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: 25 September 2017

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

Interim Results
For the Six Months to 30 June 2017

Safestay (AIM: SSTY), the owner and operator of an international brand of contemporary hostels, announces its unaudited interim results for the six months ended 30 June 2017

H1 Financial Highlights

- Strong H1 performance with demand for Safestay's unique contemporary hostel offer generating a 23% increase in revenues to £4.1m (2016: £3.3m)
- 62% increase in EBITDA £1.3m (2016: £0.8m)
- Reduced loss before tax of £0.4m (2016: £0.6m), in line with the development of the business and a profit before tax of £0.1m if one-off costs of acquisition (£0.1m) and refinancing (£0.4m) are eliminated
- Successful financing transactions in respect of the Elephant & Castle and Edinburgh hostels, raising £12.6m
- New £18.4m bank facility with HSBC replaces previous bank facility and two convertible loans, significantly reducing interest expense

H1 Operating Highlights

- Average occupancy across the four UK hostels increased to 71.6% (period to 30 June 2016: 63.7%)
- 18.4% increase in the bed nights sold on a like-for-like basis
- Kensington Holland Park hostel has been transformed, producing like for like revenue growth of 31.3%, with occupancy increasing by 14.3 percentage points compared with the previous year to date and looks set to continue to deliver on its potential
- Good performance too from Edinburgh, Elephant & Castle and York hostels
- Expansion of Elephant & Castle to add a further 80 beds. Work will commence imminently with estimated completion in October 2018
- Operational changes have been effective in driving increased revenues from established Safestay hostels and building on the investment made in 2016 in direct booking channels, property management systems and online capabilities

Acquisitions

- Hostel portfolio transformed with the acquisition during H1 of 7 new European hostels increasing the number of sites from 4 to 11 and number of beds from 1,526 to 2,574 plus 34 apartments
- New hostel locations in Paris, Prague, Barcelona x2, Madrid x2 and Lisbon
- 5 new operating hostels all performing well and trading ahead of budget
- Madrid apartments to be completed in H1 2018 and the Paris hostel due to open in 2019

Larry Lipman, Chairman of Safestay, said:

"This has clearly been a transformational period for the business in many ways. I would point to the improvement in performance at our Kensington Holland Park hostel as a key factor for taking real confidence from our trading performance, as it means all four of our UK hostels are trading to plan and we still have significant untapped potential in our Kensington Holland Park and Edinburgh sites. This, together with our plans to expand Elephant & Castle, means the UK base is well placed to develop further.

In addition, the refinancing clearly demonstrated the underlying value within our portfolio and enabled the acquisition of 7 new hostels. It is exciting that those which are operating are performing ahead of plan and we look forward to further integrating them into the Group.

The outlook for the business is extremely positive."

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Chairman's statement

Introduction

I am very pleased to present the results for the six months to 30 June 2017 which clearly show the substantial progress that the business has made both in terms of the trading performance and in expanding our network of Safestay hostels from 4 to 11, and into key cities in a total of five countries.

There is a sense of momentum building within the business as the Group refines its practices in all areas of building a portfolio of modern, contemporary hostels. The substantially improved performance of our Kensington Holland Park hostel is perhaps the best example of this. This hostel has increased like-for-like occupancy by 14.3 percentage points although there is still significant opportunity for further growth.

The 5 new operating sites which were acquired during the course of the first six months of 2017 have integrated well and our focus is on completing their rebranding as Safestay hostels and looking to develop the crossover of customers throughout the network. The apartments in Madrid are expected to open in the first half of 2018 and the development of the Paris hostel is expected to complete in 2019.

Financial review

For the period under review, the Group generated a 23% increase in revenues to £4.1 million (2016: £3.3 million) including a contribution of £0.2m from acquisitions. This led to the Group recording a 62% increase in EBITDA to £1.3m (2016: £0.8m) and a smaller loss before tax of £0.4m (2016: loss of £0.6m). As a consequence, the Company recorded a loss per share of 1.08p compared with a loss of 1.43p per share in the first half of 2016. The Group generated an underlying profit before tax of £0.1m if one-off costs of acquisition (£0.1m) and refinancing (£0.4m) are eliminated.

During the period, the Group refinanced its borrowings with a new 5-year £18.4 million secured bank facility with HSBC which enabled it to repay all previous borrowings including two convertible loans and therefore significantly reducing ongoing interest costs for the remainder of 2017 and beyond.

Net asset value per share remained broadly constant at 57p per share (2016: 58p per share).

Property valuation

In March, the Company completed a geared ground rent financing transaction 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. As a result, the Company has been able to extract £12.6 million from the property portfolio without significantly changing the book value of the assets. Net debt increased to £39.3m (2016: £28.5m).

Operating review

Following a year of consolidation in 2016, the first six months of 2017 delivered significant growth. Excluding the recent acquisitions, Safestay sold 157,984 bed nights compared to 133,444 in the same period in 2016 from its four hostels which combined have 1,526 beds, an increase of 18.4%. Average occupancy was 71.6% compared to 63.7% in the prior year to date demonstrating both the progress made and the scope for further growth. Gross margin improved in large part due to the outsourcing of revenue management which has had a positive impact performance achieved.

Elephant & Castle, the Company's first hostel, has been a consistent performer for the business. Ideally located in the heart of London, this hostel generated revenue of £1.3 million (2016: £1.3 million) and EBITDA of £0.7 million (2016: £0.6 million). Demand certainly exceeds supply at regular points during the year and full planning permission and listed building consent has been granted to develop an additional 80 beds over four floors and rework the lower ground floor food and beverage areas. Work is expected to start imminently and take the hostel's total bed count to 493.

The York hostel improved in 2016 and during the first six months of 2017 it continued to build on the progress made. While occupancy is high for all weekends, there still remains further opportunity to increase midweek custom.

Kensington Holland Park hostel with its unique location in the very centre of the park offers accommodation that cannot be matched by many other hostels worldwide. The site opened under the Safestay brand in August 2015 after extensive refurbishment and made a slower than expected start. However, momentum has built as people have become aware of the opportunity to stay in this historic Grade 1 listed building. Revenues from Holland Park increased by 31.3% to £0.8 million (2016: £0.6 million) and this led to recording EBITDA of £0.3 million (2016: £0.1 million). The focus is now on continuing this momentum and increasing on current still relatively low levels of occupancy given the potential of the site.

Edinburgh has again performed well, generating revenues of £1.4 million (2016: £1.2 million) and EBITDA of £0.5 million (2016: £0.4 million). The balance between offering beds for students during the academic year and then having full capacity available for the lucrative summer period works well and this site has proved to be a very good acquisition for the Group.

Importantly, we have also seen resilience in both London and Barcelona to the recent terror attacks and the impact has, so far, been short term.

Acquisitions

During the period, the Group made the following acquisitions:

- On 22 May, for €3.0m the Group acquired a 228-bed luxury hostel in Madrid, an apartment block adjacent to the hostel in Madrid with 34 apartments currently under refurbishment and a 2,300 sqm building in central Paris with planning for conversion into a 266-bed hostel.
- On 31 May, for €3.6m, the Group acquired a 150-bed hostel in Prague, a 110-bed hostel in Barcelona and a 150-bed hostel in Lisbon. The transaction completed on 29 June.
- Effective 29 June , for €2.0m, the Group completed the acquisition of 144-bed hostel in Barcelona

All seven sites are progressing well and the five that are open are all trading ahead of budget.

Outlook

Since the period end, the Group has enjoyed a good summer with good performances from the new hostels and a strong performance from Edinburgh during August in particular. Importantly, the UK-based hostels have continued the trading momentum from H1 into H2.

The combination of all this means the Company is well placed to achieve a good result for the year as a whole.

Larry Lipman

Chairman

22 September 2017

Condensed consolidated income statement	Note	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Revenue		4,058	3,288	7,411
Cost of sales		(513)	(413)	(1,022)
Gross profit		3,545	2,875	6,389
Administrative expenses		(2,769)	(2,685)	(5,242)
Operating profit before exceptional expenses		776	190	1,147
*EBITDA**		*1,268*	*783*	*2,188*
Depreciation and amortisation		*(492)*	*(593)*	*(1,041)*
Operating profit		*776*	*190*	*1,147*
Exceptional expenses	3	(100)	-	(152)
Operating profit after exceptional expenses		676	190	995
Finance costs		(1,046)	(789)	(1,463)
Loss before tax		(370)	(599)	(468)
Tax		-	107	(43)
Loss for the financial period attributable to owners of the parent company		(370)	(492)	(511)
Basic loss per share in pence	2	(1.08p)	(1.43p)	(1.49p)
Diluted loss per share in pence	2	(1.08p)	(1.43p)	(1.49p)

The revenue and operating result for each period is derived from acquired and continuing operations as follows:

	£000	£000	£000
Revenue			
United Kingdom	3,868	3,288	7,411
Other Europe	190	-	-
	4,058	3,288	7,411
Operating profit			
United Kingdom	651	190	995
Other Europe	25	-	-
	676	190	995

** Earnings before exceptional items, interest, tax, depreciation and amortisation*

Condensed consolidated statement of comprehensive income

	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Loss for the period	(370)	(492)	(511)
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Revaluation of freehold land and buildings	-	3,876	3,860
Total comprehensive income for the period attributable to owners of the parent company	(370)	3,384	3,349

Condensed consolidated statement of financial position

	Note	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Non-current assets				
Property, plant and equipment	**5**	46,381	45,959	45,771
Intangible assets	**6**	8,492	1,282	1,212
Goodwill		525	525	525
Deferred tax		-	209	-
Total non-current assets		55,398	47,975	47,508
Current assets				
Stock		97	94	23
Trade and other receivables		854	932	491
Derivative financial instruments		9	13	13
Cash and cash equivalents		4,195	1,398	737
Total current assets		5,155	2,437	1,264
Total assets		60,553	50,412	48,772
Current liabilities				
Borrowings	**7**	100	689	3,489
Finance lease obligations	**8**	36	32	34
Trade and other payables		1,697	1,929	1,261
Derivative financial instruments		-	-	45
Total current liabilities		1,833	2,650	4,829
Non-current liabilities				
Borrowings	**7**	28,982	17,467	13,906
Finance lease obligations	**8**	10,222	10,283	10,195
Deferred tax		-	102	5
Derivative financial instruments		33	60	-
Total non-current liabilities		39,237	27,912	24,106
Total liabilities		41,070	30,562	28,935
Net assets		19,483	19,850	19,837
Equity				
Share capital	**10**	342	342	342
Share premium account		14,504	14,504	14,504
Merger reserve		1,772	1,772	1,772
Share-based payment reserve		73	35	57
Revaluation reserve		4,218	4,234	4,218
Retained earnings		(1,426)	(1,037)	(1,056)
Total equity attributable to owners of the parent company		19,483	19,850	19,837

Condensed consolidated statement of changes in equity

For the six months to 30 June 2017 (unaudited)

	Share capital £000	Share premium account £000	Merger reserve £000	Share-based payment reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	342	14,504	1,772	57	4,218	(1,056)	19,837
Comprehensive income							
Loss for the period	-	-	-	-	-	(370)	(370)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(370)	(370)
Transactions with owners							
Share-based payment charge for the period	-	-	-	16	-	-	16
Balance at 30 June 2017	342	14,504	1,772	73	4,218	(1,426)	19,483

For the six months to 30 June 2016 (unaudited)

	Share capital £000	Share premium account £000	Merger reserve £000	Share-based payment reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	342	14,504	1,772	23	358	(545)	16,454
Comprehensive income							
Loss for the period	-	-	-	-	-	(492)	(492)
Other comprehensive income	-	-	-	-	3,876	-	3,876
Total comprehensive income	-	-	-	-	3,876	(492)	3,384
Transactions with owners							
Share-based payment charge for the period	-	-	-	12	-	-	12
Balance at 30 June 2016	342	14,504	1,772	35	4,234	(1,037)	19,850

For the year ended 31 December 2016 (audited)

	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 at 1 January 2016	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							
Share-based payment charge for the year	-	-	-	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

	Note	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Operating activities				
Cash generated from operations	12	851	1,544	2,308
Net cash generated from operating activities		851	1,544	2,308
Investing activities				
Purchase of property, plant and equipment		(1,032)	(279)	(484)
Purchase of intangible assets		(7,350)	-	-
Net cash outflow from investing activities		(8,382)	(279)	(484)
Cash flows from financing activities				
Proceeds from borrowings		29,445	-	(660)
Repayment of borrowings		(17,600)	(523)	(755)
Interest paid		(856)	(404)	(732)
		10,989	(927)	(2,147)
Cash and cash equivalents at beginning of period		737	1,060	1,060
Net increase/(decrease) in cash and cash equivalents		3,458	338	(323)
Cash and cash equivalents at end of period		4,195	1,398	737

1. Basis of preparation and principal accounting policies

The condensed interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the six months to 30 June 2017 (“the period”) have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information presented above does not constitute statutory financial statements as defined by section 435 of the Companies Act 2006.

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.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements and should be read in conjunction with the Group’s consolidated annual financial statements for the year ended 31 December 2016. 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.

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 profit and loss account.

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 estimated useful lives. The applicable estimated 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.

Intangible assets

Intangible assets are initially recognised and measured at fair market value.

Where an intangible asset has a determinable finite useful life, the intangible asset is amortised on a straight-line basis over that useful life. Where the intangible asset is closely associated with a lease of premises, the related intangible asset is amortised over the remaining life of the associated lease, also taking into account any renewal options in respect of the associated lease where the Group intends to exercise its right to renew the associated lease.

Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Financial instruments issued by the Group comprise convertible loan notes that can either be repaid in cash, or be converted to a fixed number of shares at the option of the loan note holder. These financial instruments are recognised in liabilities.

Loan notes with no option to be converted to share capital and that will be repaid in cash are recognised in liabilities.

Loan arrangement fees

Loan arrangement fees are amortised over the term of the loan to which they relate.

Exceptional items

The Group separately discloses on the face of the Income Statement items of income or expense which are material and their nature and amount would, without separate disclosure, distort the reporting of the underlying business.

2. Loss per share

	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Loss for the period attributable to equity holders of the company	(370)	(492)	(511)
	Number ’000	**Number ‘000**	**Number ‘000**
Weighted average number of ordinary shares for the purposes of basic loss per share	34,219	34,219	34,219
Effect of dilutive potential ordinary shares	36	7,488	2,264
Weighted average number of ordinary shares for the purposes of diluted loss per share (‘000s)	34,255	41,707	36,483
Basicloss per share	(1.08p)	(1.43p)	(1.49p)
Diluted loss per share	(1.08p)	(1.43p)	(1.49p)

3. Exceptional expenses

The following costs are separately disclosed on the Condensed Consolidated Income Statement as exceptional and outside the underlying trading of the hostels:

	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Administration costs relating to the unsuccessful acquisition of a property in Dublin	-	-	152
Administration costs relating to the acquisition of businesses	100	-	-
	100	-	152

4. Dividend

No interim dividend has been declared in the period (30 June 2016: nil, 31 December 2016: nil). No dividends have been paid in the period.

5. Property, plant and equipment

For the period from 1 January 2017 to 30 June 2017 (unaudited)

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 1 January 2017	32,460	13,122	1,253	46,835
Additions	18	709	58	785
Acquired in business combination	-	-	247	247
Transfer	(29,777)	29,777	-	-
At 30 June 2017	2,701	43,608	1,558	47,867
Depreciation				
At 1 January 2017	153	333	578	1,064
Charge for the period	68	159	195	422
Transfer	(178)	178	-	-
At 30 June 2017	43	670	773	1,486
Net book value				
30 June 2017	2,658	42,938	785	46,381

For the period from 1 January 2016 to 30 June 2016 (unaudited)

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 1 January 2016	28,764	12,793	1,055	42,612
Additions	128	-	151	279
Revaluations	3,740	-	-	3,740
At 30 June 2016	32,632	12,793	1,206	46,631
Depreciation				
At 1 January 2016	-	71	215	286
Charge for the period	141	126	255	522
Revaluations	(136)	-	-	(136)
At 30 June 2016	5	197	470	672
Net book value				
30 June 2016	32,627	12,596	736	45,959

For the period from 1 January 2016 to 31 December 2016 (audited)

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2016	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				
At 1 January 2016	-	71	214	285
Charge for the period	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 30 June 2017, the carrying value of the Group's freehold and leasehold property including fixtures and fittings was £46,835,000 (30 June 2016: £45,959,000, 31 December 2016: £45,771,000).

The directors based their valuation of the freehold properties using external valuations as at 14 March 2017 prepared by Cushman and Wakefield on behalf of HSBC (the Group's bankers) as part of the security for the Group's bank financing.

Leasehold land and buildings additions comprise the capitalised finance lease plus refurbishment costs incurred on the Holland Park hostel and the Group properties transferred from freehold land and buildings following the finance transactions in respect of its hostels in Edinburgh and Elephant & Castle which completed on 31 March 2017.

The newly-created leaseholds for both properties were also independently valued on 14 March 2017 at £30.3 million by Cushman and Wakefield on behalf of HSBC (the Group's bankers). The Group has accounted for the finance transactions as interest-bearing borrowings secured on the original properties held. There were no recognised gains or losses arising in respect of these transactions.

6. Intangible assets	Unaudited 6 months to 30 June 2017	Unaudited 6 months to 30 June 2016	Audited Year to 31 December 2016
	£000	£000	£000
Cost			
At beginning of period	1,400	1,400	1,400
Acquired in business combination (note 9)	7,350	-	-
At end of period	8,750	1,400	1,400
Amortisation			
At beginning of period	188	48	48
Charge for the period	70	70	140
At end of period	258	118	188
Net book value			
At end of period	8,492	1,282	1,212

Intangible assets comprise a lease with the University of Edinburgh at a cost of £1,400,000 less amortisation of £258,000, together with 'right-of-use' leased assets following the acquisition of U Hostels on 22 May 2017, provisionally valued at £2,573,000, and leased properties following the acquisition of four sites from Equity Point on 29 June 2017, provisionally valued at £4,777,000. See also note 9.

7. Borrowings	Unaudited 30 June 2017	Unaudited 30 June 2016	Audited 31 December 2016
	£000	£000	£000
At amortised cost			
Bank loans	18,400	14,586	13,794
Convertible loan notes	-	3,800	3,800
Lease obligations	11,420	-	-
	29,820	18,386	17,594
Unamortised borrowing costs	(738)	(230)	(199)
	29,082	18,156	17,395
Loans repayable within one year	100	689	3,489
Loans repayable after more than one year	28,982	17,467	13,906
	29,082	18,156	17,395

The repayment profiles of the loans as at 30 June 2017, 30 June 2016 and 31 December 2016 were as follows:

For the period ended 30 June 2017 (unaudited)

	Lease obligations	Bank loans	Total
	£000	£000	£000
Due within one year	10	90	100
Between one and two years	10	270	280
Between two and five years	35	18,040	18,075
After more than five years	11,365	-	11,365
Balance at 30 June 2017	11,420	18,400	29,820

For the period ended 30 June 2016 (unaudited)

	Convertible loan notes	Bank loans	Total
	£000	£000	£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	-	13,076	13,076
After more than five years	-	-	-
Balance at 30 June 2015	3,800	14,586	18,386

For the year ended 31 December 2016 (audited)

	Convertible loan notes	Bank loans	Total
	£000	£000	£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
After more than five years	-	-	-
Balance at 30 June 2015	3,800	13,794	17,594

On 31 March 2017, the Group completed an £18.4 million refinancing, replacing the previous convertible and bank debt with a single banking facility with HSBC. The facility has a five-year term, variable interest payable based on LIBOR and is in pounds sterling. The HSBC facility is secured by fixed and floating charges over the assets of the Group in favour of HSBC Bank plc.

On 17 May 2017, the Group received £11.42 million before expenses in relation to the sale and leaseback of the Elephant & Castle and Edinburgh properties where the titles of the freehold premises were sold and long-term operating leases based upon the ground rents were entered into, with the Group holding options to reacquire the freeholds with 25 years. The transactions have been accounted for as secured debt transactions. As disclosed in note 5, these freehold assets have been reclassified as long-leasehold properties. The expenses of the transaction are being amortised over 25 years.

8. Obligations under finance leases

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Amounts payable under finance leases:			
Within one year	36	32	34
In the second to fifth years inclusive	168	169	157
After five years	10,054	10,114	10,038
Present value of future lease obligations	10,258	10,315	10,229

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.

9. Business combinations (unaudited)

Two businesses were acquired in the six-month period ended 30 June 2017.

The first of these was U Hostels Albergues Juveniles, S. L. ("U Hostels")

On 22 May 2017 the Group completed the acquisition of U Hostels for a total cash consideration of £2.9 million (€3.0 million before working capital adjustment).

The U Hostels portfolio includes three leasehold properties:

- 228-bed luxury hostel located in the heart of Madrid, operating since 2013 under the U Hostels brand with a 15-year lease.
- An apartment block situated next to the Madrid hostel. This block is made up of 14 one-bedroom and 20 two-bedroom apartments which are currently being renovated and will open in the first half of 2018. The apartments will be managed by the hostel management team.
- A 2,300 sqm building in Montmartre, Paris with planning for conversion into a 266-bed hostel. The building is ideally located to become a Safestay hostel and has a 12+12 year lease effective from the opening of the hostel. The landlord will be investing alongside Safestay in the redevelopment of this site, expected to commence this year and open in 2019. Safestay's contribution to this redevelopment is capped at €2.3 million (approximately £2 million), which will be funded from existing cash resources.

The acquisition has been accounted for by the purchase method of accounting and the results of U Hostels are consolidated within the Group financial statements from 22 May 2017. The fair-values of the acquisition are still being evaluated although provisional fair-values of the U Hostels included for the purposes of the half-year results are set out below.

Unaudited and provisional	**Fair-values £000**
Non-current assets	
Intangible assets	
Right of use of leasehold properties	2,573
Tangible assets	
Property plant and equipment	116
Net current assets	207
Fair-value of businesses acquired	2,896

The costs of the acquisition have been expensed in the period (note 3).

The acquired businesses contributed revenues of £190,000 and operating profit of £25,000 for the period 22 May 2017 to 30 June 2017 which have been recognised in the results to 30 June 2017.

The second business acquired was Equity Point Hostels ("Equity Point")

On 29 June 2017, the Group completed the acquisition of four leasehold sites from Equity Point for a total cash consideration of £4.9 million (€5.6 million). The acquisition was in two tranches finally completing on 29 June 2017. The locations acquired are located in Lisbon, Prague and Barcelona.

The acquisition has been accounted for by the purchase method of accounting and the results of Equity Point are consolidated within the Group financial statements from 29 June 2017. The fair-values of the acquisition are still being evaluated although provisional fair-values of the Equity Point assets included for the purposes of the half-year results are set out below.

Unaudited and provisional	**Fair-values £000**
Non-current assets	
Intangible assets	
Right of use of leasehold properties	4,777
Tangible assets	
Property plant and equipment	131
Net current liabilities	(22)
Fair-value of businesses acquired	4,886

The costs of the acquisition have been expensed in the period (note 3).

No contribution has been recognised in the results to 30 June 2017.

10. Share capital

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Allotted, issued and fully paid			
34,219,135 Ordinary Shares of 1p each (34,219,135, 30 June 2016 and 31 December 2016)	342	342	342

At 30 June 2017, the Ordinary Shares rank pari passu. There have been no changes to the voting rights of the ordinary shares since 31 December 2016.

11. Post-balance sheet events

On 14 July 2017, the Group granted the following nil cost options under the Group's existing share option scheme exercisable at 60 pence per share after a period of three years from grant to Persons Discharging Managerial Responsibility ("PDMRs") as listed below.

- Larry Lipman (Chairman) - 250,000 Ordinary Shares
- Nuno Sacramento (Chief Operating Officer) - 500,000 Ordinary Shares

12. Notes to the condensed consolidated statement of cash flows

	Unaudited 6 months to 30 June 2017 £000	Unaudited 6 months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Loss before tax	(370)	(599)	(468)
Adjustments for:			
Depreciation of tangible assets	422	523	901
Amortisation of intangible assets	70	70	140
Finance costs	1,046	789	1,361
Share-based payments	17	12	34
Changes in working capital			
Stock	(74)	(76)	(4)
Trade and other receivables	(363)	(339)	205
Trade and other payables	103	1,164	139
Cash generated from operating activities	851	1,544	2,308