

easyHotel plc

Final results for the year ended 30 September 2015

*Total system sales and profit before tax up 15% and 38% respectively
Acceleration of brand development in the UK, Europe and Middle East*

Financial Highlights

- Performance in line with Board expectations
- Total system sales* up 15% to £19.95m (2014: £17.33m)
- Profit before tax up 38% to £0.79m (2014: £0.57m)
- Cash from operations of £2.29m (2014: £1.11m), resulting in a cash position of £22.64m
- Basic earnings per share of 1.0 pence (2014: 1.2 pence)
- Proposed maiden final dividend of 0.33 pence per share

** Total system sales is the full amount that the customer pays for our owned and franchised hotels, including initial sign-on fees paid by franchisees to the Company*

Business Highlights

- Appointment of new CEO and CFO with proven experience in building successful budget hotel chains
- 21 easyHotels now operating in 14 cities in eight countries with 1,880 rooms (2014: 1,606)
- Owned hotel rooms increased by 103 in the year to 390 following the opening of Croydon
- Acquisition of sites in Manchester (subject to completion) and Liverpool - both hotels are anticipated to open in 2016/2017 financial year

Post year-end developments

- Master Development Partnership signed with MAN Investments for the planned development of over 1,600 rooms in the UAE and Oman by end of 2020
- Benelux franchisee secured planning consent and financing for a 107 room easyHotel Brussels - expected to be opened by early 2017

Commenting on the results, Guy Parsons, Chief Executive Officer said:

“easyHotel continued to perform in line with Board expectations in 2015, demonstrating the strength of the business model, the brand and demand for simple comfort at super budget prices in great locations.

“Since my appointment in August, essential and important operational improvements have been introduced to enhance the efficiency and scalability of our business, and to enable us to identify and develop new sites more quickly, as well as improve our RevPAR performance.

“The scale of opportunity we have in the UK and Europe is larger than was previously thought. Through a mix of owned and franchised hotels and an accelerated pace of openings, I believe that we have the opportunity to establish ourselves as the leading branded super budget hotel chain and create significant value for shareholders and stakeholders.”

easyHotel plc

Guy Parsons, Chief Executive Officer
Marc Vieilledent, Chief Financial Officer

www.easyhotel.com

<http://ir.easyhotel.com>

Investec (Nominated Adviser and Broker)

Chris Treneman
David Anderson

+44 (0) 20 7597 4000

Hudson Sandler (Financial PR)

Wendy Baker
Emily Dillon

+44 (0) 20 7796 4133

Notes to Editors:

easyHotel is the owner, developer, operator and franchisor of branded hotels. Its strategy is to target the "super budget" segment of the hotel industry by marketing "clean, comfortable and safe" hotel rooms to its customers. easyHotel currently has three owned hotels comprising 390 rooms, and a further 18 franchised hotels with 1,490 rooms.

Owned hotels: Old Street (London), Glasgow, Croydon

Franchise locations: Bulgaria (Sofia), Czech Republic (Prague), Germany (Berlin, Frankfurt), Hungary (Budapest), The Netherlands (Amsterdam, Rotterdam, The Hague), Switzerland (Basel, Zurich), UAE (Dubai), UK (Edinburgh, London)

Chairman's statement

I am pleased to report that after a period of management transition, trading has been in line with Board expectations. easyHotel continues to expand the number of rooms available and extend its brand.

This last year saw important changes with the appointment of a new, proven executive team including additional senior management. This team, which will only be fully in place by February 2016, has extensive budget hotel experience, and is already bringing new focus to the strategy with a clear view on how to accelerate the growth of both our owned and franchised hotel network.

Dividend

The Board is pleased to confirm that it is recommending a maiden final dividend of 0.33p per ordinary share. If approved at the AGM to be held on 21 January 2016, the dividend will be payable on 11 February 2016 to shareholders on the register on 8 January 2016.

Board Changes

In January 2015, Darren Mee stepped down as Chief Financial Officer and, in July Simon Champion stepped down from his role as Chief Executive Officer. Also in July, when Jan. G. Åstrand stepped down from the Board as Executive Chairman, I was appointed as Non-Executive Chairman. The Board thanks Jan, Simon and Darren for having led a successful flotation in June 2014.

Since August 2015, the Board now comprises an executive team with extensive direct knowledge and success in the budget hotel sector and is supported by Non-Executives with financial, hotel industry, property and public company experience.

Marc Vieilledent started as Chief Financial Officer in May 2015 following 16 years at Accor S.A., where he worked until 2013.

Guy Parsons joined as Chief Executive Officer in August 2015. He has over 25 years' experience in the hotel and leisure industry, including eight years as a Board member at Travelodge where he was promoted to CEO before leaving in 2012.

My Non-Executive colleague Scott Christie and I look forward to supporting our newly appointed Executive Directors and their team in what I expect will be a productive year.

Staff

On behalf of the Board, I would like to thank our employees for their dedication and contribution to the business during a year of considerable change.

Outlook

The outlook for the business is encouraging and we now have a real opportunity to improve the performance of our existing portfolio and to expand the business.

Chief Executive Officer's Review

easyHotel continued to perform in line with Board expectations in 2015, demonstrating the strength of the business model and demand for simple comfort at super budget prices in great locations.

Following my appointment in August I reviewed the Company's strategy. A considerable market opportunity exists and the basis of our business model and strategy is sound. We have made key changes to our operations and management structure and we have the opportunity to increase significantly the pace at which we open hotels and firmly establish ourselves as the leading branded super budget hotel operator. We also conducted a thorough review of the UK and European hotel markets, which has helped us to identify a number of towns and cities where we wish to have owned or franchised easyHotels.

Trading review

We have made good progress with our owned and franchised hotel network, with revenue for the year ended 30 September 2015 ahead of the previous year.

Occupancy for all hotels, excluding 2014/2015 openings, was 76.4%.

Owned Hotels

Revenue from our owned hotels benefited from a full year's contribution from Glasgow, expanded capacity at Old Street and the opening of Croydon in November 2014.

Despite increasing capacity at Old Street by 70 rooms in April 2014, revenue per available room ("RevPAR") for Glasgow and Old Street was up 10% to £30. As expected the operating performance at our Croydon hotel has been building since its opening in November 2014.

The decision on our application for retrospective planning permission, submitted to Islington Council for rooms already added to the Old Street hotel, is now expected in 2016.

Franchise partners

Following the opening of the 132 room Frankfurt easyHotel in January 2015 and an 83 room hotel in Prague in June 2015 we now have 18 franchised hotels in our group. The recent securing, with our initial assistance, of planning consent and finance for the Brussels hotel by our Benelux franchisee will add a further 107 rooms by early 2017.

Like for like revenue of franchised hotels increased by 3% during the financial year.

In November 2015 we announced a Master Development Partnership with MAN Investments LLC for the development of new purpose-built assets and conversions in the UAE and Oman. This should establish us as the largest super budget hotel chain in the region and greatly improve brand awareness.

Development of owned hotels

We purchased 47 Castle Street in Liverpool in April 2015 and we conditionally acquired Bradley House in Manchester, which is still subject to completion, in June 2015.

Both sites have been selected for their excellent locations and are within walking distance of local attractions, tourist destinations and transport hubs. These hotels are expected to open in the 2016/2017 financial year and would add 77 and 116 rooms respectively.

We are actively reviewing and considering more development opportunities than has historically been the case.

Strategy review

Following my appointment as Chief Executive Officer in August 2015, I undertook a review of the business, its operational capability as well as the market opportunity for easyHotel. The conclusions of this review are set out below:

Market opportunity

easyHotel continues to be the most recognised branded super budget hotel chain and there is excellent potential for us to assert ourselves in this important niche market.

Independent market data* shows that branded budget hotels in the UK are expected to grow from 137,000 rooms at the end of 2014 to 180,000 rooms by the end of 2020, and to 215,000 by the end of 2030. This represents a consistent 3% annual increase over the next 15 years, with a similar long-term trend expected to materialise within the rest of Europe. Furthermore, established budget hotel chains are gradually increasing their room rates leaving a gap in the market for a truly budget offering.

* Melvin Gold Consulting Ltd. 2015

Owned Hotels

The owned hotel strategy is sound, albeit there is more we can do to capitalise on market opportunities available. We have identified the potential for 12,000 owned easyHotel rooms, two thirds of which are in over 30 cities and Greater London in the UK, the remainder being in key gateway European cities. This analysis is based on known demand for good quality, affordable hotel rooms. The Board is confident, that with adequate resources, we should be able to deliver significant growth in the coming years. The focus is primarily on acquiring conversion and new build sites that are in close proximity to good transport links as well as food and beverage facilities.

Since August, several interesting sites have been identified which we are currently evaluating and negotiating. From early 2016 our development activities will be led by a newly appointed UK Development Director who has a proven track record in developing budget hotel chains including many years at a major UK hotel company.

The Board has concluded that whilst it intends to accelerate the overall development plan, it is prudent to assume that it will take, on average, two years to identify, purchase and convert sites before opening.

In terms of evaluating new site opportunities, the Board will continue to assess sites on the basis of their potential unlevered return on capital employed ("ROCE"). This will include development opportunities in key metropolitan cities which offer superior risk adjusted returns in the longer term, albeit returns may be lower than the Company's previous target of 15% ROCE at maturity owing to higher land prices in certain locations.

Operating leverage model

There is an early opportunity to update the way in which we do business. With the appointment in November 2015 of an Operations Director, with 18 years' hotel industry experience, our core operational disciplines will be developed to make them more customer focussed and more efficient. As a result, our business will be more scalable, making it easier to apply and roll out in new locations. We are confident that the changes to the operating model will continue to achieve high margins through low operating costs, high occupancy rates and the business will generate higher returns as we have more rooms per square footage than our competitors.

We shall introduce a new hotel design, to both bedroom and public areas, which will be rolled out in our future hotel openings. The new look is fresher and more contemporary, and has been designed with the needs of our customers in mind. Importantly, whilst the cost of fit out of the new rooms is expected

to be marginally higher than historically, they have been designed to reduce significantly day-to-day maintenance costs, ensuring that our hotels retain a fresh look.

Franchised hotels

We believe the opportunity for franchised hotels in the UK and Europe is comparable to the owned hotel opportunity. Our market reviews have identified the opportunity to open a further 15,000 franchised easyHotel rooms in the UK and Europe, in locations where we do not intend to establish an owned hotel in the foreseeable future, or where there is sufficient demand for smaller hotels to operate alongside our owned sites. Our dedicated Franchise Director will focus on developing the franchisee hotel pipeline in the UK and Europe.

Our current 18 franchised hotels materially out-number our owned hotels and have been developed by successful entrepreneurs. In future we shall work more closely with our existing and new franchisees to help them further build successful businesses as well as extend the easyHotel estate.

Outside Europe, our focus in the medium term will be in the Middle East where we have recently signed a Master Development Partnership with MAN Investments LLC. MAN Investments' development programme targets an initial opening of 600 rooms by 2017, for which it has already secured the sites to accommodate this target. Following these openings, MAN Investments are targeting a further 1,000 rooms by the end of 2020.

Brand

The Board believes the easyHotel brand is very powerful but remains underinvested and underexploited.

We know that customer recommendation plays an integral part in our future success and finding out what our customers think is central to our business. We have started monitoring social media and review sites, including TripAdvisor, as well as asking everyone who books with us whether they would recommend us to their friends, family or colleagues.

With over 97% of bookings in the UK made directly via our website, easyHotel.com, constantly improving our customer experience and ensuring that our website is easy to find, use and navigate is an ongoing priority. Following the appointment of a Head of Marketing in March 2015, our search engine optimisation (SEO) and pay per click (PPC) campaigns have been refined to maximise the traffic to our website and improve the return on investment.

Distribution & Revenue Management

A historic feature of our owned-hotel distribution strategy was to sell rooms directly through easyHotel.com only. However, and particularly in Europe, a number of our franchisees have successfully started using online travel agencies. We are currently reviewing this and are evaluating the benefits of releasing a small proportion of owned rooms to online travel agencies. We believe that the cost of using agents will be more than compensated by higher RevPAR and profitability, as well as increased brand awareness. This strategy will be kept under review as we test the right balance between direct and agency sales.

Central operations

As the business evolves, it is imperative that we have the technology in place to allow for ongoing growth. One of these core areas is our IT infrastructure. Having launched a new website in summer 2015 we have moved onto a new, more efficient, scalable and secure server which manages both front end bookings and sales and back end financial accounting. We are revising our supplier contracts and have reduced the number of suppliers we use to benefit from the cost savings that scale can bring.

We have recently decided to insource our human resources to help facilitate our growth and improve our efficiency. Our staff recruitment process has been simplified and contracts of employment have been standardised. At the year-end the Group employed 30 staff (2014: 14).

Outlook

Trading for the current year has started well and in line with Board expectations. We are already driving efficiencies through the business and taking measures to improve RevPAR and hotel profitability. We will benefit from the recent strengthening of our team.

The first of the new owned hotel openings are planned for the 2016/2017 financial year after which we intend to accelerate the growth of our owned and franchise network in the UK and Europe and operate an easyHotel wherever there is demand for branded good quality, affordable rooms. Our strategy, therefore, extends beyond gateway cities and destinations where the “easy” brand already operates.

Chief Financial Officer's Review

Both our owned and franchised hotels performed well during the financial year with key performance metrics - occupancy, average daily rate and RevPAR - in line with Board expectations. Total system sales - the full amount that the customer pays for our owned and franchised hotels, including initial sign-on fees paid by franchisees to the Company – was up 15% to £19.95m (2014: £17.33m)

Revenue

Total revenue increased by 56% to £5.54m (2014: £3.54m).

Revenue from owned hotels was up by 76% to £4.03m (2014: £2.30m) reflecting a full year's contribution from the Glasgow hotel, the opening of the Croydon hotel in November 2014 and the 70 rooms added to the Old Street hotel in April 2014.

Franchised hotel revenue, including a one-off fee of £0.27m relating to the termination of a South African franchisee agreement, was £1.51m (2014: £1.25m).

Adjusted EBITDA

Adjusted EBITDA (before one-off items) was £1.46m (2014: £1.73m). Our owned and franchised segments contributed a profit improvement of £0.51m offset by additional expenses of £0.30m (primarily, recurring fees incurred from being a listed company) as well as central staff costs increasing by £0.48m as we invest behind the future growth of the business.

Profit before tax

Profit before tax was £0.79m (2014: £0.57m) with profit before tax from segment operations up 34% to £2.64m (2014: £1.98m).

Owned hotels' profit before tax was £1.76m (2014: £0.96m) driven by the strong performance of both the Glasgow and Old Street hotels as well as the profitable opening of the Croydon hotel in November 2014.

Franchised hotels' profit before tax was £0.88m (2014: £1.02m). The Dutch, German and London airport hotels performed particularly well, however this was offset by additional investment into the franchised business, in particular the appointment of a Franchise Director in October 2014 and an increase in marketing spend.

The change in the executive team during the year led to a number of one-off recruitment and legal fees as well as termination payments being incurred for a total amount of £0.35m.

Hotel pre-opening and development costs incurred in relation to securing and subsequent development of the Liverpool and Manchester hotels amounted to £0.03m. As our number of hotel openings accelerates, pre-opening costs are expected to increase.

Finance income was £0.19m (2014: £0.02m), with £0.06m relating to interest on cash deposits, and £0.13m relating to interest on amounts advanced to our Benelux franchisee (see below).

Finance expense was £0.33m (2014: £0.13m). This included a foreign exchange loss of £0.15m (2014: £0.06m) during a year in which we were adversely impacted by the strengthening of the UK pound against the Euro.

Benelux Franchisee

As announced in October 2015, the Group's Benelux franchisee secured planning consent and financing for a proposed 107 room easyHotel Brussels project and, as a consequence, the Group has received repayment of its €3.3m security deposit and has been entirely released from any future step-in obligation related to the project. The Group had also entered into an agreement to lend the franchisee €0.85m in relation to the Brussels project. This amount was repaid in full during the financial year. Interest received on these agreements of £0.13m was offset by a foreign exchange loss of £0.15m relating to the monies advanced.

National Living Wage

The introduction of the National Living Wage from April 2016 will have a second half impact of circa £0.04m on our staff costs for 2015/2016. The scheduled long term increases in the National Living Wage are expected to be offset by our revenue strategy and incremental efficiency improvements to the operations, while central overheads should gradually represent a lower proportion of operating segment profits.

Cash flows and Balance Sheet

Cash generated from operations was £2.29m (2014: £1.11m) with a total net use of cash of £1.63m after net financial expenses, corporation tax paid, investments and share purchases.

£1.0m has been spent this financial year by the Employee Benefit Trust on share purchases. As at 30 September 2015 1,125,000 shares are held by the Employee Benefit Trust (2014: 112,500).

The Group ended the financial year with net assets of £32.44m (2014: £32.76m) of which £22.64m comprised cash and cash equivalents, giving us sufficient capacity to initiate our accelerated owned hotel growth strategy.

Taxation

The effective tax charge for the period was 23% (2014: 29%). The underlying tax charge for the period was 21% (2014: 25%).

Earnings per share and dividend

Net income for the year was £0.61m (2014: £0.41m). Basic earnings per share was 1.0 pence (2014: 1.2p).

In line with the Company's dividend policy, that dividends paid should be between 30%-50% of post-tax profits, the Board is proposing a maiden final dividend of 0.33 pence per ordinary share (2014: nil), amounting to 34% of total net income.

**Consolidated statement of comprehensive income
for the year ended 30 September 2015**

	Note	2015 £	2014 £
System sales		19,950,888	17,327,350
Revenue	3	5,541,392	3,543,948
Cost of sales		(1,729,456)	(1,158,444)
Gross profit		3,811,936	2,385,504
Administrative expenses		(2,880,912)	(1,702,747)
Operating profit	4	931,024	682,757
Analysed as:			
Adjusted EBITDA*	4	1,456,565	1,729,918
Non-recurring items	4	(75,941)	(555,499)
Hotel pre-opening and development costs	4	(32,528)	—
Depreciation & amortisation		(387,000)	(410,771)
Share based payments		(30,072)	(80,891)
		931,024	682,757
Finance income	6	187,343	16,640
Finance expense	7	(330,794)	(126,822)
Profit before taxation		787,573	572,575
Taxation		(178,187)	(164,656)
Profit for the year		609,386	407,919
Other comprehensive income		—	—
Total comprehensive income		609,386	407,919
Attributable to equity holders of the Company		609,386	407,919
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic and diluted (pence)	8	1.0	1.2

* Adjusted EBITDA represents Earnings before Interest, Taxation, Depreciation and Amortisation adjusted for pre-opening costs related to the development of hotels, organisational restructuring costs, share based payments and other non-recurring items (see note 4 for details).

Consolidated statement of financial position
for the year ended 30 September 2015

Company number 09035738

	2015 £	2015 £	2014 £	2014 £
Assets				
Non-current assets				
Intangible Assets	67,266		—	
Property, plant and equipment	20,950,446		18,795,738	
Total non-current assets		21,017,712		18,795,738
Current assets				
Trade and other receivables	360,697		922,823	
Cash and cash equivalents	22,635,566		24,263,974	
Corporate taxation	6,908		—	
Total current assets		23,003,171		25,186,797
Total assets		44,020,883		43,982,535
Liabilities				
Non-current liabilities				
Trade and other payables	144,539		435,196	
Bank borrowings	7,200,000		7,200,000	
Deferred tax liability	128,472		113,755	
Total non-current liabilities		7,473,011		7,748,951
Current liabilities				
Trade and other payables	4,106,005		3,417,282	
Corporate taxation	—		51,674	
Total current liabilities		4,106,005		3,468,956
Total liabilities		11,579,015		11,217,907
Total net assets		32,441,868		32,764,628
Equity				
Equity attributable to owners of the Company				
Share capital	625,000		625,000	
Share premium	28,592,036		28,592,036	
Merger reserve	2,750,001		2,750,001	
EBT reserve	(1,067,405)		(105,187)	
Retained earnings	1,542,236		902,778	
Total equity		32,441,868		32,764,628

Consolidated statement of cash flows
for the year ended 30 September 2015

	2015	2014
	£	£
Cash flows from operating activities		
Profit before taxation for the year	787,573	572,575
Adjustments for:		
Depreciation and amortisation	387,000	410,771
Share based payment charge	30,072	80,891
Finance income	(187,343)	(16,640)
Finance expense	330,794	126,822
Operating cash flows before movements in working capital	1,348,096	1,174,419
Decrease/(increase) in trade and other receivables	562,126	(895,464)
Increase in trade and other payables	382,130	830,056
Cash generated from operations	2,292,352	1,109,011
Corporation tax paid	(222,053)	(90,000)
Net cash flows from operating activities	2,070,299	1,019,011
Finance income	187,343	16,640
Finance expense	(151,582)	—
Net cash generated from operations	2,106,060	1,035,651
Investing activities		
Purchase of property, plant and equipment	(2,592,938)	(7,436,176)
Net cash used in investing activities	(2,592,938)	(7,436,176)
Financing activities		
Proceeds from issue of ordinary share capital	—	25,241,020
Capitalised costs related to issue of ordinary share capital	—	(1,032,964)
Related party loan repayments	—	(1,363,299)
Outflow from own share purchase	(962,218)	(105,187)
Finance expense	(179,212)	(126,822)
Bank loan	—	7,200,000
Net cash (utilised by)/generated from financing activities	(1,141,430)	29,812,748
Net (decrease)/increase in cash and cash equivalents	(1,628,308)	23,412,223
Cash and cash equivalents at the beginning of the year	24,263,874	851,751
Cash and cash equivalents at the end of the year	22,635,566	24,263,974

**Consolidated statement of changes in equity
for the year ended 30 September 2015**

	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Retained earnings £	Total £
At 30 September 2013	250,000	—	2,750,001	—	413,968	3,413,969
Shareholder capitalisation of loans	59,487	4,699,493	—	—	—	4,758,980
Share issue less costs	315,513	23,892,543	—	—	—	24,208,056
Share based payment charge	—	—	—	—	80,891	80,891
EBT share purchases	—	—	—	(105,187)	—	(105,187)
Total comprehensive income for the year	—	—	—	—	407,919	407,919
At 30 September 2014	625,000	28,592,036	2,750,001	(105,187)	902,778	32,764,628
Share based payment charge	—	—	—	—	30,072	30,072
EBT share purchases	—	—	—	(962,218)	—	(962,218)
Total comprehensive income for the year	—	—	—	—	609,386	609,386
At 30 September 2015	625,000	28,592,036	2,750,001	(1,067,405)	1,542,236	32,441,868

Additional notes

1 General Information

easyHotel Plc is incorporated in England and Wales under the Companies Act. The address of the registered office is 80 Old Street, London, EC1V 9AZ.

The nature of the Group's operations and its principal activities are the owner, developer, operator and franchisor of "super budget" "easyHotel" branded hotels.

2 Basis of preparation

The financial information presented in this preliminary announcement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted in the preparation of the financial information in this preliminary announcement are unchanged from those used in the company's financial statements for the year ended 30 September 2014 and are consistent with those that the company has applied in its financial statements for the year ended 30 September 2015.

The financial information does not constitute the company's statutory accounts, within the meaning of Section 435 of the Companies Act 2006, for the years ended 30 September 2015 or 30 September 2014 but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 2006, s498(2) or (3).

Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015, prepared under IFRS, will be delivered in due course.

3 Revenue

	2015	2014
	£	£
Revenue arises from:		
Owned hotel revenue	4,012,541	2,275,832
Franchisee hotel revenue*	1,505,617	1,245,819
Other income	23,234	22,297
	5,541,392	3,543,948

*Includes accelerated fee release (note 4) of £269,500 (2014: £nil).

4 Operating profit and adjusted EBITDA

	2015	2014
	£	£
The following have been included in arriving at profit before tax:		
Foreign exchange (losses)/gains	(151,902)	(5,913)
Auditors' remuneration includes:		
Company audit fees	(15,000)	(11,500)
Subsidiary audit fees	(26,000)	(23,500)
Fees for other services	(19,000)	(198,500)
Total auditors' remuneration	(60,000)	(233,500)

2015 fees for other services are for the six-month review and 2014 fees for other services are for other reporting accountant services rendered in connection with the listing of the shares on AIM, as well as financial due diligence services in connection with screening potential takeover targets, and half-year review.

	2015	2014
	£	£
Non-recurring costs include:		
Director and Board changes:		
Loss of office payments	(168,509)	-
Recruitment fees	(120,864)	-
Legal and other costs	(56,068)	-
Restructuring and listing costs:		
IPO expenses	-	(238,339)
Abortive fees	-	(229,278)
Other exceptional costs	-	(87,882)
Accelerated initial fee release:	269,500	-
Total non-recurring costs	(75,941)	(555,499)

Accelerated fee release of £269,500 (2014: nil) relates to a previous exclusivity payment made by a franchisee, initially being recognised over a 20 year period. The exclusivity of this franchisee agreement has since lapsed and unrecognised portions have been recognised in the period ended 30 September 2015.

	2015	2014
	£	£
Hotel pre-opening and development costs includes:		
Rental income	21,160	-
Pre-opening operational costs	(53,688)	-
Total hotel pre-opening and development costs	(32,528)	-

Hotel pre-opening and development costs relate to expenses incurred or income received in running a property prior to commencement of trading as a hotel or otherwise.

Adjusted EBITDA is shown on the face of the consolidated statement of comprehensive income as it reflects the profits from underlying operations only and is the best indicator of easyHotel's financial performance.

5 Segment information

The Group has two main reportable segments:

- *Owned properties* – This division is involved in hotel operations carried out in the Group's owned hotels and properties.
- *Franchising* – This division involves the Group's franchised hotel operations, in connection with the licence of the Group's brand name.

Factors that management used to identify the Group's reportable segments

These segments are considered on the basis of different products and services. They are managed separately because each business requires different management strategies and pose different business risks.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from finance activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the Group position.

	Owned properties £	Franchising £	Total £
30 September 2015			
Revenue			
Total revenue from external customers	4,034,479	1,506,913	5,541,392
Profit before taxation	1,760,913	880,211	2,641,124
Segment assets	41,363,530	2,263,480	43,627,010
Segment liabilities	(8,685,621)	(2,263,480)	(10,949,101)
Other			
Additions to non-current assets	2,533,877	—	2,533,877
Finance income	54,799	131,362	186,161
Depreciation	(379,169)	—	(379,169)
30 September 2014			
Revenue			
Total revenue from external customers	2,295,862	1,248,086	3,543,948
Profit before taxation	957,938	1,016,796	1,974,734
Segment assets	40,401,459	2,372,488	42,773,947
Segment liabilities	(8,378,933)	(2,372,488)	(10,751,421)
Other			
Additions to non-current assets	7,436,176	—	7,436,176
Finance income	16,640	—	16,640
Depreciation	(410,771)	—	(410,771)

Reconciliation of reportable segment revenues, profit before tax, assets and liabilities to the Group's corresponding amounts is shown below:

	2015 £	2014 £
Profit before income tax		
Total profit of reportable segments	2,641,124	1,974,734
Corporate office expenses and interest	(1,475,582)	(846,660)
Director and Board changes	(345,441)	—
Hotel pre-opening and development costs	(32,528)	—
Restructuring and listing costs	—	(555,499)
Profit before tax per statement of comprehensive income	787,573	572,575
Assets		
Total assets for reportable segments	43,627,010	42,773,947
Cash in Employee Benefit Trust	233,849	1,192,291
Corporation tax	6,908	—
Corporate office assets	153,115	16,297
Total assets per statement of financial position	44,020,882	43,982,535
Liabilities		
Total liabilities for reportable segments	(10,949,101)	(10,751,421)
Corporation tax	—	(51,674)
Corporate office liabilities	(501,444)	(301,057)
Deferred tax liability	(128,470)	(113,755)
Total liabilities per statement of financial position	(11,579,015)	(11,217,907)

Geographical information

	2015 £	2014 £
Revenue by location		
United Kingdom	4,591,324	2,808,832
Europe	541,717	548,754
Rest of the world	408,351	186,362
	5,541,392	3,543,948
Total non-current assets by location		
United Kingdom	21,017,712	18,795,738

6 Finance income

Recognised in profit or loss:

	2015 £	2014 £
Finance income		
Interest income on financial assets measured at amortised cost	55,981	16,640
Interest income on amounts due from Benelux franchisee	131,362	—
Total finance income	187,343	16,640

7 Finance expense

Recognised in profit or loss:

	2015	2014
	£	£
Finance expense		
Interest expense on financial liabilities measured at amortised cost	179,292	126,822
Foreign exchange loss	151,502	-
Total finance expense	330,794	126,822

Foreign exchange loss for the period includes an unrealized loss of £136,940 on amounts due from a Benelux franchisee. On 2 October 2014, the Group deposited €3.3m with a Belgian notary to secure an easyHotel property in Brussels which is intended to be a franchised hotel. Interest on this deposit is payable to easyHotel at a rate of 10% per annum from 2 April 2015. The exchange rate applied at the balance sheet date is £1/€1.3509. This amount has subsequently been repaid (see note 11).

8 Earnings per share

Basic and diluted earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 61,627,740 (2014: 34,262,499). The Company has no dilutive options, issued or outstanding, in relation to its share capital. Earnings consist of profit for the period attributable to the shareholders amounting to £609,386 (2014: £407,919).

9 Dividends

Final cash dividend of 0.33p per ordinary share (£202,538) is proposed by the Group during the period under review (2014: £Nil).

10 Contingencies and commitments

A contingent liability exists in relation to a Section 106 planning contribution levy at the Company's Old Street hotel. The Group is seeking retrospective planning consent for further hotel rooms on the third and fourth floors of the hotel. The total of the Section 106 liability remains under discussion. The Group expects a decision to be made about the application during 2016.

A contingent liability exists in relation to a claim from a previous franchisee in South Africa. The total claim is for the amount of £113,194 and we are currently uncertain of the validity of this claim. We are currently seeking legal advice on this matter.

A commitment to purchase a property in central Manchester for £2,750,000 exists subject to conditions and obtaining relevant consents from local authorities. A non-refundable deposit of £50,000 was paid in order to secure exclusivity on the property purchase.

11 Events after the reporting date

On 22 October 2015, the Company received €3.3m relating to full repayment of a restricted cash amount held on escrow with a Belgium notary, used to secure a property in Brussels on behalf of its franchisee in that region.

On 9 November 2015 easyHotel signed a Master Development Partnership with MAN Investments LLC (a UAE owned commercial and investment group), to develop easyHotels in the Middle East. MAN Investments will focus its new developments in the UAE and Oman, and the new easyHotels are expected to comprise purpose-built assets and conversions of existing hotel and/or office buildings. MAN Investments' development program targets an initial opening of 600 rooms by 2017. Following these openings, MAN Investments are targeting a further 1,000 rooms by the end of 2020. Each new hotel opening as part of this Master Development Plan will be subject to signing a franchise agreement.

There are no other matters that occurred between the reporting date and the date of approval of these financial statements that the Directors wish to draw attention to.