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This document is an AIM admission document and has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules and has not been approved by or filed with the Financial Conduct Authority. This document does not constitute an offer of transferable securities to the public within the meaning of FSMA or otherwise.

The Directors of the Company, whose names appear on page 5 of this document, and the Company, the registered office of which is set out on page 5 of this document, accept responsibility, collectively and individually, for the information contained in this document. To the best of the knowledge of the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 2 May 2014.

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The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this document.



Safestay PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered no. 8866498)

**Placing of 9,600,000 ordinary shares of 1p each
at 50p per share
and
Admission to trading on AIM**



Nominated Adviser and Broker

The new Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Share including the right to receive all dividends or other distributions declared, paid or made after Admission.

Westhouse Securities is authorised and regulated in the United Kingdom by the FCA and is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document), and is acting exclusively for the Company as nominated adviser and broker for the purpose of the AIM Rules for Companies. Westhouse Securities will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

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Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Westhouse Securities from the date of this document for the period ending one month after Admission.

CONTENTS

	<i>Page</i>
KEY INFORMATION	3
FUNDRAISING & ADMISSION STATISTICS	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	4
DIRECTORS, SECRETARY AND ADVISERS	5
PART I INFORMATION ON SAFESTAY	6
Introduction	6
Business Description	6
The Market and Competition	9
Strategy and growth opportunities	10
Financial Record	10
Current Trading and Prospects	11
Safeland's demerger track record	11
Directors and Senior Management	11
Staff and Employees	12
Corporate Governance	12
The Acquisition of the Safestay Business	13
Reasons for the Fundraising and Use of Proceeds	13
The Placing	13
Convertible Loan Notes	14
Continuing Relationship with Safeland	14
Unaudited Pro Forma Statement of Net Assets of the Group	14
Share Option Scheme	14
Dividend Policy	15
Lock-in and Orderly Market Arrangements	15
Share Dealing Code	15
Admission, Settlement and Dealings	15
Taxation	15
Connected Parties	15
Risk Factors	16
Further Information	16
PART II RISK FACTORS	17
PART III VALUATION REPORT ON THE SAFESTAY HOSTEL	23
PART IVA ACCOUNTANTS' REPORT ON SAFESTAY PLC	32
PART IVB HISTORICAL FINANCIAL INFORMATION ON SAFESTAY PLC FOR THE PERIOD 29 JANUARY 2014 TO 28 FEBRUARY 2014	34
PART VA ACCOUNTANTS' REPORT ON SAFESTAY LIMITED PARTNERSHIP	38
PART VB HISTORICAL FINANCIAL INFORMATION ON SAFESTAY LIMITED PARTNERSHIP FOR THE PERIOD 10 OCTOBER 2010 TO 31 DECEMBER 2013	40
PART VI UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP	61
PART VII ADDITIONAL INFORMATION	62
DEFINITIONS	86

KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document and not rely solely on the information in this “Key Information” section or any other information summarised in this document.

Overview

The Safestay Business operates a new brand of contemporary hostel, designed to appeal to a broad range of guests. Known as a “boutique hostel” within the travel industry, it is aimed at providing safe, stylish accommodation which offers a more attractive alternative to both traditional hostels and budget hotel accommodation.

The Safestay Business was set up in April 2011 as a joint venture between the Moorfield Funds and the Safeland Group. The Safestay Hostel, at Elephant & Castle, which was opened in July 2012, is the first hostel to operate under the Safestay brand and the Directors intend to acquire and develop further properties in due course.

During its first full calendar year of trading, the Hostel operated profitably, in line with management’s expectations, and achieved 72 per cent. occupancy, generating turnover of £1.9 million (which is the equivalent of approximately £4,750 annual revenue per available bed). Operating profit was £494,000, representing a margin of approximately 26 per cent. The Directors believe that revenue growth and margin improvement at the Hostel can be driven by increased occupancy, additional ancillary spending by guests whilst staying at the Hostel and more aggressive pricing with changing demand.

The majority of the Group’s costs are relatively fixed, comprising premises, staff and energy, hence, as occupancy increases, an increasing proportion of revenue is converted into profit. The Group is highly cash generative with 76.5 per cent. of EBITDA converted to cash in the year ended 31 December 2013.

The Group wishes to expand the business by the acquisition and development of further properties and create a branded hostel group which provides safe and stylish, but relatively inexpensive accommodation. The Directors believe that as the Group establishes a brand with multiple sites, the business will benefit from the advantages of recognition and familiarity and encourage the use of the Group’s sites. The Board considers that the current hostel market bears similarities to the budget hotel market twenty years ago, with the potential for significant growth and sector consolidation.

Advance bookings and occupancy at the Safestay Hostel in the first three months of 2014 were ahead of the Board’s expectations and significantly ahead of the same period in 2013. As at the end of March 2014, the Hostel had secured approximately 53 per cent. overall occupancy for 2014 (based on actual visits during January, February and March 2014, and advanced bookings); the Board believes that it is reasonable to expect that this will increase as further bookings are made throughout the year.

Reasons for the Fundraising and use of proceeds

The net proceeds of the Fundraising receivable by the Company, of approximately £6.65 million, will be applied towards the payment of the consideration due in respect of the Moorfield Acquisition and the Promote Acquisition (in aggregate, approximately £6.2 million) and (as to £50,000) the redemption of the Redeemable Preference Shares (which were subscribed by Safeland to enable the Company to commence trading).

The Company is raising £4.8 million in the Placing and £2.8 million through the issue of Convertible Loan Notes as well as a bank facility of £5.6 million.

The Board believes that Admission will provide the Company with access to capital to fund the development of further hostels, building on the Safestay brand and reputation and enabling the Company to take advantage of the opportunities available to it.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT

FUNDRAISING & ADMISSION STATISTICS

Placing Price per New Ordinary Share	50p
Number of Existing Ordinary Shares	1
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing	9,600,000
Number of new Ordinary Shares to be issued by the Company pursuant to the Demerger	3,617,246
Number of Ordinary Shares in issue following Admission	13,217,247
Percentage of the Enlarged Share Capital represented by the Placing Shares	72.6 per cent.
Percentage of the Enlarged Share Capital represented by the new Ordinary Shares to be issued pursuant to the Demerger	27.4 per cent.
Market capitalisation of the Company at the Placing Price at Admission	£6.6 million
Gross proceeds of the Placing receivable by the Company	£4.8 million
Gross proceeds of the issue of the Convertible Loan Notes receivable by the Company	£2.8 million
Total gross proceeds of the Fundraising receivable by the Company	£7.6 million
Estimated net proceeds of the Fundraising receivable by the Company	£6.65 million
AIM Ticker	SSTY
ISIN	GB00BKT0J702
Website	www.safestay.co.uk

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	29 April 2014
Admission becomes effective and commencement of dealings in Enlarged Share Capital on AIM	8:00 am on 2 May 2014
CREST accounts to be credited in respect of Ordinary Shares	8:00 am on 2 May 2014
Despatch of definitive share certificates (where applicable)	9 May 2014

Each of the times and dates in the timetable set out above is subject to change without further notice. References to a time of day are to London time.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Larry Glenn Lipman (<i>Chairman</i>) Colin Michael Stone FCCA (<i>Finance Director</i>) Stephen Moss (<i>Non-Executive Director</i>)
Company Secretary	Colin Michael Stone FCCA
Registered Office and Business Address of the Directors	1a Kingsley Way London N2 0FW
Principal Place of Business	144-152 Walworth Road London SE17 1JL
Nominated Adviser and Broker	Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY
Legal Advisers to the Company	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Legal Advisers to the Nominated Adviser and Broker	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Reporting Accountant to the Company	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Valuation consultant to the Company	Edward Symmons LLP 2 Southwark Street London SE1 1TQ
Bankers to the Company	Coutts & Co 440 Strand London WC2R 0QS
Registrar	Capita Registrars Ltd The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Website	www.safestay.co.uk

PART I

INFORMATION ON SAFESTAY

Introduction

The Safestay Business operates a new brand of contemporary hostel, designed to appeal to a broad range of guests. Known as a “boutique hostel” within the travel industry, it is aimed at providing safe, stylish accommodation which offers a more attractive alternative to both traditional hostels and budget hotel accommodation.

The Safestay Business was set up in April 2011 as a joint venture between the Moorfield Funds and the Safeland Group. The Safestay Hostel, at Elephant & Castle, which was opened in July 2012, is the first hostel to operate under the Safestay brand and the Directors intend to acquire and develop further properties in due course.

The majority of guests at the Safestay Hostel are individuals who typically book short-term accommodation online. However, it also takes a significant number of bookings for school trips and organised sightseeing tour operators from the UK and mainland Europe. With a capacity of 413 beds, the Hostel is amongst the biggest in London and hence able to cater for large groups – which could consist of 50 people or more.

During its first full calendar year of trading, the Hostel operated profitably, in line with management’s expectations, and achieved 72 per cent. occupancy, generating turnover of £1.9 million (which is the equivalent of approximately £4,750 annual revenue per available bed). Operating profit was £494,000, representing a margin of approximately 26 per cent. The Directors believe that revenue growth and margin improvement at the Hostel can be driven by increased occupancy, additional ancillary spending by guests whilst staying at the Hostel and more aggressive pricing with changing demand.

The Group will acquire the Safestay Business on Admission. Safeland is demerging its interest in the Safestay Business to Safestay (in consideration of Safestay issuing shares to the shareholders of Safeland) and the Moorfield Funds have agreed to sell their interests in the Safestay Business to Safestay for approximately £6.2 million.

The Company is seeking to raise approximately £4.8 million through the conditional placing of 9,600,000 New Ordinary Shares. Application has been made to the London Stock Exchange for the Existing Ordinary Share and the new Ordinary Shares to be admitted to trading on AIM, which is expected to occur on 2 May 2014. The Group is raising additional finance from Bredbury, which has agreed, subject to Admission, to subscribe for £2.8 million of Convertible Loan Notes. The net proceeds of the Fundraising, together with the Group’s banking facilities, will be applied towards the purchase price payable to the Moorfield Funds for their interests in the Safestay Business (approximately £6.2 million) and to provide working capital for the Group as well as funds for expansion.

Business Description

Hostels provide relatively inexpensive overnight accommodation in beds which are normally placed in dormitories. They typically appeal to young travellers, for example, those who are on school educational trips or students. The Directors believe that there is a need to provide dormitory style accommodation which is of a better quality than that generally offered in traditional hostels and at more attractive rates than budget hotels. This is the boutique hostel market at which the Safestay Hostel is aimed.

The Group wishes to expand the business by the acquisition and development of further properties and create a branded hostel group which provides safe and stylish, but relatively inexpensive accommodation. The Directors believe that as the Group establishes a brand with multiple sites, the business will benefit from the advantages of recognition and familiarity and encourage the use of the Group’s sites.

The Safestay Hostel

The Safestay Hostel was created to bring an attractive and contemporary standard of accommodation to the hostel market.

The Hostel is located at John Smith House, in Elephant & Castle, in the London Borough of Southwark, in what were the former headquarters of the Labour Party. The property, which has a gross internal area of 37,000 square feet, was purchased by the Safestay Partnership for £3.8 million in 2011 and a further approximately £4.5 million has been spent on its conversion into a hostel. Whilst preserving a number of the original features of the Grade II-listed building, including the mouldings and fireplaces, the interior of the Hostel is laid out in a contemporary style with an emphasis on bold graphics, contrasting textures and innovative lighting.

Access to the Hostel is controlled by an electronic key-card system. The Hostel's reception and lounge occupy the main entrance hallway with an internet room accessible from the reception area. Accommodation is provided on the first, second and third floors. The Hostel has 413 beds in 74 separate rooms which range from 2 bed private rooms to 8 bed dormitories. The decision to limit the number of beds to 8 per room was intended to emphasise the "boutique" feel of the Hostel. The majority of rooms have en-suite facilities, with additional bathroom facilities located off the hallways. When rooms are booked by groups of more than 10 people, the management prefers that each room is occupied solely by males or females; but save for this exception there is no gender segregation in the rooms.

The lower ground floor contains an open-plan living area with a breakfast bar, licensed bar (which also serves light meals), games tables and a walled garden with additional seating. Free Wi-Fi is available throughout the ground and lower ground floors of the Hostel.

Bed prices are dependent on a number of factors and subject to seasonal variation. As a general principle, peak season rates apply from March to October and off-peak from November to February. The overall average price for a bed in a dormitory is approximately £20.00 and the overall average price for a private room (which are priced on a per room rather than a per bed basis) is approximately £65.00. The average rate per bed sold (including beds in both dormitories and private rooms) in the year ended 31 December 2013 was £20.39 compared to £19.42 in the year ended 31 December 2012.

The majority of the Group's costs are relatively fixed, comprising premises, staff and energy, hence, as occupancy increases, an increasing proportion of revenue is converted into profit. The Group is highly cash generative with 76.5 per cent. of EBITDA converted to cash in the year ended 31 December 2013.

Location

The Hostel is a short walk from Elephant & Castle underground and train stations and, with several bus links in close proximity, has easy access to the major tourist attractions of central London. Elephant & Castle overland train station is on the same line as the rail stations at Blackfriars, City Thameslink, Farringdon and St. Pancras International. London Bridge and Waterloo rail stations are also situated nearby.

Elephant & Castle has been identified as an area of development on a regional scale by Southwark Council. A £3.0 billion regeneration programme is planned over the next 15 years, including the construction of a new pedestrianised town centre, 5,000 new and replacement homes, up to 450,000 square foot of retail space, an integrated public transport hub and five green spaces. The Directors believe that these developments should make the Safestay Hostel even more attractive and have a beneficial impact on its future performance and value.

Hostel valuation

An independent valuation of the Safestay Hostel by Edward Symmons LLP, Chartered Surveyors, is set out in Part III of this document.

Facilities and Services

All beds in the shared dormitory rooms have individual reading lights and wraparound curtains for extra privacy. Lockers are available either underneath each bunk bed or in the corner of the rooms, allowing guests to store their luggage securely. All bed linen is provided free of charge, and towels can be purchased or rented from reception. A laundry room is located in the basement and offers guests a washing and drying facility.

The Hostel has an internet room where PCs fitted with webcams and microphones are made available for guests.

Guests are provided with a free continental breakfast in the lower ground floor, served between 7.00 am and 9.00 am. Hot and cold drinks and snacks are available from vending machines 24 hours a day. Light meals are available from the bar during early afternoon and evening and the bar has a licence to serve alcohol from 10.30 am to 11.30 pm Monday to Saturday and mid-day to 10.30 pm on Sunday.

Guests

The majority of guests are individuals who typically book short-term accommodation online. However, the Hostel also takes a significant number of bookings from school parties and organised sight-seeing tour operators from mainland Europe and elsewhere.

The Hostel's guests normally fall into one or other of the following categories:

- Traditional backpackers: tend to travel alone or in small groups, often for long periods and might stay at the Hostel for between a week and a month;
- Youth groups and organised tour groups: these include school trips (for which the private rooms can be used by teachers to separate them from students) and weekend get-away groups. The Group's policy is that any group over 10 persons must block-book (and pay for) entire dormitories, whether or not all the beds are to be used. Often, such groups are quite large (for example, 50 guests);
- "Flashpackers": this is a term for those guests who value access to facilities such as wireless internet. The Group targets this group of guests, who typically also have greater discretionary spending power than traditional backpackers and value more up-market accommodation, by providing Wi-Fi in the basement area, an internet room and plenty of power sockets for charging electronic devices in the dormitories;
- Families: the Hostel's smaller dormitories appeal to families who would rather take advantage of the low bed rates in an upmarket hostel environment than in a budget hotel;
- Couples: tend to book private rooms and are attracted to hostels which are thought to be safe and provide a higher quality product than those generally found in traditional hostels; and
- Business: although they constitute the smallest group of the Hostel's guests, some business travellers are attracted by the prospect of accommodation in a convenient location at relatively inexpensive room rates.

In 2013, the Group's largest source of revenue came from guests from the UK, accounting for 19.6 per cent. of all bookings by value. Visitors from France accounted for 14.0 per cent. and those from Germany accounted for 13.5 per cent. of all bookings by value.

Sales and Marketing

The majority of bookings (approximately 74 per cent. in 2013) are made online. The Hostel is listed on several websites, consisting of a combination of specialist and traditional hostel booking websites and generalist tour operators.

Key booking sites include the Hostel's own website, (safestay.co.uk) and Hostelworld.com and its associated websites, which the Board considers to be the market leading booking portal for London hostel beds. Hostelworld.com is licensed to promote the Safestay Hostel in online marketing, including email and pay-per-click advertising. Bookings from Hostelworld.com and its associated websites accounted for 61 per cent. of all beds sold by volume and 44 per cent. by value in 2013. Online bookings are charged

a 10 per cent. booking fee at the time of booking that is “non-refundable”. Any balance is due in full upon arrival, either by debit/credit card or cash. The Hostel has different cancellation policies for groups and individual guests, which include (in the case of individuals) a cancellation charge equal to the first night of the stay, and all subsequent nights, if any, will be cancelled.

The core target market for most hostels is the 18-34 age group, who are users of technology and social media. In order to help ensure that it is well regarded through online travel agencies, review websites and recommendations through social media and friends and family, the Group has in place a number of arrangements for enhancing its social media exposure. These include accounts on Facebook and Twitter. As at 28 February 2014, Safestay had received 11,424 “likes” on Facebook, many more than those hostels which the Directors consider are its major London competitors.

The Hostel employs an in-house marketing manager who undertakes various marketing initiatives, including meeting with travel agents and tour operators, advertising in Travel GBT (a publication with a readership of over 3,000 in the travel market), site visits at the Hostel with agents and tour operators, partnerships with Anderson Travel and London Bicycle Tours and direct marketing to schools and universities across the UK.

Suppliers

The Group has no reliance on any particular supplier. It has made one-off purchases of customised furniture and linen, which includes the bunk beds used throughout the Hostel. Laundry services and IT support are outsourced.

The Market and Competition

The following is the Board’s view of the market in which the Group operates:

The market for safe, inexpensive overnight accommodation is divided into two main sectors: budget hotels and hostels. Whilst the budget hotel sector is relatively well established and consolidated, the hostel market remains highly fragmented, with few multi-location chains, no stand-out market leaders and a large number of independently operated hostels.

Boutique hostels tend to place a greater emphasis (when compared to budget hotels) on a shared guest experience. This is often provided through the provision of communal amenities such as bars, internet cafes and “chill-out” rooms. They also have facilities that seek to appeal to younger guests, which is of particular significance bearing in mind that the number of visitors to London in the target age group has recently increased substantially. As an example, visits to London made by tourists within the 18-34 age group increased by approximately 300,000 between 2010 and 2012 (*Source: Visit Britain 2013*). The Board considers that the current hostel market bears similarities to the budget hotel market twenty years ago, with the potential for significant growth and sector consolidation.

Traditionally, the target markets for hostels have been youth groups and independent travellers. However, the higher quality and strong branding of the Safestay concept is intended to broaden this to include cost-conscious families, couples and business travellers.

The UK Tourism Market

Data from VisitBritain, the national tourism agency responsible for promoting Britain worldwide, indicates that in 2013, 32.9 million overseas visitors came to the UK, spending approximately £21.0 billion. This represents a 5.8 per cent. increase in visitors and 12.9 per cent. increase in spending over 2012. A report commissioned by VisitBritain forecasts that the tourism economy, which includes supply chain spending and investments, will grow at an annual rate of 3.8 per cent. through to 2025, significantly faster than other sectors such as manufacturing, construction and retail.

The UK Budget Hotel Market

Since the mid-1990’s the budget serviced accommodation sector has seen significant growth in supply, backed by prominent hotel groups, funds and private investors. In the UK, there are two major brands (Premier Inn and Travelodge), which between them operate between 70-75 per cent. of the total accommodation supply in the branded budget hotel sector.

The London Budget Hotel Market

The supply of budget hotel rooms in London increased by 45 per cent. between 2009 and 2013. In 2013, there were 175 budget hotels in London offering approximately 24,500 rooms.

The London Hostel Market

Hostels currently account for only 7 per cent. of the total supply of serviced accommodation in London, in spite of the city remaining a key European destination (*Source: CBRE Hotels 2014*). The hostel market remains highly fragmented with small scale hostels (that is, those offering 150 beds or less), accounting for over 50 per cent. of London's hostels. The Safestay Hostel is one of only 11 hostels in London with over 300 beds, capable of regularly accommodating large groups (for example, 50 guests or more).

The Directors consider that the Group faces competition from 9 branded hostel groups which operate in Europe, (and of those, 6 have more than one hostel in London).

CBRE Hotels estimates that across the hostel market in London, prices for a single bed in a dormitory range from £10 to £30 per night, with an average price of approximately £21 per night. During peak season bed prices on average are £1.50 to £3.50 higher per night. Details of the prices charged by the Group are explained in the paragraph above headed "Business Description". (All prices are exclusive of VAT).

The main points of reference for booking hostel accommodation in the UK and abroad are concentrated in a few websites, including Hostelling International, Gomio.com and Web Reservations International (owner of Hostelworld.com). The Safestay Hostel is listed prominently on Hostelworld.com, which has details of over 150 hostels within the Greater London area, ranging from those operated by other hostel chains to the smaller independent operators.

The Safestay Hostel is well-regarded by its guests for providing value for money and for its cleanliness, facilities and atmosphere. English Tourism rates all hostels on a star rating and, as at 14 March 2014 the Safestay Hostel was one of only five hostels in London to have achieved a four star rating (which is the highest award that English Tourism has made in this category). The Directors believe these factors demonstrate that the Safestay Hostel has established itself among the best hostels in London.

Strategy and growth opportunities

The objective of the Safestay Business is to create a leading brand in a fragmented market, provide a high standard of hostel accommodation and ensure that guests enjoy good value in a safe, clean and fun environment.

Having proven the model with its first hostel at Elephant & Castle, the Board believes that the opportunity exists to open more Safestay hostels, typically located close to transport hubs. The Board's expectation is that the Group could successfully operate additional hostels in London, as well as in other cities in the UK and in Europe, which are particularly favoured by young tourists and where the Board considers the market for affordable short stay accommodation to be underweight.

The Board will carefully assess additional properties before any investment is made and in particular (whilst not ruling anything out) it would prefer to limit its acquisitions to sites which would have a capacity of between 200 and 500 beds once they have been suitably re-configured and/or refurbished as a hostel.

Financial Record

The financial information relating to the Company and the Safestay Limited Partnership is set out in Parts IVB and VB respectively of this document, and is audited. Further information relating to the Group's financial record is set out in paragraph 21 of Part VII of this document.

Current Trading and Prospects

Advance bookings and occupancy at the Safestay Hostel in the first three months of 2014 were ahead of the Board's expectations and significantly ahead of the same period in 2013. As at the end of March 2014, the Hostel had secured approximately 53 per cent. overall occupancy for 2014 (based on actual visits during January, February and March 2014, and advanced bookings); the Board believes that it is reasonable to expect that this will increase as further bookings are made throughout the year.

Safeland's demerger track record

Safeland has a proven track record in creating and demerging businesses successfully. In 1996 it created and subsequently demerged Hercules Property Services Plc, the property services provider; in 1998 Safestore plc, the self-storage company; and in 2000 Bizspace plc, the specialty provider of managed workspace. Each of these businesses was demerged and admitted to AIM in their infancy and went on to become significant businesses in their own right.

Directors and Senior Management

The Board and senior management of the Group comprises the following individuals:

Executive Directors

Larry Lipman, Chairman, age 57

Larry 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.

Colin Stone, Finance Director, age 46

Colin is responsible for the financial and systems-related aspects of the Safestay Business. He fulfills a similar role at Safeland plc, where he was appointed finance director in May 2013. Prior to joining Safeland, Colin was the Financial Controller for Quintain Estates and Development plc for six years. Prior to that he was the Financial Controller for Freeport Leisure plc for six years. Both companies were quoted on the London Stock Exchange. Colin qualified as a Certified Accountant in 2002.

Non-Executive Director

Stephen Moss, Non-Executive Director, age 61

Stephen Moss is Chairman of three companies: Grosvenor Securities Limited, a central London commercial property investment and development company; Bibendum Wine Holdings 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.

Senior Management

Victoria Melles-Sawyers, Hostel Manager

Victoria Melles-Sawyers is the manager of the Safestay Hostel. She has many years' experience in the management of budget hotels and hostels. Victoria joined the Group in 2011 and was closely involved in the process to open the Hostel as well as having managed it ever since it opened. She brings to the role experience in managing a number of hotels and hostels.

Staff and Employees

Excluding the Directors, the Group has 28 employees, all of whom are based at the Hostel (save for two employees who are and will continue to be based at Safeland's offices). As at 28 February 2014, the split of employees (excluding the Directors) was as follows:

Management & Administration	4
Reception & Portering	9
Cleaning & Housekeeping	11
Food & Beverage	2
Maintenance	1
Sales & Marketing	1
Total	<u>28</u>

Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that, following Admission, they intend that the Company will comply, so far as practicable and to the extent appropriate for a company of its nature and size, with the recommendations in the QCA Guidelines, which have become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies. Given the size of the Group, the Board will initially comprise of only one non-executive director, Stephen Moss, and two executive directors, Larry Lipman and Colin Stone. Stephen Moss is considered by the Board to be an independent director. In addition, Larry Lipman, an executive director, will initially act as Chairman of the Group. The Board considers this to be appropriate at this early stage of the Company's development, but will reconsider this as the Group grows in size.

Following Admission, it is intended that the Board will meet at least ten times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Board has established the Audit Committee and the Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Stephen Moss has been appointed as the Senior Independent Director. Due to the size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required.

Audit Committee

For the time being, the Audit Committee will consist solely of Stephen Moss, but it is intended that further members of the Audit Committee will be appointed at such time as the Company has more than one non-executive Director. The Audit Committee is expected to operate formally at least three times a year and otherwise as required. It will have responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Remuneration Committee

For the time being, the Remuneration Committee will consist solely of Stephen Moss, but it is intended that further members of the Remuneration Committee will be appointed at such time as the Company has more than one non-executive Director. The Remuneration Committee is expected to operate not less than twice a year and otherwise as required. It has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's chairman, and the executive Directors and such other members of the executive management as it is designated to consider. The Remuneration Committee will also have responsibility for determining (within the terms of the Group's policy and in consultation with the chairman of the Board and/or the chief executive officer (if any)) the total individual remuneration package for each executive Director and other senior managers (including

bonuses, incentive payments and share options or other share awards). The remuneration of non-executive Directors will be a matter for the chairman and executive directors of the Board. No Director or manager will be allowed to partake in any discussions as to their own remuneration.

The Acquisition of the Safestay Business

The Safestay Group will acquire the entire interest in the Safestay Business through two transactions. The first transaction is the Demerger. Safeland's subsidiary WXYZ2 currently has an interest of approximately 20 per cent. in the Safestay Business. Safeland has agreed, subject to Admission, to transfer the whole of the issued share capital of WXYZ2 to Safestay in consideration of Safestay issuing 3,617,246 new Ordinary Shares to the shareholders of Safeland in satisfaction of a dividend in specie by Safeland. The Demerger will be completed on Admission. The second transaction is the Moorfield Acquisition and the Promote Acquisition. As a result of that transaction, WXYZ2 will acquire for cash all the interests in the Safestay Business held by the Moorfield Funds and Larry Lipman, which are all the interests in the Safestay Business not held by WXYZ2. The aggregate amount payable in relation to those acquisitions is £6,177,067 (subject to adjustment) (of which £25,353 is payable to Larry Lipman). The consideration payable for those acquisitions will be satisfied from the net proceeds of the Placing and the Convertible Loan Notes. The Moorfield Acquisition and the Promote Acquisition will be completed shortly after Admission.

Further details of these transactions are set out in paragraphs 11 and 13 in Part VII of this document.

Reasons for the Fundraising and Use of Proceeds

The net proceeds of the Fundraising receivable by the Company, of approximately £6.65 million, will be applied towards the payment of the consideration due in respect of the Moorfield Acquisition and the Promote Acquisition (in aggregate, approximately £6.2 million) and (as to £50,000) the redemption of the Redeemable Preference Shares (which were subscribed by Safeland to enable the Company to commence trading).

The Company is raising £4.8 million in the Placing and £2.8 million through the issue of Convertible Loan Notes as well as a bank facility of £5.6 million.

The Board believes that Admission will provide the Company with access to capital to fund the roll-out and development of any further hostels, building on the Safestay brand and reputation and enabling the Company to take advantage of the opportunities available to it.

The Placing

Pursuant to the Placing Agreement, Westhouse Securities has agreed conditionally to use its reasonable endeavours to place 9,600,000 New Ordinary Shares (representing 72.6 per cent. of the Enlarged Share Capital) at the Placing Price, raising proceeds for the Company of approximately £4.8 million before expenses.

The Placing, which is not underwritten, is subject to the satisfaction of conditions set out in the Placing Agreement, including, *inter alia*, completion of the Demerger and the Acquisition Agreement, the Promote Acquisition, the Facility Agreement and the subscription of the Convertible Loan Notes by Bredbury becoming unconditional save for Admission, there being no material breach of the warranties set out in the Placing Agreement prior to Admission and Admission occurring on or before 8:00 a.m. on 2 May 2014 (or such later time and/or date as may be agreed between Westhouse Securities and the Company, being not later than 16 May 2014). The Placing Agreement contains a provision entitling Westhouse Securities to terminate the Placing at any time prior to Admission in certain circumstances.

The Placing Shares will be credited as fully paid and will on issue rank *pari passu* in all respects with each other and the Existing Ordinary Share and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. Upon Admission the Ordinary Shares will be freely transferable.

Further details of the terms of the Placing Agreement are set out in paragraph 8 of Part VII of this document.

Convertible Loan Notes

Conditional upon, *inter alia*, Admission, the Company has agreed to issue and Bredbury has agreed to subscribe for £2.8 million of Convertible Loan Notes, further details of which are set out in paragraph 14 of Part VII of this document.

The Convertible Loan Notes are convertible into Ordinary Shares at the option of the noteholder, at any time prior to redemption, at a rate which values each Ordinary Share at a price of 57.5p per share, which is 15 per cent. above the Placing Price. If Bredbury exercised this right immediately following the Fundraising, it would receive 4,869,565 Ordinary Shares, representing approximately 26.9 per cent. of the Company's Ordinary Share capital in issue after the conversion.

The Company's ability to pay interest on the Convertible Loan Notes is currently dependent upon the ability of Propco and Opco, which will form part of the Group following Admission, to pay dividends. As part of the arrangements agreed with the Bank and Bredbury, dividends may not be paid by Propco and Opco without the prior consent of the Bank (which it has agreed will not be unreasonably withheld or delayed) and repayment of the principal amount of the Convertible Loan Notes is also subject to the prior consent of the Bank (not to be unreasonably withheld or delayed).

The Company has undertaken that it will not incur any further financial indebtedness or grant any additional security for so long as the aggregate nominal value of the Convertible Loan Notes held by Bredbury is not less than £250,000.

Continuing Relationship with Safeland

Safeland has provided certain services to the Safestay Business since it was launched in 2011. These services include, *inter alia*, (i) the day-to-day control of the management and operations (ii) control of marketing and the development of the Safestay brand, (iii) identifying and negotiating acquisition opportunities for possible hostel sites and the construction and development of such sites; and (iv) accounting and reporting in relation to the Safestay Business. These services have in practice been provided by Larry Lipman and Colin Stone and each of them (as well as their principal employer, Safeland) has agreed that they shall continue to provide them after Admission.

Larry Lipman and Colin Stone have entered into service contracts with the Company, which will become effective upon Admission, for a period of one year during which they will be paid a nominal salary. These arrangements are not full time appointments and instead the Directors concerned have agreed to make themselves available for such time as is necessary in order to carry out the functions for which they are responsible. It is envisaged that their arrangements with the Company (including in particular the basis on which they are remunerated) will be revised at the end of that period on terms to be agreed between them and the Company.

Both individuals will continue to be executive directors of Safeland. The Board does not consider that in either case there will be a conflict between their duties to each of the Safeland Group and the Safestay Group. In particular, Safeland has acknowledged and agreed that any opportunity (an "Opportunity") which Larry Lipman or Colin Stone obtains (in their capacities as directors of Safeland or Safestay) to purchase property which would be suitable for the Safestay Group will be offered only to that group and not the Safeland Group and for so long as at least one of them is a director of both the Safeland Group and the Safestay Group, Safeland shall not directly or indirectly engage in any activity for the purpose of purchasing any Opportunity.

Unaudited Pro Forma Statement of Net Assets of the Group

Set out in Part VI of this document is an unaudited pro forma statement of net assets of the Group, illustrating the effect of Admission as if it had taken place as at 28 February 2014.

Share Option Scheme

The Company has established a Share Option Scheme. It is intended that, initially, options will be granted to Larry Lipman, Colin Stone and Victoria Melles-Sawyers and (in recognition of the assistance it has provided and will continue to provide to the Safestay Group) to Safeland. It is anticipated that other options will be granted to certain other employees of the Group in due course.

Further details of the Share Option Scheme and the options intended to be granted are set out in paragraph 6 of Part VII of this document.

Dividend Policy

The Company is primarily seeking to achieve capital growth for Shareholders, however, if the Board feel it is prudent, it is their intention to pay dividends subject to the expansion opportunities available to the Company.

As part of the arrangements agreed with the Bank, there are restrictions on the ability of Opco and Propco to declare dividends to the Company. Further details are set out in paragraph 12 of Part VII of this document.

Lock-in and Orderly Market Arrangements

Each of Safeland Holdings (which will hold 2,330,077 Ordinary Shares, representing approximately 17.6 per cent. of the Enlarged Share Capital), Larry Lipman (who will hold 56,055 Ordinary Shares, representing approximately 0.4 per cent. of the Enlarged Share Capital) and Bredbury (which will not hold any Ordinary Shares at Admission but will have the right to acquire 4,869,565 Ordinary Shares pursuant to the Convertible Loan Notes by exercising its conversion rights) have severally undertaken that (subject to certain exceptions) they will not, without the prior written consent of Westhouse Securities, for a period of 12 months from Admission, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Ordinary Shares. Furthermore each of Safeland Holdings, Larry Lipman and Bredbury have undertaken that, for a further period of 12 months, any disposals of Ordinary Shares are to be conducted through Westhouse Securities in accordance with its requirements for an orderly market.

Share Dealing Code

On Admission, the Company will adopt a code consistent with Rule 21 of the AIM Rules for Companies and the terms of the Model Code to regulate dealings in the Ordinary Shares by directors and any other applicable employees (as defined by the AIM Rules for Companies).

Admission, Settlement and Dealings

Admission is expected to take place, and dealings in the Ordinary Shares are expected to commence on AIM, at 8:00 am on 2 May 2014. These dates and times may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

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

All Placing Shares will be issued payable in full at the Placing Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares will be distributed by 9 May 2014 or as soon thereafter as is practicable. No temporary documents of title will be issued.

Taxation

Your attention is drawn to the Taxation section contained in paragraph 17 of Part VII of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

Connected Parties

Larry Lipman owns one-third of the share capital of Safeland Holdings. Safeland Holdings owns 64.41 per cent. and Larry Lipman owns 1.55 per cent. of the issued share capital of Safeland. Larry Lipman and Colin Stone are both directors of Safeland.

Further details of options over Ordinary Shares and/or Ordinary Shares which Larry Lipman, Colin Stone, Safeland and Safeland Holdings will hold immediately following Admission are set out in paragraphs 6.12 and 7.2 of Part VII of this document.

The Turnberry 2013 Settlement Trust indirectly owns the whole of the issued share capital of Bredbury, which has agreed to subscribe for the Convertible Loan Notes. Roy Peires is the settlor of this trust and the beneficiaries of the trust are his children.

Risk Factors

The Group's business is dependent on many factors and potential investors should read the whole of this document, in particular, your attention is drawn to the risk factors set out in Part II of this document.

Further Information

Your attention is drawn to the additional information set out in Parts II to VII of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Ordinary Shares, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Ordinary Shares, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Ordinary Shares. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of his investment.

General risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under the FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decisions to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Growth strategy dependent on acquiring and developing new sites which may be influenced by factors beyond the Company's control

The Company intends to pursue a growth strategy which, to be successful, will depend in large part on the ability to open new hostels and to operate these hostels on a profitable basis. It is possible that each site may take some time from its opening date to reach profitable operating levels due to inefficiencies typically associated with new hostels, including lack of awareness, competition, the need to hire and train sufficient staff and other factors. The Company cannot guarantee that the Group will be able to achieve its expansion goals or that the new sites will be operated profitably.

The success of the planned expansion will depend on numerous factors, many of which are beyond the Company's control, including the:

- ability to identify and secure available and suitable sites on an economic basis;
- ability to secure all necessary operating approvals and licences in a timely manner and in a satisfactory form;
- extent of the competition for sites and in markets in new locations generally;
- ability to acquire a freehold or to conclude a lease on acceptable terms and costs associated with this;

- ability to fit out new sites at an economic cost;
- delays in the timely development of all sites; and
- general economic conditions.

Risks relating to the business of the Group

Adverse economic conditions may have a material adverse effect on the Group's results

The Group's operating and financial performance is affected by the economic conditions both in the United Kingdom (from where all of the Group's revenue is currently derived) and worldwide. Challenging economic conditions in the United Kingdom and worldwide, including factors relating to the prevailing levels of employment, real disposable income, salaries, wage rates, market rent levels, availability of funding, business and consumer confidence, consumer demand, tourism and business and consumer perception of economic conditions, could result in reductions in asset values (including the Group's current property and any potential future properties) and the Group's business volumes and have a material adverse effect on the Group's business, financial position and operating results.

The Group may be affected by changes in property values

The Group currently owns a freehold interest in a property located in the UK (the Safestay Hostel). This property is used by the Group from which to operate the Hostel and is the principal asset in the consolidated statement of financial position of the Group. As set out in Part III of this document, at 28 January 2014, the Safestay Hostel was valued by Edward Symmons LLP at £12.2 million.

The disruption in the financial markets over the recent years and the economic downturn have adversely affected and may continue to adversely affect the value of property and any potential future properties. A reduction in value of the Group's property through downward revaluations would have the effect of reducing Shareholders' funds and would adversely affect the gearing and loan to value ratio covenants in the Group's banking facilities, which could restrict the Group's operational and financial flexibility and management decisions.

Any reduction in property values could have a material adverse effect on the Group's business and financial situation.

The Group is dependent on one site

The Group's performance is currently dependent on a single site. If the Group was unable to operate at this site, this would have an adverse material effect on the Group's business.

The Group may be adversely affected by competition

There can be no guarantee that the Group's current competitors or new entrants to the market will not appeal to a wider proportion of the Group's market or command broader brand awareness. In either case such companies may have greater financial and marketing resources than the Group. Even if the Group is able to compete successfully, it may be forced to make changes in order to respond to changes in consumer tastes which may impact negatively on the Group's financial performance.

The Group is dependent on certain key executives and personnel

The Group has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate personnel could impact upon the Group's future performance. However, the Group has purchased keyman insurance to protect against the loss of Larry Lipman, the Executive Chairman.

The Group may be adversely affected by disruption to the Hostelworld.com internet site

The Group relies heavily on its key booking site Hostelworld.com. Any disruption to Hostelworld.com's booking service may have a material adverse effect on the Group's business, financial position or results of operations. It has, however, been confirmed by Hostelworld.com that it has appropriate disaster recovery plans in place to ensure a smooth transition of services should an event occur which affects the servers on which their software operates. It also operates a back-up site, with separate servers, which replicate the live booking system. If there is a disaster, a certain level of disruption should be expected, but Hostelworld.com has said that it is confident that any impact would be temporary. Management have

confirmed that alternative suppliers exist in the market, which Safestay could engage to provide the services offered by Hostelworld.com; but management have not yet explored the operational and financial impact of changing this supplier.

The Group may be adversely affected by disruption to the financial systems of Safeland

The Group relies heavily on Safeland for its finance function. Any disruption to Safeland's financial systems may also have a knock-on effect on the Group that may affect management's ability to monitor the business and conduct day-to-day operations. Management has confirmed that it is their intention to establish a standalone finance function for the Group once it is of sufficient size.

Technology and systems disruption may adversely affect the Group's efficiency

To varying degrees, the Group is reliant upon technologies and systems for the running of its business, particularly those which are highly integrated with business processes. Any disruption to those technologies or systems could adversely affect the efficiency of the business.

The Group may have to make substantial additional investments in new technologies or systems to remain competitive. Failing to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. The technologies or systems that the Group chooses may not be commercially successful or the technology or system strategy employed may not be sufficiently aligned with the needs of the business or responsive to changes in business strategy. As a result, the Group could lose guests, fail to attract new guests, incur substantial costs or face other losses.

The Group may be adversely affected by an increase in loan interest rates

The Group relies on borrowing from UK banks to finance property acquisitions. If the interest rates on the Group's loans increase, this will result in an increased interest cost to the Group which may have a negative impact on the Group's financial performance. Further, bank loan agreements typically contain covenants relating to loan interest. If interest rates increase significantly the Group may become in breach of its bank loan agreements.

The Group may be adversely affected by an increase in operating costs

The Group's operating and other expenses could increase without a corresponding increase in turnover. Factors which could increase operating and other expenses include increases in energy prices, which would affect the cost of heating the Group's properties and providing hot water to guests, increases in payroll (including any increases in the minimum wage), taxes and other statutory charges, insurance premia, rent, rates and the costs of maintenance of properties and failure to perform by third parties and sub-contractors leading to increases in operating costs. Given the cost-competitive environment that the Group operates in, it may be difficult to pass on these increases in costs to the Group's guests, and therefore such increases could have a material adverse effect on the Group's business, financial position or results of operations.

The Group is reliant in part on the reputation of its brand

The Group operates under a core brand, namely Safestay. If an event occurred that materially damaged the reputation of this core brand or there was a failure to sustain the appeal of the Group's brand to its guests, this could have an adverse impact on the Group's earnings and assets and resultant Shareholder value.

Unfavourable publicity concerning the Group's brand or substantial erosion in the reputation of, or value associated with, the Group's brand could have an adverse effect on the Group's business, financial position or results of operations.

The Group could suffer material losses in excess of insurance proceeds

The Group's current property and any potential future properties or other assets could suffer physical damage caused by fire or other causes, resulting in losses that may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable on economic terms or at all. Inflation, changes in building codes and ordinances, environmental considerations, and other factors might also result in losses that may not be fully compensated by insurance proceeds. Should an uninsured loss or a loss in excess of insured limits occur, the Group would lose capital and anticipated future

revenue. In addition, the Group may incur further costs to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that part of the business in which the uninsured risk has occurred.

The Group's operations are subject to health and safety, planning and other regulations

The Group needs to comply with regulations relating to, amongst others, planning, land use, building regulation standards, health and safety, environmental matters and employment. Significant events or breaches or violations of applicable laws or regulations could result in restrictions on operations, damages, fines, litigation and/or other sanctions and/or result in the Group incurring liabilities which, in turn, could have a material adverse effect on the Group's business, results of operations and overall financial position or adversely affect the value of the Group's assets. Changes in the legal framework in particular concerning planning, land use and building regulations, may negatively influence property values. From time to time, regulations are introduced which can impact on the costs of the Group's business and affect returns. In recent years these have included building regulations for the containment and management of asbestos and the measurement and reporting of energy efficiency of buildings. Such changes in the future could have an adverse impact on the value of the Group's business, financial position or results of operations. There is a risk of enforcement action by the local planning authority concerning the use or intensified use of the Hostel.

The Group may incur environmental liabilities resulting from ownership of property

The Board views the assessment of environmental risk as an important element of its due diligence process when it acquires a property. However, there can be no guarantee that the Group will not incur unexpected liabilities such as a clean-up costs and fines for environmental pollution in respect of any properties owned by the Group.

The costs of any required clean-up of or fines for environmental pollution may be substantial regardless of whether the Group originally caused the relevant contamination. The presence of hazardous or toxic substances, or the failure to remedy the situation properly, may also adversely affect the value of the relevant property or the Group's ability to sell, let or regenerate that property or to borrow using the property as security. The Group could be required to remove or remediate any hazardous substances that it has caused or knowingly permitted to be located at any property that it has owned or occupied in the past or which it may own in the future.

The Group may be affected by political, legal and regulatory developments

The Group requires a licence to serve alcohol in the bar area. Future political, legal or regulatory developments concerning the business of the Group and the industry sectors in which it operates may affect its ability to operate and trade profitably. Political risks include the imposition of trade barriers, changes of regulatory and licencing developments and the volatility of input costs, selling prices, taxes and currencies. Changes in the future could have an adverse impact on the value of the Group's business, financial position or results of operations.

The Group is susceptible to economic downturn in the hostel industry and may be adversely affected by factors common to the hostel industry

The Group's revenue is dependent on the leisure, tourism and business markets. Therefore, a downturn in these sectors could have a material adverse effect on the revenues and profitability of the Safestay Hostel and any potential future properties. Reductions in room rates and occupancy levels could have a material adverse effect on the Group's financial position and results of operations, and could reduce the Group's income available for distribution to its Shareholders, and the value of Shareholders' investments in the Group.

The revenue receivable by the Group could be adversely affected by various operating risks common to the UK hotel and hostel industry, many of which are beyond the Group's control, including the cyclical nature of the hotel and hostel industry; a decrease in travel to and within the UK as a result of adverse economic conditions; increases in fuel costs and other expenses which may affect travel patterns and reduce the number of business and leisure and tourist travellers; a decrease in travel to areas where the Group operates the Safestay Hostel and any potential future hostels caused by any epidemic or other disaster, natural or otherwise; increasing threats of violence or terrorism, terrorist events, airline strikes,

changes in airport security policies, extreme weather conditions and other similar factors that may affect travel patterns and reduce the number of business and commercial travellers and tourists; and any other factors that may lead to reduced occupancy and room rates.

Delays in the construction, development or refurbishment of property may adversely affect expected profitability

The Group's future plans may include the construction and/or development of new properties or the refurbishment of existing properties. Construction or refurbishment cost and time overruns; construction and development problems; adverse changes in planning and changes in planning policy may cause delays and adversely affect expected profitability from those opportunities.

Difficulty in securing suitable localities for expansion may adversely affect expected profitability

The Group may, in the future, seek to source, negotiate and acquire new sites for expansion of the Safestay brand. There is a risk that such buildings or sites may not be available to the Group or may not be available to the Group on commercially acceptable terms, either of which would adversely affect expected profitability.

Effect of Admission

The proposed Admission will result in increased administrative and regulatory costs and burdens that are not reflected in the historical financial statements of the Safeland Limited Partnership. Further, the Group's infrastructure and day-to-day corporate governance regime will be required to operate on a stand-alone basis. Although the transaction is being structured with a view to ensuring that the transition to a stand-alone entity will go smoothly, all the above could adversely affect the Group.

Risks relating to the Placing and Ordinary Shares of the Company

The value of the Ordinary Shares may decrease as well as increase and there may be volatility in the price of the Ordinary Shares

The Placing Price may not be indicative of the market price for the Placing Shares following Admission. The market price of the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in sentiment in the market regarding the Company, the Company's sector or equities generally, any regulatory changes affecting the Group's operations, variations in the Company's operating results and/or business developments of the Group and/or its competitors, the actual operating and share price performance of other companies in the industries and markets in which the Group operates, news reports relating to trends in the Group's markets or the wider economy and the publication of research analysts' reports regarding the Company or the sector generally, actual or anticipated fluctuations in the Company's operating performance, termination of contracts by guests or partners, announcements of developments by existing and future competitors, changes in the Group's key personnel or potential litigation.

There can be no assurance that an active trading market for the Ordinary Shares will develop or, if it develops, continue

Prior to Admission, there has been no public market for the Ordinary Shares. The Ordinary Shares are expected to be admitted to trading on AIM. However, the Company can give no assurance that an active trading market for the Ordinary Shares of the Company will develop or, if it develops, continue. An investment in shares traded on AIM may carry a higher risk than those listed on the Official List and it may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are listed on the Official List. The Placing Price may not be indicative of the market price for the Ordinary Shares at any time following Admission. If an active trading market does not develop or continue, the liquidity and trading price of the Ordinary Shares could be adversely affected. If there is a long-term decline in the price of the Ordinary Shares, it would adversely affect the Company's ability to access the capital markets and to pursue future business plans, such as further expansion of its operations or possible acquisitions.

Substantial future sales of Ordinary Shares could adversely affect the market price of Ordinary Shares

Upon Admission, the Enlarged Share Capital will be 13,217,247 Ordinary Shares. Sales, or the possibility of sales, of substantial numbers of Ordinary Shares in the public or private market by Shareholders could have an adverse effect on the share price of the Ordinary Shares. While Safeland Holdings and Larry Lipman have agreed to certain restrictions on the offer, sale, pledge or disposal of Ordinary Shares without the prior written consent of Westhouse Securities for various limited periods of time following the date of Admission, (as described in Parts I and VII of this document), upon the expiration of these lock-in arrangements a large number of additional Ordinary Shares will become available for sale. At Admission, approximately 18.0 per cent. of the Ordinary Shares will be subject to lock-in arrangements.

The ability of the Company to pay dividends is dependent (among other things) on the consent of the Bank

The ability of Propco and Opco to declare dividends to the Company is subject to the consent of the Bank, which it has agreed will not be unreasonably withheld or delayed. Since Propco owns the Group's key asset, the Safestay Hostel, and Opco is the Group's principal operating company, the arrangements with the Bank will restrict the Company's ability to pay dividends to its Shareholders.

Risks relating to the Convertible Loan Notes

The ability of the Group to pay interest and repay the principal due on the Convertible Loan Notes is dependent on the consent of the Bank

The ability of the Group to pay interest on the Convertible Loan Notes is currently dependent upon the ability of Propco and Opco to declare dividends to the Company. That in turn is subject to the consent of the Bank, which it has agreed will not be unreasonably withheld or delayed.

The ability of the Company to repay the principal due on the Convertible Loan Notes is dependent upon the consent of the Bank which it has agreed will not be unreasonably withheld or delayed.

If the Bank declines to give its consent in either of these cases, the Group will be in default of its obligations in relation to the Convertible Loan Notes. Although noteholders will not be able to enforce payment by the Group without the consent of the Bank despite the fact that the Group will be in default under the Convertible Loan Notes, the occurrence of these defaults may entitle other third parties, who may subsequently lend to the Group, to call in their loans.

Shareholders will be diluted on the exercise of the Convertible Loan Notes

If and when the holders of the Convertible Loan Notes exercise their rights to convert into Ordinary Shares, the percentage of the Company's issued share capital held by Shareholders will be diluted. The extent of the dilution will depend on whether all the conversion rights are exercised but if they are then all of the Shareholders' interests will be diluted by 26.9 per cent.

The Company is restricted from incurring further financial indebtedness or granting further security

The Company has undertaken that it will not incur any further financial indebtedness or grant any additional security for so long as the aggregate nominal value of the Convertible Loan Notes held by Bredbury is not less than £250,000. This will restrict the Company's ability to raise further funds in the future.

PART III

VALUATION REPORT ON THE SAFESTAY HOSTEL

Edward Symmons LLP
Property and Asset Consultants
2 Southwark Street
London Bridge
London SE1 1TQ
T: 020 7955 8454
F: 020 7407 6423
es-group.com
29 April 2014

The Directors
Safestay plc
1a Kingsley Way
London
N2 0FW

Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London
EC2N 4AY

Dear Sirs

SAFESTAY HOSTEL, 144-152 WALWORTH ROAD, LONDON SE17 1JL

Executive Summary

The Executive Summary forms an integral part of our valuation report and is subject to the assumptions and caveats therein and should not be read in isolation but in conjunction therewith.

Property Address: Safestay Hostel, 144-152 Walworth Road, London SE17 1JL

Purpose of Valuation: We understand that our valuation report is required for inclusion in an admission document for admission to AIM in accordance with the AIM Rules for Companies.

Inspection Date: 28 January 2014

Location: Located on the western side of Walworth Road in the Elephant and Castle area of south central London in the Borough of Southwark.

Walworth Road is a busy arterial route characterised by a mix of commercial buildings. The area around Elephant and Castle has been earmarked for major regeneration and redevelopment.

Description The Property comprises a series of Grade II listed buildings, most recently used as office accommodation before being developed in mid 2012 into a 413 bed space high end hostel catering for the leisure market operating as Safestay Hostel.

Accommodation Internally, the hostel comprises 74 rooms with 413 bed spaces arranged over ground to fourth floor with a large communal bar and seating area to the basement.

Site Area: 1,391 sq m (14,976 sq ft)

Tenure: Freehold

We have not seen a Report on Title, nor been advised of any outstanding notices or disputes affecting the Property.

Occupational Leases: None.

The Business: The Property opened for trade in mid 2012 originally comprising 407 bed spaces before more recently being increased to 413. The hostel operates under the ‘Safestay’ brand and is positioned at the premium end of the hostel market. We summarise the trading performance since opening:

<i>Year End</i>	<i>Six months to</i>	
	<i>31/12/2012</i>	<i>31/12/2013</i>
	£	£
Turnover	703,117	1,933,813
Costs of Sales	124,668	218,447
Gross Profit	578,449	1,715,366
Expenses	655,046	1,165,454
Hostel Operating Profit	(76,597)	549,912
	(10.9)%	28.4%

Having been open for trade for less than two years, we consider the hostel is still in a build-up phase of operation and has yet to reach a stabilised trading position.

Purchaser: We consider the most likely purchaser would be an owner operator.

Market Value Market Value (MV)

£12,200,000 (Twelve Million Two Hundred Thousand Pounds).

1 Instructions

Terms of Engagement

Instructions

Instructions were confirmed by our Acceptance of Instructions Letter dated 17 January 2014.

Property

Safestay Hostel, 144-152 Walworth Road, London SE17 1JL a freehold asset hereafter referred to as the ‘Property’, which is currently owner occupied trading under the name ‘Safestay Hostel’.

Service Provider

Means Edward Symmons LLP whose registered office is at 2 Southwark Street, London Bridge, London, SE1 1TQ and including any office, division, or department of Edward Symmons LLP, which is to provide services to the Client.

Client

Our client for this instruction is Safestay Plc and Westhouse Securities Limited.

Purpose of Valuation

You have confirmed that this valuation report is required for inclusion in an admission document for admission to AIM in accordance with the AIM Rules for Companies.

Valuation Standards

This valuation report has been prepared in accordance with the RICS Valuation – Professional Standards January 2014 as published by the Royal Institution of Chartered Surveyors (incorporating the International Valuation Standards). We have had particular regard to UK Appendix 7 FCA Listing Rules. In reporting we are acting as External Valuers and Independent Expert.

Basis of Engagement

This valuation report has been prepared in accordance with our Acceptance of Instructions letter dated 17 January 2014.

Assumptions

The Assumptions set out below form part of this valuation report.

Conflict of Interest	We confirm we have had a previous material involvement with the Property in providing a Report and Valuation dated 16 June 2011 for a third party for secured lending purposes. We have also provided informal desktop valuation advice to Moorfield Group dated 19 March 2013. We confirm there is no conflict of interest.
Responsibilities to Third Parties	This valuation report is solely for use by the Client for the purpose stated above and for no other purpose whatsoever.
Disclosure and Publication	Other than for the purpose of valuation, neither the whole nor any part of this valuation nor any reference thereto may be included in any other published document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.
Professional Indemnity	We confirm we have sufficient Professional Indemnity Insurance cover for this instruction.
Expertise	We confirm the valuers meet the requirements of the RICS Valuation – Professional Standards January 2014 and have sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
Review	This valuation report has been reviewed in accordance with the quality assurance procedures of Edward Symmons LLP. The valuation and report content has been reviewed by and agreed with Carl Ridgley BSc (Hons) MRICS and Nick Boyd BSc (Hons) FRICS, both of whom are RICS Registered Valuers.
Investigations	
Inspection	The inspection of the Property was undertaken on 28 January 2014 by Rebecca James BSc (Hons) MRICS and Carl Ridgley BSc (Hons) MRICS, who are RICS Registered Valuers. Our inspection of the Property was limited due to the occupation of various bedrooms.
Information Provided	In preparing this report, we have been provided with information by the Client, together with their advisors and other third parties. Unless otherwise stated, we have assumed that all the information is valid for the purposes of our report. Should any of the information provided prove to be incorrect or inadequate, then the accuracy of the valuation may be affected.
Enquiries	In carrying out this instruction, we have undertaken verbal and web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete and where stated, should be verified by solicitors.
Reliance	Our valuation is based upon the information obtained at the date of inspection. Any subsequent alterations to the Property of which we have not been made aware, may have an adverse effect on our opinion of value.
Basis of Value	
In accordance with your instructions, the following basis of value has been adopted:	
MV	Market Value
Valuation Date	The date of inspection unless stated otherwise.
Definitions	The definition of value from the RICS Valuation – Professional Standards January 2014.

2 Location

- 2.1 The Property is located on the west side of Walworth Road between its junctions with Steedman Street and Amelia Street in the Elephant and Castle area of south central London. Elephant and Castle is located within the London Borough of Southwark to the south of Waterloo and South Bank.

3 Property

- 3.1 The Property comprises a series of Grade II Listed former residential properties built between circa 1793-1799 known as John Smith House, which had been converted into office accommodation before more recently being developed in 2012 into a 413 bed space hostel.

- 3.2 The hostel comprises 74 bedrooms with 413 bed spaces, categorised as follows:

<i>Room Type</i>	<i>No of Rooms</i>	<i>No of Bed Spaces</i>
4 Bed Mixed Dorm	8	32
4 Bed Mixed Dorm En Suite	6	24
6 Bed Mixed Dorm	10	60
6 Bed Mixed Dorm En Suite	24	144
8 Bed Mixed Dorm En Suite	15	120
Single/Double Bunk Private En Suite	11	33
Total	<u>74</u>	<u>413</u>

- 3.3 The bedroom accommodation is situated on the upper ground, first, second and third floors. The rooms are decorated to a modern standard and of good quality for the type of accommodation provided in a purple colour scheme.
- 3.4 The rooms are furnished with bunk beds with privacy curtains individual reading lights together lockers beneath. Towels are not provided but are available to rent. The private rooms benefit from flat screen TVs, towels and tea and coffee making facilities.
- 3.5 En suite facilities are provided to 56 bedrooms with the remainder having the uses of communal shower and WC facilities. En suite facilities in a hostel are somewhat unique and the number of bedrooms benefitting from en suite facilities together with the quality of the communal facilities place the accommodation at the premium end of the market and a unique selling point of the Property.
- 3.6 The public areas include a ground floor reception and lobby area with a seating area providing free wifi, 24 hour reception. Adjoining the reception is a computer and internet room where guests can use desktop computers for a small charge.
- 3.7 Located within the lower ground floor is a large communal area decorated to a modern standard with various areas including a breakfast buffet counter, seating area, bar fitted with a survey pool table and football table and a garden terrace to the rear. In addition there is a communal laundry room for use by guests.
- 3.8 The ancillary accommodation comprises a small kitchen, linen store, staff room and canteen to the lower ground floor, and an office to the upper ground floor. We understand there are storage cupboards and linen stores located on each floor.

Contents

- 3.9 We are advised that with the exception of the vending machines and washer driers, all loose contents, specialised equipment, fixtures and fittings necessary for the operation of the business are owned outright.

4 Condition

- 4.1 We have not been instructed to carry out a building or site survey of the Property. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair.

- 4.2 We would estimate the remaining life span of the building is in excess of 20 years, although this is subject to a planned programme of maintenance and cyclical refurbishment both internally and externally.

5 Tenure

- 5.1 We understand the Property is held freehold.
- 5.2 We have not been provided with a Report on Title, nor had sight of any title documents. Other than that disclosed above, we are not advised of any other notices, disputes, leases, licences, rights of way, restrictive covenants or other encumbrances affecting the title to the Property.

6 Market Conditions

Hostel Market

- 6.1 A typical hostel provides accommodation in shared bedrooms often with en suite facilities sharing communal bathroom facilities. Historically hostel accommodation has appealed to younger leisure travellers and backpackers travelling on a budget however the sector is broadening its appeal and is popular with groups and education establishments.
- 6.2 The hostel sector is relatively diverse and has historically comprised largely small independent facilities although over recent years there have been an increasing number of branded operators entering the market. There are currently 57 existing hostels within London, according to AM:PM research, providing a total of approximately 10,400 bed spaces. We set out the hostels by London Borough as follows:

<i>London Borough</i>	<i>Number of Hostels</i>	<i>%</i>	<i>Number of Rooms</i>	<i>%</i>
Westminster	15	26%	664	25%
Camden	11	19%	775	30%
Kensington & Chelsea	7	12%	232	9%
Tower Hamlets	1	2%	5	0%
City of London	1	2%	48	2%
Southwark	6	11%	324	12%
Lambeth	3	5%	19	1%
Hammersmith & Fulham	3	5%	106	4%
Brent	4	7%	326	13%
Hackney	1	2%	39	1%
Wandsworth	1	2%	5	0%
Greenwich	2	4%	36	1%
Lewisham	2	4%	25	1%
Total	57	100%	2,604	100%

- 6.3 The hostel market in the UK is still relatively small although it is becoming more recognised as travellers seek greater value for money offering potential for new entrants particularly in London. At the higher end of the market, hostels have significantly improved their standards and to a degree are now able to compete directly with the lower end of the budget hotel sector.

6.4 We set out below details of the branded operators in London as follows:

<i>Brand</i>	<i>Number of Hostels in London</i>	<i>Number of Hostels worldwide</i>	<i>Number of Bed Spaces (c.)</i>
YHA	8	200	Unknown
St Christopher's	7	21	3,600
Meininger	1	16	7,100
Equity Point	1	10	2,200
Generator	1	8	6,300
Smart Backpacker Hostels	5	5	1,362
Journey's	3	5	240
Astor	4	4	620
Clink	2	2	641

Pipeline

6.5 There are currently four proposed hostels with full planning permission granted located in London, detailed in the table below:

<i>Name</i>	<i>Location</i>	<i>Opening</i>	<i>Rooms/Beds</i>
Bravo Hostel	Finchley Road	On Hold	101 rooms
Royal Park	Finsbury Park	Speculative	103 rooms
Horse & Groom	Lambeth North	Speculative	9 rooms/22 beds
St Christopher's Village (extension)	London Bridge	Speculative	55 rooms/192 beds

6.6 There are an additional five proposed hostels; three hostels in Haggerston, Islington and Willesden Green are awaiting planning permission together with a 12 bed hostel in Angel Islington was refused planning in 2014.

7 The Business

Background

7.1 The Property operates as a 413 bed hostel trading as Safestay Hostel, which opened for trade in July 2012 following the comprehensive redevelopment of the Property from its previous office use. Safestay is a joint venture between Moorfield Group and Safeland plc aiming to set a new benchmark in safe, stylish and affordable accommodation in London before branching out into key European cities.

7.2 The hostel operates a dual pricing policy charging by the bedroom for the two bedded bedrooms and by the bed space for the larger dorms. We understand that bed space and bedroom tariffs, inclusive of a continental breakfast, for the winter period from 1st November 2013 to 28th February 2014, are as follows:

<i>Room Type</i>	<i>Weekdays</i>	<i>Weekend (Fri & Sat)</i>
8 bed – En Suite	£23	£27
6 bed – En Suite	£24	£28
6 bed – Standard	£21	£25
4 bed – En Suite	£25	£29
4 bed – Standard	£22	£26
Single/Double – En Suite	£78 (price per room)	£87 (price per room)

7.3 Summer 2014 rates between 1 March and 31 October 2014 are as follows:

<i>Room Type</i>	<i>Weekdays</i>	<i>Weekend (Fri & Sat)</i>
8 bed – En Suite	£26	£30
6 bed – En Suite	£27	£31
6 bed – Standard	£24	£28
4 bed – En Suite	£28	£32
4 bed – Standard	£25	£29
Single/Double – En Suite	£90 (price per room)	£99 (price per room)

- 7.4 The hostel provides a free continental breakfast served between 7 am and 9 am. In addition light prepared meals are served throughout the day in the bar area. In addition there are two vending machines in the lobby area offering snacks and drinks.

Financial Accounts

- 7.5 We have been supplied with unaudited profit and loss accounts for the period from opening in mid 2012 to December 2012 and the year ended 31 December 2013, which we summarise as follows:

<i>Year end 31 December</i>	<i>2012</i>		<i>2013</i>	
Income				
Accommodation			£1,012,230	52.3%
Group Accommodation	£661,655	94.1%	£808,666	41.8%
F&B	£27,075	3.9%	£81,585	4.2%
Minor Operating Depts	£12,317	1.8%	£30,838	1.6%
Other	£2,070	0.3%	£494	0.0%
Total Income	£703,117	100%	£1,933,813	100.0%
Total Cost of Sales	£124,668	17.7%	£218,447	11.3%
Gross Profit	£578,449	82.3%	£1,715,366	88.7%
Salaries	£314,440	44.7%	£600,643	31.1%
Sales and Marketing	£44,707	6.4%	£85,156	4.4%
Premises Costs	£157,622	22.4%	£308,213	15.9%
Professional Fees	£106,954	15.2%	£143,735	7.4%
Miscellaneous Costs	£3,041	0.4%	£470	0.0%
Total Trading Overheads	£626,764	89.1%	£1,138,217	58.9%
Finance Charges	£24,572	3.5%	£26,124	1.4%
Bad Debts	£3,710	0.5%	£1,113	0.1%
Total Overheads	£655,046	93.2%	£1,165,454	60.3%
EBITDA	(£76,597)	(10.9)%	£549,912	28.4%

8 Market Value

- 8.1 Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards January 2014 prepared by the Royal Institution of Chartered Surveyors, which adopts and is fully compliant with the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC).

Basis of Value

- 8.2 The RICS Valuation - Professional Standards January 2014 adopts the definition and conceptual framework as defined by the International Valuation Standards (IVS) Framework paragraph 29. As summarised in Valuation Practice Statement (VPS) 4 of the RICS Valuation – Professional Standards January 2014, Market Value is defined as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Approach

- 8.3 As the hostel has only been open for trade since mid 2012 we consider that it is still in a build up phase of operation and as such in formulating our opinions of value of the Property, we have employed a Discounted Cash Flow (DCF) based on the trading information and projections provided and our knowledge of the market.

- 8.4 This approach is used to value assets producing a cash flow. Future profits are discounted back to present day values using an appropriate discount rate to reflect the opportunity cost of capital and risk associated with the investment. It is assumed that the asset will be sold by the end of a given period – 10 years in this instance – and thus the projected net operating profit in the 11th year is capitalised at a market yield before being brought back to present day values.
- 8.5 Under this approach we have assessed the Fair Maintainable Turnover (FMT) and the Fair Maintainable Operating Profit (FMOP) that could be generated at the Property by a Reasonably Efficient Operator (REO) of the business.
- 8.6 A ‘Reasonably Efficient Operator’ is defined as *“A concept where the valuer assumes that the market participants are competent operators, acting in an efficient manner, of a business conducted on the premises. It involves estimating the trading potential rather than adopting the actual level of trade under the existing ownership, and it excludes personal goodwill.”*
- 8.7 For the purposes of our report and valuation, we have adopted EBITDA as our FMOP which is stated prior to deductions for finance costs, taxation, depreciation and amortisation.

Methodology

- 8.8 We provide below a summary of our Illustrative Efficient Operator Assessment.
- 8.9 Our valuation is based on a capitalisation rate of 8% and a discount rate of 10.5%, which reflects the market’s perception of the risk and desirability associated with the Property having regard to the sector’s approach to value. In arriving at our choice of yield we have had regard to the availability of hostel type properties, the number of purchasers in the market and the Property’s current and future trading potential given that it has yet to reach a stabilised trading position.
- 8.10 Our opinion of value is shown before any allowance for purchasers costs in accordance with industry standard practice for trading entities.

Comparable Transactions

- 8.11 There are relatively few hostels in London and as a result there has been very limited transactional activity in the sector with activity more focussed on development opportunities by new entrants in the market. We are aware of the following sales that have occurred:
- Court Hostel, Earls Court – 22 bedroom / 67 bed spaces hostel which provided a basic standard of accommodation with shared facilities, sold for circa £2.35 million in mid-2013. The price equated to £106,800 per room or £35,000 per bed space. The property is located in an established tourist location in west London
 - New Cross Inn, New Cross – a small 18 bedroom hostel offering basic accommodation sold for approximately £1.2 million in April 2013, which equates to £66,000 per bedroom.
- 8.12 We are also aware that the 18 room/200 bed YHA London Holland Park has recently been brought to market although is available to let on a new 30 year lease.

Valuations

Market Value (MV)

We are of the opinion the current Market Value of the freehold interest in Safestay Hostel, 144-152 Walworth Road, London SE17 1JL, as described in this report, free from encumbrance, with full vacant possession, as at the valuation date, is:

£12,200,000

(Twelve Million Two Hundred Thousand Pounds)

9 Assumptions

9.1 The following assumptions have been adopted in arriving at our opinion of value:

- There is clear title to the Property.
- Full planning consent exists for the Property in its existing/proposed use.
- The Property complies with all statutory regulations.
- The property and the services are free from defect and in good working order.
- The information provided is a true and accurate reflection of the current position.

9.2 Unless otherwise stated, we have assumed that all of the above are valid for the purposes of our report. Should any of the information provided prove to be incorrect or inadequate, then the accuracy of our valuation may be affected.

We trust this report meets with your requirements, but if there are any matters arising which require further clarification, please do not hesitate to contact the undersigned.

Yours faithfully

REBECCA JAMES BSc (Hons) MRICS
RICS Registered Valuer
(RICS Membership Number 1255629)
Edward Symmons LLP

Yours faithfully

Reviewed by

CARL RIDGLEY BSc (Hons) MRICS
RICS Registered Valuer
(RICS Membership Number 0851608)
Partner
**For and on behalf of
Edward Symmons LLP**

NICK BOYD BSc (Hons) FRICS
RICS Registered Valuer
(RICS Membership Number 0076255)
Partner
**For and on behalf of
Edward Symmons LLP**

PART IVA

ACCOUNTANTS' REPORT ON SAFESTAY PLC

The Directors
Safestay PLC
1a Kingsley Way
London
N2 0FW

Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London
EC2N 4AY

29 April 2014

Dear Sirs

Safestay PLC

Introduction

We report on the special purpose financial information set out below (the “Company IFRS Financial Information Table”). The Company IFRS Financial Information Table has been prepared for inclusion in the admission document dated 29 April 2014 (the “Document”) of Safestay PLC (the “Company”) on the basis of the accounting policies set out in paragraph 2 below. This report is required by Schedule Two of the AIM Rules for Companies published by the London Stock Exchange plc (the “AIM Rules”) and is given for the purposes of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Company IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Company IFRS Financial Information Table gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Company IFRS Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Company IFRS Financial Information Table and whether the accounting policies are appropriate to the Company’s circumstances consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company IFRS Financial Information Table is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Company IFRS Financial Information Table gives, for the purposes of the Document dated 29 April 2014, a true and fair view of the state of affairs of the Company as at the date stated and of its profits and losses and cash flows for the periods then ended.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART IVB

HISTORICAL FINANCIAL INFORMATION ON SAFESTAY PLC
FOR THE PERIOD 29 JANUARY 2014 TO 28 FEBRUARY 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2014

	<i>Notes</i>	<i>28 February 2014 £</i>
Assets		
Current assets		
Trade and other receivables	3	<u>50,000</u>
Total assets		<u>50,000</u>
Current liabilities		
Borrowings	4	<u>(50,000)</u>
Total liabilities		<u>(50,000)</u>
Net current assets		<u>—</u>
Net assets		<u>—</u>
Shareholders' equity		
Share capital	5	<u>—</u>
Total equity	5	<u><u>—</u></u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 29 JANUARY 2014 TO 28 FEBRUARY 2014**

	<i>Note</i>	<i>Share Capital</i> £	<i>Total</i> £
Issue of share capital	5	—	—
Total changes in shareholders' equity		—	—
Balance as at 28 February 2014		—	—

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 29 JANUARY 2014 TO 28 FEBRUARY 2014**

A statement of comprehensive income has not been included as there has been no activity in the reporting period.

**CASH FLOW STATEMENT
FOR THE PERIOD FROM 29 JANUARY 2014 TO 28 FEBRUARY 2014**

There were no cash flow movements in the period. The amounts relating to the issue of share capital remain unpaid at the period end date.

NOTES TO THE FINANCIAL INFORMATION

1. Introduction

The principal activity of Safestay plc is to act as a holding company for WXYZ2 Limited and its subsidiary companies.

The Company was incorporated on 29 January 2014 and did not trade in the period from incorporation to 28 February 2014, therefore no statement of comprehensive income is presented.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below.

Basis of preparation

The special purpose Company Historical Financial Information presents the financial track record of Safestay plc for the period from its incorporation, on 29 January 2014, to 28 February 2014, and is prepared for the purposes of admission to the Alternative Investment Market (“AIM”) operated by the London Stock Exchange.

This special purpose Company Historical Financial Information has been prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (“EU”) (“IFRS”), International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

Trade and other receivables

Debtors represent amounts due from holders of redeemable preference shares.

Share capital

Ordinary shares are classified as equity.

3. Trade and other receivables

	28 February 2014 £
Amounts owed in respect of preference shares (note 4)	50,000

The amounts relate to unpaid preference shares. The amounts due are interest free, unsecured and payable on demand.

4. Borrowings

	28 February 2014 £
50,000 redeemable preference shares of £1 each	50,000

On 29 January 2014, Safeland plc subscribed for 50,000 preference shares for an aggregate subscription price of £50,000. The preference shares do not have voting rights and are entitled to a fixed cumulative preferential dividend at an annual rate of 2 per cent. per annum on the nominal amount of each preference share. The fixed cumulative preferential dividend shall only accrue from the first anniversary of the date of issue of the preference shares. The preference shares may be redeemed, at any time, at the option of the Company for an amount equal to the amount paid up on the preference shares (together with the amount of any accrued but unpaid dividends on the preference shares) by the Company giving notice of the redemption to the holders of preference shares. It is expected that the preference shares will be redeemed on or immediately following admission out of the proceeds of the placing. Accordingly, as the

fixed cumulative preferential dividend shall only accrue from the first anniversary of the date of issue of the preference shares, it is expected that no dividend will actually become payable on the preference shares.

5. Called up share capital

*28 February
2014
£*

Authorised, issued and fully paid:
1 ordinary shares of £0.01 each

—
=====

The Company was incorporated on 29 January 2014 with share capital of £0.01, comprising 1 ordinary share of £0.01.

6. Ultimate controlling party

The ultimate controlling party is Louise Talty, an employee of Safeland plc, by virtue of the holding of the 1 ordinary share.

PART VA

ACCOUNTANTS' REPORT ON SAFESTAY LIMITED PARTNERSHIP

The Directors
Safestay plc
1a Kingsley Way
London
N2 0FW

Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London
EC2N 4AY

29 April 2014

Dear Sirs

Safestay Limited Partnership

Introduction

We report on the special purpose financial information set out below (the “IFRS Financial Information Table”). The IFRS Financial Information Table has been prepared for inclusion in the admission document dated 29 April 2014 (the “Document”) of Safestay Plc (the “Company”) on the basis of the accounting policies set out in paragraph 1 below. This report is required by Schedule Two of the AIM Rules for Companies published by the London Stock Exchange plc (the “AIM Rules”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the IFRS Financial Information Table gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Document dated 29 April 2014, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VB

**HISTORICAL FINANCIAL INFORMATION ON SAFESTAY LIMITED
PARTNERSHIP FOR THE PERIOD 10 OCTOBER 2010 TO 31 DECEMBER 2013**

**CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013**

		<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Revenue	2	—	701	1,933
Cost of sales		—	(169)	(302)
Gross profit		—	532	1,631
Administrative expenses		(236)	(667)	(1,137)
Operating profit/(loss)		(236)	(135)	494
Finance income	3	1	2	—
Finance costs	4	—	(138)	(186)
Profit/(loss) before tax	5	(235)	(271)	308
Tax	6	—	—	—
Profit/(loss) for the financial period/year attributable to owners of the parent partnership		<u>(235)</u>	<u>(271)</u>	<u>308</u>

The accompanying notes are an integral part of this consolidated financial information.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013**

		<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Profit/(loss) for the financial period/year		<u>(235)</u>	<u>(271)</u>	<u>308</u>
Other comprehensive income				
Items that will not be subsequently reclassified to profit and loss:				
Revaluation gain on property	8	<u>—</u>	<u>3,401</u>	<u>234</u>
Total other comprehensive income net of tax		<u>—</u>	<u>3,401</u>	<u>234</u>
Total comprehensive income/(loss) for the period/year attributable to the owners of the parent		<u><u>(235)</u></u>	<u><u>3,130</u></u>	<u><u>542</u></u>

The accompanying notes are an integral part of this consolidated financial information.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011, 31 DECEMBER 2012 AND 31 DECEMBER 2013**

	<i>Note</i>	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
Non-current assets				
Property, plant and equipment	8	4,549	12,000	12,200
Total non-current assets		<u>4,549</u>	<u>12,000</u>	<u>12,200</u>
Current assets				
Inventory	9	—	—	5
Trade and other receivables	10	72	73	58
Cash and cash equivalents	11	1,871	449	869
Total current assets		<u>1,943</u>	<u>522</u>	<u>932</u>
Total assets		<u>6,492</u>	<u>12,522</u>	<u>13,132</u>
Current liabilities				
Bank loans	12	2,197	125	250
Trade and other payables	13	311	418	569
Total current liabilities		<u>2,508</u>	<u>543</u>	<u>819</u>
Non-current liabilities				
Bank loans	12	—	4,415	4,207
Total non-current liabilities		<u>—</u>	<u>4,415</u>	<u>4,207</u>
Total liabilities		<u>2,508</u>	<u>4,958</u>	<u>5,026</u>
Net assets		<u>3,984</u>	<u>7,564</u>	<u>8,106</u>
Equity				
Partners' equity	14	4,219	4,669	4,669
Revaluation surplus		—	3,401	3,635
Retained deficit		(235)	(506)	(198)
Total equity attributable to the partners		<u>3,984</u>	<u>7,564</u>	<u>8,106</u>

The accompanying notes are an integral part of this consolidated financial information.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013**

	<i>Partners' equity £'000</i>	<i>Revaluation deficit £'000</i>	<i>Retained (deficit) £'000</i>	<i>Total equity £'000</i>
Partners' equity introduced	4,219	—	—	4,219
Loss for the period	—	—	(235)	(235)
Total comprehensive loss	—	—	(235)	(235)
Balance at 31 December 2011	<u>4,219</u>	<u>—</u>	<u>(235)</u>	<u>3,984</u>
	<i>Partners' equity £'000</i>	<i>Revaluation surplus £'000</i>	<i>Retained (deficit) £'000</i>	<i>Total equity £'000</i>
Balance at 1 January 2012	4,219	—	(235)	3,984
Partners' equity introduced	450	—	—	450
Loss for the year	—	—	(271)	(271)
Other comprehensive income	—	3,401	—	3,401
Total comprehensive income	—	3,401	(271)	3,130
Balance at 31 December 2012	<u>4,669</u>	<u>3,401</u>	<u>(506)</u>	<u>7,564</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013**

	<i>Partners' equity</i> £'000	<i>Revaluation surplus</i> £'000	<i>Retained (deficit)/ earnings</i> £'000	<i>Total equity</i> £'000
Balance at 1 January 2013	4,669	3,401	(506)	7,564
Profit for the year	—	—	308	308
Other comprehensive income	—	234	—	234
Total comprehensive income	—	234	308	542
Balance at 31 December 2013	<u>4,669</u>	<u>3,635</u>	<u>(198)</u>	<u>8,106</u>

The accompanying notes are an integral part of this consolidated financial information.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013**

		<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Operating activities				
Cash (outflows)/generated from operations	15	(256)	144	701
Interest paid		—	(132)	(145)
Net cash (outflows)/generated from operating activities		<u>(256)</u>	<u>12</u>	<u>556</u>
Investing activities				
Interest received		1	2	—
Purchase of property, plant and equipment		(4,290)	(4,211)	(11)
Net cash outflows from investing activities		<u>(4,289)</u>	<u>(4,209)</u>	<u>(11)</u>
Financing activities				
Partners' equity		4,219	450	—
Bank loans		2,280	6,964	—
Loan arrangement fees		(83)	(127)	—
Loan repayments		—	(4,512)	(125)
Net cash generated/(outflows) from financing activities		<u>6,416</u>	<u>2,775</u>	<u>(125)</u>
Net increase/(decrease) in cash and cash equivalents		1,871	(1,422)	420
Cash and cash equivalents at beginning of period/year		—	1,871	449
Cash and cash equivalents at end of period/year	11	<u>1,871</u>	<u>449</u>	<u>869</u>

The accompanying notes are an integral part of this consolidated financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 10 OCTOBER 2010 TO 31 DECEMBER 2013

1. Accounting Policies

Basis of accounting

Safestay Limited Partnership was incorporated and is domiciled in Jersey. The Group owns and operates hostel accommodation in London.

The Group financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Basis of preparation

The special purpose Consolidated Historical Financial Information presents the financial track record of the Group for the period from 10 October 2010 to 31 December 2011 and the years ended 31 December 2012 and 2013, and is prepared for the purposes of admission to the Alternative Investment Market (“AIM”) operated by the London Stock Exchange.

This special purpose Consolidated Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and with those parts of the Companies Act (Jersey) 2006 as applicable to companies reporting under IFRS.

This special purpose Consolidated Historical Financial Information is prepared on a going concern basis in accordance with IFRS under the historical cost convention. The Consolidated Historical Financial Information is presented in thousands of pounds sterling (“£”) except when otherwise indicated.

The Group financial statements consolidate those of the Company and its UK and Jersey subsidiaries.

Based on the exemption provided in Article 105 (11) of the Companies Act (Jersey) 2006 the Partnership does not present its individual financial statements and related notes.

The principal accounting policies adopted in the preparation of the Consolidated Historical Financial Information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The Group’s financial information consolidate those of the Partnership and its subsidiaries, together referred to as the Group, and equity account for the Group’s interest in jointly controlled entities and associates.

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 information from the date that control commences until the date it ceases. All inter Group transactions and balances are eliminated on consolidation.

Going concern

The directors report that, based on the Group’s budgets and financial projections to 31 December 2015, they have satisfied themselves that the business is a going concern.

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

Standards issued

Standards, amendments and interpretations effective and adopted by the Group:

IFRSs expected to be applicable, in so far as this is currently known, to the first annual financial statements of the Group, which will be for the year ended 31 December 2014, have been applied. The accounting policies adopted in the presentation of the Consolidated historical financial information reflect the adoption of the following new standards as of 1 January 2013.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial information of the parent partnership.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.

Amendments to IAS 36, 'Impairment of assets', regarding the recoverable amount disclosures for non-financial assets.

The application of these standards had no impact on the Group.

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.

Revenue

Revenue is stated net of VAT and comprises revenues from overnight hostel accommodation and the sale of ancillary goods. Accommodation and the sale of ancillary goods is recognised when services are provided.

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 revenue is recognised once the bed has been occupied.

Property, plant and equipment

Property, plant and equipment are stated at fair value or cost less accumulated depreciation. 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
Properties	50 years

Due to the high residual value and long useful life, depreciation on the property is negligible.

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.

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.

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, net of loan arrangement fees.

Loan arrangement fees

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

Trade receivables

Trade receivables are measured at initial recognition at fair value 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Equity

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

Partnership capital

Partnership capital represents the nominal value of loans and capital invests by the joint venture partners. The loans are interest free and no repayment terms are in place. These loans have been treated as quasi-capital.

Revaluation surplus

Revaluation surpluses arise from fair value gains on the Group's property.

Retained earnings

Retained earnings represent undistributed cumulative earnings or accumulated losses.

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 consolidated financial information 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.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 partners have exercised significant estimates. The fair value of the Group's property portfolio is based upon an external valuation and is inherently subjective. In the current market where transaction volumes are lower than average the subjectivity around the valuations is more acute.

Properties

At 31 December 2013, the carrying value of the Group's property was £12,200,000 (2012: £12,000,000, 2011: £4,549,000).

An independent valuation of the group's freehold property was performed by valuers to determine the fair value of the freehold property as at 31 December 2013 and 2012. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in revaluation surplus. The freehold property is the only non-financial asset held at fair value. The valuation of this asset requires significant inputs that are not based on observable market data (level 3). The property's current use equate to the highest and best use.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers occurred during the period/year.

The fair value of property was ascertained using valuations performed by independent third party valuer using the basis of market value as defined in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations were based on the discounted cash flows technique with a capitalisation rate of 8 per cent. and discount rate of 10.5 per cent. applied to forecasts of future earnings before interest, taxation and depreciation (EBITDA).

Information about fair value measurements of freehold property using significant unobservable inputs (level 3).

31 December 2013 valuation

		£'000	£'000	£'000	
£12,200,000					
			Change in discount rate		
			-5%	0%	5%
	Change in	-0.5%	13,000	12,500	12,100
	Capitalisation rate	0%	12,600	12,200	11,800
		0.5%	12,200	11,800	11,400
			<u>11,600</u>	<u>12,200</u>	<u>12,800</u>
				Change in EBITDA	
			-5%	0%	5%
£12,200,000			<u>11,600</u>	<u>12,200</u>	<u>12,800</u>

31 December 2012 valuation

		£'000	£'000	£'000	
£12,000,000					
			Change in discount rate		
			-5%	0%	5%
	Change in	-0.5%	12,800	12,300	11,900
	Capitalisation rate	0%	12,400	12,000	11,600
		0.5%	12,100	11,700	11,300
			<u>11,400</u>	<u>12,000</u>	<u>12,600</u>
				Change in EBITDA	
			-5%	0%	5%
£12,000,000			<u>11,400</u>	<u>12,000</u>	<u>12,600</u>

Information in relation to 2011 has not been given on the basis that the property was under construction and was therefore held at cost at 31 December 2011.

2. Revenue

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Hostel income	—	701	1,933
	<u>—</u>	<u>701</u>	<u>1,933</u>

The revenue and operating results for the period/year is derived from continuing operations in the United Kingdom.

3. Finance Income

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Interest income:			
Bank deposit interest	1	2	—
	<u>1</u>	<u>2</u>	<u>—</u>

4. Finance Costs

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Interest on bank loans	—	120	144
Amortisation of loan arrangement fees	—	18	42
	<u>—</u>	<u>138</u>	<u>186</u>

5. Profit/(Loss) for the Financial Year

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Profit/(loss) for the financial period/year is arrived at after charging:			
Depreciation on owned assets	—	24	45
	<u>—</u>	<u>24</u>	<u>45</u>

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

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Fees payable to the auditor for the audit of the partnership's annual accounts	<u>5</u>	<u>5</u>	<u>5</u>
Fees payable to the auditor and its related entities for other services:			
The audit of the partnership's subsidiaries	5	10	10
Taxation services	5	5	—
	<u>10</u>	<u>15</u>	<u>10</u>

6. Tax

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Current tax			
Corporation tax	—	—	—
Total current tax	<u>—</u>	<u>—</u>	<u>—</u>
Total current tax (credit)/charge	<u>—</u>	<u>—</u>	<u>—</u>

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

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
(Loss)/profit before tax	<u>(235)</u>	<u>(271)</u>	<u>308</u>
Tax at rate of 20% (2012: 20%, 2011: 20%)	(47)	(54)	62
Factors affecting charge for the period/year			
Difference on overseas tax rates	(2)	(4)	2
Non-taxable income	(12)	(18)	(32)
Disallowable expenses	49	26	16
Capital allowances for the period in excess of depreciation	—	(50)	(59)
Loss carry forward not recognised	12	100	11
Group tax (credit)/charge	<u>—</u>	<u>—</u>	<u>—</u>

At 31 December 2013, the Group had tax losses of £nil in the UK and £611,000 in Jersey for which no deferred tax asset has been recognised.

7. Staff Costs

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

	<i>Period ended 31 December 2011 Number</i>	<i>Year ended 31 December 2012 Number</i>	<i>Year ended 31 December 2013 Number</i>
Administration	<u>1</u>	<u>14</u>	<u>29</u>

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

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Wages and salaries	13	288	545
Social security costs	—	24	46
	<u>13</u>	<u>312</u>	<u>591</u>

8. Property, Plant and Equipment

	<i>Freehold Property £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Total £'000</i>
Cost			
Additions	4,549	—	4,549
At 1 January 2012	4,549	—	4,549
Additions	3,929	145	4,074
Revaluation	3,401	—	3,401
At 1 January 2013	11,879	145	12,024
Additions	5	6	11
Revaluation	234	—	234
At 31 December 2013	12,118	151	12,269
Depreciation			
Charge for the period	—	—	—
At 1 January 2012	—	—	—
Charge for the year	—	24	24
At 1 January 2013	—	24	24
Charge for the year	—	45	45
At 31 December 2013	—	69	69
Net book value:			
At 31 December 2013	12,118	82	12,200
At 31 December 2012	11,879	121	12,000
At 31 December 2011	4,549	—	4,549

Additions to freehold property relates to expenditure on the purchase and redevelopment of the Safestay Hostel property. The property was acquired by the Group on the 18 April 2011 and was completed and commenced trading on the 30 June 2012.

The fair value of the Group's property at 31 December 2013 has been arrived at on the basis of fair value as defined in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuation was performed by Edward Symmons LLP.

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
Historical cost of freehold property	4,549	8,478	8,483

9. Inventory

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
Bar inventory of liquor and beverages	—	—	5

10. Trade and Other Receivables

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
Other receivables	72	20	—
Prepayments	—	53	58
	72	73	58

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

11. Cash and Cash Equivalents

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
Cash	<u>1,871</u>	<u>449</u>	<u>869</u>

All of the Group's cash is held in sterling.

The directors consider that the carrying amount of cash approximate to their fair value.

12. Bank Loans

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
At amortised cost			
Bank loans	2,280	4,732	4,607
Unamortised loan arrangement fees	(83)	(192)	(150)
	<u>2,197</u>	<u>4,540</u>	<u>4,457</u>
	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
The borrowings are repayable as follows:			
In the third to fifth years	—	4,357	4,107
In the second year	—	250	250
On demand or within one year	2,280	125	250
	<u>2,280</u>	<u>4,732</u>	<u>4,607</u>
Unamortised loan arrangement fees	(83)	(192)	(150)
	<u>2,197</u>	<u>4,540</u>	<u>4,457</u>

There are two loan covenants:

1. *Loan to Value*

The Loan amount outstanding including accrued interest must not exceed 65 per cent. of the valuation of the Group's Freehold property.

2. *Interest cover*

Earnings before interest tax and depreciation must be 1.75x greater than the annual finance cost for the previous 12 months.

There were no breaches of bank loan covenants as at and during the periods ending 31 December 2013, 31 December 2012 or 31 December 2011.

The Group's bank loan disclosed above comprises borrowings in sterling.

The bank loans are secured over the freehold property.

13. Trade and Other Payables

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
Trade payables	—	71	22
Social security and other taxes	—	22	139
Other creditors	274	14	82
Accruals	37	256	177
Deferred income	—	55	149
	<u>311</u>	<u>418</u>	<u>569</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

14. Partnership Equity

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
Partners' capital	5	5	5
Partners' loans	4,214	4,664	4,664
	<u>4,219</u>	<u>4,669</u>	<u>4,669</u>

The partnership equity represents capital and loans from the Partners in the following proportions:-

	<i>Units</i>	<i>Proportion</i>
Moorfield Real Estate Fund II "A" Limited Partnership	2,186	43.72%
Moorfield Real Estate Fund II "B" Limited Partnership	1,814	36.28%
WZYZZ Limited (100% subsidiary of Safeland plc)	1,000	20.00%

Partnership equity represents the capital and loans invested into the partnership. The loans are interest free and are not secured over the assets of the partnership.

Income and capital profits of the Partnership in any accounting period of the Partnership shall be allocated between the Partners.

WXYZ2 Limited is entitled to a priority share of the profit which is calculated on the internal rate of return of the partnership at the date of a distribution to the partners. Remaining distributions are apportioned in accordance with the partner's share of the capital.

15. Notes to the cash flow statement

	<i>Period ended</i> <i>31 December</i> 2011 £'000	<i>Period ended</i> <i>31 December</i> 2012 £'000	<i>Period ended</i> <i>31 December</i> 2013 £'000
Cashflow from operating activity			
Profit/(loss) before tax	(235)	(271)	308
Adjustments for:			
Depreciation (note 8)	—	24	45
Finance cost	—	138	186
Finance income	(1)	(2)	—
Operating cashflow before changes in working capital	<u>(236)</u>	<u>(111)</u>	<u>539</u>
Changes in working capital:			
Increase in stock	—	—	(5)
(Increase)/decrease in trade and other receivables	(72)	(1)	15
Increase in trade and other payables	52	256	152
Cashflow generated from operations	<u>(256)</u>	<u>144</u>	<u>701</u>

16. Related Party Transactions

The partners' interests in the Group are disclosed in note 14. Management and development fees payable to the related parties in respect of each period/year were as follows:

	<i>Period ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
WXYZ2 Limited	24	39	37
Moorfield Investment Management Limited	5	18	15
	<u>29</u>	<u>57</u>	<u>52</u>

Amounts due to related parties as at 31 December were as follows:

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
WZY2 Limited	24	63	10
Moorfield Investment Management Limited	5	23	4
	<u>29</u>	<u>86</u>	<u>14</u>

The amounts due to related parties are included in accruals at the end of each period/year.

17. Financial Instruments

Capital management

The Groups objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may request or refund capital to the partners or sell assets to reduce debt.

Gearing

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
Bank loans (note 12)	2,197	4,540	4,457
Less cash	(1,871)	(449)	(869)
Net debt	<u>326</u>	<u>4,091</u>	<u>3,588</u>
Total equity	<u>3,984</u>	<u>7,564</u>	<u>8,106</u>
Total capital	<u>4,310</u>	<u>11,655</u>	<u>11,694</u>
Gearing ratio	<u>7.6%</u>	<u>35.1%</u>	<u>30.7%</u>

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 this financial information and in the tables below:

Categories of financial instruments

At 31 December the Group held the following financial assets:

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
Trade and other receivables	72	20	—
Cash	1,871	449	869
Financial assets at amortised cost	<u>1,943</u>	<u>469</u>	<u>869</u>

At 31 December the Group held the following financial liabilities:

2013

	<i>In less than</i> 1 year £'000	<i>1-2 years</i> £'000	<i>2-5 years</i> £'000	<i>Total</i> £'000
Trade and other payables	281	—	—	281
Borrowings	250	250	4,107	4,607
Interest on borrowings	142	134	165	441
Total	<u>673</u>	<u>384</u>	<u>4,272</u>	<u>5,329</u>

2012

	<i>In less than</i> 1 year £'000	<i>1-2 years</i> £'000	<i>2-5 years</i> £'000	<i>Total</i> £'000
Trade and other payables	341	—	—	341
Borrowings	125	250	4,357	4,732
Interest on borrowings	144	142	300	586
Total	<u>610</u>	<u>392</u>	<u>4,657</u>	<u>5,659</u>

2011

	<i>In less than</i> 1 year £'000	<i>1-2 years</i> £'000	<i>2-5 years</i> £'000	<i>Total</i> £'000
Trade and other payables	311	—	—	311
Borrowings	2,280	—	—	2,280
Interest on borrowings	0	—	—	—
Total	<u>2,591</u>	<u>—</u>	<u>—</u>	<u>2,591</u>

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

Financial risk management

The Group's financial instruments comprise bank loans, cash 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.

Interest rate risk management

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rate expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk on its borrowings, which are at floating interest rates at 2.5 per cent. above the Bank of England base rate as shown in the table below. The Group carefully manages its interest rate risk on an ongoing basis.

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

At 31 December, the Group held the following loans:

	<i>31 December</i> 2011 £'000	<i>31 December</i> 2012 £'000	<i>31 December</i> 2013 £'000
Borrowings	<u>2,280</u>	<u>4,732</u>	<u>4,607</u>
Interest rate	<u>4.75%</u>	<u>3.15%</u>	<u>3.15%</u>

Interest rate sensitivity

The sensitivity analyses 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 per cent. 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 2013, if interest rates were 0.25 per cent. higher or (lower) and all other variables were held constant, the Group's net profit/(loss) and equity would increase or decrease by £12,000 (2012: £9,000, 2011: £1,000). 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.

The principal credit risk arises from trade receivables and cash balances.

The Group seeks to limit the credit risk on cash at bank by only depositing monies with UK banks that have high credit ratings at AA or above.

The carrying amount of financial assets recorded in the financial information, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit risk from non payment by customers is minimal as all customers are required to pay for their accommodation before access to the hostel is granted.

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. All of the Group's long term borrowings are secured on the Group's freehold property. All loans are drawn down to their available facility.

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.

2013

	<i>In less than</i>			<i>In more than</i>	
	<i>1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Variable interest rate borrowings	250	250	4,107	—	4,607

The above loan is set at an interest rate above LIBOR. The weighted average effective interest rate as at 31 December 2013 was 3.15 per cent.

All of the Group's financial assets are non interest bearing. All financial assets are due within one year.

Interest on bank borrowings

2012

	<i>In less than</i>			<i>In more than</i>	
	<i>1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Borrowings	125	250	4,357	—	4,732

The above loan is set at an interest rate above LIBOR. The weighted average effective interest rate as at 31 December 2012 was 3.15 per cent.

All of the Group's financial assets are non interest bearing. All non derivative financial assets are due within one year.

2011

	<i>In less than</i>			<i>In more than</i>	
	<i>1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Variable interest rate borrowings	2,280	—	—	—	2,280

The above loan is set at an interest rate above LIBOR. The weighted average effective interest rate as at 31 December 2012 was 4.75 per cent.

All of the Group's financial assets are non interest bearing. All non derivative financial assets are due within one year.

18. Principal subsidiaries

The Group comprises of the following entities and their principal activity:

MREF II White Property Limited	Property development
Safestay (Elephant & Castle) Limited	Hostel operator
MREF II White GP Limited	Investment
MREF II White LP Limited	Investment
MREF II White IP Limited	Investment
Safe Hostels Limited	Dormant
Tower Hill 1 Limited	Dormant
Tower Hill 2 Limited	Dormant
MREF II White Holdings Limited	Investment

19. Ultimate controlling party

The Group's ultimate parent undertaking and controlling parties are Moorfield Real Estate Fund II "A" Limited Partnership and Moorfield Real Estate Fund II "B" Limited Partnership which are limited partnerships registered in England and Wales.

20. Post balance sheet event

WXYZ2 Limited has an agreement to purchase the combined 80 per cent. interest in MREF II White Limited Partnership from MREF Moorfield Real Estate Fund II “A” Limited Partnership and Moorfield Real Estate Fund II “B” Limited Partnership for £6.15m. Safeland plc, which owns 100 per cent. of WXYZ2 Limited, has agreed to sell these shares to Safestay Plc. This is all conditional on the successful initial public offering currently in progress by Safestay Plc to raise capital necessary to finance the purchase of the interest of the MREF II White Limited Partnership.

The Group has negotiated a new loan arrangement with its principal lender Coutts and Co to increase the loan to £5.6m. The proposed terms from Coutts and Co are for a five year period with interest of 3.25% above LIBOR. 50% of the loan will be hedged with derivative financial instruments to mitigate interest rate risk.

21. Operating lease commitments

At the balance sheet date, the Group was committed to making the following aggregate minimum lease payments under operating leases of vending machines as follows:-

	<i>31 December 2011 £'000</i>	<i>31 December 2012 £'000</i>	<i>31 December 2013 £'000</i>
No later than one year	—	4	4
Later than one year and no later than five years	—	8	4
	<u>—</u>	<u>12</u>	<u>8</u>

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

Set out below is unaudited IFRS pro forma financial information based on the net assets of Safestay plc as at 28 February 2014. The pro forma is prepared for illustrative purposes to show the effect of Admission on the Group as if Admission had taken place as at 28 February 2014. The information, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited IFRS pro forma financial information has been compiled from the IFRS balance sheet of Safestay plc as at 28 February 2014 and Safestay Limited Partnership as at 31 December 2013, as set out in Part IVB and Part VB of this document, adjusted as described in note 3 below.

	<i>Adjustments</i>			<i>Pro Forma Total £m</i>
	<i>As at 28 February 2014 £m (Note 1)</i>	<i>Safestay Limited Partnership Accounts £m (Note 2)</i>	<i>Proceeds £m (Note 3)</i>	
Non-current assets				
Plant and equipment	—	12.2	—	12.2
	—	12.2	—	12.2
Current assets				
Trade and other receivables	0.1	0.1	—	0.2
Cash and cash equivalents	—	0.9	6.65	7.55
	0.1	1.0	6.65	7.75
Total assets	0.1	13.2	6.65	19.95
Current liabilities				
Borrowings	(0.1)	(0.3)	—	(0.4)
Trade and other payables	—	(0.6)	—	(0.6)
	(0.1)	(0.9)	—	(1.0)
Non-current liabilities				
Borrowings	—	(4.2)	(2.8)	(7.0)
	—	(4.2)	(2.8)	(7.0)
Total liabilities	(0.1)	(5.1)	(2.8)	(8.0)
Net assets	—	8.1	3.85	11.95

Notes

- The financial information has been extracted, without material adjustment, from the Historical Financial Information on the Company for the period ended 28 February 2014, set out in Part IVB of this document.
- The financial information on Safestay Limited Partnership has been extracted without material adjustment from the Historical Financial Information on Safestay Limited Partnership, set out in Part VB of this document.
- The net proceeds of the Fundraising of £6.65 million are calculated on the basis that the Company issues 9,600,000 New Ordinary Shares at a price of 50 pence per share pursuant to the Placing and £2.8 million by the issue of the Convertible Loan Notes, net of estimated expenses in connection with the Fundraising of approximately £0.95 million. The proceeds of £7.6 million will be used to settle the purchase consideration due in respect of the Moorfield Acquisition and the Promote Acquisition (approximately £6.2 million), and as to £50,000 to redeem the Redeemable Preference Shares. The balance of £1.35 million will be used to provide working capital for the Group. The current finance facility will be repaid and replaced on Admission by a new facility.
- No adjustment has been made to reflect the trading results of the Group since 31 December 2013.

PART VII

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear on page 5 of this document, and the Company the registered office of which appears on page 5 of this document, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Edward Symmons LLP, the registered office of which appears on page 5 of this document, accepts responsibility for its report set out in Part III of this document. To the best of the knowledge of Edward Symmons LLP (who has taken all reasonable care to ensure that such is the case), the information contained in its report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated in England and Wales on 29 January 2014 with registered number 8866498 as a public limited company under the Companies Act. It is domiciled in the United Kingdom.
- 2.2 The principal legislation under which the Company operates and under which the Ordinary Shares will be issued is the Companies Act and the regulations made thereunder.
- 2.3 The registered office of the Company is at 1a Kingsley Way, London N2 0FW, and its telephone number is 0208 815 1600.
- 2.4 The liability of the members of the Company is limited.
- 2.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.safestay.co.uk.
- 2.6 The Company was incorporated to be the ultimate holding company of the Safestay Group. Immediately following Admission and completion of the Moorfield Acquisition, the Company will have the following directly and indirectly wholly owned significant subsidiary undertakings, being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group:

<i>Name</i>	<i>Registered Office and Country of Incorporation/Residence</i>	<i>Principal Activity</i>	<i>Issued share capital (fully paid) or interest</i>
WXYZ2 Limited	1a Kingsley Way, London, N2 0FW	Investment holding	3 ordinary shares of £1.00 each
MREF II White GP Limited	Ogier House, The Esplanade, St Helier Jersey JE4 9WG	General partner to the Safestay Limited Partnership	1,000 ordinary shares of no par value and 4,000 M ordinary shares of no par value
MREF II White Holdings Limited	Ogier House, The Esplanade, St Helier Jersey JE4 9WG	Investment holding	2 A ordinary shares of no par value and 2 B ordinary shares of no par value

<i>Name</i>	<i>Registered Office and Country of Incorporation/Residence</i>	<i>Principal Activity</i>	<i>Issued share capital (fully paid) or interest</i>
MREF II White Property Limited	Ogier House, The Esplanade, St Helier Jersey JE4 9WG	Property developer	2 ordinary shares of no par value
MREF II White Limited Partnership	Ogier House, The Esplanade, St Helier Jersey JE4 9WG	Investment holding	100% of the partnership interests
MREF II White IP Limited	Ogier House, The Esplanade, St Helier Jersey JE4 9WG	Intellectual property rights holding	2 ordinary shares of no par value
Safestay (Elephant & Castle) Limited	1a Kingsley Way, London, N2 0FW	Hostel operator	1 ordinary share of £1.00

3. Share Capital

- 3.1 The Company was incorporated with a share capital of £0.01 represented by one Ordinary Share of £0.01 which was issued to the subscriber to the memorandum of association.
- 3.2 The Articles do not contain any restriction on the number of shares that can be issued by the Company.
- 3.3 The following table shows the issued ordinary share capital of the Company (i) as at the date of this document; and (ii) as it is expected to be immediately following Admission (and before the exercise of any rights of conversion pursuant to the Convertible Loan Notes):

	<i>Issued fully paid</i>	
	<i>Nominal Amount</i>	<i>Number</i>
(i) Current Ordinary Share	£0.01	1
(ii) Proposed Ordinary Shares following Admission	£132,172.47	13,217,247

- 3.4 In addition to the shares set out in the table in paragraph 3.3 above, Safeland holds 50,000 Redeemable Preference Shares, which were issued on 29 January 2014. The Redeemable Preference Shares do not have voting rights and are entitled to a fixed cumulative preferential dividend at an annual rate of 2 per cent. per annum on the nominal amount of each Redeemable Preference Share (which shall only accrue from the first anniversary of the date of issue of the Redeemable Preference Shares). The Redeemable Preference Shares may be redeemed, at any time, at the option of the Company for an amount equal to the amount paid up on the Redeemable Preference Shares (together with the amount of any accrued but unpaid dividends on the Redeemable Preference Shares). It is expected that all the Redeemable Preference Shares will be redeemed by the Company immediately following Admission.
- 3.5 On completion of the Demerger Agreement, the Company will allot and issue to holders of Ordinary Shares in the capital of Safeland 3,617,246 Ordinary Shares in consideration of the transfer to the Company by Safeland of the whole of the issued share capital of WXYZ2. Further details of the Demerger Agreement are set out in paragraph 13 of this Part VII.
- 3.6 As at the date of this document:
- none of the share capital of the Company was held as treasury shares; and
 - the Company has not issued any convertible securities, exchangeable securities or securities with warrants (the Convertible Loan Notes will be issued as part of the Fundraising, following Admission).
- 3.7 On 25 April 2014, resolutions were passed by the sole Ordinary Shareholder of the Company pursuant to which:

Authorities for the Demerger, the Placing and the Convertible Loan Notes

- (a) the Directors were unconditionally authorised in accordance with section 551 of the Companies Act to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act up to an aggregate nominal amount of £250,000 in connection with the Demerger, Placing and the Convertible Loan Notes, such authority to expire on the earlier of the conclusion of the next annual general meeting of the Company and 30 June 2015;
- (b) the Directors were empowered to allot equity securities (as defined in sub-section 560 of the Companies Act) as if section 561 of the Companies Act did not apply during the period referred to in paragraph (a) above, provided that such power is limited to the allotment of equity securities pursuant to the Demerger, Placing and the Convertible Loan Notes in accordance with the authority referred to in paragraph (a) above up to an aggregate nominal value not exceeding £250,000, such authority to expire on the earlier of the conclusion of the next annual general meeting of the Company and 30 June 2015;
- (c) the Convertible Loan Notes were approved;
- (d) the redemption of the Redeemable Preference Shares by the Company, was approved;
- (e) the Demerger and the Demerger Agreement were approved;

Authorities for Share Option Scheme

- (f) the Share Option Scheme was approved and adopted by the Company;
- (g) the Directors were unconditionally authorised in accordance with section 551 of the Companies Act to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act up to an aggregate nominal amount of £30,000 in connection with the issue of Ordinary Shares on the exercise of options pursuant to the Share Option Scheme, such authority to expire on the date falling five years from the date of such resolution;
- (h) the Directors were empowered to allot equity securities (as defined in sub-section 560 of the Companies Act) as if section 561 of the Companies Act did not apply during the period referred to in paragraph (g) above, provided that such power is limited to the allotment of equity securities pursuant to the issue of Ordinary Shares on the exercise of options pursuant to the Share Option Scheme in accordance with the authority referred to in paragraph (d) above up to an aggregate nominal value not exceeding £30,000, such authority to expire on the date falling five years from the date of such resolution;

General Authorities

- (i) the Facility Agreement was approved;
- (j) the Directors were unconditionally authorised in accordance with section 551 of the Companies Act to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act up to an aggregate nominal amount of £60,283.82, such authority to expire on the conclusion of the next Annual General Meeting of the Company;
- (k) the Directors were empowered to allot equity securities (as defined in section 560 of the Companies Act) as if section 561 of the Companies Act did not apply during the period of the authority referred to in paragraph (j) above provided that such power is limited to (i) the allotment of equity securities pursuant to an issue or offering in favour of holders of equity securities in proportion to the respective number of equity securities held or deemed to be held by them, and (ii) an aggregate nominal value of £60,283.82, such authority to expire on the earlier of conclusion of the next annual general meeting of the Company and 30 June 2015; and

- (l) the Company was unconditionally authorised for the purpose of section 701 of the Companies Act to make market purchases (as defined in section 693(4) of the Companies Act) of Ordinary Shares provided that (i) the maximum number of Ordinary Shares authorised to be purchased is £13,217.39; (ii) the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is £0.01 per share, being the nominal amount thereof; (iii) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares is an amount equal to 5 per cent. above the average of the middle market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the purchase is made and (y) an amount equal to the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share, such authority to expire on the earlier of the conclusion of the next annual general meeting of the Company and 30 June 2015.
- 3.8 Save as disclosed in this document, since the Company's incorporation:
- (i) no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, for cash or otherwise;
 - (ii) no person has any preferential subscription rights for any share capital of the Company;
 - (iii) there are no shares of the Company held by or on behalf of itself or by any member of the Group;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
 - (v) there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company; and
 - (vi) no shares in the capital of the Company are under option or have been agreed, conditionally or unconditionally, to be put under option.
- 3.9 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.
- 3.10 Application has been made for the Ordinary Shares to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on and no application has been made or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market.
- 3.11 The Company has received no public takeover offers or bids to acquire its entire issued share capital since incorporation.

4. Articles of Association

4.1 The Articles of Association contain provisions, *inter alia*, to the following effect:

(a) ***Objects***

The Articles contain no restriction on the objects of the Company.

(b) ***Share capital***

Subject to the provisions of the 2006 Act, the Uncertificated Securities Regulations 2001 and every other statute or subordinate legislation for the time being in force concerning companies affecting the Company ("**Statutes**"), any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

Subject to the provisions of the Statutes, any shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholder on such terms and in such manner as may be provided by the Articles.

Subject to the provisions of the Statutes, the Company may purchase any of its own shares (including any redeemable shares).

(c) ***Variation of rights***

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the Statutes, whether or not the Company is being wound up, be abrogated or varied with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

To every such separate general meeting the provisions of Chapter 3 of part 13 of the 2006 Act (excluding sections 334(2) to (3)) and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy and any holder of shares of that class in question present in person or by proxy may demand a poll.

The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

(d) ***Restriction on shares***

If any shareholder, or any other person appearing to the Directors to be interested in any shares in the capital of the Company held by such shareholder, has been duly served with a notice under section 793 of the 2006 Act and is in default for the period of 14 days from the date of service of the notice under the said section 793 in supplying to the Company the information thereby required, then the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (a “**restriction notice**”) to such shareholder direct that, in respect of the shares in relation to which the default occurred and any other shares held at the date of the restriction notice by the shareholder, or such of them as the Directors may determine from time to time (the “**restricted shares**” which expression shall include any further shares which are issued in respect of any restricted shares), the shareholder shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer, be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.

Where the restricted shares represent at least 0.25 per cent. in nominal value of the issued shares of the same class as the restricted shares (excluding any shares of that class held as treasury shares) the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the restricted shares shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the shareholder shall be registered unless the shareholder is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which are the subject of the transfer are restricted shares.

(e) ***Voting rights***

Holders of Ordinary Shares shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of Ordinary Shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described above.

(f) ***Transfer of shares***

The instrument of transfer of any certificated share in the Company shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, shall also be signed by or on behalf of the transferee). In relation to the transfer of any share (whether a certificated or an uncertificated share) the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

Subject to the Articles, the Directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of any share which is not a fully-paid share (whether certificated or uncertificated) provided that, where any such shares are admitted to the Official List or admitted to AIM such discretion may not be exercised in a way which the Financial Conduct Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated), whether fully-paid or not, in favour of more than four persons jointly. In relation to a certificated share, the Directors may decline to recognise any instrument of transfer unless (i) the instrument of transfer is left at the registered office, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and (ii) the instrument of transfer is in respect of only one class of share.

(g) ***General Meetings***

An annual general meeting shall be called by not less than 21 clear days' notice, and a meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice. The notice shall specify the place, the day and time of meeting and the general nature of that business.

All holders of Ordinary Shares present in person or by duly appointed corporate representative, and their duly appointed proxy or proxies shall be entitled to be given notice and attend all general meetings of the Company.

Unless and until the Company by ordinary resolution shall otherwise determine, the number of Directors shall be not more than fifteen and not less than two. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy (other than when the Company has a single member entitled to vote).

(h) **Directors**

Subject to the provisions of the Statutes, a Director of the Company may be or continue as or become a director or other officer, employee or member of, or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate in which the Company may be (directly or indirectly) interested as shareholder or otherwise or any parent undertaking or subsidiary undertaking of any parent undertaking of the Company, and no such Director shall, by reason of his office, be accountable to the Company for any remuneration or other benefits which derive from any such office or employment or from any contract, transaction or arrangement with, or from his membership or interest in, such other body corporate or undertaking. No such office, employment, contract, transaction or arrangement or interest shall be liable to be avoided on the ground of any such interest or benefit.

Pursuant to the Articles, the Directors may determine the quorum necessary for the transaction of business and that until otherwise determined, two directors shall constitute a quorum.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;
- (iv) any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he does not to his knowledge hold an interest (within the meaning of sections 820 to 825 of the Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- (v) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company which does not accord him any privilege or benefit not generally accorded to the employees to whom the scheme relates;
- (vi) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for, or for the benefit of, any Directors or persons including Directors;
- (vii) the giving of an indemnity pursuant to the Articles; and
- (viii) the provision of funds to any Director to meet, or the doing of anything to enable a Director to avoid incurring, expenditure of the nature described in section 205(1) or 206 of the 2006 Act.

If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in

relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

Save as provided in the Articles, a Director shall not vote or be counted in a quorum in respect of any contract, arrangement or transaction whatsoever in which he has an interest which is to his knowledge a material interest otherwise than by virtue of interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees (which do not include remuneration for employment) of all Directors shall not exceed £400,000 per annum. The Directors shall also be entitled to be repaid by the Company all reasonable hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who is appointed to any executive office or who serves on any committee or who performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of Directors and past directors who held executive office or employment with the Company or any of its subsidiaries or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by the Statutes. Subject to the Statutes, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company.

There shall be no age limit for Directors.

Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

At every annual general meeting, there shall retire from office any Director who shall have been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting. A retiring Director shall be eligible for re-appointment. A Director retiring at a meeting shall, if he is not re-appointed at such meeting, retain office until the meeting appoints someone in his place, or if it does not do so, until the conclusion of such meeting.

(i) ***Borrowing Powers***

The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings so far as by such exercise the Directors can secure) that the aggregate amount for the time being outstanding of all borrowings by the group (excluding money owed by any member of the group to any

other member of the group) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 3.5 times the adjusted capital and reserves (as defined in the Articles).

(j) ***Dividends and distributions on liquidations to shareholders***

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the provisions of the Statutes, the Directors: (i) may from time to time pay such interim dividends as they think fit; (ii) may also pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.

If the Directors act in good faith, they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

Subject to the Statutes, and to the rights of persons, if any, entitled to shares with any priority, preference or special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this Article as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

All dividends or other sums payable on or in respect of any share which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend unclaimed for a period of 12 years or more after it became due for payment shall be forfeited and shall revert to the Company.

On a liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(k) ***Non-United Kingdom Shareholders***

There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, the shares. However, non-United Kingdom Shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent. Notwithstanding the foregoing, such a Member shall not be entitled to receive any notice or other documents or information from the Company even if he has supplied an address for the purpose of receiving notices or other documents or information in electronic form.

(l) ***Redemption***

The Ordinary Shares are not redeemable.

(m) ***Electronic communication***

The Company may communicate electronically with its members in accordance with the provisions of the Companies Act.

5. Mandatory Takeover Bids, Squeeze Out and Sell Out Rules relating to the Ordinary Shares

5.1 Mandatory Bids

The City Code applies to the Company. Under the Rule 9 of the City Code, if:

- (a) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or its concert parties during the previous 12 months.

5.2 Squeeze out and sell out

Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

6. Share Option Scheme

The Company adopted an unapproved share option scheme (the “**Share Option Scheme**”) on 29 April 2014. The principal terms of the Share Option Scheme are as follows:

6.1 Eligibility

Any director or employee of the Company or any Group Company (as defined in the rules of the Share Option Scheme) is eligible to participate in the Share Option Scheme as is any other person as the Board determines. No eligible director or employee will be entitled to participate as of right and the extent of each individual’s participation will be at the discretion of the Board, subject to the limit referred to in paragraph 6.2 below.

6.2 Overall Limits

The maximum number of Ordinary Shares of the Company over which options may be granted under any share option scheme on any date, when aggregated with the number of Ordinary Shares issued or issuable in respect of rights granted under any share option scheme must not exceed 12 per cent. of the issued ordinary share capital of the Company on the date of grant. There is also a specific limit on the maximum number of ordinary shares of the Company over which options may be granted to Safeland. This is explained further in paragraph 6.12 below.

6.3 Subscription Price

The subscription price per share at which an option under the Share Option Scheme may be exercised will be determined by the Board but will in any event not be less than the nominal value of an Ordinary Share at that time.

6.4 Share Rights

Ordinary shares of the Company issued on the exercise of an option will rank *pari passu* in all respects from the date of their allotment with the then existing Ordinary Shares of the Company except that they will not entitle their holders to receive any dividends or other distributions declared or any payment to holders of shares on the register of members on a date which precedes the date of exercise of the options.

6.5 *Timing for Grant of Options*

Options may be granted at any time after the date of adoption of the Share Option Scheme save that options may not be granted at any time when that grant would be prohibited by, or in breach of any law, the AIM Rules for Companies or any other non-statutory set of guidelines or code with which the Company is required or the Board wishes to comply. Options may not be granted after the tenth anniversary of the adoption of the Share Option Scheme.

6.6 *Exercise of Options*

Subject to any additional performance conditions, no option will be exercisable before the expiry of three years from the date of its grant, except in specific circumstances, nor after the expiry of ten years from that date. An option may be exercised (whether or not the initial three year period has expired) if there is a takeover event by which another person acquires control of the Company or makes an offer to acquire control of the Company as a result of a general offer to acquire the whole of the issued share capital of the Company. No option may be exercised if its exercise is prohibited by, or would be a breach of, any law or the AIM Rules for Companies or any other non-statutory set of guidelines or code with which the Company is required or the Board wishes to comply.

6.7 *Leavers*

If an individual option holder ceases to be an employee or director of a Group Company at any time before the third anniversary of the date of award by reason of death, injury, ill health, disability or redundancy or his employing company or business ceasing to be under the control of the Company the maximum number of shares over which his option may be exercised will be calculated on a pro-rata time apportioned basis by reference to the portion of the three year vesting period which has expired at that time (unless the Board exercises its discretion to substitute a higher proportion). The remaining option may be exercised in the six month period following the vesting of the options or the date on which any performance condition is to be assessed, if later, or on such earlier date as the Board may permit. If an option holder ceases to be an employee or director of a Group Company for any other reason, his option will automatically lapse.

6.8 *Variation of Share Capital*

In the event of any capitalisation issue, rights issue or consolidation of shares or subdivision or reduction of the share capital of the Company, the subscription price and number of Ordinary Shares subject to an option may be adjusted by the Board in such a way as it considers to be fair and reasonable. If the share capital of the Company increases as a result of a noteholder exercising its right of conversion pursuant to the Convertible Loan Notes the Board shall increase the number of shares subject to each option or grant new options to each option holder to ensure that the rights of option holders are not diluted as a result of the conversion.

6.9 *Performance Related Conditions*

The exercise of any option may be made subject to such objective condition or conditions as the Board may determine. The Board may, in its absolute discretion, vary or waive any exercise condition in accordance with the terms specified in relation to that condition. The intention of the Company is to make options granted under the Share Option Scheme subject to appropriate objective performance conditions.

6.10 *Cash Equivalent*

Where an option holder seeks to exercise an option the Company may determine instead that the option holder be paid a sum equal to the cash equivalent of the relevant number of shares. If at the time of exercise the Company's shares are admitted to trading on the AIM market of the London Stock Exchange, this cash equivalent is the amount by which the average of the middle market quotations for a share on that exchange on the three immediately preceding dealing days exceeds the subscription price payable for the Ordinary Shares multiplied by the number of Ordinary Shares over which the relevant option has been exercised. If at the time of exercise the Company's shares are not so traded, then their market value will be determined in accordance with the relevant taxation legislation.

6.11 **General**

Options are personal to participants and are not transferable save for transmission on death to their personal representatives. An option will lapse if the participant attempts to deal with it or is otherwise adjudicated bankrupt. Participation in the Share Option Scheme does not form part of an employee's terms of employment nor does it afford any participant any additional right to compensation on termination of employment.

6.12 **Share Option Arrangements for Larry Lipman, Colin Stone, Victoria Melles-Sawyers and Safeland:**

Each of Larry Lipman, Colin Stone, Victoria Melles-Sawyers and Safeland has conditionally been granted options over Ordinary Shares, as follows:

	<i>Date of Grant</i>	<i>Options over Ordinary Shares</i>	<i>Expiry of Option</i>	<i>Exercise Price (p)</i>
Larry Lipman	02-05-14	396,521	01-05-24	50
Colin Stone	02-05-14	132,173	01-05-24	50
Victoria Melles-Sawyers	02-05-14	132,173	01-05-24	50
Safeland	02-05-14	528,695	01-05-24	50

Note: Larry Lipman is connected with Safeland, further details of which are set out on page 15 of this document

The options are exercisable at the Placing Price at any time after the expiry of the third anniversary of the grant date provided that at the time of exercise the market value of an Ordinary Share is at least 20 per cent. greater than the Placing Price. In all other respects, the options are granted on the same terms as other options under the Share Option Scheme.

The Company may not grant additional options to Safeland other than in the circumstances described in paragraph 6.8 above.

6.13 **Amendments**

The Board may amend the terms of the Share Option Scheme from time to time provided that no amendment may have a materially adverse effect on options granted before the amendment was made unless each affected option holder consents and provided also that no amendment may be made which will make the terms on which options may be granted materially more generous or expand the class of potential option holders or increase the overall limits attaching to the Share Option Scheme without the approval of the Company in general meeting unless the amendment is a minor amendment to benefit the administration of the Share Option Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or the Company.

7. Directors' and other interests

7.1 The names of the Directors of the Company are set out on page 5 of this document.

- 7.2 In addition to the Options referred to in paragraph 7.3 below, the interests of each Director, all of which are beneficial (except as noted below), in the Ordinary Share capital of the Company (including any interest known to that Director or which could with reasonable diligence be ascertained by him of any person connected with a Director within the meaning of sections 252 to 255 of the Companies Act (a “**Connected Person**”)) in the share capital of the Company at the date of this document and as they will be immediately following Admission are as follows:

<i>Director</i>	<i>Number of Ordinary Shares currently held</i>	<i>% of issued share capital currently held</i>	<i>Number of Ordinary Shares to be held immediately following Admission</i>	<i>% of Enlarged Share Capital to be held immediately following Admission</i>
Larry Lipman	None	Nil	56,055	0.4
Colin Stone	None	Nil	None	Nil
Stephen Moss	None	Nil	None	Nil
<i>Connected persons</i>				
Safeland Holdings	None	Nil	2,330,077	17.6
Safeland	None	Nil	350,000	2.6

Notes: (1) Larry Lipman owns one-third of the share capital of Safeland Holdings

(2) Larry Lipman and Colin Stone are both directors of Safeland.

(3) The information in the table set out above assumes that no rights of conversion will have been exercised by the holders of the Convertible Loan Notes.

- 7.3 As at the date of this document, the options set out in paragraph 6.12 above have been granted to the Directors pursuant to the Share Option Scheme (the “**Options**”).
- 7.4 Save as disclosed above, no Director nor any connected person has at the date of this document, or will have immediately following Admission, any interest, whether beneficial or non-beneficial, in the share capital or loan capital of the Company or any of its subsidiaries or any related financial product references to the Shares
- 7.5 The Directors hold or have held the following directorships and/or are or have been a partner in the following partnerships within the five years prior to the date of this document:

Larry Lipman

<i>Current Directorships and Partnerships</i>		
	Avonridge Property Company Limited	Hollychain 5 Limited
	CFC 23 Limited	Hollychain 6 Limited
	CFC 29 Limited	Hollychain 7 Limited
	CFC 33 Limited	Hollychain 8 Limited
	CFC 35 Limited	Hollychain 9 Limited
	CFC 36 Limited	Icebath Limited
	CFC 37 Limited	Ivygate Developments Limited
	CFC 40 Limited	Millpark Property Company Limited
	CFC 42 Limited	MREF II White GP Limited
	CFC 43 Limited	MREF II White Holdings Limited
	CFC 46 Limited	MREF II White Property Limited
	CFC 47 Limited	Placeadmit Limited
	CFC 48 Limited	Pullpower Limited
	CFC 49 Limited	Raglan Hotel Management Company
	CFC 50 Limited	2013 Limited
	CFC 51 Limited	Rainbow Estates (Gaynes Park)
	CFC 52 Limited	Limited
	CFC 53 Limited	Safe Hostels Limited
	Cloverdale Estates Limited	Safeland (Ground Rents) Ltd
	Cornergate Properties Limited	Safeland (Guilford & Bloomsbury) Ltd
	Daisyglade Limited	Safeland Active Management Limited
	Deepdale Properties Limited	Safeland Estates Limited
	Deltamile Limited	Safeland Investments Limited

	Dunsford Commercial Limited	Safeland plc
	Evebell Limited	Safeland Property Fund Management Limited
	Frenshar Limited	Safestay (Elephant & Castle) Limited
	Groupe Trifman Westmount Inc.	Safestay plc
	Hollychain 1 Limited	Saffron Developments Limited
	Hollychain 2 Limited	THFC 54 Limited
	Hollychain 3 Limited	THFC 55 Limited
	Hollychain 11 Limited	THFC 56 Limited
	Hollychain 12 Limited	THFC 57 Limited
	Hollychain 13 Limited	THFC 58 Limited
	Hollychain 4 Limited	THFC 59 Limited
		Vistascan Properties Limited
		WXYZ2 Limited
<i>Previous Directorships and Partnerships</i>	30-32 Friern Park Management Company Limited	Finlaw Forty-One Limited
	Access Devices Limited	Gatecross Properties Limited
	Acornglade Limited	Goldenblaze Limited
	Aries Insurance Services plc	Goldenlane Limited
	Arklett Limited	Greenlake Property Company Limited
	Ashlane Properties Limited	Guilford Street Regeneration (Developments) Ltd
	Blendbest Limited	Havenside Limited
	Brands Hatch (2003) Limited	Hillcross Properties Limited
	Branmay Limited	Hollyberry Properties Limited
	Bridgelink Limited	Laburnum Properties Limited
	Bronzebelt Limited	Marco Polo House Developments
	CFC (21) Limited	Mermaid Townhouse Hotels Limited
	CFC 22 Limited	Novacross Properties Limited
	CFC 25 Limited	Palace Capital plc
	CFC 28 Limited	Pisces Property Services plc
	CFC 30 Limited	Rainbow Estates (Truro House) Limited
	CFC 31 Limited	Ravenblack Properties Limited
	CFC 32 Limited	Safeland (Guilford Street) Limited
	CFC 34 Limited	Sagittarius Professional Services plc
	CFC 38 Limited	Secure Ventures (No. 6) plc
	CFC 41 Limited	Secure Ventures (No. 7) plc
	CFC 44 Limited	Space Centres Limited
	Clearstand Properties Limited	Spacebase Limited
	Cloverglen Properties Limited	Spypost Limited
	Cranmer Finance Limited	Superior Properties Limited
	Crowngate Properties Limited	Taurus Storage plc
	Daisylane Limited	The Cleavage Club Limited
	Deltahawk Property Company Limited	THFC 60 Limited
	Eagleworld Limited	THFC 61 Limited
	Equalgold Limited	THFC 62 Limited
	Estamos Limited	THFC 63 Limited
	Extrasharp Limited	THFC 64 Limited
	Felrock Limited	Wavelink Property Company Limited
	Finlaw 219 Limited	
Colin Stone		
<i>Current Directorships and Partnerships</i>	The Chalfonts Community College	Safeland plc
	Grafton Insurance Services Limited	Safestay plc
	Raglan Hotel Management Company	Vistascan Properties Limited
	2013 Limited	WXYZ2 Limited
<i>Previous Directorships and Partnerships</i>	N/A	

Stephen Moss

<i>Current Directorships and Partnerships</i>	Associates Holdings Limited Beginnings Bibendum Wine Holdings Limited Bonasystems Europe Ltd Bonnetts Properties LLP Globelink Language Solutions Limited Grosvenor Securities Limited Loriswood Limited	Princes Securities Limited Property Reinstatement Repairs and Management Limited RSV Group Limited Springboard UK Limited The Astor Property Group Limited The Institute for Jewish Policy Research The Jewish Community Secondary School Trust The Springboard Charity
<i>Previous Directorships and Partnerships</i>	Aarya Limited ES Property Holdings Limited Leo Baeck College M.&A. Investments Limited	Open Storage UK Limited Pals Investment Limited People 1st The Movement for Reform Judaism

7.6 In addition to the interests of the Directors disclosed in paragraph 7.2 above, the Company is aware of the following Shareholders who are at the date of this document, or will be immediately following Admission, interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

	<i>Number of Ordinary Shares currently held</i>	<i>Percentage of share capital currently held</i>	<i>Number of Ordinary Shares to be held immediately following Admission</i>	<i>Percentage of Enlarged Share Capital following Admission</i>
Louise Talty	1	100	1	0.01
Errol Lipman	None	Nil	148,644	1.1
Safeland Holdings	None	Nil	2,330,077	17.6

Note: (1) Errol Lipman owns one-third of the share capital of Safeland Holdings

(2) The information in the table set out above assumes that no rights of conversion will have been exercised by the holders of the Convertible Loan Notes.

7.7 The Shareholders listed in the table above do not have any different voting rights.

7.8 Louise Talty, an employee of Safeland, currently holds the one Ordinary Share in issue and therefore controls the Company. Save as disclosed in this document, the Company is not aware of any person or entity who, directly or indirectly, jointly or severally, will or could exercise control over the Company immediately following Admission and there are no arrangements the operation of which could result in a change of control of the Company.

7.9 No Director:

- (i) has any unspent convictions in relation to indictable offences (including fraudulent offences); or
- (ii) has been bankrupt or the subject of an individual voluntary arrangements with creditors or suffered the appointment of a receiver over any of his assets; or
- (iii) has been a director of any company which, while he was a director or within the 12 months after he ceased to be a director of that company, was put into receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement, or any composition or arrangement with its creditors generally or with any class of its creditors of any company or had an administrator or an administrative or other receiver appointed; or
- (iv) has been a partner of any partnership which, while he was a partner or within 12 months after his ceasing to be a partner in that partnership, went into compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

- (v) has had his assets the subject of any receivership or has been partner of a partnership at the time or within 12 months preceding any assets thereof being the subject of a receivership; or
 - (vi) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
 - (vii) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.10 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Directors.
- 7.11 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- 7.12 None of the Directors have received any remuneration since incorporation.
- 7.13 Directors' Agreements and Terms of Appointment
- Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

- (a) Larry Lipman and Colin Stone entered into service agreements with the Company on 29 April 2014 for a term of one year during which they will be paid at the rate of £2,000 per annum by the Company – see the paragraph headed “Continuing Relationship with Safeland Group” in Part I of this document. It is envisaged that their arrangements with the Company (including in particular the basis on which they are remunerated) will be revised at the end of that one year period on terms to be agreed between them and the Company.
- (b) Stephen Moss entered into a letter of appointment with the Company on 29 April 2014 for an initial period of three years. The appointment is terminable on three months' notice by either party. The annual fee payable is £24,000.

Save as set out above, there are no contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment of any Director.

8. Placing Arrangements

Pursuant to the Placing Agreement dated 29 April 2014 between Westhouse Securities (1), the Directors (2) and the Company (3), Westhouse Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares. All such subscriptions will be at the Placing Price.

The Placing Agreement is conditional, *inter alia*, on completion of the Demerger, the Acquisition Agreement, the Facility Agreement and the subscription of the Convertible Loan Notes by Bredbury being unconditional in all respects, save for Admission, and upon Admission taking place on or before 8.00 a.m. on 2 May 2014 or such later date as Westhouse Securities and the Company may agree but in any event not later than 8.00 a.m. on 16 May 2014.

Subject to the terms and conditions of the Placing Agreement, the Company will pay to Westhouse Securities a corporate finance fee and a commission on the aggregate proceeds from the issue of the Placing Shares. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of Westhouse Securities as to, *inter alia*, the accuracy of information contained in this document and a customary indemnity from the Company in favour of Westhouse Securities.

Westhouse Securities may terminate the Placing Agreement in specified circumstances prior to Admission, including any statement in this document being untrue, misleading or inaccurate in any material respect, a breach of the Placing Agreement or of any of the warranties contained in it, where any event or omission relating to the Company is, or will be in the opinion of Westhouse Securities, a material adverse change or where any change in financial, monetary, economic, political or market conditions is, or will be in the opinion of Westhouse Securities, materially prejudicial to the successful outcome of the Placing.

9. Lock-in Arrangements

Each of Safeland Holdings (which will hold 2,330,077 Ordinary Shares (representing approximately 17.6 per cent. of the Enlarged Share Capital)), Larry Lipman (who will hold 56,055 Ordinary Shares (representing approximately 0.4 per cent. of the Enlarged Share Capital)) and Bredbury (which will not hold any Ordinary Shares at Admission but will have the right to acquire 4,869,565 Ordinary Shares pursuant to the Convertible Loan Notes by exercising its conversion rights) have severally undertaken that (subject to certain exceptions) they will not, without the prior written consent of Westhouse Securities, for a period of 12 months from Admission, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Ordinary Shares. Furthermore each of Safeland Holdings, Larry Lipman and Bredbury have undertaken that, for a further period of 12 months, any disposals of Ordinary Shares are to be conducted through Westhouse Securities in accordance with its requirements for an orderly market.

10. Nominated adviser and broker agreement

Pursuant to an agreement dated 29 April 2014 made between the Company and Westhouse Securities, Westhouse Securities has agreed to act as nominated adviser and broker to the Company in relation to the Placing and Admission as required by the AIM Rules (the “Nominated Adviser Agreement”). Under the Nominated Adviser Agreement, Westhouse Securities shall provide, inter alia, such independent advice and guidance to the Directors and the Company as they may require from time to time, as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules. Under the Nominated Adviser Agreement, the Company has agreed to pay Westhouse Securities a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Westhouse Securities in the course of carrying out its duties as a nominated advisor and broker. The Nominated Adviser Agreement is terminable on 90 days’ notice at any time following 15 months from the date of that agreement, given by either Westhouse Securities or the Company. The Nominated Adviser Agreement contains provisions for early termination in certain circumstances and also an indemnity given by the Company to Westhouse Securities in relation to the provision by Westhouse Securities of its services.

11. Acquisition Agreement

On 30 January 2014 an agreement was entered into between MREF II A, MREF II B (together the “**Moorfield Funds**”), Moorfield Group Limited, WXYZ2, Larry Lipman, the Company and Safeland pursuant to which the Moorfield Funds agreed to sell to WXYZ2 their interest in the Safestay Limited Partnership and Safestay GP and WXYZ2 agreed to procure the repayment of the loans made by the Moorfield Funds to the Safestay Limited Partnership at par. An escrow agreement to record the mechanics of completion of the Acquisition Agreement was entered into on 29 April 2014. The escrow agreement provides for completion following Admission and payment of the consideration. The total consideration payable to the Moorfield Funds pursuant to the Acquisition Agreement is £6,151,714, save that if completion of the agreement occurs after 14 March 2014 that sum will be increased at the rate of £13,000 for every additional whole week between 14 March 2014 and completion.

Pursuant to the same agreement, WXYZ2 agreed to purchase Larry Lipman’s interest in the Promote for £25,353.

Payment of these sums is to be made in cash on completion of the Acquisition Agreement and the Company has guaranteed WXYZ2’s obligations pursuant to the agreement.

The Acquisition Agreement contains no warranties by the Moorfield Funds save as to capacity and to title to the interest which they are selling.

The Moorfield Funds have agreed that neither they nor certain entities connected with them will compete with the Safestay Hostel for a period of 12 months.

The Moorfield Funds have agreed to contribute £100,000 towards the costs (among other things) of the Demerger, the Placing and Admission if the Acquisition Agreement is completed and they have agreed to pay certain other costs if they fail to comply with their obligations to complete the Acquisition Agreement.

There are releases between the Moorfield Funds and Safeland from any claims which relate to the Safestay Business.

Completion of the Acquisition Agreement is conditional on, *inter alia*, the Demerger, the Placing, the raising of bank debt if necessary and Admission.

12. Facility Agreement

On 29 April 2014, the Company, Propco and Opco entered into an agreement (the “**Facility Agreement**”) with Coutts & Co (the “**Bank**”). Each of Propco and Opco will be wholly owned subsidiaries of the Company following Admission and completion of the Moorfield Acquisition. Propco owns the freehold to the Safestay Hostel and Opco operates the Hostel.

Pursuant to the Facility Agreement, the Bank agreed to lend the sum of £5.6 million to Propco for a term of five years on which interest is payable at 3.25 per cent. over LIBOR. The facility is repayable by quarterly repayments of £70,000 with a final instalment of £4.2 million on the fifth anniversary of the facility. A fee is payable if the facility is re-financed with another bank or financial institution before the fourth anniversary of the facility equal to 1 per cent. of the amount prepaid.

£4.6 million of the sums provided under the Facility Agreement will be used to repay an existing facility between Propco and the Bank.

Propco has given security to the Bank including a first ranking charge over the Hostel and debenture. Opco has guaranteed the facility.

The facility is repayable, *inter alia*, if Propco fails to comply with certain financial covenants.

Neither Propco nor Opco will be permitted to pay dividends unless they have deposited with the Bank in a charged account a sum equal to the amount determined by the Bank to be the projected amount falling due under the facility during the following twelve months and the Bank has given its consent (not to be unreasonably withheld or delayed) to the payment of the proposed dividend.

13. Demerger

On 29 April 2014 the Company and Safeland entered into the Demerger Agreement pursuant to which Safeland agreed to transfer (with full title guarantee) the entire issued share capital of WXYZ2 to the Company in consideration for the allotment and issue of up to 3,617,246 Ordinary Shares to the persons who were, at 6.00 pm on 14 March 2014, holders of ordinary shares in Safeland in the same proportion in which they then held such shares in Safeland. Neither the Company nor Safeland made any warranty in connection with that agreement. Completion of the Demerger Agreement is conditional on Admission.

14. Convertible Loan Notes

Pursuant to a subscription agreement dated 29 April 2014 and made between the Company, Bredbury and Turnberry 2013 Property Investments Limited, the beneficial owner of the entire issued share capital of Bredbury, conditional upon, *inter alia*, Admission, the Company has agreed to issue and Bredbury has agreed to subscribe for £2.8 million of Convertible Loan Notes.

Interest is payable on the Convertible Loan Notes at the rate of 6 per cent. per annum.

The Convertible Loan Notes are repayable on the third anniversary of issue (or earlier on the occurrence of an event of default). The Company has no contractual right to pre pay any amount under the Convertible Loan Notes. The Convertible Loan Notes are secured by a charge over the Safestay Hostel ranking after the security granted to the Bank.

The ability of the Group to pay interest on the Convertible Loan Notes is currently dependent upon the ability of Propco and Opco to declare dividends to the Company. That in turn is subject to the consent of the Bank, which it has agreed will not be unreasonably withheld or delayed. In addition, the ability of the Company to repay the principal due on the Convertible Loan Notes is dependent upon the consent of the Bank (not to be unreasonably withheld or delayed). Bredbury is also unable to enforce its security over the Safestay Hostel without the Bank's consent.

The Convertible Loan Notes are convertible into Ordinary Shares at the option of a noteholder, at any time prior to redemption, at a rate which values each Ordinary Share at a price of 57.5p per share, which is 15 per cent. above the Placing Price. The conversion rate is subject to adjustment in the event of an issue by way of rights, capitalisation, consolidation, subdivision or reduction of capital.

The holders of the Convertible Loan Notes have the right to appoint an observer to the Board. The first observer is proposed to be Martyn Aldridge, the managing director of CLC World (an international property and hospitality group).

The Convertible Loan Notes are subject to restrictions on transfer the purpose of which is to limit the holders to persons connected with the Turnberry 2013 Settlement Trust. With effect from completion of the conversion of 50 per cent. or more of the Convertible Loan Notes into Ordinary Shares and for so long as Bredbury holds not less than 5 per cent. of the Ordinary Shares, Bredbury shall have the right to appoint one person to act as a director of the Company.

Pursuant to the subscription agreement, the Company has given Bredbury certain customary warranties as to, inter alia, the accuracy of information contained in this document. The Company has also given Bredbury certain undertakings customary in arrangements of this kind. The Company has also given Bredbury some specific warranties and undertakings in relation to planning in respect of the Hostel. In addition the Company has undertaken not to incur any further financial indebtedness or grant any additional security for so long as the aggregate nominal amount of the Convertible Loan Notes held by Bredbury is not less than £250,000.

For so long as Bredbury holds any Convertible Loan Notes, Turnberry 2013 Property Investments Limited, the beneficial owner of the entire issued share capital of Bredbury, has undertaken not to transfer its shares in Bredbury to any person to whom Bredbury would not be permitted to transfer the Convertible Loan Notes.

15. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years preceding the date of this document and are or may be material or contain any provision under which any member of the Company has an obligation or entitlement which is, or may be, material to the Company as at the date of this document.

- (a) the Placing Agreement referred to in paragraph 8 above;
- (b) the Lock-in Agreements referred to in paragraph 9 above;
- (c) the Nominated Adviser Agreement referred to in paragraph 10 above;
- (d) the Acquisition Agreement referred to in paragraph 11 above;
- (e) the Facility Agreement referred to in paragraph 12 above;
- (f) the Demerger Agreement referred to in paragraph 13 above;
- (g) the subscription agreement relating to the Convertible Loan Notes referred to in paragraph 14 above; and
- (h) the services contract summarised in paragraph 16 below.

16. Related Party Transactions

Other than the Demerger and except as described in notes 16 and 20 of Part VB of this document, and below, between 10 October 2010 and 28 April 2014 (being the latest practicable date prior to the publication of this document), the Group has not entered into any related party transactions for the purposes of the standards accepted according to Commission regulation (EC) No.1606/2002.

Pursuant to a services agreement entered into between the Company, Larry Lipman, Colin Stone and Safeland on 29 April 2014, Safeland has agreed to provide the Company (or its subsidiaries) certain services, including access to accounting and payroll programs and workspaces (together with computing and other office facilities). The services shall be provided by Safeland free of charge. Either party may at any time terminate the requirement for Safeland to provide the services by giving to the other party not less than three months' notice.

17. Property, plant and equipment

A description of the existing property, plant and equipment of the Group is included in the property, plant and equipment note (note 8) of the historical financial information set out in Part VB of this document.

To the best of the Company's knowledge, the Company is unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

18. Taxation

The comments below do not constitute tax advice and are of a general nature and based on UK tax law and published HMRC practice at the date of this document, both of which are subject to change, possibly with retrospective effect. The comments cover certain UK tax consequences of holding Ordinary Shares for absolute direct beneficial owners (and the shares are not held through an Individual Savings Account or a Self Invested Personal Pension). In addition, these comments do not apply to the following:

- investors who do not hold their Ordinary Shares as capital assets;
- special classes of investors such as dealers, financial institutions, collective investment schemes, tax-exempt organisations, persons connected with the Company and persons who hold their Ordinary Shares by virtue of their office or employment;
- investors who are not beneficially entitled to the Ordinary Shares and to the dividends on those Ordinary Shares;
- individual investors who are resident but not domiciled in the United Kingdom; or
- investors who do not acquire their Ordinary Shares as initial investors in the Placing.

Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including the consequences under UK tax law and HMRC practice, of the acquisition, ownership and disposition of Ordinary Shares in their own particular circumstances, by consulting their own tax advisers. Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.

(a) Taxation of Dividends

No UK taxation will be withheld at source from dividend payments made by the Company to its Shareholders.

Individual Shareholders resident in the United Kingdom for UK tax purposes will be entitled to a tax credit in respect of a dividend paid by the Company at the rate of one ninth of the cash dividend received (equal to 10 per cent. of the aggregate of the cash dividend and the associated tax credit). Dividends are treated as the top slice of an individual's income. Such Shareholders will be liable to income tax on the aggregate of the dividend and the associated tax credit at, in the case of taxpayers subject to income tax at a rate or rates not exceeding the basic rate, the dividend ordinary rate (10 per cent. for the tax year 2013/2014) or, in the case of higher rate taxpayers, the dividend upper rate (32.5 per cent. for the tax year 2013/2014), subject in each case to an offset of the tax

credit against their total income tax liability. Therefore, individual Shareholders who, after taking into account dividend income, are liable to UK income tax at a rate or rates not exceeding the basic rate, will in effect have no further liability to income tax as a result of the dividend. Individual Shareholders who are required to pay tax at the dividend upper rate will in effect have to pay tax equal to 25 per cent. of the cash dividend received.

In the case of additional rate taxpayers, the dividend additional rate of 37.5 per cent. (for the tax year 2013/2014) applies to dividend income to the extent that a Shareholder's income for tax purposes exceeds £150,000 (for the tax year 2013/2014). Individual Shareholders who are required to pay tax at the dividend additional rate will effectively have to pay tax equal to approximately 30.6 per cent. of the cash dividend received.

Subject to confirmation in FA 2014, we expect the dividend rates to remain the same in 2014/15.

Individual Shareholders resident in the United Kingdom who are not liable to income tax in respect of the gross dividend generally will not be able to claim to have the amount of dividend tax credits paid to them.

UK resident corporate Shareholders should note that the legislation which deals with the corporation tax treatment of dividends does not provide a blanket exemption from corporation tax for dividends paid by one UK resident company to another but instead provides various classes of exemption. Although it is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax (subject to special rules for such Shareholders that are small companies), the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

Shareholders who are not resident in the United Kingdom for UK tax purposes and who do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in the United Kingdom in connection with which their Ordinary Shares are held will normally not be subject to UK income tax or corporation tax in respect of any dividends received, and will generally not be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid on their Ordinary Shares.

Shareholders who are resident for tax purposes in a jurisdiction outside the United Kingdom may be subject to foreign taxation on dividend income under the local law of the relevant jurisdiction. Such shareholders should obtain their own advice concerning tax liabilities on dividends received from the Company.

(b) ***Taxation of Gains Arising on Sale or Other Disposal***

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident for UK tax purposes in the United Kingdom may, depending on the Shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. Special rules apply to disposals by individuals at a time when they are temporarily not resident in the United Kingdom.

A disposal or deemed disposal of Ordinary Shares by non-UK resident Shareholders may also give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains if they carry on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company, if it carries on a trade through a permanent establishment in the United Kingdom and they have used, held or acquired Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment (as the case may be), subject to their particular circumstances and any available exemptions, allowances or reliefs.

(c) ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

The following comments are intended as a guide to the general United Kingdom stamp duty and SDRT position and (except insofar as expressly referred to below) do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with depository receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Ordinary Shares, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of the Ordinary Shares direct to persons acquiring those shares pursuant to the Placing.

The transfer on sale of Ordinary Shares will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent. thereof (rounded up to the nearest multiple of £5) of the consideration paid. An unconditional agreement to transfer such shares will be liable to SDRT, generally at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser. Stamp duty is not payable on an instrument transferring the shares where the consideration for the transfer is £1,000 or less and it is certified on the instrument that the transaction that it effects does not form part of a larger transaction or series of transactions for which the aggregated consideration exceeds £1,000, in such a case the charge to SDRT will be vacated accordingly.

No stamp duty or SDRT will arise on a transfer of shares into the CREST system provided that, in the case of SDRT, the transfer is not for money or money’s worth. Transfers of shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount of value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

The Finance Bill 2014 proposes to abolish stamp duty and SDRT on the transfer of, or agreement to transfer, shares traded on AIM with effect from 28 April 2014.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the United Kingdom.

(d) ***Inheritance Tax***

Individual domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (“IHT”) on the value of any Ordinary Shares transferred by them during lifetime or on death. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the shareholder, on any gifts made during the seven years prior to the death of the shareholder and on certain lifetime transfers, notably when shares are settled on discretionary (non-interest in possession) trusts or appointed out of such trusts to beneficiaries.

Trustees of discretionary trusts may also be liable to IHT on the value of trust shareholdings, with the chief occasions of charge being when shares are appointed out of such trusts to beneficiaries and on every tenth anniversary. The Government is currently consulting on the calculation of such IHT charges and trustees should seek specific advice.

A relief from IHT known as business property relief (“BPR”) may apply to Ordinary Shares in trading companies once these have been held for two years. This relief may apply notwithstanding that the Company’s shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). Where the conditions are satisfied, BPR operates by reducing the value of shares by 100 per cent for IHT purposes.

(e) ***General***

The above is a summary of certain aspects of current law and practice in the UK. Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.

19. Working capital

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing and the issue of the Convertible Loan Notes, the working capital available to the Company and the Group from Admission will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

20. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and no member of the Group is aware of any such proceedings pending or threatened by or against any Group member during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

21. General

- 21.1 The Company has arranged keyman insurance for Larry Lipman, Chairman of the Company, to a value of £1 million.
- 21.2 Save as set out in this document, there has been no significant change in the financial or trading position of the Company and the Safestay Group since 31 December 2013, being the date to which the historical financial information set out in Part VB of this document was prepared.
- 21.3 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Parts IVA and VA of this document and references thereto in the form and context in which they appear.
- 21.4 Edward Symmons LLP has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part III of this document and references thereto in the form and context in which they appear.
- 21.5 Westhouse Securities, which is regulated in the United Kingdom by the FCA, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.
- 21.6 The Company confirms that where information in this document has been sourced from a third party, this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 21.7 The expenses of and incidental to the Demerger, Moorfield Acquisition, Placing and Admission which are payable by the Company are estimated to amount to approximately £0.95 million (excluding VAT). The estimated net cash proceeds of the Fundraising accruing to the Company are £6.65 million and will be used for the purposes described in Part I of this document.
- 21.8 There are no arrangements under which future dividends are waived or agreed to be waived.
- 21.9 Save as set out in this document no person (other than a professional adviser referred to in this document or trade supplier), has received directly or indirectly, from the Company within the 12 months preceding the date of this document; or entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly, from the Company on or after Admission any of the following:
- fees totalling £10,000 or more;
 - securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price;
 - any other benefit with a value of £10,000 or more at the date of Admission.
- 21.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.

21.11 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

21.12 Save as disclosed in this document, the Directors are not aware of any patents or intellectual property rights, licenses or industrial, commercial or financial contracts or new technological processes which may be of material importance to the Company's business or profitability.

22. Financial Record

The financial information relating to the Company and the Safestay Limited Partnership is set out in Parts IVB and VB of this document and is audited.

The historical financial information in relation to the Company has been consolidated at the Safestay Limited Partnership level. It is not possible to prepare consolidated results or a combined track record at a higher level in the Group's organisational structure. The two group companies above Safestay Limited Partnership and below the Company in the group structure are Safestay GP and WXYZ2.

Safestay GP is the general partner of the Safestay Limited Partnership and its only activity is that of general partner in this partnership. Prior to Admission, Safestay GP is owned as to 20 per cent. by WXYZ2 and 80 per cent. by the Moorfield Funds. Post Admission, Safestay GP will be a wholly owned subsidiary of WXYZ2.

WXYZ2 is the holding company through which Safeland has historically held its stake in the Safestay Business and its only activities to date have been in this role. In 2012, WXYZ2 received a loan from Safeland (£908,747 of which £907,906 was capitalised in January 2014), which was subsequently fully invested in Safestay Limited Partnership, and it receives a management fee from the Safestay Business which it immediately pays on to Safeland in full (£42,085 in the year ended 31 December 2013). Following Admission, WXYZ2 will be demerged by Safeland and become a wholly owned subsidiary of the Group. Financial statements prepared at the WXYZ2 level on a historical basis would not show the results of the operating group in a meaningful manner, since up until Admission WXYZ2 has only had a 20 per cent. in the operating group and hence the operating group would be shown only as an investment on its balance sheet.

The audited accounts of WXYZ2 and Safestay GP are available from Companies House and JFSC Companies Registry respectively.

23. Availability of Documents

Copies of this document will be available free of charge to the public on the Company's website at www.safestay.co.uk and at the offices of Westhouse Securities on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document for the period ending one month after Admission.

24. Website

The Company maintains a website at the address www.safestay.co.uk. In accordance with AIM Rule 26, the website contains certain information for the benefit of investors. There is no charge to access the website. Any information contained in such website is an inactive textual reference and is not incorporated into this document by reference.

Dated: 29 April 2014

DEFINITIONS

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

“2006 Act” or “Companies Act”	the Companies Act 2006, as amended
“Acquisition Agreement”	the agreement dated 30 January 2014 made between MREF II A, MREF II B, Moorfield Group Limited, WXYZ2, Larry Lipman, Safeland and the Company relating to the Moorfield Acquisition and the Promote Acquisition, a summary of the principal terms of which is set out in paragraph 11 of Part VII of this document
“Admission”	the admission of the entire ordinary share capital of the Company, issued and to be issued pursuant to the Demerger and the Placing, to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“Admission Date”	the date of Admission
“AIM”	AIM, the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for companies published by the London Stock Exchange, as amended
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended
“Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“Auditors”	PricewaterhouseCoopers LLP
“Bank”	Coutts & Co.
“Board” or “Directors”	the board of directors of the Company from time to time appointed in accordance with the Articles and, where the context requires, those directors of the Company holding office as at the date of this document
“Bredbury”	Bredbury Limited, a company incorporated in the Isle of Man which is indirectly wholly owned by the trustees of the Turnberry 2013 Settlement Trust, whose settlor is Roy Peires and whose beneficiaries are his children, through Turnberry 2013 Property Investments Limited
“Business Day”	a day on which the London Stock Exchange is open for the transaction of business other than a Saturday or Sunday or a public holiday
“certificated” or “in certificated form”	not in uncertificated (that is, not in CREST) form
“City Code”	the City Code on Takeovers and Mergers
“Company” or “Safestay”	Safestay plc, a company incorporated in England and Wales with registered number 8866498
“Convertible Loan Notes”	the £2.8 million of 6 per cent. convertible secured loan notes 2017, a summary of the principal terms of which is set out in paragraph 14 of Part VII of this document

“CREST”	the computerised settlement system operated by Euroclear which facilitates the transfer of shares
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended) as published by Euroclear
“CREST member”	a person who has been admitted by Euroclear as a system member (as defined in the CREST regulations)
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST regulations)
“CREST regulations”	the Uncertificated Securities Regulations 2001 (SI2001/3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Demerger”	the proposed demerger of WXYZ2 from Safeland and its acquisition by the Company pursuant to the Demerger Agreement
“Demerger Agreement”	the agreement dated 29 April 2014 and made between Safeland and Safestay relating to the Demerger, a summary of the principal terms of which is set out in paragraph 13 of Part VII of this document
“Demerger Effective Date”	the time of Admission
“Disclosure and Transparency Rules”	the disclosure and transparency rules made under Part VI of FSMA and as set out in the FCA Handbook, as amended from time to time
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“EEA”	the European Economic Area
“Enlarged Share Capital”	the enlarged issued ordinary share capital of the Company following completion of the Demerger and implementation of the Placing
“EU”	European Union
“Euroclear”	Euroclear UK & Ireland Limited (formerly named CRESTCo Limited), the operator of CREST
“Existing Ordinary Share”	the existing Ordinary Share
“Facility Agreement”	the agreement dated 29 April 2014 and made between the Company, Propco, Opco and the Bank, details of which are set out in paragraph 12 of Part VII of this document
“FCA”	the Financial Conduct Authority
“FCA Handbook”	the handbook of rules and guidance issued by the FCA, as amended from time to time
“FSMA”	the Financial Services and Markets Act 2000, as amended

“Fundraising”	the Placing and the issue of the Convertible Loan Notes
“Group” or “Safestay Group”	Safestay and its subsidiaries and subsidiary undertakings following the completion of the Demerger and the Acquisition Agreement
“HMRC”	Her Majesty’s Revenue & Customs
“Lock-in Agreements”	the agreements dated 29 April 2014 and made between the Company and each of Safeland Holdings and Larry Lipman, details of which are set out in paragraph 9 of Part VII of this document
“London Stock Exchange”	London Stock Exchange plc
“Moorfield Acquisition”	the proposed acquisition of the entire interests of the Moorfield Funds by WXYZ2 in the Safestay Limited Partnership (including its interest in Safestay GP) pursuant to the Acquisition Agreement
“Moorfield Funds”	MREF II A and MREF II B
“MREF II A”	Moorfield Real Estate Fund II A LP, an English limited partnership with registered number LP10437
“MREF II B”	Moorfield Real Estate Fund II B LP, an English limited partnership with registered number LP10438
“New Ordinary Shares”	the 9,600,000 Ordinary Shares to be placed with Placees pursuant to the Placing on the terms set out in the Placing Agreement
“Nominated Adviser Agreement”	the agreement dated 29 April 2014 and made between the Company and Westhouse Securities, details of which are set out in paragraph 10 of Part VII of this document
“Official List”	the Official List of the UK Listing Authority
“Opco”	Safeland (Elephant & Castle) Limited
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company, ISIN no. GB00BKT0J702
“Placees”	subscribers for Placing Shares pursuant to the Placing
“Placing”	the placing of Placing Shares as described in Parts I and VII of this document
“Placing Agreement”	the agreement dated 29 April 2014 and made between the Company, the Directors and Westhouse Securities, details of which are set out in paragraph 8 of Part VII of this document
“Placing Price”	the price at which each Ordinary Share is to be issued or sold under the Placing, being 50p per Ordinary Share
“Placing Shares”	the New Ordinary Shares
“Promote”	the priority share in a proportion of the profits generated by the Safestay Business in excess of certain thresholds which WXYZ2 and Larry Lipman are currently entitled to share in the proportion 83:17 respectively
“Promote Acquisition”	the proposed acquisition by WXYZ2 of Larry Lipman’s interest in the Promote for consideration of £25,353 pursuant to the Acquisition Agreement
“Propco”	MREF II White Property Limited

“QCA Guidelines”	the corporate governance guidelines for small and mid-size quoted companies published by the Quoted Companies Alliance in May 2013
“Redeemable Preference Shares”	the 50,000 redeemable preference shares of £1 each in the capital of the Company, the rights in relation to which are described in paragraph 3.4 of Part VII of this document
“Regulation S”	Regulation S under the Securities Act
“Regulatory Information Service”	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Service providers maintained by the FCA
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Accountant”	PricewaterhouseCoopers LLP
“Safeland”	Safeland plc, a company incorporated in England and Wales with registered number 2012015
“Safeland Group”	in respect of any period prior to the Demerger Effective Date, Safeland and its subsidiaries and subsidiary undertakings including those entities which form part of the Group and, in respect of any period following the Demerger Effective Date, Safeland and its subsidiaries and subsidiary undertakings excluding those companies which will form part of the Group
“Safestay Business”	the business carried on by the Safestay Limited Partnership, being the operation of the Safestay Hostel and development and operation of hostels, as described in Part I of this document
“Safeland Holdings”	Safeland Holdings (2008) Corporation, a corporation incorporated in Panama and of which Larry Lipman owns one-third
“Safestay Limited Partnership”	MREF II White Limited Partnership, a Jersey limited partnership with registered number 1278
“Safestay GP”	MREF II White GP Limited, a company incorporated in Jersey with registered number 94157
“Safestay Hostel” or “Hostel”	the hostel operated at 144 Walworth Road London SE17 IJL registered at HM Land Registry under number LN 162753
“Securities Act”	U.S. Securities Act of 1933, as amended
“Service Agreements”	the agreements dated 29 April 2014 and made between the Company and each of Larry Lipman and Colin Stone, details of which are set out in paragraph 7 of Part VII of this document
“Shareholders”	holders of Ordinary Shares
“Share Option Scheme”	the Safestay Share Option Scheme details of which are set out in paragraph 6 of Part VII of this document
“subsidiary”	a subsidiary, as that term is defined in section 1162 of the Companies Act
“subsidiary undertaking”	a subsidiary undertaking, as that term is defined in section 1159 of the Companies Act
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council

“UK Listing Authority”	the Financial Conduct Authority, in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“VAT”	value added tax
“Westhouse Securities”	Westhouse Securities Limited, a company incorporated in England and Wales with registered number 00762818
“WXYZ2”	WXYZ2 Limited, a company incorporated in England and Wales with registered number 7065338 which it is proposed to be demerged from Safeland pursuant to the Demerger

