The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

STRICTLY EMBARGOED UNTIL 7am: 10 April 2017

Safestay plc

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

Final Results for the Year Ended 31 December 2016

Financial highlights

- Strong uplift in revenues to £7.4 million (2015: £4.0 million) reflecting demand for Safestay's unique contemporary hostel offer and full year contributions from Edinburgh and Holland Park
- EBITDA of £2.2 million (2015: £0.7 million)
- Reduced loss after tax of £0.5m (2015: loss £0.6m)
- The Group's freehold property assets were valued at £32.3 million as at 31 December 2016 (2015: £28.5 million)
- Loss per share 1.5p (2015: 2.5p)
- Net asset value per share increased to 58p per share (2015: 48p per share)
- Post year end:
    - Completed the sale and leaseback of Elephant & Castle and Edinburgh hostels raising £12.6 million of gross cash proceeds
    - Agreed new £18.4 million 5 year secured debt facility with HSBC to replace existing bank loan and two convertible loans
    - Cost of borrowings to reduce significantly and cash resources now in place to support the Group's expansion plans

Operational highlights

- Strong trading performance from Elephant & Castle, Edinburgh and York
- Holland Park building revenue momentum and has shown an improvement in 2017
- Further investment in direct booking channel, property management systems and online capabilities; the platform is now in place to support a larger portfolio of hostels
- Nuno Sacramento appointed as Chief Operating Officer in February 2017

Larry Lipman commenting on the results said:

"In 2016 we sold a total of 297,276 individual bed nights compared to 184,061 in 2015, an increase of 61.5%. The business has expanded significantly and the systems and infrastructure to support this growth are in place and are capable of managing current capacity as well as our future plans for expansion.

Within the premium hostel sector, Safestay is carving out its own unique brand positioning. The appeal of the brand is based on offering a combination of safety, style and comfort in good city centre locations. A key indicator is repeat bookings from school and college groups coming every year to visit the UK.

The recent restructuring and refinancing has transformed the financial base of the business and provided the necessary resources to support our ambitions."

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Chairman's Statement

Introduction

I am very pleased to present the results for the year to 31 December 2016 which show our portfolio of hostels delivering a significant increase in revenues during a year of internal investment and development with a specific focus on integrating the newer hostels and building on our saleable platform from which to expand the Safestay brand.

The concept of a premium hostel is becoming more widely recognised which is increasing our existing and future customer base as awareness of the offer grows. This is significant when it is understood that, for just under £20 per night, an individual can stay in a safe, stylish and comfortable room in a city centre location, compared to the cost of budget hotel accommodation. Consequently, the Safestay hostels are not only attracting young travellers, but increasingly families and older adults who are recognising its appeal combined with affordability.

2016 has been a good year for the business and I believe the work completed in this year has paved the way for an even stronger year in 2017. We have put in place firm foundations for growth and continue to apply our disciplined approach in assessing opportunities to expand the portfolio into key European gateway cities.

Financial Results

For the year to 31 December 2016, the Group generated revenues of £7.4 million compared to £4.0 million in the prior year, with underlying EBITDA of £2.2m (2015: £0.7m). Operating profits before financing costs and exceptional costs increased to £1.15 million compared to £0.21 million in 2015. The growth included full contributions in the year from Edinburgh and Holland Park. The Group incurred exceptional administration costs of £0.15 million in the year relating to an unsuccessful property acquisition.

Finance costs of £1.4 million (2015: 0.8 million), reflecting the full years costs of the debt used to acquire Edinburgh and refurbish Holland Park, meant the Group recorded a loss after tax of £0.5 million versus a loss after tax of £0.6 million in the prior year. As a consequence, the Company recorded a loss per share of 1.5p compared with a loss of 2.5p per share in 2015.

Gearing, measured as total liabilities less trade and other payables and derivative financial instruments as a proportion of total shareholder's equity reduced to 1.39 (2015: 1.72).

Net asset value per share increased to 58p (2015: 48p).

As at 31 December 2016, the Group had gross bank and loan note borrowings of £17.6 million (2015: £18.4m) secured against its freehold and leasehold properties with an average weighted interest cost of 3.7%. Since the year-end the Group has refinanced its borrowings with a new 5 year £18.4 million secured bank facility with HSBC which enables it to repay all previous borrowings including the two convertible loans and, on doing so, significantly reduce annual interest costs in 2017 and beyond.

We continue to focus on seeking investment opportunities to develop additional hostels and on achieving operating efficiencies to help drive growth and deliver on our strategy.

Property valuation
As at 31 December 2016, the freehold property portfolio was valued at £32.3 million (2015: £28.5 million), following the uplift in the revaluation of the Elephant & Castle property. Since then the Company has completed a geared ground rent sale and leaseback agreement on the Edinburgh and Elephant & Castle hostels raising gross cash proceeds of £12.6 million. Importantly, the Group retains a long term operational interest in the properties following the sale and leaseback. The two hostels were valued for the refinancing as leaseholds on 14 March 2017 at £30.3 million. The Company has been able to extract £12.6 million from the property portfolio without significantly changing the book value of the assets.

Operational review

2016 was a year of consolidation of our investment of the two new hostels which joined the Group latterly in 2015, the focus was on integrating them and establishing a scalable platform for expanding the Safestay brand. Good progress was made on these objectives with both Edinburgh and Holland Park hostels completing refurbishment and rebranding programmes.

From a trading perspective, Safestay sold 297,276 bed nights compared to 184,069 in 2015 from its four hostels which combined have 1,526 beds. There remains further potential to enhance performance of the existing portfolio, through increased occupancy, through increasing our direct customer base, greater brand recognition, improving group's business and the Group's digital and direct marketing campaigns.

Elephant & Castle had another good year showing revenue increases of 5.7% to £2.6 million, and operating profit of 54.6% (2015: 48.9%). This is the Group's most established hostel and has provided the template for others to follow. Plans have been approved and tenders are out to extend the building and add a further 80 beds which is expected to be completed during 2018.

The York hostel performed well in terms of revenues with operating profit for the year up 19.6% over 2015. While weekend occupancy has remained very high, the more challenging mid-week periods are responding well to increased marketing campaigns.

The Holland Park hostel is perhaps in the most sought-after location of all the sites we have and while it has had a slower start than anticipated, trading is improving significantly in 2017. The refurbishment was completed in the summer of 2015 and so it has not completed a comparable trading period, but in 2016 Safestay Holland Park generated revenues of £1.3 million. As word spreads of the opportunity to stay comfortably and safely in the centre of Holland Park for just £20 per night, we feel very confident in the future of this site.

The Edinburgh hostel has been a highly successful acquisition for the Group and has from the outset performed strongly against our purchase assumptions and budgets. In 2016, Edinburgh generated revenue of £2.9 million (2015 from 16 September: £0.5 million) and operating profit margins of 41.6% (2015: 38.1%). Food & Beverage in this property accounts for 27.8% of the total revenue, making it the largest offering of any hostel in the Group. The switch between providing some student accommodation during the academic year and then making all beds available as hostel accommodation over the summer is an effective business model which maximises the potential of this site.

In December 2016, the Company announced the appointment of Nuno Sacramento as Chief Operating Officer from 1 February 2017. Nuno was previously Head of Customer Operations with Carillion PLC focusing on developing their group-wide customer service culture. Prior to this, Nuno worked for Whitbread PLC for 16 years in several senior managerial roles, working with the Company's well-known brands Premier Inn, Beefeater and Costa Coffee. Nuno's primary focus is to drive revenue and cost performance of the hostels and deliver the Group's operational platform for growth.

Outlook

2017 has begun well for Safestay. The announcement on 31 March 2017 of our £18.4 million debt restructuring and refinancing and raising of £12.6 million through the sale and leaseback provides a secure base for the business to meet its growth plans.

We are continuing to generate efficiencies in the business by consolidating our Group purchasing wherever possible and improving our management structure. Our bookings pipeline for the coming year is encouraging with cash received in respect 2017 revenues as at 31 December 2016 up 51% over the corresponding period in 2015, which underpins my belief that the Group will continue to positively exploit the potential in the rapidly changing hostel arena.

Our strategy is to create a European network of Safestay premium hostels located in gateway cities and we have a number of potential sites in our pipeline. We are confident that during 2017 we will expand our portfolio and continue to build the Safestay brand.

Larry Lipman
Chairman
6 April 2017

Condensed Consolidated Income Statement

	Note	2016 £'000	2015 £'000
Revenue		7,411	4,023
Cost of sales		(1,022)	(486)
Gross profit		6,389	3,537
Administrative expenses		(5,242)	(3,327)
Operating profit before exceptional expenses		1,147	210
Exceptional expenses		(152)	-
Operating profit after exceptional expenses		995	210
Finance income		-	1
Finance costs		(1,463)	(821)
Loss before tax		(468)	(610)
Tax		(43)	8
Loss for the financial year attributable to owners of the parent company		(511)	(602)
Basic and diluted loss per share	2	(1.49p)	(2.52p)

Condensed Consolidated Statement of Comprehensive Income

	2016 £'000	2015 £'000
Loss for the year	(511)	(602)
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss		
Revaluation of freehold land and buildings	3,860	152
Total comprehensive income/(loss) for the year attributable to owners of the parent company	3,349	(450)

Condensed Consolidated Statement of Financial Position

	Note	2016	2015
		£'000	**£'000**
Non-current assets			
Property, plant and equipment	3	45,771	42,327
Intangible assets	4	1,212	1,352
Goodwill	4	525	525
Total non-current assets		47,508	44,204
Current assets			
Stock		23	19
Trade and other receivables		491	594
Derivative financial instruments		13	20
Cash and cash equivalents		737	1,060
Total current assets		1,264	1,693
Total assets		48,772	45,897
Current liabilities			
Loans and overdrafts	5	3,489	693
Finance lease obligations	6	34	65
Trade and other payables		1,261	1,062
Derivative financial instruments		45	36
Current liabilities		4,829	1,856
Non-current liabilities			
Bank loans and convertible loan notes	5	13,906	17,391
Deferred tax liabilities		5	-
Finance lease obligations	6	10,195	10,196
Total non-current liabilities		24,106	27,587
Total liabilities		28,935	29,443
Net assets		19,837	16,454
Equity			
Share capital	7	342	342
Share premium account		14,504	14,504
Merger reserve		1,772	1,772
Share based payment reserve		57	23
Revaluation reserve		4,218	358
Retained earnings		(1,056)	(545)
Total equity attributable to owners of the parent company		19,837	16,454

Condensed Consolidated Statement of Changes in Equity

	Share Capital	Share premium account	Merger Reserve	Share based payment reserve	Revaluation Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2015	**192**	**6,410**	**1,772**	**6**	**206**	**115**	**8,701**
Comprehensive income							
Loss for the year	-	-	-	-	-	(602)	(602)
Other comprehensive income	-	-	-	-	152	-	152
Total comprehensive income	-	-	-	-	152	(602)	(450)
Transactions with owners							
Issue of shares	150	8,094	-	-	-	-	8,244
Dividend paid						(58)	(58)
Share based payment charge for the period	-	-	-	17	-	-	17
Balance at 31 December 2015	**342**	**14,504**	**1,772**	**23**	**358**	**(545)**	**16,454**
Comprehensive income							
Loss for the year	-	-	-	-	-	(511)	(511)
Other comprehensive income	-	-	-	-	3,860	-	3,860
Total comprehensive income	-	-	-	-	3,860	(511)	3,349
Transactions with owners							
Issue of shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Share based payment charge for the period	-	-	-	34	-	-	34
Balance at 31 December 2016	**342**	**14,504**	**1,772**	**57**	**4,218**	**(1,056)**	**19,837**

Condensed Consolidated Statement of Cash Flows

	2016	2015
	£'000	£'000
Operating activities		
Cash generated from operations	2,308	643
Net cash generated from operating activities	2,308	643
Investing activities		
Interest received	-	1
Purchases of property, plant and equipment	(484)	(4,082)
Acquisition of business	-	(14,150)
Net cash outflow from investing activities	(484)	(18,231)
Financing activities		
New loans	-	10,500
Loan arrangement fees	-	(81)
Issue of ordinary shares for cash	-	8,535
Fees related to the issue of shares	-	(1,041)
Dividend paid	-	(58)
Lease capital repaid	(660)	-
Interest paid	(732)	(620)
Loan repayments	(755)	(1,897)
Net cash (absorbed in)/generated from financing activities	(2,147)	15,338
Cash and cash equivalents at beginning of year	1,060	3,310
Net decrease in cash and cash equivalents	(323)	(2,250)
Cash and cash equivalents at end of year	737	1,060

Basis of Preparation

On 7 April 2017, the Directors approved this preliminary announcement for publication. Copies of this announcement are available from the Company's registered office at 1a Kingsley Way, London N2 0FW and on its website, www.safestay.com. The Annual Report and Accounts will be sent to shareholders in due course and will be available on the Company's website, www.safestay.com. The financial information presented above does not constitute statutory financial statements as defined by section 435 of the Companies Act 2006 for the year ended 31 December 2016.

The financial information for the year ended 31 December 2016 is derived from the statutory financial statements for that year, prepared under IFRS, under which the auditors have reported. The audit report was unqualified, did not include references to matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The accounting policies applied in this announcement are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

1. Significant Accounting Policies

Revenue

Revenue is stated net of VAT and comprises revenues from overnight hostel accommodation, income from the rental of student accommodation during the academic year and the sale of ancillary goods and services. Accommodation and the sale of ancillary goods and services is recognised when provided. Income from the rent of student accommodation is recognised on a straight line basis over the academic year to which the rent relates.

The 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 is recognised as revenue once the bed has been occupied.

Leases

The Group as lessor:

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee:

Assets held under finance leases are recognised as assets of the group at the present value of the lease payments at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction in lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the income statement.

All other leases are classified as operating leases. Operating leases are recognised in the income statement on a straight line basis over the life of the lease.

Property, plant and equipment

Freehold property is stated at fair value and revalued annually. Valuation surpluses and deficits arising in the period are included in other comprehensive income. Fixtures fittings and equipment are stated at cost less depreciation and are depreciated over their useful lives. The applicable useful lives are as follows:

Fixtures, fittings and equipment	3 years
Freehold properties	50 years
Leasehold properties	50 years

Assets held as finance leases are depreciated over the shorter of the lease term and their expected useful lives on the same basis as owned assets.

Critical accounting judgements and key sources of estimation and uncertainty

The fair value of the Group's property is the main area within the financial information where the Directors have exercised significant estimates.

- The fair value of the Group's property portfolio is estimated by the directors of the Group. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation, valuations provided to support current banking facilities or market-observable data to the extent it is available.
- The Holland Park lease showed indicators that it could be treated as either a finance or operating lease. The Group's decision to treat it as a finance lease was based on a balanced judgment of relevant factors. Furthermore, the fair value of the Group's finance lease asset is inherently subjective. The methodology applies a discount rate to the future lease payments to approximate to the fair value of the asset.
- The Group has identified certain costs as exceptional in nature in that, without separate disclosure, would distort the reporting of the underlying business. In 2016, exceptional costs were incurred relating to the unsuccessful acquisition of a property in Dublin.

2. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	2016	**2015**
	£'000	**£'000**
Loss for the period attributable to equity holders of the company	(511)	(602)

	2016	**2015**
	'000	**'000**
Weighted average number of ordinary shares for the purposes of basic loss earnings per share	34,219	23,881
Effect of dilutive potential ordinary shares	2,264	6,545
Weighted average number of ordinary shares for the purposes of diluted loss per share	36,483	30,426
Basic loss per share	(1.49p)	(2.52p)
Diluted loss per share	(1.49p)	(2.52p)

There is no difference between the diluted loss per share and the basic loss per share presented. Due to the loss incurred in the year the effect of the share options in issue is anti-dilutive.

3. Property, Plant and Equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
Balance as at 1 January 2015	14,921	-	113	15,034
Additions	1,068	12,793	742	14,603
Acquisitions	12,775	-	200	12,975
Balance as at 31 December 2015	28,764	12,793	1,055	42,612
Transfer	(267)	267	-	-
Additions	224	62	198	484
Revaluation	3,739	-	-	3,739
At 31 December 2016	32,460	13,122	1,253	46,835
Depreciation				
Balance as at 1 January 2015	-	-	34	34
Charge for the period	152	71	180	403
Revaluation	(152)	-	-	(152)
Balance as at 31 December 2015	-	71	214	285
Charge for the year	275	262	364	901
Revaluation	(122)	-	-	(122)
At 31 December 2016	153	333	578	1,064
Net book value:				
At 31 December 2016	32,307	12,789	675	45,771
At 31 December 2015	28,764	12,722	841	42,327

The Director's fair value of the freehold land and buildings at 31 December 2016 has been arrived at taking into account valuations prepared for the bank as part of the refinancing in March 2017, disclosed in note 8, and revaluation in July 2016 of the Elephant & Castle property. All valuations were undertaken by independent valuers not connected with the Group and conform to International Valuation Standards, and are arrived at by applying discounted cash flows to forecasts of future earnings before interest, taxation and depreciation (EBITDA). The freehold land and buildings were previously valued for the Group between 10 November 2014 and 17 August 2015.

The Directors do not consider there to be any significant difference between these valuations and their value in use at 31 December 2016.

The historical cost of property, plant and equipment is £28.7 million (2015: £28.8 million).

The group has pledged freehold property with a carrying value of £32.3 million (2015: £28.8 million) to secure banking facilities and loan notes granted to the Group (note 5).

The valuation of the lease on the Holland Park property is stated at the present value of the future lease payments at a yield of 6.5%. This constitutes the substantial part of a theoretical freehold valuation.

4. Intangible Assets and Goodwill

	Intangible Asset £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2015 and 31 December 2015	1,400	525	1,925
At 31 December 2016	1,400	525	1,925
Amortisation			
At 1 January 2015	-	-	-
Charge for the period	48	-	48
At 31 December 2015	48	-	48
Charge for the period	140	-	140
At 31 December 2016	188	-	188
Net book value:			
At 31 December 2016	1,212	525	1,737
At 31 December 2015	1,352	525	1,877

On the acquisition of the business on Smart City hostel in Edinburgh in 16 September 2015 the Directors identified an intangible asset in relation the lease with the University of Edinburgh, which terminates in 2027 and the amortisation if this intangible asset is based on a straight line basis until that date.

Goodwill arises from the acquisition of the business of the Smart City hostel in Edinburgh, which is the relevant cash generating unit. At 31 December 2016, an impairment review has been performed using forecast cash flows discounted at appropriate discount rates to affirm its value in use. This forecast requires the use of assumptions and estimates based on current operating parameters and there are no reasonable sensitivities that indicate this asset is impaired.

5. Loans

	2016 £'000	2015 £'000
At amortised cost		
Bank Loan	13,794	14,549
Convertible loan	3,800	3,800
	17,594	18,349
Loan arrangement fees	(199)	(265)
	17,395	18,084
Loans repayable within one year	3,489	693
Loans repayable after more than one year	13,906	17,391
	17,395	18,084

The bank facilities at 31 December 2016 are summarised below:

Related Property	Elephant & Castle	Edinburgh	York	Holland Park
Principal ('000)	£5,600	£6,500	£1,000	£2,000
Outstanding as at 31 December 2016 ('000)	£4,900	£6,094	£925	£1,875
	Secured	Secured	Secured	Secured
Interest rate	LIBOR plus 3.25%	LIBOR plus 3%	LIBOR plus 3.25%	LIBOR plus 3%
Term	5 years	5 years	5 years	5 years

Each of the bank loans have a term of five years on which interest is payable at between 3.00% and 3.25% over LIBOR. The Group has given security to the bank including a first ranking charge over the Group's freehold hostels in Elephant & Castle, York and Edinburgh and a legal charge over the Holland Park property. There were no breaches in bank loan covenants as at 31 December 2016.

Convertible loan note terms:

	Secured (£'000)	Unsecured (£'000)
Value	2,800	1,000
Issued	2 May 2014	11 September 2015
Term	3 years from issue	3 years from issue
Coupon rate	6%	5%
Conversion price per Ordinary Share at the option of the noteholder, at any time prior to redemption	57.5p	70.0p

Secured Convertible loan notes are by way of a charge over the Group's hostel in Elephant & Castle, ranking after the security granted to the bank.

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

On 31 March 2017, the Group agreed an £18,400,000 debt restructuring and refinancing, replacing the above convertible and bank debt with a single banking facility with HSBC. Further details are set out in note 8.

As at the balance sheet date, the repayment profiles of the loans were as follows:

	Convertible loan notes £000	**Bank loan £000**	**Total £000**
Due within one year	2,800	755	3,555
Between one and two years	1,000	755	1,755
Between two and five years	-	12,284	12,284
Balance at 31 December 2016	3,800	13,794	17,594
Balance at 31 December 2015	3,800	14,549	18,349

6. Obligations under Finance Leases

	Minimum lease payments 2016 £'000	**Minimum lease payments 2015 £'000**
Amounts payable under finance leases:		
Within one year	660	660
In the second to fifth years inclusive	2,640	2,640
After five years	28,380	29,040
Less future finance charges	(21,451)	(22,079)
Present value of future lease obligations	10,229	10,261

	Present value of minimum lease payments 2016 £'000	**Present value of minimum lease payments 2015 £'000**
Amounts payable under finance leases:		
Within one year	34	65
In the second to fifth years inclusive	157	158
After five years	10,038	10,038
Present value of future lease obligations	10,229	10,261

The group has treated the Holland Park lease as a finance lease on the basis that the present value of the lease payments constitutes the substantial part of a theoretical freehold valuation.

The average effective borrowing rate was 6.55%. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the group's lease obligations is approximately equal to their carrying amount. The Group's finance leases disclosed above are in sterling.

7. Called Up Equity Share Capital

	£'000
Allotted, issued and fully paid	
34,219,134 Ordinary Shares of 1p each as at 31 December 2015 and 2016	342

At the 31 December 2016, the ordinary shares rank pari passu. There are no changes to the voting rights of the ordinary shares since the balance sheet date.

8. Post Balance Sheet Events

On 31 March 2017, the Group announced an £18,400,000 debt restructuring and refinancing and raising £12,600,000 million through sale and leaseback agreements.

Debt restructuring and refinancing:
A new £18,400,000, 5 year bank facility with HSBC to replace arrangements set out in note 16 to these financial statements. The net effect of this will significantly reduce cost of debt and repay all outstanding convertible loans when they become due. The new facility is secured against the Group's assets.

New sale and leaseback arrangement:
The Group completed sale and leaseback transactions on its hostels in Edinburgh and Elephant & Castle raising gross cash proceeds of £12,600,000. The sale is with an institutional buyer in exchange for 150 year geared ground rent leases. Safestay will continue to operate both hostels under long term ownership whilst releasing the cash from the two properties. The total gross proceeds from the sale and leaseback are set against annual combined ground rents commencing at £300,000 rising to £330,000 on completion of the extension, representing a net initial yield of 2.46%.