safestay

REPORT AND FINANCIAL STATEMENTS 2016

2 Safestay's Mission
5 2016 in Review
6 The Guest Experience
9 Safestay London Elephant & Castle
11 Safestay London Holland Park
12 Safestay York
14 Safestay Edinburgh
16 Chairman's Statement
20 Strategic Report
22 Board of Directors & Senior Management
24 Officers and Professional Advisors
25 Directors' Report
28 Directors' Remuneration Report
30 Corporate Governance
31 Independent Auditor's Report to the Members of Safestay plc
32 Consolidated Income Statement
33 Consolidated Statement of Comprehensive Income
34 Consolidated Statement of Financial Position
35 Consolidated Statement of Changes in Equity
36 Consolidated Statement of Cash Flows
37 Notes to the Consolidated Financial Statements
57 Company Statement of Financial Position
58 Company Statement of Changes in Equity
59 Company Statement of Cash Flows
60 Notes to the Company Accounts

Welcome to **Safestay**





Safestay is one of the **leading operators** in the **luxury** hostel market providing guests with a **radically new experience** of staying the night in a modern hostel with **style, safety, comfort, cleanliness and value for money**.

Safestay leads the way with a range of stylish, superbly located accommodation offering quality that is affordable and comfortable. Each hostel is designed to appeal to a wide range of guests, from families, school groups and young adults to backpackers and savvy business travellers. Safestay's hostels are all chic statement buildings, with upscale, quality interiors throughout and equipped with amazing social spaces.

To provide a **consistently high quality product and standard of service**, while still preserving the ethos and character of individual hostels. **Style, safety, comfort, cleanliness and value for money** are paramount; when guests stay at a Safestay hostel they can expect to enjoy a **safe and comfortable night's sleep**, as well as socialising in the fabulous communal areas and making full use of the **excellent facilities available.**

Safestay's Mission

Chairman Larry Lipman adds, "We have developed a new innovative brand within the rapidly expanding luxury hostel market. Awareness of this new genre of hostel and their quality has changed and is changing traditional perceptions of what a hostel is like to stay in and as result demand is growing. These are therefore exciting times for those involved in the sector and Safestay is carving out its own unique reputation within this market for providing safe, stylish hotels which are comfortable and fun to stay in whilst still offering incredible value for money when compared to traditional alternatives."

Safestay's sustained success through its existing hostels has meant the Company is well-placed to pursue its strategy for growth. Currently, the Group has four hostels in Edinburgh, York, and in London's Elephant & Castle and Holland Park.

The objective is to increase the number of hostels in the portfolio by selecting and acquiring new sites in key gateway cities in the UK and across Europe. This past year has seen planning permission granted for the extension of the Elephant & Castle hostel to add a further 80 beds. Continued operational success alongside a debt restructuring and sale and leaseback transaction completed in 2017 which has reduced the cost of borrowings and raised £12.6m in new capital means the Group is now well placed to achieve its future expansion plans.

Safestay continues to be the only publicly quoted hostel operator which creates a certain uniqueness for investors looking to gain access to this fast emerging market.









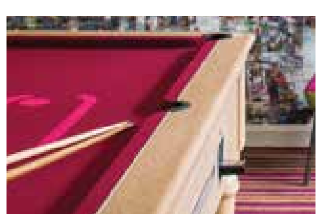
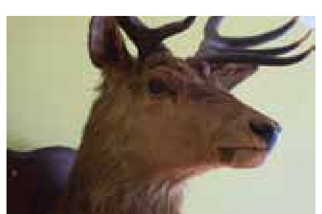
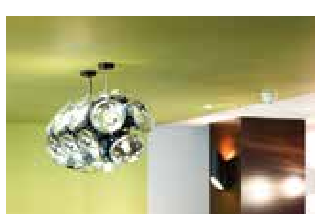
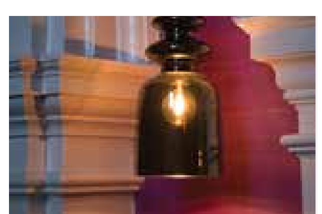






Increasingly, the unique aspects of a Safestay hostel are being understood, as both the awareness and most importantly the number of people who have experienced staying in a Safestay hostel grows.



2016 in Review

2016 has been a good year for Safestay. The business has progressed well nearly doubling revenues for the year and increasing EBITDA to £2.2 million (2015: £0.7 million). The focus has been on integrating the new hostels into the Group and both Holland Park and Edinburgh benefitted from being under the Safestay brand for a full 12 months for the first time.

"The business has performed well nearly doubling revenues and following the successful refinancing and sale and lease back transaction in early 2017, has the cash resources to achieve its objectives."

Increasingly, the unique aspects of a Safestay hostel are being understood, as both the awareness and most importantly the number of people who have experienced staying in a Safestay hostel grows.

Organic expansion of the business is an ongoing process and in 2016 the Company won approval for the extension and reworking of the Elephant & Castle hostel which will see 80 beds added alongside a refurbishment of all food and beverage areas. Work is expected to commence in 2017 and will significantly add to the attraction and capacity of the hostel.

In late 2016, Safestay announced the appointment of Nuno Sacramento as Chief Operating Officer, Nuno comes with a wealth of leisure experience from having worked in senior roles with Whitbread PLC for 16 years and more recently for Carrillion PLC.

Since the year end, the Company has continued to make good progress with the completion of a successful £18.4 million debt restructuring and through the sale and leaseback of Elephant & Castle and Edinburgh hostels which has generated new capital of £12.6 million without materially reducing the book value of the property portfolio. As a result, Safestay is now well positioned to pursue its expansion plans in 2017.

Safestay locations
4

AIM listed
2014

Average bed price
£19.28

Total beds
1526

Total rooms
258

Average occupancy rate
65%

Breakfasts served in 2016
147,210

"Safestay London is **not your average backpacker's hostel**... There is a gorgeous outside seating area where guests tended to mingle and **get to know each other**."

Katie Dawes @thehostelgirl

The Guest Experience

Bianca Teixeira
@justlovetotravel

If you're looking for a really good hostel in London, take a look at Safestay London Holland Park! Really good price and the best accomodation.

Katie Dawes
@thehostelgirl

Safestay London is not your average backpacker's hostel. In fact, its style is more in line with the hybrid hostel/hotels that are an increasingly growing market in Europe. Hybrids offer hotel facilities, such as private en-suite rooms at higher prices, with hostel facilities such as communal areas and bunk-bed dormitories.

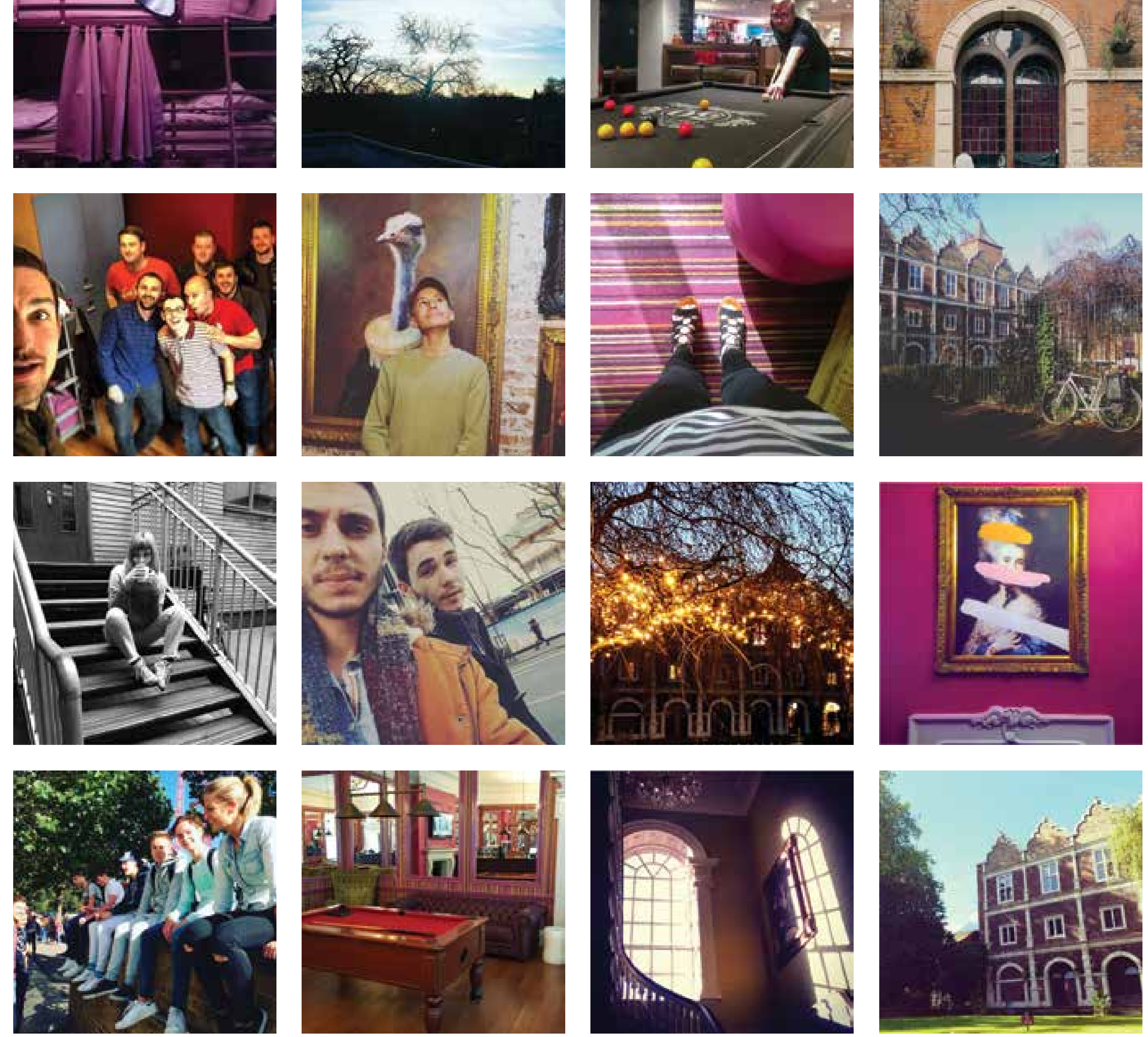
Personally, I thought the communal areas were fantastic. The common area downstairs is large enough that when I needed to get work done I could tuck myself away in a corner (all of which have a great supply of wall chargers!) and get on with it. But when the time came to re-enter the social world all I had to do was walk to the bar, prop myself up on a bar stool and there was always a traveller or businessman/woman ready to chat and make plans for a night out with later. There was also a gorgeous outside seating area where guests tended to mingle and get to know each other. Whilst it was not the busiest of hostel bars, if you did find yourself to be the only one in the area the staff were always willing to get to know you...

Sophie Campbell
@telegraphtravel

There are three sections: East Wing, the Grade I-listed remainder of the 1605 mansion otherwise obliterated during the Blitz; Annexe A, a 1950s hostel building newly clad in concrete with a rather cool corrugated iron extension on top; and Annexe B, also 1950s, this time a long, low, redbrick building. Huge windows in the dining and leisure areas overlook the garden and fishpond, and there's lots of outdoor seating.

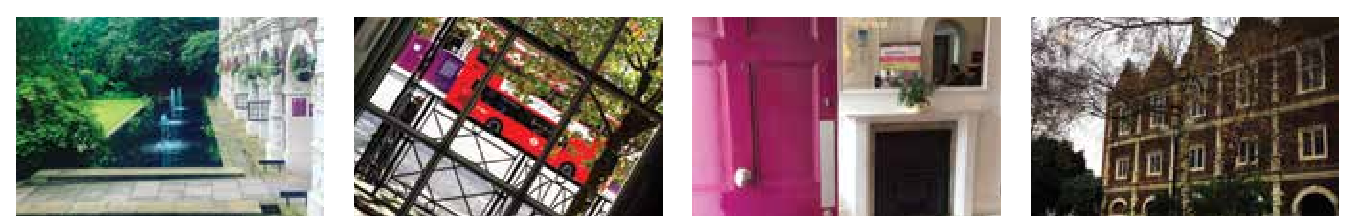
Kathi Kamleitner
@watchmesee

The hostel has a prime location for sightseeing and to and from the King's Cross station I only had to catch one Tube line without changing – considering that lugging around bags or suitcases in the poorly ventilated tunnels of the London Tube, this really is a winning factor!



We are building a **premium hostel brand** and are gratified that our customer feedback shows the **increasing understanding of Safestay's premium positioning**.

Photographs collected from #safestay across social media platforms



Opened in
2012

Rooms start at
£17

Total beds
413

Total rooms
74

sqft of hostel
36,000

Breakfasts served in 2016
65,570

Safestay London Elephant & Castle **integrates the old and the new** in all aspects of its **design and architecture.**

Safestay London Elephant & Castle

"I loved the bright colours, quirky design and décor – Safestay definitely has the look of a five-star boutique hotel written all over it. The common room downstairs is a very chilled out and relaxing space. Whether you are there for drink at the bar or just to catch up with friends it's a great shared space."

Budget Traveller
Luxury Hostel Guide
September 2016

Safestay's first and most successful hostel, Safestay London Elephant & Castle is a five minute walk from Elephant & Castle Underground Station south of the River Thames in Zone One. Many of London's most famous landmarks and tourist attractions are only minutes away, including Tower of London, Natural History and Science Museums, Oxford Street shopping, Madame Tussauds, Covent Garden and the Royal Palaces. In addition to these top London hotspots, visitors can explore the eclectic cultural scene of the local area including cafés, the vibrant Borough Market and the world-renowned Ministry of Sound nightclub.

Safestay London Elephant & Castle is a great base for exploring all that London has to offer. Located in John Smith House (the former Labour Party headquarters), Safestay London Elephant & Castle integrates the old and the new in all aspects of its design and architecture. Original features of the Grade II listed building remain tastefully preserved, with designed interiors that are otherwise strikingly contemporary with bright colours and standout artwork by emerging artists, such as Banksy prints and Britpop art. Eclectic furniture, antique mirrors and brown leather sofas blend effortlessly with Tom Dixon bell jars, acrylic chairs and bowler hat light fixtures, all helping to create a lively social environment throughout the communal areas. Elephant & Castle has emerged as a development hotspot and is enjoying significant inbound investment and regeneration, further underpinning the strength of the location and value of the freehold. Safestay London Elephant & Castle recently received planning consent to significantly develop the hostel, adding 80 beds and refurbishing the lower ground floor and beverage areas.

Safestay London Elephant & Castle has a range of accommodation options including 4, 6 and 8 bunk bedded dorms with en-suite facilities, as well as single, twin, double and family bunk rooms with their own tea/coffeemaking facilities and large screen televisions. Rates start from as little as £17 per bed per night, with en-suite doubles from £78 per room per night.

Opened in
2015

Rooms start at
£15

Total beds
351

Total rooms
31

sqft of hostel
20,000

Breakfasts served in 2016
32,540

A listed **building of historical significance**, Safestay London Holland Park is located in West London's **most exclusive neighbourhood**.

Safestay London Holland Park

"You wouldn't expect a Grade II listed building in leafy Holland Park to house a hostel but then Safestay is no ordinary purveyor of budget beds. This is the company's third outpost in the UK, and the aim is low prices, high style."

Elle
September 2016

Found in one of London's most prestigious parks and one of West London's most desirable and exclusive neighbourhoods, Safestay London Holland Park provides a unique setting in which to relax and unwind after enjoying all that London has to offer. With excellent transport links close by, the hostel is a ten minute walk to High Street Kensington, Notting Hill and Portobello Road, and one tube stop from Westfield Shopping Centre. Many of London's most popular tourist attractions including the Natural History Museum and the Science Museum are also just minutes away by tube.

Safestay London Holland Park is housed within the east wing of the original Jacobean building, Holland House, a listed building of historical significance. The comprehensive refurbishment was completed in August 2015 which sees the hostel occupy parts of the Grade II building dating back to 1607 as well as the 1950s' extension, central courtyard and private gardens.

Safestay London Holland Park offers a range of accommodation options from private en-suite doubles and family rooms with their own tea/ coffee-making facilities and 40-inch televisions, to larger dorms. Rates start from an incredible £15 per bed per night.

York is a **tourist destination** with broad appeal and Safestay York makes an **ideal base** for exploring the city's Roman, Viking, and Medieval heritage.

Safestay York

"I also love Safestay because it's super quirky, with pink flashes throughout, and nice break out spaces to relax and enjoy the atmosphere. Their bar is an old secret dining room, and their games room has freaky paintings of animals dressed as people!"

A Life of More Blog
September 2016

Safestay York is located in Micklegate House, on Micklegate within the medieval walls in the heart of York's city centre. Officially opened in January 2015 following a major refurbishment, Safestay York offers visitors a magical blend of tradition and modernity. The impressive Grade I listed Georgian building was originally designed by the famous architect John Carr of York and stand-out features include the 18th century stone-flagged entrance hall and the sweeping staircase with its superb carved balusters in front of a magnificent arched window, and the stunning Rococo ceiling featuring Shakespeare's head, believed to have been created by the renowned Italian artist Cortese. These features have been enhanced with modern touches including whimsical furnishings and bright splashes of colour.

York is a tourist destination with broad appeal and Safestay York makes an ideal base for exploring the city's Roman, Viking and Medieval heritage. This grand walled city boasts a wealth of attractions from the iconic York Minster, the National Railway Museum, Castle Museum, the Jorvik Viking Centre and Clifford's Tower. These amazing tourist attractions are complemented by a busy calendar of events and festivals, a vibrant horse racing calendar and a superb retail and leisure offer.

Safestay York has a range of accommodation options including 4 to 12 bed bunk dorms with en-suite facilities, private rooms with twin bunks and their own tea/coffeemaking facilities and 40-inch televisions, as well as double rooms with ornate antique 19th century beds. Rates start from an incredible £15 per bed per night, with en-suite double rooms from £60 per room per night.

Opened in
2015

Rooms start at
£15

Total beds
147

Total rooms
23

sqft of hostel
13,000

Breakfasts served in 2016
7,300

The **superb location** in the heart of Edinburgh means hostel guests are only a short walk from **Edinburgh Castle, Arthur's Seat** and **Princes Street.**

Safestay Edinburgh

"The chain's corporate slant on a groovy-looking reception – lime green and violently violet stripes and exploding eggshell hanging lamps – aims at 'fun budget boutique' rather than 'backpackers hovel'.

The Telegraph Travel
August 2016

Just off Edinburgh's famous Royal Mile on Blackfriars Street, Safestay Edinburgh enjoys a fantastic location in the heart of this historic city. This imposing hostel is the leading large hostel in Edinburgh and also features a licensed stand-alone food and beverages business trading as Bar 50, which becomes a live venue during the famous Fringe Festival. Hostel guests are only a short walk from Edinburgh Castle, Arthur's Seat, Princes Street and the fabulous museums, tourist attractions and various other leisure offerings in Edinburgh.

The property has 272 hostel beds throughout the year, and leases 81 rooms to the University of Edinburgh for the academic year September through May. For the months of June, July and August the student rooms are converted to hostel rooms increasing the capacity to 615 beds which complements the surge in accommodation demand Edinburgh enjoys each summer.

Hostel guests benefit from recent refurbishments carried out in summer 2016, complementary Wi-Fi throughout and a range of guest amenities including internet café, luggage store, guest kitchen and laundry. Hostel guests also enjoy the relaxed environment of Bar 50 which is licensed and open all day. The bar is open to the public and is enjoyed by the local student community.

Safestay Edinburgh has all ensuite accommodation across a range of dorm sized from private rooms to a 12 bed dorm. Rates start from an incredible £16 per night.

Purchased in
2015

Rooms start at
£16

Total beds
272/615

Total rooms
49/130

sqft of hostel
47,000

Breakfasts served in 2016
41,800

Chairman's Statement

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.

Larry Lipman, Chairman

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

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 Group 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 Group has completed a geared ground rent sale and lease back 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 Group 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

Strategic Report

Principal activity

The principal activity of the Group comprises the operation and development of upmarket backpacker/tourist hostels under the Safestay brand in properties that are either owned or occupied on long leasehold.

The business model

The Safestay business model is to develop and operate a brand of contemporary hostels in the UK and key strategic cities in Europe. The Safestay brand is positioned at the premium end of the hostel spectrum with the appeal to a broad range of guests. Core elements of the model are:

- Development – Identifying potential properties in target cities, acquiring the properties and their contemporary, stylish refurbishment to fit with the brand
- Operational – Providing comfortable, safe and enjoyable stay in our hostels for a reasonable price with a focus on customer satisfaction and repeat stays
- Brand – Building the Safestay brand equity value
- Scale – Building the platform to efficiently add further hostels to the Group
- People – Investing in the right people where automation cannot be adopted

Review of business and future prospects

All the hostels enjoyed uninterrupted trading through to the financial year ended 31 December 2016 (Safestay London Holland Park having started trading from 17 August 2015 and Smart City Hostels by Safestay having been acquired on 16 September 2015).

The underlying business generated revenues of £7.4 million (2014: £4.0 million) and an underlying trading EBITDA of £2.2 million (£0.7 million) for the year to 31 December 2016. 2016 has been a pivotal year for Safestay which has seen it transform from a business with two individual hostels into a Group of four properties and one of the leading premium hostel businesses in the UK. The addition of the new hostels has been complemented with the investment into a new group-wide web site, internet booking engine and property management system and the senior management appointment of Nuno Sacramento as Chief Operating Officer.

These fundamental changes have been delivered against a backdrop of driving ongoing performance from the existing hostels and controlling head office costs. The Board are satisfied this transition has been well executed and recognise the business is in a good position to both drive core trading performance and ably absorb new hostels as and when they are acquired.

The key operational metrics in 2016 resulted in an average bed occupancy of 64.9% and average bed rate of £19.28. Part of the growth came from maturing hostels and the timing of the acquisition during 2015 which does not give rise to a meaningful year on year comparison. The board monitors key performance indicators at a hostel level on a monthly basis.

Safestay's business, with strong assets in good condition that command premium locations, is well positioned to compete in the markets in which it currently operates. Safestay's key source markets of youth groups and independent youth travellers are predicted to grow (source: WYSE Travel Confederation) and supply remains constrained (Savills 2016), notably in London where barriers to entry are high.

Safestay also aims to deliver consistently high levels of guest service through a continuous focus on guest satisfaction. This is measured through the adoption of market leading software to measure post stay guest satisfaction in addition to monitoring public platforms that publish reviews from both our guests and our competitors. This data enables the management teams to proactively address any guest service issues as the business strives to consistently improve the levels of guest satisfaction.

Safestay has proven itself to be resilient to market shocks (such as the recent terror events in mainland Europe and significant movements in currency exchange rates, particularly following the EU referendum result in the UK) reinforcing the potential risks the business faces and the benefits of a broad consumer base which helped Safestay to minimise the financial impact of such events.

Safestay's has strong ambitions to further grow the portfolio and is actively pursuing new opportunities in European gateway cities and London, with strong market demand generators.

The Chairman's statement includes further analysis of the business performance, future prospects and key performance indicators.

Principal risks and uncertainties

The principal risks and uncertainties that could potentially have an impact on the Group's performance are detailed below.

Business risk

Safestay operates in the hospitality industry which, over the years, has experienced fluctuations in trading performance. Traditionally, the hotel sector's performance has tracked macro-economic trends, feeling the strain during the economic downturn and is more buoyant during recovery. The hostel sector, which leans more heavily on leisure travellers and has a lower price point, has proved more resilient and has delivered more robust cash flows through the economic cycle and has quickly recovered from isolated terror acts which may limit travel in the short term.

A proportion of Safestay's business comes from Europe, including a number of school groups. The business is therefore susceptible to changes in the source market, schools' education and travel policies as well as exchange rate fluctuations.

Whilst demand in Safestay's markets is projected to strengthen, the provision of new supply will dilute the trading performance within the competitor set. It should be recognised the barriers to entry are quite high with the availability of suitable real estate limited. Safestay's defence to such threats is the combination of our premium locations and high standard of accommodation and operations. As supply increases, the business' focus on revenue, customer service, and sales and marketing activity is key in order to protect and grow market share, brand loyalty and reputation.

Safestay's new property management system is deployed via SaaS (software as a service). As such the Group is dependent on robust internet connectivity and the resilience of the provider's third party data centre and back-up protocols to operate. Whilst the arrangement carries risks, these are deemed to be reduced when compared to an in-house option which would lead to higher management overhead costs for the business. The other systems used are not deemed to be business critical.

Accessing expansion opportunities at the right price and in the right locations is, by its nature, an opportunistic exercise. Whilst the leadership team has an excellent track record in securing properties to support business growth, there is no guarantee that future opportunities can be secured.

However, the Group announced on 31 March 2017, the sale and leaseback of two properties in the portfolio, yielding gross cash proceeds of £12.6 million. The business retains a long term interest in the properties to generate future operating cash flows and will use the funds realised from the transaction to target key strategic acquisitions in Europe and London. This is explained in more detail in note 22.

Financial risk

Safestay used bank debt to partially fund the freehold interest in the Elephant & Castle, York and Edinburgh hostels and part refurbishment of Holland Park. These loans have variable interest rates which track LIBOR. Any increases in LIBOR will increase the cost of these loans and therefore impact the net profit of the business. This risk has been partially mitigated by the use of interest rate swaps and caps.

In 2017, the Group competed an £18.4 million 5 year secured refinancing, repaying existing bank debt and convertible loans. This provides an efficient base from which to grow the business at a reduced margin over LIBOR.

The determining factor in Safestay's ability to acquire further hostels is governed by cash reserves and the ability to raise additional equity and debt. As such, there may be times when opportunities cannot be taken advantage of due to funds not being available or allocated elsewhere. Strict financial controls are in place to ensure that monies cannot be expended above the available limits or to breach any banking covenants.

A proportion of Safestay's business comprises group bookings and there is a risk of booking cancellations which will leave the hostel with unforeseen beds to sell at relatively short notice. To offset this risk, all group bookings require a non-refundable deposit of 10% at time of confirmation and staged payments in advance of the group arrivals.

Except for a small number of credit sales for which applied credit limits are verified through external sources, Safestay has a policy of full payment upfront for guests staying which is the norm for hostels. As such there are negligible trade receivable risks.

Approved by the board of Directors and signed on behalf of the board.

Larry Lipman
Chairman
6 April 2017

Board of Directors & Senior Management

From left to right:
Nuno Sacramento
Chief Operating Officer

Mark Beveridge
Finance Director

Larry Lipman
Chairman

Stephen Moss
Non-Executive Director

The Garden,
Safestay London Holland Park

Officers and Professional Advisors

Directors

Larry Glenn Lipman
Chairman

Stephen David Moss
Non-executive Director

Company Secretary
Mark Beveridge

Registered Office
1a Kingsley Way
London
N2 0FW

Company Number
8866498

Nominated Adviser and Broker
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Corporate Solicitor
Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Auditor
Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Bankers
HSBC Bank plc
First Floor
137 Regent Street
London
W1B 4HX

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Directors' Report

The directors present their annual report on the affairs of the Company and Group together with the financial statements for the year ended 31 December 2016.

Directors

The directors who have served in the year to 31 December 2016 were as follows:

Larry Lipman
Philip Houghton (resigned 31 December 2016)
Stephen Moss (non-executive)

As the directors of the Company, Larry Lipman and Stephen Moss, were re-appointed at the Company's AGM held in 2015, they are not required by the Company's articles of association to stand for re-election at the forthcoming AGM. However, Larry Lipman and Stephen Moss will be standing for re-election at the Company's AGM in 2018.

The Board wishes to thank Philip Houghton for his service to the Group.

Directors' and senior management biographies

Larry Lipman
Chairman

Larry Lipman (aged 60) has been the main driving force behind the Safestay business since its establishment. He is responsible for the Group's strategy and business development. He has extensive experience of the property market, gained during the last thirty years or so, throughout which he has been the managing director of Safeland plc, where his primary focus is on trading opportunities and the assessment of potential investments and refurbishment projects. He was also a key executive in each of Safeland's previous demergers and in each case he continued after the demerger to be closely involved with the growth of those businesses as well as continuing to manage the core businesses of Safeland.

Nuno Sacramento
Chief Operating Officer

Nuno Sacramento (age 46) was appointed as Chief Operating Officer on 1st February 2017. His significant hospitality background with international brands gives him the right platform to take the Safestay brand to the next stage of growth. Prior to joining Safestay, Nuno was Operations Director for Whitbread, managing a portfolio of 100 Premier Inns with on-site restaurants and Costa Coffee in key locations. Whitbread is the UK's largest hotel, restaurant and coffee shop operator with 50,000 employees and a leading FTSE 100 business. Nuno was a key contributor to the success of Whitbread, primarily its Premier Inn brand, where he had an influential role shaping the business. He headed the transition from fixed pricing to dynamic pricing, had a key role in defining the operating format and shaping evolving structures and labour models. Previously, Nuno ran his own businesses in Brazil and the UK and held various management roles with Accor, from Sofitel to Novotel in Russia, Argentina, France and Brazil.

Stephen Moss
Non-Executive Director

Stephen Moss (aged 62) is Chairman of three companies: Grosvenor Securities Limited, a central London commercial property investment and development company; Bibendum PLB Group Limited; and Bonasystems Europe Limited, a leading floor care and anti-slip specialist serving the hotel, leisure and transport sector. Until 2008, he was Managing Director of BCP Airport Parking which he had grown to become one of the leading booking agents for travel ancillaries via a mix of internet bookings and distribution agreements with leading travel agents, tour operators and airlines including Tui, Thomas Cook and Ryanair. Stephen founded Springboard in 1990, a charity which promotes careers in hospitality, leisure and tourism, of which he remains Chairman, and its board and corporate partners include many of the UK's leading hotel groups. In 1992 he was awarded an MBE for services to the restaurant industry and, in 2002, a CBE for his contribution towards education and training.

Mark Beveridge
Finance Director

Mark Beveridge (age 57) joined the Group on 3 November 2016 as finance director, reporting to the Board. He was, until recently, a director of corporate finance at Intercontinental Hotels Group. Previously, Mark was a director of finance at Marriott Vacation Club International in Europe, then a strategic business unit of Marriott International Inc. and prior to that was head of overseas finance and accounting and later head of corporate finance at Thomson Holidays Limited. Mark qualified as a chartered accountant at PWC in 1986.

Directors' Report

Directors' interests in shares

The following directors directly own share capital of the company:

	Ordinary shares of 1p each	
	Fully paid Number	Percentage %
Stephen Moss	83,333	0.2
Larry Lipman	56,055	0.2

Larry Lipman also owns one-third of the share capital of Safeland Holdings (2008) Corporation ("SHC") a corporation incorporated in Panama and 1.7% of Safeland plc. SHC owned 2,524,250 ordinary shares in the Company, representing 7.4% of the Company's shares in issue as at 31 December 2016. SHC owned 69.8% of Safeland plc, a company incorporated in the UK. Safeland plc owned 1,420,864 ordinary shares of the Company, representing 4.2% of the Company's shares in issue at 31 December 2016.

Directors' interests in options over the equity share capital of the company at 31 December 2016 were as follows:

	Granted	Lapsed	At 31 December 2016	Exercise price	Exercisable from	Exercisable to
Larry Lipman	396,521	–	396,521	50p	02/05/2017	01/05/2024
Philip Houghton	132,000	132,000[*1]	–	–	–	–

[*1] Philip Houghton's share options lapsed following his resignation on 31 December 2016.

Other substantial shareholdings

The Company had been notified of the following shareholdings which constitutes three per cent or more of the total issued ordinary shares of the Company as at 6 March 2017.

	Ordinary shares of 1p each	
	Fully paid Number	Percentage %
Miton Group plc	7,364,903	21.5
Pyrrho Investments Limited	5,725,000	16.7
Safeland Holdings (2008) Corporation	2,524,250	7.4
Business Growth Fund plc	1,850,485	5.4
Bredbury Limited	1,612,905	4.7
Oryx International Growth Fund Limited	1,600,000	4.7
Ord Minnett Limited	1,586,370	4.6
Safeland PLC	1,420,864	4.2
Aberdeen Holdings Limited	1,195,160	3.5

Dividends

The Directors have not recommended the payment of a dividend for the year (2015: £58,000).

Financial instruments

The Group's policy on financial instruments is stated in note 24 to these financial statements.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare consolidated accounts under International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Conflicts of interest

Under the articles of association of the Company and in accordance with the provisions of the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. However, the directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only directors who have no interest in the matter being considered will be able to take the relevant decision, and the directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial period ended 31 December 2015, the directors have authorised no such conflicts or potential conflicts in accordance with the above procedures.

Statement of disclosure of information to the auditor

- So far as each of the directors currently in office is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the directors has taken all the steps that ought to have been taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.

Larry Lipman
Chairman
6 April 2017

Directors’ Remuneration Report

Introduction
This report describes how the Board has applied the principles of good governance relating to Directors’ remuneration during the period ended 31 December 2016.

Remuneration committee
The duties of the Remuneration Committee are performed by the board as a whole. The Committee determines on behalf of the shareholders, the Company’s policy for the level of remuneration for the executive directors.

Remuneration policy on executive directors’ remuneration
Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre required and to reward them for enhancing value to shareholders. The performance measurement of both executive and non-executive directors and the determination of their annual remuneration package is undertaken by the Committee.

There are three main elements of the remuneration package for executive directors and senior managers:

1. Basic salary is determined by the Remuneration Committee at the beginning of each year and when an individual changes position or responsibility. Appropriate salary levels are set by reference to the performance, experience and responsibilities of each individual concerned and having regard to the prevailing market conditions.
2. Performance related bonuses are assessed annually and are based on a combination of individual and corporate performances during the preceding financial year. During the current year under review and prior years the directors did not receive a bonus.
3. Share options.

The remuneration package for Executive Directors also includes benefits in kind such as cars, fuel and health insurance.

It is the Company’s policy that its executive directors may take up outside directorships where it is considered that the appointment would not impinge on their employment with the Company. Individuals may retain any remuneration received from such services.

Directors’ service contracts
Larry Lipman, Philip Houghton and Stephen Moss held rolling service contracts with a three month notice period.

The directors’ service contracts contain no provision for fixed termination payments.

Share price
The Company has a single class of ordinary shares listed on the AIM market of the London Stock Exchange. High and low prices for the period were 63.0p and 37.0p respectively and the market price of the shares at 31 December 2016 was 45.0p.

Directors’ emoluments
The emoluments of the directors of the Company for the period ended 31 December 2016 were as follows:

	Salary and fees £’000	Benefits in kind £’000	2016 Total £’000	2015 Total £’000
Larry Lipman	46	–	46	14
Philip Houghton	175	–	175	92
Non-executive director				
Stephen Moss	24	–	24	20
	245	**–**	**245**	**128**

Director’s emoluments include compensation for loss of office of £34,000 to Philip Houghton who left the Group on 31 December 2016.

Approved by the Board of Directors and signed on behalf of the board.

Larry Lipman
Chairman
6 April 2017

Corporate Governance

Companies that have shares traded on AIM, the London Stock Exchange's market for smaller growing companies, are not required to comply with the UK Corporate Governance Code ('the Code'). Whilst the Group does not adhere to the Code, the Board is committed to maintaining high standards of corporate governance, and draws on best practice including those aspects of the Code it considers to be appropriate and practicable for a company of this size. In line with a focus on cost-effectiveness across the Group, the corporate governance processes in place balance the need to ensure that the Board carries out its responsibilities effectively with the need to do so cost-effectively.

Directors

During the period ended 31 December 2016 the Group was controlled by its Board of Directors which consisted of two executives and one non-executive director. Larry Lipman is Chairman of the Board. One of the two executives left the company on 31 December 2016.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

Due to the small size of the Board, it is considered inappropriate to establish a Nomination Committee. Consequently, these duties are performed by the Board as a whole.

Non-executive director

Stephen Moss acts as the company's independent Non-executive Director. He is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through existing mechanisms for investor communication.

The Non-executive Director constructively challenges and helps develop proposals on strategy through attendance at Board meetings and regular dialogue with the executive directors. He also ensures that robust internal controls exist and monitors management performance against agreed goals and objectives.

Directors' remuneration

The Executive Directors' remuneration consists of a package of basic salary and discretionary bonuses, which are linked to corporate and individual performance achievements and the levels of each are determined by the Board. The statement of remuneration policy and details of each director's remuneration are set out in the Directors' Remuneration Report.

Internal control

The Board is responsible for ensuring that the Group has in place a system of internal control. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Going concern

The Directors report that, based on the Group's budgets and financial projections to 30 April 2018, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

Auditor

The Board is responsible for the relationship with the Group's auditor, the in-depth review of the Group's financial reports, internal controls and any other reports that the Group may circularise. This includes a review of the cost effectiveness of the audit and non-audit services provided to the Group.

The Board monitors the non-audit services being provided to the Group by its external auditors on a regular basis to check that these services do not impair their independence or objectivity. Prior approval of the Board is required for activities which may be perceived to be in conflict with the role of the external auditor.

Details of the amounts paid to the external auditor during the year for audit and other services are set out in the notes to the financial statements.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board.

Larry Lipman
Chairman
6 April 2017

Independent Auditor's Report
to the Members of Safestay plc

We have audited the financial statements of Safestay plc for the year ended 31 December 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Westerman
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
6 April 2017

Consolidated Income Statement
Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	2	**7,411**	**4,023**
Cost of sales	3	(1,022)	(486)
Gross profit		**6,389**	**3,537**
Administrative expenses	4	(5,242)	(3,327)
Operating profit before exceptional expenses		**1,147**	**210**
Exceptional expenses	4	(152)	-
Operating profit after exceptional expenses		**995**	**210**
Finance income	5	-	1
Finance costs	6	(1,463)	(821)
Loss before tax		**(468)**	**(610)**
Tax	8	(43)	8
Loss for the financial year attributable to owners of the parent company		**(511)**	**(602)**
Basic and diluted loss per share	9	**(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.

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

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2016

	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)**

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position
31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	11	45,771	42,327
Intangible assets	12	1,212	1,352
Goodwill	12	525	525
Total non-current assets		**47,508**	**44,204**
Current assets			
Stock		23	19
Trade and other receivables	13	491	594
Derivative financial instruments	25	13	20
Cash and cash equivalents	14	737	1,060
Total current assets		**1,264**	**1,693**
Total assets		**48,772**	**45,897**
Current liabilities			
Loans and overdrafts	16	3,489	693
Finance lease obligations	17	34	65
Trade and other payables	15	1,261	1,062
Derivative financial instruments	25	45	36
Current liabilities		**4,829**	**1,856**
Non-current liabilities			
Bank loans and convertible loan notes	16	13,906	17,391
Deferred tax liabilities	18	5	-
Finance lease obligations	17	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	19	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**

These financial statements were approved by the Board of Directors and authorised for issue on 5 April 2017.
Signed on behalf of the Board of Director

Larry Lipman
Chairman

Consolidated Statement of Changes in Equity
31 December 2016

	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 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**

Consolidated Statement of Cash Flows
Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Cash generated from operations	21	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 / period		**1,060**	**3,310**
Net (decrease) / increase in cash and cash equivalents		**(323)**	**(2,250)**
Cash and cash equivalents at end of year / period	14	**737**	**1,060**

Notes to the Consolidated Financial Statements
31 December 2016

1. ACCOUNTING POLICIES FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

Safestay plc is listed on the AIM market of the London Stock Exchange and was incorporated and is domiciled in the UK.

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation.

The financial statements have been presented in sterling, prepared under the historical cost convention, except for the revaluation of freehold properties and certain financial instruments.

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2016.

The following is a list of standards that are in issue but are not effective in the year, and have not yet been endorsed for use in the EU, together with the effective date of application to the Group.

- IFRS 9: Financial Instruments - effective 1 January 2018
- IFRS 15: Revenue from contracts with customers - effective 1 January 2018
- IFRS 16: Leases - effective 1 January 2019

These and other new standards and amendments are not expected to have a material impact on the financial statements.

Going concern
The directors report that, based on the Group's budgets and financial projections to 30 April 2018, they have satisfied themselves that the Group and Company is a going concern.

Therefore the Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and have prepared the accounts on the going concern basis.

The principal accounting policies adopted are set out below.

Basis of consolidation
The Group's financial statements consolidate those of the company and its subsidiaries, together referred to as the Group made up to 31st December.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. All inter Group transactions and balances are eliminated on consolidation.

Business combinations
Acquisitions of subsidiaries and businesses are accounted using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquire and the equity interest issued by the Group in exchange for control of the acquire.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill
Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. A review of the goodwill is carried out annually.

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

Notes to the Consolidated Financial Statements
31 December 2016

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.

Impairment of property, plant and equipment
At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, but a negative revaluation reserve is not created.

For revalued assets, where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Any remaining balance of the reversal of an impairment loss is recognised in the income statement. For assets carried at cost, any reversals of impairments are recognised in the income statement.

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 8 years for the life of the interest in the head lease.

Notes to the Consolidated Financial Statements
31 December 2016

Dividends
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

Stock
Stock is stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price.

Trade receivables
Trade receivables are measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Equity
The total equity attributable to the equity holders of the parent comprises the following:

Share Capital
Share capital represents the nominal value of shares issued.

Share premium account
Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of share issues.

Merger reserve
Merger reserve represents amounts subscribed for share capital in excess of nominal value exchanged for the shares in the acquisition of a subsidiary company.

Revaluation reserve
Revaluation reserves represent the increase in fair value of investment property over the value at which it was previously carried on the balance sheet. Any gain from a revaluation is taken to the revaluation reserve. Where it reverses a previous impairment, the impairment is reversed, but any surplus in excess of the amount of the impairment is added to the revaluation reserve.

Retained earnings
Retained earnings represent undistributed cumulative earnings.

Equity Instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements
31 December 2016

Share based payments

The equity settled share based payment reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised but the reserve may equally rise or might see any reduction offset, as new potentially dilutive share options are issued. Balances relating to share options that lapse after they vest are transferred to retained fair value of employee services determined by reference to transfer of instruments granted.

The Group has applied the requirements of IFRS 2 Share based payment to share options. The fair value of the share options are determined at the grant date and are expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects on non-transferability, exercise restrictions and behavioural considerations.

Derivative financial instruments

None of the Group's derivative financial instruments are designated as a hedging instrument. The derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value at the end of each reporting period. Changes in fair value of the derivatives are taken to the income statement.

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised on the basis of tax losses enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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. Details of the methodology of property valuations are detailed in note 11.
- 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. Details of the methodology of property valuations are detailed in note 11.
- 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. This is set out in note 4.

Notes to the Consolidated Financial Statements
31 December 2016

2. REVENUE

	2016 £'000	2015 £'000
Hostel accommodation	6,058	3,531
Food and Beverages sales	1,243	353
Other income	110	139
	7,411	**4,023**

All revenue arises in the United kingdom.

3. COST OF SALES

	2016 £'000	2015 £'000
Food and drinks	461	206
Direct room supplies and sales commissions	561	280
	1,022	**486**

4. ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Staff costs (see note 10)	2,517	1,601
Legal and professional fees	515	551
Property costs	160	591
Depreciation and amortisation	1,041	451
Share option expenses	34	17
Other expenses	1,127	116
	5,394	**3,327**

Administration expenses include £152,000 of costs (2015: nil) which relate to the unsuccessful acquisition of a property in Dublin. This is treated as exceptional and outside the underlying trading of the hostels.

Notes to the Consolidated Financial Statements
31 December 2016

5. FINANCE INCOME

	2016 £'000	2015 £'000
Bank deposit interest	–	1
	–	**1**

6. FINANCE COSTS

	2016 £'000	2015 £'000
Interest on bank overdrafts and loans	727	558
Amortised loan arrangement fees	66	85
Other interest costs	5	–
Lease finance (note 17)	629	201
Fair value of interest rate swaps	36	(23)
	1,463	**821**

7. LOSS FOR THE FINANCIAL PERIOD

	2016 £'000	2015 £'000
Loss for the financial period is arrived at after charging:		
Depreciation on owned assets	688	332
Depreciation of assets under finance lease	213	71
Amortisation of intangible assets	140	48
Auditor's remuneration for audit services	55	50

Amounts payable in respect of both audit and non-audit services are set out below:

	2016 £'000	2015 £'000
Fees payable to the auditor for the audit of the company's annual accounts	**55**	**50**
Fees payable to the auditor and its related entities for other services:		
Corporate finance transactions	5	333
Taxation compliance services	24	29
	29	**362**

The audit fees disclosed in 2016 represent the fees payable for the audit for the period ended 31 December 2016 and the non-audit fees are those incurred in the period.

Notes to the Consolidated Financial Statements
31 December 2016

8. TAX

	2016 £'000	2015 £'000
Current tax		
Corporation tax	38	(29)
Total current tax	**38**	**(29)**
Deferred tax	5	21
Total tax charge/(credit)	**43**	**(8)**

The charge/(credit) for the year can be reconciled to the loss per the consolidated income statement as follows:

	2016 £'000	2015 £'000
Loss before tax	**(458)**	**(610)**
Tax at the standard UK corporation tax rate	(92)	(122)
Factors affecting charge/(credit) for the period		
Prior year adjustment corporation tax	–	(29)
Non-deductible items and other timing differences	44	122
Depreciation in excess of capital allowances	5	21
Group tax charge/(credit)	**43**	**(8)**

Details of deferred tax assets and liabilities are included in note 18.

The Group has tax losses of approximately £0.5 million which are available for offset against future trading profits. These have not been recognised at 31 December 2016 due to uncertainty over the timing of recovery.

Notes to the Consolidated Financial Statements
31 December 2016

9. LOSS PER SHARE

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

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

	2016 '000	2015 '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.

10. STAFF COSTS

The average monthly number of employees (including directors) during the period was:

	2016 Number	2015 Number
Hostel operation	113	92
Directors	3	3
	116	**95**

The costs incurred in respect of employees (including directors) were:

	2016 £'000	2015 £'000
Wages and salaries	2,341	1,466
Social security costs	168	124
Other employment costs	8	11
Total staff costs	**2,517**	**1,601**

Notes to the Consolidated Financial Statements
31 December 2016

11. 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 22, 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 16).

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.

Notes to the Consolidated Financial Statements
31 December 2016

12. INTANGIBLE ASSETS AND GOODWILL

	Note	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.

Notes to the Consolidated Financial Statements
31 December 2016

13. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Trade and other receivables	292	480
Prepayments and accrued income	199	114
	491	**594**

The directors consider that the carrying amount of other receivables approximates to their fair value.

14. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Cash and cash equivalents	737	1,060

All of the Group's cash and cash equivalents at 31 December 2016 are in sterling.

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

15. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	251	269
Corporation tax	84	-
Social security and other taxes	195	231
Other creditors	18	77
Accruals and deferred income	713	485
	1,261	**1,062**

Trade payables principally comprise amounts outstanding for trade purchases, customer deposits and operating costs.

Notes to the Consolidated Financial Statements
31 December 2016

16. 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	Principal £'000	Outstanding as at 31 December 2016 £'000	Interest rate	Term
Elephant & Castle	£5,600	£4,900	Secured LIBOR plus 3.25%	5 years
Edinburgh	£6,500	£6,094	Secured LIBOR plus 3%	5 years
York	£1,000	£925	Secured LIBOR plus 3.25%	5 years
Holland Park	£2,000	£1,875	Secured LIBOR plus 3%	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 22.

Notes to the Consolidated Financial Statements
31 December 2016

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**

17. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments	
	2016 £'000	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	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.

Notes to the Consolidated Financial Statements
31 December 2016

18. DEFERRED INCOME TAX

	Deferred tax assets	Deferred tax liabilities £'000	Total £'000
Balance as at 1 January 2015	**147**	**(126)**	**21**
Recognised in the income statement in 2015	(45)	24	(21)
Balance at 31 December 2015	**102**	**(102)**	**–**
Recognised in the income statement in 2016	–	(5)	(5)
Balance at 31 December 2016	**102**	**(107)**	**(5)**

Deferred tax assets relate to tax losses available for use against profits of future periods. Deferred tax liabilities relate primarily to accelerated capital allowances.

19. 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.

20. SHARE BASED PAYMENTS

The company has granted share options to subscribe for ordinary shares of 1p each, as follows:

Grant date	Exercise price per share (pence)	Period within which options are exercisable	Number of share options outstanding 2016	2015
2 May 2014	50p	2/5/2017 to 1/5/2024	1,057,389	1,057,389
3 June 2015	56p	3/6/2018 to 2/6/2025	–	132,000
			1,057,389	**1,189,389**

Notes to the Consolidated Financial Statements
31 December 2016

The share options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years from the date of grant and the share price must be a minimum of 60p. The options are forfeited if the employee leaves the Group before the options vest. Details of these share options are summarised in the table below:

	2016 Number of share options	2016 Weighted average exercise price	2015 Number of share options	2015 Weighted average exercise price
Brought forward 1 January	1,189,389	51p	1,189,562	50p
Issued in the period	–	–	132,000	56p
Forfeited in the period	(132,000)	56p	(132,173)	50p
Outstanding at 31 December	**1,057,389**	**50p**	**1,189,389**	**51p**
Exercisable at end of the period	**nil**	**nil**	**nil**	**nil**

No options were exercised in the period.

A share based payment charge was calculated using the Black Scholes model to calculate the fair value of the share options. The inputs are as follows:

	2016	2015
Closing price of Safestay Plc	45.50p	56.50p
Weighted average share price	50.00p	51.00p
Weighted average exercise price	60.00p	60.80p
Expected volatility	30.00%	20.00%
Expected life	7.34 years	7.00 years
Risk free rate	0.25%	0.25%
Expected dividend yield	1.00%	1.00%

The expected volatility percentage was derived from 12 and 3 month quoted share prices to 23 January 2017.

21. NOTES TO THE CASH FLOW STATEMENT

	2016 £'000	2015 £'000
Loss before tax	(468)	(610)
Adjustments for:		
Depreciation of property, plant and equipment and amortisation of intangible assets	1,041	451
Finance cost	1,361	821
Finance income	–	(1)
Share based payment charge	34	17
Changes in working capital:		
Increase in inventory	(4)	(15)
Decrease / (increase) in trade and other receivables	205	(420)
Increase in trade and other payables	139	400
Cash generated from operations	**2,308**	**643**

Notes to the Consolidated Financial Statements
31 December 2016

22. POST BALANCE SHEET EVENTS

On 31 March 2017, the Group announced an £18,400,000 debt restructuring and refinancing and raising £12,600,000 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%.

23. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption contained within IAS 24 – 'related party disclosures' from the requirement to disclose transactions between group companies as these have been eliminated on consolidation.

The remuneration of the directors, who are the key management personnel of the Group, is set out below.

	2016 £'000	2015 £'000
Directors' emoluments	245	118
Benefits in kind	–	10
Share based payment charges	34	17
	279	**145**

Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report. Mark Beveridge is paid by Safeland PLC. There are no charges for services provided to the Group.

Director's emoluments include compensation for loss of office of £34,000 to Philip Houghton who left the Group on 31 December 2016.

Details of directors share options is provided in the Directors' remuneration report.

At the 31 December 2016, the group owed Safeland plc £nil (2014: £76,000). Safeland plc is related to Safestay plc by way of a common director.

24. FINANCIAL INSTRUMENTS

Capital management
Total Capital is calculated as equity, as shown in the consolidated statement of financial position, plus debt.

The Board's policy is to maintain a strong capital base with a view to underpinning investor, creditor and market confidence and sustaining the future development of the business. Capital consists of ordinary shares, other capital reserves and retained earnings. To this end, the Board monitors the Group's performance at both a corporate and individual asset level and sets internal guidelines for interest cover and gearing.

The executive directors monitor the Group's current and projected financial position against these guidelines. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements
31 December 2016

	2016 £'000	2015 £'000
Share capital	342	342
Share premium account	14,504	14,504
Merger reserve	1,772	1,772
Retained earnings	(1,056)	(545)
Share based payment reserve	57	23
Revaluation reserve	4,218	358
Bank loans and convertible loans	17,395	18,349

The Group has no externally imposed capital requirements.

Significant Accounting Policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to these financial statements and in the tables below:

Categories of financial instruments
At 31 December 2016, the Group held the following financial assets:

	2016 £'000	2015 £'000
Trade and other receivables	292	480
Derivative financial instruments	13	20
Cash and cash equivalents	737	1,060
	1,042	**1,674**

At 31 December 2016, the Group held the following financial liabilities:

	2016 £'000	2015 £'000
Bank and convertible loans	17,395	18,084
Finance leases	10,229	10,261
Trade and other payables	464	577
Derivative financial instruments	45	36
	28,133	**28,958**

Of the above financial liabilities, £45,000 (2015: £36,000) relates to financial liabilities held at fair value through profit or loss and the remainder are financial liabilities measured at amortised cost.

The carrying amounts of the Group's bank loans and overdrafts and trade and other payables approximate to their fair value.

Notes to the Consolidated Financial Statements
31 December 2016

Financial risk management
The Group's financial instruments comprise bank loans and overdrafts, finance leases, cash and cash equivalents, available-for-sale investments, derivative financial instruments and various items within trade and other receivables and payables that arise directly from its operations.

The main risks arising from the financial instruments are credit risk, interest rate risk and liquidity risk. The board reviews and agrees policies for managing these risks which are detailed below.

Credit risk
The principal credit risk arises from bookings where the customer does not show up and the beds cannot be resold. The terms and conditions of any future booking received in advance requires the payment of a 10% deposit which is non-refundable. This policy ensures that the risk of customers not fulfilling their booking is reduced.

Interest rate risk
The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rate expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group enters into interest rate swaps to manage its cash flow interest rate risk by using floating-to-fixed and capped interest rate swaps. The Group raises borrowings at floating rates and swaps them into fixed or capped rates that are lower than those available if the Group borrowed at fixed rates directly. Under the swaps, the Group agrees with other parties to exchange the difference between fixed contracts and floating-rate interest amounts calculated by reference to an agreed notional amount.

Liquidity risk
All of the Group's long term borrowings are secured on the Group's property portfolio. If the value of the portfolio were to fall significantly, the Group risk breaching borrowing covenants. The board regularly review the Group's gearing levels, cash flow projections and associated headroom and ensure that excess banking facilities are available for future use.

Interest rate risk management
The Group is exposed to interest rate risk on its borrowings, which are at floating interest rates of between 3.00% and 3.25% above the London inter-bank offer rate (LIBOR) shown in the table below. The Group carefully manages its interest rate risk on an ongoing basis. In the period to 31 December 2015, the Group took out two interest rate instruments to manage its interest rate risk. Further details of these swaps can be found in note 25 to these financial statements. The directors currently believe that interest rate risk is at an acceptable level.

The interest rates for the Group's borrowings at 31 December 2016 are set out in the table below. All interest rates are at variable rate, unless stated, and the rates disclosed include margins.

Interest rate %	Fixed £'000	Floating / capped £'000	2016 Borrowings £'000	2015 Borrowings £'000
3.04	–	7,969	7,969	3,815
3.29	–	5,825	5,825	9,369
6.00	2,800	–	2,800	2,800
5.00	1,000	–	1,000	1,000
5.32	–	–	–	1,365
	3,800	**13,794**	**17,594**	**18,349**

Notes to the Consolidated Financial Statements
31 December 2016

Interest rate sensitivity
The sensitivity analysis below have been determined based on the exposure to interest rates for all borrowings subject to interest charges at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

Based on bank borrowings, at 31 December 2016, if interest rates were 0.25% higher or (lower) and all other variables were held constant, the Group's net profit would increase or decrease by £35,000 (2015: £30,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk management
Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group.

Customers' bookings received in advance are made with a 10% non-refundable deposit to reduce the risk of lost revenue from a cancellation.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of directors. The board manages liquidity risk by regularly reviewing the Group's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. All of the Group's long term borrowings are secured on the Group's property portfolio.

Liquidity and interest risk tables
The following tables detail the Group's remaining contractual maturity for its all financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay including interest.

	Less than 1 year £'000	1-2 years £'000	3-5 years £'000	Total £'000
Variable interest rate borrowings	755	755	12,284	13,794
Fixed interest rate borrowings	2,800	1,000	–	3,800
Derivative financial instruments	45	–	–	45
	3,600	**1,755**	**12,284**	**17,639**

Movement in derivative financial instruments:

	2016		2015	
	£'000 Assets	£'000 Liabilities	£'000 Assets	£'000 Liabilities
At 1 January	20	(36)	–	–
Changes in fair values	(7)	(9)	20	(36)
At 31 December	**13**	**(45)**	**20**	**(36)**

All of the above loans are at a set interest rate above the Bank of England Base rate except for the financial borrowings which are part covered by an interest rate swap or an interest rate cap. The weighted average effective interest rate at 31 December 2016 was 3.7%.

In the year to 31 December 2016, all of the Group's financial assets are non-interest bearing, except cash of £737,000 (2015: £1,060,000). All non-derivative financial assets are due within one year.

Notes to the Consolidated Financial Statements
31 December 2016

Fair value measurements recognised in the statement of financial position
IFRS13 categorises financial assets and liabilities as being valued in 3 hierarchical levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Freehold and leasehold property	–	–	32,307	32,307
Derivative financial instruments	–	13	–	13
	–	**13**	**32,307**	**32,320**
Financial liabilities				
Derivative financial instruments liabilities	–	(45)	–	(45)
	–	**(45)**	**–**	**(45)**
Net fair value	**–**	**(32)**	**32,307**	**32,275**

As at the year end, the fair values of the Group's outstanding derivative financial instruments, have been estimated by Coutts and Co by calculating the present value of future cash flow, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13, 'Fair Value Measurements'.

There were no transfers between levels in the period.

25. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2016, the Group had two derivative financial instruments as detailed below.

- The LIBOR rate on a notional loan of £1.225 million was swapped to a fixed rate of 2.07% until 6 May 2019. The fair value of this financial instrument at 31 December 2015 was a liability of £45,000 (2015: £36,000).
- The LIBOR rate on a notional loan of £1.225 million was capped at 3.00% until 6 May 2019. The fair value of this financial instrument at 31 December 2016 was an asset of £13,000 (2015: £20,000).

Neither of these financial instruments has been designated as qualifying for hedge accounting and consequently the fair value loss for the period has been taken to the income statement and disclosed within finance costs.

Company Statement of Financial Position
31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	3	12,528	12,722
Investments	4	2,593	2,593
Total non-current assets		**15,121**	**15,315**
Current assets			
Trade and other receivables	5	18,935	18,338
Cash at bank and in hand		–	41
Total current assets		**18,935**	**18,379**
Total Assets		**34,056**	**33,694**
Current liabilities			
Loans and overdrafts	7	2,899	95
Finance lease obligations	8	34	65
Trade and other payments	6	4,904	2,299
Current Liabilities		**7,837**	**2,459**
Non-current liabilities			
Lease obligations	8	10,196	10,196
Bank loans and convertible loan notes	7	2,760	5,655
Total non-current liabilities		**12,956**	**15,851**
Net Assets		**13,263**	**15,384**
Equity			
Share capital	9	342	342
Share premium account		14,504	14,504
Merger reserve		1,772	1,772
Share based payment reserve		57	23
Profit and loss account		(3,412)	(1,257)
Equity attributable to the owners of the parent company		**13,263**	**15,384**

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The company's loss for the period was £2,155,000 (2015: £1,275,000).

These financial statements were approved by the Board of Directors and authorised for issue on 6 April 2017.

Signed on behalf of the Board of Directors.

Larry Lipman
Chairman
6 April 2017

Company Statement of Changes in Equity
31 December 2016

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Share Based Payment Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1 January 2015	192	6,410	1,772	6	76	8,456
Comprehensive income						
Loss for the year	–	–	–	–	(1,275)	(1,275)
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1,275)**	**(1,275)**
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**	**(1,257)**	**15,384**
Comprehensive income						
Loss for the year	–	–	–	–	(2,155)	(2,155)
Total comprehensive income	**–**	**–**	**–**	**–**	**(2,155)**	**(2,155)**
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**	**(3,412)**	**13,263**

Company Statement of Cash Flows
31 December 2016

	2016 £'000	2015 £'000
Loss before tax	(2,155)	(1,275)
Adjustments for:		
Finance cost	924	434
Share based payment charge	34	17
Depreciation	271	71
Changes in working capital:		
Decrease / (increase) in trade and other receivables	46	(73)
Increase / (decrease) in trade and other payables	8	(66)
Net cash used in operating activities	**(872)**	**(892)**
Investing activities		
Investment in subsidiaries	–	(2,271)
Received from/(loans to) subsidiaries	1954	(6,560)
Purchase of tangible fixed assets	(77)	-
Net cash inflow/(outflow) from investing activities	**1,877**	**(8,831)**
Financing activities		
New loans	–	3,000
Loan repayments	(95)	(487)
Issue of ordinary shares	–	8,535
Fees related to the issue of shares	–	(1,041)
Dividend paid	–	(58)
Lease capital repaid	(660)	–
Interest paid	(295)	(226)
Net cash (outflow)/generated from financing activities	**(1,050)**	**9,723**
Cash and cash equivalents at beginning of year	**41**	**41**
Net decrease in cash and cash equivalents	**(45)**	**–**
Cash and cash equivalents at end of year	**(4)**	**41**

Notes to the Company Accounts
31 December 2016

1. LOSS FOR THE FINANCIAL YEAR

The company has taken advantage of section 408 (3) of the Companies Act 2006 and consequently a profit and loss account for the company alone has not been presented. The company's loss for the period was £2,155,000 (2015: £1,275,000)

2. STAFF COSTS

	2016	2015
The company's average monthly number of employees (including directors) during the period was:		
Administration	3	2
Directors	3	3
	6	**5**

	2016 £'000	2015 £'000
The costs incurred in respect of these employees (including directors) during the period were:		
Wages and salaries	347	266
Social security costs	30	28
Other employment costs	5	–
Total staff costs	**382**	**294**

Notes to the Company Accounts
31 December 2016

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Investment in Property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2015	–	–	–
Additions	12,793	–	12,793
As at 31 December 2015	**12,793**	**–**	**12,793**
Additions	–	77	77
At 31 December 2016	**12,793**	**77**	**12,870**
Depreciation			
At 1 January 2015	–	–	–
Charge for the year	71	–	71
At 31 December 2015	**71**	**–**	**71**
Charge for the year	256	15	271
At 31 December 2016	**327**	**15**	**342**
Net book value			
At 31 December 2016	**12,466**	**62**	**12,528**
At 31 December 2015	**12,722**	**–**	**12,722**

4. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost	
At 31 December 2014	1,843
Additions	750
As at 31 December 2015	**2,593**
Additions	–
At 31 December 2016	**2,593**
Net book value	
At 31 December 2016	**2.593**
At 31 December 2015	**2.593**

Notes to the Company Accounts
31 December 2016

Shares in subsidiary undertakings
The subsidiaries at 31 December 2016 and their principal activities are as follows:

DIRECT OWNERSHIP

WXYZ2 Limited	Investment activities (dormant)
Safestay (York) Limited	Property owning activities
Safestay (Edinburgh) Limited	Property owning activities
Safestay (Edinburgh) Hostel Limited	Hostel operation
Safestay (HP) Limited	Hostel operation
SS Barcelona 1 SL (Spain)	Dormant
SS Barcelona 2 SL (Spain)	Dormant

INDIRECT OWNERSHIP

Safestay (Elephant and Castle) Limited	Hostel operation
Safestay (York) Hostel Ltd	Hostel operation
MREF II White Property Limited (Jersey)	Property owning activities
MREF II White GP Limited (Jersey)	Holding company (dormant)
MREF II White Limited Partnership (Jersey)	Holding company (dormant)
MREF II White Holdings Limited (Jersey)	Holding company (dormant)

All subsidiaries are incorporated in Great Britain and registered in England and Wales unless otherwise stated. All subsidiaries operate in the United Kingdom. All subsidiaries are 100% owned.

5. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Due within one year:		
Amounts due from subsidiary undertakings	18,782	18,139
Other taxes	94	108
Other receivables and prepayments	59	91
	18,935	**18,338**

The amounts due from subsidiary undertakings are repayable on demand, but are not expected to be recovered within the next 12 months.

6. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	77	104
Amounts due to subsidiary undertakings	4,698	2,101
Other payables	40	54
Accruals and deferred income	89	40
	4,904	**2,299**

Notes to the Company Accounts
31 December 2016

7. BANK AND OTHER FINANCE LOANS

	2016 £'000	2015 £'000
Bank Loan	1,875	1,880
Convertible loan notes	3,800	3,800
Loan arrangement fees	(20)	(25)
Bank overdraft	4	–
	5,659	**5,655**

The loans are secured on properties owned by the Group.

The bank and convertible loans are repayable as follows:

	2016 £'000	2015 £'000
In one year	2,899	95
Between one and two years	1,095	2,895
Between two and five years	1,665	2,785
	5,659	**5,775**

8. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments	
	2016 £'000	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	(21,450)	(22,079)
Present value of future lease obligations	**10,230**	**10,261**

	Present value of minimum lease payments	
	2016 £'000	2015 £'000
Amounts payable under finance leases:		
Within one year	34	65
In the second to fifth years inclusive	157	158
After five years	10,039	10,038
Present value of future lease obligations	**10,230**	**10,261**

Notes to the Company Accounts
31 December 2016

The Company 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 Company's lease obligations is approximately equal to their carrying amount. The Company's finance leases disclosed above are in sterling.

9. 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.

10. SHARE BASED PAYMENTS

The Company has granted share options to subscribe for ordinary shares of 1p each, as follows:

Grant date	Exercise price per share (pence)	Period within which options are exercisable	Number of share options outstanding 2016	Number of share options outstanding 2015
2 May 2014	50p	2/5/2017 to 1/5/2024	1,057,389	1,057,389
3 June 2015	56p	3/6/2018 to 2/6/2025	–	132,000
			1,057,389	**1,189,389**

The share options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years from the date of grant and the share price must be a minimum of 60p. The options are forfeited if the employee leaves the Group before the options vest. Details of these share options are summarised in the table below:

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Brought forward 1 January	1,189,389	51p	1,189,562	50p
Issued in the period	–	–	132,000	56p
Forfeited in the year / period	(132,000)	56p	(132,173)	50p
Outstanding at 31 December	**1,057,389**	**50p**	**1,189,389**	**51p**
Exercisable at end of the period	**nil**	**nil**	**nil**	**nil**

No options were exercised in the period.

Details of the fair value of share options are shown in note 23 of the consolidated financial statements.

Notes to the Company Accounts
31 December 2016

11. RELATED PARTY TRANSACTIONS

The remuneration of the Company's directors, who are the key management personnel of the Group, is set out below.

	2016 £'000	2015 £'000
Directors' emoluments including employers national insurance	245	128
Share based payments	34	17
	279	**145**

Further information about the remuneration of individual directors and the directors share options is provided in the Directors' Remuneration Report.

	2016 £'000	2015 £'000
Amounts due from subsidiary companies	18,782	18,139
Amounts due to subsidiary companies	4,698	2,101

At the 31 December 2016, the Company owed Safeland plc £nil (2015: £30,000). Safeland plc is related to Safestay plc by way of a common director.

12. POST BALANCE SHEET EVENTS

On 31 March 2017, the Group announced an £18,400,000 debt restructuring and refinancing. A new £18,400,000, 5 year Group bank facility with HSBC to replaces previous arrangements. 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. This is described more fully in note 22 to the Group accounts.

safestay

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