Registered in England and Wales
Company Number 09181966

Safestay (HP) Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Contents

Company Information

Registered Company Number
09181966

Director
L G Lipman

Company Secretary
L G Lipman

Registered Office
1a Kingsley Way
London
N2 0FW

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Report of the Director

The Director presents his Annual Report and Financial Statements for the year ended 31 December 2020.

Principal Activities

The Company's principal activity during the year was the operation of the Safestay hostel in Holland Park. A review of the business during the year, future developments and other matters associated with the group's operations are included in the Safestay plc annual report.

Dividends

The Director does not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: £nil).

Director and their interests

The Director of the Company who held office during the year is as follows:
L G Lipman

The Director who held office during the year had no interest in the share capital of the Company.

Statement of Director's Responsibilities for the Financial Statements

The Director is responsible for preparing the Report of the Director and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the Director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Report of the Director

Going Concern

The Company, Safestay (HP) Limited is a member of Safestay plc Group. The Group is reporting a significant loss in 2020 because the business was severely impacted by the pandemic and the hostels on average were only open for just 44% of the year 2020. Travel restrictions and local lockdowns are still impacting some of the countries where the Company operates in Europe.

The Company is dependent on the ongoing support of the Group and has received confirmation of the intention of continued support from the Group.

The Group's strategy is to optimise, develop and expand the premium hostel offering provided by the Group within the UK and through its European acquisitions, which had proved successful until February 2020 and we expect that the Group will start generating cash from its operation when restrictions are lifted in 2021, and the travel industry recovers in 2022.

The directors have reviewed the measures implemented by management to reduce the cash burn of the Group since the start of the outbreak. The monthly fixed cost base was reduced from £1.0 million to £0.6 million during the first lockdown in the second quarter of 2020, and further reduced to £0.35 million during the second wave of lockdowns in November 2020. These reductions are the results of the combined impact of the following actions implemented by management during this period:

- The Group has taken advantage of employment support governmental schemes in all jurisdictions where they were available, including the job retention scheme in the UK.
- Variable operational costs in the hostels were reduced to zero with the absence of revenue. Fixed operating costs were reduced, however, maintaining a minimum level of spend in safety, utilities and maintenance to keep properties in good condition through closure.
- The Group has benefited from business rates reliefs for the 5 UK hostels since April 2020. This scheme is extended with full relief until June 2021 and will continue with a 66% relief until March 2022.
- The Group has liaised with landlords to obtain rent reductions.
- Operating costs in head office have reduced by 50% to adjust the team and spend, including a 40% reduction in salaries for Directors and senior management in exchange for share options since October 2020.

On 30 June 2021, the Group completed on the sale of Edinburgh Hostel to A&O for a cash consideration of £16.0m, which resulted in the sale of Safestay Edinburgh Holdings Ltd entity.

Since the start of the Pandemic, management has continuously updated and adjusted the cash forecast for the next months. The most recent forecast prepared in September 2021 for the period to 31 December 2022, showed the hostels started to operate again from June 2021 in the UK and from July 2021 in the other locations. Current trading is ahead of expectations. Under the base case scenario, it is expected that the hostels will operate at a level which will be reduced by 57% in in the second half of 2021 and 10% in 2022 when compared to the revenue achieved in similar periods pre-COVID 19. This reflects the expectation of a slow recovery of the tourism market in general, and the need to implement social distancing and cleaning measures in all properties in the months following the lock down. The additional costs resulting from the implementation of the new safety requirements in the hostels were factored into the budget. Under such assumptions, the Company expects that the cash reserve will stay above £2.0 million until end of 2022. The sensitivity of this slow recovery model is such that each 1% variation in the annual revenue versus the base case has a maximum impact of £130k on the annual cash flow, when assuming no reduction in the fixed costs in the same period.

Management has also prepared a worst-case scenario whereby hostels would not re-open. In this scenario, the Group would have a funding shortfall from July 2022.

Report of the Director

The covenants of the Group's existing debt facility were waived from June 2020. In June 2021 they were amended and replaced with adjusted EBITDA targets reflecting the current performances of the hostels since the first lockdown in April 2020. They will revert to the contractual covenants from September 2022 when it is expected that the Group will have enough trading history from the re-opening of the hostels in July 2021 to meet the 12-month historic Interest Cover (ICR) and Debt Service Cover (DSCR) ratios. Although the Company will meet its adjusted EBITDA targets and covenants under the base case scenario, a reduction of 10% in the sales versus base case would trigger a breach in the adjusted EBITDA target test from June 2022 and the DSCR historic ratio from September 2022. A reduction of 20% in the revenue versus base case would trigger a breach in the adjusted EBITDA target test from December 2021. It is expected that the Group would be able to adjust the targets with the bank to prevent a contractual breach if the business continued to be impacted with the travel restrictions beyond the conservative assumptions used in the base case. However, the ability to renegotiate these covenants is not certain.

Material uncertainty, which may cast significant doubt regarding the Company's ability to continue as a going concern, has resulted from the impact of Covid-19, which includes the impact of travel restrictions and local lockdowns, and the impact on the forecast occupancy and whether covenant tests will be satisfied.

The disposal of Edinburgh Hostel has alleviated the need to consider further financing options.

Despite the material uncertainty resulting from the impact of COVID-19 and the travel restrictions, and the impact on the forecast occupancy and ability to meet bank covenants, the directors believe the existing cash and facilities in place and in addition the £16.0 million proceeds received on 30 June 2021 from the Edinburgh disposal, would allow the Group and Company to continue as a going concern, and for the Group to continue support the Company. For this reason, they continue to adopt the going-concern basis in preparing the Company's financial statements.

Post balance sheet events

- On 30 June 2021, the Group sold the Edinburgh Hostel to A&O for a cash consideration of £16.0 million. The transaction involved the sale of the Safestay Edinburgh Holdings Ltd entity, which owns the 150-year lease interest in the building under a ground lease agreement with Imperial Tobacco, and the transfer of the Hostel business from Safestay (Edinburgh) Hostel Ltd. Part of the proceeds of the disposal has been used to reduce debt with HSBC by £10.0 million. The Company is dependent on the ongoing support of the Group and has received confirmation of the intention of continued support from the Group. The disposal of Edinburgh Hostel has alleviated the need to consider further financing options for the Group.

- The Group is currently not committed to any future acquisition projects or development

- In March 2021, the Chancellor has confirmed an increase in the main CT rate from 19 to 25 percent with effect from 1 April 2023.

Report of the Director

Disclosure of information to auditors

The directors confirm that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The Auditor Grant Thornton UK LLP was appointed by the directors as the first auditors to the company.

In preparing this report, the Director has taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

The Report of the Director was approved by the Board on 10 November 2021 and signed on its behalf by:

L G Lipman
Director

Independent auditor's report to the members of Safestay (HP) Limited

Opinion

We have audited the financial statements of Safestay (HP) Holdings Limited (the 'company') for the year ended 31st December 2020, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the going concern disclosure in note 1 to the financial statements, which discusses the impact of the Covid-19 virus on the businesses continuing operations. Due to the continuing global travel restrictions and the uncertainty surrounding the recovery of the tourism market, there is uncertainty over whether the Safestay plc (Group), to which Safestay (HP) Limited is a subsidiary, will be able to meet their covenant tests after September 2022 and whether further waivers will be agreed by lenders.

As stated in note 1, these events and conditions, along with the other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to the members of Safestay (HP) Limited

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Safestay (HP) Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 and the Companies Act 2006).

- We understood how the company and the Company is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and management. We corroborated our inquiries through our review of board minutes and walkthroughs performed with management.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. Audit procedures performed by the Group engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with large values or those posted at the year end;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
  - held discussions with those outside the finance team including human resources, key management and operations personnel.

- The engagement team collectively had the appropriate competence and capabilities, including consideration of the engagement team's understanding of and practical experience with audit engagements of a similar nature and complexity, knowledge of the industry in which the client operates, and understanding of the legal and regulatory requirements specific to the entity.

- In assessing the potential risks of material misstatement, we obtained an understanding of the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

Use of our report

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

Independent auditor's report to the members of Safestay (HP) Limited

anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

UK LLP.

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 10 November 2021

Statement of Comprehensive Income

	Note	2020 £	2019 £
Turnover	3	270,674	1,834,070
Cost of sales		(42,893)	(301,425)
Gross profit		**227,781**	**1,532,645**
Other operating income		29,019	-
Administrative expenses		(545,646)	(1,543,563)
Operating loss	4	**(288,846)**	**(10,918)**
Loss on ordinary activities before taxation		**(288,846)**	**(10,918)**
Taxation	6	188,815	(45)
Loss for the financial year		**(100,031)**	**(10,963)**

There were no transactions in Other Comprehensive Income for the year (2019: £nil).

The Company's results relate wholly to continuing activities.

The notes on pages 13 to 20 form part of these financial statements.

Statement of Changes in Equity

	Share Capital £	Profit and loss account £	Total £
At 1 January 2019	1	816,196	816,197
Loss for the year	-	(10,963)	(10,963)
At 31 December 2019	**1**	**805,233**	**805,234**
Loss for the year	-	(100,031)	(100,031)
At 31 December 2020	**1**	**705,202**	**705,203**

The notes on pages 13 to 20 form part of these financial statements.

Statement of Financial Position

Registered number: 09181966

	Note	2020 £	2019 £
Fixed Assets			
Tangible assets	7	377,547	363,881
Current Assets			
Stocks	8	1,632	1,632
Debtors	9	300,863	578,488
Deferred tax asset	11	147,953	-
Cash at bank and in hand		5,887	111,225
		456,335	691,345
Creditors: amounts falling due within one year	10	(128,679)	(244,756)
Net Current Assets		327,656	446,589
Total Assets less Current Liabilities		705,203	810,470
Provisions for liabilities			
Deferred taxation	11	-	(5,236)
Net Assets		**705,203**	**805,234**
Capital and reserves			
Share capital	12	1	1
Profit and loss account		705,202	805,233
		705,203	**805,234**

These financial statements were approved by the Board on 10 November 2021 and signed on its behalf by:

L G Lipman
Director

The notes on pages 13 to 20 form part of these financial statements.

Notes to the Financial Statements (continued)

1 Accounting Policies

(a) Basis of preparation

Safestay (HP) Limited (the Company) is a limited company incorporated in England and Wales. Its registered office is stated on page 1 of these financial statements. The financial statements of the Company are prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The Company's presentation currency is Pound Sterling.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is contained in the consolidated financial statements of Safestay plc (the ultimate parent entity), and these financial statements may be obtained from the registered office at 1a Kingsley Way, London N2 0FW.

(b) Going concern

The Company, Safestay (HP) Limited is a member of Safestay plc Group. The Group is reporting a significant loss in 2020 because the business was severely impacted by the pandemic and the hostels on average were only open for just 44% of the year 2020. Travel restrictions and local lockdowns are still impacting some of the countries where the Company operates in Europe.

The Company is dependent on the ongoing support of the Group and has received confirmation of the intention of continued support from the Group.

The Group's strategy is to optimise, develop and expand the premium hostel offering provided by the Group within the UK and through its European acquisitions, which had proved successful until February 2020 and we expect that the Group will start generating cash from its operation when restrictions are lifted in 2021, and the travel industry recovers in 2022.

The directors have reviewed the measures implemented by management to reduce the cash burn of the Group since the start of the outbreak. The monthly fixed cost base was reduced from £1.0 million to £0.6 million during the first lockdown in the second quarter of 2020, and further reduced to £0.35 million during the second wave of lockdowns in November 2020. These reductions are the results of the combined impact of the following actions implemented by management during this period:

- The Group has taken advantage of employment support governmental schemes in all jurisdictions where they were available, including the job retention scheme in the UK.

- Variable operational costs in the hostels were reduced to zero with the absence of revenue. Fixed operating costs were reduced, however, maintaining a minimum level of spend in safety, utilities and maintenance to keep properties in good condition through closure.

Notes to the Financial Statements (continued)

- The Group has benefited from business rates reliefs for the 5 UK hostels since April 2020. This scheme is extended with full relief until June 2021 and will continue with a 66% relief until March 2022.

- The Group has liaised with landlords to obtain rent reductions.

- Operating costs in head office have reduced by 50% to adjust the team and spend, including a 40% reduction in salaries for Directors and senior management in exchange for share options since October 2020.

On 30 June 2021, the Group completed on the sale of Edinburgh Hostel to A&O for a cash consideration of £16.0m, which resulted in the sale of Safestay Edinburgh Holdings Ltd entity.

Since the start of the Pandemic, management has continuously updated and adjusted the cash forecast for the next months. The most recent forecast prepared in September 2021 for the period to 31 December 2022, showed the hostels started to operate again from June 2021 in the UK and from July 2021 in the other locations. Current trading is ahead of expectations. Current trading is ahead of expectations. Under the base case scenario, it is expected that the hostels will operate at a level which will be reduced by 57% in in the second half of 2021 and 10% in 2022 when compared to the revenue achieved in similar periods pre-COVID 19. This reflects the expectation of a slow recovery of the tourism market in general, and the need to implement social distancing and cleaning measures in all properties in the months following the lock down. The additional costs resulting from the implementation of the new safety requirements in the hostels were factored into the budget. Under such assumptions, the Company expects that the cash reserve will stay above £2.0 million until end of 2022. The sensitivity of this slow recovery model is such that each 1% variation in the annual revenue versus the base case has a maximum impact of £130k on the annual cash flow, when assuming no reduction in the fixed costs in the same period.

Management has also prepared a worst-case scenario whereby hostels would not re-open. In this scenario, the Group would have a funding shortfall from July 2022.

The covenants of the Group's existing debt facility were waived from June 2020. In June 2021 they were amended and replaced with adjusted EBITDA targets reflecting the current performances of the hostels since the first lockdown in April 2020. They will revert to the contractual covenants from September 2022 when it is expected that the Group will have enough trading history from the re-opening of the hostels in July 2021 to meet the 12-month historic Interest Cover (ICR) and Debt Service Cover (DSCR) ratios. Although the Company will meet its adjusted EBITDA targets and covenants under the base case scenario, a reduction of 10% in the sales versus base case would trigger a breach in the adjusted EBITDA target test from June 2022 and the DSCR historic ratio from September 2022. A reduction of 20% in the revenue versus base case would trigger a breach in the adjusted EBITDA target test from December 2021. It is expected that the Group would be able to adjust the targets with the bank to prevent a contractual breach if the business continued to be impacted with the travel restrictions beyond the conservative assumptions used in the base case. However, the ability to renegotiate these covenants is not certain.

Material uncertainty, which may cast significant doubt regarding the Company's ability to continue as a going concern, has resulted from the impact of Covid-19, which includes the impact of travel restrictions and local lockdowns, and the impact on the forecast occupancy and whether covenant tests will be satisfied.

The disposal of Edinburgh Hostel has alleviated the need to consider further financing options.

Notes to the Financial Statements (continued)

Despite the material uncertainty resulting from the impact of COVID-19 and the travel restrictions, and the impact on the forecast occupancy and ability to meet bank covenants, the directors believe the existing cash and facilities in place and in addition the £16.0 million proceeds received on 30 June 2021 from the Edinburgh disposal, would allow the Group and Company to continue as a going concern, and for the Group to continue to support the Company. For this reason, they continue to adopt the going-concern basis in preparing the Company's financial statements.

(c) Turnover

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

The sale of ancillary goods comprises sales of food, beverages, and merchandise.

Deferred income comprises deposits received from customers to guarantee future bookings of accommodation. This is recognised as revenue once the bed has been occupied.

(d) Government Grants

Monetary resources transferred to the Company by government, government agencies or similar bodies are recognised at fair value, when the Company is certain that the grant will be received. Grants will be recognised in the profit and loss account on a systematic basis, over the same period during which the expenses, for which the grant was intended to compensate, are recognised.

The coronavirus job retention scheme, (CJRS) was introduced at the beginning of the pandemic to support companies in retaining employees, in the form of grants to cover a proportion of the wages and salaries of furloughed staff. Government grants are included in other operating income.

(e) Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold improvements	over the shorter of 50 years and the lease term
Fixtures, fittings and equipment	over 3 years

(f) Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

(g) Stocks

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

Notes to the Financial Statements (continued)

(h) Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

(i) Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

(j) Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Current and deferred tax assets and liabilities are not discounted.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

There are no significant management judgements made in applying the accounting policies of the Company.

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates nor

Notes to the Financial Statements (continued)

assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Analysis of turnover

	2020 £	2019 £
Hostel accommodation	232,366	1,493,905
Food and Beverages sales	30,922	279,377
Other income	7,386	60,788
	270,674	**1,834,070**

All revenue arises in the United Kingdom.

4 Operating profit/(loss)

	2020 £	2019 £
This is stated after charging:		
Depreciation of owned fixed assets	3,694	7,141
Depreciation of leased assets	7,146	8,938

Auditors' remuneration has been incurred by Safestay plc (the ultimate parent entity) and is disclosed in Safestay plc's financial statements.

The director, who is the only employee of the company received no remuneration for his services to the company.

Rent concessions of £495,000 was achieved in the period due to COVID-19 pandemic, which is reported as a reduction in administrative expenses.

5 Staff costs

	2020 £	2019 £
Wages and salaries	176,434	467,594
Social security costs	13,998	31,767
Other pension costs	3,241	7,500
	193,673	**506,861**

Average number of employees

	2020 Number	2019 Number
Hostel Operations	**7**	**21**

Notes to the Financial Statements (continued)

6 Taxation on loss on ordinary activities

United Kingdom Corporation Tax

	2020 £	2019 £
Current tax on income for the year	-	-
Deferred tax on income for the year (note 11)	(61,480)	966
Adjustment in respect of prior year	(127,335)	(921)
Tax on loss on ordinary activities	**(188,815)**	**45**

Tax reconciliation

	2020 £	2019 £
Loss on ordinary activities before taxation	(288,846)	(10,918)
UK corporation tax rate of 19% (2019: 19%)	(54,881)	(2,074)
Effect of:		
Expenses not deductible for tax purposes	2,198	-
Fixed asset differences	1,375	3,135
Adjustments in respect to previous periods	(127,335)	(5,263)
Remeasurement of deferred tax	(10,172)	(624)
Group relief surrendered	-	4,871
Tax charge on loss on ordinary activities	**(188,815)**	**45**

7 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and Equipment £	Total £
Cost			
At 1 January 2020	384,326	657,711	1,042,037
Additions	-	24,506	24,506
At 31 December 2020	**384,326**	**682,217**	**1,066,543**
Depreciation			
At 1 January 2020	29,837	648,319	678,156
Charge for the year	7,146	3,694	10,840
At 31 December 2020	**36,983**	**652,013**	**688,996**
Net Book Value			
At 31 December 2020	**347,343**	**30,204**	**377,547**
At 31 December 2019	354,489	9,392	363,881

Notes to the Financial Statements (continued)

8 Stocks

	2020 £	2019 £
Raw materials and consumables	1,632	1,632
	1,632	**1,632**

9 Debtors

	2020 £	2019 £
Amounts owed by group undertakings	240,041	527,391
Other receivables	18,459	9,902
Prepayments and accrued income	6,737	41,195
Corporation tax recoverable	35,626	-
	300,863	**578,488**

10 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	13,740	20,321
Amounts owed to group undertakings	18,309	18,217
Other taxation and social security	38,612	55,640
Other creditors	355	3,569
Accruals and deferred income	57,663	147,009
	128,679	**244,756**

11 Deferred taxation

	2020 £	2019 £
Accelerated capital allowances	(147,953)	5,236
	(147,953)	**5,236**

At 1 January	5,236	4,270
Charged to the profit and loss account	(153,189)	966
At 31 December	**(147,953)**	**5,236**

Notes to the Financial Statements (continued)

12 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid share capital		
1 Ordinary share of £1 each	1	1

13 Related party transactions

As permitted by FRS 102 Paragraph 33.1A, the Company has not presented details of related party transactions with other companies that are wholly owned within the Group.

14 Controlling party

Safestay plc is the Company's immediate and ultimate parent company and heads the smallest and largest group into which the results of the Company are consolidated. Safestay plc is incorporated in Great Britain and registered in England and Wales.

A copy of Safestay plc's financial statements can be obtained from its registered office, 1a Kingsley Way, London N2 0FW.

15 Post reporting date event

- On 30 June 2021, the Group sold the Edinburgh Hostel to A&O for a cash consideration of £16.0 million. The transaction involved the sale of the Safestay Edinburgh Holdings Ltd entity, which owns the 150-year lease interest in the building under a ground lease agreement with Imperial Tobacco, and the transfer of the Hostel business from Safestay (Edinburgh) Hostel Ltd. Part of the proceeds of the disposal has been used to reduce debt with HSBC by £10.0 million. The Company is dependent on the ongoing support of the Group and has received confirmation of the intention of continued support from the Group. The disposal of Edinburgh Hostel has alleviated the need to consider further financing options.

- The Group is currently not committed to any future acquisition projects or development.

- In March 2021, the Chancellor has confirmed an increase in the main CT rate from 19 to 25 percent with effect from 1 April 2023.