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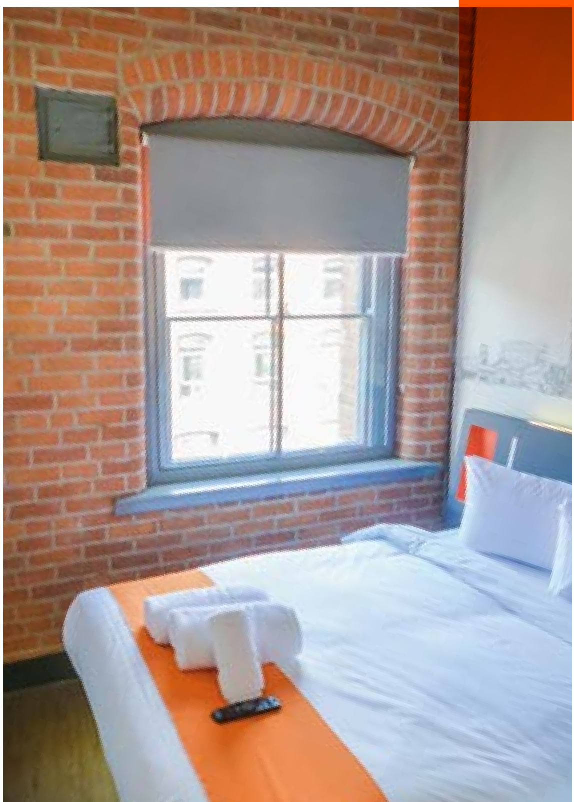

easyHotel plc

Annual report and accounts 2019

Our journey

easyHotel is an AIM-listed super budget hotel chain. Founded in 2004 by Sir Stelios Haji-Ioannou, easyHotel was established on the core principle that travel should be for the many, not the few.

The business was admitted to the London Alternative Investment Market in June 2014. In recent years the brand has built significant momentum against its ambitious growth strategy, with a strong development pipeline across key international cities and a busy opening programme.

Today, the easyHotel network includes 40 hotels, covering 32 towns and cities and 13 countries. Every one of our hotels is based in a prime location – a great base offering great value and fulfilling our mission of making "being there possible for everyone".

easyHotel is for people who believe that life is for living. The type of person who wants to make the most of every moment. We make it simple for our customers to do what they want to do, when they want to do it, whether that's exploring a city on a mini-break, going to a cup final, seeing their favourite band, spending time with friends and family, getting to an important business meeting, or just chillaxing!

Our business model may be simple, but we are relentlessly innovative and ambitious. We listen closely to our customers. Our rooms are carefully designed to meet their needs and offer excellent value. We don't scrimp on service in our hotels. Our staff are friendly, accommodating and knowledgeable and go out of their way to make our guests' stays comfortable.

ir.easyhotel.com

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Highlights

Our core principle is that travel should be for the many, not the few

Financial highlights

Year ended 30 September (£m)	2019	2018
Total system sales	47.6	37.3
Revenue	17.6	11.3
Adjusted EBITDA	4.20	2.96
Profit/(loss) before tax	(3.57)	0.87
Basic earnings/(loss) per share (pence)	(2.7)	0.5
Total dividend per share (pence)	0.08	0.22

- Adjusted EBITDA growth of 42.1% reflects the strength of our super budget proposition and continuing market outperformance in a challenging market environment.
- Adjusted EBITDAR margin decreased by 1.9%pts to 27.7% (2018: 29.6%) mainly reflecting increased use of OTA to drive revenue and brand growth and also investment in central resources to support our future growth ambitions.
- Loss before tax of £3.57m (2018: profit of £0.87m) includes a £3.0m non-cash impairment to our Ipswich hotel, and £1.4m costs associated with the change in ownership structure in the latter part of the year.
- Cash generated from operations increased to £3.25m (2018: £2.86m).
- Gross bank debt of £17.6m (2018: £16.5m) and cash and cash equivalents of £11.7m (2018: £41.4m).
- Asset backed balance sheet with net assets of £115.3m (2018: £119.6m).
- The board has not recommended payment of a final dividend in order to focus investment on growing the Group's hotel estate.

Business highlights

- Like-for-like owned hotels RevPAR[1] was up 4.6% delivering market outperformance for the fourth consecutive year.
- Like-for-like franchised hotels RevPAR was down 1.7%, but with an improved performance during the second half of the year (H1 decline of 3.5%).
- Six new owned and franchised hotels opened during the year[2], totalling 607 rooms, which are trading broadly in line with management's expectations.
- Our first owned hotel development site secured in Paris with a second site, easyHotel Nice, acquired and opened post financial year-end.
- 2,006 rooms are currently in the development pipeline, including an owned hotel investment pipeline of some £40m.
- Significant investment in the digital and operating platforms to support brand and business growth.
- Recommended cash offer by Citrus UK Bidco Limited who now hold 69% of the Company's issued share capital.
- It is intended to market the office space at Old Street for sale (inviting offers in excess of £15m) to realise best value for shareholders from this non-strategic asset.
- With the support of its major new and existing shareholders, the board believes the Company will be able to achieve its strategic vision for the business more quickly and effectively.
- Longer term funding of debt and equity to be used to meet accelerated European development plans.

1 RevPAR refers to Revenue Per Available Room.

2 Six new hotel openings were: Lisbon (Oct' 18), Bernkastel-Kues (Jan' 19), Ipswich (Jan' 19), Milton Keynes (Jun' 19), Amsterdam Schiphol (Jul' 19) and Zurich (Sept' 19).

easyHotel plc is the owner, developer, operator and franchisor of branded hotels

Our strategy is to target the super budget segment of the hotel industry by developing and marketing a great place for a great night's sleep in a great location at a great price.

What we do

Our mission is to make "being there" accessible for everyone. easyHotel is for people who believe that life is for living. The type of person who lives for experiences and wants to make the most of every moment. They want to be located right in the heart of the action. They expect a great bed, well-trained, friendly staff, a good shower and well-designed rooms. We aim to provide a great place for a great night's sleep, in a great location, at a great price. Nothing more and nothing less!

How we do it

We use a combination of owned and franchised hotels. Our owned hotels are predominantly freehold, whilst our franchised hotels enable us to build our brand without the need for capital investment. We believe that the opportunity to develop our owned hotel portfolio in key gateway European cities is significant and have decided to increase both our resource and exposure to mainland Europe. This will balance our development pipeline more evenly between the UK and Continental Europe and accelerate the growth of our presence in these markets.

easyHotel has an estate of 40 hotels, with 3,759 rooms, comprising thirteen owned hotels (1,427 rooms) and 27 franchised hotels (2,332 rooms). Looking forward, the Group has a current pipeline of seven owned hotels (1,010 rooms) and seven franchised hotels (996 rooms) being constructed or awaiting planning permission. Many more early stage opportunities are also being explored.

Chief Executive Officer's review

A year of **growth and progress**

Owned hotels outperformed the market for the fourth successive year. Like-for-like RevPAR up 4.6%.

Six new hotels, totalling 607 new hotel rooms, opened across the estate. Year-on-year growth of 20%.

Significant investment in marketing, distribution and revenue management systems to support future growth.

Ambitious future growth plans, supported by new and existing majority shareholders, to capitalise on the opportunities available in mainland Europe.

Given the political and economic uncertainty faced by the UK during the year under review and its impact on consumer confidence, I am pleased that the Group's owned hotels have continued to outperform the market on a like-for-like basis, reflecting the strength and positioning of our super budget model. In particular, since its re-opening in June 2019, the refurbished 89-room easyHotel Old Street has performed strongly, demonstrating that a stylish, new-format easyHotel in an attractive key city location can provide a compelling offering for our customers.

easyHotel has continued to make good progress in its strategy for growth. Six new owned and franchised hotels were opened during the year. These included owned hotels in Ipswich and Milton Keynes and franchised hotels in Lisbon, Bernkastel-Kues, Zurich and Amsterdam Schiphol Airport.

We continue to be encouraged by the success of our owned hotel in Barcelona, which opened in September 2018 and which reinforces our focus on expansion of the owned hotel estate in mainland Europe.

Strategy and business model

The growing strength of the brand's simple super budget offering is well aligned to the needs of today's discerning and value conscious traveller and the year has seen the Group make further progress as we continue to build momentum against our growth plans.

Our owned hotels outperformed the market for the fourth successive year, delivering like-for-like RevPAR up 4.6%. The Group's franchised hotels have performed less strongly, reflecting the weaker UK regional hotel market and a mixed European performance on a country-by-country basis. However, we did see some performance improvement during the second half of the financial year resulting in franchised RevPAR down 1.7% overall.

In support of the expansion of our owned and franchised portfolio of hotels, we have continued to drive improvements in our revenue management strategy to maximise sales. The year saw the start of the roll out of a new PMS system (Opera by ORACLE) with planned enhancements to build our direct revenue share. This is enabling us to improve our customer booking experience and will be supported by the investments we are making in our CRM platform and digital marketing initiatives to drive improved returns from more targeted promotional activity.

The long-term structural growth drivers in the international branded budget hotel sector remain strong and during the year we have made further expansion plans. In the UK, where the Group already has a significant established owned hotel presence and a strong pipeline to deliver further hotels, the Group intends to selectively focus future owned hotel development on primary cities only. Wider regional UK expansion plans remain important to the business but will be focussed on franchised development.

Chief Executive Officer's review continued

We will significantly increase our focus on Europe, where we believe the opportunity to develop our portfolio in key cities is significant. The Group's new European development team has been working hard to pursue a number of owned and franchised development opportunities in key primary tourist destinations with an initial focus on France and Spain. The success of our flagship hotel in Barcelona provides us with confidence in a strategy of expanding the easyHotel owned hotel network through investment in centrally-located, high quality hotels in major European cities. The Group's balance sheet strength and cash generation underpins the funding for future owned hotel growth in these markets. Expansion across mainland Europe beyond these key locations will be achieved through an increased focus on franchised development, enabling the Group to broaden its presence without the need for direct capital investment, and our ongoing investment in the brand and our network is continuing to support the development of new franchisee partnerships.

During the year, the Company's shares were subject to a recommended cash offer by Citrus UK Bidco Limited, a company owned by a consortium comprising Cadim Fonds Inc (part of Ivanhoé Cambridge) and long-term major shareholder, ICAMAP Investments S.à.r.l. As a result of this offer, Citrus UK Bidco Limited and its concert parties now hold 68.77% of the Company's issued share capital. The board believes that, with the support of its major new and existing shareholders, the Company will be able to achieve its strategic vision for the business more quickly and effectively and deliver an exciting future for easyHotel, its employees, franchisees and guests.

Trading review

The Group has continued to outperform its hotel markets in the UK during the period, despite a weakening trading environment, with owned like-for-like RevPAR up 4.6%.

The UK mid-scale and economy segment of the hotel market continued to be impacted by political and economic uncertainty, with RevPAR down 0.7% for the period according to STR Global. Although the London market has continued to perform strongly, with RevPAR growing by 4.5%, the regional UK market's RevPAR has remained weak, down some 2.8%, with a number of regions experiencing double digit RevPAR declines during the calendar year.

Whilst European markets continued to outperform the UK on the whole, our like-for-like franchise performance was mixed on a country-by-country basis with RevPAR down 1.7% in the period. An improving trend in like-for-like franchised RevPAR was, however, achieved during the second half of the financial year.

Against this backdrop, the Group delivered a 27.5% growth in total system sales to £47.6m (2018: £37.3m) with Company revenues up 56.0% to £17.6m (2018: £11.3m).

This performance drove a 42.1% increase in adjusted EBITDA to £4.20m (2018: £2.96m). Losses before tax of £3.57m included a £3.0m non-cash impairment to the value of our Ipswich hotel which opened in January 2019 and costs of £1.4m incurred in relation to the offer made during the period for the Company's shares.

Hotel openings

During the period the Group expanded its portfolio of super budget hotels across the UK and Europe.

In the UK, openings included new owned hotels in Ipswich (89 rooms) and Milton Keynes (124 rooms) and the reopening of the newly refurbished easyHotel Old Street (89 rooms). The self-contained 15,500 sq.ft. offices refurbished at Old Street were successfully leased to flexible office provider, Knotel. The Group intends to market the office space at Old Street for sale (inviting offers in excess of £15m) at this time whilst market conditions are favourable, to realise best value for shareholders from this asset which is not part of our core business.

Four further franchised hotels were also opened in Lisbon (101 rooms), Bernkastel-Kues (100 rooms), Zurich (39 rooms) and Amsterdam Schiphol Airport (154 rooms).

These new hotel openings added a further 607 rooms to the network, bringing the Group's total portfolio at the period end to 1,340 owned hotel rooms and 2,332 franchised hotel rooms.

Since the year-end the Group has also completed the acquisition of the 87-room Palais des Congrés in Nice, with the hotel opening for trading immediately on completion, bringing the total number of owned hotel rooms to 1,427.

Development review

We believe that the opportunity to successfully develop our owned hotel portfolio in key gateway European cities is significant and by increasing both our resource and exposure to mainland Europe, we plan to focus our UK owned hotel pipeline on selected cities whilst accelerating our presence in key continental European locations. Franchised hotels will be used to build the estate elsewhere in the UK and Europe.

The board believes there is potential for approximately 12,000 easyHotel additional owned hotel rooms and 15,000 franchised easyHotel rooms across the UK and continental Europe.

Owned hotel pipeline

The Group continued to expand its pipeline of owned hotels during the period. In the UK, this included a 145-bedroom easyHotel Bristol development (subject to planning permission). In Europe, the Group has secured its first two hotels in France. These are the proposed 209-room easyHotel at Paris-Charles de Gaulle Airport (for which planning permission has now been granted) and, post year-end, the 87-room Palais des Congrés in Nice which was acquired as a trading asset.

A 116 room hotel in Cardiff is also expected to open during the current financial year ending 30 September 2020 and a further 749 rooms are expected to open in the following financial year.

The Group currently has an owned hotel investment pipeline of some £40m comprising a total of 1,010 owned hotel rooms.

Franchised hotel development pipeline

In addition to the four recently opened franchised hotels mentioned above, during the period the Group also signed new franchise agreements to develop further hotels in Derby (110 rooms) and Tel Aviv, Israel (667 rooms).

New franchised hotels are due to open in spring 2020 in Malaga (145 rooms) and in summer 2020 in Zurich (34 rooms), with further franchised hotels in Zurich, Derby and Tel Aviv scheduled for opening during the 2021 and 2022 financial years. The total number of franchised hotel rooms in the Group's development pipeline is 996.

Capability, organisation and culture

It is essential that we continue to build the capability of the business to enable it to grow at speed and to optimise the financial and operational performance of our trading assets.

Our colleagues, franchise partners, hotel guests and investors are all instrumental in achieving success in our business. easyHotel has a strong culture, with everything we do underpinned by our four simple values: We Care For You; We Make Things Simple; We're Always The Best Value For Money; and We Do What We Say. We believe in supporting our franchisees for the benefit of their business and ours, providing our teams with opportunities to build a great career, delighting our customers with a truly super budget stay and giving our shareholders a great return on their investment.

During the year, the senior management team was significantly reorganised and strengthened.

At the year end the Group employed 141 colleagues (2018: 90).

Previous Chief Financial Officer, Marc Vieilledent, who remains a key member of the easyHotel executive team, is now leading our strategically important developments in mainland Europe. He was succeeded as Chief Financial Officer in October 2018 by Gary Burton.

In addition, we have recruited experienced new senior managers to lead our revenue management and marketing teams. They bring with them significant experience and the business is already benefitting from their contributions.

Technology and digital marketing

Our hotels benefit from our day-to-day hotel management expertise, whilst having access to some of the world's most powerful marketing, distribution and revenue management systems. During the period we invested significantly in enhancing these systems and recruited people to work in the business who can optimise the significant benefits which such systems can bring.

The roll out of our new management and booking engine, Opera (an ORACLE system), was started during the year and will be completed during the first half of the current financial year. This will enable us, in due course, to introduce features within our hotels such as automated check-in kiosks and to make further enhancements to our website and app beyond the upgrades already made during the year, including our new membership programme clubBedzzz. We are working hard to drive revenues and brand awareness through targeted marketing initiatives and improvements in every stage of our customers' experience – online and at our hotels. By offering our customers a good night's sleep at a super price and a quick and easy way to make a booking, we believe that we will attract new customers and encourage significant repeat visits.

Board changes

As well as the change of Chief Financial Officer early in the period as mentioned above, there have been a number of other more-recent changes to the board.

On 1 October 2019, our past independent Non-Executive Chairman, Jonathan Lane OBE, stepped down from the board. Jonathan had served on the board since the Company's IPO in 2014 and we thank him for his valuable contribution to the business. Harm Meijer was subsequently appointed Non-Executive Chairman of the board.

On 21 November 2019, it was confirmed that Chief Executive, Guy Parsons, had taken the decision to step down from the Company. Guy's successor, François Bacchetta, will join the business in Spring 2020. In the meantime, and to ensure a smooth transition, I will continue in the role of Interim Chief Executive Officer. François, as easyJet's Country Director for France and Italy, has significant experience of operating in the European travel market and, importantly, has an excellent understanding of the 'easy' brand. He also brings experience of managing online trading including digital marketing and delivering growth strategies within the European market.

On 21 November 2019, the board also announced the appointments to the board with immediate effect of Michael Neuman, as representative of corporate director, Cadim Fonds Inc (part of the Ivanhoé Cambridge Group), and non-executive director, Charles Persello.

Michael, a qualified Member of the Royal Institute of Charted Surveyors, joined Ivanhoé Cambridge in 2014 as a Director of investments, Europe and currently serves as vice president, investments, Europe. Prior to his current role, Michael had worked as a senior investment and asset manager for Unibail-Rodamco. Charles, a Director at ICAMAP Advisory, has over eight years' commercial real estate experience previously working at Unibail-Rodamco, both in retail development in France and subsequently in asset management in Germany. Their wealth of European property and financial experience will be invaluable to the Company as easyHotel continues its journey to fulfil its potential as a leading European budget hotel company.

Outlook

The UK hotel market has been challenging over the course of the year under review, with business confidence weak and consumer confidence impacted by political and economic uncertainties. Despite this backdrop, easyHotel's business has continued to grow and to outperform the overall market. The refurbished Old Street hotel and the new hotels we have opened are trading positively and provide confidence that our new format rooms are attractive to our guests and that, as a team, we have the skills and resources in place to select hotel developments that will produce good long-term returns for our shareholders.

Looking to the year ahead, the political and economic landscape will continue to impact consumer confidence. However, the board remains confident that the easyHotel brand will continue to outperform the sector as consumers seek out best value for money and we extend our reach beyond the UK into mainland Europe more proactively.

We are excited about the development pipeline and the potential for the brand in Europe. The Group made significant investments during the last financial year in order to ensure the organisation has the resources it needs to continue to expand and enhance the business and deliver the board's ambitious strategy for targeted growth. We are confident about the size of the opportunity available to the brand and the readiness of the business to leverage recent investments in infrastructure and in-house expertise to deliver against the board's vision. Moreover, we have strong shareholders able to support our growth strategy as we look to accelerate our European development to be funded in the longer term through debt and equity.

I want to take this opportunity to thank all of my colleagues and our many franchisees and other partners for making this business the success it is. I am confident that, together, we can continue to deliver on the clear and focussed strategic objectives we have set for ourselves.

Scott Christie
Interim Chief Executive Officer

Chief Financial Officer's review

Growth in a challenging market

Overall system sales grew 27.5% to £47.6m, while total revenue increased by 56.0% to £17.6m.

Like-for-like RevPAR in owned hotels was up 4.6%, against an overall UK market which declined 0.7%.

Adjusted EBITDA increased to £4.2m, up 42.1%, but the Group recorded a loss before tax of £3.57m due to a non-cash impairment and costs associated with the cash offer for the Company's shares.

easyHotel continues to deliver good financial performance with like-for-like owned hotel RevPAR of +4.6%, outperforming the overall UK market[1] that was down 0.7%.

Total system sales were up 27.5% to £47.6m, total revenue up 56.0% to £17.6m and total like-for-like owned hotel revenue up 1.7% to £7.0m.

Adjusted EBITDA was up 42.1% to £4.20m (2018: £2.96m). Cash generated from operations was up 13.7% to £3.3m (2018: £2.9m) and basic loss per share was 2.7p (2018: profit per share of 0.5p), impacted by a £3.0m non-cash impairment of our Ipswich hotel and £1.4m of exceptional costs in respect of the offer made in the latter part of the year by Citrus UK Bidco Limited for the Company's shares. If these costs are excluded, basic earnings per share would have been 0.4p (unaudited).

Trading

Total system sales were up 27.5% to £47.6m (2018: £37.3m) following the opening of six hotels (607 rooms: 394 franchised hotel rooms and 213 owned hotel rooms).

Total revenue was up 56.0% to £17.6m (2018: £11.3m). Total owned revenue was up 64.2% to £15.5m (2018: £9.4m) and total franchise revenue up 8.6% to £2.0m (2018: £1.8m).

Owned hotel like-for-like RevPAR was up 4.6% driven by higher Average Daily Rates (ADRs) from hotels maturing and an increased focus on optimising RevPAR.

Total owned hotel revenue growth was supported by 12 months of trading in Barcelona, Sheffield and Leeds, continued market outperformance of like-for-like owned hotels and new hotel openings in Ipswich and Milton Keynes. Offsetting this, revenue was negatively impacted by the temporary closure of Old Street, which underwent a major refurbishment from December 2018 until June 2019[2].

Franchise like-for-like RevPAR was down 1.7% with an improved performance during the second half of the period and reducing a first half performance that was down 3.5%.

Total average occupancy across all hotels was 77.7% (2018: 82.4%) with an ADR per room of £50.20 (2018: £50.49). ADR improved generally across hotels but was lower overall as a result of a dilution impact caused by the temporary closure of Old Street and addition of new hotels in regional towns (Ipswich and Milton Keynes), although benefitting from a full 12 months trading of Barcelona that performed very strongly throughout the period.

1 Market source: Midscale & Economy (MSE) segment from the UK Performance Monitor report, produced by STR Global.

2 Old Street reopened with a 15,500 sq ft self-contained office and an 89 room hotel.

Adjusted EBITDA

Adjusted EBITDA (before exceptional items and share based payments) increased by 42.1% to £4.20m (2018: £2.96m) with adjusted EBITDAR[3] margin of 27.7% that decreased by 1.9%pts (2018: 29.6%).

An increase in the use of online-travel-agents (OTAs) in the period supported the continued delivery of like-for-like revenue outperformance in challenging market conditions but impacted EBITDAR margin percentages.

Central costs reduced as a proportion of revenue but increased by £1.0m in absolute terms. This was driven by an investment in management (that included establishing a European development team), rent from the relocated head office (previously within the Old Street hotel property) and higher professional fees supporting the growing estate and expansion into Europe.

Profit before tax

A loss before tax of £3.57m (2018: profit of £0.87m) was driven by a £3.0m non-cash impairment of our Ipswich hotel as a result of significant cost overruns. Other adjusting items of £1.75m included £1.43m of expenses resulting from the change in ownership arising from the offer made for the Company's shares.

Depreciation and amortisation (excluding the £3.0m impairment) increased 88.5% to £2.8m (2018: £1.5m), in line with the increase in the number of owned hotels (also including a full year of depreciation charge for Old Street, that was temporarily closed for 6 months).

Total pre-opening costs were slightly lower, as compared with the prior year, with more hotel openings in the year benefiting from a lower average cost of opening.

Share based payments reported a net credit in the year of £0.11m (2018: charge of £0.28m). The change of control as a result of the offer triggered vesting and exercise of share options and employees share plans.

Taxation

The effective tax rate for the period, excluding the £1.4m of exceptional expenses associated with the offer and the £3.0m impairment of our Ipswich hotel, was 19% (2018: 26%), benefitting from the finalisation of capital allowance claims in respect of earlier periods.

Earnings per share and dividend

The loss for the year was £3.78m (2018: profit of £0.65m), with basic loss per share of 2.7p (2018: profit 0.5p). The board has not recommended payment of a final dividend in order to focus investment of the Group's available resources on growing the hotel estate. An interim dividend of 0.08p (2018: 0.07p) was paid on 28 June 2019.

Cash flow and balance sheet

Net cash flows from operating activities was £3.1m (2018: £2.8m). Total cash and cash equivalents on 30 September 2019 were £11.7m (2018: £41.4m).

Net cash used in investment activities was £33.2m (2018: £47.4m). Net cash generated from financing activities was £0.5m (2018: £52.7m including cash generated by the placing of new ordinary shares in March 2018).

The Group ended the financial year with net assets of £115.3m (2018: £119.6m), of which £11.7m comprised cash and cash equivalents (2018: £41.4m). At year end, total bank borrowings were £17.6m (2018: £16.5m) and 369,724 ordinary shares in the Company were held by the Employee Benefit Trust (2018: 1,125,000).

Gary Burton
Chief Financial Officer

3 Adjusted EBITDAR margin is adjusted EBITDA as previously disclosed excluding rent expense.

Risk management and principal risks

Managing our risks effectively

The board has primary responsibility for ensuring the Group's risks are properly understood, quantified and appropriately managed, but it looks to the audit committee to provide assurance on risk management processes and controls. The audit committee and the board review the Group's risk register. The actions proposed and taken by management to mitigate risk and to reduce the likelihood and impact of the risks faced by the business are considered regularly and are deemed satisfactory.

The principal risks and uncertainties of the business and how they are managed are set out in the table below.

Operational risks

Risk	How we manage the risk	Change of risk during the year	Comment
Failure to extend the hotel portfolio in line with strategic targets and funding and returns parameters.	Our executive and wider management teams have extensive sector experience to identify good opportunities and deliver development and franchising initiatives. We actively seek to identify potential sites and franchisees in the UK, Europe and beyond to develop our hotel portfolio. During the year we established a European development team to support delivery of our European expansion plans.	Decrease in risk	With supportive major shareholders, a strong balance sheet (supporting a number of funding options) and now having a European development team, we are increasingly confident we can deliver our strategic targets.
Brand reputational damage.	The Group operates to defined brand standards and carries out brand audits to ensure they are maintained. Responsibilities are clearly defined, across both the owned and franchised businesses, to ensure brand standards are met.	No change in risk	The new brand format is being extended across the legacy estate during refurbishment. Our 'sleep easy' promise is implemented with clear lines of accountability.
Brexit increases economic uncertainty that could adversely impact the business.	Budget hotels have outperformed the rest of the sector and this trend would be expected to continue in a recessionary environment as consumers seek better value. As we increase owned hotel development into France and Spain, more balanced revenue sources reduce exposure to the UK economy.	No change in risk	We actively develop and internally promote our employees to reduce a requirement to recruit externally to fill key positions. As we increase owned development into France and Spain, more balanced revenue sources naturally spread the geographic risk. During the period we undertook an internal review of the potential impact from Brexit.
Disaster incidents that could seriously impact the business such as fire, flood or terrorist attack.	A comprehensive disaster recovery plan, with back-up processes and facilities to ensure the business can continue to operate with minimal disruption, is in place. Appropriate insurance cover protects the business financially in the event of a disaster incident.	No change in risk	Disaster recovery plans exist, and a new insurance broker and provider were appointed during the period and increased specific and general cover purchased.
Failure of information systems, cyber-attack or data protection breach.	The Group has specialist service providers which advise and support the business on its IT security and GDPR responsibilities. Staff training, data back-up, penetration testing and other security measures are also in place.	No change in risk	A comprehensive review of systems and processes was undertaken as part of our GDPR preparations.

Risk	How we manage the risk	Change of risk during the year	Comment
Changes in foreign exchange rates, particularly GBP/EUR, result in higher than expected costs and/or material retranslation losses.	Material foreign exchange transaction exposures on purchases are highlighted and reviewed as part of the investment process with actions agreed as part of the approval process. Matching foreign currency assets and liabilities reduces the overall exposure. A new foreign exchange policy has been introduced that sets out the Group's risk appetite and foreign exchange risk management processes.	New risk	Foreign exchange risk management is becoming increasingly important as we expand internationally with owned hotels.
Failure of a key supplier.	Our business is reliant on a few key suppliers which provide services such as laundry, housekeeping and reservation systems. Regular supplier due diligence and contingency plans are in place to ensure operations can continue in the event of a supplier failure.	No change in risk	A new Supplier & Contract Management policy was issued in the period.
Health and safety standards are compromised.	Risk assessments are completed, documented and regularly reviewed for each location. Staff training (both during induction and on an ongoing basis), the appointment of fire marshals and trained first aiders and the maintenance of appropriate accident reporting procedures safeguard our staff and guests.	No change in risk	Enhanced training has been introduced to address the risks associated with lone worker arrangements.
Construction projects are not completed on time and or to the required standard.	We seek to implement standard contractual arrangements on a 'design and build' basis. Tightly controlled project planning and monitoring processes, supported by external experts, ensure problems are anticipated, avoided and/or well managed.	No change in risk	New models have been, and continue to be, created to 'value engineer' future projects.

See also note 3 to the financial statements for further information on financial risks.

This Strategic Report has been approved and authorised for issue by the board of directors and was signed on its behalf on 24 January 2020 by:

Gary Burton
Chief Financial Officer
24 January 2020

Chairman's corporate governance statement

Corporate governance

During the year ended 30 September 2019, the board complied with the best practice recommendations of the QCA Corporate Governance Code.

Following completion of the successful offer for the Company's shares, resulting in more than 96% of the Company's shares being held by two major shareholders, and in the light of material changes in board composition, the Company's governance arrangements have recently changed, with, for example, alterations made to the composition of the audit and remuneration committees in January 2020. The nominations committee has also been disbanded and matters relating to board composition and the selection of future directors are now being dealt with by the board as a whole.

Notwithstanding these changes, the board considers that it substantially meets the standards expressed in the ten principles of the QCA Corporate Governance Code.

Establish a strategy and business model with promote long-term value for shareholders

As described in the strategic report (pages 1 to 9), the board has established a clear strategy and has set objectives for the business which it believes can be delivered through expansion of its super budget hotel business model and brand.

Seek to understand and meet shareholder needs and expectations

With the vast majority of the Company's shares now held by its new and existing major shareholders, the board is in direct dialogue with its significant investors and consequently has a comprehensive understanding of the needs and expectations of its shareholders.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The board believes investor expectations can be met without compromising the values which underpin the business and the needs of the Group's other stakeholders. Through growing the business and continuing to strengthen the brand, the board considers that easyHotel colleagues, franchise partners and guests will all benefit. The board will continue to take account of the interests of all its stakeholders in promoting the future success of the easyHotel business and to promote a positive culture throughout the business.

Embed effective risk management considering both opportunities and threats, throughout the organisation

The board regularly assesses and takes account of the risks faced by the business. The principal risks and the board's approach to management of risk are summarised on pages 8 to 9.

Maintain the board as a well-functioning, balanced team led by the chair

Recent changes to the board mean that it is a relatively new team but it is operating well, led by me as chairman, and with the support of a professional company secretary.

Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The directors collectively possess an appropriate mix of skills, experience and qualifications but further learning and development activities will be undertaken as and when they are deemed necessary. The board is supported in its governance of the business by a professional company secretary.

Since the year end, the collective skills, qualifications and experience of the audit committee have been supplemented by the co-option of Nicolas Dewald, a Chartered Accountant and Certified Auditor, to bring recent and relevant financial experience to the committee.

During the period the board sought external advice on matters of a technical or specialist nature including, most notably, the recommended offer for the Company's shares. Details of the role of these advisers was provided in the offer document.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The board last carried out an evaluation of its performance in September 2018 but postponed the evaluation which was scheduled to be conducted towards the end of the period under review due to the significant changes which were anticipated at that time. The board intends to carry out an evaluation of its effectiveness during the current financial year and part of that evaluation will be to consider whether adjustments to the board's governance arrangements should be made. It is therefore possible that the Group's governance arrangements may be developed further in the coming months.

Promote a corporate culture that is based on ethical values and behaviours
The easyHotel values - We Care For You; We Make Things Simple; We're Always The Best Value For Money; and We Do What We Say – are embedded in the business and all colleagues are familiar with them and are clear that they should be guided by them in everything they do. The business has a number of policies in place to communicate and implement the high ethical standards of behaviour expected of all our colleagues and business partners and encourages colleagues, through its whistleblowing policy, to speak up with confidence if they suspect that any incidents of wrong-doing have occurred. Whistleblowing updates are provided to the audit committee and the board receives regular updates on employee matters and key indicators.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The directors of the Company are committed to sound governance of the business and they each devote sufficient time to ensure this happens.

The table below sets out the attendance statistics for each director at scheduled board and, where relevant, committee meetings held during the financial year. During the period there were many more board meetings held, primarily connected with the recommended offer for the Company's shares. These exceptional meetings have not been reflected in the table below which focuses on normal course of business meetings.

Charles Persello and Michael Neuman (as representative of Corporate Director, Cadim Fonds Inc) did not serve during the year ended 30 September 2019.

With the support of a professional company secretary, the board operates procedures which optimise its decision-making capabilities. These include agenda planning, appropriate and timely information flows, and a formal scheme of delegation including through a schedule of matters reserved to the board and regularly-reviewed committee terms of reference. In addition, directors are entitled to seek independent legal advice at the Company's expense when required.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
In view of the significant board changes which took place towards, and after, the end of the relevant financial period, and to keep our reporting proportional whilst still publishing information that enables all shareholders and other stakeholders to understand and assess the appropriateness of our governance arrangements, the board provides further details of its governance arrangements within the Corporate Governance Statement published on the easyHotel investor website (https://ir.easyhotel.com/investor-relations/corporate-governance) and in other disclosures, such as terms of reference for the committees and the matters reserved to the board, which are also available on its website.

Harm Meijer
Non-Executive Chairman

Director	Board attendance 12 meetings held	Audit committee attendance 3 meetings held	Remuneration committee attendance 4 meetings held	Nominations committee 4 meetings held
Gary Burton[1]	11	–	–	–
Scott Christie	11	3	4	4
Jonathan Lane OBE	11	3	4	4
Harm Meijer[2]	11	–	–	–
Guy Parsons	12	–	–	4
Marc Vieilledent[1]	1	–	–	–

1 One scheduled board meeting was held during the period before Marc Vieilledent stepped down from the board, and 11 scheduled board meetings were held during the period after Gary Burton's appointment, in October 2019.

2 Harm Meijer absented himself from one scheduled board meeting during the year due to a conflict of interest which arose as a result of the offer made for the Company's shares.

Audit committee report

Audit committee

The audit committee members during the year were Scott Christie, who was its Chairman, and Jonathan Lane OBE. Scott is a Chartered Accountant who has recent and relevant financial experience.

Since the end of the period, reflecting changes to the board including Scott Christie's new role as interim Chief Executive Officer, the membership of the committee has been refreshed. The committee is now chaired by Non-Executive Chairman, Harm Meijer, with Michael Neuman (representative of corporate director, Cadim Fonds Inc) and co-opted member, Nicolas Dewald, also joining the committee. Nicolas Dewald is a Chartered Accountant and Certified Internal Auditor and brings the benefits of his recent and relevant financial experience to the committee.

The committee, supported by the company secretary, held three meetings during the year ended 30 September 2019. The Group's external auditors and executive directors attended the committee's meetings by invitation and the committee ensures that the auditors also have regular opportunities to speak to the committee in the absence of management.

The committee's agendas are planned on an annual basis to ensure all the committee's duties are discharged in a timely manner in accordance with its terms of reference.

The audit committee's terms of reference, which clearly set out its responsibilities and procedures, were most recently updated in January 2020 and are available on the Group's website.

Financial statements

During the year, the committee reviewed both the annual and half-year financial statements. The audit plan, including its scope, was discussed with the external auditors, as were the findings from their audit work. In particular, the auditors' views on the Group's results and accounting policies and the adequacy of financial controls; any unadjusted audit differences; post-year-end events; and management responses and materiality judgements were examined. Following consideration and challenge, the treatment of these matters was considered satisfactory.

The audit committee paid particular attention to those risks to the integrity of the financial statements that were considered to be significant, either because of the nature of the Company's activities or because they generally apply to all businesses. These risks included revenue recognition and management override of controls. The audit committee satisfied itself, through discussion of the audit plan, audit findings and financial controls, that these risks were adequately addressed.

Auditor objectivity

The committee recognises the importance of auditor objectivity and independence in providing assurance to investors about the integrity of the Group's financial statements. The committee receives information in writing from the auditors on their fees (audit and non-audit) and the firm's internal procedures to ensure that the independence of the firm, including that of its audit staff, audit manager and audit partner, is reviewed and properly assessed. The committee has discussed and appropriately challenged such issues with the audit partner and deemed the responses to be satisfactory.

BDO's audit partner was last rotated in 2016. The committee has considered whether an audit re-tender should be recommended to the board but has concluded that a recommendation at this time for the re-appointment of BDO LLP as the Company's auditors is in the Company's best interests. The committee will continue to keep matters under review.

Risk management

As the Group has no separate risk committee, the audit committee also has responsibility for oversight of the Group's risk management activities.

The audit committee provided assurance to the board that the Group's risk management processes are appropriately robust and effective. The committee reviews the Group risk register and the actions taken to mitigate those risks and has also reviewed the reporting of principal risks on pages 8 and 9.

Ethical policies and whistleblowing

The audit committee also reviewed arrangements for colleagues to report matters of concern in confidence and to detect fraud, together with the Group's ethical and anti-corruption policies.

The board has adopted a number of policies to guide the behaviour of those who work for easyHotel. Those policies confirm the board's zero tolerance approach to bribery and corruption and set out the arrangements that are in place to enable any colleague who is concerned about possible wrong-doing within the business to speak up in confidence. The committee reviews those policies and receives reports from the Chief Executive Officer about the effectiveness of those arrangements and any incidents that have occurred during the year.

Directors' report

The directors are pleased to submit their report on easyHotel plc for the financial year ended 30 September 2019.

Directors

The directors who served during the year ended 30 September 2019 were as follows:

Jonathan Lane OBE	Independent Non-Executive Chairman (resigned 1 October 2019)
Scott Christie	Independent Non-Executive Director
Harm Meijer	Non-Executive Director
Guy Parsons	Chief Executive Officer (resigned 21 November 2019)
Gary Burton	Chief Financial Officer (appointed 29 October 2018)
Marc Vieilledent	Chief Financial Officer (resigned 29 October 2018)

As described in the Chief Executive Officer's review on page 5, a number of changes have been made to the board since the end of the year. The roles indicated above are those which were performed by the relevant individual during the period ended 30 September 2019. Both Jonathan Lane OBE and Scott Christie were considered to be independent throughout the relevant period.

Biographical details for each of our current directors, including details of their committee roles and the board's assessment of the independence of our non-executive directors, can be found on our website.

Review of the business

The Group is required to set out a fair review of the business and future developments of the Group during the financial year ended 30 September 2019 and the position of the Group at the year end. This information can be found in the Strategic Report on pages 1 to 9, including in the Chief Executive Officer's Review on pages 3 to 5 and the Chief Financial Officer's Review on page 6 and 7 and in the rest of the report.

Post-year-end developments

Since the end of the period, the Company acquired the 87-room Palais des Congrés hotel in Nice as a trading asset.

A number of board changes, as described in the Chief Executive Officer's review on page 5 have also been made since the financial year end. These changes include the resignation of the previous Chief Executive Officer, Guy Parsons, and appointment of his successor, François Bacchetta, who will join the business in spring 2020.

Dividends

No final dividend has been recommended by the directors for the financial year ended 30 September 2019. An interim dividend of 0.08p per share was paid during the year, resulting in a total dividend for the year of 0.08p per ordinary share.

Charitable and political donations

There were no charitable or political donations made during the financial year ended 30 September 2019.

Directors' indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. The Group also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Auditors

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint BDO LLP will be proposed at the forthcoming AGM.

Financial risk management objectives and policies and exposure to other financial risks

Further information on the principal risks and uncertainties faced by the business has been set out in the Strategic Report on pages 8 to 9 and in note 3 to the financial statements.

Acquisition of own shares

The Company did not acquire any of its own shares during the year ended 30 September 2019.

Other disclosures

The Company has no branches outside of the United Kingdom. None of the Company or its subsidiaries engage in research and development activities.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

All of the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

This directors' report has been approved and authorised for issue by the b oard of directors on 24 January 2020 and was signed on its behalf by:

Gary Burton
Chief Financial Officer

Remuneration report

As an AIM Company, easyHotel plc is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. In accordance with the AIM Rules, within this report we set out the details of the remuneration and benefits for each director who served during the year ended 30 September 2019. The content of this report is unaudited unless stated.

Overview of executive directors' remuneration and contracts

The objective of the Group's remuneration policy is to ensure that the overall remuneration of the executive directors is aligned with the strategy, performance and risk tolerance of the Group, whilst preserving an appropriate balance of profit delivery and shareholder value. The overall arrangements are designed to support the delivery of the Company's long-term strategic goals. The policy is applied both at recruitment and on an ongoing basis.

The remuneration arrangements for executive directors during the year ended 30 September 2019 consisted of:

- basic salary and other fixed benefits – set at a competitive, but not excessive, level in order to attract and retain executives of the calibre needed to lead and grow our business. Basic salary is reviewed annually in the light of individual performance and external conditions;
- payment in lieu of pension contribution – executive directors receive a payment in lieu of pension contributions equivalent to 10% of their basic salary;
- annual performance related bonuses – awarded dependent on achievement of stretching targets, the maximum annual bonus equivalent to 100% of basic salary is payable only if stretch targets are achieved; and
- share awards – share awards granted under the easyHotel 2015 Performance Share Plan (the Plan) in 2016 were subject to performance conditions based on the Group's performance in the three financial years ended 30 September 2018. Based upon the remuneration committee's judgement of the extent to which those conditions had been achieved, the 2016 awards vested at 76.4% during the financial year ended 30 September 2019. Upon the offer made for the Company's shares becoming unconditional in August 2019, other previous awards made under the Plan became exercisable, in accordance with the terms of the Plan, to the extent that such awards vested. The remuneration committee, taking account of the extent to which performance targets were considered likely to be achieved, exercised their discretion to vest 3.62% of the awards granted in 2017 and 15% of the awards granted in 2018. Also, in common with other employees, the executive directors became entitled, as a result of the offer, to exercise options held under the easyHotel plc Sharesave Plan (note 28).

The executive directors have service contracts setting out the terms of their employment. Gary Burton's contract may be terminated on six months' notice. Guy Parsons' contract, which was terminated when he resigned, also contained a six months' notice provision. The appointment of François Bacchetta is subject to a contract which provides for termination on three months' notice.

Overview of non-executive directors' fees and terms of appointment

Non-executive directors were paid an annual fee during the period with the exception of Harm Meijer whose letter of appointment provides that no fee is paid to him. The appointment of Charles Persello and Cadim Fonds Inc made after the end of the period are similarly on terms such that no annual fee is paid to them.

Each non-executive director has written terms of appointment which set out, amongst other things, the time commitment which they are expected to give to the Company in the normal course of business (20 days per annum). Such appointments may be terminated by either party giving one month's prior written notice.

Directors' remuneration (in £) (audited)

To aid shareholders' understanding, in the table below we provide the remuneration for each director paid in respect of the year ended 30 September 2019.

Remuneration for Marc Vieilledent relates to the period 1 October 2018 to 29 October 2018 when he ceased to be a director of the Company. Remuneration for Gary Burton relates to the period from the date of his appointment on 29 October 2018 to 30 September 2019.

François Bacchetta's contract of employment provides for a basic salary of €300,000 per annum. Full details of remuneration paid to him in the year ending 30 September 2020 will be reported in the report & accounts for that financial period.

The Company's past Chief Executive Officer, Guy Parsons, held an external non-executive directorship with one other company during the period and was permitted to retain the fees received in respect of that appointment.

Year ended 30 September 2019	Basic salary £	Payment in lieu of pension £	Bonuses £	Termination payments £	Other payments £	Total £
Non-executive Chairman						
Jonathan Lane OBE	75,000	–	–	–	–	75,000
Executive directors						
Guy Parsons	242,694	24,270	–	–	–	266,964
Gary Burton	185,507	18,551	–	–	9,282	213,340
Marc Vieilledent	15,460	1,546	–	–	–	17,006
Non-executive directors						
Scott Christie	52,500	–	–	–	–	52,500
Harm Meijer	–	–	–	–	–	–
Total directors' remuneration for the year ended 30 September 2019	571,161	44,367	–	–	9,282	624,810

Independent auditors' report

to the members of easyHotel plc

Opinion

We have audited the financial statements of easyHotel plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019 which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated statement of cash flows, the consolidated and Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

easyHotel has a number of arrangements in place with franchisees and its owned hotels have direct revenue streams generated from their customers. There is a risk that material misstatements could arise as a result of a failure to record income completely and accurately or recognition of income in the appropriate financial reporting period, either through intentional manipulation or error. The change in revenue systems during the year created a heightened risk that data had not been appropriately captured during the transition between systems and increased the risk of revenue recognition errors. Revenue recognition was therefore a principal focus of the audit team's work.

Note 2 to the financial statements explains the accounting policy for revenue recognition.

In order to respond to this risk we:

- tested a sample of transactions from the deposit ledger and the guest ledger to confirm existence of deferred revenue and completeness of revenue by tracing to booking forms and amounts received in the bank.
- reconciled the total owned hotels revenue to amounts received in the bank, net of third party fees (adjusting for deferred income at reporting date).
- to address the risk of intentional manipulation or error we tested that all credit entries to revenue have a corresponding debit to deferred revenue or franchise receivables in the case of franchise revenue.
- confirmed directly with franchisees their revenue generated for the year and the corresponding royalty income attributable to the Group. For all franchisees that did not respond to a third party confirmation, a sample of royalty income was recalculated and traced through to bank receipt.
- audited management's assessment in relation to the period over which upfront fees charged to franchisees by agreeing to franchise agreements and recalculated the release to the income statement.
- to address the risk of data migration issues as a result of the change in system the audit team reconciled the extracted data sets from the old revenue system to the new one, and significant variances were investigated. In addition, we confirmed that all deferred income balances were for stay dates after the period end, including reviewing these positions at the point of system migration.

We noted no material errors in the substantive procedures performed in our audit of revenue.

Independent auditors' report continued
to the members of easyHotel plc

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality which, together with qualitative considerations, help us to determine the nature, timing and extent of our audit procedures on the individual financial statement areas and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The Group's business is in a development stage and recent acquisitions and development of sites have resulted in significant assets. In these circumstances we assessed materiality for the financial statements as a whole to be £1,342,000 (2018: £1,310,000) based on 0.96% of total assets excluding long term deposits. (2018: 0.91% of total assets excluding long term deposits.)

However, we used a lower specific materiality of £182,000 (2018: £147,000) which represents 4.3% of adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) (2018: 5% of adjusted EBITDA) for the trading related items included within the consolidated statement of comprehensive income and related balances in the consolidated statement of financial position, since misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used adjusted EBITDA as a benchmark which we consider to be a key consideration in assessing the financial performance of the business.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality was set at £1,007,000 (2018: £982,500) which represents 75% (2018: 75%) of the above materiality levels, and £137,000 (2018: £110,250) which represents 75% (2018: 75%) of the above specific materiality levels. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £9,000 (2018: £7,300).

Materiality in respect of the audit of the parent Company has been set at a maximum of £1,210,000 (2018: £1,240,000) using a benchmark of 1% of total assets (2018: 2% of total assets) but capped at 75% (2018: 95%) of group materiality. We consider gross assets to be the most appropriate measure for the basis of materiality as the parent Company is a holding company of various subsidiaries of the Group.

An overview of the scope of our audit

The Group includes two trading subsidiaries (easyHotel UK Limited and easyHotel Spain S.L.U) and an entity that holds a property with the intention of developing a hotel (easyHotel Ireland Limited). In establishing the overall approach to the Group audit, we completed a full scope audit of easyHotel UK Limited which is considered to be a significant component of the Group, using a materiality of £173,000 (2017: £140,000) and performed desktop review procedures and specific audit procedures on financial information of easyHotel Spain S.L.U where material to the Group financial statements and performed a full statutory scope audit on easyHotel Ireland Limited, using a materiality of €104,000 (2018: specific audit procedures performed). The Group audit team obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of Group journals and other adjustments performed on consolidation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us;
- the parent Company financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent Company and the parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark RA Edwards (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

24 January 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the year ended 30 September 2019

	Note	2019 £	2018 £
System sales[1]		47,649,199	37,313,925
Revenue	4	17,555,596	11,253,872
Cost of sales		(9,117,015)	(5,231,963)
Gross profit		8,438,581	6,021,909
Administrative expenses		(11,855,171)	(5,337,832)
Operating (loss)/profit		(3,416,590)	684,077
Analysed as:			
Adjusted EBITDA[2]		4,204,157	2,958,733
Depreciation, impairment and amortisation		(5,794,421)	(1,502,313)
Hotel pre-opening and development costs	5	(182,355)	(246,971)
Share based payments		108,599	(276,565)
Other Adjusting Items	5	(1,752,570)	(248,807)
		(3,416,590)	684,077
Finance income	8	261,712	304,893
Finance expense	9	(419,227)	(116,808)
(Loss)/profit before taxation		(3,574,105)	872,162
Taxation	10	(206,075)	(225,658)
(Loss)/profit for the year		(3,780,180)	646,504
Exchange (loss)/gain arising on retranslation of foreign operations		(130,037)	63,323
Total comprehensive income attributable to equity holders of the Company		(3,910,217)	709,827
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (pence)	11	(2.7)	0.5
Diluted (pence)	11	(2.7)	0.5

1 System sales is the full amount that the customer pays for the use of all the hotels under the easyHotel brand (owned of £15,499,319 (2018: £9,075,454) and franchised of £32,077,090 (2018: £28,100,955) of which £1,983,487 was within statutory revenue (2018: £2,040,902)), together with initial sign on fees of £72,790 (2018: £137,516) paid by new franchisees.

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 adjusting items (see note 5 for details of all items except share based payments, which can found in note 28). 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.

Consolidated statement of financial position

as at 30 September 2019

Company number 09035738

	Note	2019 £	2019 £	2018 £	2018 £
Assets					
Non-current assets					
Property, plant and equipment	13	102,446,177		96,259,366	
Investment properties	14	12,553,442		–	
Intangible assets	15	1,109,928		1,151,131	
Long-term deposits	16	637,610		643,080	
Total non-current assets			116,747,157		98,053,577
Current assets					
Trade and other receivables	17	12,231,341		4,022,560	
Cash and cash equivalents	18	11,714,706		41,390,018	
Total current assets			23,946,047		45,412,578
Total assets			140,693,204		143,466,155
Liabilities					
Non-current liabilities					
Trade and other payables	19	743,913		756,826	
Bank borrowings	20	16,733,958		15,749,566	
Deferred tax liability	21	442,696		418,349	
Total non-current liabilities			17,920,567		16,924,741
Current liabilities					
Trade and other payables	19	6,484,761		6,057,925	
Bank borrowings	20	838,808		710,413	
Corporate taxation		130,186		131,560	
Total current liabilities			7,453,755		6,899,898
Total liabilities			25,374,322		23,824,639
Total net assets			115,318,882		119,641,516
Equity					
Equity attributable to owners of the Company					
Share capital	22	1,459,545		1,459,545	
Share premium	23	113,114,938		113,114,938	
Merger reserve	23	2,750,001		2,750,001	
Employee Benefit Trust (EBT) reserve	23	(1,038,115)		(1,067,405)	
Currency translation reserve	23	(145,672)		(15,635)	
Retained earnings	23	(821,815)		3,400,072	
Total equity			115,318,882		119,641,516

The financial statements on pages 18 to 45 were approved and authorised for issue by the board of directors and were signed on its behalf on 24 January 2020 by:

Gary Burton
Director

The notes on pages 24 to 45 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2019

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit before taxation for the year	(3,574,105)	872,162
Adjustments for:		
Depreciation, impairment and amortisation	5,794,421	1,502,313
Share based payment (credit)/charge	(108,599)	276,565
Finance income	(261,712)	(304,893)
Finance expense	419,227	116,808
Operating cash flows before movements in working capital	2,269,232	2,462,955
(Increase)/decrease in trade and other receivables	(745,798)	183,560
Increase in trade and other payables	1,730,068	214,702
Cash generated from operations	3,253,502	2,861,217
Corporation tax paid	(173,662)	(71,123)
Net cash generated from operating activities	3,079,840	2,790,094
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,018,172)	(46,379,646)
Purchase of intangible assets	(395,438)	–
Monies in escrow in advance of acquisition	(8,201,809)	–
VAT on investing activities	381,660	(1,017,152)
Net cash used in investing activities	(33,233,759)	(47,396,798)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	–	50,000,000
Exercise of share options	29,290	–
Capitalised costs related to issue of ordinary share capital	–	(1,206,308)
Interest received	279,466	346,627
Interest paid	(639,567)	(488,050)
Dividends paid	(333,108)	(320,006)
Proceeds in bank loan	1,846,040	4,769,921
Repayment of bank loan	(710,413)	(360,000)
Net cash generated from financing activities	471,708	52,742,184
Net (decrease)/increase in cash and cash equivalents	(29,682,211)	8,135,480
Cash and cash equivalents at the beginning of the year	41,390,018	33,255,253
Exchange gains/(losses) on cash and cash equivalents	6,899	(715)
Cash and cash equivalents at the end of the year	11,714,706	41,390,018

The notes on pages 24 to 45 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2019

	Note	Share capital £	Share premium £	Merger reserve £	EBT reserve £	Currency translation reserve £	Retained earnings £	Total £
At 1 October 2017		1,005,000	64,775,791	2,750,001	(1,067,405)	(78,958)	2,797,009	70,181,438
Profit for the year		–	–	–	–	–	646,504	646,504
FX Translation movement		–	–	–	–	63,323	–	63,323
Total comprehensive income for the year		–	–	–	–	63,323	646,504	709,827
Share based payment charge	28	–	–	–	–	–	276,565	276,565
Dividends paid	12	–	–	–	–	–	(320,006)	(320,006)
Issue of shares		454,545	48,339,147	–	–	–	–	48,793,692
At 30 September 2018		1,459,545	113,114,938	2,750,001	(1,067,405)	(15,635)	3,400,072	119,641,516
Loss for the year		–	–	–	–	–	(3,780,180)	(3,780,180)
FX Translation movement		–	–	–	–	(130,037)	–	(130,037)
Total comprehensive income for the year		–	–	–	–	(130,037)	(3,780,180)	(3,910,217)
Share based payment credit	28	–	–	–	–	–	(108,599)	(108,599)
Exercise of share options		–	–	–	29,290	–	–	29,290
Dividends paid	12	–	–	–	–	–	(333,108)	(333,108)
At 30 September 2019		1,459,545	113,114,938	2,750,001	(1,038,115)	(145,672)	(821,815)	115,318,882

The notes on pages 24 to 45 form part of these financial statements.

Company statement of financial position

as at 30 September 2019

Company number 09035738

	Note	2019 £	2019 £	2018 £	2018 £
Assets					
Non-current assets					
Investment	29	3,825,683		3,825,683	
Loan to related Companies	29	115,071,319		116,236,147	
Loan to Employment Benefit Trust	29	1,300,000		1,300,000	
Deferred Tax	21	–		63,787	
Total non-current assets			120,197,002		121,425,617
Total assets			120,197,002		121,425,617
Liabilities					
Current Liabilities					
Trade and other payables	19	21,800		223,525	
Total current liabilities			21,800		223,525
Total Liabilities			21,800		223,525
Total Net Assets			120,175,202		121,202,092
Equity					
Equity attributable to owners of the Company					
Share capital	23	1,459,545		1,459,545	
Share premium	23	113,114,938		113,114,938	
Other reserves	23	3,575,683		3,575,683	
Retained earnings	23	2,025,036		3,051,926	
Total equity			120,175,202		121,202,092

The Company has taken up its exemption for filing an individual profit and loss account according to s408 of the Companies Act 2016.

No cash flow statement is presented as the Company does not have a bank account.

For the year ended 30 September 2019 the Company made a loss of £586,652 (2018: profit of £419,774).

The financial statements on pages 18 to 45 were approved and authorised for issue by the board of directors and were signed on its behalf on 24 January 2020 by:

Gary Burton
Director

The notes on pages 24 to 45 form part of these financial statements.

Company statement of changes in equity

for the year ended 30 September 2019

	Note	Share capital £	Other reserve £	Share premium £	Retained earnings £	Total £
At 1 October 2017		1,005,000	3,575,683	64,775,791	2,675,593	72,032,067
Dividends paid		–	–	–	(320,006)	(320,006)
Issue of shares		454,545	–	48,339,147	–	48,793,692
Share based payment charge	28	–	–	–	276,565	276,565
Total comprehensive income for the year		–	–	–	419,774	419,774
At 30 September 2018		1,459,545	3,575,683	113,114,938	3,051,926	121,202,092
Dividends paid		–	–	–	(331,639)	(331,639)
Issue of shares		–	–	–	–	–
Share based payment credit	28	–	–	–	(108,599)	(108,599)
Total comprehensive income for the year		–	–	–	(586,652)	(586,652)
At 30 September 2019		1,459,545	3,575,683	113,114,938	2,025,036	120,175,202

The notes on pages 24 to 45 form part of these financial statements.

Notes forming part of the financial statements

for the year ended 30 September 2019

1 Statement of compliance

easyHotel plc (the "Company"), and its wholly owned subsidiaries (easyHotel UK Limited, easyHotel Spain S.L.U. and easyHotel Ireland Limited), is an international owner, developer, operator and franchisor of "easyHotel" branded hotels. The Company is a public limited company whose shares are listed on AIM under the ticker symbol EZH and is incorporated and domiciled in the United Kingdom. The address of the registered office is 52 Grosvenor Gardens, London SW1W 0AU.

The consolidated and parent Company accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account IFRS Interpretations Committee (IFRS IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

2 Significant accounting policies

Basis of preparation

The accounts are prepared based on the historical cost convention. The accounting policies set out below have been applied consistently to all years presented in these accounts, unless otherwise stated.

The Company has taken up its exemption for filing an individual profit and loss account according to section 408 of the Companies Act 2006. The Company's profit or loss for the financial year has been approved by the directors in accordance with section 414 (of the Companies Act 2006) (total comprehensive income for the year ended 30 September 2019 of £(586,652) and total comprehensive income of £419,774 for the year ended 30 September 2018).

The accounts have been prepared on a going concern basis. Details on going concern are provided in the Statement of Responsibilities on page 13.

All amounts are presented in Pounds Sterling (GBP, £), except where otherwise indicated.

Basis of consolidation

The consolidated accounts incorporate those of easyHotel plc and its subsidiaries for the years ended 30 September 2018 and 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. On acquisition of its subsidiary, easyHotel UK Limited, merger accounting was the basis of consolidation.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intragroup balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated accounts.

Investment in subsidiaries

easyHotel plc has a number of direct and indirect investments, details of which are given in note 29.

These investments eliminate for the purpose of the consolidation.

Employee Benefit Trust (EBT)

The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements, and its investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

The EBT is not consolidated in the Company's own financial statements but the Company recognises any transactions between itself and the EBT in accordance with the relevant accounting policy.

Foreign currency

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyHotel are presented in Pounds Sterling, which is the Company's functional currency and the Group's presentation currency.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at foreign exchange rates ruling at the dates the transactions were effected.

On consolidation the results of overseas operations are translated into Pounds Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the currency translation reserve.

2 Significant accounting policies continued

System sales

System sales arise from the sale of goods and the provision of services where these activities give rise to economic benefits received and receivable by the Company and its franchisees. System sales is the full amount (excluding VAT and similar taxes) that the customer pays for the use of all the hotels under the easyHotel brand (both owned and franchised), together with initial sign on fees paid by new franchisees.

Revenue

Revenue arises from the provision of services where these activities give rise to economic benefits received and receivable by the Company on its own account and result in increases in equity. Revenue is the full amount that the customer pays for our owned and operated hotels, plus fees that we charge to our franchisees (excluding VAT and similar taxes).

Provided the amount, if applicable, can be measured reliably and it is probable that the Company will receive the consideration, revenue for services is recognised as follows:

Owned – primarily derived from hotel operations, including the rental of rooms and ad hoc utility services sales from owned hotels operated under the "easy" brand name. Revenue is recognised when rooms are occupied and ad hoc utility services are provided.

Franchise fees – received in connection with the licence of the Company's brand name, usually under long-term contracts with the hotel owner. The Company charges franchise royalty fees and processing fees as a percentage of room revenue and in some cases receives an upfront fee on the grant of a franchise. Revenue is earned and recognised when the customer has occupied the room at the franchisee's operated hotel accommodation. Upfront fees are generally recognised immediately as an initial sign-on income, with portions relating to legal, contractual, marketing or similar items recognised over the period from signing to opening. Where upfront fees specifically relate to exclusivity, these fees are recognised over the franchisee exclusivity period.

Consideration received in advance for which the revenue recognition criteria above have not been satisfied are deferred until such time as the revenue recognition criteria have been satisfied.

Adjusted EBITDA

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 adjusting items.

Intangible assets

Intangible assets are initially recognised at cost and subsequently amortised so as to write off their carrying value, less their residual value, on a straight line basis over the expected useful lives of the assets as follows:

- Website and systems development costs – over 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Intangible assets are reviewed for indicators of impairment where their value is lower than their recoverable value. Any impairment in value is charged to the statement of comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value.

Land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value, less their residual value, over their expected useful economic lives. It is provided at the following rates:

- Building core – over 50 years
- Building surface finishes – over 20 years
- Plant and machinery – over 8–15 years
- Furniture and equipment – over 3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are reviewed for indicators of impairment where their value is greater than their recoverable value. Any impairment in value is charged to the statement of comprehensive income.

Notes forming part of the financial statements continued
for the year ended 30 September 2019

2 Significant accounting policies continued

Investment property
Investment property is land or a building that is held to earn rentals and is not used in the supply of goods and services, or for administration, is not owner occupied and has not been held for sale in the ordinary course of business. The entity has adopted the cost model as its accounting policy for all investment properties. Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Financial assets
The Company has not classified any of its financial assets at fair value through profit or loss as available for sale or as held to maturity.

The Company's accounting policy for loans and receivables is as follows:

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Company statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents include cash in hand, cash in transit, restricted cash, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities
The Group classifies its financial liabilities depending on the purpose for which the liability was acquired. The Group has not classified any of its financial liabilities at fair value through profit or loss.

The Group's accounting policy for other financial liabilities is as follows:

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Taxation
The current tax is based upon the taxable profit for the period together with adjustments, where necessary, in respect of prior periods. The Group's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the financial year end date.

Current tax and movements in deferred tax are recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability.

The Group's ordinary shares are classified as equity instruments.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting (AGM).

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

2 Significant accounting policies continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, if any, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

New and amended standards adopted during the year

The following new and amended standards are effective for the year ending 30 September 2019 and have been adopted in these financial statements.

IFRS 15 – Revenue from Contracts with Customers

The Group has adopted IFRS 15 using the cumulative effect transition method, with the transition date of 1 October 2018. Accordingly, no restatements are made to the information presented for the year ended 30 September 2019.

IFRS 15 provides that companies must adopt a five-step revenue recognition process, based on the principle that revenue should be recognised when control over the services or goods passes to the customer.

The Group has analysed all of its material revenue streams, and concluded that the existing approaches are compliant with IFRS 15, meaning that the timing and amount of revenue recognition will not change following the adoption of the new standard. Consequently, no separate presentation of its impact on the financial statements is given.

IFRS 9 – Financial instruments

The Group adopted IFRS 9 on 1 October 2018, the date of initial application. IFRS 9 has not had a material impact on the Group.

Standards, amendments and interpretations to published standards not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards board that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these is IFRS16:

IFRS 16 – Leases (mandatorily effective for periods beginning on or after 1 January 2019)

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The board has decided it will apply the modified retrospective approach for IFRS 16, and will recognise leases on the balance sheet as at 1 October 2019. In addition, it has decided to measure right of-use-assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact of net assets on that date. At 30 September 2019, operating lease commitments amounted to £12,935,351, which is not expected to be materially different to the anticipated position at 30 September 2020.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 30 September 2019 was approximately £654,500.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods:

- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2018);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019);
- Amendments to IAS 28:Long-term Interests in Associates and Joint Ventures (effective 1 January 2019);
- IFRS 17 Insurance Contracts (effective 1 January 2021);
- Amendments to IAS 19: Plan amendment, curtailment or settlement; and
- IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale of Contribution of Assets between an investor and its Associate or Joint Venture.

Notes forming part of the financial statements continued
for the year ended 30 September 2019

2 Significant accounting policies continued
Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of assets
The Group is required to consider assets for impairment where such indicators exist using value in use calculations or fair value estimates. The use of these methods may require the estimation of future cash flows and the choice of a discount rate in order to calculate the value in use or fair value.

(b) Useful lives of property, plant and equipment
Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates for the period that the assets will generate revenue, which, along with their estimated residual values, are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details including carrying values are included in note 13.

(c) Taxation
The Group is subject to income tax and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

3 Financial instruments – risk management
The Group and the Company are exposed through their operations to the following financial risks:

- credit risk;
- interest rate risk;
- foreign exchange risk; and
- liquidity risk.

In common with all other businesses, the Group and the Company are exposed to risks that arise from their use of financial instruments. This note describes the Group and the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantial changes in the Group and the Company's exposure to financial instrument risks, their objectives, policies and processes for managing those risks, or the methods used to measure them from previous periods, unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group and the Company, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables; and
- loans and borrowings.

3 Financial instruments – risk management continued

Principal financial instruments continued

A summary of the financial instruments held by category is provided below:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Cash and cash equivalents	11,714,706	41,390,018	–	–
Trade receivables	594,030	216,076	–	–
Other receivables	8,428,241	567,477	–	–
Accrued income	126,105	34,542	–	–
Related party loan	–	–	115,889,647	117,536,147
Long-term deposits	639,876	643,080	–	–
Rental guarantees	44,408	49,833	–	–
Total financial assets classified as loans and receivables	21,547,366	42,901,026	115,889,647	117,536,147
Financial liabilities				
Trade and other payables	5,883,788	5,514,574	21,800	325,384
Bank borrowings	17,572,766	16,459,979	–	–
Total financial liabilities classified as amortised cost	23,456,554	21,974,553	21,800	325,384

Financial instruments measured at fair value

No financial instruments are measured at fair value; accordingly, no hierarchy information is presented.

General objectives, policies and processes

The board has overall responsibility for the determination of the Group and the Company's financial instrument risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The board receives reports from the Group's finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. On the basis that customers primarily prepay for hotel occupancy, and after carefully reviewing the financial performance and forecasts of counterparties to financial instruments as well as holding security over their trading accounts, the Group and the Company's exposure to credit risk from trade and other receivables is considered insignificant.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which used a lifetime expected loss allowance for all trade receivables. The Group estimates expected credit losses based on historical experience, but the transition from IAS 39 to IFRS 9 has had no material impact on the expected loss allowance or its movement in the year.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The Group and the Company do not enter into derivatives to manage credit risk.

The maximum amount of credit risk exposure is reflected in the carrying amount of financial assets held at the year end, excluding cash and cash equivalents, of £9,832,660 (2018: £1,511,008).

Market risk

Market risk arises from the Group and the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

The Company has no fair value and cash flow interest rate risk to disclose.

Notes forming part of the financial statements continued
for the year ended 30 September 2019

3 Financial instruments – risk management continued
Interest rate risk

The Group is partially funded through bank borrowings. During the last financial year, the Group extended its committed facility to £22,000,000 (an increase of £10,000,000 on the original facility). Following the last four quarterly repayments of £90,000 each, the outstanding balance at 30 September 2019 was £10,919,494. Any amount borrowed bears interest at 2.5% above LIBOR.

As at 30 September 2019, the balance drawn down was €7,848,945 on the Group's €8,250,000 euro-denominated mortgage facility to finance the construction of its new hotel in Barcelona. Any amount borrowed bears interest at 2.25% above one year EURIBOR.

A 50 basis point increase in the interest rates would, all other variables kept constant, have decreased the profit before tax by £92,976 for the period ended 30 September 2019, while a 50 basis point decrease would have increased profit before tax by the same amount.

Foreign exchange risk

Foreign exchange risk arises because the Group has franchisees located outside the UK whose functional currency is not the same as the functional currency of the Group, and the Group takes bookings on their behalf in foreign currencies. The Group maintains bank accounts in these currencies to provide a natural hedge.

Foreign exchange risk also arises when the Group enters into transactions denominated in a currency other than its functional currency. The volume of such transactions is not considered sufficient to warrant hedging the risk exposure.

The Group's policy is, where possible, to settle liabilities denominated in foreign currency (primarily the euro) with the cash generated from its own operations in that currency.

The Group's non-Sterling financial assets and financial liabilities were denominated in the following currencies:

	EUR £	USD £	CHF £	AED £	Total £
30 September 2019					
Financial assets					
Cash and cash equivalents	2,851,726	168,043	8,400	–	3,028,169
Trade and other receivables[1]	8,264,572	–	–	–	8,264,572
Total financial assets	11,116,298	168,043	8,400	–	11,292,741
Financial liabilities					
Bank borrowings	6,959,519	–	–	–	6,959,519
Trade and other payables	228,572	–	–	–	228,572
Total financial liabilities	7,188,091	–	–	–	7,188,091
30 September 2018					
Financial assets					
Cash and cash equivalents	713,538	125,427	16,340	–	855,305
Trade and other receivables	126,383	–	20,477	29,278	176,138
Total financial assets	839,921	125,427	36,817	29,278	1,031,443
Financial liabilities					
Bank borrowings	7,273,906	–	–	–	7,273,906
Trade and other payables	453,798	–	108,482	–	562,280
Total financial liabilities	7,727,704	–	108,482	–	7,836,187

1 The majority of this balance is a short term deposit held by a French notary ahead of the post year and acquisition of a hotel in Nice, France.

The effect of a 10% strengthening of the Pound Sterling at the reporting date on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in a decrease in total comprehensive income for the period and decrease of net assets of £1,251,610 (2018: £12,182). A 10% weakening in the exchange rate would, on the same basis, have increased total comprehensive income and net assets by £1,251,610 (2018: £12,182).

Liquidity risk

Liquidity risk arises from the Group and the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group and the Company will encounter difficulty in meeting their financial obligations as they fall due.

The Group and the Company's policy is to ensure that they will always have sufficient cash to allow them to meet their liabilities when they become due. To achieve this aim, the Group and the Company finance their operations through a mix of equity and borrowings. The Group and the Company's objective is to provide funding for future growth and achieve a balance between continuity and flexibility through their bank facilities and intergroup loans. The Group has a £22,000,000 sterling bank facility in place, of which £10,919,494 has been drawn and a €8,250,000 euro mortgage facility, of which €7,848,945 remains to be paid.

The board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group and the Company expected to have sufficient liquid resources to meet their obligations under all reasonably expected circumstances.

3 Financial instruments – risk management continued

Liquidity risk continued

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

Group	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 30 September 2019					
Trade and other payables	1,218,263	652,966	–	–	595,895
Bank borrowings	346,057	1,025,207	1,366,632	18,121,243	–
Total	1,564,320	1,678,173	1,366,632	18,121,243	595,895
At 30 September 2018					
Trade and other payables	1,214,585	1,364,875			652,480
Bank borrowings	183,150	1,250,275	1,615,005	31,095,916	
Total	1,397,735	2,615,150	1,615,005	31,095,916	652,480

Company	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
At 30 September 2019					
Trade and other payables	–	–	–	–	–
Total	–	–	–	–	–
At 30 September 2018					
Trade and other payables	–	–	–	–	–
Total	–	–	–	–	–

More details in regard to the line items are included in the respective notes:

- Trade and other payables – note 19.

Capital disclosures

The Group and the Company monitor capital which comprises all components of equity (i.e. share capital, share premium, retained earnings and other reserves).

The Group and the Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group and the Company set the amount of capital they require in proportion to risk. The Group and the Company manage their capital structure and make adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4 Revenue

	2019 £	2018 £
Revenue arises from:		
Owned hotel revenue	15,399,656	9,075,454
Franchised hotel revenue	1,965,213	1,810,918
Rental income	99,663	–
Other income	91,064	367,500
Total revenue	17,555,596	11,253,872

Notes forming part of the financial statements continued
for the year ended 30 September 2019

5 Operating profit and adjusted EBITDA[1]

	2019 £	2018 £
The following have been included in arriving at operating profit before tax:		
Auditors' remuneration includes:		
Company audit fees	20,000	20,000
Subsidiary audit fees	70,000	42,500
Fees for audit related assurance services	37,000	20,000
	127,500	82,500
Depreciation and impairment of PPE	5,300,738	1,233,611
Amortisation and impairment of intangible assets	493,684	268,702
Payments under operating leases	665,003	359,766

	2019 £	2018 £
Other adjusting items from reportable segments include:		
Other adjusting items include:		
Recruitment fees	(199,908)	(124,540)
Legal and other costs	(62,375)	(124,213)
Abortive fees	(56,698)	(54)
Citrus UK Bidco Limited bidding offer costs	(1,433,589)	–
Total adjusting items	(1,752,570)	(248,807)
Hotel pre-opening and development[2]:		
Pre-opening operational costs	(182,355)	(246,971)
Total hotel pre-opening and development costs	(182,355)	(246,971)

1 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.
2 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.

6 Staff and key management

The aggregate amounts payable to people employed by the Group (including directors) during the year were as follows:

	Group 2019 £	Group 2018 £
Wages and salaries	4,048,113	3,090,869
Social security costs	480,152	293,922
	4,528,265	3,384,791

The average number of employees during the year in hotel operations was 84 (2018: 54).

The average number of employees during the year in head office was 31 (2018: 21).

The aggregate amounts payable to people employed by the Company (including directors) during the year were as follows:

	Company 2019 £	Company 2018 £
Wages and salaries	528,189	1,352,936
Social security costs	68,202	179,434
	596,391	1,532,370

The average number of employees during the year was 6 (2018: 8).

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Amounts disclosed below include social security costs.

	2019 £	2018 £
Aggregate emoluments	1,016,491	1,159,364

In addition there were total employer's National Insurance expenses of £166,775 (2018: £101,706).

Total Share Based Payments made to key management personnel were £(126,107) (2018: £177,276).

The remuneration of the highest paid director amounted to £266,964 (2018: £401,939). Details of director's remuneration can be seen in the Remuneration Report page 14.

7 Segment information

The Group has four reportable segments:

- **Owned properties** – This segment is involved in hotel operations carried out in the Group's owned hotels and properties.
- **Franchising** – This segment involves the Group's franchised hotel operations, in connection with the licence of the Group's brand name.
- **Investment property** – This segment contains the Group's investment property.
- **Central office** – This segment contains the central activities not included in the segments above.

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 poses 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.

Notes forming part of the financial statements continued

for the year ended 30 September 2019

7 Segment information continued

Measurement of operating segment profit or loss, assets and liabilities continued

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though loans and borrowings arise from financing 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.

	Central office £	Owned properties £	Franchising £	Investment property £	Total £
30 September 2019					
Profit & Loss					
Total revenue from external customers	–	15,490,720	1,965,213	99,663	17,555,596
Adjusted EBITDA	(4,073,008)	6,699,237	1,478,664	99,264	4,204,157
(Loss)/profit before taxation	(6,142,393)	1,071,382	1,397,685	99,221	(3,574,105)
Finance income	261,712	–	–	–	261,712
Finance cost	(419,227)	–	–	–	(419,227)
Depreciation and amortisation	(489,024)	(5,254,646)	(50,708)	(43)	(5,794,421)
Balance Sheet					
Segment assets	5,446,379	117,539,515	4,471,814	13,235,497	140,693,204
Segment liabilities	11,175,610	14,052,980	145,731	–	25,374,322
30 September 2018					
Profit & Loss					
Total revenue from external customers	–	9,442,954	1,810,918	–	11,253,872
Adjusted EBITDA	(3,063,176)	4,622,604	1,399,305	–	2,958,733
(Loss)/profit before taxation	(3,400,461)	2,873,319	1,399,305	–	872,162
Finance income	304,893	–	–	–	304,893
Finance cost	(116,808)	–	–	–	(116,808)
Depreciation and amortisation	–	(1,502,313)	–	–	(1,502,313)
Balance Sheet					
Segment assets	2,217,633	138,975,913	2,272,609	–	143,466,155
Segment liabilities	660,838	21,455,702	1,708,099	–	23,824,639

Geographical information

	2019 £	2018 £
Revenue by location		
United Kingdom	12,657,931	9,575,363
Europe	4,856,381	1,619,136
Rest of the world	41,284	59,372
Total Revenue	17,555,596	11,253,871
Total non-current assets by location		
United Kingdom	91,002,733	82,618,030
Europe	25,744,424	15,435,546
Total non-current assets	116,747,157	98,053,576

8 Finance income

	2019 £	2018 £
Finance income		
Interest income on financial assets measured at amortised cost	215,442	358,074
Foreign exchange gain/(loss)	46,270	(53,181)
Total finance income recognised in profit or loss	261,712	304,893

9 Finance expense

	2019 £	2018 £
Finance expense		
Interest expense on financial liabilities measured at amortised cost	773,940	509,891
Amount capitalised[1]	(354,713)	(393,083)
Total finance expense recognised in profit or loss	419,227	116,808

1 Interest expense attributable to construction works has been capitalised to property, plant and equipment. The interest rate that applies to this capitalised interest is 3.25%.

10 Income tax

	2019 £	2018 £
Current tax expense		
Current tax on profits for the year	–	170,696
Adjustment in respect of prior years	(210,563)	(13,676)
Overseas tax	395,671	1,101
Total current tax	185,108	158,121
Deferred tax expense		
Deferred tax charge for the year	144,251	106,831
Adjustment in respect of prior years	(103,508)	(28,102)
Rate change	(19,776)	(11,192)
Total deferred tax	20,967	67,537
Total income tax expense	206,075	225,658

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £	2018 £
(Loss)/profit before tax	(3,574,105)	872,162
Expected tax charge based on the standard rate of United Kingdom corporation tax of 19% (2017: 19.5%)	(679,080)	165,711
Expenses not deductible for tax purposes	1,066,564	165,243
Deferred tax on share options	63,786	(48,074)
Deferred tax not recognised	(7,084)	(9,291)
Current tax adjustment in respect of prior years	(210,563)	(13,676)
Deferred tax adjustment in respect of prior years	(103,508)	(28,102)
Overseas tax	–	1,101
Difference in overseas tax rates	95,646	3,938
Effect of change in tax rate	(19,776)	(11,192)
Total income tax expense	206,075	225,658

Notes forming part of the financial statements continued
for the year ended 30 September 2019

11 Earnings per share

	2019 Number	2018 Number
Weighted average number of ordinary shares in issue, excluding those held by the Employee Benefit Trust, used as the denominator in calculating basic earnings per share	144,829,546	126,896,794
Options granted under the Employee Share Save Plan	335,766	142,913
Weighted average number of ordinary share and potential ordinary shares used as the denominator in calculating diluted earnings per share	145,165,312	127,039,707

12 Dividends

Interim cash dividend of 0.08p per ordinary share (£114,482) was paid by the Group during the period under review (2018: £101,380).

No final cash dividend has been proposed by the Group in respect of the period under review (2018: £218,626).

13 Property, plant and equipment

	Land and building core £	Leasehold £	Building surface finishes £	Plant and machinery £	Furniture and equipment £	Total £
Cost						
At 1 October 2017	47,012,574	–	3,808,779	788,888	1,585,115	53,195,356
Additions	44,903,634	–	134,359	211,815	1,024,693	46,274,501
Disposals	–	–	–	–	–	–
Foreign exchange differences	76,073	–	–	–	–	76,073
At 30 September 2018	91,992,281	–	3,943,138	1,000,703	2,609,808	99,545,930
Additions	18,480,572	204,731	–	33,472	1,050,622	19,769,397
Disposals	–	–	–	–	–	–
Transfers to investment property	(8,687,563)	–	–	–	–	(8,687,563)
Foreign exchange differences	(129,284)	–	–	(31)	(911)	(130,226)
At 30 September 2019	101,656,006	204,731	3,943,138	1,034,144	3,659,519	110,497,538
Accumulated depreciation						
At 1 October 2017	897,171	–	661,246	144,436	350,582	2,053,435
Charge for the year	610,827	–	185,209	95,021	342,782	1,233,839
Foreign exchange differences	–	–	–	–	–	–
Disposals	(711)	–	–	–	–	(711)
At 30 September 2018	1,507,287	–	846,455	239,457	693,364	3,286,563
Charge for the year	1,276,757	21,584	191,544	103,668	669,868	2,263,421
Impairment	2,968,632	–	–	–	2,124	2,970,756
Disposals	–	–	–	–	–	–
Transfers to investment property	(472,773)	–	–	–	–	(472,773)
Foreign exchange differences	3,110	–	–	4	280	3,394
At 30 September 2019	5,283,013	21,584	1,037,999	343,129	1,365,636	8,051,361
Net book value						
At 1 October 2017	46,115,403	–	3,147,532	644,452	1,234,533	51,141,921
At 30 September 2018	90,484,994	–	3,096,683	761,245	1,916,445	96,259,366
At 30 September 2019	96,372,993	183,147	2,905,139	691,014	2,293,884	102,446,177

The property, plant and equipment listed above are held as security against bank facilities referred to in note 20.

As at 30 September 2019 there are £8,290,336 (2018: £23,262,595) assets relating to assets under the course of construction included within the above table.

The cost of the assets will be depreciated once the asset is complete and available for use.

14 Investment properties

	Building £	Total £
Cost		
At 30 September 2018	–	–
Transfer from PPE	8,687,563	8,687,563
Additions	4,392,617	4,392,617
Disposals	–	–
At 30 September 2019	**13,080,180**	**13,080,180**
Accumulated depreciation		
At 30 September 2018	–	–
Transfer from PPE	(472,773)	(472,773)
Charge for the year	(53,965)	(53,965)
Disposals	–	–
At 30 September 2019	**(526,738)**	**(526,738)**
Net book value		
At 30 September 2018	–	–
At 30 September 2019	**12,553,442**	**12,553,442**

During the year one of the Group's hotels was partially redeveloped into commercial office space for rent. In line with IAS40 this asset has been classified as an investment property which is held at historic cost. The depreciation is continuing in line with the rates applied to the owned buildings in the wider estate.

Management believe that the fair value of this asset is in excess of £15m.

15 Intangible assets

	Website and system development costs £	Total £
Cost		
At 1 October 2017	1,194,498	1,194,498
Additions	469,070	469,070
Foreign exchange differences	(63,790)	(63,790)
At 30 September 2018	1,599,778	1,599,778
Additions	452,561	452,561
At 30 September 2019	**2,052,339**	**2,052,339**
Accumulated amortisation		
At 1 October 2017	180,173	180,173
Amortisation charge for the year	268,474	268,474
At 30 September 2018	448,647	448,647
Amortisation charge for the year	350,777	350,777
Impairment	142,987	142,987
At 30 September 2019	**942,411**	**942,411**
Net book value		
At 1 October 2017	1,014,325	1,014,325
At 30 September 2018	1,151,131	1,151,131
At 30 September 2019	**1,109,928**	**1,109,928**

Notes forming part of the financial statements continued
for the year ended 30 September 2019

16 Long-term deposits

	2019 £	2018 £
Security deposits	637,610	643,080

There is currently a €500,000 (£441,771) security deposit relating to the euro-denominated mortgage facility, which will be fully re-imbursed upon the Barcelona hotel reaching pre-defined trading targets.

There is currently a €221,652 (£195,839) security deposit that has been given to the city council as a guarantee over construction works that will be occurring during the construction of the Barcelona hotel. These monies are expected to be reimbursed in due course.

17 Trade and other receivables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade receivables	567,429	216,076	–	–
Amounts due from franchisees	–	–	–	–
Accrued income	126,105	34,542	–	–
Total financial assets other than cash and cash equivalents classified as loans and receivables	693,534	250,618	–	–
Prepayments	1,036,804	831,363	–	–
VAT receivable	2,039,095	2,323,269	–	–
Other receivables	8,461,908	617,310	–	–
Total trade and other receivables	12,231,341	4,022,560	–	–
Classified as follows:				
Current portion	12,231,341	4,022,560	–	–

There is no material difference between the net book value and the fair values of trade and other receivables due to their short-term nature.

An analysis of the Group's trade and other receivables classified as financial assets by currency is provided in note 3.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

18 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity less than 90 days:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in transit	11,714,706	41,390,018	–	–

An analysis of the Group's cash by currency is provided in note 3.

19 Trade and other payables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade payables	1,271,132	1,790,687	–	–
Other payables	25,252	341,609	–	–
Amounts payable to franchisees in future	956,676	1,099,645	–	–
Accruals	3,630,728	2,282,633	21,800	325,384
Total financial liabilities classified as financial liabilities measured at amortised cost	5,883,788	5,514,574	21,800	325,384
Other taxation and social security	214,064	151,959	–	–
VAT payable	–	–	–	–
Bookings in advance	861,519	963,057	–	–
Deferred income	269,303	185,162	–	–
Total trade and other payables	7,228,674	6,814,751	21,800	325,384
Classified as follows:				
Non-current portion	743,913	756,826	–	–
Current portion	6,484,761	6,057,925	21,800	325,384

Of bookings in advance and deferred income, £892,966 will be recognised within revenue during FY2020, and the profile of the remaining £237,856 is that the individual balances will be released over at least five years, with some balances being released over 25 years.

The movement in deferred income is a release of £13,785 and recognition of £97,926.

There is no material difference between the net book value and the fair values of current trade and other payables due to their short-term nature.

Maturity analysis of the financial liabilities, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash flows):

	2019 £
Up to three months	3,716,869
Between three and twelve months	1,423,006
More than twelve months	743,913
Total	5,883,788

An analysis of the Group's trade and payables classified as financial liabilities by currency is provided in note 3.

20 Bank borrowings

The carrying value and fair value of borrowings are as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Non-current bank loan	16,733,958	15,749,566	–	–
Current bank loan	838,808	710,413	–	–

In November 2016, the Group completed the refinancing of its existing £7,200,000 bank facility with a new five year facility due 2021 of £12,000,000 amortising at 3% per annum and bearing interest at LIBOR +2.50%.

There are unamortised issue costs of £154,621 associated with the Group's borrowings.

The facility is secured by a fixed charge over all of easyHotel UK Limited's property, plant and equipment (note 13), as well as a floating charge over all other assets of easyHotel UK Limited, as per the bank's debenture terms.

During the previous year, the Group also arranged a €8,250,000 euro-denominated mortgage facility, bearing interest at 2.25% above one year EURIBOR.

There is currently €721,652 worth of security deposits (note 16) that has been provided relating to the euro-denominated mortgage facility, which will be fully reimbursed upon the Barcelona hotel reaching pre-defined trading targets.

Notes forming part of the financial statements continued
for the year ended 30 September 2019

21 Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2018: 19%).

	2019 £	2018 £
Group		
At 30 September 2018	418,349	351,488
Adjustment in respect of the prior year	(103,508)	(28,102)
Recognised in comprehensive income	147,091	106,135
Rate change	(19,236)	(11,172)
At 30 September 2019	442,696	418,349
Company		
At 30 September 2018	(63,787)	(20,773)
Recognised in comprehensive income	63,787	(48,074)
Rate change	–	5,060
At 30 September 2019	–	(63,787)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities during the period are shown below.

Details of the deferred tax liability/(asset) and amounts recognised in profit or loss are as follows:

Group	Accelerated capital allowances £	Share options £	Other temporary and deductible differences £	(Credited)/debited to consolidated statement of comprehensive income £
At 1 October 2017	358,285	(20,773)	13,976	351,488
Impact of rate change on opening balance	(16,259)	5,060	26	(11,173)
Prior year adjustment	(28,102)	–	–	(28,102)
Comprehensive income debit	154,457	(48,074)	(247)	106,136
At 30 September 2018	468,381	(63,787)	13,755	418,349
Impact of rate change	(19,236)	–	–	(19,236)
Prior year adjustment	(103,508)	–	–	(103,508)
Comprehensive income debit	83,042	63,787	262	147,091
At 30 September 2019	428,679	–	14,017	442,696

Company	Accelerated capital allowances £	Share options £	Other temporary and deductible differences £	(Credited)/debited to consolidated statement of comprehensive income £
At 1 October 2017	–	(20,773)	–	(20,773)
Impact of rate change	–	5,060	–	5,060
Comprehensive income credit	–	(48,074)	–	(48,074)
At 30 September 2018	–	(63,787)	–	(63,787)
Impact of rate change	–	–	–	–
Comprehensive income credit	–	63,787	–	63,787
At 30 September 2019	–	–	–	–

22 Share capital

	Authorised			
	2019 Number	2018 Number	2019 £	2018 £
Ordinary shares of 1p each	145,954,545	145,954,545	1,459,545	1,459,545

	Allotted, called up and fully paid			
	2019 £	2018 £	2019 £	2018 £
Ordinary shares of 1p each	145,954,545	145,954,545	1,459,545	1,459,545

During the financial year, the Group issued no new ordinary shares (2018: 45,454,546). The number of ordinary shares in issue is 145,954,545.

As at 30 September 2019, 369,724 shares were held by the Employee Benefit Trust (2018: 1,125,000).

23 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value, net of share issue costs.
Merger reserve	Difference between nominal value of shares issued to effect the merger and capital reserves of the subsidiary.
Other reserve	Difference between the net assets of the subsidiary acquired and the nominal value of shares issued during the merger.
EBT reserve	Shows the value of easyHotel plc shares held by the Employee Benefit Trust at cost.
Currency translation reserve	Records the exchange differences arising from the translation of the financial statements of non-sterling functional currency subsidiaries into the Group's reporting currency of sterling.
Retained earnings/(accumulated losses)	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

24 Subsidiaries

easyHotel UK Limited (a company incorporated in the United Kingdom) is a wholly owned subsidiary of easyHotel plc and is consolidated into the accounts of easyHotel plc.

easyHotel Spain S.L.U. (a company incorporated in Spain) is a wholly owned subsidiary of easyHotel UK Limited and is consolidated into the accounts of easyHotel plc.

easyHotel Ireland Limited (a company incorporated in the Republic of Ireland) is a wholly owned subsidiary of easyHotel UK Limited and is consolidated into the accounts of easyHotel plc.

easyHotel France SAS (a company incorporated in France) is a wholly owned subsidiary of easyHotel UK Limited and is consolidated into the accounts of easyHotel plc.

easyHotel France Paris CDG SAS (a company incorporated in France) is a wholly owned subsidiary of easyHotel France SAS and is consolidated into the accounts of easyHotel plc.

25 Related party transaction

Trading transactions

During the year the Group entered into various transactions with related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. All significant related party transactions and balances are listed below:

	2019 £	2018 £
Amounts recognised in profit or loss		
Royalties paid	377,577	374,141
Brand protection costs	41,505	20,000
Outstanding balance at year end	–	–

Services between related parties were made at market related prices.

Amounts recognised in profit or loss in 2019 were as a result of transactions with easyGroup Limited, a significant shareholder.

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received regarding related party transactions.

On 24 June 2014 easyHotel entered into a 50 year global brand licence agreement with easyGroup Limited.

In December 2013 easyGroup Limited granted easyHotel a lease on the Croydon property for a term of 999 years. The lease was granted to easyHotel upon payment of a premium of £1,626,000 by easyHotel to easyGroup Limited and provides for an initial nominal rent of £25 per annum.

Notes forming part of the financial statements continued
for the year ended 30 September 2019

26 Contingencies and commitments
There are no contingencies or commitments of a material nature at the date of approval of these financial statements that the directors believe are necessary to draw attention to.

27 Events after the reporting date
On the 1st of October 2019 easyHotel France SAS, a 100% owned subsidiary of the Group, acquired an operating hotel in Nice, France. The purchase, for total consideration of €7.5m (plus associated fees) was made after year end, and the funds required were held as a deposit by a French notary at the balance sheet date and have been included in the 2019 year end figures under other receivables.

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.

28 Share option scheme
Performance Share Plan

The easyHotel Performance Share Plan is a long term incentive scheme for the executive directors and certain senior managers. Share options are granted, which vest after 32 months, subject to both the employee remaining employed by easyHotel and the achievement of a variety of performance conditions. The first awards were granted in January 2016; further awards were granted in January 2017 and January 2018.

ShareSave Plan

The third easyHotel Employee ShareSave Plan was launched during the previous financial year. The first options under the Plan were granted on 27 July 2017 and all UK employees of easyHotel plc and its subsidiaries who had been in continuous employment for 3 months as at that date were eligible to join. Employees enrolled in the plan entered into a savings contract for 3 years, during which they saved a fixed sum each month between £5 and £500. At the maturity date of 1 September 2020, 2021 and 2022, participants would be able to choose to use the sum saved to buy shares in easyHotel, at the exercise price fixed up front.

The movement in the number of share options outstanding under either scheme during the year was as follows:

	Performance Share Plan Number of options	Employee Share Save Plan Number of options
Outstanding at 1 October 2017	1,336,642	120,747
Forfeited/lapsed during the period	(55,615)	(62,463)
Granted during the period	409,542	121,616
Outstanding at 30 September 2018	1,690,569	179,900
Exercisable at 30 September 2018	646,705	Nil

	Performance Share Plan Number of options	Employee Share Save Plan Number of options
Outstanding at 1 October 2018	1,690,569	179,900
Forfeited/lapsed during the period	(969,840)	(254,763)
Granted during the period	–	162,968
Vested and exercised during the period	(720,729)	(35,348)
Outstanding at 30 September 2019	–	52,757
Exercisable at 30 September 2019[1]	Nil	Nil

1 Subject to closed period restrictions

The Group recognised a total credit of £108,599 (2018: expense of £276,565) related to the share options in 2018; this was determined using the Black Scholes model, using the following assumptions:

	Performance Share Plan Options granted 2017	Performance Share Plan Options granted 2018	Employee Share Save Plan Options granted 2017	Employee Share Save Plan Options granted 2018	Employee Share Save Plan Options granted 2019
Share price at grant date	89.3p	116.0p	101.0p	116.0p	75.0p
Weighted average exercise price	–	–	88.4p	92.8p	55p
Risk-free rate	3.00%	3.00%	3.00%	3.00%	3.00%
Dividend yield	0.35%	0.30%	0.33%	0.33%	0.33%
Volatility	38.31%	28.38%	23.42%	23.42%	23.42%

No performance share plan options were granted during the 2019 financial year.

29 Further notes to the Company balance sheet

Investment in subsidiary

On 14 May 2014 the Company acquired 100% of the share capital of easyHotel UK Limited. easyHotel plc had an investment in easyHotel UK Limited (a wholly owned subsidiary) as at 30 September 2019 for an amount of £3,825,683 (2018: £3,825,683).

easyHotel UK Limited is a company incorporated in England and Wales, with its registered address being 52 Grosvenor Gardens, London SW1W 0AU, United Kingdom.

In November 2015, easyHotel UK Limited incorporated easyHotel Spain S.L.U. easyHotel UK Limited had an investment in easyHotel Spain S.L.U. (a wholly owned subsidiary) as at 30 September 2019 for an amount of £7,583,664 (2018: £7,583,664).

easyHotel Spain S.L.U. is a company incorporated in Spain, with its registered address being Avenida de la Gran Via 22, 08902 Hospitalet de Llobregat, Spain.

In September 2018, easyHotel UK Limited incorporated easyHotel Ireland Limited. easyHotel UK Limited has an investment in easyHotel Ireland Limited. (a wholly owned subsidiary) as at 30 September 2019 for an amount of £8,762,546 (2018: £1).

easyHotel Ireland Limited is a company incorporated in Ireland, with its registered address being Benburb Street, Dublin Ireland.

In July 2019, easyHotel UK Limited incorporated easyHotel France SAS. easyHotel UK Limited has an investment in easyHotel France SAS (a wholly owned subsidiary) as at 30 September 2019 of £8,421 (2018: nil).

easyHotel France SAS is a company incorporated in France, with its registered address being 29 Rue du Pont 92200 Neuilly-sur-Seine.

In July 2019, easyHotel France SAS incorporated easyHotel France Paris CDG SAS. easyHotel France SAS has an investment in easyHotel France Paris CDG SAS (a wholly owned subsidiary) as at 30 September 2019 of £8,421 (2018: nil).

easyHotel France Paris CDG SAS is a company incorporated in France, with its registered address being 29 Rue du Pont 92200 Neuilly-sur-Seine.

All investments are held at cost less any reasonable provisions for impairment, of which there are currently none. The investments all eliminate for the purpose of consolidation.

Loan to related company

easyHotel plc had a loan due from easyHotel UK Limited (a wholly owned subsidiary) as at 30 September 2019 for an amount of £115,071,319 (2018: £116,236,147). The loan is unsecured and interest free and is repayable on demand. However, easyHotel plc does not expect to demand repayment of the loan within the next twelve months.

The loan eliminates for the purpose of the consolidation.

Loan to Employee Benefit Trust

The Company made a loan of £1,300,000 to the Employee Benefit Trust for the purchase of ordinary shares in easyHotel plc in accordance with provisions set out in the easyHotel plc 2015 Performance Share Plan.

Pursuant to a trust deed dated 25 June 2014 and made between the Company and Sanne Fiduciary Services Limited, the Company established the Employee Benefit Trust. The Employee Benefit Trust is a discretionary trust which is structured so as to constitute a trust for the benefit of employees and former employees of easyHotel, their spouses, former spouses, civil partners, former civil partners and dependants within the meaning of section 86 of the Inheritance Act 1984 and also to fall within the definition of an "employees' share scheme" in section 1166 of the Companies Act 2006.

It is intended that the Employee Benefit Trust will be funded by the Company to purchase ordinary shares from time to time in the market, which will be used to satisfy all options and other rights granted, for existing employees' share plans or any other employees' share plans established in the future, under the easyHotel plc 2015 Performance Share Plan.

In accordance with current institutional investor guidelines, the deed establishing the Employee Benefit Trust provides that the prior approval of shareholders must be obtained before more than 5% of the Company's share capital at any one time may be held within it.

The loan is unsecured and interest free and is repayable on demand. However, easyHotel plc does not expect to demand repayment of the loan within the next twelve months.

As at 30 September 2019, 369,724 shares were held by the Employee Benefit Trust (2018: 1,125,000).

Notes forming part of the financial statements continued

for the year ended 30 September 2019

30 Operating Leases

Operating Leases – lessee

The Group maintains a mixed portfolio of owned and leased properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews after 5 years and many have break clauses.

The total future value of minimum lease payments is due as follows:

	2019 £	2018 £
Not later than one year	654,500	698,668
Later than one year and not later than five years	2,618,000	2,794,672
Later than five years	10,621,158	9,540,271
	13,893,658	13,033,611

Operating Leases – lessor

During the period, the Group redeveloped the upper floors of its Old Street hotel into office space, and signed a lease agreement with a third party.

The total future value of minimum lease payments due to us is as follows:

	2019 £	2018 £
Not later than one year	–	–
Later than one year and not later than five years	3,223,085	–
Later than five years	4,450,927	–
	7,674,012	–

31 Notes supporting statement of cash flows

Cash and cash equivalents for the purposes of cash flow comprises:

	2019 £	2018 £
Cash at bank available on demand (note 3)	11,714,706	41,390,018
	11,714,706	41,390,018

Significant non-cash transactions from investing activities are as follows:

	2019 £	2018 £
PP&E purchased but not yet paid at year end	487,358	1,084,908

	Non-current borrowings £	Current borrowings £	Total £
Net debt reconciliation			
At 1 October 2017	11,666,089	360,000	12,026,089
Cash flows	4,769,921	(360,000)	4,409,921
Foreign exchange	23,969	–	23,969
Reclassifications	(710,413)	710,413	–
At 30 September 2018	15,749,566	710,413	16,459,979
Cash flows	1,846,040	(710,413)	1,135,627
Foreign exchange	(22,840)	–	(22,840)
Reclassifications	(838,808)	838,808	–
At 30 September 2019	16,733,958	838,808	17,572,766

32 Capital commitments

At the year end, the Group had capital commitments of £11.4m in respect of the construction of two hotels, and was also obliged to complete the acquisition of the new hotel in Nice using funds already placed in escrow for this purpose as at the balance sheet date.

33 Ultimate controlling party

Following the successful offer for shares by Citrus UK Bidco Limited, that company is considered to be the Group's ultimate controlling party. Citrus UK Bidco Limited is incorporated in England and Wales, with company number 12137070. Information about Citrus UK Bidco can be obtained from Companies House.

Directors, Secretary and advisers

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(Non-Executive Chairman)

Scott Christie
(Interim Chief Executive Officer)

Gary Burton
(Chief Financial Officer)

Michael Neuman
(Representative of corporate director, Cadim Fonds Inc)

Charles Persello
(Non-executive director)

Bernadette Young
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