

SAFESTAY PLC

UNAUDITED RESULTS FOR THE PERIOD FROM 29 JANUARY 2014 TO 30 JUNE 2014

Chairman's statement

I am pleased to present the maiden set of interim results of Safestay plc following its admission to trading on AIM on 2 May 2014.

The Company owns and operates a brand of contemporary hostels, designed to appeal to a broad range of guests. Known as a "boutique hostel" within the travel industry, its aim is to provide safe, stylish accommodation which offers a more attractive alternative to both traditional hostels and budget hotel accommodation.

The Company was incorporated on 29 January 2014 and admitted to AIM on 2 May 2014, at which time £7.6m was raised from new investors, which combined with a Coutts & Co loan facility of £5.6m was used to acquire the Safestay joint venture and to provide working capital. At the time of the Company's admission to AIM, the joint venture owned a freehold property in Elephant & Castle from which it operated the Safestay hostel and, subsequently, on 24 May 2014, the Group acquired a second hostel in York for £2.35m.

Although these results are for the period from incorporation on 29 January 2014 to 30 June 2014, as a result of the listing and acquisition of the Safestay Joint venture, the Group commenced trading on 2 May 2014 and these results therefore only include the trading from that date to 30 June 2014.

Safestay Elephant & Castle

This hostel is located at John Smith House, in Elephant & Castle, in the London Borough of Southwark, in what were the former headquarters of the Labour Party. The freehold property has a gross internal area of 37,000 square feet with 413 beds located in 74 separate rooms.

The hostel opened its doors for business in June 2012 since when it has seen significant growth in occupancy and average bed rates, which together drive total bed revenue.

For the six months to 30 June 2014, occupancy at the hostel was 75.6% (2013: 64.1%), which was above the budget for the period. The average bed rate for the six months to 30 June 2014 increased by 12.2% over the same period last year. Both of these factors generated an overall increase in total bed revenue for the six months to 30 June 2014 of 31.8% when compared with the six months to 30 June 2013.

Safestay York

Located inside the historic walled city of York, this 153 bed hostel operating from a freehold property was acquired by the Group on 24 May 2014 as part of its strategy to add venues to the Group to create a portfolio of hostels in selected locations in the UK and Europe. Although the average bed rate of the hostel is at reasonable levels, historically, the occupancy level has been below 50%.

For the six months to 30 June 2014, occupancy was 50.9% compared with 44.1% in the same period in 2013.

A refurbishment and re-branding of the hostel has commenced since the period end, which the Directors anticipate will result in increased occupancy and bed revenue.

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In line with its strategy outlined above, the Board is reviewing further potential acquisition opportunities, and expects that expansion of the portfolio will follow in due course.

Larry Lipman
Chairman

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SAFESTAY PLC**UNAUDITED RESULTS FOR THE PERIOD FROM 29 JANUARY 2014 TO 30 JUNE 2014**

Condensed consolidated income statement		Unaudited Period from 29 January to 30 June 2014 £000
	Note	£000
Revenue	3	502
Cost of sales		(41)
Gross profit		461
Administrative expenses		(240)
Operating profit		221
Finance costs		(84)
Profit before tax		137
Tax		(30)
Profit for the financial period attributable to owners of the parent company		107
Basic earnings per share	5	5.10
Diluted earnings per share	5	4.68

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	Unaudited Period from 29 January to 30 June 2014 £000
Condensed consolidated statement of comprehensive income	
Profit for the period	107
Total comprehensive income for the period attributable to owners of the parent company	107

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Condensed consolidated statement of financial position

	Note	Unaudited 30 June 2014 £000
Non-current assets		
Property, plant and equipment	8	14,701
Current assets		
Stock		2
Trade and other receivables		230
Cash and cash equivalents		1,423
		<u>1,655</u>
Total assets		<u>16,356</u>
Current liabilities		
Loans	9	1,800
Trade and other payables		820
		<u>2,620</u>
Non-current liabilities		
Loans	9	7,905
Total liabilities		<u>10,525</u>
Net assets		<u>5,831</u>
Equity		
Share capital	10	132
Share premium account	11	5,580
Share-based payment reserve		12
Retained earnings		107
Total equity attributable to owners of the parent company		<u>5,831</u>

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Condensed consolidated statement of cash flows	Note	Unaudited Period from 29 January to 30 June 2014 £000
Cash flows from operating activities		
Cash generated from operations	7	223
Interest paid		(25)
Net cash generated from operating activities		<u>198</u>
Cash flows from investing activities		
Purchase of property, plant and equipment		(2,510)
Net cash outflow on acquisition of subsidiaries		(5,320)
Net outflow from investing activities		<u>(7,830)</u>
Cash flows from financing activities		
Issue of shares		4,800
Payment for share issue costs		(896)
Repayment of borrowings		(4,546)
Increase in borrowings		5,600
Issue of loan notes		4,324
Loan arrangement fees		(227)
Net cash inflow from financing activities		<u>9,055</u>
Net increase in cash and cash equivalents		1,423
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		<u>1,423</u>

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UNAUDITED RESULTS FOR THE PERIOD FROM 29 JANUARY 2014 TO 30 JUNE 2014

Condensed consolidated statement of changes in equity	Share capital	Share premium account	Share-based payment reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
<i>Comprehensive income</i>					
Profit for the period from 29 January 2014 to 30 June 2014	-	-	-	107	107
<i>Transactions with owners</i>					
Shares issued in the period	132	5,580	12	-	5,724
Balance at 30 June 2014	132	5,580	12	107	5,831

1. Basis of preparation and accounting policies

The condensed interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the period from 29 January 2014 to 30 June 2014 ("the period") have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim statement does not constitute full accounts as defined by Section 434 of the Companies Act 2006.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements. While the financial figures included within this interim report have been computed in accordance with IFRS applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as set out in International Accounting Standard 34 Interim Financial Reporting.

2. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors. Currently there is only one operating segment, which is the operation of hostel accommodation in the UK.

3. Revenue

Revenue is stated net of VAT and comprises revenues from overnight hostel accommodation and the sale of ancillary goods. Accommodation and the sale of ancillary goods is recognised when services are provided.

Sale of ancillary goods comprises sales of food, beverages and merchandise.

Deferred income comprises deposits received from customers to guarantee future bookings of accommodation. This revenue is recognised once the bed has been occupied.

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4. Business combinations

On 2 May 2014, Safestay plc acquired 100% of the partner's interest in the Safestay joint venture, which owns and operates the Safestay Elephant & Castle hostel. The joint venture was between Safeland plc and Moorfield Funds who owned 20% and 80% respectively. Moorfield Funds sold their interest for £6.242m. Safeland plc demerged their 20% interest in consideration of 3,617,246 Safestay shares.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	£000
Non-current assets	
Property, plant and equipment	12,200
Current assets	
Stock	3
Trade and other receivables	117
Cash and cash equivalents	922
	<hr/> 1,042
Total assets	<hr/> 13,242
Current liabilities	
Bank loans	250
Trade and other payables	645
	<hr/> 895
Non-current liabilities	
Bank loans	4,296
Total liabilities	<hr/> 5,191
Net assets	<hr/> 8,051
Consideration transferred:	
3,617,246 Safestay plc shares issued to Safeland plc	1,809
Cash paid to Moorfield fund	6,242
	<hr/> 8,051

The directors have completed a review of the fair value of the assets acquired and liabilities recognised and consider there is no material difference to the amounts shown in the table above.

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5. Earnings per share

	Unaudited Period from 29 January to 30 June 2014 £000
Profit for the financial period attributable to owners of the parent company	<u>107</u>
	No 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,100
Effect of potential dilutive ordinary shares: share options	<u>189</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,289</u>
Basic earnings per share	5.10p
Diluted earnings per share	4.68p

Diluted Earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

6. Dividends

No interim dividend has been declared or paid.

7. Cash flows from operating activities

	Unaudited Period from 29 January to 30 June 2014 £000
Profit before tax	137
Depreciation	9
Finance costs	84
Share-based payments charge	<u>12</u>
	242
Changes in working capital	
Decrease in stock	1
Increase in trade and other receivables	(113)
Increase in trade and other payables	<u>93</u>
	<u>223</u>

SAFESTAY PLC**UNAUDITED RESULTS FOR THE PERIOD FROM 29 JANUARY 2014 TO 30 JUNE 2014****8. Property, plant and equipment**

	Freehold Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Acquisitions	12,127	73	12,200
Additions	2,471	39	2,510
End of period	14,598	112	14,710
Depreciation			
Charge for the period	-	9	9
End of period	-	9	9
Net book value			
30 June 2014	14,598	103	14,701

Freehold land and buildings comprises the two hostels, Safestay Elephant & Castle and Safestay York. Both properties are pledged to secure banking facilities and loan notes granted to the Group.

Due to the high residual value and long useful life, depreciation on the property is negligible.

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9. Loans

	Unaudited Year ended 30 June 2014 £000
At amortised cost	
Bank loan	5,600
Convertible loan notes	2,800
Loan notes	1,524
	<u>9,924</u>
Unamortised Borrowing costs	(219)
	<u>9,705</u>

The Bank loan has a term of five years on which interest is payable at 3.25% over LIBOR. The Group has given security to the bank including a first ranking charge over the Group's freehold hostel in the Elephant & Castle. There were no breaches in bank loan covenants as at 30 June 2014.

The convertible loan notes were issued on 2 May 2014. They are convertible into Ordinary Shares at the option of the noteholder, at any time prior to redemption, as a rate which values each Ordinary Share at 57.5p per share. The redemption period is three years from the date of issue. Interest is payable at 6% per annum. The convertible loan notes are secured by way of a charge over the Group's hostel in the Elephant & Castle, ranking after the security granted to the bank.

The loan notes were issued on 24 May 2014. They are repayable in one year. The rate of interest on the Loan notes is 0.75% per month for the first eight months and then 11% per annum for the remaining four months. The loan notes are secured over the Group's Hostel in York.

All of the Group's loans disclosed above comprise borrowings in sterling.

The repayment profiles of the loans are as follows:

	Convertible loan notes £000	Bank loan £000	Other short term loan £000	Total £000
Due within one year	-	300	1,524	1,824
Between two and five years	2,800	5,300	-	8,100
Balance at 30 June 2014	<u>2,800</u>	<u>5,600</u>	<u>1,524</u>	<u>9,924</u>

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10. Share capital

	<u>£000</u>
Allotted, issued and fully paid	
1 Ordinary Share of 1p issued on 29 January 2014	-
13,217,246 Ordinary Shares of 1p each issued on 2 May 2014	<u>132</u>
13,217,247 Ordinary Shares of 1p each as at 30 June 2014	<u>132</u>

11. Share premium

Share premium received on 13,217,246 Ordinary Shares issued on 2 May 2014 at 49p per share	6,476
Share issue costs	<u>(896)</u>
	<u>5,580</u>

Copies of this announcement are available on the Company's website www.safestay.co.uk.