

Directors' Report

The Directors present their report and the consolidated financial statements of Dalata Hotel Group plc ("Dalata" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2017.

Principal Activities and Business Review

Dalata Hotel Group plc is the largest hotel operator in the Republic of Ireland and operates eight hotels in the UK. Shareholders are referred to the Chairman's Statement, Chief Executive Officer's Review and the Financial Review which contain a review of operations and the financial performance of the Group for 2017, the outlook for 2018 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated in the Directors' Report.

Results for the Year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the consolidated statement of financial position at that date are set out on pages 103 and 104 respectively. The profit for the year after tax amounted to €68,308,000 (2016: €34,923,000).

Dividends

There were no dividends paid or proposed by the Company during the year.

Future Developments

A review of future developments of the business is included in the Financial Review on pages 26 to 35.

Directors and Company Secretary

The names of the Directors and Company Secretary and a biographical note on each appear on pages 56 to 57.

In accordance with the provisions contained in the UK Corporate Governance Code, all directors will voluntarily retire and be subject to election by shareholders at the 2018 Annual General Meeting.

Directors' and Company Secretary's Interests

Details of the Directors' and Company Secretary's share interests and interests in unvested share awards of the Company and Group companies are set out in the Remuneration Committee Report on pages 78 to 89.

Audit Committee

The Group has an established Audit and Risk Committee comprising of three independent non-executive directors. Details of the Committee and its activities are set out on pages 72 to 77.

Share Capital

The issued share capital of Dalata Hotel Group plc at 26 February 2018 consists of 183,680,964 ordinary shares. Each share has a nominal value of €0.01. All shares have equal voting and dividend rights. The Group has in place a number of employee share schemes, the details of which are set out in the Report

of the Remuneration Committee on Directors' Remuneration and in Note 7 to the consolidated financial statements.

Substantial Holdings

As at 26 February 2018, the Company has been notified of the following interests of 3% or more in its share capital:

	Number of Ordinary Shares	% of Shares in issue
Amerprise Financial, Inc	18,452,348	10.05%
FMR LLC	15,561,669	8.47%
Prudential plc ¹	9,176,149	4.99%
Pioneer Asset Management S.A.	7,936,156	4.32%
I.G. International Limited	6,867,668	3.74%
Allianz Global Investors GmbH	5,755,071	3.13%
Vanguard International Explorer Fund	5,719,200	3.11%

¹ M&G Investment Funds, an Open Ended Investment Company (OEIC), has notified the Company that it is interested in 4.37% of the Company's ordinary share capital carrying voting rights, and that its voting rights have been delegated to M&G Investment Management Limited (a wholly owned subsidiary of Prudential plc). M&G Investment Management Limited's holdings under management are reported in aggregate by Prudential plc. Accordingly, M&G Investment Funds' interests are included in the 4.99% interest notified by Prudential plc.

Except as disclosed above, the Company is not aware of and has not received any notification from any institution or person confirming that such institution or person is interested, directly or indirectly, in 3% or more of the issued share capital of the Company, nor is it aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Group.

Principal Risks and Uncertainties

Under Irish company law the Company is required to give a description of the principal risks and uncertainties which the Group faces. These principal risks and uncertainties form part of the Risk Management Report on pages 36 to 43. The Financial Risk Management policies are set out in Note 22 to the consolidated financial statements.

Accounting Records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at its registered office: 4th Floor, Burton Court, Burton Hall Drive, Sandyford Industrial Estate, Dublin 18.

Takeover Regulations 2006

For the purpose of Regulation 21 of Statutory Instrument 255/2006 'European Communities (Takeover Bids Directive (2004/25/EC)) Regulations 2006', the information given in Note 7 to the consolidated

financial statements and in the Remuneration Committee report on pages 78 to 89 in relation to the Long-Term Incentive Plan, employee share schemes, directors service contracts and appointment and compensation for loss of office of directors is deemed to be incorporated in the Directors' Report.

Transparency Regulations 2007

For the purposes of information required by Statutory Instrument 277/2007 'Transparency (Directive 2004/109/EC) Regulations 2007' concerning the development and performance of the Group, the Responsible Business Report set out on pages 44 to 53, is deemed to be incorporated in this part of the Directors' Report together with details of earnings per share in Note 27 to the consolidated financial statements, employment details in Note 6 and details of financial instruments in Note 22.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Report on Corporate Governance which is set out on pages 60 to 69, and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Directors' Report. Details of the capital structure and employee share schemes are included in Notes 17 and 7 to the consolidated financial statements respectively.

Relevant Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as, they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Compliance Statement

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014, the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Prospectus (Directive 2003/71/EC) Regulations 2005, the Transparency (Directive 2004/109EC) Regulations 2007, and Tax laws ('relevant obligations').

The Directors confirm that:

- › a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- › appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- › a review has been conducted, during the financial year, of those arrangements and structures.

GOING CONCERN

The Directors' statement on going concern is set out in the Corporate Governance Report on page 67.

POLITICAL CONTRIBUTIONS

There were no political contributions which require disclosure under the Electoral Act, 1997.

INDEPENDENT AUDITORS

Pursuant to Section 383 (2) of the Companies Act 2014, the auditor, KPMG, Chartered Accountants, will continue in office.

SUBSIDIARIES

Information on the Group's subsidiaries is set out in Note 26 to the consolidated financial statements.

SUBSEQUENT EVENTS

There were no events subsequent to 31 December 2017 which would require an adjustment to, or a disclosure thereon, in the financial statements.

APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board on 26 February 2018.

On behalf of the Board



John Hennessy
Chairman



Patrick McCann
Director

26 February 2018