debt facilities of €270 million at 30 June 2021
- Gearing remains conservative with Net Debt to Value<sup>1</sup> of 27% (31 December 2020: 23%)

## REMAINING FOCUSED ON LONG-TERM GROWTH

- Current pipeline of over 2,600 rooms in prime locations which will see UK footprint surpass Dublin by 2025
- Opening of new Maldron Hotel Glasgow City in August 2021; further six hotels on track to open by May 2022
- Reputation with current and prospective landlords has been enhanced

<sup>1</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures (“APM”) and other definitions.

<sup>2</sup> Cash outflow of €24 million excludes impact of net receipt of loans and movements in exchange rates.

<sup>3</sup> Excludes the Ballsbridge Hotel in Dublin as it is not currently trading and the new Maldron Hotel Glasgow City in the UK which opened in August 2021.

## STRATEGIC AND OPERATING HIGHLIGHTS

### RE-OPENING DELIVERS STRONG RECOVERY

- Dalata hotels have fully re-opened with trading improving markedly during the summer period. Our strategy to retain our core teams throughout the pandemic ensured a swift and smooth re-opening.
- The Group earned positive Adjusted EBITDA despite hotels only open for essential services for the majority of the period. The impact of reduced trading was mitigated through pro-active cost control measures and the utilisation of government supports.
- Really encouraging occupancy for the Group of 44% in June, 58% in July and 68% in August as the recovery starts to take hold across all our markets. Occupancies at our Dublin and London hotels will remain lower until the return of international travel and large events, but this has been partially offset by staycations.

### RETENTION OF CORE TEAMS CRITICAL TO BUSINESS SUCCESS

- We continued to stay in constant contact with our people through our employee app and providing learning and development opportunities with over 44,000 courses completed on *Dalata Online* during the first six months of 2021. This ensured our people were well prepared and motivated when returning to work. This in turn allows us continue to provide our guests with the excellent Dalata experience they are accustomed to. Our hotels are achieving strong customer satisfaction scores since re-opening.
- We have renewed the accreditation of our Dalata Keep Safe Programme with Bureau Veritas, a world leader in Health and Safety testing, inspection and certification. This gives our guests, employees and suppliers the comfort that we are operating our hotels safely in line with best practice health and safety protocols.

### MAINTAINING STRONG CULTURE AND VALUES

- The Board has appointed Dermot Crowley to succeed Pat McCann as CEO on 31 October 2021 following a rigorous selection process. Dermot has played a key role in the development of the business since 2012 and is committed to continuing to grow the business and protecting and enhancing the Dalata culture.
- Following Dermot's appointment as CEO, Carol Phelan was promoted to CFO. Since joining the business in 2014, Carol has been key member of the management team developing the finance and treasury function post IPO.
- The Board, through the Nomination committee, is continuing to address the question of Board composition. It is expected that a new non-executive director will be appointed before the end of 2021.
- ESG performance remains a top priority for management. We have accelerated our ESG initiatives despite the challenges from Covid-19 and are currently developing a 3-year ESG Strategy plan that will be launched by Q1 2022. Dalata achieved 36 gold and 8 silver awards with Green Tourism in 2021, representing significant progress on our 2019 scores.

### GROWTH STRATEGY REMAINS COMPELLING

- We opened our first hotel in Scotland, the 300-room Maldron Hotel Glasgow City in August. The hotel management team is made up of existing Dalata employees who will ensure that the Dalata culture and operating model are adopted from the outset.
- We are excited to open a further six hotels in Bristol, Manchester, Glasgow and Dublin between December this year and May 2022, totalling over 1,500 rooms. We have started the construction of Maldron Hotel Shoreditch in London. The remaining pipeline of four hotels, including one hotel in Ireland and three in the UK, are at the pre-construction phase. Our Acquisitions and Development team are continuously looking at opportunities to add to this pipeline.
- Dalata's robust balance sheet, backed by €1.2 billion of hotel assets, and strong financial position with cash and undrawn committed debt facilities of €293 million at the end of August, ensures the Group is well-positioned to avail of future opportunities for leases.
- We remain confident that our enhanced reputation as a strong reliable covenant will provide us with an advantage in securing new opportunities as we expand our pipeline in the future.

## UPDATED LTIP PERFORMANCE CONDITION

In line with guidance from the Investment Association, the Group deferred the finalisation of the performance condition target ranges in respect of the 2021 share awards granted on 3 March 2021, in light of the uncertainty concerning future market conditions due to the impact of Covid-19. The Group confirms that the performance condition measures and targets in respect of the 2021 share awards made on 3 March 2021 are as set out below:

Performance condition	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
TSR <sup>1</sup>	50%	Median	Upper quartile
Free cash flow per share (FCPS) <sup>2</sup>	50%	€0.35	€0.47

<sup>1</sup> Total shareholder return (TSR) is measured against a bespoke comparator group of 20 listed peer companies in the travel and leisure sector. For performance between the median and upper quartile, vesting is determined by assessing between which two ranked companies Dalata's TSR falls and calculating vesting on a linear basis between the two companies.

<sup>2</sup> Basic free cash flow per share (FCPS)<sup>3</sup> achieved in the year ending 31 December 2023. The adoption of FCPS instead of EPS (as initially set out in the annual report) follows careful consideration of the needs of the business as it recovers from the disruption of the pandemic and continues the execution of its growth strategy. We intend to consult with shareholders on this and other matters concerning the implementation of remuneration policy later this year.

## OUTLOOK

Following the full re-opening of the hospitality industry in May in the UK and June in Ireland, Covid-19 restrictions continue to be relaxed as the rollout of vaccines in both countries reaches an advanced stage with more than 60% of the entire population fully vaccinated in both countries. The UK has lifted many of the legal restrictions introduced to curb the spread of Covid-19. In Ireland non-essential international travel was permitted from 19 July but restrictions on large events remain in place. The Irish Government has published a road map on the easing of the remaining Covid-19 restrictions with most restrictions expected to be lifted by 22 October.

As expected, there was strong domestic demand for hotel stays once restrictions were lifted with occupancies improving month on month and hitting 68% in August. It is expected the improved trading environment will deliver an increase in earnings with Adjusted EBITDA for July and August projected to be approximately €24 million. In addition, the Group had combined cash resources and undrawn debt facilities of €293 million at the end of August 2021.

While the emergence of new variants remains a threat, the progress being made on the rollout of vaccines across Europe and globally is very encouraging. The outlook for the near term remains uncertain at present. A strong recovery in domestic leisure is underway and we expect domestic corporate business to further recover this month given the progressive easing of restrictions. The timing of the recovery of international leisure and corporate travel is somewhat uncertain but the ongoing global rollout of vaccines is a very positive influencing factor. The recovery of international travel is important for our Dublin and London hotels.

The Group will continue to implement measures to combat the impact of Covid-19 on the business. In addition, our Acquisitions and Development team are assessing distressed opportunities as they arise. Our reputation as a strong reliable covenant has been enhanced through the course of the pandemic and we are confident that this will place Dalata in a stronger position to secure further growth opportunities.

The Group's asset backing and strong liquidity ensure it is well-positioned to withstand any remaining Covid-19 restrictions in 2021 and participate in the recovery of global tourism. The hospitality sector has historically shown tremendous resilience to recover from other demand shocks and crises. As a result, the Board remain confident that

<sup>3</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures "APM" ) and other definitions.

Dalata is well placed to benefit with its strong balance sheet, young, well-invested portfolio and experienced and motivated teams at hotels and central office.

**Pat McCann, Dalata Hotel Group CEO, commented:**

*"I am pleased to report our hotels have successfully re-opened to all guests in recent months. As a sense of normality returns to society, the demand for domestic leisure has increased across Ireland and the UK. Our people have skilfully managed the re-opening and are once again providing our guests with an exceptional experience.*

*As I reflect on my time at Dalata, I am incredibly proud of what we have achieved as a Group. Through good times and bad, the dedication and resilience shown by our teams has been admirable. This has never been tested to such a great degree as during the course of the last 18 months. Our values and beliefs have shone a light to guide us through this difficult time and we will come out the other side more confident than ever in our abilities and in how we operate our business. Our skilled and wonderful people will drive the business to new heights in the future.*

*It gives me great pleasure to be handing over the reins of the business to Dermot Crowley on 31 October 2021. Dermot has been instrumental in the development of the business and execution of our strategy since he joined in 2012 and has been selected by the Board to succeed me as CEO. I have known Dermot for over twenty years, and I am confident he will lead Dalata through the next phase of growth while maintaining the wonderful culture and people focus that we have built together at Dalata.*

*As I prepare to step aside from my time at Dalata, I will be watching its progress with great enthusiasm. The Group has all the attributes to be a great success into the future, with superb people at its core. We are entering a period of great opportunity in the hotel industry. Dalata has a wonderful reputation with stakeholders across all areas of the business and is strongly positioned to take advantage of future opportunities in new and existing markets. I have full confidence in the Dalata team as it embarks on this pursuit".*

**Dermot Crowley, Dalata Hotel Group CEO Designate, commented:**

*"I am honoured to have been chosen by the Board to succeed Pat as CEO. I have known Pat for over 20 years, during which he has given me great guidance and support which I hugely appreciate. I plan to continue to uphold the strong culture and values we have built together at Dalata.*

*The roll out of vaccines in both Ireland, the UK and globally has been very encouraging to date. International travel in Ireland returned on 19 July and restrictions were relaxed in the UK earlier in the summer. This is an important development as our hotels in Dublin and London require the return of international travel for occupancies to recover more substantially.*

*The Irish and UK governments have provided tremendous supports to the hospitality industry over the last 18 months which have greatly helped us in weathering this crisis and protecting employment. As the hospitality industry begins to recover and these supports unwind, it is important to bear in mind that it will take some time for the industry to fully recover. One key support has been the reduced VAT rate of 9% in Ireland which should be extended further to support the industry and the large number of jobs that depend on it.*

*Our HR team have been instrumental in building a strong framework around how we recruit, retain and develop our people. Our Dalata Academy and the wealth of training opportunities available within the organisation allows our people to constantly grow and develop, making Dalata a great place to work in the hospitality industry in both Ireland and the UK. I am delighted to reveal that 2021 will see our largest ever graduate intake.*

*ESG considerations continue to be front and centre of everything we do at Dalata and we have made further progress in this area in the last six months. We believe that embedding sustainability across all areas of the business will give us a competitive advantage in the future. Following a rigorous tendering process, we have partnered with a leading ESG Advisory firm to support the development of our 3-year ESG Strategy plan which will be launched by Q1 2022. Our ESG strategy plan will be aligned with best practice and will bring together and complement our current actions and objectives. We are also committed to setting climate targets that align with TCFD (Task Force on*

*Climate-Related Financial Disclosures). I am delighted that our hotels received 36 gold and 8 silver awards with Green Tourism in 2021 representing significant progress on our previous results. This provides us with a solid platform across all hotels from which we can build and improve.*

*Our financial position remains very strong and we have protected our cash through strong operational management, cutting non-essential costs and availing of government supports. Our asset backed balance sheet has continued to serve us well and will give us great flexibility and security as we look at opportunities that begin to arise.*

*I am delighted that we have opened our first hotel in Scotland with the Maldron Hotel Glasgow City on 3 August. This 300-room hotel is ideally located on Renfrew Street in the city centre. The project was successfully managed by our Acquisitions and Development team in conjunction with our development partners, before handing over to the management team at the hotel. As is the case with all our new hotels, the senior management team was promoted from within the Group, highlighting our ability to provide our people with opportunities to grow and develop within Dalata while de-risking the execution of our growth plans.*

*We will add a further six hotels to the Dalata portfolio between December 2021 and May 2022. This includes our first ever hotel in Bristol, two hotels in Manchester city centre, a Clayton Hotel in Glasgow to complement our existing Maldron hotel in the city and two hotels in Dublin. These new openings along with the future openings planned for 2023 and 2024 are transforming our portfolio. Our teams will continue to work on sourcing and securing additional projects to add to our pipeline in the future”.*

**ENDS**

**About Dalata**

Dalata Hotel Group plc was founded in August 2007 and listed as a plc in March 2014. Dalata has a strategy of owning or leasing its hotels and also has a small number of management contracts. The Group's portfolio now consists of 29 owned hotels, 13 leased hotels and three management contracts with a total of 9,561 bedrooms. In addition to this, the Group is currently developing 11 new hotels and has plans to extend four of its existing hotels, adding over 2,600 bedrooms in total. For the first six months of 2021, Dalata reported revenue of €39.6 million and a loss after tax of €30.4 million. Dalata is listed on the Main Market of Euronext Dublin (DHG) and the London Stock Exchange (DAL). For further information visit: [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com)

**Conference Call Details | Analysts and Institutional Investors**

Management will host a conference call for analysts and institutional investors at 08:30 BST (03:30 ET) today 1 September 2021, and this can be accessed using the contact details below.

From Ireland dial: **+353 1 431 1252**

From the UK dial: **+44 3333 000 804**

From the USA dial: **+1 631 913 1422**

From other locations dial: **+353 1 431 1252**

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**Note on forward-looking information**

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

## Half Year 2021 Financial Performance

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	39.6	80.8
<b>Segments EBITDAR<sup>1</sup></b>	<b>6.7</b>	15.6
Hotel variable lease costs	-	(0.3)
<b>Segments EBITDA<sup>1</sup></b>	<b>6.7</b>	15.3
Other income	0.2	0.2
Central costs	(4.4)	(4.3)
Share-based payments expense	(1.1)	(1.1)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>1.4</b>	10.1
Adjusting items <sup>2</sup>	2.1	(40.6)
<b>EBITDA<sup>1</sup></b>	<b>3.5</b>	(30.5)
Depreciation of PPE and amortisation	(13.7)	(13.8)
Depreciation of right-of-use assets	(9.8)	(10.6)
<b>Operating loss</b>	<b>(20.0)</b>	(54.9)
Interest on lease liabilities	(11.8)	(10.9)
Other interest and finance costs	(6.0)	(5.1)
<b>Loss before tax</b>	<b>(37.8)</b>	(70.9)
Tax credit	7.4	7.8
<b>Loss for the period</b>	<b>(30.4)</b>	(63.1)
Adjusted EBITDA excluding the impact of IFRS 16 <sup>1</sup>	(16.0)	(5.3)
Loss per share (cents) - basic	(13.6)	(34.0)
Adjusted loss per share <sup>1</sup> (cents) - basic	(14.5)	(13.1)
Adjusted loss per share excluding the impact of IFRS 16 <sup>1</sup> (cents) - basic	(13.1)	(10.4)
Hotel EBITDAR margin <sup>1</sup>	16.9%	19.3%

### Summary of hotel performance

The Group's business continued to be significantly impacted by Covid-19 during the first six months of 2021 with revenue decreasing by 51.0% on H1 2020 (80.4% on H1 2019) to €39.6 million. For most of the period, the Group's hotels were only open for essential business. Hotels in the UK were permitted to re-open for outdoor dining during April. The Group's hotels fully re-opened for overnight leisure stays on 17 May in England and Wales, 24 May in Northern Ireland and 2 June in Ireland. However, some government restrictions remained in place at this point including restrictions on international travel, certain large events and public gatherings with limited numbers at weddings.

Like for Like occupancy <sup>1</sup>	Six months ended 30 June 2021	Six months ended 30 June 2020
Dublin	19.1%	38.0%
Regional Ireland	23.9%	30.1%
UK	21.2%	33.0%

<sup>1</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.

<sup>2</sup> The main adjusting item is the net property revaluation gain of €2.5 million (six months ended 30 June 2020: net revaluation loss of €27.3 million) following the valuation of property assets. Further detail on adjusting items is provided in the section titled 'Adjusting items to EBITDA'.



Occupancy for the Group amounted to 14%<sup>1</sup> in Q1 2021 underpinned by demand for essential services only. Trading was higher in the same quarter last year where the Group experienced normal trading conditions in January and February 2020 before it was severely impacted by the Covid-19 pandemic from March 2020 onwards. Trade increased into Q2 2021 as hotels re-opened with occupancy for the Group reaching 44%<sup>1</sup> in June driven by domestic leisure demand. However, Dublin and London hotels continue to be significantly impacted by restrictions on international travel and a lack of events which are required before occupancies in these regions can recover more substantially.

Segments EBITDAR decreased by 57.1% to €6.7 million for the six month period. Pro-active cost control and the continued utilisation of government grants and assistance helped mitigate the financial impact of reduced trading levels. The Group continued to maintain significant savings across all categories of expenditure. This included variable costs such as the cost of food and beverage purchases, consumables for bedrooms and commissions which decreased substantially during the period when the hotels were closed.

The Group continued to benefit from the utilisation of government supports during the first six months of the year (€29.1 million). The Group received wage subsidies of €17.2 million to support the incomes of employees and government grants amounting to €5.8 million which were introduced to support businesses during the pandemic and contribute towards re-opening and other operating costs. The Group has also received financial assistance by way of commercial rates waivers from the Irish and UK governments for the first six months of 2021 (€6.1 million).

## Performance Review | Segmental Analysis

The following section analyses the results from the Group's portfolio of hotels in Dublin, Regional Ireland and the UK.

### 1. Dublin Hotel Portfolio

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Room revenue	10.6	29.9
Food and beverage revenue	3.8	10.9
Other revenue	1.7	4.0
<b>Total revenue</b>	<b>16.1</b>	<b>44.8</b>
<b>EBITDAR</b>	<b>2.1</b>	<b>13.4</b>
Hotel EBITDAR margin %	13.3%	29.9%
<b>Performance statistics (like for like)<sup>1</sup></b>		
Occupancy	19.1%	38.0%
Average room rate (€)	74.92	99.48
RevPAR (€)	14.31	37.82
RevPAR % change on six months ended 30 June 2020	(62.2%)	
RevPAR % change on six months ended 30 June 2019	(86.4%)	
<b>Dublin owned and leased portfolio</b>		
Hotels	16	16
Room numbers	4,488	4,488

The Dublin hotel portfolio consists of seven Maldron hotels, seven Clayton hotels, the Ballsbridge Hotel and The Gibson Hotel. Nine hotels are owned and seven are operated under leases.

<sup>1</sup> Performance statistics exclude the Ballsbridge Hotel in Dublin as the hotel effectively has not traded since early 2020.



The Group's Dublin hotels continued to be impacted by the Covid-19 pandemic restrictions with demand limited to essential services for the majority of the period leading to a reduction in both occupancy and average room rate with RevPAR down 62.2% on H1 2020 and 86.4% on H1 2019.

The Group's Dublin hotels were permitted to reopen to the general public on 2 June with our hotels targeting the return of domestic leisure. However, the city requires the return of international and corporate travel and large events before occupancies and room rates can recover to more normal trading levels.

Revenue decreased by 64.1% to €16.1 million compared to the first six months of 2020 which had normal trading levels up until the Covid-19 restrictions were implemented in March 2020. Since re-opening, occupancies lifted strongly reaching 37% in June 2021 with total revenues of €6.4 million. The utilisation of government grants and assistance totalling €13.3 million for the period (H1 2020: €2.5 million) and the continuation of the proactive cost reductions reduced the impact of lost revenue on EBITDAR.

## 2. Regional Ireland Hotel Portfolio

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Room revenue	7.3	8.8
Food and beverage revenue	3.3	4.9
Other revenue	1.0	1.9
<b>Total revenue</b>	<b>11.6</b>	<b>15.6</b>
<b>EBITDAR</b>	<b>3.2</b>	<b>(0.3)</b>
Hotel EBITDAR margin %	27.2%	(2.0%)
<b>Performance statistics<sup>1</sup></b>		
Occupancy	23.9%	30.1%
Average room rate (€)	90.55	86.27
RevPAR (€)	21.65	25.93
RevPAR % change on six months ended 30 June 2020	(16.5%)	
RevPAR % change on six months ended 30 June 2019	(67.0%)	
<b>Regional Ireland owned and leased portfolio</b>		
Hotels	13	13
Room numbers	1,867	1,867

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

The Group's Regional Ireland hotels experienced challenging trading conditions as the hotels only remained open for essential business for most of the period in line with government restrictions, which resulted in reduced occupancies. RevPAR declined by 16.5% to €21.65 from H1 2020 and 67.0% from H1 2019. As restrictions on trade were eased in June, the Regional Ireland portfolio benefited from the return of domestic tourism with people opting for staycations in light of international travel restrictions.

Revenue decreased by 25.3% to €11.6 million compared to the first six months of 2020 which had normal trading levels up until the Covid-19 restrictions were implemented in March 2020. From re-opening, occupancies lifted strongly reaching 60% in June 2021 with total revenues of €6.1 million. Proactive cost reductions and the utilisation of government grants and assistance amounting to €9.2 million (H1 2020: €1.4 million) mitigated the impact on EBITDAR.

<sup>1</sup> Performance statistics reflect a full six month performance of all hotels in this portfolio for both periods.

### 3. UK Hotel Portfolio

Local currency - £million	Six months ended 30 June 2021	Six months ended 30 June 2020
Room revenue	7.4	12.2
Food and beverage revenue	2.2	3.8
Other revenue	0.6	1.5
<b>Total revenue</b>	<b>10.2</b>	<b>17.5</b>
<b>EBITDAR</b>	<b>1.2</b>	<b>2.1</b>
Hotel EBITDAR margin %	11.8%	12.0%
<b>Performance statistics (like for like)<sup>1</sup></b>		
Occupancy	21.2%	33.0%
Average room rate (£)	73.45	78.07
RevPAR (£)	15.54	25.79
RevPAR % change on six months ended 30 June 2020	(39.7%)	
RevPAR % change on six months ended 30 June 2019	(76.7%)	
<b>UK owned and leased portfolio</b>		
Hotels	12	12
Room numbers	2,644	2,600

The UK hotel portfolio comprises nine Clayton hotels and three Maldron hotels with three hotels situated in London, six hotels in regional UK and three hotels in Northern Ireland. Seven hotels are owned, four are operated under long-term leases and one hotel is effectively owned through a 99-year lease. The 44-bedroom extension at the Clayton Hotel Birmingham was completed in November 2020. Maldron Hotel Glasgow City opened after the period end in August 2021.

The Group's UK Hotels were closed to the general public from the start of the year before gradually reopening to the public from mid-April as the vaccination rollout progressed throughout the UK. Trading was curtailed by government restrictions leading to a reduction in both occupancy and average room rate with RevPAR down 39.7% to £15.54 from H1 2020 and 76.7% from H1 2019.

Hotels in England and Wales fully re-opened to the general public on 17 May followed by Northern Ireland on 24 May. The UK portfolio saw a steady increase in demand with occupancy reaching 29% in May and 44% in June, underpinned by staycations in regional UK and Northern Ireland. The occupancy for June has already exceeded the level achieved in July and August 2020. However, recovery in London during June was slower than regional UK due to its reliance on international travel.

Revenue decreased by 41.7% to £10.2 million compared to the first six months of 2020 which had normal trading levels up until the Covid-19 restrictions were implemented in March 2020. As occupancies had lifted strongly from re-opening, total revenues reached £4.1 million in June 2021. Proactive cost reductions and government supports mitigated the impact of the lost revenue to the bottom line. The Group received government assistance in the form of grants amounting to £1.9 million and rates waivers of £2.1 million during the first six months of the year (H1 2020: £1.1 million). The Group also continued to utilise the Coronavirus Job Retention Scheme (furlough) amounting to £1.7 million allowing it to retain and pay employees who were not working in the business using government support.

<sup>1</sup> Performance statistics reflect a full six month performance of all hotels in this portfolio for both periods regardless of when acquired.

### Government grants and assistance

The Group continued to avail of support schemes from the Irish and UK governments totalling €29.1 million during the period. The Group's EBITDA for the six months ended 30 June 2021 reflects government grants of €23.0 million and assistance (by way of commercial rates waivers) of €6.1 million.

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Temporary Wage Subsidy Scheme (Ireland)	-	2.5
Employment Wage Subsidy Scheme (Ireland)	15.3	-
Coronavirus Job Retention Scheme (UK)	1.9	2.7
Other government grants related to income	5.8	-
<b>Total grants</b>	<b>23.0</b>	<b>5.2</b>

For the first six months of 2021, the Group received wage subsidies for employees working in the business from the Irish government amounting to €15.3 million in the form of the Employment Wage Subsidy Scheme (EWSS), which replaced the Temporary Wage Subsidy Scheme (TWSS) on 1 September 2020. In the UK, the Group received government grants in the form of the Coronavirus Job Retention Scheme amounting to £1.7 million (€1.9 million) for the same period.

The Group also availed of government grants amounting to €5.8 million which were introduced to support businesses during the pandemic and contribute towards re-opening and other operating costs, including and not limited to the Covid Restrictions Support Schemes in Ireland, and The Large Tourism and Hospitality Business Support Scheme in Northern Ireland. These grants were not in effect in the prior period.

The Group also received financial assistance by way of commercial rates waivers for the full six month period to 30 June 2021 in both Ireland and the UK. This represented a saving of €3.6 million at the Group's Irish hotels (H1 2020: €1.8 million) and £2.1 million (€2.5 million) at its UK hotels (H1 2020: £1.1/€1.3 million). The movement compared to the prior period is due to the waivers only being introduced from 27 March 2020 in Ireland and 1 April 2020 in the UK. The rates waivers in Ireland are currently set to continue until 30 September 2021. The full rates waivers in Wales and Northern Ireland has been extended until 31 March 2022. In England, the full rates waivers were in effect until 30 June 2021 with 66% waived thereafter until 31 March 2022.

Under the warehousing of tax liabilities scheme introduced by the Irish government, Irish VAT liabilities of €4.9 million and payroll tax liabilities of €11.2 million have been deferred as at 30 June 2021. As at 30 June 2021, these liabilities are expected to be payable during 2022. In line with the scheme, €3.4 million of payroll tax liabilities were warehoused during 2021 and this was added to the amounts already warehoused during 2020.

In the UK, VAT liabilities relating to the year ended 31 December 2020 are being paid by instalments (as agreed with the UK tax authorities), under the VAT payment deferral scheme. The outstanding deferred VAT liabilities at 30 June 2021 are £0.3 million (€0.4 million). These deferred liabilities are payable by 31 December 2021. No additional UK VAT liabilities were warehoused during 2021.

### Central costs

Central costs amounted to €4.4 million for the first six months of 2021, broadly in line with the same period last year. Savings in overheads and sales and marketing spend were offset by additional employee costs as cuts to pay and hours (in place from 1 April 2020) were reversed for staff from 1 January 2021. Director pay cuts were not reversed until 1 April 2021.

## Adjusting items to EBITDA

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Net property revaluation movements through profit or loss	2.5	(27.3)
Remeasurement gain on right-of-use assets	0.3	-
Hotel pre-opening expenses	(0.4)	-
Impairment of fixtures, fittings and equipment at leased hotels	-	(1.1)
Impairment of right-of-use assets	(0.3)	(7.4)
Impairment of goodwill	-	(3.2)
Accounting loss on sale and leaseback of Clayton Hotel Charlemont	-	(1.6)
<b>Adjusting items<sup>1</sup></b>	<b>2.1</b>	<b>(40.6)</b>

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

The Group recorded a net revaluation gain through profit or loss of €2.5 million on the revaluation of its property assets for the first six months of 2021 which represents revaluation losses through profit or loss of €1.1 million and the reversal of previous revaluation losses recognised through profit or loss of €3.6 million. Further detail is provided in the 'Property, plant and equipment' section.

In the period ended 30 June 2021, the Group agreed a rent amendment with the landlord for one of its hotels resulting in a remeasurement of the lease liability. As a result of this modification, the lease liability has decreased by €1.1 million. As the right-of-use asset had previously been impaired, the modification resulted in the right-of-use asset being reduced by €0.8 million to €nil. The difference has been recognised as a remeasurement gain on right-of-use assets in profit or loss.

The Group also incurred €0.4 million of pre-opening expenses, primarily in relation to Maldron Hotel Glasgow City which opened in August and The Samuel Hotel, Dublin which is expected to open in Q1 2022.

As a result of the ongoing impact of Covid-19 on expected trading, particularly on near term profitability, assets related primarily to our leased properties including goodwill, fixtures, fittings and equipment and right-of-use assets were assessed for impairment based on their discounted cash flows. The impact on near term cash flows has led to an impairment through profit or loss totalling €0.3 million on the right-of-use asset of one leased hotel.

### Depreciation of right-of-use assets

Under IFRS 16, the right-of-use assets are depreciated on a straight-line basis to the end of their estimated useful life, most typically the end of the lease term. The depreciation of right-of-use assets decreased by €0.8 million to €9.8 million due principally to the impairments of the right-of-use assets recorded during 2020 which have reduced the depreciation charge accordingly, offset by the full period impact of Clayton Hotel Charlemont, Dublin which was leased from April 2020.

### Depreciation of property, plant and equipment

The depreciation of property, plant and equipment remained in line with the prior period at €13.4 million for the first six months of 2021. The decrease in depreciation arising from the sale and leaseback of Clayton Hotel Charlemont, Dublin in April 2020 was offset by the additional charge on the new conference centre at Clayton Hotel Cardiff Lane, Dublin and the Group's element of the renovation works at Clayton Hotel Burlington Road, Dublin, both of which were completed after 30 June 2020.

<sup>1</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.

## Finance Costs

€million	Six months ended 30 June 2021	Six months ended 30 June 2020
Interest expense on bank loans and borrowings	4.9	4.2
Impact of interest rate swaps	1.3	0.9
Other finance costs	1.0	0.7
Net exchange gain on financing activities	-	(0.1)
Capitalised interest	(1.2)	(0.6)
Finance costs excluding the impact of IFRS 16	6.0	5.1
Interest on lease liabilities	11.8	10.9
<b>Finance costs</b>	<b>17.8</b>	<b>16.0</b>

Interest on lease liabilities increased by €0.9 million primarily due to the full period impact of the lease on Clayton Hotel Charlemont, Dublin from April 2020.

The Group also incurred higher margins on loans as shown by the increase to the Group's weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the year, which were 2.4% (2020: 1.4%) and 3.6% (2020: 2.9%) respectively. These increases were partially offset by additional capitalised interest on the site in Shoreditch, London (acquired in August 2019) and the new Maldron Hotel and residential units at Merrion Road in Dublin.

## Tax charge

As the Group incurred a loss before tax in the first six months of 2021, the Group has recognised a tax credit of €7.4 million in the six month period ended 30 June 2021 primarily relating to the net value of tax losses which will be available to offset against future taxable profits. The value of the tax losses incurred in the current period is €5.8 million. The Group also recognised a tax credit of €1.9 million in the current period relating to the remeasurement of UK deferred tax assets and liabilities, which are forecast to be realised at the corporation tax rate of 25%. During the current period, the UK government substantively enacted an increase in the corporation tax rate from 19% to 25%, with effect from 1 April 2023.

## Loss per share (EPS)

The Group's loss per share for the first six months of 2021 continued to be impacted by the Covid-19 pandemic restrictions. This resulted in a basic loss per share of 13.6 cents and an adjusted basic loss per share of 14.5 cents for the six months ended 30 June 2021.

Cents (€)	Six months ended 30 June 2021	Six months ended 30 June 2020
Loss per share - basic	(13.6)	(34.0)
Loss per share - diluted	(13.6)	(34.0)
Adjusted loss per share - basic <sup>1</sup>	(14.5)	(13.1)

<sup>1</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.

**Proactive cash flow management leaves the Group well positioned**

The Group continues to maintain a strong liquidity position with significant financial resources. At the end of June 2021, the Group had cash resources of €40.9 million and undrawn committed debt facilities of €229.0 million.

The Group's proactive approach to cash flow management limited the cash outflow to €24 million (as defined above) for the first six months ended 30 June 2021. This principally comprises committed and essential capital expenditure of €3.6 million, contract fulfilment cost payments of €3.0m, costs paid on entering new leases and agreements for lease of €0.6 million, fixed rent payments of €15.7 million and interest and finance cost payments of €7.0 million offset by an inflow from net operating cash of €5.6 million from trade and working capital.

The Group has continued the measures adopted during 2020 to mitigate the impact of Covid-19 on cash including proactive working capital management and a rolling review of costs across all areas of the Group. The Group continues to benefit from government support initiatives in both Ireland and the UK. These have taken the form of government grants and assistance and the deferral of VAT and payroll tax liabilities.

At 30 June 2021, the Group has capital expenditure commitments totalling €29.6 million which relates primarily to the new Maldron Hotel and residential units at Merrion Road in Dublin. This project is expected to be completed in 2022 at which point the Group will legally complete the agreed contract to sell the residential units for up to €42.4 million to Irish Residential Properties REIT plc ("IRES"), the overall value depending on how Part V obligations (Social and Affordable housing allocation) are settled with Dublin City Council. Those funds will then be received. Following the period end, the Group signed a new agreement on 2 July 2021 in relation to the new-build hotel development of the Maldron Hotel Shoreditch, London. The estimated cost of the project is £25.0 million (€29.1 million).

Projected lease payments payable under current lease contracts as at 30 June 2021 are €17.5 million for the six months ending 31 December 2021 and €31.2 million for the year ending 31 December 2022. In addition to this, the Group has committed to non-cancellable lease rentals and other contractual obligations payable under the agreements for lease which have not yet commenced. These payments are projected to amount to €7.6 million for the six months ending 31 December 2021 and €18.0 million for the year ending 31 December 2022. The timing and amounts payable are subject to change depending on the date of commencement of these leases and final bedroom numbers.

## Balance Sheet | Strong asset backing provides security, flexibility and the engine for future growth

€million	30 June 2021	31 December 2020
<b>Non-current assets</b>		
Property, plant and equipment	1,212.3	1,202.7
Right-of-use assets	406.1	411.0
Intangible assets and goodwill	32.0	31.7
Contract fulfilment costs	-	22.4
Other non-current assets <sup>1</sup>	32.9	23.5
<b>Current assets</b>		
Trade and other receivables and inventories	14.1	10.5
Contract fulfilment costs	27.2	-
Cash and cash equivalents	40.9	50.2
<b>Total assets</b>	<b>1,765.5</b>	<b>1,752.0</b>
Equity	910.8	932.8
Loans and borrowings	342.0	314.1
Lease liabilities	400.8	399.6
Trade and other payables	57.5	48.7
Other liabilities <sup>2</sup>	54.4	56.8
<b>Total equity and liabilities</b>	<b>1,765.5</b>	<b>1,752.0</b>

Despite the continued challenges from Covid-19, the Group's balance sheet remains robust with property, plant and equipment of €1.2 billion in prime locations across Ireland and the UK. At 30 June 2021, the Group had cash and undrawn debt facilities of €269.9 million and conservative gearing with Net Debt to Value<sup>3</sup> of 27% (31 December 2020: 23%). The Group's strong balance sheet ensures it is well positioned to withstand challenges and benefit from opportunities in the future.

### Property, plant and equipment

Property, plant and equipment amounted to €1.2 billion at 30 June 2021. The increase of €9.6 million in the six month period is driven principally by foreign exchange movements which increased the value of the UK hotel assets by €16.6 million and additions of €4.9 million, partially offset by the depreciation charge of €13.4 million.

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

Overall, the valuations of the Group's property assets have not changed significantly since 31 December 2020 with the Group recording a net revaluation gain of €0.6 million at 30 June 2021 (year ended 31 December 2020: net revaluation loss of €174.4 million). At June 2021, the net valuation increase of €2.5 million recorded through profit or loss was partially offset by a €1.9 million reduction recorded through the revaluation reserve. €198.2 million remains in the revaluation reserve as at 30 June 2021 relating to prior period revaluation gains.

<sup>1</sup> Other non-current assets comprise investment property, deferred tax assets and other receivables (which primarily relate to professional fees associated with future lease agreements for hotels currently being constructed or in planning).

<sup>2</sup> Other liabilities comprise deferred tax liabilities, derivatives, provision for liabilities and current tax liabilities.

<sup>3</sup> See Supplementary Financial Information which contains definitions and reconciliations of Alternative Performance Measures ("APM") and other definitions.



<b>Additions through acquisitions and capital expenditure</b>	<b>30 June</b>	<b>30 June</b>
<b>€million</b>	<b>2021</b>	<b>2020</b>
<b>Development capital expenditure:</b>		
Acquisition of freeholds or site purchases	-	0.3
Construction of new build hotels, hotel extensions and renovations	2.7	6.2
Other development expenditure	0.7	3.9
Total development capital expenditure	3.4	10.4
Total refurbishment capital expenditure	1.5	7.1
<b>Additions to property, plant and equipment</b>	<b>4.9</b>	<b>17.5</b>

The Group typically allocates 4% of revenue to refurbishment capital expenditure. However, as a result of the pandemic, the Group has temporarily suspended non-committed and non-essential capital expenditure in order to preserve cash. Furthermore, government restrictions in Ireland necessitated the closure of most construction sites during the Covid-19 lockdown in the first quarter of 2021 which slowed contracted spend.

During the period, the Group incurred €3.4 million on previously committed development capital expenditure including €1.6 million on the development of the new Maldron Hotel Merrion Road, Dublin and €1.0 million in relation to the new Maldron Hotel proposed for a site in Shoreditch, London. In the first six months of 2021, the Group incurred €1.5 million in refurbishment capital expenditure which mainly covered essential works at the hotels.

#### **Contract fulfilment costs**

Contract fulfilment costs relate to the Group's contractual agreement with IRES entered into on 16 November 2018, for IRES to purchase a residential development the Group is developing (comprising 69 residential units) on the site of the former Tara Towers hotel. Dalata incurred development costs in fulfilling the contract of €4.5 million during the period.

The overall sale value of the transaction is expected to be up to €42.4 million (excluding VAT). As the amount is due to be received in March 2022 (upon practical completion), the Group has reclassified these contract fulfilment costs from non-current assets to current assets on the statement of financial position as at 30 June 2021, as the amount is receivable within 12 months of this date.

	<b>€million</b>
Contract fulfilment costs at 1 January 2021	22.4
Other costs incurred in fulfilling contract to date	4.5
Capitalised borrowing costs	0.3
<b>Contract fulfilment costs at 30 June 2021</b>	<b>27.2</b>

#### **Right-of-use assets and lease liabilities**

At 30 June 2021, the Group's right-of-use assets amounted to €406.1 million and lease liabilities amounted to €400.8 million.

<b>€million</b>	<b>Lease liabilities</b>	<b>Right-of-use assets</b>
Net book value at 1 January 2021	399.6	411.0
Depreciation charge on right-of-use assets	-	(9.8)
Interest on lease liabilities	11.8	-
Impairment of right-of-use asset	-	(0.3)
Remeasurement of lease liabilities	(1.1)	(0.8)
Lease payments	(15.7)	-
Translation adjustment	6.2	6.0
<b>Net book value at 30 June 2021</b>	<b>400.8</b>	<b>406.1</b>

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

Lease liabilities are initially measured at the present value of the outstanding lease payments, discounted using the estimated incremental borrowing rate attributable to the lease. The lease liabilities are subsequently remeasured during the lease term following the completion of rent reviews, a reassessment of the lease term or where a lease contract is modified. The weighted average lease life of future minimum rentals payable under leases is 29.1 years (31 December 2020: 29.4 years).

The remeasurement of lease liabilities in the period ended 30 June 2021 relates to the remeasurement of lease liabilities for one hotel following an agreed rent amendment with the landlord. As a result of this modification, the lease liability has decreased by €1.1 million with a decrease of €0.8 million to the carrying value of the right-of-use asset, as this right-of-use asset had been previously impaired. The resulting difference has been recognised as a remeasurement gain on right-of-use assets in profit or loss.

### **Loans and borrowings**

As at 30 June 2021, the Group had loans and borrowings of €342.0 million and undrawn committed debt facilities of €229.0 million. Loans and borrowings increased during the six month period due to net loan drawdowns totalling €13.0 million and foreign exchange movements which increased the translated value of the loans drawn in Sterling by €14.3 million.

<b>At 30 June 2021</b>	<b>Sterling borrowings £million</b>	<b>Euro borrowings €million</b>	<b>Total borrowings €million</b>
Term Loan	176.5	-	205.7
<i>Revolving credit facility:</i>			
- Drawn in Sterling	93.0	-	108.4
- Drawn in Euro	-	27.0	27.0
Impact of IFRS 9 accounting	-	-	0.9
<b>Loans and borrowings at 30 June 2021</b>	<b>269.5</b>	<b>27.0</b>	<b>342.0</b>

The Group refinanced its debt facility in 2018 with a new €525 million multicurrency debt facility consisting of a €200 million term loan facility and a €325 million revolving credit facility ("RCF"). In August 2019, the Group availed of its option to extend this facility for an additional year so it now expires on 26 October 2024.

On 9 July 2020, the Group entered into an amended and restated facility agreement with its banking club to provide additional flexibility and liquidity to support the Group following the impact of Covid-19. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants with its banking club. The revised covenants in this agreement include Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The Group is in compliance with all covenants at 30 June 2021.

The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover covenants for testing at 30 June 2022. At 30 June 2022, the Net Debt to EBITDA covenant limit is 6.0x and the Interest Cover limit is 4.0x. The Net Debt to EBITDA covenant moves to 4.0x at 31 December 2022.

Forecasting of near-term trade performance remains difficult in the current environment. To address this, multiple reasonable scenarios have been prepared by the Group with key assumptions varying around the timing of the return to more normal levels of international travel and the ongoing nature and extent of government supports. In all reasonable scenarios, the Group is forecast to have sufficient available funds and liquidity during the forecast

period to December 2024. However, some of the scenarios show a potential temporary breach of Net Debt to EBITDA and Interest Cover covenants when they are re-instated and tested as of 30 June 2022. All scenarios show compliance at the following testing period, 31 December 2022 and thereafter. As demonstrated during 2020, there are various mitigating actions available to the Group should it deem them to be necessary. However, at this point the Group does not feel any of these actions are necessary and is focused on maximising trading opportunities and operational performance given the lifting of restrictions.

The Group limits its exposure to foreign currency by using Sterling debt to act as a natural hedge against the impact of Sterling rate fluctuations on the Euro value of the Group's UK assets. The Group is also exposed to floating interest rates on its debt obligations and uses hedging instruments to mitigate the risk associated with interest rate fluctuations. This is achieved by entering into interest rate swaps which hedge the variability in cash flows attributable to the interest rate risk.

## Principal Risks and Uncertainties

Since our last reporting on our principal risks in March 2021, there have been ongoing developments in our risk environment and a small number of reported principal risks. These developments relate to easing government restrictions in Ireland and the UK this year, enabling us to reopen all our hotels. In addition, some risks associated explicitly with the pandemic, such as enhanced hygiene requirements, are now embedded in our standard operating procedures. The principal risks and uncertainties facing the Group are:

- 1. Living with Covid-19** - As the Group and societies emerge from the effects of the pandemic, several risks are becoming evident that will shape the Group's response over the coming months. These relate to internal risks around embedding updated operational processes into our business and continuing to protect our guests and employees while providing expected service levels. There are also other risks around changing government regulations that affect how we operate our business and in areas such as the return of international travel and supply chain risks.

We continue to be aware of the risks and emerging risks in the current environment. Our actions are driven by our experiences from reopening our hotels in mid-2020 and the hygiene, operational, financial, training and employee support structures we successfully implemented.

We remain confident that the Group can address any risks in these "living with Covid-19" times. Our central and hotel management structures are sound, and the key management teams remain in place at our hotels. We have embedded any new or updated processes into our standard operational routines. We maintain close contact with government and industry bodies to help shape revised regulations and other stakeholders on short-term matters affecting our business.

- 2. Debt and Cash/Liquidity Positions** - The level of bank borrowings, the associated interest payments and related covenants impact the Group's operating and financial flexibility and increase the potential of default risk. The Group remains disciplined in not overleveraging and ensuring that it can withstand substantial demand shocks. The Group also mitigates this risk by preparing detailed financial forecasting and analysis and monitoring debt covenants. In response to the difficulties in forecasting near-term trade performance in the current environment, the Group prepared multiple reasonable scenarios which showed it has sufficient available funds and liquidity during the forecast period to December 2024. However, some of the scenarios show a potential temporary breach of covenants when they are re-instated and tested as of 30 June 2022 due to the recovery only now commencing in the trailing 12-month period underpinning the calculation of EBITDA for those covenants. As demonstrated during 2020, there are various mitigating actions available to the Group should it deem them to be necessary. However, at this point the Group does not feel any of these actions are necessary and is focused on maximising trading opportunities and operational performance given the lifting of restrictions. Furthermore, the Group would be confident of the ongoing support of its banking club given the strong relationships it has with the club and the value of its assets upon which the banking club has security with a Net Debt to Value ratio of 27% at 30 June 2021.

3. **Expansion Strategy and Risks Associated with Growth** - The opening of new hotels presents an operational risk that expected earnings may not materialise, particularly as some of the hotels are scheduled to open against a very uncertain market backdrop. All new hotel developments and potential expansion plans are rigorously assessed by the Board before their commencements. The Group has structured plans to prepare the Group for expansion, including the development of internal human resources, standardisation of processes and promotion of our culture. Senior management also have considerable past experience and a strong track record of success in opening new hotels.
4. **New Hotel Openings** - The Group has an active schedule in 2021 and 2022 for new hotel openings. However, there are specific risks associated with these openings relating to costs, timing, customer service delivery and financial returns. Detailed hotel opening plans are in place and are a focus area for management. The opening of Maldron Hotel Glasgow City in August 2021 was a success, with additional insights noted that will support our six new openings over the course of the next nine months.
5. **Culture and Values** - As Dalata expands there is a risk that the organisation's unique culture and values could be damaged. The rollout of the Dalata business model is dependent on the retention of its strong culture. The Group is actively managing this risk by focusing on the behaviours of executive management, investing in training and development programmes and through its employee engagement programme. These values were reflected in the decision-making process throughout the pandemic.
6. **Concentration in the Dublin Market** - The Group's activities are currently concentrated in the Dublin hotel market. Therefore, any downturn in Dublin is likely to have a material impact on performance. There is potential exposure to a decline in business in the event of reduced demand in Dublin or a significant increase in supply. This will be an ongoing risk for the Group, offset by the UK development programme and any potential expansion in other markets. We opened our Maldron Hotel Glasgow City in August 2021 and new UK hotel openings are scheduled for the remainder of this year and early 2022.
7. **Preparing for the Changing Face of the Hospitality and Hotel Markets** - The pandemic impacted the hotel and hospitality industry as never before, as well as its lasting effects on wider society. This was a new risk area introduced as part of our 2020 reporting. As a response to this risk, we developed and implemented several initiatives around guest technologies, enhanced hygiene levels and guest service delivery as part of our 2020 hotel reopening programme. Many of these are now embedded in our business. We continue to look forward to how hotels could operate, and we would expect to adapt to any emerging stakeholder requirements. The Group will continue to identify and embrace such changes, giving us a potential advantage in our markets.
8. **Environment and Climate Change** - The Group is keenly aware of the risks to society associated with climate change and environmental issues. We take our responsibilities in this area seriously and recognise our stakeholders' concerns and expectations. There is a risk that Dalata could suffer reputational damage and a loss in customer, employee or other stakeholder confidence if it does not appropriately recognise and respond to the impact of our business activities on the environment. The Group is committed to addressing stakeholder concerns through a range of initiatives. These include the launch of the Living Green Programme including 'Green Tourism' Certification across the Group. The Group have also engaged a leading ESG Advisory firm to support the development of a 3-year ESG Strategy plan which will be launched by Q1 2022.

- 9. Development of Expertise and Availability of Resources** - Dalata's business model is built on our ability to grow and retain expertise. There could be a failure to retain key expertise and experiences and develop talent within the Group to ensure its ongoing and future success. Throughout 2020 and 2021, our strategy remained unchanged in this area. As the pandemic restrictions have eased, the Group is now seeing the benefits of its strategy to retain the hotel management teams and continue investing in development programmes.

The effects of the pandemic and issues including the relocation of people, international travel restrictions and Brexit have resulted in changes to the employment market in many industries, including hospitality. These factors could impact the Group's ability to find and retain employees, particularly at the operational level and in particular skill areas. Like many other businesses, the Group is now operating in a challenging market to find and retain sufficient resources. We are putting in place a range of strategies to attract resources and highlight Dalata as the employer of choice in our industry. However, the medium-term exposure to this risk is uncertain as to whether it will have a short-term impact or represent a structural change in the employment market for these industries.

- 10. Health and Safety** - As a large hotel operator, there is a range of risks associated with life safety, fire safety and food safety. Health and Safety continues to be a priority for the Board and management. There has been no reduction in this priority during 2021, and all preventative maintenance, life and fire system servicing, and management oversight of health and safety remains in place. In addition, we implemented enhanced hygiene requirements as part of hotel re-openings through our Dalata Keep Safe Programme. These requirements are now embedded in hotel operational routines, and all team members are trained on their implementation. These health and safety protocols continue to be accredited by Bureau Veritas, a world leader in testing inspection and certification in the Health and Safety area.

- 11. Information Security and Data Protection** - All businesses face increased information security risks associated with sophisticated cyber- attacks, including those targeting data held by companies. With Covid-19, more people are working from home, increasing the risk profile in these areas. A successful cyber event could cause significant disruption to the business. Losing control of personal data could result in reputational damage and regulatory fines. Dalata's Information Security Management System is based on ISO27001 and protects the Group's information resources. This framework is supported by audits, company policies and employee training, overseen by external advisors and ongoing security monitoring. We continue to invest in modern and secure technologies, supported by employee awareness and training in information security. Our data protection policies set out our obligations regarding the handling of personal data, and the procedures and principles that are to be followed. Our privacy committee, including senior management and external privacy specialists, provide leadership in this area, with regular updates to executive management, Board and Board committees.

## *Statement of Directors' responsibilities*

*For the half-year ended 30 June 2021*

The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

In preparing the condensed set of consolidated financial statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the condensed set of consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of consolidated financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine are necessary to enable the preparation of the condensed set of financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

- (1) the condensed set of consolidated financial statements included within the half-yearly financial report of Dalata Hotel Group plc for the six months ended 30 June 2021 ("the interim financial information") which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed statement of cash flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.
- (2) The interim financial information presented, as required by the Transparency Directive, includes:
  - a. an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated financial statements;
  - b. a description of the principal risks and uncertainties for the remaining six months of the financial year;
  - c. related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
  - d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

On behalf of the Board

John Hennessy  
*Director*

Patrick McCann  
*Director*



Unaudited condensed consolidated  
interim financial statements

**for the six months ended 30 June 2021**



# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2021

		6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
	<i>Note</i>		
<b>Continuing operations</b>			
Revenue	4	39,586	80,796
Cost of sales		(13,191)	(33,611)
		<hr/>	<hr/>
<b>Gross profit</b>		26,395	47,185
Administrative expenses	5	(46,657)	(102,276)
Other income		258	226
		<hr/>	<hr/>
<b>Operating loss</b>		(20,004)	(54,865)
Finance costs	8	(17,814)	(16,020)
		<hr/>	<hr/>
<b>Loss before tax</b>		(37,818)	(70,885)
Tax credit	10	7,443	7,769
		<hr/>	<hr/>
<b>Loss for the period attributable to owners of the Company</b>		(30,375)	(63,116)
		<hr/>	<hr/>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property	12	(1,940)	(133,673)
Related deferred tax		839	20,390
		<hr/>	<hr/>
		(1,101)	(113,283)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) on translating foreign operations		18,741	(28,674)
(Loss)/gain on net investment hedge		(14,157)	21,157
Fair value gain/(loss) on cash flow hedges		2,297	(6,109)
Cash flow hedges – reclassified to profit or loss		1,316	929
Related deferred tax		-	649
		<hr/>	<hr/>
		8,197	(12,048)
		<hr/>	<hr/>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		7,096	(125,331)
		<hr/>	<hr/>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		(23,279)	(188,447)
		<hr/>	<hr/>
<b>Earnings per share</b>			
Basic loss per share	22	(13.6) cents	(34.0) cents
		<hr/>	<hr/>
Diluted loss per share	22	(13.6) cents	(34.0) cents
		<hr/>	<hr/>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of financial position at 30 June 2021

		30 June 2021 €'000	31 December 2020 €'000
<b>Assets</b>	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets and goodwill	11	32,028	31,733
Property, plant and equipment	12	1,212,323	1,202,743
Right-of-use assets	13	406,073	411,007
Investment property		2,090	2,089
Deferred tax assets	19	20,893	12,344
Contract fulfilment costs	14	-	22,374
Other receivables		9,888	9,059
<b>Total non-current assets</b>		<b>1,683,295</b>	<b>1,691,349</b>
<b>Current assets</b>			
Contract fulfilment costs	14	27,216	-
Trade and other receivables		12,716	9,231
Inventories		1,372	1,258
Cash and cash equivalents		40,928	50,197
<b>Total current assets</b>		<b>82,232</b>	<b>60,686</b>
<b>Total assets</b>		<b>1,765,527</b>	<b>1,752,035</b>
<b>Equity</b>			
Share capital	21	2,229	2,227
Share premium	21	504,895	504,735
Capital contribution		25,724	25,724
Merger reserve		81,264	81,264
Share-based payment reserve		2,150	3,419
Hedging reserve		(5,429)	(9,042)
Revaluation reserve		198,205	199,306
Translation reserve		(8,518)	(13,102)
Retained earnings		110,256	138,249
<b>Total equity</b>		<b>910,776</b>	<b>932,780</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	18	341,963	314,143
Lease liabilities	13	391,004	388,871
Deferred tax liabilities	19	39,692	39,404
Derivatives		5,429	9,042
Provision for liabilities	15	7,735	6,747
<b>Total non-current liabilities</b>		<b>785,823</b>	<b>758,207</b>
<b>Current liabilities</b>			
Lease liabilities	13	9,766	10,761
Trade and other payables		57,551	48,668
Current tax liabilities		82	91
Provision for liabilities	15	1,529	1,528
<b>Total current liabilities</b>		<b>68,928</b>	<b>61,048</b>
<b>Total liabilities</b>		<b>854,751</b>	<b>819,255</b>
<b>Total equity and liabilities</b>		<b>1,765,527</b>	<b>1,752,035</b>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 June 2021

	Attributable to owners of the Company									Total €'000
	Share capital €'000	Share premium €'000	Capital Contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	
<b>At 1 January 2021</b>	2,227	504,735	25,724	81,264	3,419	(9,042)	199,306	(13,102)	138,249	<b>932,780</b>
<b>Comprehensive loss:</b>										
Loss for the period	-	-	-	-	-	-	-	-	(30,375)	<b>(30,375)</b>
<i>Other comprehensive income/(loss)</i>										
Exchange gain on translating foreign operations	-	-	-	-	-	-	-	18,741	-	<b>18,741</b>
Loss on net investment hedge	-	-	-	-	-	-	-	(14,157)	-	<b>(14,157)</b>
Revaluation of property	-	-	-	-	-	-	(1,940)	-	-	<b>(1,940)</b>
Fair value gain on cash flow hedges	-	-	-	-	-	2,297	-	-	-	<b>2,297</b>
Cash flow hedges – reclassified to profit or loss	-	-	-	-	-	1,316	-	-	-	<b>1,316</b>
Related deferred tax	-	-	-	-	-	-	839	-	-	<b>839</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,613</b>	<b>(1,101)</b>	<b>4,584</b>	<b>(30,375)</b>	<b>(23,279)</b>
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments	-	-	-	-	1,113	-	-	-	-	<b>1,113</b>
Vesting of share awards and options	2	160	-	-	-	-	-	-	-	<b>162</b>
Transfer from share-based payment reserve to retained earnings	-	-	-	-	(2,382)	-	-	-	2,382	<b>-</b>
<b>Total transactions with owners of the Company</b>	<b>2</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>(1,269)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,382</b>	<b>1,275</b>
<b>At 30 June 2021</b>	<b>2,229</b>	<b>504,895</b>	<b>25,724</b>	<b>81,264</b>	<b>2,150</b>	<b>(5,429)</b>	<b>198,205</b>	<b>(8,518)</b>	<b>110,256</b>	<b>910,776</b>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of changes in equity

for the six months ended 30 June 2020

	Attributable to owners of the Company									Total €'000
	Share capital €'000	Share premium €'000	Capital Contribution €'000	Merger reserve €'000	Share-based payment reserve €'000	Hedging reserve €'000	Revaluation reserve €'000	Translation reserve €'000	Retained earnings €'000	
<b>At 1 January 2020</b>	1,851	504,488	25,724	(10,337)	4,900	(3,958)	351,869	(6,593)	204,897	<b>1,072,841</b>
<b>Comprehensive loss:</b>										
Loss for the period	-	-	-	-	-	-	-	-	(63,116)	<b>(63,116)</b>
<i>Other comprehensive income/(loss)</i>										
Exchange loss on translating foreign operations	-	-	-	-	-	-	-	(28,674)	-	<b>(28,674)</b>
Gain on net investment hedge	-	-	-	-	-	-	-	21,157	-	<b>21,157</b>
Revaluation of property	-	-	-	-	-	-	(133,673)	-	-	<b>(133,673)</b>
Transfer of revaluation gains to retained earnings on sale of property	-	-	-	-	-	-	(30,269)	-	30,269	<b>-</b>
Fair value loss on cash flow hedges	-	-	-	-	-	(6,109)	-	-	-	<b>(6,109)</b>
Cash flow hedges – reclassified to profit or loss	-	-	-	-	-	929	-	-	-	<b>929</b>
Related deferred tax	-	-	-	-	-	649	20,390	-	-	<b>21,039</b>
Total comprehensive loss for the period	-	-	-	-	-	<b>(4,531)</b>	<b>(143,552)</b>	<b>(7,517)</b>	<b>(32,847)</b>	<b>(188,447)</b>
<b>Transactions with owners of the Company:</b>										
Equity-settled share-based payments	-	-	-	-	1,078	-	-	-	-	<b>1,078</b>
Vesting of share awards and options	6	247	-	-	(3,040)	-	-	-	3,040	<b>253</b>
Total transactions with owners of the Company	<b>6</b>	<b>247</b>	<b>-</b>	<b>-</b>	<b>(1,962)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,040</b>	<b>1,331</b>
<b>At 30 June 2020</b>	<b>1,857</b>	<b>504,735</b>	<b>25,724</b>	<b>(10,337)</b>	<b>2,938</b>	<b>(8,489)</b>	<b>208,317</b>	<b>(14,110)</b>	<b>175,090</b>	<b>885,725</b>

# Dalata Hotel Group plc

## Unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2021

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
<b>Cash flows from operating activities</b>		
Loss for the period	(30,375)	(63,116)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	13,416	13,481
Depreciation of right-of-use assets	9,805	10,627
Amortisation of intangible assets	281	270
Net property revaluation movements through profit or loss	(2,477)	27,261
Loss on sale and leaseback	-	1,673
Impairment of goodwill	-	3,226
Impairment of right-of-use assets	315	7,415
Impairment of fixtures, fittings and equipment	5	1,054
Remeasurement gain on right-of-use assets	(277)	-
Share-based payments expense	1,113	1,078
Interest on lease liabilities	11,771	10,881
Other interest and finance costs	6,043	5,139
Tax credit	(7,443)	(7,769)
	<b>2,177</b>	<b>11,220</b>
Increase/(decrease) in trade and other payables and provision for liabilities	6,911	(16,391)
Increase in current and non-current trade and other receivables	(3,244)	(3,292)
(Increase)/decrease in inventories	(114)	556
Tax paid	(104)	(767)
<b>Net cash from/(used in) operating activities</b>	<b>5,626</b>	<b>(8,674)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,580)	(17,267)
Contract fulfilment cost payments	(3,039)	(1,735)
Costs paid on entering new leases and agreements for lease	(632)	(5,771)
Proceeds from sale of Clayton Hotel Charlemont	-	64,190
Purchase of intangible assets	(47)	(493)
<b>Net cash (used in)/from investing activities</b>	<b>(7,298)</b>	<b>38,924</b>
<b>Cash flows from financing activities</b>		
Net receipt of revolving credit facility loans	13,000	50,986
Repayment of lease liabilities	(3,962)	(3,171)
Interest paid on lease liabilities	(11,771)	(10,881)
Other interest and finance costs paid	(6,994)	(4,642)
Proceeds from vesting of share awards and options	162	253
<b>Net cash (used in)/from financing activities</b>	<b>(9,565)</b>	<b>32,545</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,237)</b>	<b>62,795</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>50,197</b>	<b>40,586</b>
Effect of movements in exchange rates	1,968	(242)
<b>Cash and cash equivalents at end of period</b>	<b>40,928</b>	<b>103,139</b>

# Dalata Hotel Group plc

## Notes to the unaudited condensed consolidated interim financial statements

### 1 General information and basis of preparation

Dalata Hotel Group plc ('the Company') is a company domiciled in the Republic of Ireland. The unaudited condensed consolidated financial statements for the six month period ended 30 June 2021 (the 'Interim Financial Statements') include the Company and its subsidiaries (together referred to as the 'Group'). The Interim Financial Statements were authorised for issue by the Directors on 31 August 2021.

These unaudited Interim Financial Statements have been prepared by Dalata Hotel Group plc in accordance with IAS 34 *Interim Financial Reporting* ('IAS 34') as adopted by the European Union ('EU'). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since 31 December 2020. They should be read in conjunction with the consolidated financial statements of Dalata Hotel Group plc, which were prepared in accordance with IFRS as adopted by the EU, as at and for the year ended 31 December 2020.

These Interim Financial Statements are presented in Euro, rounded to the nearest thousand, which is the functional currency of the parent company and also the presentation currency for the Group's financial reporting.

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing these Interim Financial Statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

The Interim Financial Statements do not constitute statutory financial statements. The statutory financial statements for the year ended 31 December 2020, together with the independent auditor's report thereon, have been filed with the Companies Registration Office and are available on the Company's website [www.dalatahotelgroup.com](http://www.dalatahotelgroup.com). The auditor's report on those financial statements was not qualified and it contained an emphasis of matter paragraph, drawing attention to the disclosures in the financial statements concerning the material valuation uncertainty in respect of the estimated fair value of the Group's owned land and buildings as at 31 December 2020 on the basis of uncertainties in the hotel property market, at that time, caused by the Covid-19 pandemic.

#### Going concern

Ongoing government restrictions due to Covid-19 continued to have a significant impact on the earnings and operations of the Group in the first half of 2021. These included the closure of the hospitality industry to all except for essential services business from the start of the period in Ireland until 2 June 2021. All of the Group's UK hotels were only open at limited capacity between January 2021 and May 2021. Hotels re-opened fully to the public in England and Wales on 17 May 2021 and in Northern Ireland on 24 May 2021. In both Ireland and the UK, international travel has also largely been restricted to essential travel only for the entire period. Large events and public gatherings were prohibited throughout the period. Restrictions are however being gradually lifted in light of the success of the ongoing vaccine rollouts in both jurisdictions and globally.

The impact of the Covid-19 restrictions has resulted in Group revenue declining by €162.3 million compared to the first half of 2019, a period unimpacted by Covid-19. Covid-19 has also impacted a number of other areas of the business which are further detailed in the Operating segments note 4, Property, plant and equipment note 12, Impairment note 6 and Financial risk management note 17.

# Dalata Hotel Group plc

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

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

#### Going concern (*continued*)

The Group entered the Covid-19 pandemic with a strong balance sheet and liquidity position and, despite the material impact Covid-19 has on the Group's financial performance, the Group remains in a strong position. As at 30 June 2021, the Group had property, plant and equipment of €1,212.3 million and cash and undrawn facilities of €269.9 million. The Group was not in breach of any of its covenants as at 30 June 2021.

The Group continued to tightly manage its cash and liquidity in the first half of 2021 and executed a number of strategies including:

- Availing of government wage subsidy schemes, other non-payroll related grants, and government assistance in the form of commercial rates waivers and warehousing of tax liabilities, where possible, in Ireland and in the UK (note 7);
- Postponement and cancellation of non-committed non-essential capital expenditure; and
- Strict working capital and cost management in all hotels and Central Office.

In 2020, similar measures to the above were implemented in addition to other liquidity strengthening actions such as the cancellation of the 2019 final dividend originally recommended by the Board, the sale and leaseback of Clayton Hotel Charlemont for €64.2 million in April 2020 and an equity raise in September 2020 raising net proceeds of €92.0 million.

In addition, on 9 July 2020, the Group entered into an amended and restated facility agreement with its banking club to provide additional flexibility and liquidity to support the Group following the impact of Covid-19 restrictions. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants with its banking club. The revised covenants include Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The revised covenants were put in place to avoid potential breaches in covenants based on trailing 12-month EBITDA during the period of recovery in trading profits following the impact of Covid-19.

The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover covenants for testing at 30 June 2022. At 30 June 2022, the Net Debt to EBITDA covenant limit is 6.0x and the Interest Cover minimum is 4.0x. The Net Debt to EBITDA covenant limit reduces to 4.0x at 31 December 2022.

Forecasts completed as part of the amendment and restatement in July 2020 assumed recovery would commence earlier in 2021 and did not forecast the extended lockdowns in both Ireland and the UK, which resulted from the severity of the third wave of Covid-19 infections and the new variants despite the success of the vaccine rollout. As the recovery only commenced in quarter two 2021 following lifting of restrictions, the trailing 12-month EBITDA from 1 July 2021 to 30 June 2022 will be lower than when revised covenants were originally agreed.

Forecasting of near-term trade performance remains difficult in the current environment. To address this, multiple reasonable scenarios have been prepared by the Group with key assumptions varying around the timing of the return to more normal levels of international travel and the ongoing nature and extent of government supports. Since re-opening in quarter two 2021 and the gradual lifting of travel restrictions, trade, primarily domestic leisure, continues to exceed expectations and the business continues to see later booking patterns than normal across all channels. Governments have announced ongoing supports but detail on some of these have not yet been formalised and consequently cannot be forecast with precision at this time.



# Dalata Hotel Group plc

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

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

#### Going concern (*continued*)

In all reasonable scenarios, the Group is forecast to have sufficient available funds and liquidity during the forecast period to December 2024. However, some of the scenarios show a potential temporary breach of Net Debt to EBITDA and Interest Cover covenants when they are re-instated and tested as of 30 June 2022 due to the recovery only now commencing in the trailing 12-month period underpinning the calculation of EBITDA for those covenants. All scenarios show compliance at the following testing period, 31 December 2022 and thereafter. If the covenants were temporarily breached as at 30 June 2022, all of the Group's borrowings would become repayable on demand under the terms of the Group's Facility Agreement from that point.

The Group will continue to monitor the evolving trade forecasts and pursue proactive and timely mitigating actions if necessary as it has since the start of the pandemic. As visibility on forecasts increases, any appropriate mitigating actions which are not currently modelled to prevent a possible covenant breach will be taken. These include engaging with the Group's banking club as to the timing of reverting to previous covenants given the longer than expected duration of Covid-19 restrictions. The Group will also consider other strategies such as a sale of an asset, a further share placing, negotiations with landlords on rental obligations and more severe cost cutting.

If a request for an extension of the temporary suite of covenants were made of the Group's banking club or even if a covenant breach were to arise, the Group would be confident of the ongoing support of its banking club given the strong relationships it has with the club as the Group has successfully navigated the unprecedented circumstances following Covid-19, the resumption of recovery towards more normal levels of trade, the Group's historic profitability and successful management and, not least, the value of the Group's assets upon which the banking club has security. Net Debt to Value ratio at 30 June 2021 was 27%.

At this point, the Group does not feel any of these further mitigating actions are necessary. The Group is focused on maximising trading opportunities and operational performance given the lifting of restrictions and on its future growth, including the opening of five more hotels in 2021 and early 2022, following the successful opening of Maldron Hotel Glasgow City in August 2021. In early 2022, the Group is also on target to execute the forward sale of the residential units it has developed, along with the building of the Maldron Merrion Road Hotel, which will lead to a cash inflow of approximately €42 million (excluding VAT).

The Directors have considered all of the above, with all available information and the current liquidity and capital position of the Group in assessing the going concern of the Group. On the basis of these judgements, the Directors have prepared these condensed consolidated interim 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.

### 2 Significant accounting policies

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2020.

### 3 Seasonality

In a typical year, hotel revenue and operating profit are driven by seasonal factors such as July and August being typically the busiest months in the operating cycle. In 2020 and the current period, due to the impact of Covid-19 restrictions, typical patterns of seasonality are disrupted and are not comparable to previous periods.

# Dalata Hotel Group plc

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

### 4 Operating segments

The Group's segments are reported in accordance with IFRS 8 *Operating Segments*. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the Executive Directors.

The Group segments its leased and owned business by geographical region within which the hotels operate being Dublin, Regional Ireland and the UK. These comprise the Group's three reportable segments.

#### Dublin, Regional Ireland and UK segments

These segments are concerned with hotels that are either owned or leased by the Group. As at 30 June 2021, the Group owns 27 hotels (31 December 2020: 27 hotels, 30 June 2020: 27 hotels) and has effective ownership of one further hotel which it operates (31 December 2020: one hotel, 30 June 2020: one hotel). It also owns the majority of one further hotel it operates (31 December 2020: one hotel, 30 June 2020: one hotel). The Group also leases 12 hotel buildings from property owners (31 December 2020: 12 hotels, 30 June 2020: 12 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 to online travel agents on room sales, other operating costs, and, in the case of leased hotels, variable lease costs (where linked to turnover or profit) payable to lessors.

Revenue	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Dublin	16,120	44,847
Regional Ireland	11,639	15,591
UK	11,827	20,358
<b>Total revenue</b>	<b>39,586</b>	<b>80,796</b>

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

The Covid-19 pandemic has resulted in a material loss of revenue for the period ended 30 June 2021. The prior period was also impacted by Covid-19 from March 2020. Varying global restrictions on travel and numerous public health initiatives have resulted in significantly reduced demand in the wider hospitality industry. In Ireland, all hotels except for one hotel remained open in a limited capacity to provide for essential services business between January 2021 and May 2021. On 2 June 2021, the hotels in Ireland re-opened to the public, however, food and beverage was only available to hotel guests in line with government restrictions. All of the Group's UK hotels were open at limited capacity between January 2021 and May 2021. Hotels re-opened fully to the public in England and Wales on 17 May 2021 and in Northern Ireland on 24 May 2021.

# Dalata Hotel Group plc

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

### 4 Operating segments (*continued*)

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
<b>Segmental results – EBITDAR</b>		
Dublin	2,143	13,393
Regional Ireland	3,162	(317)
UK	1,384	2,502
<b>EBITDAR for reportable segments</b>	<b>6,689</b>	<b>15,578</b>
<b>Segmental results – EBITDA</b>		
Dublin	2,143	13,198
Regional Ireland	3,162	(327)
UK	1,384	2,470
<b>EBITDA for reportable segments</b>	<b>6,689</b>	<b>15,341</b>
<b>Reconciliation to results for the period</b>		
Segments EBITDA	6,689	15,341
Other income	258	226
Central costs	(4,397)	(4,347)
Share-based payments expense	(1,113)	(1,078)
<b>Adjusted EBITDA</b>	<b>1,437</b>	<b>10,142</b>
Hotel pre-opening expenses	(373)	-
Net property revaluation movements through profit or loss	2,477	(27,261)
Impairment of goodwill	-	(3,226)
Impairment of fixtures, fittings and equipment	(5)	(1,054)
Impairment of right-of-use assets	(315)	(7,415)
Remeasurement gain on right-of-use assets	277	-
Loss on sale and leaseback	-	(1,673)
<b>Group EBITDA</b>	<b>3,498</b>	<b>(30,487)</b>
Depreciation of property, plant and equipment	(13,416)	(13,481)
Depreciation of right-of-use assets	(9,805)	(10,627)
Amortisation of intangible assets	(281)	(270)
Interest on lease liabilities	(11,771)	(10,881)
Other interest and finance costs	(6,043)	(5,139)
<b>Loss before tax</b>	<b>(37,818)</b>	<b>(70,885)</b>
Tax credit	7,443	7,769
<b>Loss for the period</b>	<b>(30,375)</b>	<b>(63,116)</b>

# Dalata Hotel Group plc

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

### 4 Operating segments (*continued*)

Group EBITDA represents earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets.

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses. Consequently, Adjusted EBITDA represents Group EBITDA before:

- Net property revaluation movements through profit or loss (note 12);
- Impairment of goodwill (note 11), right-of-use assets (note 13) or related fixtures, fittings and equipment (note 12);
- 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;
- The remeasurement gain on right-of-use assets (note 13); and
- The accounting loss on the sale and leaseback.

The line item 'central costs' includes costs of the Group's central functions including operations support, technology, sales and marketing, human resources, finance, corporate services and business development. Share-based payments expense is presented separately from central costs as this expense relates to employees across the Group.

'Segmental results – EBITDA' for Dublin, Regional Ireland and UK represents the 'Adjusted EBITDA' for each geographical location before central costs, share-based payments expense and other income. It is the net operational contribution of leased and owned hotels in each geographical location.

'Segmental results – EBITDAR' for Dublin, Regional Ireland and UK represents 'Segmental results – EBITDA' before variable lease costs.

### Disaggregated revenue information

Disaggregated revenue is reported in the same way as it is reviewed and analysed internally by the chief operating decision makers, primarily the Executive Directors. The key components of revenue reviewed by the chief operating decision makers are:

- Room revenue which relates to the rental of rooms in each hotel. Revenue is recognised when the hotel room is occupied, and the service is provided;
- Food and beverage revenue which relates to sales of food and beverages at the hotel property. This 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.

# Dalata Hotel Group plc

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

## 4 Operating segments (*continued*)

### Disaggregated revenue information (*continued*)

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
<b>Revenue review by segment – Dublin</b>		
Room revenue	10,591	29,899
Food and beverage revenue	3,851	10,965
Other revenue	1,678	3,983
<b>Total revenue</b>	<b>16,120</b>	<b>44,847</b>
<b>Revenue review by segment – Regional Ireland</b>		
Room revenue	7,315	8,810
Food and beverage revenue	3,284	4,875
Other revenue	1,040	1,906
<b>Total revenue</b>	<b>11,639</b>	<b>15,591</b>
<b>Revenue review by segment – UK</b>		
Room revenue	8,597	14,208
Food and beverage revenue	2,524	4,435
Other revenue	706	1,715
<b>Total revenue</b>	<b>11,827</b>	<b>20,358</b>

# Dalata Hotel Group plc

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

### 4 Operating segments *(continued)*

#### Other geographical information

Revenue	6 months ended 30 June 2021			6 months ended 30 June 2020		
	Republic of Ireland €'000	UK €'000	Total €'000	Republic of Ireland €'000	UK €'000	Total €'000
Owned hotels	21,699	7,659	29,358	41,070	14,694	55,764
Leased hotels	6,060	4,168	10,228	19,368	5,664	25,032
<b>Total revenue</b>	<b>27,759</b>	<b>11,827</b>	<b>39,586</b>	<b>60,438</b>	<b>20,358</b>	<b>80,796</b>
EBITDAR	6 months ended 30 June 2021			6 months ended 30 June 2020		
	Republic of Ireland €'000	UK €'000	Total €'000	Republic of Ireland €'000	UK €'000	Total €'000
Owned hotels	5,814	1,234	7,048	8,595	2,140	10,735
Leased hotels	(509)	150	(359)	4,481	362	4,843
<b>Total EBITDAR</b>	<b>5,305</b>	<b>1,384</b>	<b>6,689</b>	<b>13,076</b>	<b>2,502</b>	<b>15,578</b>
	6 months ended 30 June 2021			6 months ended 30 June 2020		
	Republic of Ireland €'000	UK €'000	Total €'000	Republic of Ireland €'000	UK €'000	Total €'000
Variable lease costs	-	-	-	205	32	237
Depreciation of property, plant and equipment	8,989	4,427	13,416	9,159	4,322	13,481
Depreciation of right-of-use assets	7,451	2,354	9,805	7,959	2,668	10,627
Interest on lease liabilities	7,731	4,040	11,771	7,031	3,850	10,881

# Dalata Hotel Group plc

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

### 5 Administrative expenses

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Depreciation of property, plant and equipment (note 12)	13,416	13,481
Depreciation of right-of-use assets (note 13)	9,805	10,627
Net property revaluation movements through profit or loss*	(2,477)	27,261
Impairment of goodwill	-	3,226
Impairment of fixtures, fittings and equipment (note 12)	5	1,054
Impairment of right-of-use assets (note 13)	315	7,415
Remeasurement gain on right-of-use assets (note 13)	(277)	-
Amortisation of intangible assets (note 11)	281	270
Other administrative expenses	25,216	37,032
Hotel pre-opening expenses	373	-
Loss on sale and leaseback	-	1,673
Variable lease costs	-	237
	<b>46,657</b>	<b>102,276</b>

\*Net property revaluation movements through profit or loss relate to the net reversal of revaluation losses of €2.5 million through profit or loss (note 12) offset by a €0.02m fair value loss on investment property.

### 6 Impairment

At 30 June 2021, as a result of the impact of Covid-19 on expected trading, particularly on near term profitability, and the carrying amount of the net assets of the Group being more than its market capitalisation (market capitalisation is calculated by multiplying the share price on that date by the number of shares in issue), the Group tested each cash generating unit ('CGU') for impairment as both were deemed to be potential impairment indicators. Market capitalisation can be influenced by a number of different market factors and uncertainties, most evidently the impact of Covid-19. In addition, share prices reflect a discount due to lack of control rights.

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. Each individual hotel is considered to be a CGU for the purposes of impairment testing.

At 30 June 2021, the recoverable amounts of the Group's CGUs were based on VIU, determined by discounting the estimated future cash flows generated from the continuing use of these hotels. VIU cash flow projections are prepared for each CGU and then compared against the carrying value of the assets, including goodwill, properties, fixtures, fittings and equipment and right-of-use assets, in that CGU. The VIU assumptions are detailed below. The VIU cash flows take into account changes in market conditions as a result of Covid-19.



# Dalata Hotel Group plc

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

### 6 Impairment (*continued*)

The VIU estimates were based on the following key assumptions:

- Cash flow projections are based on operating results and forecasts prepared by management covering a ten year period in the case of freehold properties. This period was chosen due to the nature of the hotel assets and is consistent with the valuation basis used by independent external property valuers when performing their hotel valuations (note 12). For CGUs with right-of-use assets, the lease term was used;
- Revenue and EBITDA projections are based on management's best estimate projections as at 30 June 2021. Forecasted revenue and EBITDA are based on expectations of future outcomes taking into account the current earnings, impact of Covid-19, past experience and adjusted for anticipated revenue and cost growth;
- Cash flow projections assume a long-term compound annual growth rate of 2% in EBITDA for CGUs in the Republic of Ireland and in the UK;
- Cash flows include an average annual capital outlay on maintenance for the hotels dependent on the condition of the hotel or typically 4% of revenues but assume no enhancements to any property;
- In the case of CGUs with freehold properties, the VIU calculations also include a terminal value based on terminal (year 10) capitalisation rates consistent with those used by the external property valuers which incorporates a long-term growth rate of 2% for Irish and for UK properties;
- The cash flows are discounted using a risk adjusted discount rate specific to each property. Risk adjusted discount rates of 7.75% to 9.50% for Dublin assets (31 December 2020: 8.25% to 9.75%), 9.0% to 11.0% for Regional Ireland assets (31 December 2020: 9.0% to 11.25%), 7.0% to 11.25% for UK assets (31 December 2020: 7.0% to 11.25%) have been used; and
- The values applied to each of these key assumptions are derived from a combination of internal and external factors based on historical experience of the valuers and of management and taking into account the stability of cash flows typically associated with these factors.

At 30 June 2021, the recoverable amount was deemed lower than the carrying amount in one of the Group's CGUs and resulted in an impairment charge of £0.3 million (€0.3 million), relating to a right-of-use asset (note 13) and fixtures, fittings and equipment (note 12), being recognised at 30 June 2021.

At 30 June 2021, the carrying value of the Group's other CGUs did not exceed their recoverable amount and no impairment was required following assessment.

Covid-19 continues to impact the Group's business and operations. As a result, the Group's projections are subject to a greater level of uncertainty than usual as governments worldwide continue to implement measures to protect public health, roll out vaccine programmes and support business and employment. As at 30 June 2021, all of the Group's hotels except for one hotel had re-opened to the public, however, the impact on the hospitality industry has been severe and predicting the path and the eventual containment of Covid-19 and the consequent lifting of travel and public health restrictions is difficult particularly in the immediate short term. Therefore, the estimation of cash flows which take into account the ongoing impacts of the pandemic, prepared to support the VIU estimates, is a key source of estimation uncertainty. Projections have been prepared on a conservative basis taking into account all information reasonably available in the environment at 30 June 2021. Broadly, the cash flow projections assume that the vaccine roll out continues, the projections assume international travel gradually returns during the second half of 2021 which continues through 2022 with trade broadly back to more normal levels in 2023 and 2024.

# Dalata Hotel Group plc

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

### 7 Government grants and government assistance

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Temporary Wage Subsidy Scheme (Ireland)	-	2,519
Employment Wage Subsidy Scheme (Ireland)	15,233	-
Coronavirus Job Retention Scheme (UK)	1,930	2,724
Other government grants related to income	5,834	-
<b>Grants related to income</b>	<b>22,997</b>	<b>5,243</b>

#### Payroll-related government grants

During the period ended 30 June 2021, the Group availed of the Employment Wage Subsidy Scheme in Ireland and the Coronavirus Job Retention Scheme in the UK. The Employment Wage Subsidy Scheme is available to employers who suffered a minimum 30% reduction in turnover as a result of the Covid-19 pandemic, and provides a flat rate subsidy based on the number of eligible employees. The Coronavirus Job Retention Scheme is available for eligible employees for the hours the employees are on furlough.

The Group was in compliance with all the conditions of the respective schemes during the period ended 30 June 2021 and availed of these schemes. The grant income received has been offset against the related costs in cost of sales and administrative expenses in profit or loss. No contingencies are attached to any of these schemes as at 30 June 2021. The Group continues to avail of the wage subsidy schemes.

#### Other government grants

During the period ended 30 June 2021, the Group availed of other grant schemes introduced by the Irish and UK governments to support businesses during the Covid-19 pandemic and contribute towards re-opening and other operating costs, including and not limited to, the Covid Restrictions Support Schemes in Ireland, and The Large Tourism and Hospitality Business Support Scheme in Northern Ireland. These grants, which totalled €5.8 million, have been offset against the related costs of €5.8 million in administrative expenses in profit or loss (period ended 30 June 2020: €nil).

The Group availed of the ERF Sector Specific Support Fund in the UK, which is aimed to support business survival and safeguarding jobs. A condition of the grant is that businesses are expected to safeguard the relevant jobs for a minimum of 12-months. Therefore, there is a contingent liability in this respect amounting to £0.05 million (€0.06 million) as at 30 June 2021 (30 June 2020: €nil).

# Dalata Hotel Group plc

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

### 7 Government grants and government assistance (*continued*)

#### Government assistance

In addition, the Group received financial assistance by way of commercial rates waivers and deferrals of tax liabilities from the Irish and UK governments.

In Ireland, the Group benefitted from a commercial rates waiver of €3.6 million for the period ended 30 June 2021 (for the period ended 30 June 2020: €1.8 million). In the UK, the Group benefitted from a commercial rates waiver of £2.1 million (€2.5 million) for the period ended 30 June 2021 (for the period ended 30 June 2020: £1.1 million (€1.3 million)).

Under the warehousing of tax liabilities legislation introduced by the Financial Provisions (Covid-19) (No. 2) Bill 2020, Irish VAT liabilities of €4.9 million and payroll tax liabilities of €11.2 million have been deferred as at 30 June 2021 and are expected to be payable during 2022.

In the UK, VAT liabilities relating to the year ended 31 December 2020 are being paid by instalments, under the VAT payment deferral scheme. The outstanding deferred VAT liabilities at 30 June 2021 are £0.3 million (€0.4 million). These deferred liabilities are payable in monthly instalments from July 2021 to December 2021.

### 8 Finance costs

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Interest on lease liabilities (note 13)	11,771	10,881
Interest expense on bank loans and borrowings	4,929	4,213
Cash flow hedges - reclassified from other comprehensive income	1,316	929
Net exchange gain on loans and borrowings, and cash and cash equivalents	(29)	(69)
Other finance costs	1,021	692
Interest capitalised to property, plant and equipment (note 12)	(886)	(548)
Interest capitalised to contract fulfilment costs (note 14)	(308)	(78)
	<b>17,814</b>	<b>16,020</b>

The Group uses interest rate swaps to convert the interest rate on part of its debt from floating rate to fixed rate. The cash flow hedge amount reclassified from other comprehensive income is shown separately within finance costs and represents the additional interest the Group paid as a result of the interest rate swaps.

Other finance costs primarily relate to commitment fees and other banking fees. Net exchange gains on financing activities relates principally to loans which did not form part of the net investment hedge (note 17).

# Dalata Hotel Group plc

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

### 8 Finance costs (*continued*)

Interest on loans and borrowings amounting to €1.2 million (period ended 30 June 2020: €0.6 million) was capitalised to assets under construction and contract fulfilment costs on the basis that this cost was directly attributable to the construction of qualifying assets (notes 12,14). The capitalisation rates applied by the Group, which were reflective of the weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the period, were 2.4% (30 June 2020: 1.4 %) and 3.6% (30 June 2020: 2.9%) respectively.

### 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 period was €1.1 million (six months ended 30 June 2020: €1.1 million), analysed as follows:

	<b>6 months ended 30 June 2021 €'000</b>	<b>6 months ended 30 June 2020 €'000</b>
Long Term Incentive Plans	<b>890</b>	582
Share Save schemes	<b>223</b>	496
	<b>1,113</b>	1,078

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

#### Long Term Incentive Plans

##### Awards granted

In March 2021, the Board approved the conditional grant of 1,361,145 ordinary shares ('the Award') pursuant to the terms and conditions of the Group's 2017 Long Term Incentive Plan ('the 2017 LTIP'). The Award was made to senior employees across the Group (106 in total). As the Covid-19 pandemic has significantly impacted the Group, setting targets of a market and non-market nature proved difficult at this time and as a result, in line with guidance from the Investment Association, the setting of the performance condition target ranges was postponed until the second half of 2021 so that they could be appropriately set. The performance period of the Award is 1 January 2021 to 31 December 2023. As the service conditions had been set and the relevant service had been commenced by employees during the period ended 30 June 2021, the Group has recognised a cost in these condensed consolidated interim financial statements in relation to these employees from March 2021 based on the Group's best estimate as at the end of the reporting period.

On 31 August 2021, the Board on the Remuneration Committee's recommendation approved the new performance terms and conditions for the 2021 LTIP which includes 50% of the performance target being based on total shareholder return and 50% based on free cash flow per share with varying thresholds.

# Dalata Hotel Group plc

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

### 9 Share-based payments expense (*continued*)

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

##### Awards vested

As a result of the impact of Covid-19 on the Group, the performance conditions under the 2018 LTIP scheme, total shareholder return ('TSR') and earnings per share ('EPS') were not satisfied. In January 2021, the Board on the Remuneration Committee's recommendation, as permitted under the deed of grant, modified the performance terms and conditions of the 2018 LTIP scheme, to recognise the ongoing commitment by certain senior employees of the Group. The modified conditions set out were that the employee must have been a beneficiary of the 2018 LTIP scheme, who was in employment on 25 January 2021 and was neither a Director or Company Secretary. A maximum discretionary award of 25% of the conditional awards under the 2018 LTIP scheme relating to these employees vested and the related expense was fully accounted for in the period ended 30 June 2021. The Group determined the fair value on the date of modification to be the publicly available share price on 25 January 2021 less the nominal value.

Movements in the number of share awards are as follows:

	6 months ended 30 June 2021 Awards	Year ended 31 December 2020 Awards
Outstanding at the beginning of the period/year	3,842,928	2,361,766
Granted during the period/year	1,361,145	2,282,533
Dividend equivalents	-	42,006
Forfeited during the period/year	(43,148)	(29,906)
Lapsed unvested during the period/year	(628,524)	(264,092)
Exercised during the period/year	(93,172)	(549,379)
	<hr/>	<hr/>
Outstanding at the end of the period/year	4,439,229	3,842,928
	<hr/>	<hr/>
	6 months ended 30 June 2021 Awards	Year ended 31 December 2020 Awards
March 2018	-	728,288
March 2019	838,046	847,276
March 2020	2,244,725	2,267,364
March 2021	1,356,458	-
	<hr/>	<hr/>
Outstanding at the end of the period/year	4,439,229	3,842,928
	<hr/>	<hr/>

##### Share Save schemes

During the six months ended 30 June 2021, the Company issued 39,291 shares on maturity of the share options granted as part of the Share Save scheme granted in 2017. The weighted average share price at the date of exercise for options exercised during the period was €4.53.

# Dalata Hotel Group plc

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

### 10 Tax credit

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
<b>Current tax</b>		
Irish corporation tax	-	-
Foreign corporation tax	5	77
Deferred tax credit	(7,448)	(7,846)
	<hr/>	<hr/>
<b>Tax credit</b>	<b>(7,443)</b>	<b>(7,769)</b>
	<hr/>	<hr/>

The deferred tax credit for the period ended 30 June 2021 of €7.4 million relates mainly to the recognition of deferred tax assets in respect of corporation tax losses incurred during the period of €5.8 million, the remeasurement of UK deferred tax assets and liabilities of €1.9 million and other offsetting movements of (€0.3 million), which are forecast to be realised at the corporation tax rate of 25%. During the period ended 30 June 2021, the UK government substantively enacted an increase in the corporation tax rate from 19% to 25%, with effect from 1 April 2023 (note 19). The increase in the effective income tax rate relative to the prior period mainly relates to this remeasurement of UK deferred tax assets and liabilities at the 25% rate. In addition, the impact of non-deductible impairments reduced the effective tax rate in the prior period, relative to the period ended 30 June 2021.

# Dalata Hotel Group plc

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

### 11 Intangible assets and goodwill

	Goodwill €'000	Other intangible assets €'000	Total €'000
<b>Cost</b>			
Balance at 1 January 2021	78,963	2,470	81,433
Additions	-	47	47
Effect of movement in exchange rates	529	-	529
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2021</b>	<b>79,492</b>	<b>2,517</b>	<b>82,009</b>
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 January 2021	(48,947)	(753)	(49,700)
Amortisation of intangible assets	-	(281)	(281)
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2021</b>	<b>(48,947)</b>	<b>(1,034)</b>	<b>(49,981)</b>
	<hr/>	<hr/>	<hr/>
<b>Carrying amounts</b>			
<b>At 30 June 2021</b>	<b>30,545</b>	<b>1,483</b>	<b>32,028</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2020	30,016	1,717	31,733
	<hr/>	<hr/>	<hr/>

#### 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.

Included in the goodwill figure is €12.0 million (£10.3 million), which is attributable to goodwill arising on acquisition of foreign operations. Consequently, such goodwill is subsequently retranslated at the closing rate.

The Group tests goodwill annually for impairment or more frequently if there are indicators it may be impaired. Covid-19 and the carrying amount of the net assets of the Group being more than its market capitalisation have been deemed indicators of impairment and as a result, the Group performed an impairment test of the Group's CGUs at 30 June 2021 (note 6). As a result of the impairment tests, the Directors concluded that the carrying value of goodwill was not impaired at 30 June 2021 (31 December 2020: goodwill impairment of €2.6 million for a CGU relating to an Irish hotel and €0.6 million (£0.6 million) for a CGU relating to a UK hotel).

# Dalata Hotel Group plc

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

### 12 Property, plant and equipment

	Land and buildings €'000	Assets under construction €'000	Fixtures, fittings and equipment €'000	Total €'000
<b>At 30 June 2021</b>				
Valuation	1,067,023	-	-	1,067,023
Cost	-	67,459	141,338	208,797
Accumulated depreciation (and impairment charges)*	-	-	(63,497)	(63,497)
<b>Net carrying amount</b>	<b>1,067,023</b>	<b>67,459</b>	<b>77,841</b>	<b>1,212,323</b>
At 1 January 2021, net carrying amount	1,058,548	61,886	82,309	1,202,743
Additions	1	2,757	2,130	4,888
Capitalised borrowing costs	-	886	-	886
Capitalised labour costs	8	35	8	51
Revaluation losses through OCI	(7,864)	-	-	(7,864)
Revaluation gains through OCI	5,924	-	-	5,924
Revaluation losses through profit or loss	(1,070)	-	-	(1,070)
Reversal of revaluation losses through profit or loss	3,570	-	-	3,570
Impairment of fixtures, fittings and equipment	-	-	(5)	(5)
Depreciation charge for the period	(5,599)	-	(7,817)	(13,416)
Translation adjustment	13,505	1,895	1,216	16,616
<b>At 30 June 2021, net carrying amount</b>	<b>1,067,023</b>	<b>67,459</b>	<b>77,841</b>	<b>1,212,323</b>

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

The carrying value of land and buildings, revalued at 30 June 2021, is €1,067.0 million (31 December 2020: €1,058.5 million). The value of these assets under the cost model is €844.6 million (31 December 2020: €834.2 million).

In the period ended 30 June 2021, unrealised revaluation gains of €5.9 million and unrealised revaluation losses arising of €7.9 million (year ended 31 December 2020: net unrealised revaluation losses €143.6 million) have been reflected through other comprehensive income and in the revaluation reserve in equity.

In the period ended 30 June 2021, a net revaluation gain of €2.5 million (year ended 31 December 2020: net revaluation losses of €30.8 million) has been reflected in administrative expenses through profit or loss, which represents the combination of revaluation losses in profit or loss of €1.1 million (year ended 31 December 2020: €32.2 million) and the reversal of previously recognised revaluation losses recognised in profit or loss in the period of €3.6 million (year ended 31 December 2020: €1.4 million).

Included in land and buildings at 30 June 2021 is land at a carrying value of €301.0 million which is not depreciated (31 December 2020: €301.3 million).

Additions to assets under construction during the period ended 30 June 2021 primarily relate to development expenditure incurred on the new hotel being built at the former Tara Towers site in Dublin.



# Dalata Hotel Group plc

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

### 12 Property, plant and equipment (*continued*)

Interest of €0.9 million was capitalised on loans and borrowings relating to qualifying assets (note 8) during the period ended 30 June 2021, and labour costs of €0.1 million were capitalised relating to the Group's internal development team which are directly related to asset acquisitions and other construction work completed in relation to the Group's property, plant and equipment.

#### Measurement of fair value

The value of the Group's property at 30 June 2021 reflects open market valuations carried out as at 30 June 2021 by independent external valuers having appropriate recognised professional qualifications and recent experience in the location and value of the property being valued. The external valuations performed were in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. As a result of Covid-19, similar to other real estate markets, the market for hotel assets has experienced significantly lower levels of transactional activity and liquidity. As at the valuation date of 30 June 2021 some property markets have started to function again and other relevant market evidence exists upon which to base opinions of value, and therefore the valuations as at 30 June 2021 are not being reported by the valuers on the basis of 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The valuations at 31 December 2020 were reported on the basis of 'material valuation uncertainty'.

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 30 June 2021, 29 properties were revalued by independent external valuers engaged by the Group (31 December 2020: 29 properties).

The principal valuation technique used by the independent external valuers engaged by the Group was discounted cash flows. This valuation model considers the present value of net cash flows to be generated from the property over a ten year period (with an assumed terminal value at the end of year 10). Valuers' forecast cash flow included in these calculations represents the expectations of the valuers for EBITDA (driven by revenue per available room ('RevPAR') calculated as total rooms revenue divided by rooms available) for the property and also takes account of the expectations of a prospective purchaser. It also includes their expectation for capital expenditure which the valuers, typically, assume as approximately 4% of revenue per annum. This does not always reflect the profile of actual capital expenditure incurred by the Group. On specific assets, refurbishments are, by nature, periodic rather than annual. Valuers' expectations of EBITDA are based on 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 Republic of Ireland domiciled assets (31 December 2020: 9.92%) and 6.8% for UK domiciled assets (31 December 2020: 6.8%).

The valuers use their professional judgement and experience to balance the interplay between the different assumptions and valuation influences. For example, initial discounted cash flows based on individually reasonable inputs may result in a valuation which challenges the price per key metrics (value of hotel divided by room numbers) in recent hotel transactions. This would then result in one or more of the inputs being amended for preparation of a revised discounted cash flow. Consequently, the individual inputs may change from the prior period or may look individually unusual and therefore must be considered as a whole in the context of the overall valuation.

# Dalata Hotel Group plc

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

### 12 Property, plant and equipment (*continued*)

The significant unobservable inputs are:

- Valuers' forecast cash flow;
- Risk adjusted discount rates and Terminal (Year 10) capitalisation rates are specific to each property.
- Dublin assets:
  - Risk adjusted discount rates range between 7.75% and 9.50% (31 December 2020: 8.25% and 9.75%).
  - Weighted average risk adjusted discount rate is 8.72% (31 December 2020: 8.88%).
  - Terminal capitalisation rates range between 5.75% and 7.50% (31 December 2020: 6.25% and 7.75%).
  - Weighted average terminal capitalisation rate is 6.72% (31 December 2020: 6.88%).
- Regional Ireland:
  - Risk adjusted discount rates range between 9.0% and 11.0% (31 December 2020: 9.0% and 11.25%).
  - Weighted average risk adjusted discount rate is 9.55% (31 December 2020: 9.69%).
  - Terminal capitalisation rates range between 7.00% and 9.00% (31 December 2020: 7.00% and 9.25%).
  - Weighted average terminal capitalisation rate is 7.55% (31 December 2020: 7.69%).
- UK:
  - Risk adjusted discount rates range between 7.0% and 11.25% (31 December 2020: 7.0% and 11.25%).
  - Weighted average risk adjusted discount rate is 8.54% (31 December 2020: 8.52%).
  - Terminal capitalisation rates range between 5.00% and 9.25% (31 December 2020: 5.00% and 9.25%).
  - Weighted average terminal capitalisation rate is 6.54% (31 December 2020: 6.52%).

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

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

# Dalata Hotel Group plc

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

### 13 Leases

The Group leases assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below:

<b>Right-of-use assets</b>	<b>€'000</b>
<b>Net book value at 1 January 2021</b>	<b>411,007</b>
Additions	10
Depreciation charge for the period	(9,805)
Remeasurement of lease liabilities	(765)
Impairment of right-of-use assets	(315)
Translation adjustment	5,941
<b>Net book value at 30 June 2021</b>	<b>406,073</b>

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

<b>Lease liabilities</b>	<b>€'000</b>
<b>Lease liabilities at 1 January 2021</b>	<b>399,632</b>
Additions	10
Interest on lease liabilities	11,771
Lease payments	(15,733)
Remeasurement of lease liabilities	(1,042)
Translation adjustment	6,132
<b>Lease liabilities at 30 June 2021</b>	<b>400,770</b>

	<b>30 June 2021 €'000</b>	<b>31 December 2020 €'000</b>
Current	<b>9,766</b>	10,761
Non-current	<b>391,004</b>	388,871
	<b>400,770</b>	399,632

The Group has chosen not to avail of the alternative accounting treatment set out in *IFRS 16 – Covid-19 Related Rent Concessions* during the period ended 30 June 2021 or the year ended 31 December 2020. Consequently, any adjustments to the terms of the impacted leases have been treated as a remeasurement. The remeasurement of lease liabilities in the period ended 30 June 2021 relates to the remeasurement of lease liabilities for one hotel following an agreed rent amendment with the landlord. As a result of this modification, the lease liability has decreased by €1.1 million with a decrease of €0.8 million to the carrying value of the right-of-use asset, as this right-of-use asset had been previously impaired. The resulting difference of €0.3 million has been recognised as a remeasurement gain on right-of-use assets in profit or loss (note 4).

# Dalata Hotel Group plc

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

### 13 Leases (*continued*)

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

	At 30 June 2021			At 31 December 2020		
	Republic of Ireland	UK	Total	Republic of Ireland	UK	Total
	€'000	£'000	€'000	€'000	£'000	€'000
6 months/year ending 31 December 2021						
2021	13,166	3,689	17,465	25,515	7,486	33,842
During the year 2022	22,473	7,526	31,244	22,492	7,526	30,863
During the year 2023	22,358	7,605	31,221	22,358	7,605	30,817
During the year 2024	20,205	7,673	29,147	20,205	7,673	28,740
During the year 2025	19,965	7,753	29,001	19,965	7,753	28,589
During the year 2026	20,048	7,772	29,106	20,048	7,772	28,693
During the years 2027 – 2036	198,375	82,545	294,576	198,375	82,545	290,191
During the years 2037 – 2046	134,791	91,183	241,059	134,791	91,183	236,215
From 2047 onwards	56,181	63,051	129,663	56,181	63,051	126,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	507,562	278,797	832,482	519,930	282,594	834,263
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Sterling amounts have been converted using the closing foreign exchange rate of 0.85805 as at 30 June 2021 (0.89903 as at 31 December 2020).

The weighted average lease life of future minimum rentals payable under leases is 29.1 years (31 December 2020: 29.4 years). Lease liabilities are monitored within the Group's treasury function.

# Dalata Hotel Group plc

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

### 13 Leases (*continued*)

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

The unwinding of the right-of-use assets and the release of the interest on the lease liabilities through profit or loss over the terms of the leases have been disclosed in the following table:

	Depreciation of right-of-use assets			Interest on lease liabilities		
	Republic of Ireland €'000	UK £'000	Total €'000	Republic of Ireland €'000	UK £'000	Total €'000
6 months ending 31 December 2021	6,864	2,041	9,244	7,555	3,501	11,635
During the year 2022	13,693	4,082	18,450	14,809	6,984	22,948
During the year 2023	13,522	4,082	18,279	14,368	6,949	22,467
During the year 2024	11,650	4,082	16,407	13,955	6,908	22,006
During the year 2025	11,568	4,082	16,325	13,600	6,860	21,595
During the year 2026	11,563	3,738	15,919	13,223	6,806	21,155
During the years 2027 – 2036	108,611	34,620	148,958	105,891	62,956	179,262
During the years 2037 – 2046	71,431	34,545	111,691	47,078	44,042	98,406
From 2047 onwards	27,665	19,851	50,800	10,200	18,910	32,238
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	276,567	111,123	406,073	240,679	163,916	431,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Sterling amounts have been converted using the closing foreign exchange rate of 0.85805 as at 30 June 2021.

The actual depreciation and interest charge through profit or loss will depend on the composition of the Group's lease portfolio in future years and is subject to change, driven by:

- commencement of new leases;
- modifications of existing leases;
- reassessments of lease liabilities following periodic rent reviews; and
- impairments of right-of-use assets.

As a result of the impact of Covid-19, impairment tests were carried out on the Group's CGUs as at 30 June 2021 (note 6). Each hotel operating business is deemed to be a CGU as the cash flows generated are independent of other hotels in the Group. As a result of the impairment testing, one of the Group's right-of-use assets in relation to a UK CGU was impaired by €0.3 million (£0.3 million) (note 6).

# Dalata Hotel Group plc

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

### 13 Leases (*continued*)

#### Leases not yet commenced to which the lessee is committed

The Group has multiple agreements for lease at 30 June 2021 and details of the non-cancellable lease rentals and other contractual obligations payable under these agreements are set out hereafter. These represent the minimum future lease payments (undiscounted) in aggregate that the Group is required to make under the agreements. An agreement for lease is a binding agreement between external third parties and the Group to enter into a lease at a future date. The dates of commencement of these leases may change based on the hotel opening dates. The amounts payable may also change slightly if there are any changes in room numbers delivered through construction.

<b>Agreements for lease</b>	<b>30 June 2021 €'000</b>	<b>31 December 2020 €'000</b>
Less than one year	<b>17,753</b>	5,165
One to two years	<b>15,799</b>	20,794
Two to three years	<b>26,843</b>	21,682
Three to five years	<b>47,384</b>	51,801
Five to fifteen years	<b>245,977</b>	262,042
Fifteen to twenty five years	<b>260,243</b>	274,672
After twenty five years	<b>301,440</b>	336,512
	<hr/>	<hr/>
Total future lease payments	<b>915,439</b>	972,668
	<hr/>	<hr/>

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: for Maldron Hotel Glasgow City (opened 3 August 2021), Clayton Hotel Manchester City Centre (Q4 2021), Maldron Hotel Manchester (Q1 2022), The Samuel, Dublin (Q1 2022), Clayton Hotel Bristol (Q1 2022), Clayton Hotel Glasgow (Q2 2022), Maldron Hotel Brighton (Q1 2024), Maldron Hotel Croke Park, Dublin (Q1 2024), Maldron Hotel Victoria, Manchester (estimated to be in 2024) and Maldron Hotel Liverpool (estimated to be in 2024).

The agreement for lease for the Maldron Hotel in Birmingham, which was reflected in the amount as at 31 December 2020, will no longer proceed.

# Dalata Hotel Group plc

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

### 14 Contract fulfilment costs

	30 June 2021 €'000	31 December 2020 €'000
At 1 January	22,374	13,346
Costs incurred in fulfilling contract to date	4,534	8,737
Capitalised borrowing costs (note 8)	308	291
	<hr/>	<hr/>
<b>At end of period/year</b>	<b>27,216</b>	<b>22,374</b>
	<hr/>	<hr/>

Contract fulfilment costs relate to the Group's contractual agreement with Irish Residential Properties REIT plc ('I-RES'), entered into on 16 November 2018, for I-RES to purchase a residential development which the Group is developing (comprising 69 residential units) on the site of the former Tara Towers Hotel.

Revenue and the associated cost will be recognised on this contract in profit or loss when the performance obligation in the contract has been met, which is expected to be on practical completion in March 2022. As a result, revenue will be recognised at this point in time in the future when the performance obligation is met, rather than over time. The overall sale value of the transaction is expected to be €42.4 million (excluding VAT), which is due in March 2022 (upon practical completion). The Group has reclassified these contract fulfilment costs from non-current assets to current assets on the statement of financial position as at 30 June 2021, as the revenue will be receivable within 12-months of this date.

# Dalata Hotel Group plc

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

### 15 Provision for liabilities

	30 June 2021 €'000	31 December 2020 €'000
<b>Non-current liabilities</b>		
Insurance provision	7,735	6,747
<b>Current liabilities</b>		
Insurance provision	1,529	1,528
<b>Total provision at end of period/year</b>	<b>9,264</b>	<b>8,275</b>

The reconciliation of the movement in the provision for the period/year is as follows:

	Period ended 30 June 2021 €'000	Year ended 31 December 2020 €'000
At 1 January	8,275	6,563
Provisions made during the period/year – charged to profit or loss	1,250	2,500
Utilised during the period/year	(261)	(758)
Reversed to profit or loss during the period/year	-	(30)
<b>At end of period/year</b>	<b>9,264</b>	<b>8,275</b>

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

The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. The Group expects the majority of the insurance provision will be utilised within five years of the period end date however, due to the nature of the provision, there is a level of uncertainty in the timing of settlement as the Group generally cannot precisely determine the extent and duration of the claim process. The provision has been discounted to reflect the time value of money though the effect is not significant.

The self-insurance programme commenced in July 2015 and increasing levels of claims data is becoming available. Claims provisions are assessed in light of claims experience and amended accordingly, where necessary, to ensure provisions reflect recent experience and trends.



# Dalata Hotel Group plc

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

### 16 Commitments

#### Capital expenditure commitments

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

	30 June 2021 €'000	31 December 2020 €'000
Contracted but not provided for	29,574	30,608

At 30 June 2021, the commitments relate primarily to the following:

- New-build hotel development of Maldron Hotel Merrion Road, Dublin; and
- Residential development (comprising 69 residential units) on the site of the former Tara Towers Hotel (note 14).

It also includes other capital expenditure committed at other hotels in the Group.

The Group also has other 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 revenue on capital expenditure in respect of fixtures, fittings and equipment in the leased hotels over the life of the lease. The Group has estimated the commitment in relation to these leases to be €49.9 million (31 December 2020: €51.2 million) spread over the life of the various leases which primarily range in length from 10 years to 34 years. The revenue figures used in the estimate of the commitment at 30 June 2021 have been based on 2019 trading levels, which was prior to Covid-19. The actual commitment will be higher or lower dependent on the actual revenue earned in each of the lease years.

In addition, a new construction agreement was signed on 2 July 2021 in relation to the new-build hotel development of the Maldron Hotel Shoreditch, London. The total estimated cost of the project is expected to be in the region of £25.0 million (€29.1 million).

### 17 Financial risk management

#### Risk exposures

The Group is exposed to various financial risks arising in the normal course of business. Its financial risk exposures are predominantly related to the creditworthiness of counterparties and risks relating to changes in interest rates and foreign currency exchange rates. The Group is exposed to external economic risk associated with the Covid-19 pandemic which severely impacted the business and operations of the Group (note 1).

The Group uses financial instruments throughout its business: loans and borrowings and cash and cash equivalents are used to finance the Group's operations; trade and other receivables, trade payables and accruals arise directly from operations and derivatives are used to manage interest rate risks and to achieve a desired profile of borrowings. The Group uses a net investment hedge with Sterling denominated borrowings to hedge the foreign exchange risk from investments in certain UK operations. The Group does not trade in financial instruments. The Group is managing working capital in order to mitigate the risk associated with the Covid-19 pandemic.

# Dalata Hotel Group plc

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

### 17 Financial risk management *(continued)*

#### Fair values

The following tables show the carrying amount of Group financial assets and liabilities including their values in the fair value hierarchy at 30 June 2021. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. A fair value disclosure for lease liability is not required.

	Fair value						
	Financial assets	Financial assets	Total	Level 1	Level 2	Level 3	Total
	measured at fair value	measured at	carrying amount	30 June	30 June	30 June	30 June
	30 June	amortised cost	30 June	2021	2021	2021	2021
	2021	2021	2021	€'000	€'000	€'000	€'000
Financial assets	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other receivables, excluding prepayments	-	10,572	10,572				
Cash at bank and in hand	-	40,928	40,928				
	<hr/>	<hr/>	<hr/>				
	-	51,500	51,500				
	<hr/>	<hr/>	<hr/>				
	Financial liabilities	Financial liabilities	Total carrying	Level 1	Level 2	Level 3	Total
	measured at fair value	measured at	amount	30 June	30 June	30 June	30 June
	30 June	amortised cost	30 June	2021	2021	2021	2021
	2021	2021	2021	€'000	€'000	€'000	€'000
Financial liabilities	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Bank loans	-	(341,963)	(341,963)		(341,963)		(341,963)
Trade payables and accruals	-	(31,388)	(31,388)				
Derivatives – hedging instruments	(5,429)	-	(5,429)		(5,429)		(5,429)
	<hr/>	<hr/>	<hr/>				
	(5,429)	(373,351)	(378,780)				
	<hr/>	<hr/>	<hr/>				

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

**Fair values (continued)**

			Fair value				
	Financial assets measured at fair value	Financial assets measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Financial assets	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Trade and other receivables, excluding prepayments	-	7,860	7,860				
Cash at bank and in hand	-	50,197	50,197				
	<u>-</u>	<u>58,057</u>	<u>58,057</u>				
	<u><u>-</u></u>	<u><u>58,057</u></u>	<u><u>58,057</u></u>				
	Financial liabilities measured at fair value	Financial liabilities measured at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total
	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020	31 December 2020
Financial liabilities	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Bank loans	-	(314,143)	(314,143)		(314,143)		(314,143)
Trade payables and accruals	-	(25,527)	(25,527)				
Derivatives— hedging instruments	(9,042)	-	(9,042)		(9,042)		(9,042)
	<u>(9,042)</u>	<u>(339,670)</u>	<u>(348,712)</u>				
	<u><u>(9,042)</u></u>	<u><u>(339,670)</u></u>	<u><u>(348,712)</u></u>				

# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

#### **Fair value hierarchy**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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 period ended 30 June 2021, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

#### **Estimation of fair values**

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

#### **Cash at bank and in hand**

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

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

#### **Bank loans**

For bank loans, the fair value was calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the reporting date. The carrying value of floating rate loans and borrowings is considered to be a reasonable approximation of fair value.

#### **(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.

# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

#### (a) Credit risk (*continued*)

##### **Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. 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.

Management does not expect any significant losses from receivables that have not been provided for as at 30 June 2021. Other receivables primarily relate to amounts owed from the government in the form of wage subsidies and amounts from large institutional landlords for reimbursements of certain amounts incurred on capital expenditure on these properties.

The Group has a contractual agreement with I-RES whereby I-RES will purchase a residential development that the Group is developing on the site of the former Tara Towers Hotel. The overall sale value of the transaction is expected to be €42.4 million (excluding VAT) with costs of €27.2 million incurred as at 30 June 2021 (note 14). These contract fulfilment costs are not considered financial assets and are not covered by the credit risk disclosures, however, the Group continues to monitor the potential for any future credit risk. There is no evidence of such as at 30 June 2021.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and give rise to credit risk on the amounts due from counterparties. The maximum credit risk is represented by the carrying value at the reporting date. The Group's policy for investing cash is to limit risk of principal loss and to ensure the ultimate recovery of invested funds by limiting credit risk. The Group 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 period ended 30 June 2021, cash and cash equivalents were held in line with predetermined limits depending on the credit rating of the relevant bank/financial institution.

# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

#### (a) Credit risk (*continued*)

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

	30 June 2021 €'000	31 December 2020 €'000
Trade receivables	3,763	2,238
Other receivables	4,725	4,297
Contract assets	1,349	720
Accrued income	735	605
Cash at bank and in hand	40,928	50,197
	<hr/>	<hr/>
	51,500	58,057
	<hr/>	<hr/>

#### (b) Liquidity risk

The Group entered the Covid-19 pandemic with a strong balance sheet and liquidity position and, despite the material impact Covid-19 has on the Group's financial performance, the Group remains in a strong position. As at 30 June 2021, the Group had property, plant and equipment of €1,212.3 million and cash and undrawn facilities of €269.9 million. The Group was not in breach of any of its covenants as at 30 June 2021.

The Group continued to tightly manage its cash and liquidity in the first half of 2021 and executed a number of strategies including:

- Availing of government wage subsidy schemes, other non-payroll related grants, and government assistance in the form of commercial rates waivers and warehousing of tax liabilities, where possible, in Ireland and the UK (note 7);
- Postponement and cancellation of non-committed non-essential capital expenditure; and
- Strict working capital and cost management in all hotels and Central Office.

Forecasting of near-term trade performance remains difficult in the current environment. To address this, multiple reasonable scenarios have been prepared by the Group with key assumptions varying around the timing of the return to more normal levels of international travel and the ongoing nature and extent of government supports. Since re-opening in quarter two 2021 and the gradual lifting of travel restrictions, trade, primarily domestic leisure, continues to exceed expectations and the business continues to see later booking patterns than normal across all channels. Governments have announced ongoing supports but detail on some of these have not yet been formalised and consequently cannot be forecast with precision at this time.

The Group will revert to the previous covenants comprising Net Debt to EBITDA and Interest Cover covenants for testing at 30 June 2022. At 30 June 2022, the Net Debt to EBITDA covenant limit will be 6.0x and the Interest Cover minimum will be 4.0x. The Net Debt to EBITDA covenant reduces to 4.0x at 31 December 2022.

# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

#### (b) Liquidity risk (*continued*)

If the covenants were temporarily breached as at 30 June 2022, all of the Group's borrowings would become repayable on demand under the terms of the Group's Facility Agreement from that point.

The Group will continue to monitor the evolving trade forecasts and pursue proactive and timely mitigating actions if necessary as it has since the start of the pandemic. As visibility on forecasts increases, any appropriate mitigating actions which are not currently modelled to prevent a possible covenant breach will be taken. These include engaging with the Group's banking club as to the timing of reverting to previous covenants given the longer than expected duration of Covid-19 restrictions. The Group will also consider other strategies which could be considered such as a sale of an asset, a further share placing, negotiations with landlords on rental obligations and more severe cost cutting.

If a request for an extension of the temporary suite of covenants were made of the Group's banking club or even if a covenant breach were to arise, the Group would be confident of the ongoing support of its banking club given the strong relationships it has with the club as the Group has successfully navigated the unprecedented circumstances following Covid-19, the resumption of recovery towards more normal levels of trade, the Group's historic profitability and successful management and, not least, the value of the Group's assets upon which the banking club has security. Net Debt to Value ratio at 30 June 2021 was 27%.

On 9 July 2020, the Group entered into an amended and restated facility agreement with its banking club to provide additional flexibility and liquidity to support the Group following the impact of Covid-19 restrictions. The Group raised an additional €39.4 million in revolving credit facilities with a maturity date of 30 September 2022 and the maturity of €20.1 million of revolving credit facilities was shortened to 30 September 2022 from 26 October 2024. The Group also agreed a new temporary suite of covenants with its banking club. The revised covenants include Net Debt to Value covenants and a minimum liquidity restriction whereby either cash, remaining available facilities or a combination of both must not fall below €50 million at any point to 30 March 2022. The revised covenants were put in place to avoid potential breaches in covenants based on trailing 12-month EBITDA during the period of recovery in trading profits following the impact of Covid-19. The undrawn loan facilities as at 30 June 2021 were €229.0 million.

The Group also monitors its Debt and Lease Service cover, which is 0.6 times for the 12-month period ended 30 June 2021 (31 December 2020: 0.1 times), in order to monitor gearing and liquidity taking into account both bank and lease financing.

In addition, in September 2020, the Group successfully conducted a placing of 37,000,000 new ordinary shares, raising gross proceeds of €94.4 million (net proceeds of €92.0 million).

#### (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.

# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

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

##### (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 which hedge the variability in cash flows attributable to the 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.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. As a result, the LIBOR benchmark rate will cease to be published from 31 December 2021 and will be replaced with an alternative benchmark rate, SONIA (Sterling Overnight Index Average).

As at 30 June 2021, the Group has £269.5 million (€314.1 million) of loans and borrowings that will be subject to IBOR reform. The Group has commenced conversations with certain of its derivative counterparties and lenders and envisions the transition to be implemented on or by 31 December 2021. The Group believes that there will be limited exposure as the Group will continue to manage, as best as the Group can, to ensure that the SONIA rate and spread on both the hedged item and hedge instruments will closely match the LIBOR rate referenced in the financial instruments, as well as ensuring that terms are matched as well.

In addition, the IASB has amended IFRS 9 and introduced practical expedients in order to allow companies to continue to apply hedge accounting in the case of changes to hedged items/hedging instruments as a result of the IBOR reform and also, the ability to account for changes prospectively by updating the effective interest rate.

As at 30 June 2021, the Group's derivatives continue to hedge the LIBOR variable interest rate on Sterling borrowings. As a result, the Group continues to apply hedge accounting as at this date. There is no impact on these condensed consolidated interim financial statements of the Group as a result of the IBOR reform.

##### (ii) Foreign currency risk

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



# Dalata Hotel Group plc

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

### 17 Financial risk management (*continued*)

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

##### (ii) Foreign currency risk (*continued*)

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 operations in the UK by obtaining funding through external borrowings denominated in Sterling. These borrowings amounted to £266.5 million (€310.6 million) at 30 June 2021 (31 December 2020: £266.5 million (€296.4 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 retranslation of the net assets of those UK operations.

#### (d) Capital management

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

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a pre-tax leveraged return on equity of at least 15% on investments and a rent cover of at least 1.85 times in year three for new leased assets.

Typically, the Group monitors capital using a ratio of Net Debt to EBITDA after fixed rent which excludes the effects of IFRS 16 in line with its banking covenants. This is calculated based on the prior 12-month period. As at 30 June 2021, Net Debt to EBITDA is not relevant due to losses. Following the amended facility agreement in July 2020, this covenant is not required to be tested until June 2022, however, it continues to be monitored by the Group and serves to set margins on the Group's loans. Similarly, the Group monitors Net Debt and Lease Liabilities to EBITDA, however, it is also not relevant as at 30 June 2021 due to losses.

The Group's approach to capital management has ensured that it entered the Covid-19 crisis with a very strong balance sheet and an appropriate level of gearing and that it has also emerged from 2020 in a similar position following actions taken. The Group's asset backing provided it with the ability to realise funds from the sale and leaseback of Clayton Hotel Charlemont in 2020 whilst its level of gearing ensured the Group continues to be able to meet its funding costs of both interest and rent and retain the support of its banking club and institutional landlords. The Board reviews the Group's capital structure on an ongoing basis as part of the normal strategic and financial planning process. It ensures that it is appropriate for the hotel industry given its exposure to demand shocks and the normal economic cycles.

# Dalata Hotel Group plc

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

### 18 Loans and borrowings

	30 June 2021 €'000	31 December 2020 €'000
<i>Non-current liabilities</i>		
Bank borrowings	341,963	314,143
	<hr/>	<hr/>
<b>Total loans and borrowings</b>	<b>341,963</b>	<b>314,143</b>
	<hr/>	<hr/>

As at 30 June 2021, the amortised cost of the loans and borrowings was €342.0 million. The drawn loan facility, being the amount owed to the lenders, at this date was €341.1 million consisting of Sterling term borrowings of £176.5 million (€205.7 million) and revolving credit facility borrowings of €135.4 million - €27 million denominated in Euro and £93 million (€108.4 million) in Sterling. The undrawn loan facilities as at 30 June 2021 were €229.0 million.

The loans bear interest at variable rates based on 1-month or 3-month LIBOR/EURIBOR plus applicable margins. The Group has entered into certain derivative financial instruments to hedge interest rate exposure on a portion of these loans. The loans are secured by the Group's assets. Under the terms of the loan facility agreement, an interest rate floor is in place which prevents the Group from receiving the benefit of sub-zero benchmark LIBOR and EURIBOR rates.

The weighted average interest cost in respect of Euro denominated borrowings and Sterling denominated borrowings for the period, were 2.4% (30 June 2020: 1.4 %) and 3.6% (30 June 2020: 2.9%) respectively.

The Group has a multicurrency loan facility consisting of a €200.0 million term loan facility, with a maturity date of 26 October 2024 and €364.4 million revolving credit facility - with €304.9 million with a maturity date of 26 October 2024 and €59.5 million with a maturity date of 30 September 2022.

### 19 Deferred tax

	30 June 2021 €'000	31 December 2020 €'000
Deferred tax assets	20,893	12,344
Deferred tax liabilities	(39,692)	(39,404)
	<hr/>	<hr/>
<b>Net deferred tax liabilities</b>	<b>(18,799)</b>	<b>(27,060)</b>
	<hr/>	<hr/>

As a result of the ongoing impact of the Covid-19 pandemic, the Group incurred Irish and UK corporation tax losses during the period ended 30 June 2021. Together with the losses carried forward at 31 December 2020, these tax losses can be carried forward indefinitely for offset against future taxable profits. A deferred tax asset has been recognised in respect of these Irish and UK tax losses on the basis that it is probable that, after the carry back of tax losses for the year ended 31 December 2020, there will be sufficient taxable profits in future periods to utilise these tax losses.

At 30 June 2021, deferred tax assets have been recognised in respect of corporation tax losses of €18.6 million (31 December 2020: €10.0 million), which represents the majority of the deferred tax assets recognised of €20.9 million. During the period ended 30 June 2021, the UK government substantively enacted an increase in the corporation tax rate from 19% to 25%, with effect from 1 April 2023.

# Dalata Hotel Group plc

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

### **19**    **Deferred tax** (*continued*)

The increase in the deferred tax asset recognised in respect of corporation tax losses of €8.6 million relates to a credit of €5.9 million for current period tax losses and a credit of €2.7 million relating to the impact of the remeasurement of a portion of the UK tax losses at the 25% rate which are forecasted to be realised after 1 April 2023.

The Group has considered all relevant evidence to determine whether it is probable there will be sufficient taxable profits in future periods, in order to recognise the deferred tax assets of €20.9 million as at 30 June 2021. The Group has prepared forecasted taxable profits on a trade by trade basis for future periods, to schedule the reversal of the deferred tax assets recognised in respect of the corporation tax losses carried forward. These forecasts assume a gradual recovery to normal levels of pre-pandemic trade consistent with external sources of information and commentary.

Based on the supporting forecasts and evidence, it is probable that the deferred tax assets recognised in respect of corporation tax losses at 30 June 2021 will be fully utilised by the year ending 31 December 2028 with the majority being utilised by the year ending 31 December 2025.

The Group has also considered any relevant evidence in preparing forecasts to determine whether there will be sufficient future taxable profits to utilise the tax losses carried forward. The Covid-19 pandemic has had a significant impact on business, with travel and other restrictions contributing to the tax losses that were incurred by the Group during 2020 and 30 June 2021. The forecasts of future taxable profits are subject to uncertainty. The Group has taken a prudent approach when forecasting profits for each entity and have considered these relevant factors in forecasting the future taxable profits for the purposes of the recognition of deferred tax assets as at 30 June 2021.

There is no deferred tax asset recognised in relation to the hedging reserve at 30 June 2021 due to uncertainty in obtaining a tax benefit for the cash flow hedges in future periods.

The deferred tax liabilities have increased from €39.4 million at 31 December 2020 to €39.7 million at 30 June 2021. 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. The increase in the deferred tax liabilities relates mainly to the remeasurement of UK deferred tax liabilities at the 25% rate that will apply from 1 April 2023.

### **20**    **Related party transactions**

Under IAS 24 *Related Party Disclosures*, the Group has related party relationships with its shareholders and Directors of the Company.

There were no changes in related party transactions in the six month period ended 30 June 2021 that materially affected the financial position or the performance of the Group during that period.

# Dalata Hotel Group plc

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

### 21 Share capital and share premium

#### At 30 June 2021

Authorised share capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000
Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	222,865,363	2,229
Share premium		504,895

#### At 31 December 2020

Authorised share capital	Number	€'000
Ordinary shares of €0.01 each	10,000,000,000	100,000
Allotted, called-up and fully paid shares	Number	€'000
Ordinary shares of €0.01 each	222,732,900	2,227
Share premium		504,735

During the six month period ended 30 June 2021, the Company issued 93,172 shares of €0.01 per share following the vesting of Awards granted in relation to the March 2018 LTIP, under the 2017 LTIP plan (note 9).

39,291 shares were issued during the six month period ended 30 June 2021 (note 9) under the Share Save schemes granted in 2017. The weighted average share price at the date of exercise for options exercised during the period was €4.53 per share.

#### Dividends

During the six month period ended 30 June 2021, the Group did not make any dividend payments (year ended 31 December 2020: €nil).

# Dalata Hotel Group plc

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

### 22 Earnings per share

Basic earnings per share ('EPS') is computed by dividing the loss/profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing the loss/profit attributable to ordinary shareholders for the period by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares. The following table sets out the computation for basic and diluted earnings per share for the periods ended 30 June 2021 and 30 June 2020:

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Loss attributable to shareholders of the parent (€'000) – basic and diluted	<b>(30,375)</b>	(63,116)
Adjusted loss attributable to shareholders of the parent (€'000) – basic and diluted	<b>(32,400)</b>	(24,384)
Loss per share – Basic	<b>(13.6) cents</b>	(34.0) cents
Loss per share – Diluted	<b>(13.6) cents</b>	(34.0) cents
Adjusted loss per share – Basic	<b>(14.5) cents</b>	(13.1) cents
Adjusted loss per share – Diluted	<b>(14.5) cents</b>	(13.1) cents
Weighted average shares outstanding – Basic	<b>222,796,160</b>	185,503,265
Weighted average shares outstanding – Diluted	<b>222,796,160</b>	185,503,265

There is no difference between basic and diluted loss per share for the periods ended 30 June 2021 and 30 June 2020. The potential ordinary shares from conditional share awards granted (note 9) are not dilutive because of the loss made in the period. There have been no adjustments made to the number of weighted average shares outstanding in calculating adjusted basic or adjusted diluted earnings per share.

Adjusted basic and adjusted diluted earnings per share 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 which distort comparability either period on period or with other similar businesses (note 4).

# Dalata Hotel Group plc

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

### 22 Earnings per share (*continued*)

	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
<b>Reconciliation to adjusted loss for the period</b>		
Loss before tax	(37,818)	(70,885)
<b>Adjusting items (note 4)</b>		
Hotel pre-opening expenses	373	-
Loss on sale and leaseback	-	1,673
Net property revaluation movements through profit or loss	(2,477)	27,261
Impairment of goodwill	-	3,226
Impairment of fixtures, fittings and equipment	5	1,054
Impairment of right-of-use assets	315	7,415
Remeasurement gain on right-of-use assets	(277)	-
	<hr/>	<hr/>
<b>Adjusted loss before tax for the period</b>	<b>(39,879)</b>	<b>(30,256)</b>
Tax credit	7,443	7,769
Tax adjustment for adjusting items	36	(1,897)
	<hr/>	<hr/>
<b>Adjusted loss for the period</b>	<b>(32,400)</b>	<b>(24,384)</b>
	<hr/>	<hr/>

### 23 Events after the reporting date

A new construction agreement was signed on 2 July 2021 in relation to the new-build hotel development of the Maldron Hotel Shoreditch, London. The total estimated cost of the project is expected to be in the region of £25.0 million (€29.1 million).

On 3 August 2021, the Group opened its new Maldron Hotel Glasgow City, which it is leasing on a 35-year lease.

On 31 August 2021, the Board on the Remuneration Committee's recommendation approved the new performance terms and conditions for the 2021 LTIP which includes 50% of the performance target being based on total shareholder return and 50% based on free cash flow per share with varying thresholds.

There were no other events after the reporting date which would require an adjustment to, or a disclosure thereon, in these condensed consolidated interim financial statements.

### 24 Approval of financial statements

The Board of Directors approved the Interim Financial Statements for the six months ended 30 June 2021 on 31 August 2021.

# Dalata Hotel Group plc

## Independent Review Report to Dalata Hotel Group plc

### Introduction

We have been engaged by Dalata Hotel Group plc ('the Company') to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position, unaudited condensed consolidated statement of changes in equity, unaudited condensed consolidated statement of cash flows and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ('FRC's') International Standard on Review Engagements ('ISRE') (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ('the Transparency Directive'), and the Transparency Rules of the Central Bank of Ireland.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for ensuring that the condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

### Scope of review

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

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

# Dalata Hotel Group plc

## **The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

KPMG  
*Chartered Accountants*  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

31 August 2021



## Supplementary Financial Information

### Alternative Performance Measures (“APM”) and other definitions

The Group reports certain alternative performance measures (‘APMs’) that are not defined under International Financial Reporting Standards (‘IFRS’), which is the framework under which the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements. A summary definition of these APMs together with the reference to the relevant note in the condensed consolidated interim financial statements where they are reconciled is included below. Also included below is information pertaining to certain APMs which are not mentioned within the condensed consolidated interim 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 condensed consolidated interim financial statements. References to the condensed consolidated interim financial statements are included as applicable.

#### (i) Adjusted EBITDA

Adjusted EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets, adjusted to show the underlying operating performance of the Group and excludes items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses.

*Reconciliation: Note 4*

#### (ii) Adjusting items

Items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses.

*Reconciliation: Note 4*

#### (iii) EBITDA and Segments EBITDA

EBITDA is an APM representing earnings before interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

*Reconciliation: Note 4*

Segments EBITDA represents ‘Adjusted EBITDA’ before central costs, share-based payments expense and other income for each of the reportable segments: Dublin, Regional Ireland and the UK. It is presented to show the net operational contribution of leased and owned hotels in each geographical location.

*Reconciliation: Note 4*

**(iv) EBITDAR and Segments EBITDAR**

EBITDAR is an APM representing earnings before lease costs, interest on lease liabilities, other interest and finance costs, tax, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets.

*Reconciliation: Note 4*

Segments EBITDAR represents Segments EBITDA before lease costs for each of the reportable segments: Dublin, Regional Ireland and the UK.

*Reconciliation: Note 4*

**(v) Segments EBITDAR margin**

Segments EBITDAR margin represents 'Segments EBITDAR' as a percentage of the total revenue for the following Group segments: Dublin, Regional Ireland and the UK. Also referred to as Hotel EBITDAR margin.

**(vi) Adjusted basic (loss)/earnings per share (EPS)**

Adjusted Basic EPS is presented as an alternative performance measure to show the underlying performance of the Group excluding the effects of items considered by management to not reflect normal trading activities or distort comparability either period on period or with other similar businesses.

*Reconciliation: Note 22*

**(vii) Free cash flow per share (FCPS)**

Free Cash Flow (see definition xvi) divided by the weighted average shares outstanding - basic.

**(viii) Effective tax rate**

The Group's tax credit/(charge) for the period divided by the (loss)/profit before tax presented in the condensed consolidated statement of comprehensive income.

**(ix) Available funds**

Available funds comprise cash and cash equivalents of €40.9 million as presented in the condensed consolidated statement of financial position and the undrawn revolving credit facilities of €229.0 million at period end which are available for use subject to the €50 million minimum liquidity restriction when it is in effect.

**(x) 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*.

**(xi) 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 period end (rather than the amortised cost of the loans and borrowings under IFRS 9), less cash and cash equivalents.

*Reconciliation: Refer below*

**(xii) Net Debt and Lease Liabilities**

Net Debt (see definition xi) and Lease Liabilities at period end.

*Reconciliation: Refer below*

**(xiii) Net Debt to Adjusted EBITDA excluding the impact of IFRS 16**

Net Debt (see definition xi) divided by the 'Adjusted EBITDA excluding the impact of IFRS 16' (see definition xix) after deducting fixed lease costs (see definition x) for the 12 month period ended 30 June. This APM is presented to show the Group's financial leverage before the application of IFRS 16 *Leases*.

*Reconciliation: Refer below*

**(xiv) Net Debt and Lease Liabilities to Adjusted EBITDA**

Net Debt and Lease Liabilities (see definition xii) divided by the 'Adjusted EBITDA' (see definition i) for the 12 month period ended 30 June. This APM is presented to show the Group's financial leverage after including the accounting estimate of lease liabilities following the application of IFRS 16.

*Reconciliation: Refer below*

**(xv) Net Debt to Value**

Net Debt (see definition xi) divided by the valuation of property assets as provided by external valuers at period end. This APM is presented to show the gearing level of the Group under banking covenants.

*Reconciliation: Refer below*

**Calculation of Net Debt APMs - definitions (xi), (xii), (xiii), (xiv), (xv)**

	Reference in condensed interim financial statements	30 June 2021 €'000	31 December 2020 €'000
Loans and borrowings	Statement of financial position	341,963	314,143
Exclude accounting impact of IFRS 9		(879)	(375)
External loans and borrowings drawn		341,084	313,768
Less cash and cash equivalents	Statement of financial position	(40,928)	(50,197)
<b>Net Debt - (APM xi)</b>	(A)	<b>300,156</b>	<b>263,571</b>
Lease Liabilities - current and non-current	Statement of financial position	400,770	399,632
<b>Net Debt and Lease Liabilities - (APM xii)</b>	(B)	<b>700,926</b>	<b>663,203</b>
		12 months ended 30 June 2021 €'000	12 months ended 31 December 2020 €'000
Adjusted EBITDA <sup>1</sup>	(C)	9,987	18,692
Negative Adjusted EBITDA excluding the impact of IFRS 16 <sup>2</sup>	(D)	(22,658)	(11,949)
<b>Net Debt to Adjusted EBITDA excluding the impact of IFRS 16<sup>3</sup> - (APM xiii)</b>	(A/D)	<b>n/a</b>	<b>n/a</b>
<b>Net Debt and Lease Liabilities to Adjusted EBITDA - (APM xiv)</b>	(B/C)	<b>70.2x</b>	<b>35.5x</b>
Valuation of property assets as provided by external valuers <sup>4</sup>	(E)	1,128,306	1,124,256
<b>Net Debt to Value - (APM xv)</b>	(A/E)	<b>27%</b>	<b>23%</b>

<sup>1</sup> Adjusted EBITDA of €9,987k for the 12 months ended 30 June 2021 is calculated as follows:

- Adjusted EBITDA of €1,437k for the six months ended 30 June 2021; and
- Adjusted EBITDA of €18,692k for the 12 months ended 31 December 2020 less Adjusted EBITDA of €10,142k for the six months ended 30 June 2020.

<sup>2</sup> Negative Adjusted EBITDA excluding the impact of IFRS 16 of €22,658k for the 12 months ended 30 June 2021 is calculated as follows:

- Negative Adjusted EBITDA excluding the impact of IFRS 16 of €15,990k for the six months ended 30 June 2021 as per APM (xix) below; and
- Negative Adjusted EBITDA excluding the impact of IFRS 16 of €11,949k for the 12 months ended 31 December 2020 less Negative Adjusted EBITDA excluding the impact of IFRS 16 of €5,281k for the six months ended 30 June 2020.

<sup>3</sup> Net Debt to Adjusted EBITDA excluding the impact of IFRS 16 is not applicable in both periods as Adjusted EBITDA was negative.

<sup>4</sup> Property assets valued exclude assets under construction and fittings, fixtures and equipment in leased hotels.

**(xvi) Free Cash Flow**

Net cash from operating activities less amounts paid for interest, finance costs, refurbishment capital expenditure, fixed lease payments and after adding back cash impact of adjusting items. Following the adoption of IFRS 16, fixed lease payments comprises the repayment of lease liabilities and interest paid on lease liabilities as presented in the condensed consolidated statement of cash flows.

Since the onset of the Covid-19 pandemic in March 2020, the Group deferred VAT and payroll taxes under government support schemes. This non-recurring initiative was introduced by government Covid-19 support schemes. It allows the temporary retention of an element of taxes collected during 2020 and 2021 on behalf of tax authorities. To remove the effect of this distortion on cash flows from trading, the impact of these deferrals have been excluded in the calculation of Free Cash Flow. This APM is presented to show the cash generated to fund acquisitions, development expenditure, repayment of debt and dividends.

	Reference in condensed interim financial statements	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Net cash from/(used in) operating activities	Statement of cash flows	5,626	(8,674)
Other interest and finance costs paid	Statement of cash flows	(6,994)	(4,642)
Refurbishment capital expenditure paid		(1,301)	(7,984)
Exclude adjusting items with a cash effect - pre-opening costs	Note 4	373	-
Exclude net outflow from tax deferrals from government Covid-19 support schemes <sup>1</sup>		(2,991)	(9,398)
<b>Fixed lease payments:</b>			
- Interest paid on lease liabilities	Statement of cash flows	(11,771)	(10,881)
- Repayment of lease liabilities	Statement of cash flows	(3,962)	(3,171)
<b>Free cash outflow - (APM xvi)</b>		<b>(21,020)</b>	<b>(44,750)</b>

<sup>1</sup> Since the onset of the Covid-19 pandemic in March 2020, the Group deferred VAT and payroll taxes under government support schemes resulting in liabilities of €3.0 million at period end which are expected to be payable during 2022. This balance comprises €3.4 million deferred during the period less amounts totalling €0.4 million that were deferred during 2020 and paid during the current period. This non-recurring initiative was introduced by government Covid-19 support schemes. It allows the temporary retention of an element of taxes collected during 2020 and 2021 on behalf of tax authorities. To remove the effect of this distortion on cash flows from trading and accurately reflect the period in which these amounts relate to, the impact of these deferrals have been excluded in the calculation of Free Cash Flow. This adjustment was not included in the calculation of Free Cash Flow for the six months ended 30 June 2020 and therefore the Group has restated the prior period comparative for the impact of these deferrals to ensure comparability period on period. As a result, the Free Cash Flow calculation for the six months ended 30 June 2020 has decreased by €9.4 million to €44.8 million.

#### (xvii) Debt and Lease Service Cover

Free Cash Flow before payment of lease costs, interest and finance costs divided by the total amount paid for lease costs, interest and finance costs. This APM is presented to show the Group's ability to meet its debt and lease commitments.

	Reference in condensed interim financial statements	12 months ended 30 June 2021 €'000 D=E+F	6 months ended 30 June 2021 €'000 E	6 months ended 31 Dec 2020 €'000 F=G-H	6 months ended 30 June 2020 €'000 H	12 months ended 31 Dec 2020 <sup>2</sup> €'000 G
Free cash outflow (see APM xvi)	(A)	(17,599)	(21,020)	3,421	(44,750)	(41,329)
Add back:						
Total lease costs paid <sup>1</sup>		29,749	15,733	14,016	16,948	30,964
Interest and finance costs paid	Statement of cash flows	15,308	6,994	8,314	4,642	12,956
Total lease costs, interest and finance costs paid	(B)	45,057	22,727	22,330	21,590	43,920
Free Cash Flow before lease and finance costs	(C=A+B)	27,458	1,707	25,751	(23,160)	2,591
<b>Debt and Lease Service Cover - (APM xvii)</b>	<b>(C/B)</b>	<b>0.6</b>				<b>0.1</b>

<sup>1</sup> Total lease costs paid comprises payments of fixed and variable lease costs during the period if applicable in accordance with the lease agreements if they relate to the period.

<sup>2</sup> Numbers sourced from 2020 Annual Report.

**(xviii) Return on Invested Capital**

In prior periods, the Group presented this APM to provide stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group. Due to the significant impact of Covid-19 on the Group's financial performance, the return is negative for the 12 month period ended 30 June 2021 as the Group incurred losses in the period. As a result, this APM is no longer disclosed here.

**Excluding IFRS 16 numbers**

Due to the significant impact from the adoption of IFRS 16 on the condensed consolidated interim financial statements from 2019 onwards, the Group has included additional APMs that will provide the reader with more information to assist in interpreting the underlying operating performance of the Group. In addition, targets for existing share-based payment schemes and the banking facilities agreements and covenants under those agreements continue to be calculated excluding the impact of IFRS 16. In particular, the Group refers to the following APMs to enable comparison between periods following the adoption of IFRS 16.

**(xix) Adjusted EBITDA excluding the impact of IFRS 16**

Loss before adjusting items, interest and finance costs, tax, depreciation, amortisation of intangible assets as defined above and restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs as calculated under IAS 17.

*Reconciliation: Refer below*

**(xx) EBIT excluding the impact of IFRS 16**

Loss before interest and finance costs, tax and restated to remove the impact of adopting IFRS 16, by excluding IFRS 16 right-of-use asset depreciation, impairment of right-of-use assets, impairment of fixtures, fittings and equipment and the remeasurement gain on right-of-use-assets and including the lease costs as calculated under IAS 17. In the prior period, the additional loss on the sale and leaseback as calculated under IAS 17 is also included. The Group discloses this APM to show the earnings generated by the Group before the application of IFRS 16.

*Reconciliation: Refer below*

**(xxi) Adjusted EBIT excluding the impact of IFRS 16**

EBIT excluding the impact of IFRS 16 as defined in (xx) above before adjusting items. The Group discloses this APM to show the earnings generated by the Group before the application of IFRS 16 and excludes items which are not reflective of normal trading activities or distort comparability either period on period or with other similar businesses.

*Reconciliation: Refer below*

**(xxii) Loss for the period excluding the impact of IFRS 16**

Loss for the period restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation, lease liability interest, impairment of right-of-use assets, impairment of fixtures, fittings and equipment and the remeasurement gain on right-of-use-assets with the lease costs as calculated under IAS 17.

*Reconciliation: Refer below*

**(xxiii) Loss per share excluding the impact of IFRS 16 - basic**

Basic loss per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation, lease liability interest, impairment of right-of-use assets, impairment of fixtures, fittings and equipment and the remeasurement gain on right-of-use-assets with the lease costs as calculated under IAS 17.

*Reconciliation: Refer below*

**(xxiv) Loss per share excluding the impact of IFRS 16 - diluted**

Diluted loss per share restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation, lease liability interest and impairment of right-of-use assets and fixtures, fittings and equipment and the remeasurement gain on right-of-use-assets with the lease costs as calculated under IAS 17.

*Reconciliation: Refer below*

**(xxv) Adjusted loss per share excluding the impact of IFRS 16 - basic**

Basic loss per share before adjusting items and restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs under IAS 17.

Reconciliation: Refer below

**(xxvi) Adjusted loss per share excluding the impact of IFRS 16 - diluted**

Diluted loss per share before adjusting items and restated to remove the impact of adopting IFRS 16, including replacing IFRS 16 right-of-use asset depreciation and lease liability interest with lease costs under IAS 17.

Reconciliation: Refer below

**Calculation of APMs excluding IFRS 16 - definitions (xix), (xx), (xxi), (xxii), (xxiii), (xxiv), (xxv), (xxvi)**

	Reference in condensed interim financial statements	6 months ended 30 June 2021 €'000	6 months ended 30 June 2020 €'000
Operating loss	Statement of comprehensive income	(20,004)	(54,865)
Add back:			
Total adjusting items as per the financial statements	Note 4	(2,061)	40,629
Depreciation of property, plant and equipment	Note 4	13,416	13,481
Depreciation of right-of-use assets	Note 4	9,805	10,627
Amortisation of intangible assets	Note 4	281	270
Less fixed lease costs		(17,427)	(15,423)
<b>Adjusted EBITDA excluding the impact of IFRS 16 - (APM xix)</b>		<b>(15,990)</b>	<b>(5,281)</b>
Amortisation of lease costs		(155)	-
Amortisation of intangible assets as if IAS 17 still applied		(304)	(270)
Depreciation of property, plant and equipment	Note 4	(13,416)	(13,481)
<b>Adjusted EBIT excluding the impact of IFRS 16 - (APM xxi)</b>		<b>(29,865)</b>	<b>(19,032)</b>
Adjusting items excluding IFRS 16 <sup>1</sup> :			
Hotel pre-opening expenses	Note 4	(373)	-
Net revaluation movements through profit or loss as if IAS 17 still applied		2,499	(27,261)
Impairment of goodwill	Note 4	-	(3,226)
Impairment of fixtures, fittings and equipment	Note 4	-	(1,054)
Loss on sale and leaseback of Clayton Hotel Charlemont <sup>2</sup>		-	(7,650)
<b>EBIT excluding the impact of IFRS 16 - (APM xx)</b>		<b>(27,739)</b>	<b>(58,223)</b>
Other interest and finance costs	Note 4	(6,043)	(5,139)
Tax credit excluding IFRS 16		6,646	5,694
<b>Loss for the period excluding the impact of IFRS 16 - (APM xxii)</b>	(A)	<b>(27,136)</b>	<b>(57,668)</b>
Exclude adjusting items excluding IFRS 16 (per above)		(2,126)	39,191
Tax impact of adjusting items		84	(727)
<b>Adjusted loss excluding the impact of IFRS 16</b>	(B)	<b>(29,178)</b>	<b>(19,204)</b>
Weighted average shares outstanding - basic	(C) Note 22	222,796,160	185,503,265
Weighted average shares outstanding - diluted	(D) Note 22	222,796,160	185,503,265
<b>Loss per share excluding the impact of IFRS 16 - basic (APM xxiii)</b>	(A/C)	<b>(12.2) cents</b>	<b>(31.1) cents</b>
<b>Loss per share excluding the impact of IFRS 16 - diluted (APM xxiv)</b>	(A/D)	<b>(12.2) cents</b>	<b>(31.1) cents</b>
<b>Adjusted loss per share excluding the impact of IFRS 16 - basic (APM xxv)</b>	(B/C)	<b>(13.1) cents</b>	<b>(10.4) cents</b>
<b>Adjusted loss per share excluding the impact of IFRS 16 - diluted (APM xxvi)</b>	(B/D)	<b>(13.1) cents</b>	<b>(10.4) cents</b>

<sup>1</sup> Right-of-use assets are not recognised under the previous accounting standard, IAS 17 Leases. Therefore, there would have been no impairment of right-of-use assets or remeasurement gain on right-of-use assets. As the impairment of fixtures, fittings and equipment related to the impairment of right-of-use assets, this impairment is also excluded.

<sup>2</sup> In the prior period, the accounting for the loss on the sale and leaseback of Clayton Hotel Charlemont differs under IFRS 16 compared to the previous accounting standard, IAS 17. Under IFRS 16, the property is derecognised upon sale of the asset and replaced with a right-of-use asset following the leaseback. A portion of the €7.7 million difference between the fair value prior to sale and the sales proceeds was capitalised as part of the right-of-use asset, with the remaining balance recorded in profit or loss. Under the previous accounting standard, the entire difference must be recorded immediately as a loss in profit or loss.

## **Glossary**

### **1. Revenue per available room (RevPAR)**

Revenue per available room is calculated as total rooms revenue divided by the number of available rooms, which is also equivalent to the occupancy rate multiplied by the average daily room rate achieved.

### **2. 'Like for Like' occupancy, ARR and RevPAR KPIs**

'Like for Like' occupancy, ARR and RevPAR KPIs includes a half year performance of all hotels regardless of when acquired. In Dublin, the Ballsbridge Hotel is excluded as the hotel effectively has not traded since March 2020.

### **3. ARR**

Average Room Rate (also ADR - Average Daily Rate).

### **4. Hotel assets**

Hotel assets represents the value of property, plant and equipment per the condensed consolidated interim statement of financial position at 30 June 2021.

### **5. Refurbishment capital expenditure**

The Group typically allocates approximately 4% of annual revenue to refurbishment capital expenditure to ensure the portfolio remains fresh for its customers and adheres to brand standards.