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

Interim Results
For the Six Months to 30 June 2016

Safestay (AIM: SSTY), the owner and operator of a new brand of contemporary hostel, announces its unaudited interim results for the six months ended 30 June 2016

Operational Highlights

- Average bed price stable at £18 per night, within the current range of £18-20, and expected to be stable through to year-end
- Introduction of direct booking channel which is performing ahead of expectations; ranked 2nd as on-line revenue channel in terms of revenue in the business
- Excellent guest satisfaction scores in line with premium positioning
- Capturing c.1000 guest records/week strengthening the Brand marketing activity
- Successful transition to new Group property management system and multi-property web site
- Pleasing like-for-like growth at our Elephant & Castle site offset by short term headwinds facing our Holland Park hostel

Financial Highlights

- Over twofold increase in revenues in H1 2016 to £3.29m (H1 2015: £1.40m)
- Restructure of breakfast offer and focus on ancillary revenues has seen H1 non-accommodation revenues move from 4% to 11% of total revenues on a like-for-like basis across Elephant & Castle and York
- Strong increase in EBITDA in H1 2016 to £0.78m (H1 2014: £0.26m)
- The portfolio of hostels are a mix of freeholds and a leasehold with the freeholds externally valued at £32.6m. Elephant & Castle revalued at £16.0m on 21 July 2016 adding a further £3.7m to the total portfolio valuation
- Net asset value per share increased by 14.2p to 58.0p at the period end (2015: 43.8p)

Larry Lipman, Chairman of Safestay, said:

"The business is progressing well, like-for-like revenues and margins are improving and we have now successfully put in place the systems and infrastructure to support multiple hostels as part of our growth planning.

We are building a premium hostel brand and are gratified that our customer feedback shows the increasing understanding of Safestay's premium positioning. Notwithstanding the current trading headwinds impacting the London market, and more directly Holland Park, the Board remain confident in our outlook with 2016 full-year EBITDA projected to be at the lower end of our expectations. We continue to see opportunity for expansion and to seek new sites amongst the principal western gateway cities of Europe."

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Chairman's statement

Introduction

I am pleased to present the unaudited interim results of Safestay plc for the six months to 30 June 2016. We have made good progress, more than doubling the revenues of the Group and investing in the systems and infrastructure so that we can now efficiently support multiple hostels.

Our hostels in London Elephant & Castle, London Holland Park, York and Edinburgh, with a portfolio bed count of over 1,500, positions Safestay as the UK's leading premium tourist hostel business. I am particularly satisfied with the quality of our fledgling hostel group in terms of location, real estate and standard of customer offering. These fundamentals underpin our business, as a premium hostel brand.

The European tourism market has been facing some headwinds through 2016 driven primarily by acts of terrorism, softening economies and political instability which has notably had a well reported impact on London's hospitality sector performance. The Group's exposure to this market, with two hostels, compounded by Holland Park being a new entrant, has created a drag on the 2016 performance. It is encouraging to note Elephant & Castle is recording like-for-like revenue growth of 4.5% against this challenging backdrop and I remain confident Holland Park will reach our expected trading performance within the original target three year maturation period.

Operational Review

I am particularly pleased that the teams have improved our operational efficiency and grown EBITDA as a percentage of revenues in all our hostels. This positions the business well to capitalise on strengthening revenues as the London market returns to more normal trading conditions.

Elephant & Castle saw revenues grow 7.7% and EBITDA by 31.1%, York's revenues grew by 0.6% and EBITDA by 51.5% and Edinburgh, against pre-acquisition unaudited numbers, grew revenues by 2.2% and EBITDA by 16.8%. It is particularly encouraging to see efficiency gains across these hostels ahead of the growth in revenue.

The refurbishment of the Edinburgh hostel, which was undertaken in the low season allowing the business to trade through, is now complete. This activity had an impact on the trading performance in H1, despite which the business grew revenues year on year. Now the works are complete the interim branding of Smart City Hostels by Safestay will be phased out during H2 2016 simplifying brand communications going forward. From a guest perspective, across the Group the net promoter score of over 1,500 guests was 45, up from 42 for H2 2015. This is a very positive absolute score and an improving trend. Holland Park consistently rates highest in our portfolio for guest satisfaction.

Elephant & Castle has seen non-accommodation revenues jump from 4% to 11% of total revenue from H1 2015 to 2016. This is a result of moving to charging for breakfasts and focusing on group food and ancillary revenues. The hostel's improving efficiencies mean the additional revenues have been delivered without new cost. The area around Elephant and Castle continues to improve as it benefits from significant investment in regeneration, and demand from groups and individual travellers remains encouraging. These fundamentals underpin both the trading outlook for the hostel and the growth in real estate value.

York is seeing strong improvement in EBITDA against modest revenue growth. Robust revenue management has seen the strongest average bed rates in the Group over the popular weekends through Q2. The mid-week groups business continues to build and the hostel is on track to deliver its projected mature trading numbers.

Holland Park is still within its first year of trading and the business is being efficiently run and delivering high levels of guest satisfaction. Revenues are building but at the lower end of management's expectations which is influencing the overall Group performance. Significant focus is being directed to accelerate the maturation process including the reconfiguration of the accommodation to enable greater conversion of group enquiries. We remain confident this hostel will achieve its projected trading potential within the three year build-up period.

H1 2016 saw the execution of a major systems project which was delivered successfully through January and February. There were three elements to the project; the finalisation of the multi-property web site, the development of a direct internet booking engine and the changeover to a new Group wide property management system.

The website is performing well with the overall conversion percentage sitting favourably to industry averages. A number of digital marketing initiatives have been implemented through the period to drive quality traffic to the site and improve conversion. The tools are in place to measure the ROI and target future investment.

The launch of the new internet booking engine (IBE) has been particularly successful with it performing as the Group's #2 web based channel within 3 months of being launched. IBE conversion rates are ahead of industry norms and further analysis and improvements are being made to build on this encouraging start in building Safestay's direct channel strategy. As importantly, the Group is harvesting valuable guest data and business insights are steering sales and marketing investment to further grow the direct channel and drive revenues and profitability.

The new Group property management system (PMS) is at the heart of the business and provides a platform for operating, understanding, driving and ultimately growing the business. This is transformational for the Group and will continue to add value as it supports the Group's operational, growth and sales and marketing activities.

The Group remains active in seeking new opportunities in target gateway cities. Maintaining the quality of the portfolio and acquiring in the right locations at the right price are key fundamentals that will be followed. The Group incurred aborted acquisition costs of £0.14m which will be incurred in H2.

Financial Review

For the period under review, the Company generated revenues of £3.29m (2015*: £1.40m), the Group recorded an EBITDA of £0.78m (2015*: £0.26m) and a loss before tax of £0.49m (2015*: loss of £0.25m).

As a consequence, the Group reported a loss per share after tax of 1.43p (2015* loss: 2.61p).

* Note that the comparable figures for 2015 are not like-for-like as they exclude Edinburgh (acquired September '15) and Holland Park (opened August '15) but do include costs associated with pre-opening of Holland Park.

During H1 the Group invested in implementing a new systems infrastructure which has delivered a platform and team that are now capable of supporting a much bigger portfolio at only a marginal increase in cost, positioning us well for future growth.

As at 30 June 2016, the Company had gross bank and loan note borrowings of £18.16m (30 June 2015: £9.12m) secured against its freehold properties with an average weighted interest cost of 3.85% (30 June 2015: 4.5**%**)**.**

The Company has three freehold properties and one leasehold property. As at 30 June 2016, its freehold property portfolio was valued at £32.63m, which was increased by £3.74m following the revaluation of Elephant & Castle in July 2016 on the back of this site's strong operating performance.

The Holland Park property, in accordance with IAS 17, continues to have the lease accounted for as a finance lease arrangement (see notes 1 and 7)**.** Over the 50 year lease period and using a discount rate of 6.5% the capitalised value of the lease is £10.4m.

Net asset value per share increased by 14.2p to 58.0p at the period end (2015: 43.8p).

The Board is not declaring the payment of an interim dividend.

Outlook

Our ambition is to become the leading premium pan-European hostel group and we continue to look for opportunities to grow the business. We have the systems and infrastructure in place and we are very focused on achieving this aim.

Notwithstanding the softer London market and the headwinds facing our Holland Park site, there is plenty of encouragement in the business performance and we remain confident in the outlook for 2016 and beyond. We look forward to reporting on further progress as this fledgling business continues to grow.

Larry Lipman
Chairman
12 September 2016

Condensed consolidated income statement		**Unaudited**	**Unaudited**	**Audited**
		6 months to 30 June 2016	**6 months to 30 June 2015**	**Year to 31 December 2015**
	Note	**£000**	**£000**	**£000**
Revenue	1	3,288	1,400	4,023
Cost of sales		(413)	(145)	(486)
Gross profit		2,875	1,255	3,537
Administrative expenses		(2,685)	(1,227)	(3,327)
Operating profit		191	28	210
EBITDA*		784	258	661
Depreciation and amortisation		593	230	451
Operating profit		191	28	210
Finance income		-	1	1
Finance costs		(789)	(278)	(821)
Loss profit before tax		(598)	(249)	(610)
Tax		107	-	(8)
Loss for the financial period attributable to owners of the parent company		(491)	(249)	(602)
Basic earnings/(loss) per share in pence	2	(1.43)	(2.61)	(2.52)
Diluted earnings/(loss) per share in pence	2	(1.43)	(2.61)	(2.52)

The revenue and operating result for the periods is derived from acquired and continuing operations in the United Kingdom

* Earnings before interest, tax, depreciation and amortisation

Condensed consolidated statement of comprehensive income	**Unaudited**	**Unaudited**	**Audited**
	6 months to 30 June 2016	**6 months to 30 June 2015**	**Year to 31 December 2015**
	£000	**£000**	**£000**
Loss for the period	(491)	(249)	(602)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of freehold land and buildings	3,876	33	152

Total comprehensive income for the period attributable to owners of the parent company	3,385	(216)	(450)

Condensed consolidated statement of financial position

	Note	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Non-current assets				
Property, plant and equipment	4	45,959	27,881	42,327
Intangible assets	5	1,282	-	1,352
Goodwill		525	-	525
Total non-current assets		47,765	27,881	44,204
Current assets				
Stock		94	2	19
Trade and other receivables		933	508	594
Deferred tax		209	21	-
Derivative financial instruments		13	6	20
Cash and cash equivalents		1,398	842	1,060
Total current assets		2,647	1,379	1,693
Total assets		50,412	29,260	45,897
Current liabilities				
Loans	6	689	387	693
Finance lease obligations	7	32	37	65
Trade and other payables		1,930	1,427	1,062
Deferred tax		102	-	-
		2,753	1,851	1,820
Non-current liabilities				
Bank loans, finance lease and convertible loan notes	6	17,467	8,555	17,391
Finance lease obligations	7	10,283	10,377	10,196
Derivative financial instruments		60	45	36
Total non-current liabilities		27,810	18,977	27,623
Total liabilities		30,563	20,828	29,443
Net assets		19,849	8,432	16,454
Equity				
Share capital	7	342	192	342
Share premium account		14,504	6,410	14,504
Merger reserve		1,772	1,772	1,772
Share-based payment reserve		35	11	23
Revaluation reserve		4,233	239	358

Retained earnings	(1,037)	(192)	(545)
Total equity attributable to owners of the parent company	19,849	8,432	16,454

Condensed consolidated statement of cash flows

	Unaudited 6 months to 30 June 2016	Unaudited 6 months to 30 June 2015	Audited Year to 31 December 2015
	£000	**£000**	**£000**
Loss before tax	(598)	(249)	(610)
Adjustment for:			
Depreciation	523	235	451
Amortisation	70	-	-
Finance costs	789	278	821
Finance income	-	(1)	(1)
Share-based payments charge	12	6	17
Changes in working capital:			
Decrease in stock	(76)	2	(15)
Increase in trade and other receivables	(339)	(341)	(420)
Increase in trade and other payables	1,162	762	400
Net cash generated from operating activities	1,543	692	643
Cash flows from investing activities			
Interest received	-	1	1
Purchase of property, plant and equipment	(279)	(12,821)	(4,082)
Acquisition of business	-	-	(14,150)
Net outflow from investing activities	(279)	(12,820)	(18,231)
Cash flows from financing activities			
New loans	-	11,434	10,500
Loan arrangement fees	-	-	(81)
Issue of ordinary shares for cash	-	-	8,535
Fees relating to share issue costs	-	-	(1,041)
Dividend paid	-	(58)	(58)
Interest paid	(404)	(553)	(620)
Loan repayments	(193)	(1,164)	(1,897)
Lease paid	(330)	-	-
Net cash inflow from financing activities	(927)	9,659	15,381
Net increase in cash and cash equivalents	337	(2,468)	3,310
Cash and cash equivalents at beginning of period	1,060	3,310	(2,250)
Cash and cash equivalents at end of period	1,397	842	1,060

Consolidated Statement of Changes in Equity

For the six months to 30 June 2016 (unaudited)

	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 31 December 2015	342	14,504	1,772	23	358	(545)	16,454
Comprehensive income							
Loss for the year	-	-	-	-	-	(492)	(491)
Other comprehensive income	-	-	-	-	3,875	-	3,876
Total comprehensive income	-	-	-	-	3,875	(492)	3,385
Transactions with owners							
Issue of shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Share based payment charge for the period	-	-	-	12	-	-	12
Balance at 30 June 2016	342	14,504	1,772	35	4,233	(1,037)	19,849

For the six months to 30 June 2015 (unaudited)

	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 31 December 2014	192	6,410	1,772	6	206	115	8,701
Comprehensive income							
Loss for the year	-	-	-	-	-	(249)	(249)
Other comprehensive income	-	-	-	-	33	-	33
Total comprehensive income	-	-	-	-	33	(249)	(216)
Transactions with owners							
Issue of shares	-	-	-	-	-	-	-

Dividend paid	-	-	-	-	-	(58)	(58)
Share based payment charge for the period	-	-	-	5	-	-	5
Balance at 30 June 2015	192	6,410	1,772	11	239	(192)	8,432

For the year ended 31 December 2015 (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 31 December 2014	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

1. Basis of preparation and accounting policies

The condensed interim consolidated financial statements of the Company and its subsidiaries ("the Group") for the 6 months to 30 June 2016 ("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 period ended 31 December 2015. 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 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.

Intangible assets

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

Where an intangible has a determinable finite useful life, the intangible asset is amortised on a straight-line basis over that useful life. The applicable useful life is 11 years for the life of the interest in the head lease.

2. Earnings per share

	Unaudited	**Unaudited**	**Audited**
	6 months to 30 June 2016	**6 months to 30 June 2015**	**Year to 31 December 2015**
	£000	**£000**	**£000**
(Loss)/Profit for the period attributable to equity holders of the company	(491)	(249)	(602)
Weighted average number of ordinary shares for the purposes of basic (loss)/ earnings per share	34,219	9,622	23,881
Effect of dilutive potential ordinary shares	7,488	-	6,545
Weighted average number of ordinary shares for the purposes of diluted (loss)/ earnings per share ('000's)	41,707	9,622	30,426
Basic (loss)/ earnings per share	(1.43p)	(2.61p)	(2.52p)
Diluted (loss)/ earnings per share	(1.43p)	(2.61p)	(2.52p)

3. Dividend

No interim dividend has been declared.

4. Property, plant and equipment

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	3,739	-		3,739
At 30 June 2016	32,631	12,793	1,206	46,630
Depreciation				
At 1 January 2016	-	71	215	286
Charge for the period	142	126	255	523
Revaluations	(137)	-	-	(137)
At 30 June 2016	5	197	470	672
Net book value				
30 June 2016	32,626	12,596	736	45,958

For the period from 1 January 2015 to 30 June 2015 (unaudited)

	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 1 January 2015	14,921	-	113	15,034
Additions	-	13,011	67	13,078
Revaluations	(42)	-	-	(42)
At 30 June 2015	14,879	13,011	180	28,070
Depreciation				
At 1 January 2015	-	-	34	34
Charge for the period	75	130	25	230
Revaluations	(75)	-	-	(75)
At 30 June 2015	-	130	59	189
Net book value				
30 June 2015	14,879	12,881	121	27,881

For the period from 1 January 2015 to 31 December 2015 (audited)

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2015	14,921	-	113	15,034
Additions	1,068	12,793	742	14,603
Acquisitions	12,775	-	200	12,975
At 31 December 2015	28,764	12,793	1,055	42,612
Depreciation				
At 1 January 2015	-	-	34	34
Additions	152	71	180	403
Charge for the period	(152)	-	-	(152)
At 31 December 2015	-	71	214	285
Net book value				
At 31 December 2015	28,764	12,722	841	42,327
At 31 December 2014	14,921	-	79	15,000

At 30 June 2016, the carrying value of the Group's freehold and leasehold property including fixtures and fittings was £45,958,000 (30 June 2015: £27,881,000, 31 December 2015: £42,327,000)

The directors valued the freehold properties using external valuations prepared by Edward Symmons LLP for the York property and Colliers International for the Edinburgh property which were undertaken in 2014 and 2015 respectively. The valuation for Elephant & Castle was undertaken by Cushman & Wakefield LLP on behalf of the Group's bankers, Coutts & Co, in 2016 as part of the Group's potential acquisition activity.

The valuations are based on the discounted cash flows technique with a capitalisation rate of between 6.75% and 8% capitalisation rate and a discount rate of between 8.75% and 10%, depending on the property applied to forecasts of future earnings before interest, taxation and depreciation (EBITDA). The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in revaluation surplus.

Leasehold land and buildings additions comprise the capitalised finance lease plus refurbishment costs incurred on the Holland Park hostel.

The historical cost of freehold property is £28,892,000 (30 June 2015: £17,281,000, 31 December 2015: £27,764,000).

The Group has pledged freehold property with a carrying value of £32,626,000 (30 June 2015: £14,879,000, 31 December 2015: £28,764,000) to secure banking facilities and loan notes granted to the Group.

5. Intangible Asset

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Cost			
At beginning of period	1,400	-	-
Acquisitions	-	-	1,400
At end of period	1,400	-	1,400
Amortisation			
At beginning of period	48	-	-
Charge for the period	70	-	48
At end of period	118	-	48
Net book value			
At end of period	1,282	-	1,352

On the acquisition of the business on Smart City hostel in Edinburgh the Director's identified an intangible asset in relation the lease with the University of Edinburgh, which terminates in 2027.

6. Loans

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
At amortised cost			
Bank loans	14,356	6,320	14,549
Convertible loan notes	3,800	2,800	3,800
	18,156	9,120	18,349
Unamortised Borrowing costs	(230)	(178)	(265)
	17,926	8,942	18,084
Loans repayable within one year	689	387	693
Loans repayable after more than one year	17,237	8,555	17,391
	17,926	8,942	18,084

The repayment profiles of the loans as at 30 June 2016, 30 June 2015 and 31 December 2015 are as follows:

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

	Convertible loan notes £000	Bank loans £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	-	12,846	12,846
After more than five years	-	-	-

Balance at 30 June 2015	3,800	14,356	18,156

For the period from 1 January 2015 to 30 June 2015 (unaudited)

	Convertible loan notes	Bank loans	Total
	£000	£000	£000
Due within one year	-	350	350
Between one and two years	-	350	350
Between two and five years	2,800	5,620	8,420
After more than five years	-	-	-
Balance at 30 June 2015	2,800	6,320	9,120

For the period from 1 January 2015 to 31 December 2016 (audited)

	Convertible loan notes	Bank loans	Total
	£000	£000	£000
Due within one year	-	755	755
Between one and two years	3,800	755	4,555
Between two and five years	-	13,039	13,039
After more than five years	-	-	-
Balance at 30 June 2015	3,800	14,549	18,349

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 30 June 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 note holder, 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.

7. Obligations under Finance Leases

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Amounts payable under finance leases:			
Within one year	32	37	65
In the second to fifth years inclusive	169	162	158
After five years	10,114	10,215	10,038
Present value of future lease obligations	10,315	10,414	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.

8. Share Capital

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Allotted, issued and fully paid 34,219,135 Ordinary Shares of 1p each (30 June 2015: 19,244,519, 31 December 2015: 34,219,135)	342	192	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. The increase is the result of share issued from the placing and open offer on 10 September 2015.