



17 August 2015

Safestay plc
("Safestay" or "the Company" or "the Group")

Capital Raising, Acquisition of Edinburgh Hostel and Re-Admission to trading on AIM

Safestay (AIM: SSTY), the owner and operator of a new brand of contemporary hostel, is pleased to announce a Placing and Open Offer to raise up to £9.34 million, the proposed acquisition of a 615 bed Edinburgh Hostel for £14.9 million, a new £8.5 million debt facility and restoration of trading on AIM in the Company's existing shares at 8.00am today.

Highlights:

- Proposed acquisition of a 132 room/615 bed hostel and student accommodation scheme located in the heart of Edinburgh Old Town just off the Royal Mile for a consideration of £14.9 million. The Edinburgh hostel provides a mix of hostel and student accommodation and has a 12 year contract with Edinburgh University to provide student accommodation during the academic year
 - In the year ended 31 December 2014, the Edinburgh Hostel reported audited revenues of approximately £2.7 million and adjusted EBITDA of £1.0 million
 - The addition of the new hostel in Edinburgh will, once rebranded, increase the Group's aggregate number of beds in the peak summer season to over 1,500 beds and to 1,200 beds in the remainder of the year across 4 hostels
- £8.24 million capital raise (net of expenses) through the issue of up to 15,071,452 New Ordinary Shares by way of a Placing and Open Offer at 62p per share and the issue of New Loan Notes to raise £1.0 million (before expenses)
- Open Offer to provide Qualifying Shareholders the opportunity to acquire Open Offer Shares (representing 10.6 per cent. of the Capital Raising) by subscribing for their respective Open Offer Entitlements at the Issue Price. The Open Offer is expected to raise up to £0.994 million (before expenses), assuming that the Open Offer is fully subscribed
- New £8.5 million debt facility which will be used to fund the Acquisition and the balance will be used for working capital
- Net proceeds of the Capital Raising, issue of the New Loan Notes and the New Facility Agreement will be used to acquire and rebrand the Edinburgh Hostel
- The Edinburgh Acquisition constitutes a reverse takeover for the purposes of the AIM Rules for Companies and it and the Capital Raising are conditional, amongst other things, on Shareholders' approval which will be sought at a General Meeting at 11.00 a.m. on 9 September 2015
- Trading on AIM in the Company's shares will be restored at 8.00am today, following this announcement and publication of an admission document

Copies of this announcement and the Company's admission document are available on the Company's website, www.safestay.com.



Larry Lipman, Chairman of Safestay, said:

“Edinburgh is a top ten city for European travellers and one we have been targeting to gain a presence in since Safestay was launched. We know the hostel well and it has an established presence on the hostel circuit and will therefore be another flagship site within our growing portfolio as we pursue our aim of developing a European network of Safestay hostels.

Investor appetite amongst both new and existing institutional investors to support the Edinburgh acquisition was strong which has been encouraging and we welcome all new shareholders to the Company.

Due to the size of the fund raising and the potential for smaller shareholders to be diluted, we decided to make the Open Offer available to shareholders so that they can participate. I hope they take up the opportunity.

Our hostel in Holland Park opens this month and we look forward to adding Edinburgh to the Group.”

Enquiries

Safestay Tel: 020 8815 1600
Larry Lipman, Chairman
Colin Stone, Finance Director
Phil Houghton, Chief Executive

Westhouse Securities Tel: 020 7601 6100
Tom Griffiths
Richard Johnson
David Coaten

Novella Tel: 020 3151 7008
Tim Robertson
Ben Heath

For more information visit: www.safestay.com

1. Introduction

On 22 July 2015 the Company announced that it had entered into a binding commitment, subject to certain conditions including the exchange of a final sale and purchase agreement, to acquire, on a cash free, debt free basis for a consideration of €9 million (approximately £6.3 million), the entire issued share capital of a special purpose corporate vehicle which in turn had exchanged contracts to acquire a property in Milan. However, due to feedback received from investors, the Board has decided not to pursue this acquisition.

The Company further announced on that day that it was in advanced stages of negotiating a contract for the acquisition of a larger hostel and accommodation scheme in the UK for a consideration of



approximately £14.9 million, and that this acquisition would be conditional upon completion of a new equity and debt fund raising. Following this announcement, on the same date, trading in the Company's shares on AIM was suspended.

The Board announces today that the Group has entered into a conditional contract for the acquisition of a 132 room/615 bed hostel and student accommodation scheme in Edinburgh for a consideration of £14.9 million which, if completed, will significantly expand the Group's business. The Board also announces today the Capital Raising and the intention to issue the New Loan Notes. The Capital Raising will raise a total of up to £8.24 million (net of expenses) through the issue of up to 15,071,452 New Ordinary Shares at a price of 62p per share, the net proceeds of which will be applied towards the Acquisition and to provide working capital for the Group. The New Loan Notes will raise £1.0 million (before expenses). The Acquisition is subject to Shareholder approval and the Capital Raising, the issue of the New Loan Notes and the New Facility Agreement being successfully completed.

It is intended that the Edinburgh Hostel will be operated by the Group as a hostel under the "Safestay" brand.

The Edinburgh Acquisition constitutes a reverse takeover for the purposes of the AIM Rules for Companies and it and the Capital Raising are conditional, amongst other things, on Shareholders' approval.

Shareholder approval of the Proposals will be sought at a General Meeting which has been convened for 11.00 a.m. on 9 September 2015.

2. Background to and reasons for the Proposals

The Company's strategy is to create a leading brand of hostels under the name "Safestay". The Group operates a new style of contemporary hostel, designed to appeal to a broad range of guests. Known as "boutique hostels" within the travel industry, they are aimed at providing safe, stylish accommodation which offers a more attractive alternative to both traditional hostels and budget hotel accommodation. Having established a portfolio of three hostels during 2014, the Group now proposes to expand its portfolio by acquiring a hostel in Edinburgh.

The Group acquired its first hostel, in Elephant & Castle, London, in May 2014 at the same time as the Company's shares were first admitted to trading on AIM. The hostel, which comprises a series of Grade II listed buildings, occupies a 36,000 sq ft freehold property called John Smith House, formerly the headquarters of the Labour Party. With 74 rooms and 413 beds, the hostel began trading in June 2012. In its most recent financial year ended 31 December 2014, the Elephant & Castle hostel had audited turnover of £2.3 million derived from 78 per cent. occupancy. The Elephant & Castle hostel benefits from its close proximity to many of the tourist attractions in central London and strong transport links. As at 10 November 2014, the Elephant & Castle hostel was independently valued at £12.3 million.

Later in May 2014, the Group acquired a second hostel in York. It operates from a freehold property built in the 18th century which is within walking distance of the many tourist attractions. The hostel has 147 beds. Since the acquisition, the York hostel has been refurbished and rebranded as a Safestay hostel, completion of which took place in December 2014. The property was purchased for £2.35 million and as at 12 November 2014 was independently valued at £2.6 million.

On 1 December 2014, the Company secured a 50 year lease to open a Safestay hostel in Holland Park, West London which will (once renovation and refurbishment has been completed and the



hostel is ready to commence trade) provide 368 beds to guests. The building, comprising 20,000 sq. ft., is owned by the Royal Borough of Kensington and Chelsea and was previously operated as a YHA hostel. The property is comprised of three buildings: a five storey 1950s building which creates a central garden space and courtyard, a part 17th century Grade I listed former Jacobean mansion and an infill single storey mansion. The hostel is located in Holland Park and will provide Safestay guests with the opportunity to stay in a desirable location in central London with excellent transport links and within close proximity to many tourist attractions. In July 2015, the leasehold interest of the property was independently valued at £4.5 million (on the basis that the refurbishment has been completed).

Rent payable for the first year is £660,000 in equal quarterly instalments. Trading at the Holland Park property is scheduled to commence shortly following the anticipated completion of its renovation and refurbishment. Management expects strong demand from guests once trading begins. In mid-December 2014, Safestay raised approximately £3.3 million (before expenses) by way of a placing with institutional and other investors, of which £0.5 million of the net proceeds was used to repay part of the £1.5 million short term loan notes which had been issued to Bredbury to help to finance the acquisition by the Group of the York hostel in May 2014, with the balance being used to finance the renovation and refurbishment of the Holland Park property.

The Board believes that the Acquisition represents exciting opportunities for the Group to expand both the number of its hostels and the Safestay brand. The Group's strategy is to create a leading brand by providing a high standard of hostel accommodation and ensuring that its guests enjoy good value in a safe, clean and fun environment. Having proven the concept with its first hostel at Elephant & Castle and subsequently increased its portfolio, the Board believes that there are opportunities to open more Safestay hostels, typically located close to transport links in areas particularly favoured by young tourists and groups and where the Board considers that the market for affordable short stay accommodation is in short supply. Safestay is therefore looking to expand its portfolio not only in the UK but also in properties in major gateway European cities as set out in its AIM admission document dated 29 April 2014.

The addition of the new hostel in Edinburgh will, once rebranded, increase the Group's aggregate number of beds in the peak summer season to over 1,500 beds and to 1,200 beds in the remainder of the year.

The Company has agreed to issue and BCB has agreed to subscribe for the New Loan Notes, subject to Admission. Further details of the New Loan Notes are set out below.

In addition, the Group has entered into the New Facility Agreement pursuant to which the Bank has agreed to lend to the Group £8.5 million, which will be used to fund part of the purchase price payable under the Edinburgh Acquisition Agreement.

3. Summary of the Acquisition

The Edinburgh Hostel, which was converted in 2001 and extended in 2007, is a 132 room/615 bed hostel and student accommodation scheme in a prime location in the heart of the Old Town, close to the Royal Mile. It has 272 beds available for hostel use throughout the year. In addition, 81 en-suite bedrooms, which are leased to the University of Edinburgh for 39 weeks of the year (September-May), are available over the peak tourist period of the summer months for hostel use, providing an additional 343 beds, giving a maximum capacity as a hostel of 615 beds. The lease to Edinburgh University has 12 years left to run and generates £312,000 per year in rent. The property, which comprises 8 floors, has a bar and lounge with an outside courtyard and split level terrace. In July 2015, the Edinburgh Hostel was independently valued at £14.8 million.



Contracts have been exchanged to acquire the Edinburgh Hostel for a consideration of £14.9 million subject to Shareholder approval and the New Facility Agreement, the issue of the New Loan Notes and the Capital Raising being successfully completed. The purchase price of £14.9 million will be satisfied as to £14.15 million in cash and as to £750,000 by the issue of new Ordinary Shares at a price equal to the Issue Price.

Following completion of the sale, Safestay proposes to keep the hostel open and trading with the existing "Smart City Hostel" trading name and to rebrand it as a Safestay hostel without causing disruption to the business, which the Directors expect to take up to 2 months to complete. Completion of the Edinburgh Acquisition is expected to take place as soon as practicable following Shareholders' approval and Admission.

4. Capital Raising

The Company is proposing to raise approximately £9.34 million (approximately £8.24 million net of expenses) through the Firm Placing which is expected to raise £8.35 million and the Open Offer which is expected to raise up to £0.994 million (in each case before expenses) at the Issue Price. The Open Offer is not underwritten and therefore there is no certainty that any funds will be raised under the Open Offer.

The Capital Raising is conditional, amongst other things, on:

(a) the passing of the Resolutions;

(b) the Placing and Open Offer Agreement becoming unconditional in all respects save for Admission by no later than 10 September 2015 (or such later date, being no later than 24 September 2015 as the Company and Westhouse Securities may agree (and not having been terminated in accordance with its terms); and

(c) Admission.

The Issue Price represents a discount of approximately 10.1 per cent. to the middle market price per Ordinary Share immediately prior to suspension of trading in the Company's Ordinary Shares on AIM on 22 July 2015. The New Ordinary Shares will represent approximately 42.4 per cent. of the Enlarged Share Capital (assuming that the Open Offer is fully subscribed and Admission of all of the Firm Placing Shares and Open Offer Shares and that no other Ordinary Shares are issued between the date of this announcement and Admission) other than the Consideration Shares and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after their date of issue.

If the Resolutions are passed at the General Meeting, it is expected that Admission will become effective and dealings in the Existing Ordinary Shares will recommence and dealings in the New Ordinary Shares will commence on 10 September 2015.

The Firm Placing

Westhouse Securities, as agent of and on behalf of the Company, has conditionally placed the Firm Placed Shares (being 13,467,742 New Ordinary Shares or 89.4 per cent. of the Capital Raising) firm with Placees at the Issue Price. The Firm Placing is expected to raise approximately £8.35 million (before expenses). The Firm Placed Shares are not subject to clawback and do not form part of the Open Offer.



Miton Group Plc which is a substantial shareholder in the Company, has subscribed for 1,612,903 Firm Placed Shares. This subscription constitutes a related party transaction under the AIM Rules for Companies. The Directors consider having consulted with Westhouse Securities, the Company's nominated adviser, that the terms of Miton Group Plc's subscription are fair and reasonable insofar as Shareholders are concerned.

The Open Offer

The Open Offer is an opportunity for Qualifying Shareholders to acquire Open Offer Shares (being in aggregate 1,603,710 New Ordinary Shares representing 10.6 per cent. of the Capital Raising) by subscribing for their respective Open Offer Entitlements at the Issue Price. Any Open Offer Shares not subscribed for by Qualifying Shareholders will be made available to Qualifying Shareholders under the Excess Application Facility at the Issue Price in accordance with the terms of the Open Offer. The balance of any Open Offer Shares not subscribed for under the Excess Application Facility will not be available to Placees under the Firm Placing. The Open Offer is expected to raise up to £0.994 million (before expenses), assuming that the Open Offer is fully subscribed.

Qualifying Shareholders have an Open Offer Entitlement of:

1 Open Offer Share for every 12 Existing Ordinary Shares

registered in the name of the relevant Qualifying Shareholder on the Record Date and so in proportion to any other number of Existing Ordinary Shares held.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements which would otherwise arise, will not be issued to Qualifying Shareholders but will be made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. In particular, Shareholders who are located in, or are citizens of, or have a registered office in certain overseas jurisdictions, including the Restricted Jurisdictions, will not qualify to participate in the Open Offer.

Valid applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements.

Applicants can apply for less or more than their entitlements under the Open Offer but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend on the extent to which other Qualifying Shareholders apply for less than or more than their own Open Offer Entitlements. Qualifying Shareholders who do not have an Open Offer Entitlement can apply for Excess Shares under the Excess Application Facility.

The amount due in respect of each application for Open Offer Shares is payable in full on application.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their personalised Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit.



Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under their Open Offer Entitlements will be used to satisfy applications by Qualifying Shareholders who have made an application for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility, with the proceeds retained for the benefit of the Company.

The Record Date for entitlements under the Open Offer for Qualifying Shareholders is 6.00 p.m. on 13 August 2015. Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 18 August 2015. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 4 September 2015 with Admission expected to take place and dealings in the Open Offer Shares to commence at 8.00 a.m. on 10 September 2015.

The Firm Placing and the Open Offer are conditional, among other things, on the approval of Shareholders, which will be sought at the General Meeting.

Participation in the Firm Placing does not prevent Placees from acquiring Open Offer Shares, provided that such Placee is a Qualifying Shareholder. Open Offer Entitlements attach only to Existing Ordinary Shares held by Qualifying Shareholders as at the Record Date (being 6.00 p.m. on 13 August 2015) and not to the New Ordinary Shares.

5. Use of proceeds

The Group will use the net proceeds of the Capital Raising, the New Facility Agreement and the New Loan Notes to:

- acquire and rebrand the Edinburgh Hostel:
 - the purchase price of £14.9 million will be satisfied as to £14.15 million in cash and £750,000 by the issue of new Ordinary Shares at a price per share equal to the Issue Price; and the cash required will be funded as to £8.5 million pursuant to the New Facility Agreement, £4.65 million from the Capital Raising and £1.0 million from the issue of the New Loan Notes; and
- satisfy the working capital requirements of the Group.

6. New Loan Notes

Conditional upon, *inter alia*, Admission, the Company has agreed to issue and BCB has agreed to subscribe for £1.0 million of New Loan Notes. BCB is part of the same group as Westhouse Securities.

The New Loan Notes are convertible into Ordinary Shares at the option of the noteholder, at any time prior to redemption, at a rate which values each Ordinary Share at a price of 70p per share, which is 12.9 per cent. above the Issue Price. If BCB exercised this right immediately following the Capital Raising, it would receive 1,428,571 new Ordinary Shares, representing approximately 3.9 per cent. of the Company's Ordinary Share capital in issue after the conversion.

The Company's ability to pay interest on the New Loan Notes is currently dependent upon the ability of its trading subsidiaries, to pay dividends. As part of the arrangements agreed with the Bank and



BCB, such dividends and repayment of the principal amount of the New Loan Notes are also subject to the prior consent of the Bank .

Arrangements will be made so that the New Loan Notes will be subordinated to the Bredbury Loan Notes.

7. Irrevocable undertakings to vote in favour of the Resolutions

Larry Lipman, Chairman of the Company, has given an irrevocable undertaking to the Company to vote in favour of the Resolutions in respect of his entire beneficial and direct holding of Existing Ordinary Shares totalling, in aggregate, 56,055 Existing Ordinary Shares, representing approximately 0.3 per cent. of the Existing Ordinary Share Capital.

Safeland Holdings, of which Larry Lipman owns one third, has given an irrevocable undertaking to the Company to procure that the registered holders, in respect of its entire beneficial holding totalling, in aggregate, 2,330,077 Existing Ordinary Shares, representing approximately 12.1 per cent. of the Existing Ordinary Share Capital will vote in favour of the Resolutions.

In total, therefore, the Company has received irrevocable undertakings to vote in favour of the Resolutions from certain Shareholders in respect of holdings totalling in aggregate 2,386,132 Existing Ordinary Shares, representing approximately 12.4 per cent. of the Existing Ordinary Share Capital.

8. Effect of the Capital Raising

Upon Admission and assuming full take up under the Capital Raising and no exercise of any options under the Share Option Scheme or the conversion rights under the Bredbury Loan Notes or the New Loan Notes, the Enlarged Share Capital is expected to comprise 35,525,648 Ordinary Shares. On that basis, the Firm Placed Shares will represent approximately 37.9 per cent. of the Enlarged Share Capital and New Ordinary Shares issued through the Open Offer will represent approximately 4.5 per cent. of the Enlarged Share Capital.

Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising and assuming that all the Open Offer Shares are issued, Qualifying Shareholders who do not take up any of their Open Offer Entitlement will suffer a dilution of approximately 85 per cent. to their interests in the Company. If a Qualifying Shareholder takes up his Open Offer Entitlement in full he will suffer a dilution of approximately 76 per cent. to his interest in the Company due to the issue of New Ordinary Shares pursuant to the Firm Placing.

9. Admission, settlement & dealing

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements will be credited to CREST on 18 August 2015. The Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 4 September 2015. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of bona fide market claims. The Open Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST application and payment in respect of the Open Offer is 11.00 a.m. on 4 September 2015.

Application has been made for the New Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. If the Resolutions are passed at the General Meeting, it is expected that Admission will become effective and dealings in the New Ordinary Shares and the Consideration Shares will commence on 10 September 2015. These dates and times may change.



The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in Uncertificated Form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All New Ordinary Shares will be issued payable in full at the Issue Price. It is intended that, if applicable, definitive share certificates in respect of the New Ordinary Shares will be distributed by 22 September 2015 or as soon as practicable thereafter. No temporary documents of title will be issued.

10. Current trading and prospects

The Group has grown its head office management team in preparation for the expansion of the number of operational hostels. Philip Houghton joined as Chief Executive Officer in January 2015 and was appointed to the Board in June 2015. In January 2015, the Group added a group reservations manager and in March 2015 the Group added a revenue manager to help increase revenues. However, these additions will impact Group profitability in the year ending 31 December 2015.

In June 2015, the Group commenced charging for breakfast at both of its operating hostels (at Elephant & Castle and in York) so that guests have the option to add breakfast as part of their stay. The Board anticipates that the change will increase both revenue and profit.

Trading of the operating hostels in the first 5 months of 2015 has been satisfactory. The hostel at Elephant & Castle has experienced revenue growth of 5.5 per cent. and EBITDA growth of 20 per cent. compared with the same period in 2014. The hostel in York, which launched as a Safestay branded hostel in January 2015, is seeing revenue and profitability growth but at a rate behind management's pre-opening expectations. The Board expects that the hostel in York will reach anticipated trading levels and to accelerate this process the general manager is being replaced. In addition, a dedicated sales and marketing resource is being employed who will initially focus on driving York revenues and support the Enlarged Group's sales and marketing activities. Following completion of the Acquisition, the Board plans to invest in the head office finance and operations teams and in IT and reporting systems to meet the requirements of the Enlarged Group.

Refurbishment works at the Holland Park Property are coming to a conclusion following minor delays and trading is scheduled to commence shortly. The level of interest in the property and bookings taken to date give the Board encouragement that this addition to the portfolio will mature to forecast trading levels.

Investment into the head office infrastructure is having an expected short term impact on profitability. However, the Board believes that further planned investment is required in personnel and systems in the second half of 2015 to enable the Group to meet the requirements of the Group's hostel portfolio and to absorb future acquisitions. During the first five months of 2015, the Group repaid loan notes totalling £1.0 million with £1.0 million raised from a loan from the Bank secured on the York Property.

The Board believes that the prospects for the second half of 2015 are encouraging. However, the Acquisition is expected to have a negative effect on the Company's cash flow in the short term. The Board expects that the addition of the Holland Park Property and the Edinburgh Hostel as trading hostels in the second half of 2015 will provide synergy opportunities. The Edinburgh Hostel will continue to trade as a Smart City Hostel while the rebranding exercise is conducted. The Board



expects that the rebranding exercise will take up to 2 months and that the Edinburgh Hostel will launch under the Safestay brand in the first quarter of 2016.

11. Summary financial information

In the year ended 31 December 2014, the Edinburgh Hostel reported audited revenues of approximately £2.7 million and adjusted EBITDA of £1.0 million (before a management fee of £186,000).

12. General Meeting

To enable the Proposals to be implemented, it is necessary for Shareholders to:

(a) approve the Edinburgh Acquisition; and

(b) give the Board the necessary authorities to allot the New Ordinary Shares and the Ordinary Shares which may be issued following conversion of the New Loan Notes.

At a General Meeting which has been convened for 11.00am on 9 September 2015 to approve the Proposals, the following Resolutions will be proposed:

- Resolution 1, which will be proposed as an ordinary resolution, is to approve the acquisition of the Edinburgh Hostel for the purposes of Rule 14 of the AIM Rules for Companies;
- Resolution 2, which will be proposed as an ordinary resolution, is to authorise the Directors to allot relevant securities for the purposes of section 551 of the Companies Act provided that such power be limited to the allotment of New Ordinary Shares of (i) up to a maximum nominal amount of £12,096.77 in connection with the Edinburgh Acquisition Agreement; (ii) £150,714.52 (i.e. being equal to the maximum number of New Ordinary Shares available under the Firm Placing and the Open Offer), (iii) £14,285.71 (i.e. being equal to the maximum number of Ordinary Shares into which the New Loan Notes may be converted) and (iv) £134,677.42 (representing approximately one-third of the Enlarged Share Capital assuming that the Open Offer is fully subscribed) otherwise than in connection with the Edinburgh Acquisition Agreement the Firm Placing and the Open Offer and the New Loan Notes; and
- Resolution 3, which will be proposed as a special resolution, grants the Directors authority to allot equity securities for cash as if section 561 of the Companies Act did not apply to such allotment, provided that such power shall be limited to, *inter alia*, (i) the allotment of New Ordinary Shares pursuant to the Firm Placing and the Open Offer and the New Loan Notes and (ii) otherwise the allotment of equity securities up to an aggregate nominal amount of £35,525.65 (representing ten per cent. of the Enlarged Share Capital assuming that the Open Offer is fully subscribed).

All of the Resolutions need to be approved by Shareholders for the Proposals to be implemented and Resolutions 1, 2 and 3 are inter-conditional.

CAPITAL RAISING & ADMISSION STATISTICS



Issue Price per New Ordinary Share	62p
Number of Existing Ordinary Shares	19,244,519
Number of New Ordinary Shares to be issued by the Company pursuant to the Firm Placing	13,467,742
Basis of Open Offer	1 Open Offer Share for every 12 Existing Ordinary Share held at the Record Date
Maximum number of New Ordinary Shares to be issued by the Company pursuant to the Open Offer	1,603,710
Number of Consideration Shares	1,209,677
Number of Ordinary Shares in issue following Admission ⁽¹⁾	35,525,648
Percentage of the Enlarged Share Capital represented by the Firm Placing Shares ⁽¹⁾	37.9 per cent.
Maximum percentage of the Enlarged Share Capital represented by the Open Offer Shares ⁽¹⁾	4.5 per cent.
Market capitalisation of the Company at the Issue Price at Admission ⁽¹⁾	£22.0 million
Estimated maximum gross proceeds of the Capital Raising and the New Loan Notes receivable by the Company ⁽¹⁾	£10.34 million
Gross proceeds of the issue of the New Loan Notes receivable by the Company	£1.0 million
Estimated net proceeds of the Capital Raising and the New Loan Notes receivable by the Company ⁽¹⁾	£9.24 million
AIM Ticker	SSTY
ISIN	GB00BKTOJ702
Open Offer Basic Entitlements ISIN	GB00BYPG7871
Open Offer Excess Applications ISIN	GB00BYPG7F40
Website	www.safestay.com

Note:

- (1) Assuming Admission of all of the Firm Placing Shares and Open Offer Shares (on the basis that the Open Offer is fully subscribed) and the issue of the Consideration Shares (where applicable) and that no other Ordinary Shares are issued between the date of this announcement and Admission.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS



2015

Suspension of trading on AIM in Existing Ordinary Shares	3.00 p.m. on 22 July
Announcement of suspension of the Company's Ordinary Shares to trading on the AIM market	22 July
Record Date for entitlement upon the Open Offer	6.00 p.m. on 13 August
Announcement of Open Offer	17 August
Restoration of trading on AIM and Existing Ordinary Shares marked 'ex-entitlement' by the London Stock Exchange	8.00 a.m. on 17 August
Publication and posting of admission document, the Application Form (where relevant) and the Form of Proxy	17 August
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	as soon as possible after 8.00 a.m. on 18 August
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 28 August
Latest time for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST	3.00 p.m. on 1 September
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 2 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 4 September
Latest time and date for return of Forms of Proxy or CREST Proxy instruction for the General Meeting	11.00 a.m. on 7 September
General Meeting	11.00 a.m. on 9 September
Announcement of the result of the General Meeting and the Open Offer	9 September
New Ordinary Shares admitted to trading on AIM and dealings in the New Ordinary Shares commence and enablement in CREST	8.00 a.m. on 10 September
Open Offer Shares credited to CREST stock accounts in respect of such shares in uncertificated form	10 September
Despatch of definitive share certificates for New Ordinary Shares in certificated form	by 22 September

Notes:

- (1) References to times in this announcement are to London, UK time (unless otherwise stated).
- (2) The timing of the events in the above timetable is indicative only. If any of the above times and/or dates are adjusted by the Company (with the agreement of Westhouse Securities), the revised times and/or dates will be notified to the London Stock Exchange by an announcement via an RIS and, where appropriate, to Shareholders.

DEFINITIONS



The following definitions apply throughout this announcement, unless the context otherwise requires:

“Admission”	admission of the New Ordinary Shares and the Consideration Share to trading AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange, as amended
“Application Form”	an application form for use by Qualifying Non-CREST Shareholders in connection with the Open Offer
“Bank”	Coutts & Company
“BCB”	Bermuda Commercial Bank, incorporated in Bermuda with registered number LC1404, at 19 Par-la-Ville Road, Hamilton, HM11 Bermuda
“Board” or “Directors”	the board of directors of the Company from time to time appointed in accordance with the Articles and, where the context requires, those directors of the Company holding office as at the date of this announcement
“Bredbury”	Bredbury Limited, a company incorporated in the Isle of Man which is indirectly wholly owned by the trustees of the Turnberry 2013 Settlement Trust, whose settlor is Roy Peires and whose beneficiaries are his children, through Turnberry 2013 Property Investments Limited
“Bredbury Loan Notes”	the £2.8 million 6 per cent. Convertible Secured Loan Notes 2017
“Capita Asset Services”	a trading name of Capita Registrars Limited
“Capital Raising”	the Firm Placing and the Open Offer
“Certificated” or “in Certificated Form”	means not in Uncertificated Form (that is, not in CREST)
“Company” or “Safestay”	Safestay Plc, a company incorporated in England and Wales with registered number 8866498
“Consideration Shares”	the 1,209,677 Ordinary Shares which are to be issued pursuant to the Edinburgh Acquisition Agreement



“CREST”	the computerised settlement system operated by Euroclear which facilitates the transfer of shares
“Edinburgh Acquisition” or the “Acquisition”	the proposed acquisition of the Edinburgh Hostel and the trading business at the Edinburgh Hostel
“Edinburgh Acquisition Agreement”	the business purchase agreement dated 17 August 2015 and entered into between (i) Safestay (Edinburgh) Limited and Safestay (Edinburgh) Hostel Limited and (ii) Blackfriars Property Developments Limited and Starboard Hotels Five LLP relating to the acquisition by the Group of the Edinburgh Hostel and the trading business at the Edinburgh Hostel
“Edinburgh Hostel”	the freehold property at 40-50 Blackfriars Street, Edinburgh EH1 1NE which together with the hostel business trading at such property is proposed to be acquired by the Group on the terms of the Edinburgh Acquisition Agreement
“Enlarged Group”	the Group as enlarged by the Acquisition
“Enlarged Share Capital”	the share capital of the Company on Admission following issue of the New Ordinary Shares and the Consideration Shares
“Euroclear”	Euroclear UK and Ireland Limited (formerly named CrestCo Limited), the operator of CREST
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their own Open Offer Entitlement, provided that they have agreed to take up their own Open Offer Entitlement in full
“Excess CREST Open Offer Entitlement”	in respect of each qualifying CREST shareholder the entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility
“Excess Shares”	additional Open Offer Shares which may be applied for under the Excess Application Facility in addition to Open Offer Entitlements
“Existing Ordinary Share Capital”	the ordinary share capital of the Company at the date of this announcement comprising 19,244,519 Existing Ordinary Shares
“Existing Ordinary Shares”	ordinary shares of 1p each in the capital of the Company in issue at the date of this announcement, comprising 19,244,519 Ordinary Shares
“Firm Placed Shares”	13,467,742 New Ordinary Shares which are to be issued under the Firm Placing



“Firm Placing”	the conditional firm placing by Westhouse Securities, as agents of and on behalf of the Company, of the Firm Placed Shares at the Issue Price on the terms and subject to the conditions of the Placing and Open Offer Agreement, which Firm Placed Shares will not be subject to clawback under the Open Offer
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the General Meeting
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 9 September 2015 at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ
“Group” or “Safestay Group”	Safestay and its subsidiaries and subsidiary undertakings
“Holland Park Property”	the Group’s property with address Holland Walk, Kensington, London W8 7QU
“Issue Price”	62p per New Ordinary Share
“London Stock Exchange”	means London Stock Exchange Plc
“New Facility Agreement”	the agreement dated 17 August 2015 and made between the Company, Safestay (HP) Limited, Safestay (Edinburgh) Limited and Safestay (Edinburgh) Hostel Limited and the Bank
“New Loan Notes”	the £1.0 million 5 per cent. Convertible Unsecured Loan Notes 2018
“New Ordinary Shares”	means the ordinary shares of 1p each in the capital of the Company to be issued pursuant to the Capital Raising
“Open Offer”	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in the admission document and, in the case of Qualifying Non-CREST Shareholders, in the Application Form
“Open Offer Entitlement”	an entitlement of a Qualifying Shareholder, pursuant to the Open Offer, to apply for 1 Open Offer Share for every 12 Existing Ordinary Shares held by the Qualifying Shareholder at the Record Date
“Open Offer Shares”	the 1,603,710 New Ordinary Shares to be issued pursuant to the Open Offer
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company, ISIN number GB00BKTOJ702



“Placees”	any person who has agreed to subscribe for Firm Placed Shares pursuant to the Firm Placing
“Placing and Open Offer Agreement”	the agreement dated 17 August 2015 and made between the Company, the Directors and Westhouse Securities
“Proposals”	the Edinburgh Acquisition and the Capital Raising
“Qualifying CREST Shareholders”	Qualifying Shareholders holding existing Ordinary Shares in a CREST account
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding existing Ordinary Shares in Certificated Form
“Qualifying Shareholders”	Shareholders whose existing ordinary shares are on the register of the Company on the Record Date with the exclusion (subject to exemptions) of persons with a registered address or located or resident in the Restricted Jurisdictions
“Record Date”	6.00 p.m. on 13 August 2015
“Registrar”	Capita Asset Services
“Restricted Jurisdiction”	each and any of Australia, Canada, Japan, the United States and the Republic of South Africa
“Safeland”	Safeland plc, a company incorporated in England and Wales under number 2012015, whose shares are admitted to trading on AIM
“Safeland Group”	Safeland and its subsidiaries and subsidiary undertakings
“Safeland Holdings”	Safeland Holdings (2008) Corporation, a corporation incorporated in Panama and of which Larry Lipman owns one third
“Shareholders”	holders of Ordinary Shares
“Share Option Scheme”	the Safestay Share Option Scheme
“Sterling” or “£”	the lawful currency of the UK
“subsidiary”	as that term is defined in section 1162 of the Companies Act
“subsidiary undertaking”	a subsidiary undertaking, as that term is defined in section 1159 of the Companies Act



**“Uncertificated” or
“Uncertificated Form”**

recorded on the relevant register of Ordinary Shares as being held in Uncertificated Form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

“United Kingdom” or “UK”

the United Kingdom of Great Britain and Northern Ireland

“United States” or “US”

the United States of America, its territories and possessions, any state of the United States and the District of Columbia

“Westhouse Securities”

Westhouse Securities Limited, a company incorporated in England and Wales with registered number 00762818

“York Property”

the Group’s property with address Micklegate House, 88-90 Micklegate, York YO1 6JX