easyHotel.com

29 November 2016

easyHotel plc

Final results for the year ended 30 September 2016

Total system sales and profit before tax up 6.8% and 38.4% respectively
1,527 new rooms currently in development

easyHotel plc ("easyHotel") (AIM:EZH) the owner, developer, operator and franchisor of "super budget" branded hotels today announces its final results for the year ended 30 September 2016.

Financial highlights

- Total system sales[1] up 6.8% to £21.32m (2015: £19.95m)
- Total revenue up 8.7% to £6.02m (2015: £5.54m)
- Like for like owned hotels revenue growth of 13%
- Adjusted EBITDA[2]up 6.5% to £1.55m (2015: £1.46m)
- Profit before tax up 38.4% to £1.09m (2015: 0.79m)
- Basic earnings per share of 1.4p (2015: 1.0p)
- Proposed final dividend of 0.22p per share on the enlarged share base (2015: 0.33p per share), making the total dividend for the year 0.33p per share (2015: 0.33p per share)

Business highlights

- On track to deliver development strategy announced in September 2016
- Significantly accelerated development pipeline with 1,527 rooms now in development
  - Five new owned hotel projects will add 576 rooms by early 2018
  - 951 new franchise rooms currently in the pipeline will increase brand presence without direct capital investment

Post year end events

- Placing of 38,000,000 new ordinary shares raising £38.0m (£36.7m after expenses), to fund owned hotel expansion strategy
- Completed refinancing of £7.2m bank facility. New 5-year facility of £12.0m secured
- Two new franchise hotels opened in Brussels and Amsterdam, and a new franchise agreement signed for easyHotel in Reading
- Completed acquisition of the Barcelona hotel development

Explanatory footnotes:

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

[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

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

"We are on track to deliver the development plans we announced in September 2016.

2015/2016 was a transformational year for easyHotel, with excellent operational progress made across the business and a significant acceleration of both our owned and franchise hotel development pipelines.

The Board remains confident that by exploiting the strength of the brand, easyHotel will continue to outperform the budget hotel sector as consumers seek out the best value for money.

With the experienced team we now have in place and the proceeds of our recent fundraising, we are in an excellent position to expand the easyHotel brand and deliver improving returns for our shareholders"

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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.

Operating hotels

easyHotel's three owned hotels currently comprise 390 rooms, and it has a further 19 franchised hotels with 1,643 rooms.

Owned hotels:

Old Street (London), Glasgow, Croydon.

Franchise locations:

Belgium (Brussels), Bulgaria (Sofia), Germany (Berlin, Frankfurt), Hungary (Budapest), The Netherlands (Amsterdam, Rotterdam, The Hague), Switzerland (Basel, Zurich), UAE (Dubai), United Kingdom (Edinburgh, London Heathrow, Central London, Luton).

Hotel development pipeline

The Company's committed development pipeline of owned and franchised hotels currently consists of:

Owned hotels:

United Kingdom (Liverpool, Manchester, Birmingham, Ipswich), Spain (Barcelona)

Franchise hotels:

The Netherlands (Amsterdam-Zaandam), UAE (Dubai), Germany (Bernkastel-Kues), Portugal (Lisbon), Turkey (Istanbul), UK (Reading)

Website: www.easyHotel.com

Chairman's statement

I am pleased to report that easyHotel continued to trade in line with the Board's expectations during the year under review. Our owned hotels traded particularly strongly, with like for like revenues up by 13% when compared with the prior year.

Strategy

The Group's growth strategy focuses on the continued development and rollout of owned hotels, primarily in the UK, that the Board believes will offer sustained earnings per share enhancing returns. Alongside growth of the owned hotel portfolio, our franchise network will continue to be expanded mostly outside the UK which increases our network without direct capital investment from the Group.

Our successful share placing, since the year end on 17 October 2016, raised £38.0m (£36.7m after expenses) of additional equity capital. Alongside the refinancing of an existing bank facility shortly after the year end, sufficient capital has been secured to finance further growth in the Group's identified hotel pipeline in line with the Board's strategy.

The operational foundations necessary to achieve the Group's exciting ambitions are now firmly in place. Moreover, the Board is confident that these plans will be delivered consistent with the values that distinguish the easyHotel brand from other providers in the sector – we make things simple; we're always the best value for money; we do what we say; we care for you.

Dividend

An interim dividend of 0.11p per ordinary share was paid on 1 July 2016. The Board is now pleased to recommend to shareholders the payment of a final dividend of 0.22p per share on the basis of our enlarged share capital. Subject to shareholder approval at our forthcoming AGM, this dividend will be paid on 16 February 2017 to shareholders on the register on 13 January 2017.

Board and management team

This has been the first full financial year under the management of Guy Parsons, Chief Executive Officer, and Marc Vieilledent, Chief Financial Officer, both of whom were appointed in 2015. The Group has benefited from their substantial budget hotel sector experience, commercial skills, hard work and the changes they have made to strengthen their team, operational processes and controls. Their insight into the industry, complemented by the property, financial and plc experience of the Non-Executive Directors, means the Board's collective knowledge provides a strong basis for sound governance of the business. I am particularly grateful to my co-Director, Scott Christie, who has continued to play an exceptional role during a period of considerable activity.

easyHotel has an excellent team working hard to advance this ambitious business. On behalf of the Board, I would like to thank them for all their efforts and continued support.

Outlook

The outlook for the business is most encouraging. With the right team now in place, a broader shareholder base and significant institutional support, the Group has an exciting opportunity ahead. We will continue to update shareholders regularly on our progress.

Chief Executive Officer's review

Strategy
2015/16 was a transformational year for easyHotel with excellent progress achieved.

High levels of staff engagement across both our owned and franchised hotels together with improving customer satisfaction, have driven impressive like for like sales growth. This, together with our focus on reducing costs, improving efficiencies and maximising the returns from our investments has produced a significant increase in our profits.

Our pipeline of new hotels is accelerating. The equity fundraise in October 2016 will enable us to develop and open more owned hotels, and such investment in the brand and estate should encourage more franchisees to join the brand. With the experienced team we now have in place, we are in an excellent position to expand the easyHotel brand and deliver improving returns for our shareholders.

Trading review
In 2015/16 total system sales grew by 6.8% to £21.3m, and our company revenues by 8.7% to £6.0m. This was achieved by an increase in like for like owned hotel sales of 13% and the maturing of Croydon and Frankfurt.

Occupancy for owned and franchised hotels was 76.2% (2015: 75.0%).

Our strong sales performance led to a 6.5% increase in adjusted EBITDA to £1.55m.

Following the sale of the restaurant asset at our Liverpool development site, our profit before tax increased by 38.4% to £1.1m.

Owned hotels
Despite a softening UK hotel market, particularly in London, revenue grew on a like for like basis by 13% as a result of the new revenue management and dynamic pricing strategy implemented during the year. This, together with a decision to start selling a limited allocation of rooms via selected on-line travel agencies (OTA's) resulted in all three owned hotels significantly outperforming their competitive set (as measured by STR) from November 2015 onwards.

As previously announced, the retrospective planning permission submission for 78 of the 162 rooms at the Old Street hotel was refused by Islington Council. A formal appeal will be lodged in December 2016 and a decision is expected during 2017. The remaining 84 rooms at Old Street, which already have planning permission in place, are unaffected.

Franchise partners
Like for like revenue at our franchised hotels increased by 1% during the financial year, reflecting the unique market conditions in which the hotels operate. The hotels in continental Europe performed particularly strongly whereas the UK hotels traded in line with the UK market.

There were 17 franchise hotels operating at the end of the financial year, following the termination of the franchise agreement in Prague.

Market outlook
The UK hotel market performed strongly in the post Brexit period, as a result of weaker Sterling (vs. the US Dollar and Euro) resulting in an increase in staycations and in-bound tourism.

The Board remains confident that despite any uncertainties surrounding the imminent Brexit negotiations, the easyHotel brand will continue to outperform the hotel sector as consumers seek out the best value for money.

Development review
Development of owned hotels
We have a growing pipeline of hotels under development.

We completed the acquisition of the Manchester hotel in January 2016 (which had originally been purchased subject to planning permission) and both the hotels in Manchester and Liverpool are under construction and will open in early 2017.

In July 2016, we sold the A3 restaurant space at 47 Castle Street in Liverpool under a 125-year lease agreement as part of our strategy to recycle capital through the disposal of surplus assets. The money raised will be used to help fund the further development of our owned hotel estate.

During the year, we completed the acquisition of three new hotel sites. The first is in John Bright Street, Birmingham, acquired under a 125-year lease. The 84-room hotel will open in early 2017. The second, acquired on a freehold basis, is in Northgate Street, Ipswich. The 94-room hotel will open in mid-2017. Finally, we completed the acquisition of a site on Gran Via, the main avenue of L'Hospitalet de Llobregat, Barcelona, in November 2016. A new build 204-room hotel will open in early 2018.

We now have 576 owned hotel rooms under various stages of development and are confident that the £36.7m (net of expenses) raised by the equity placing in October 2016, together with our increased bank facility of £12.0m, will enable us to continue opening owned hotels in excellent locations that will make a significant contribution to our profitability.

We look forward to updating investors on our acquisition pipeline in due course.

Development of franchised hotels

There are 951 franchised rooms currently under development. In addition to the hotel in Brussels, which opened in October 2016, and the development agreement we signed with MAN Investments LLC (which will open its first 300-room hotel in Bur Dubai in 2017) we announced the development of hotels at Amsterdam Arena (opened in November 2016), Amsterdam Zaandam, Istanbul, Lisbon, Bernkastel-Kues and Reading.

These hotel openings will enhance our position as the Super Budget hotel brand of scale, in the UK, Europe and the Middle East.

Central operations

During the year, we have made some significant senior management changes to ensure that we have the talent in place to deliver our growth plans.

The new team has already added significant value to our business. We have, for example, renegotiated our contract-cleaning agreement giving us a reduced (and fixed) cost, irrespective of increases to the living wage. We have renegotiated, and reduced, our architect, project management and construction costs, which will enhance future returns for the business. This work is on-going and we are confident that further efficiencies will be found.

With such an exciting future, it is perhaps not surprising that staff engagement levels are at industry leading levels. At the year-end the Group employed 45 staff (2015: 30).

Brand

easyHotel's core strength is our ability to leverage the recognised and trusted "easy" brand.

We know that improving customer recommendation is a priority for our future success and finding out what our customers think is central to our business. Our operations teams focus on customer feedback via social media sites in general, and TripAdvisor in particular, and our hotels are ranked against a competitive set, on a monthly basis. This relentless focus on customer feedback is already paying off and will remain an integral part of the way we do things in the future.

Revenue management & distribution

A historic feature of our distribution strategy was to sell rooms directly through easyHotel.com only. Although we are now selling a controlled number of rooms via OTA's, we remain focussed on driving sales via our own website. Our marketing campaigns during the last 12 months have been further refined to maximise the traffic to our website and improve the return on our marketing investment. With a new hotel management system being introduced in 2016/17, we will be in an excellent position to make further improvements to our customers' web journey, as well as introduce a more dynamic pricing strategy to further drive RevPAR growth.

By offering our customers a good night's sleep at a super price, and a quick and an easy way to make a booking we believe that we will attract new customers and encourage significant repeat visits.

Outlook

We are on track to deliver the development plans we announced in September 2016.

2015/2016 was a transformational year for easyHotel, with excellent operational progress made across the business and a significant acceleration of both our owned and franchise hotel development pipelines.

The Board remains confident that by exploiting the strength of the brand, easyHotel will continue to outperform the budget hotel sector as consumers seek out the best value for money.

With the experienced team we now have in place and the proceeds of our recent fundraising, we are in an excellent position to expand the easyHotel brand and deliver improving returns for our shareholders.

Chief Financial Officer's review

Revenue

Total revenue increased by 8.7% to £6.02m (2015: £5.54m) mainly driven by the strong performance of our owned hotels which significantly outperformed the market.

Revenue from our owned hotels was up by 17.2% to £4.73m (2015: £4.03m) and like for like growth was 13%. Average occupancy was 82.1% and average daily rate (ADR) per room was £40.0 during the year.

Revenue from our franchised hotels was £1.30m (2015: £1.51m), including a one-off fee of £0.05m relating to the termination of the Prague franchise agreement. Like for like growth in franchised hotels revenue was 1%. Average occupancy was 74.5% and ADR per room was £42.6 during the year.

Adjusted EBITDA

Adjusted EBITDA (before one-off items) increased by 6.5% to £1.55m (2015: £1.46m). Our owned and franchised businesses contributed an improvement of £0.31m to £3.21m (2015: £2.90m), partly offset by our corporate office expenses increasing by £0.22m to £1.66m (2015: £1.44m) on the back of continued investment in our team to deliver our ambitious growth plans.

Profit before tax

Profit before tax increased by 38.4% to £1.09m (2015: £0.79m).

In addition to the increase in adjusted EBITDA, the change in profit before tax was mainly driven by:

- A capital gain on the Liverpool ground floor disposal for £0.28m (2015: £Nil).
- A share based payments expense of £0.16m (2015: £0.03m).
- Pre-opening costs of £0.09m (2015: £0.03m), following acquisitions of various properties during the financial year. The Board anticipates such pre-opening costs rising as the development pipeline progresses.
- IT and other restructuring costs of £0.12m (2015: £Nil), relating primarily to preliminary fees for a new hotel management system.
- Depreciation and amortisation of £0.45m (2015: £0.39m).
- A finance income of £0.25m (2015: £0.19m) including interest on cash deposits and foreign exchange gains and a finance expense of £0.20m (2015: £0.33m) related to interest on borrowings were incurred during the year.

Taxation

The effective tax charge for the period was 20% (2015: 23%).

Earnings per share and dividend

Profit for the year was £0.88m (2015: £0.61m) giving rise to a basic earnings per share of 1.4p (2015: 1.0p).

In line with the Company's stated dividend policy, that dividends of between 30%–50% of post-tax profits should be paid, the Board is proposing a final dividend of 0.22p per ordinary share, or a total dividend for the financial year of 0.33p (2015: 0.33p) including the interim dividend of 0.11p (2015: Nil) paid in June 2016.

Cash flow and balance sheet

Net cash generated from operations was £0.85m (2015: £1.93m) and net cash used in investing activities was £9.65m (2015: £2.59m), reflecting the development costs of our five committed projects less the disposal of the A3 restaurant space at the Liverpool property, with a total net use of cash of £9.07m (2015: £1.63m).

The Group ended the financial year with net assets of £33.21m (2015: £32.44m), of which £13.66m comprised cash and cash equivalents (2015: £22.64m).

As at 30 September 2016, 1,125,000 ordinary shares in the Company were held by the Employee Benefit Trust (2015: 1,125,000).

Post-balance sheet events – Financing

On 17 October 2016, the Group completed the placing of 38,000,000 new ordinary shares of 1 pence each in the capital of the Company to raise £38.0m (£36.7m after expenses).

In November 2016, the Group completed the refinancing of its existing £7.2m bank facility with a new five-year facility due 2021 of £12.0m amortising at 3% per annum and bearing interest at Libor +2.50%.

Consolidated statement of comprehensive income

for the year ended 30 September 2016

	Note	**2016** £	2015 £
System sales*		**21,315,210**	19,950,888
Revenue	3	**6,024,255**	5,541,392
Cost of sales		**(2,150,528)**	(1,729,456)
Gross profit		**3,873,727**	3,811,936
Administrative expenses		**(2,832,382)**	(2,880,912)
Operating profit	4	**1,041,345**	931,024
Analysed as:			
Adjusted EBITDA**		**1,551,092**	1,456,565
Non-recurring items	4	**187,105**	(75,941)
Hotel pre-opening and development costs	4	**(89,157)**	(32,528)
Depreciation and amortisation		**(446,518)**	(387,000)
Share based payments		**(161,177)**	(30,072)
		1,041,345	931,024
Finance income	6	**248,934**	187,343
Finance expense	7	**(200,078)**	(330,794)
Profit before taxation		**1,090,201**	787,573
Taxation		**(213,429)**	(178,187)
Profit for the year and total comprehensive income attributable to equity holders of the Company		**876,772**	609,386
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (pence)	8	**1.4**	1.0
Diluted (pence)	8	**1.4**	1.0

*System sales is a non-statutory measure and represents the full amount that the customer pays for our owned and operated hotels, as well as fees in respect of franchisee-owned and operated hotels (excluding VAT and similar taxes). It also includes initial sign-on fees paid by franchisees to the Company.

**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 2016

	2016	**2016**	2015	2015
	£	**£**	£	£
Assets				
Non-current assets				
Intangible assets	**149,433**		67,266	
Property, plant and equipment	**30,463,074**		20,950,446	
Total non-current assets		**30,612,507**		21,017,712
Current assets				
Trade and other receivables	**1,243,243**		360,697	
Cash and cash equivalents	**13,659,018**		22,635,566	
Corporate taxation	**—**		6,908	
Total current assets		**14,902,261**		23,003,171
Total assets		**45,514,768**		44,020,883
Liabilities				
Non-current liabilities				
Trade and other payables	**85,679**		144,539	
Bank borrowings	**—**		7,200,000	
Deferred tax liability	**193,792**		128,472	
Total non-current liabilities		**279,471**		7,473,011
Current liabilities				
Trade and other payables	**4,706,215**		4,106,005	
Bank borrowings	**7,200,000**		—	
Corporate taxation	**119,314**		—	
Total current liabilities		**12,025,529**		4,106,005
Total liabilities		**12,305,000**		11,579,015
Total net assets		**33,209,768**		32,441,868
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	
Employee Benefits Trust (EBT) reserve	**(1,067,405)**		(1,067,405)	
Retained earnings	**2,310,136**		1,542,236	
Total equity		**33,209,768**		32,441,868

Consolidated statement of cash flows

for the year ended 30 September 2016

	2016	2015
	£	£
Cash flows from operating activities		
Profit before taxation for the year	**1,090,201**	787,573
Adjustments for:		
Profit on disposal on property, plant and equipment	**(282,675)**	—
Depreciation and amortisation	**446,518**	387,000
Share based payment charge	**161,177**	30,072
Finance income	**(248,934)**	(187,343)
Finance expense	**200,078**	330,794
Operating cash flows before movements in working capital	**1,366,365**	1,348,096
Decrease in trade and other receivables	**48,692**	562,126
(Decrease)/increase in trade and other payables	**(503,052)**	382,130
Cash generated from operations	**912,005**	2,292,352
Corporation tax paid	**(21,887)**	(222,053)
Net cash flows from operating activities	**890,118**	2,070,299
Finance income	**156,351**	187,343
Finance expense	**(200,078)**	(330,794)
Net cash generated from operations	**846,391**	1,926,848
Investing activities		
Purchase of property, plant and equipment	**(9,227,574)**	(2,592,938)
Proceeds from property, plant and equipment	**590,009**	—
VAT on investing activities	**(1,007,908)**	—
Net cash used in investing activities	**(9,645,473)**	(2,592,938)
Financing activities		
Outflow from own share purchase	**—**	(962,218)
Dividends paid	**(270,049)**	—
Net cash utilised by financing activities	**(270,049)**	(962,218)
Net decrease in cash and cash equivalents	**(9,069,131)**	(1,628,308)
Cash and cash equivalents at the beginning of the year	**22,635,566**	24,263,874
Exchange gains on cash and cash equivalents	**92,583**	—
Cash and cash equivalents at the end of the year	**13,659,018**	22,635,566

Consolidated statement of changes in equity

for the year ended 30 September 2016

	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Retained earnings £	Total £
At 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
Share based payment charge	—	—	—	—	161,177	161,177
Dividends paid	—	—	—	—	(270,049)	(270,049)
Total comprehensive income for the year	—	—	—	—	876,772	876,772
At 30 September 2016	**625,000**	**28,592,036**	**2,750,001**	**(1,067,405)**	**2,310,136**	**33,209,768**

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 2015 and are consistent with those that the company has applied in its financial statements for the year ended 30 September 2016.

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 2016 or 30 September 2015 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 2015 have been delivered to the Registrar of Companies and those for 2016, prepared under IFRS, will be delivered in due course.

3. Revenue

	2016 £	2015 £
Revenue arises from:		
Owned hotel revenue	**4,715,845**	4,012,541
Franchisees hotel revenue*	**1,296,104**	1,505,617
Other owned income	**12,306**	23,234
	6,024,255	5,541,392

*Includes an accelerated fee release of £49,130 (2015: £269,500).

4. Operating profit and adjusted EBITDA

	2016 £	2015 £
The following have been included in arriving at operating profit before tax:		
Auditors' remuneration includes:		
Company audit fees	**(15,000)**	(15,000)
Subsidiary audit fees	**(29,500)**	(26,000)
Fees for audit related assurance services	**(20,000)**	(19,000)
Total auditors' remuneration	**(64,500)**	(60,000)

	2016 £	2015 £
Non-recurring items from reportable segments include:		
Net accelerated initial fee release	**29,630**	269,500
Other non-recurring items include:		
Loss of office payments	**—**	(168,509)
Recruitment fees	**—**	(120,864)
Legal and other costs	**(44,041)**	(56,068)
Abortive fees	**(6,109)**	—
Systems restructuring	**(75,050)**	—
Profit on disposal of property, plant and equipment	**282,675**	—
	157,475	(345,441)
Total non-recurring income/(costs)	**187,105**	(75,941)

* Profit on disposal of property, plant and equipment consists of profit from the sale of the ground floor unit in the Liverpool property.

	2016 £	2015 £
Hotel pre-opening and development:		
Rental income	**12,306**	21,160
Pre-opening operational costs	**(101,463)**	(53,688)
Total hotel pre-opening and development costs	**(89,157)**	(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 adjusted EBITDA.

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 2016			
Revenue			
Total revenue from external customers	**4,728,151**	**1,296,104**	**6,024,255**
Adjusted EBITDA	**2,570,677**	**636,385**	**3,207,062**
Profit before taxation	**2,014,925**	**666,015**	**2,680,940**
Segment assets	**43,013,707**	**2,174,506**	**45,188,213**
Segment liabilities	**(9,303,902)**	**(2,174,506)**	**(11,478,408)**
Other			
Additions to non-current assets	**10,237,533**	**—**	**10,237,533**
Disposals of non-current assets	**(307,334)**	**—**	**(307,334)**
Finance income	**59,341**	**—**	**59,341**
Finance cost	**(200,078)**	**—**	**(200,078)**
Depreciation and amortisation	**(415,015)**	**—**	**(415,015)**
30 September 2015			
Revenue			
Total revenue from external customers	4,034,479	1,506,913	5,541,392
Adjusted EBITDA	2,264,574	630,851	2,895,425
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
Finance cost	(179,292)	(151,502)	(330,794)
Depreciation and amortisation	(379,169)	—	(379,169)

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

	2016	2015
	£	£
Adjusted EBITDA of reportable segments	**3,207,062**	2,895,425
Adjusted EBITDA of corporate office	**(1,655,970)**	(1,438,783)
Total adjusted EBITDA	**1,551,092**	1,456,642
Profit before income tax		
Total profit of reportable segments	**2,680,940**	2,641,124
Corporate office expenses and interest	**(1,497,880)**	(1,445,510)
Other non-recurring income/(costs) (see note 4)	**157,475**	(345,441)
Hotel pre-opening and development costs	**(89,157)**	(32,528)
Share based payments	**(161,177)**	(30,072)
Profit before tax per Statement of Changes in Equity	**1,090,201**	787,573
Assets		
Total assets for reportable segments	**45,188,213**	43,627,010
Cash in Employee Benefit Trust	**1,693**	233,849
Corporation tax	**—**	6,908
Corporate office assets	**324,861**	153,115
Total assets per Statement of Financial Position	**45,514,767**	44,020,882
Liabilities		
Total liabilities for reportable segments	**(11,478,408)**	(10,949,101)
Corporation tax	**(119,314)**	—
Corporate office liabilities	**(513,486)**	(501,444)
Deferred tax liabilities	**(193,792)**	(128,470)
Total liabilities per Statement of Financial Position	**(12,305,000)**	(11,579,015)

Geographical information

	2016	2015
	£	£
Revenue by location		
United Kingdom	**5,144,034**	4,591,324
Europe	**774,413**	541,717
Rest of the world	**105,808**	408,351
	6,024,255	5,541,392
Total non-current assets by location		
United Kingdom	**29,112,878**	21,017,712
Spain	**1,499,629**	—
Total	**30,612,507**	21,017,712

6. Finance income

Recognised in profit or loss:

	2016	2015
	£	£
Finance income		
Interest income on financial assets measured at amortised cost	**59,341**	55,981
Foreign exchange gain	**189,593**	-
Interest income on amounts due from Benelux franchisee	**-**	137,362
Total interest payable and similar charges	**248,934**	187,343

On 2 October 2014, the Group deposited €3.3m with a Belgian notary to secure an easyHotel property in Brussels, interest was paid to easyHotel at a rate of 10% per annum from 2 April 2015, the amount was fully repaid in October 2015.

7. Finance expense

Recognised in profit or loss:

	2016	2015
	£	£
Finance expense		
Interest expense on financial liabilities measured at amortised cost	**200,078**	179,292
Foreign exchange loss	**—**	151,502
Total interest payable and similar charges	**200,078**	330,794

8. Earnings per share

Basic earnings per ordinary share is calculated using the weighted average number of ordinary shares in issue during the financial period of 62,500,000 (2015: 62,500,000). Diluted earnings per ordinary share is calculated using the weighted average number of ordinary shares in issue during the financial period of 61,375,000 (2015: 61,627,740). The Company has 846,583 potentially dilutive options, issued or outstanding. Earnings consist of profit for the period attributable to the shareholders amounting to £876,772 (2015: £609,386).

9. Dividends

Interim cash dividend of 0.11p per ordinary share (£67,512) was paid by the Group during the period under review (2015: £Nil).

Final cash dividend of 0.22p per ordinary share (£218,625) is proposed by the Group during the period under review (2015: £202,538).

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 2017.

11. Events after the reporting date

On 28 September 2016 easyHotel announced the placing of 38,000,000 new ordinary shares of 1 pence each in the capital of the Company by Investec Bank plc to raise approximately £38.0 million (before expenses). The Placing was subject, inter alia, to the approval by Shareholders of the Resolutions set out in the Notice of General Meeting which was duly passed in a General Meeting held on 14 October 2016. The Placing Shares represent 60.8 per cent of the Ordinary Shares in issue and the Placing Price represents a premium of approximately 18.3 per cent to the closing mid-market price of 84.5 pence per Existing Ordinary Share on 27 September 2016, being the latest practicable date prior to the publication of the Announcement. The placing transaction took place on 17 October 2016 and following Admission the number of Ordinary Shares in issue is 100,500,000.

In November 2016 a new 5 year loan facility for an amount of £12.0m was entered into, which replaces the existing £7.2m facility. The new facility has been agreed at LIBOR plus 2.50% and the capital portion of the loan amortises at a rate of 3.00% per annum.

On 14th November 2016 it was announced that the acquisition of the land for the new build easyHotel Barcelona was completed. This is for a 204-room easyHotel located on Gran Via, the main avenue of L'Hospitalet de Llobregat. The hotel is expected to open in early 2018.

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