Snoozebox Holdings plc

Annual Financial Report for the year ended 31 December 2016

Registered number 8013887

CONTENTS

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2016. The Strategic Report comprises the:

- Chairman's Statement; and
- Operating and Financial Review.

Chairman's Statement

Over the past few years, Snoozebox has established itself as a leading provider of rapidly deployed quality accommodation. In early 2016, the Board commenced a restructuring of the Group's operations intended to improve operating stability, financial performance and position.

We have made good progress in reducing the Group's cost burden and stabilising operations, as further set out in the Operating and Financial Review. We have also made good progress in identifying deployment opportunities for our V1 accommodation as set out in Current Trading and Outlook section below.

Business Strategy and Position of the Business

- **Accommodation Assets**. The Group has a good stock of differentiated and viable accommodation assets and access to a reasonable market for those assets. The Group is focussing on placing existing accommodation assets into the market with an aim of generating sufficient revenues to at least cover overheads and contribute towards servicing debt in the medium-to-long term. The Group's room stock assets for hire comprise:
  - Possession of and access to 570 V1 containerised rooms (V1 rooms), all of which are owned by a third-party provider of asset finance and leased by the Group as described further at note 20 to the financial statements. Each V1 room is ensuite and can sleep at least two adults; and
  - Ownership of 200 Snoozy pop-up rooms, each of which can sleep at least two adults.
- **Unique Selling Points**. The Group's key differentiator is the ability to rapidly deploy its quality accommodation solutions on a temporary or semi-permanent basis;
- **Semi-Permanent Market**. The Semi-Permanent market involves the deployment of V1 rooms for target periods of six months to many years, which the Board considers is most likely to generate the revenue and margins required to achieve the Group's short-to-medium term business objectives. Semi-Permanent deployment also delivers longer term predictable revenues, without the drag of void periods, allowing the high one-off deployment and extraction costs to be absorbed from revenues generated over a longer period. The Group is focussed on Semi-Permanent sales and the execution and timing of new sales to generate revenues in this market will be a critical factor in the achievement of the Group's business objectives;
- **Events Market**. The Events market involves the deployment of Snoozy rooms, complemented where there is capacity and demand by V1 rooms, for target periods of days to weeks and generates a modest contribution towards Group objectives. The Events market has longer void periods associated with moving assets from event to event. The related high one-off deployment and extraction costs, means that this market is unlikely to contribute significantly to short or medium-term trading at the Group's current scale. The Group will continue with the Events market where commercially viable, making appropriate use of the Group's accommodation assets and aiming for longer-term deployment periods;

- **Sales Focus**. A careful balance of Semi-Permanent and Events deployments is being sought, with a keen focus on ensuring that the Group's key objectives are met in the short-to-medium term;
- **Margins, Costs and Capex**. The Group's margins, central overheads and capital expenditure have historically been out of balance with trading and cash generation from operations. The Board is focussed on achieving an appropriate mix of costs, capital and margins to achieve medium to long term objectives. The Board has significantly reduced central overheads during the course of 2016 and entered 2017 with central overhead cash costs now running at approximately £0.1m per month as planned. Capital expenditure is being limited in the short-term to appropriate maintenance and replacement expenditure that keeps the existing accommodation stock in good condition. In the medium-to-long term, and where appropriate, we will seek to match expenditure to firm new contracts for deployment; and
- **Funding and debt**. The Group has a historical capital structure that involves a significant level of debt that is inconsistent with its current and near term financial performance and position. The Board is currently continuing its discussions with its primary lender options concerning amendments to the Group's capital structure and funding.

Business Objectives

The Group is focused on three key business objectives:

1. In the short-term, establishing a more stable operating environment for the Group and seeking improved financial stability through renegotiating its debt;
2. In the short-to-medium term, achieving net operating cash flows sufficient to cover central overheads and service the Group's debt; and
3. In the medium-to-long term, securing further growth in revenues and operating cash flows from a stable base.

In terms of short-term objectives, significant improvements have been made to the operating environment of the Group in 2016 and through into 2017. Central overheads have also been reduced to the targeted £0.1m per month going into 2017, compared to approximately £0.4m per month entering 2016. In November 2016, we announced an amendment to the Group's debt servicing obligations which reduced the short-term debt repayment burden whilst also reducing the overall balance outstanding through use of the Group's cash then held in escrow. Constructive discussions with our lender are ongoing, as evidenced by the further amendment to the Group's debt servicing obligations secured immediately prior to the date of this report.

In the short-to-medium term, the Group is engaged in sales activities aimed at securing Semi-Permanent deployments of V1 rooms. Several good opportunities for deployment of V1 rooms have been qualified and we are now at various stages of negotiation with landlords and customers for deployment. Securing one or more of these opportunities for 80 V1 rooms alongside existing revenues would provide a good contribution towards achieving cash flow break even at an operational level (pre-debt servicing and capital expenditure) and, with time for the deployments to mature and to secure further wins, help the Group become cash generative in the medium term.

In the medium-to-long term, the Board believes that the Group has several growth options available to it, including repetition of a revised and working business strategy with similar assets, production of new assets backed by a more predictable revenue pipeline, entry into new markets or a combination of these. Until the Group has made appropriate progress towards its objectives of stability and achieving operating cash flow breakeven, the Board will approach any such medium to long term growth plans cautiously.

Business Model

The Group earns revenue from the provision of rapidly deployed quality accommodation to customers in three main ways:

1. Hire of accommodation stock to a customer for them to operate as a service for their end customers (a "dry hire"). The customer is responsible for operating the rooms and for room occupancy through its own sales efforts. The Group typically secures a fixed element of committed revenue for the deployment period and may secure an additional variable element depending on commercial factors;
2. Hire of accommodation stock to a customer where the Group is responsible for operating the accommodation as a service to end customers (a "managed service"). The Group is responsible for operating the accommodation and the responsibility for room occupancy falls into two models:
    - The Group is responsible for room occupancy through its own sales efforts; or
    - The customer is responsible for room occupancy through its own sales efforts;

   The revenue stream for both models is generally variable depending on occupancy and room rates achieved and may include a fixed element in the latter customer model; and
3. Lease or license of land by the Group on which to deploy and then operate the Group's accommodation assets as a service to end customers (a "hotel" style deployment). The Group is responsible for all aspects of operating the hotel, although it may sub-contract some or all obligations to third parties.

The Group can earn further revenues from each deployment through provision of additional services, such as food and drink, and these additional services, when managed well, can be a valuable source of additional margin in the right environment.

The Group's preferred model is for longer term hire or deployment of the Group's room stock, targeting hire or deployment periods of three years or more.

Formal planning permission may be required for longer-term deployments, depending on the circumstances, and where granted may have specific covenants or conditions attached. Planning applications introduce delay into the sales cycle. New deployments involve a significant cash outflow covering transportation, site preparation and installation together with any ancillary capital expenditure required to complement a new deployment. The level of such set-up expenditure can be material.

Funding and going concern

Funding

The Group initiated discussions with its primary lender in April 2016 seeking an amendment to its debt servicing obligations. In November 2016, the Group announced amendments to its debt servicing obligations, the details of which are set out in note 20. As reported in note 2 to the financial statements, the Group remains in constructive discussions with its primary lender, concerning repayment obligations and longer-term capital structure, and they remain supportive of the Directors' strategy and plans. Throughout 2016 the Group paid all of its debt repayment obligations as they fell due and has continued to do so to the date of this report, taking into account the changes introduced by the November 2016 amendment.

Immediately prior to the date of this report, the Board agreed a debt capital and interest repayment holiday with its lender in respect of the four quarterly payments due in July 17 to April 18 inclusive as set out in note 2.

The Board will provide further updates on these discussions in due course.

Going concern

After making enquiries and taking account of the Group's cash resources, future trading prospects, an agreement with the primary lender for a four quarter debt capital and interest repayment holiday and ongoing supportive discussions with the primary lender regarding capital structure, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months and, for this reason, they continue to adopt the going concern basis in preparing the financial statements. Note 2 to the financial statements provides further information concerning the assumptions made by the directors in forming their view and should be read in conjunction with this statement.

Board Changes

The Board's composition changed significantly in 2016 since my initial appointment as a Non-Executive Director in January 2016. In February 2016, the then Chairman and a Non-Executive director resigned, at which time I became Non-Executive Chairman, followed in April 2016 by the resignation of the CEO, at which time I became Executive Chairman. The Board now comprises myself and two other Non-Executives.

Current Trading

Trading in the new financial year to 30 April 2017 has been in line with the Board's expectations with an unaudited unadjusted EBITDA loss of approximately £0.4m (unaudited 4 months to 30 April 2016: £0.5m loss). In general, and as a result of the operational changes implemented in 2016, we are seeing an early trend of increased underlying contribution to central overheads from deployments both in the Semi-Permanent and Events divisions.

Semi-Permanent

We are in the final stages of agreeing a renewal of the Group's Semi-Permanent deployment in Cornwall and anticipate remaining on site for a number of years to come. We remain deployed and operational in Cornwall in the meantime.

We have identified and qualified several opportunities in the UK for deployment of our Semi-Permanent V1 accommodation. A number of these are now entering final commercial negotiations which, if successfully concluded, should see deployments commencing in the fourth quarter of 2017 (consistent with our plans) and on into 2018. The Board has assumed that any such opportunities will not generate material new revenues (or contribution to central overheads) until at least 2018.

Events

In June 2017, we will have completed two deployments of accommodation to the UK Events market, generating revenues of approximately £0.7m and an underlying anticipated contribution to central overheads of approximately £0.1m. Guest feedback so far has been excellent for which my thanks go to our loyal and hard-working operations team. We continue to assess Event attendance on its commercial merits and the Board expects to remain involved in this market going forward

I am pleased to report that in June 2017 we entered into a contract for the July 2017 deployment of a number of our Snoozy rooms to a new customer in the sports and leisure industry, where we expect to generate a small but valuable contribution. We are actively looking to repeat this type of contract for provision of Snoozies going forward.

Central overheads are now running at approximately £0.1m per month, capital expenditure has been minimised and the Group continues to incur appropriate maintenance and replacement expenditure to keep the existing accommodation in good condition.

The Group's unaudited net debt at 30 April 2017 was approximately £6.6m, comprising £8.5m debt and £1.9m of cash and cash equivalents (31 December 2016: £5.5m net debt).

Outlook

Following a comprehensive strategic business review in early 2016 we have now executed the first stage of our strategy and successfully stabilised the Group's operations. Alongside, and critical to, this we have also improved our short-term financial stability through the support of our lender by way of a debt capital and interest payments holiday. The Group remains in constructive discussions with its primary lender, concerning repayment obligations and longer-term capital structure, and they remain supportive of the Directors' strategy and plans.

From this platform of relative stability, we are now much better placed to execute the second phase of our strategy – that of securing longer-term deployment opportunities for our accommodation to earn target revenues and margins that will over time cover central overheads

Coming into 2017, our plans were to engage in a limited number of Events deployments, which we have done, and also to progress Semi-Permanent V1 room opportunities for first deployment in the last quarter of 2017, a plan that remains on track.

Over the past few months we have made good commercial progress with Semi-Permanent sales opportunities that were first qualified in the second half of 2016. During 2017 we have also made good progress in qualifying a number of new deployment opportunities both in the Events and Semi-Permanent markets. The first of these newly identified and qualified opportunities in the Events market has already been secured in June 2017 for July 2017 deployment. Our key focus is to repeat this success by closing out further qualified sales opportunities in the second half of 2017 and on into 2018.

I look forward to reporting progress towards securing new deployments in 2017 and beyond.

Chris Errington
Executive Chairman
29 June 2017

Operating and Financial Review

Operating performance table

The following tables summarise the Group's operating performance:

Revenue-based performance	**2016**	**2015**	***Variance***	
	£m	**£m**	***£m***	***%***
Semi-Permanent	1.4	4.0	*(2.6)*	*-65%*
Events	1.0	1.8	*(0.8)*	*-44%*
Total revenue	**2.4**	**5.8**	***(3.4)***	***-59%***
Gross profit	2.0	3.3	*(1.3)*	*-39%*
Logistics, deployment and equipment hire	(1.3)	(3.6)	*(2.3)*	*-64%*
Contribution to central overheads	**0.7**	**(0.3)**	***1.0***	

Earnings-based performance	**2016**	**2015**	***Variance***	
	£m	**£m**	***£m***	***%***
Statutory loss before tax as reported	(8.9)	(18.9)	*10.0*	*-53%*
Adjustment for exceptional items (note 7 to financial statements)	4.4	9.9	*(5.5)*	*-56%*
Adjusted loss before tax	**(4.5)**	**(9.0)**	***4.5***	***-50%***
Net interest payable	1.6	1.0	*0.6*	*60%*
Depreciation	1.0	1.9	*(0.9)*	*-47%*
Share-based payments charge	(0.1)	0.1	*(0.2)*	*-200%*
Adjusted EBITDA	**(2.0)**	**(6.0)**	***4.0***	***-67%***
Loss after tax as reported	(8.9)	(18.9)	*10.0*	*-53%*
Basic and diluted earnings per share (pence)	(3.03)	(8.91)	*5.9*	*-66%*

Total revenue decreased as anticipated to £2.4m (2015: £5.8m) as the Falklands Semi-Permanent deployment came to an end and we focussed on a lower number of Event deployments. During the year, the Group continued to provide its 58 V1 rooms at an attraction in Cornwall, which operates on a dry hire basis operated by a third party.

Contribution to central overheads improved significantly as we began controlling costs better and avoiding uncommercial deployments, whilst also benefitting from the tail end of the Semi-Permanent Falklands deployment and ongoing deployment in Cornwall. Total contribution to central overheads improved by £1.0m, with £0.7m profit in the year (2015: £0.3m loss).

The Semi-Permanent division returned a contribution to central overheads of £0.8m for the year (2015: £1.2m contribution) which reflects the ongoing profitable nature of such deployments, impacted by the end of our deployment in the Falklands in the first half 2016.

The Events division returned a contribution to central overheads of £0.1m loss (2015: £1.4m loss), which whilst an improved performance suffered from an excessive direct cost base and the turmoil of a group restructuring undertaken at peak deployment time.

We commenced a reduction in the central overhead cost base in the first half of 2016 which reduced costs going into the second half of 2016 but for which the full benefit will only be seen in 2017. As a measure of underlying trading, adjusted EBITDA improved £4.0m to a loss of £2.0m in the year (2015: £6.0m loss). Cost reductions were made in all areas of the business, including: reducing headcount through a structured redundancy programme, reducing Board numbers and costs and removing or re-negotiating non-essential expenditure in all areas.

The Group's depreciation charge reduced in line with lower capital expenditure and the impairment charge in 2015 to a charge of £1.0m (2015: £2.0m).

Exceptional costs totalled £4.4m for the year (2015: £9.9m exceptional costs), as explained further in note 7 to the financial statements. The largest exceptional cost in 2016 was a £4.1m non-cash impairment charge (2015: £9.6m non-cash impairment charge) recorded against the carrying value of the Group's tangible fixed assets, further details of which are provided in note 11 to the financial statements. The impairment charge for 2016 arose largely from an experience based reduction in the likely future cash contribution achievable from the V1 rooms. We now believe that a certain degree of managed services is likely to be required for all deployments, reducing the contribution and net cash inflows available from the V1 stock of rooms (compared with our initial modelling) which in turn gives rise to an increased impairment on a value in use basis.

Finance expenses increased as a result of a one-off £0.5m expense associated with the re-measurement of the finance lease liability as described in note 16.

Cash flows

The Group's net cash outflow from operating activities improved in the year to £3.1m outflow (2015: £7.2m outflow) because of the improved trading performance offset by the negative impact of a working capital reversal with a net outflow to reduce payables.

The Group's cash outflows from investing activities reduced significantly as we curtailed the new asset investment programmes, which featured in 2015, and disposed of surplus equipment. As a result, there was a small net cash inflow (from disposals) in 2016 compared to the £4.4m outflow in 2015.

In January 2016, the Group completed a new equity placing to raise £4.5m net of expenses.

The Group serviced the capital element of its debt with a cash outflow to finance lease creditors of £1.9m in the year (2015: £0.8m). The cash outflow increase includes a payment of £1.3m of restricted cash to repay debt as part of the amendment agreed in November 2016 as detailed in Note 20.

The Group ended the year with £2.4m of cash (2015: £2.3m) and no restricted cash (2015: £1.3m).

Funding and net debt

On 2 September 2014, the Group entered a sale and leaseback arrangement whereby it sold its V1 portable rooms to third party provider of asset finance and leased them back for a primary term of 7.5 years, with secondary periods available. The assets under lease included 578 rooms in the amount of £10m, which was drawn down in full on 24 October 2014.

Net debt at 31 December 2016 was £5.5m (2015: £5.4m net debt). Further information concerning the Group's cash and debt position can be found in notes 16, 20 and 22 to these financial statements.

Taxation

The Group has incurred significant trading losses in the current and prior year and as a result, no corporation tax charge has been made in the current or prior year.

At 31 December 2016, the Group had gross unrecognised tax losses carried forward for offset against future trading profits of approximately £24m (2015: £20m) and gross unrecognised deferred capital allowances of approximately £6m (2015: £6m). As a result, the Group is unlikely to pay corporation tax in the short to medium term. No deferred tax assets have been recognised because of the uncertainty over the timing of any likely recovery.

Principal risk and uncertainties

As described in the Chairman's Statement section of this Strategic Report, the Group earns revenue from the provision of accommodation to customers.

The Board recognises that there are a number of risk factors that have the potential to adversely affect the Group's execution of its strategic plan and, more generally, the Group's operations, its financial performance or the value of its equities.

The Directors have carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A description of those risks and an explanation of how they are being managed or mitigated is set out below.

Adequacy of funding / liquidity and going concern

Impact on Group	**Assessment of change in risk in year**	**Mitigation of risk**
As referred to in the Strategic Report: The Group has historically been loss making with negative cash flows and this trend has so far continued into 2017 albeit on an improved basis; and The Group has a significant debt burden and a net debt financial position. Failure to improve trading significantly in the short to medium term would raise doubts as to the adequacy of funding, liquidity and ultimately the Group's ability to service debt and continue as a going concern.	The Group has reduced its central overheads and capital expenditure to a significantly lower level than 2015 and also stabilised operations. During 2016, negotiations with the primary lender allowed for a significant portion of the debt to be repaid with cash held by the Group in escrow (and therefore of no operational use to the Group). This reduces the debt outstanding and future interest payable.	The Board has begun executing against the revised strategy set out in 2016 and is now at the key stage of finalising negotiations for deployment of its V1 accommodation. The Board has commenced constructive discussions with the Group's primary lender concerning potential amendments to the capital structure of the Group. Note 2 to the financial statements provides further information concerning adequacy of funding, liquidity and going concern.

Failure to grow new revenues

Impact on Group	**Assessment of change in risk in year**	**Mitigation of risk**
Growing new revenues is critical to achieving the Group's key business objectives. A failure to grow new revenues either to the target levels required or where they are delayed further into the future than planned, would jeopardise the Group's ability to deliver against its business objectives.	Stabilisation of the Group's operations has improved the chances of winning new opportunities for deployment.	Additional strategic focus is being placed on the markets and accommodation assets that the Board believes have the highest potential to grow new higher margin revenues. The cost base and capital expenditure has been significantly reduced, consistent with delivery of the Group's overall objectives whilst balancing the delivery of a quality guest experience. We have identified a number of partners to assist with our operational activity and securing new sales that should help mitigate this risk.

Failure to control operational risks

Impact on Group	Assessment of change in risk in year	Mitigation of risk
Operational risks to be managed include: project risk (controlled delivery of new and existing projects), deployment (and extraction) risk and customer service risk (guest experience). Failure to control these risks would have a negative impact on the Group's ability to deliver against its business objectives either because planned cash flows would be reduced or the potential to earn revenues from guests would be adversely affected.	This risk increased during 2015 as the Group expanded its operations. During 2016 and into 2017, the operational risk profile decreased as controls were put in place and operations stabilised.	In 2016 and on into 2017, the Board has made changes to mitigate this risk through a clear strategic focus on business objectives and improvement in operations, including the use of preferred contractors.

Failure to respond to market risks and competition

Impact on Group	Assessment of change in risk in year	Mitigation of risk
There is a risk that the market for the Group's product declines or that competition increases, reducing the ability to win work at all, or at appropriate margins. Failure to control this risk will have an adverse impact on the Group's ability to deliver against its business objectives.	This risk has not changed in the year.	The Group continues to focus on, and invest in, its key market and competitive differentiators of: (1) the ability to rapidly deploy accommodation to satisfy customer requirements and (2) provide accommodation that is at the upper end of the quality and standard available from competitors.

The Strategic Report was approved by the Board of Directors and was signed on its behalf by:

Chris Errington
Executive Chairman
29 June 2017

DIRECTORS' REPORT

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. Note 3 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

Directors and officers

The Directors who served on the Board during the year and to the date of this report, or to date of resignation, are set out below.

C Errington	Executive Chairman (appointed 8 January 2016)
S East	Non-Executive Director and Chairman of the Audit Committee
H Scrimgeour	Non-Executive Director and Chairman of the Remuneration Committee
R Davies	Non-Executive Director (resigned 26 February 2016)
D Morrison	Non-Executive Chairman (resigned 26 February 2016)
L O Murchu	Chief Executive Officer (resigned 25 April 2016)

L O Murchu served as Company Secretary until 25 April 2016 when he was replaced by C Errington who in turn was replaced as Company Secretary by G Raven on 30 November 2016.

Results and dividends

The Group loss for the year, after taxation, amounted to £8.9m (2015: loss of £18.9m). The Directors do not recommend a final ordinary dividend, which leaves the loss of £8.9m to be deducted from reserves. No dividends are recommended and none were paid in the prior year.

Directors and their interests

The Directors' interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options set out below) were as follows:

Ordinary shares of 1 pence each	**31 December 2016**	31 December 2015
C Errington	**2,222,222**	-
S East	**437,335**	354,000
H Scrimgeour	**154,000**	154,000

There have been no further changes in the Directors' interests disclosed above from 31 December 2016 to the date of this report.

The interests of the Directors under Company share options schemes are set out in the table below:

Year ended 31 December 2016

Share options	At 1 January 2016	Granted	Cancelled or Lapsed	At 31 December 2016	Date of grant	Exercise price	Date first exercisable	Expiry date
C Errington[1]	-	7,500,000	-	7,500,000	29-Jun-16	1.0p	29-Jun-18	29-Jun-26
S East[1]	-	1,750,000	-	1,750,000	29-Jun-16	1.0p	29-Jun-18	29-Jun-26
H Scrimgeour[1]	-	1,750,000	-	1,750,000	29-Jun-16	1.0p	29-Jun-18	29-Jun-26
L O Murchu[2]	352,941	-	(352,941)	-	30-Jun-14	8.5p	01-Jul-17	30-Jun-24
L O Murchu[2]	7,273,324	-	(7,273,324)	-	29-Jul-14	10.0p	30-Jul-16	29-Jul-19

Year ended 31 December 2015

Share options	At 1 January 2015	Granted	Cancelled or Lapsed	At 31 December 2015	Date of grant	Exercise price	Date first exercisable	Expiry date
L O Murchu[2]	352,941	-	-	352,941	30-Jun-14	8.5p	01-Jul-17	30-Jun-24
L O Murchu[2]	7,273,324	-	-	7,273,324	29-Jul-14	10.0p	30-Jul-16	29-Jul-19

[1] Company's Senior Management Share Option Plan. All options are exercisable between 2 and 10 years from grant. 50% of the grant has no performance conditions and 50% of the grant is exercisable subject to the satisfaction of operating financial performance conditions. The share price at the date of grant was 0.4 pence.

[2] Resigned 25 April 2016

The closing market price of the Company's shares at 31 December 2016 was 0.4 pence and has traded between 6.1 pence and 0.4 pence over the year ended 31 December 2016.

Directors' emoluments

Year ended 31 December 2016	Basic salary and fees £'000	Benefits in kind £'000	Performance related bonuses £'000	Pension £'000	Total £'000
Executive directors					
C Errington[1]	36	-	-	-	36
L O Murchu[2]	57	3	-	4	64
Non-Executive directors					
D Morrison[3]	-	-	-	-	-
S East	21	-	-	-	21
H Scrimgeour	21	-	-	-	21
R Davies[3]	4	-	-	-	4
Total	**139**	**3**	**-**	**4**	**146**

[1] appointed 8 January 2016 and includes fees of £15,000 concerning preparation of the interim and annual financial statements, [2] to date of resignation as a director on 25 April 2016 after which time an additional aggregate charge of £74,000 was recorded concerning a notice period, including; basic salary, benefits in kind and pension, [3] resigned 26 February 2016

Year ended 31 December 2015	Basic salary and fees £'000	Benefits in kind £'000	Performance related bonuses £'000	Pension £'000	Total £'000
Executive directors					
L O Murchu[1]	170	8	-	12	190
K Ferguson[2]	120	-	-	8	128
Non-Executive directors					
D Morrison[3]	94	-	-	-	94
S East	30	-	-	-	30
H Scrimgeour	30	-	-	-	30
R Davies[3]	30	-	-	-	30
Total	**474**	**8**	**-**	**20**	**502**

[1] resigned 25 April 2016, [2] resigned 31 December 2015, [3] resigned 26 February 2016

The Executive Chairman and the Non-Executive directors are appointed under letters of appointment which require a notice period of three months given at any time by the Company or the individual. No compensation for loss of office is payable to the Executive Chairman or Non-Executive directors.

Directors' indemnity

The Group has agreed to indemnify its directors against third party claims which may be brought against them and has in place an officers' insurance policy.

Major interests in shares

The Company is aware of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 15 June 2017:

	Number of shares held	Percentage held
Kestrel Opportunities	77,961,819	26.4%
Hargreave Hale	46,690,581	15.8%
UBS	28,087,751	9.5%
Anthony John Horton	9,000,000	3.0%

Research and development activities

Where a firm commercial rationale exists, the Group designs, develops and builds innovative accommodation solutions, making use of third party contractors where appropriate.

Corporate Governance

The Board has established an Audit and Remuneration Committee composed solely of non-executive directors, as follows:

Audit Committee

The Board of Directors has established an Audit Committee with formally delegated duties and responsibilities. The Audit Committee is chaired by Stephen East and its other members during the year under review were Richard Davies (resigned 26 February 2016) and Hugh Scrimgeour. The Audit Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Company and Group is properly reported and monitored, including reviews of the annual and interim accounts, result announcements, internal control systems and procedures and accounting policies.

Remuneration Committee

The Remuneration Committee was chaired by Richard Davies during the year under review and its other members were Stephen East and Hugh Scrimgeour. Richard Davies resigned from the Remuneration Committee on 26 February 2016 and was replaced as Chairman of the Committee by Hugh Scrimgeour. The Remuneration Committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors, including pension rights and any compensation payments. It is also responsible for making recommendations to the Board concerning grants of options to management and employees. The remuneration of Non-Executive Directors is a matter for the Board as a whole.

Directors

At the date of this report, the Directors of the Company are:

Chris Errington - Executive Chairman (51)

Chris was appointed a Non-Executive Director of the Company on 8 January 2016, became Non-Executive Chairman on 26 February 2016 and was appointed Executive Chairman on 25 April 2016.

Chris is currently Head of Research at Kestrel Partners LLP. Chris was previously Non-Executive Director of Gresham Technologies plc from 2015 to 2017; CEO of Gresham from 2010 to 2015, where he led the successful turnaround of this London Premium Listed technology company, before which he was CFO from 2004 to 2010. Chris qualified as a Chartered Accountant with Ernst & Young and spent twelve years working in the audit and assurance business, followed by a year with BDO in a similar capacity, before joining Gresham as CFO. Chris holds a first-class honours degree in Biochemistry from the University of Southampton.

Stephen East - Non-Executive (59)

Stephen was appointed a Non-Executive Director of the Company on 14 January 2013. He has previously served as Finance Director of MEPC plc and Woolworth Group plc. He currently holds non-executive directorships at Local Shopping REIT plc and serves on the board of Genesis Housing Association. He previously held non-executive appointments with Regus Group plc, Star Energy Group plc, CQS Diversified Fund Limited and Marwyn Management Partners plc. He is a Chartered Accountant and a Fellow of the Association of Corporate Treasurers. He is chairman of the Audit Committee and a member of the Remuneration Committee.

Hugh Scrimgeour - Non-Executive (62)

Hugh was appointed a Non-Executive Director of the Company on 14 January 2013. He is also Non-Executive Chairman of Tarsus China. Tarsus is an international exhibition organiser, one of whose flagship events is the Dubai Air Show. Hugh has a wealth of international events industry experience. He has previously been Chief Financial Officer of Princess Cruises and Chairman and Managing Director of Earls Court and Olympia. Hugh is Chairman of the Remuneration Committee and a member of the Audit Committee.

Political donations

No donations were made in 2016 or 2015.

Consideration of section 656 of the Companies Act 2006

The Directors have considered section 656 of the Companies Act 2006 during the completion phase of preparing the financial statements and associated audit for the year ended 31 December 2016. Section 656 states that where the net assets of a public company are half or less of its called-up share capital the directors must call a general meeting of the company to consider whether any, and if so what, steps should be taken to deal with the situation.

At 31 December 2016, the net assets of the Company had fallen below half of the nominal value of its called-up share capital. The main reason for this fall in the Company’s net assets was the creation of an accounting impairment provision against the carrying value of the Company’s investment in the Group’s main trading subsidiary, Snoozebox Limited.

Accordingly, while the matter will be considered at the forthcoming Annual General Meeting of the Company as is legally required, no formal resolution as such is being put to the shareholders in connection with section 656. It is the Directors’ view that the most appropriate course of action to remedy the situation is to continue with the execution of the strategy set out in this report whilst continuing with the constructive discussions being held with the Group’s lender.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report were C Errington, S East and H Scrimgeour and having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board

Chris Errington
Director
29 June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 the company will continue in business.

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

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT

To the members of Snoozebox Holdings plc

We have audited the financial statements of Snoozebox Holdings plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the group and company statements of financial position, the consolidated statement of cash flows, the group and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion:

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the group and company's ability to continue as a going concern. The Directors have prepared forecasts of the group's cash flows which indicate that the group will be able to operate within the facilities expected to be available to it. The forecasts assume that the directors will reach formal agreement with the finance company which owns the major fixed assets of the group to defer certain cash flows due under the existing arrangement between the parties. In addition the forecasts include assumptions on turnover and costs which may not be achieved, in which case further funding would be required. The Directors are confident of being able to achieve the forecasts and reach formal agreement with the finance company, however there can be no guarantee that these will be met. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company was unable to continue as a going concern.

Opinion 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 Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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.

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

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

David Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom

29 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000
REVENUE	4	**2,416**	5,821
Cost of sales		**(401)**	(2,517)
GROSS PROFIT		**2,015**	3,304
Logistics, deployment and equipment hire		**(1,295)**	(3,557)
CONTRIBUTION TO CENTRAL OVERHEADS	4	**720**	(253)
Administrative expenses		**(8,064)**	(17,647)
ADJUSTED EBITDA		**(2,024)**	(5,960)
Exceptional items – impairment and restructuring costs	7	**(4,400)**	(9,910)
Depreciation	11	**(1,004)**	(1,962)
Equity-settled share-based payment credit / (charge)		**84**	(68)
LOSS FROM OPERATING ACTIVITIES	5	**(7,344)**	(17,900)
Finance income	8	**10**	25
Finance expenses	8	**(1,581)**	(1,009)
LOSS BEFORE TAXATION		**(8,915)**	(18,884)
Taxation	9	**-**	-
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(8,915)**	(18,884)
Loss per share – basic and diluted (pence)	10	**(3.03)p**	(8.91)p

Gross profit	Profit after hotel operation costs have been deducted from revenue
Contribution to central overheads	Profit / (loss) after logistics, deployment and equipment hire have been deducted from gross profit
Adjusted EBITDA	Earnings before interest, tax, depreciation and amortisation and before exceptional costs and equity-settled share-based payment charges

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

Consolidated Statement of Financial Position

As at 31 December 2016	Note	GROUP		COMPANY	
		2016	2015	**2016**	2015
		£'000	£'000	**£'000**	£'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11	**3,477**	8,537	**-**	-
Investments	12	**-**	-	**-**	1,666
TOTAL NON-CURRENT ASSETS		**3,477**	8,537	**-**	1,666
CURRENT ASSETS					
Trade and other receivables	14	**326**	1,527	**-**	-
Restricted cash and cash equivalents	22	**-**	1,281	**-**	-
Cash and cash equivalents	22	**2,360**	2,345	**-**	-
TOTAL CURRENT ASSETS		**2,686**	5,153	**-**	-
TOTAL ASSETS		**6,163**	13,690	**-**	1,666
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	15	**787**	2,805	**16**	16
Loans and borrowings	16	**368**	1,097	**-**	-
TOTAL CURRENT LIABILITIES		**1,155**	3,902	**16**	16
NON-CURRENT LIABILITIES					
Provisions	15	**80**	-	**-**	-
Loans and borrowings	16	**7,526**	7,911	**-**	-
TOTAL NON-CURRENT LIABILITIES		**7,606**	7,911	**-**	-
TOTAL LIABILITIES		**8,761**	11,813	**16**	16
TOTAL NET (LIABILITIES) / ASSETS		**(2,598)**	1,877	**(16)**	1,650
EQUITY					
Share capital	17	**2,952**	2,119	**2,952**	2,119
Share premium		**40,700**	37,009	**40,700**	37,009
Other reserve		**718**	718	**-**	-
Merger reserve		**-**	-	**(100)**	(100)
Retained earnings		**(46,968)**	(37,969)	**(43,568)**	(37,378)
TOTAL (DEFICIT) / EQUITY		**(2,598)**	1,877	**(16)**	1,650

As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement and related notes have not been presented. The Company made a loss after tax for the year of £6,106,000 (2015: £19,111,000 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2017. On behalf of the Board: C Errington, Director

The accompanying accounting policies and notes form an integral part of these financial statements. The Company's Registered Number is 8013887.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	GROUP **2016** **£'000**	2015 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation for the year		**(8,915)**	(18,884)
Depreciation		**1,004**	1,962
Fixed asset impairment charge	7	**4,085**	9,560
Equity-settled share-based payment adjustment		**(84)**	68
Net finance expenses		**1,570**	984
Decrease / (increase) in inventories		**-**	26
(Increase) in trade and other receivables		**1,210**	(151)
(Decrease) / increase in trade and other payables		**(2,032)**	(725)
Increase in provisions		**80**	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(3,082)**	(7,160)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10**	25
Payments to acquire property, plant and equipment		**(29)**	(4,387)
Receipts from disposal of property, plant and equipment		**31**	-
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		**12**	(4,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity shares net of issue costs net of issue costs		**4,524**	-
Interest paid		**(866)**	(961)
Repayment of finance lease creditors		**(1,854)**	(804)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		**1,804**	(1,765)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,266)**	(13,287)
Cash and cash equivalents at beginning of year		**3,626**	16,913
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**2,360**	3,626

A cash flow statement has not been prepared for the Company as the Company does not have a bank account; all cash amounts in respect of the Company are received or paid by its subsidiary and recharged via the inter-company account.

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

Statement of Changes in Equity

For the year ended 31 December 2016

GROUP	Called up share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
AT 31 DECEMBER 2014	2,119	37,009	718	(19,153)	20,693
Loss and total comprehensive income for the year	-	-	-	(18,884)	(18,884)
Equity-settled share-based payment credit	-	-	-	68	68
AT 31 DECEMBER 2015	2,119	37,009	718	(37,969)	1,877
Loss and total comprehensive income for the year	-	-	-	(8,915)	(8,915)
Equity-settled share-based payment debit	-	-	-	(84)	(84)
Issue of new equity shares	833	4,167	-	-	5,000
Share issue costs	-	(476)	-	-	(476)
AT 31 DECEMBER 2016	**2,952**	**40,700**	**718**	**(46,968)**	**(2,598)**

COMPANY	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
AT 31 DECEMBER 2014	2,119	37,009	(100)	(18,335)	20,693
Loss and total comprehensive income for the year	-	-	-	(19,111)	(19,111)
Equity-settled share-based payment credit	-	-	-	68	68
AT 31 DECEMBER 2015	2,119	37,009	(100)	(37,378)	1,650
Loss and total comprehensive income for the year	-	-	-	(6,106)	(6,106)
Equity-settled share-based payment credit	-	-	-	(84)	(84)
Issue of new equity shares	833	4,167	-	-	5,000
Share issue costs	-	(476)	-	-	(476)
AT 31 DECEMBER 2016	**2,952**	**40,700**	**(100)**	**(43,568)**	**(16)**

Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value less any direct costs of issue
Other reserve	Amount arising in respect of capital contribution to subsidiary company prior to acquisition
Merger reserve	Amount arising on difference between nominal value of the shares issued on the acquisition of the subsidiary company and the net asset value of the subsidiary at the date of its acquisition
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

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

Notes to the Financial Statements

1. AUTHORISATION OF FINANCIAL STATEMENTS

Snoozebox Holdings plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange. The financial statements of Snoozebox Holdings plc and its subsidiaries (the "Group") for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 29 June 2017 and the Statement of Financial Position was signed on the Board's behalf by C Errington. The Company's registered office is: 60 Trafalgar Square, London, WC2N 5DS.

2. ACCOUNTING POLICIES AND STATEMENT OF COMPLIANCE WITH IFRS

Basis of preparation

The Group and Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applied in accordance with the Companies Act 2006. The accounting policies that follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds ("£'000") except when otherwise indicated.

Going concern basis

The Directors are required to report whether the business is a going concern, with supporting assumptions and qualifications as necessary.

The Group's business activities, recent trading performance, net debt position, cash flows and principal risks and uncertainties are described in the Operating and Financial Review section of the Strategic Report. In light of these factors the Directors have performed a detailed review of the Group's ability to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report, to determine whether it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Forecasts, assumptions and sensitivities

The Directors have prepared detailed cash flow forecasts for the five years to 31 December 2021 based on their current expectations of trading prospects, likely contract wins and cost efficiencies arising from the new strategic focus described in the Chairman's Statement section of the Strategic Report. These forecasts take account of reasonably possible changes in trading performance and cash flows.

The Directors believe that the critical assumptions inherent in these cash flow forecasts are:

- New customers. The primary source of new sales is forecast to be the Semi-Permanent division and the Directors anticipate deploying the majority of existing V1 room assets on a Semi-Permanent basis in a gradual and phased manner commencing in the second half of 2017 and continuing through to 31 December 2021, earning revenues and margins sufficient to cover the cash outflows associated with central overheads and lower levels of capital expenditure;
- Debt servicing and levels. The Directors continue to have constructive discussions with the primary lender concerning the level of debt and the repayment profile. In the short term and by concession with rights reserved, the primary lender has (immediately prior to the date of this report) agreed not to enforce the quarterly capital and interest payment obligations for July 2017 through to and including April 2018 (totalling £1.7m). This recent concessionary change is in

addition to, and modifies, the debt amendment of November 2016. In addition, both parties have commenced discussions concerning the longer-term capital structure of the Group, which if successfully concluded would result in a more sustainable long-term capital structure for the Group in its restructured form; and

- Central overheads. The Directors have assumed that central overheads will be contained to approximately £0.1m per month, reducing slightly as existing and committed property operating leases expire.

The Directors have performed a sensitivity analysis on the forecast assumptions and determined the forecast is most sensitive to the assumptions concerning new customers and debt servicing / level, as follows:

- Deployment of the existing V1 room assets is planned to commence in the 4th quarter of 2017, initially with 80 rooms deployed earning revenues from that point with rooms deployed increasing in a phased manner moving into 2021. The Directors estimate that, in the absence of other corrective action, the effect of a delay in the deployment dates, and resulting revenue flows, for V1 accommodation deployment in the forecast by 3 months would necessitate access to new funding in early 2018; and
- The forecasts are fundamentally sensitive to: (1) the quarterly capital and interest payment holiday impacting July 2017 through to and including April 2018 remaining in place and not being withdrawn and (2) a successful conclusion of discussions with the primary lender concerning a suitable longer-term capital structure. A change to the existing capital structure and debt servicing obligations, once the four quarter repayment holiday ends, is required for the Group to continue as a going concern. In forming their overall going concern conclusion, the Directors have assumed that the quarterly payment holiday will apply for the stated four quarters as agreed and that in the longer-term the parties will agree an appropriate capital structure for the Group to resolve the existing and significant level of debt and reduce future obligations to a sustainable level. If the agreement for a full four quarter payment holiday is reversed at any point (other than against increased revenue from Semi-Permanent deployment of V1 rooms) then this event would cast significant doubt on the Group's ability to continue as a going concern.

Other matters considered

The Directors have, amongst other matters, also taken into account the following in forming their conclusions on the going concern assumption:

- Execution of new sales will be the key factor in the achievement of objectives. The current level of qualified Semi-Permanent sales opportunities is good;
- The Group is in constructive discussions with its primary lender, who remains supportive of the Directors' strategy and plans. Throughout 2016 the Group paid all of its debt capital and interest payment obligations (as amended by the November 16 debt amendment) as they fell due and has continued to do so to the date of this report;
- Trading in the new financial year to 30 April 2017 has been in line with the Board's expectations with overheads reduced to the £0.1m per month target and operations stabilised;

Conclusion

Whilst there is a material uncertainty which may cast significant doubt about the ability of the Group and Company to continue as a going concern, the Directors have concluded that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report, and that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation and business combinations

The Group financial statements consolidate the financial statements of Snoozebox Holdings plc and the entities it controls (its subsidiaries) drawn up to 31 December each year.

The merger method of accounting has been used to consolidate the results of Snoozebox Limited because the transaction under which Snoozebox Holdings plc became the parent company of Snoozebox Limited was a Group reconstruction with no changes in the ultimate ownership of the company and shareholdings were transferred via a share for share exchange. Snoozebox Holdings plc did not actively trade at the time prior to this and as a result the transaction was out of the scope of IFRS 3.

The merger of the two companies took place on 17 April 2012. Under merger accounting, the assets and liabilities of the parent and subsidiary companies are consolidated at book value, the accumulated deficit on retained earnings and other reserves of the subsidiary company and the accumulated deficit of the parent company are combined, and the cost of investment in the parent company and the share capital of the subsidiary company are eliminated with the difference in these two values eliminating the merger reserve in the Company balance sheet.

Other Group companies have been held since incorporation.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful economic life of tangible fixed assets

Given the unique nature of the Group's accommodation assets there is currently limited information on their likely lives. As a result, the assessment of the useful economic life of tangible fixed assets is estimated by management based on past experience and reviews of competitor assets and similar assets available in the market. Changes to these current estimates (the rates are set out under the Property, plant and equipment accounting policy below) could result in significant variations in the carrying value and amounts charged to the statement of comprehensive income as depreciation in a particular period. A reduction of one year in the expected life of the main Hotel Rooms would have increased the depreciation charge in the year by £0.1m, and would have increased the impairment charge by £0.3m.

Impairment reviews

The Group performs impairment reviews at the reporting period end to identify any fixed assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of a tangible asset requires judgement in both the methodology applied and the key variables within that methodology. Where it is determined that a tangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement. The tangible asset impairment reviews are disclosed in note 11, together with the sensitivities of the review to changes in the key assumptions.

Investments

The Company's investment in Snoozebox Limited is carried at the amount of the subsidiary's net assets at the time of acquisition less provision for impairment. The Company's investment in its other subsidiaries is carried at cost less any impairment provision required.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, costs include directly attributable costs of the construction of the assets and to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment on a straight-line basis to write off the carrying value over its expected useful economic life as follows:

• Hotel rooms	5 to 15 years
• Hotel furniture & equipment	over 5 years
• IT equipment	over 4 years
• Motor vehicles	over 4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists the Group makes an estimate of the asset's recoverable amount. An assets recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined individually for an asset unless it does not generate cash flows that are largely independent from those of other assets, in which case it is determined for the Cash Generating Unit ("CGU") in which it is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used, incorporating industry standard valuation multiples or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement.

Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

Inventories

Inventories comprise general hotel supplies including food, beverages, guest supplies, cleaning materials and fuel. These are valued at the lower of cost and net realisable value.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as; financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. Such assets are initially valued at fair value and carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale by the Directors, taking into account the stage of any marketing or sales activity to promote an end sale. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised within the Statement of Comprehensive Income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in administration costs. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss, or other financial liabilities.

- Financial liabilities are classified at fair value through profit and loss when the financial liability is: contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS3 applies; held for trading; or is designated at fair value through profit and loss.
- Other financial liabilities, including borrowings and trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Cash that has a restrictions over the Group's ability to access and to use the cash balance is classified as "Restricted cash and cash equivalents" in the Consolidated Statement of Financial Position.

In the case of the Group, these restrictions arise from cash balances placed into an escrow bank account held and operated by the Group with a charge and contractual commitment to maintain the balance granted in favour of the Lessor, as further described in note 22 to the financial statements.

Where the cash balance is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period the relevant amount is disclosed as 'Restricted cash and cash equivalents' in non-current assets.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income or directly to equity if it relates to items that are credited or charged to other comprehensive income or directly to equity. Otherwise, income tax is recognised in the income statement.

Share capital

Financial instruments issued are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Notes to the Financial Statements

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Revenue

Revenue is derived from the provision of portable hotel and accommodation services. The Group may also receive commission from other suppliers on their introduction to major contracts.

Revenue, comprising sales of products and services to third parties, is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Category of Revenue	Timing of Revenue Recognition
Amounts receivable from individual guests or businesses booking accommodation.	Upon occupation of the room.
Amounts receivable under contract from event producers or other parties.	On a straight line basis over the period that the accommodation is available as agreed with organisers of the event.
Amounts receivable to supply long term accommodation at a client location.	On a straight line basis over the period of the supply of the accommodation at the location.
Ancillary income from advertising, food and beverage and other management and housekeeping services.	Upon providing the service.
Commission receivable: • for introduction of suppliers at major events • for sale of hotel and accommodation assets or services derived from assets not directly owned by the Group • in other circumstances where specific milestones are required to be met in order for commission to be earned.	• when the event has commenced and commission is no longer refundable • when the assets or services are sold by that party and commission has been confirmed • when the specific milestones have been reached.

Where contracts extend over the end of a reporting period, revenues are recognised in accordance with the fair value of the services provided or work carried out in the period. The fair value of the services provided is dependent on the category of revenue and is calculated on the basis noted in the above table.

Most of the Group's revenue is generated by acting as principal for the supply of its own assets. In certain events or transactions, a third party may fulfil aspects of the Group's contract using its own assets or services.

The Group may earn a commission for introducing the third party and in these circumstances it needs to judge whether it acts as principal or agent by taking into account whether the Group has a direct contractual relationship with the client, whether the Group adds value to the product or service supplied to the client and whether the Group is exposed to the risks and rewards of a contract. Where the Group does act as agent the revenue recognised only reflects the commission or fees earned by the Group for the services provided to the principal supplier.

In connection with contracts to supply long term accommodation at a customer's location, the Group may receive lump sum fees for the mobilisation of equipment or for capital additions and upgrades prior to commencement of accommodation services. These up-front fees are deferred and recognised as revenue over the contract term, excluding any option periods not expected to be exercised by customers. In some cases, the Group may receive lump sum non-contingent fees for the removal of equipment and site restoration upon completion of an accommodation contract. These non-contingent demobilisation fees are recognised as revenue over the contract term, excluding option periods not exercised by our customers. The costs expected to be incurred in respect of non-contingent demobilisations are accrued and recognised over the same period as the associated revenues. Contingent demobilisation fees are recognised as revenue upon completion of the accommodation contract, once they have been earned.

Mobilisation costs and other costs associated with long term accommodation supply are typically recognised on a uniform basis over the contract term.

Pre-contract costs/bid costs

Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable and the outcome can be reliably measured and is expected to generate sufficient net cash inflows to enable recovery. Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income.

The prepayment is expensed to the income statement over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

No material costs have been capitalised in the current or previous year.

Share-based payments

The Group operates a number of equity-settled share-based payment schemes under which share options are granted to certain employees. Share warrants are also issued in exchange for services on occasions, or as part of fundraising. The costs of equity-settled transactions are measured at fair value at the date of grant. In determining fair value no account is taken of any vesting conditions other than market based conditions.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market consideration is satisfied, provided all other conditions are satisfied. The fair value determined at the grant date is expensed on a straight line over the vesting period, based on the Directors' best estimate of the number of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The movement in the cumulative expense since the previous balance sheet date is recognised in the Consolidated Statement of Comprehensive Income, with the corresponding movement taken to equity.

The grant by the Company of options over its equity instruments to the employees of its subsidiary in the Group is treated as a capital contribution in the accounts of the subsidiary, and as an increase in the investment in the subsidiary over the vesting period.

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

The adoption of new standards that have become effective in 2016 has not impacted the classification or measurement of the Group's assets and liabilities, nor has it resulted in any additional disclosures.

New standards and interpretations not applied

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these financial statements (Standard or interpretation, Title and Effective from) and which the Group has decided not to adopt early:

- IFRS 9 Financial instruments, which replaces IAS39 Financial Instruments: Recognition and measurement in its entirety, and is effective for periods beginning on or after 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers, which provides guidance on the recognition, timing and measurement of revenue, and is effective for periods beginning on or after 1 January 2018;
- Amendments to IAS12- recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS7- Disclosure Initiative;
- Amendments to IFRS2- Classification and Measurement of Share-based Payment Transactions;
- Annual improvements to IFRS (2014-2106 Cycle);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- IFRS 16 Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases, effective for periods beginning on or after 1 January 2019.

The impact of the above standards and interpretations on the Group is currently being assessed by the Directors. The directors consider that IFRS15 may have an effect on the future recognition of income for the Group but further work is required to determine the full impact on adoption. IFRS16 will require the Group to recognise a liability and use of asset for the leases it currently treats as operating leases. This will affect fixed assets, current and non-current liabilities, and the measurement and disclosure of expenses associated with the leases (depreciation and interest expense compared to operating lease rentals currently).

3. FINANCIAL INSTRUMENTS

Objectives, policies and strategies

The Group's objective is to finance the business through management of existing liquidity, focusing on working capital acceleration to cash and converting illiquid assets to liquid assets and, ultimately, cash. Investments in property, plant and equipment have been made with the benefit of funding provided by way of a sale and leaseback in 2014, as further explained in note 20.

The Group's policy towards using financial instruments is to manage credit, liquidity and any currency exposure risk arising from foreign purchases or operations without exposing the Group to undue risk or speculation. The policy is kept under review by the Directors according to the Group's foreign exchange and treasury policy.

Risk management

The risks arising from the Group's operations and financial instruments are explained below.

Capital management and credit risk

The Group monitors exposure to credit risk on an ongoing basis. The risk of financial loss due to a counterparty failing to honour its obligations arises principally in relation to transactions where the Group provides accommodation and associated services on deferred terms and where it invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Accommodation and associated services may be sold on a cash-with-order basis to mitigate credit risk. Bad debt insurance is not carried.

Performance of individual business segments is monitored at both operating unit and Group level allowing the early identification of major risks and reducing the likelihood of an unmanaged concentration of credit risk.

Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the statement of financial position date is represented by the carrying value of financial assets. There are no significant concentrations of credit risk.

Interest rate risk

The Group has limited exposure to interest rate risk since loans and borrowings and finance leases attract fixed payment profiles over the term of the related contracts and interest receivable on cash deposits does not form a material part of Group income.

Capital risk

The Group defines its capital as the Group's total equity and manages capital based on the levels of cash and debt held. Its objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to provide an adequate return to investors based upon the level of risk undertaken, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and to maintain sufficient financial resources to mitigate risks and unforeseen events.

In order to maintain or adjust the capital structure the Group may issue new shares, sell assets or take on further debt to provide additional capital.

Liquidity risk

The Group's liquidity risk falls within the following major categories:

Property, plant and equipment – a significant element of the Group's liquidity is tied up in tangible fixed assets. For those assets required in the business for day to day operations, the Group has used finance lease arrangements to reduce the amount of liquidity tied up in such assets. The Group keeps its investment in fixed assets under review and actively considers converting such assets to more liquid assets.

Trade receivables – a significant element of the Group's liquidity is tied up in working capital during the course of the financial year, which primarily comprises trade receivables. The settlement risk associated with these assets comprises both credit risk (the risk that the counterparty will not settle at all) and liquidity risk (the risk that the counterparty will not settle on time).

Loans and borrowings – further information in respect of the Group's indebtedness is disclosed in note 16.

A summary of the financial instruments held by category is shown below:

Financial assets	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade receivables	**86**	708	**-**	-
Restricted cash	**-**	1,281	**-**	-
Cash and cash equivalents	**2,360**	2,345	**-**	-
Amount due from subsidiary	**-**	-	**-**	-
Total financial assets	**2,446**	4,334	**-**	-

All non-impaired trade receivables are current.

The Directors have made a provision against overdue trade debtors in the Group totalling £3,000 at 31 December 2016 (2015: £45,000). The movement in Group provision relates to a utilisation of the provision in the year. In the Company, the Directors have fully provided against the amount due from its subsidiary, and therefore provided a further £4,524,000 (2015: £21,881,000) against the amount due from subsidiary in the year as a result of the losses made by the subsidiary. In the Directors' opinion, there is no material difference between the book and fair values of the financial assets.

Financial liabilities at amortised cost	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade and other payables	**770**	2,541	**-**	-
Finance lease liability	**7,894**	9,008	**-**	-
Amount due to subsidiary	**-**	-	**16**	16
Total financial liabilities	**8,664**	11,549	**16**	16

In the Directors' opinion, there is no material difference between the book and fair value of the financial liabilities.

The following table details the contractual maturity analysis of the Group and Company's financial liabilities:

	2016			
	Due within 3 months £'000	**Due within 3 to 12 months £'000**	**After 12 months £'000**	**Total £'000**
GROUP				
Trade and other payables	770	-		770
Finance lease liability	134	916	10,055	11,105
Total	**904**	**916**	**10,055**	**11,875**
COMPANY				
Amount due to subsidiary	16	-	-	16
Total	**16**	**-**	**-**	**16**

	2015			
	Due within 3 months £'000	Due within 3 to 12 months £'000	After 12 months £'000	Total £'000
GROUP				
Trade and other payables	2,541	-	-	2,541
Finance lease liability	416	1,613	10,726	12,755
Total	2,957	1,613	10,726	15,296
COMPANY				
Amount due to subsidiary	16	-	-	16
Total	16	-	-	16

The maturity analysis of financial liabilities excludes taxation and social security, and shows gross undiscounted cash flows.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable segments: Events and Semi-Permanent. The Events segment includes all activities providing short-term hotel accommodation at popular events and festivals. The Semi-Permanent segment includes all activities in relation to the provision of long-term managed hotel solutions.

	2016			2015		
	Events	**Semi-Permanent**	**Total**	Events	Semi-Permanent	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
REVENUE	**1,000**	**1,416**	**2,416**	1,783	4,038	5,821
Cost of sales	**(276)**	**(125)**	**(401)**	(1,182)	(1,335)	(2,517)
GROSS PROFIT	**724**	**1,291**	**2,015**	601	2,703	3,304
Logistics, deployment and equipment hire	**(838)**	**(457)**	**(1,295)**	(2,037)	(1,520)	(3,557)
CONTRIBUTION TO CENTRAL OVERHEADS	**(114)**	**834**	**720**	(1,436)	1,183	(253)

In 2016, revenues from a single customer totalled £1.2m which is reported in the Semi-Permanent segment (2015: £3.2m from a single customer reported in the Semi-Permanent segment).

No commission revenue was received in 2016 or 2015.

Geographical Segments

Revenue and non-current assets by geographical area are as follows:

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
United Kingdom	**1,201**	2,592	**3,477**	**7,403**
Rest of the World – South Atlantic	**1,215**	3,229	**-**	**1,134**
Total	**2,416**	5,821	**3,477**	**8,537**

For the purposes of the analysis of revenue, geographical markets are defined as the country or area in which the service is provided. Non-current assets are allocated based on their location as at the period end.

Notes to the Financial Statements

5. LOSS FROM OPERATING ACTIVITIES

This has been arrived at after charging:	GROUP 2016 £'000	GROUP 2015 £'000
Staff costs (note 6)	**1,253**	2,339
Equity-settled share-based payment (credit) / charges (note 18)	**(84)**	68
Operating lease rentals	**139**	102
Exceptional items (note 7)	**4,400**	9,910
Depreciation of property, plant and equipment	**1,004**	1,962
Auditors' remuneration:		
Audit services for the audit of the Group accounts	**15**	25
Audit of subsidiaries of the Company	**25**	35
Audit related services	**3**	3
Tax compliance services	**10**	11
Tax advisory services	**-**	1

In addition to the amounts shown above, in 2016 the Auditors' remuneration also included £35,000 in respect of corporate finance services which have been offset in the share premium account as a cost directly attributable to equity transactions (2015: £nil).

6. STAFF COSTS

	GROUP 2016 £'000	GROUP 2015 £'000
Staff costs including directors comprise:		
Wages and salaries	**1,109**	2,056
Employer's NI contributions and similar charges	**128**	230
Pension scheme contributions	**16**	53
Total staff costs	**1,253**	2,339
Average staff numbers during the year (including directors) – Group	**15**	42
Average staff numbers during the year (including directors) – Company	**3**	6

The number of Group employees as at 31 December 2016 was nine: three directors and six employees, of which the three directors are retained under letters of appointment with the Company.

Notes to the Financial Statements

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and comprise the Executive and Non-Executive Directors only.

	GROUP	
	2016	2015
	£'000	£'000
Salaries, fees and other short-term employee benefits	**142**	482
Pension scheme contributions	**4**	20
	146	502
Employer's NI contributions and similar charges	**20**	54
Equity-settled share-based payment charges	**(60)**	44
	106	600

An additional aggregate charge of £74,000 was recorded in respect of a director during 2016 concerning a notice period, including; basic salary, benefits in kind and pension. Further details of directors' remuneration are given in the Directors' Report.

7. EXCEPTIONAL ITEMS

	GROUP	
	2016	2015
	£'000	£'000
Reorganisation costs	**350**	350
Profit on disposal of tangible fixed assets	**(35)**	-
Tangible fixed asset impairment charge	**4,085**	9,560
Exceptional charge	**4,400**	9,910

Reorganisation costs

During 2016 and 2015, as part of a continued strategy to reduce fixed costs, the Group further reduced permanent head count and other operating costs.

Tangible fixed asset impairment charge

In 2016 and 2015, the Directors performed a detailed review of fixed assets. This review involved a detailed assessment by senior management of all the assets utilised in the business to determine whether they were still in use and were intended to be used in the future and their value in use to the business. As a result of this review, a non-cash impairment charge was made which is more fully explained in note 11.

Notes to the Financial Statements

8. FINANCE INCOME AND EXPENSES

	GROUP	
	2016	2015
	£'000	£'000
Finance income		
Bank interest receivable	**10**	25
Finance expenses		
Amortisation of loan arrangement costs	**70**	70
Finance lease interest expense	**984**	939
Increase in finance expense arising from re-measurement of finance lease liability (note 16)	**527**	-
Total finance expenses	**1,581**	1,009

9. TAXATION

	GROUP	
	2016	2015
	£'000	£'000
CURRENT TAX		
UK corporation tax on losses for the year	**-**	-
DEFERRED TAX		
Origination and reversal of temporary differences	**-**	-
Total tax expense	**-**	-

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	GROUP	
	2016	2015
	£'000	£'000
Loss for the year	**(8,915)**	(18,884)
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**(1,783)**	(3,824)
Expenses not deductible for tax purposes	**1,122**	2,353
Current year losses not recognised	**661**	1,471
Total tax expense	**-**	-

Notes to the Financial Statements

DEFERRED TAX	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Tax losses Unprovided tax losses to carry forward against future taxable profits, subject to agreement with HMRC of approximately	**23,657**	20,369	**-**	-
Accelerated capital allowances A deferred tax asset has not been recognised in respect of depreciation in excess of capital allowances, due to uncertainty of the timing of recovery. The unprovided deferred tax asset amounts to approximately	**6,467**	6,132	**-**	-

10. LOSS PER SHARE

	GROUP	
	2016	2015
Loss per share (basic and diluted) – pence	**3.03p**	8.91p

Loss per share	**2016**			2015		
	Loss £'000	**Weighted average number of shares**	**Loss per share**	Loss £'000	Weighted average number of shares	Loss per share
Loss per share (basic and diluted)	**(8,915)**	**294,032,574**	**(3.03)p**	(18,884)	211,840,727	(8.91)p

All share options have been excluded when calculating the diluted EPS in both 2016 and 2015 as they were anti-dilutive.

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Hotel Rooms £'000	Hotel Furniture & Equipment £'000	IT Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
AT 31 DECEMBER 2014	20,312	1,586	203	245	22,346
Additions	4,156	194	30	8	4,388
AT 31 DECEMBER 2015	24,468	1,780	233	253	26,734
Additions	16	13	-	-	29
Disposals	-	-	-	(92)	(92)
AT 31 DECEMBER 2016	**24,484**	**1,793**	**233**	**161**	**26,671**
Accumulated depreciation					
AT 31 DECEMBER 2014	5,698	781	90	106	6,675
Charge for the year	1,606	242	52	62	1,962
Impairment charge (note 7)	9,068	400	48	44	9,560
AT 31 DECEMBER 2015	16,372	1,423	190	212	18,197
Charge for the year	843	104	17	40	1,004
Impairment charge (note 7)	3,969	103	13	-	4,085
Disposals	-	-	-	(92)	(92)
AT 31 DECEMBER 2016	**21,184**	**1,630**	**220**	**160**	**23,194**
Net book value					
AT 31 DECEMBER 2016	**3,300**	**163**	**13**	**1**	**3,477**
AT 31 DECEMBER 2015	8,096	357	43	41	8,537

The net book value of assets held under finance leases included in the table above is as follows:

GROUP	Hotel Rooms £'000	Hotel Furniture & Equipment £'000	IT Equipment £'000	Motor Vehicles £'000	Total £'000
Net book value					
AT 31 DECEMBER 2016	**2,150**	**2**	**-**	**-**	**2,152**
AT 31 DECEMBER 2015	5,274	7	-	37	5,318

Impairment of property, plant and equipment

The Directors have carried out impairment testing of the recoverable amount of property, plant and equipment following indicators of impairment arising from the Group's trading performance and financial position in 2016. As a result of this review, an impairment loss of £4.09m has been recognised in the financial statements for 2016 (2015: £9.56m).

Notes to the Financial Statements

Carrying value

For the purposes of this impairment testing, the Directors have identified the property, plant and equipment directly attributable to each CGU and that generate cash flows for that CGU largely independent of other assets. These assets primarily comprise the Hotel class of assets within property, plant and equipment.

Corporate assets are those property, plant and equipment assets that do not themselves generate independent cash inflows, but instead act to support the Group's CGUs in general. These corporate assets comprise the classes of fittings and equipment, IT equipment and motor vehicles and have been allocated to each CGU weighted by the relative number of rooms. The allocation of these corporate assets to CGUs has been performed based on the weighting of room numbers available within each CGU, which the Directors believe is a reasonable basis for the purpose of impairment testing.

The following table summarises the carrying amount of the Group's property, plant and equipment within each CGU, the allocation of corporate assets, recoverable amount and resulting impairment charge:

Year ended 31 December 2016	Semi-Permanent CGU £'000	Events CGU £'000	Corporate assets £'000	Total NBV £'000
Carrying value	7,200	70	213	7,483
Allocation of corporate assets to CGUs	213	-	(213)	-
Carrying value	**7,413**	**70**	**-**	**7,483**
Recoverable amount	**3,398**	**-**	**-**	**3,398**
Impairment charge	**(4,015)**	**(70)**	**-**	**(4,085)**

Year ended 31 December 2015	Semi-Permanent CGU £'000	Events CGU £'000	Corporate assets £'000	Total NBV £'000
Carrying value	15,967	1,197	932	18,096
Allocation of corporate assets to CGUs	695	237	(932)	-
Carrying value	**16,662**	**1,434**	**-**	**18,096**
Recoverable amount	**8,337**	**199**	**-**	**8,536**
Impairment charge	**(8,325)**	**(1,235)**	**-**	**(9,560)**

Working capital balances are excluded from the carrying amounts of each CGU. Where assets are held under finance leases, the finance lease liability has been excluded from the carrying amount and the lease payments excluded from the value in use calculation used to determine the recoverable amount.

Recoverable amount

The CGU recoverable amount has been established by calculating its value in use, which is the present value of the future cash flows expected to be derived from the CGU over future periods. The period in the case of the Events CGU is 5 years whilst that of the Semi-Permanent CGU is 10 years. The 10 year life for the Semi-Permanent CGU has been selected based on the Directors estimate of the economic life of these particular assets, when compared to the assets in the Events CGU, arising from their robust construction. Each future period is discounted back at a discount rate to take account of the time value of money.

The cash flows used in the value in use calculation are based on budgets formally approved by the Board for 2017 to 2019 (2015: 2016 – 2018). Future periods after 2019 are expected to largely repeat 2019 performance. The key assumptions relevant to the Group in establishing the value in use are:

- Estimated future cash flows. An estimation of the expected future cash flows and, in particular, the timing and quantum of cash inflows from customers, deployment cash outflows and capital expenditure cash outflows, including:
  - Only cash inflows from room use (i.e. assuming no additional income from other sources) and cash outflows necessary to generate those future cash inflows and can be directly attributed, or allocated, on a reasonable basis use are considered, including cash outflows to prepare the asset for use (deployment cash outflows), to maintain their current condition and to extract assets from use; and
  - Overhead costs relating to the day-to-day servicing of the assets, as well as future overheads costs, are only included to the extent they can be attributed directly, or allocated on a reasonable basis;
- Discount rate. The discount factor used to establish the value of future cash flows in the forecast period and the terminal period. The Group has applied the Weighted Average Cost of Capital (“WACC”) model in establishing a suitable discount rate and risk adjusted the component parts of the WACC to take account of the Group’s specific circumstances, including a normalisation of the debt to equity ratio, adding a risk premium to the cost of equity and adjusting to a pre-tax basis; and
- Growth rates. No growth rates have been applied to the forecast revenues.

A pre-tax discount rate of 19.5% (2015: 19.5%) has been applied to the Semi-Permanent CGU and 20.3% (2015: 20.3%) to the Events CGU cash flows.

Sensitivity analysis

The calculation of recoverable amount is most sensitive to the amount and timing of revenue and discount rate being applied.

The effect of a delay in the deployment dates, and resulting revenue, for V1 accommodation deployment in the forecast by 3 months is to increase the overall impairment by £0.7m. The effect of a 1% increase in the discount rate applied is to increase the overall impairment by £0.1m.

Notes to the Financial Statements

12. INVESTMENTS: SHARES IN GROUP UNDERTAKINGS

COMPANY	£'000
Cost at 31 December 2014	1,598
Equity-settled share-based payments	68
Cost at 31 December 2015	1,666
Equity-settled share-based payments	(84)
Cost at 31 December 2016	**1,582**
Provision for impairment at 31 December 2014 and 2015	-
Impairment charge	1,582
Provision for impairment at 31 December 2016	**1,582**
Net book value at 31 December 2016	**-**
Net book value at 31 December 2015	1,666

Listed below are the subsidiaries, their country of incorporation and the ownership of their ordinary share capital by the Group:

Snoozebox Limited[1]	England	100%
Snoozebox International LLP[2]	England	100%
Snoozebox Do Brasil Empreendimentos Ltda[3]	Brazil	99.999%

[1] The only subsidiary that has traded during the year is Snoozebox Limited. Registered office is the same as that of the Company.

[2] Snoozebox International LLP was wound up by the directors in 2017 and this subsidiary has subsequently been struck off by Companies House. Registered office was the same as that of the Company.

[3] 0.001% is owned by a Brazilian citizen, as required by local law. Registered office: Rua Funchal, 573, suite 93, room 3, 04551-060, Brazil.

The Directors have reviewed the carrying value of the Company's investment in subsidiaries in light of future plans, current trading and the financial position of those subsidiaries.

In respect of Snoozebox Limited, this review included a consideration of forecast net cash flows as detailed more fully in note 2 (Going concern basis) all of which arise from this subsidiary. The Directors have concluded that whilst Snoozebox Limited is expected to generate positive cash flows as the restructuring strategy set out in this report takes effect, these cash inflows are outweighed by cash outflows to service the current level of debt. As a result, the Directors consider its carrying value should be fully impaired.

In respect of Snoozebox Do Brasil Empreendimentos Ltda, the subsidiary is in the process of being closed and as a result with no return to the Company. As a result, the Directors consider its carrying value should be fully impaired.

Accordingly, an impairment charge of £1,582,000 has been recorded in the Company's income statement for the year ended 31 December 2016 (2015: £nil). £1,554,000 of this impairment charge relates to Snoozebox Limited and the balance of £28,000 relates to Snoozebox Do Brasil Empreendimentos Ltda.

13. INVENTORIES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Hotel supplies	**-**	-	**-**	-

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade receivables	**86**	708	**-**	-
Amounts owed by group undertakings	**-**	-	**-**	**-**
Other receivables	**-**	-	**-**	**-**
VAT recoverable	**107**	467	**-**	**-**
Prepayment and accrued income	**133**	352	**-**	**-**
Total trade and other receivables	**326**	1,527	**-**	**-**

Amounts owed by group undertakings have no set repayment date, and interest is chargeable at 6% per annum.

During the year, an impairment charge of £4,524,000 was recognised in the Company Income Statement (2015: £21,881,000) increasing the provision carried against amounts owed by group undertakings to £50,317,000 (2015: £45,793,000), reflecting a full provision against the amounts due.

15. TRADE AND OTHER PAYABLES AND PROVISIONS

Trade and other payables	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade payables	**212**	848	**-**	-
Amounts owed to group undertakings	**-**	-	**16**	16
Other payables	**265**	227	**-**	-
Other tax and social security	**8**	52	**-**	-
Accruals	**293**	844	**-**	-
	778	1,971	**16**	16
Customer deposits	**-**	622	**-**	-
Deferred income	**9**	212	**-**	-
Total trade and other payables	**787**	2,805	**16**	16

All amounts shown above are short term. The carrying values are considered by the Directors to be a reasonable approximation of their fair value.

Provisions	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Provisions – current	**-**	-	**-**	-
	-	-	**-**	-
Provisions – non-current	**80**	-	**-**	-
Provisions – total	**80**	-	**-**	-

The provisions relate to the expected future costs under the contracts entered into of removing deployments of accommodation that are in place at the year end, at the end of the hire period.

16. LOANS AND BORROWINGS

The book value and fair value of loans and borrowings are as follows:

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
NON-CURRENT				
Finance lease liabilities	**7,526**	7,911	**-**	-
	7,526	7,911	**-**	-
CURRENT				
Finance lease liabilities	**368**	1,097	**-**	-
	368	1,097	**-**	-
Total loans and borrowings	**7,894**	9,008	**-**	-

The finance lease liabilities are disclosed as current and non-current liabilities based on the finance lease agreements in place at 31 December 2016. No amendments have been made to these disclosures following the concessions made by the primary lender as disclosed in note 2 which had the effect of removing all the obligations falling due within 12 months of the balance sheet date.

Borrowings are shown net of unamortised issue costs of £373,000 (2015: £443,000) which have been recorded as a reduction in the proceeds of the loan and are being amortised over the term of the facility. The amortisation charged to the Income Statement during the year was £70,000 (2015: £70,000).

The Group has amended its plans and now anticipates taking up the lease extension option available in the lease. Accordingly, the revised cash flows have been remeasured using the original effective interest rate, leading to an increase in the lease liability and a corresponding finance expense of £527,000.

Finance leases are detailed in Note 20.

Notes to the Financial Statements

17. SHARE CAPITAL

Issued and fully paid	Number	£'000
AT 31 DECEMBER 2014 and 31 DECEMBER 2015	211,840,727	2,119
Issue of shares at 6.0 pence on 4 January 2016	83,333,400	833
AT 31 DECEMBER 2016	**295,174,127**	**2,952**

No dividends were declared or paid during the year and no dividends will be proposed for approval at the AGM (2015: none).

18. SHARE-BASED PAYMENTS

The charge / (credit) for share-based remuneration in the financial statements comprises:

	2016 **£'000**	2015 £'000
Equity-settled schemes – share options	**(83)**	68
	(83)	68

Share Options

Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

AT GRANT DATE	29 June 2016	15 Dec 2016
Share price at grant date (pence)	0.4p	0.4p
Exercise price (pence)	1.0p	1.0p
Number of employees subject to grant	3	6
Shares under option at grant	11,000,000	7,500,000
Exercisable between	Jun-18 – Jun-26	Dec-18 – Jun-28
Expected volatility	50%	50%
Option life	10 years	10 years
Expected life	2 years	3 years
Risk free interest rate	1.0%	1.0%
Fair value per option at grant (pence)	0.02p	0.04p

The 30 June 2014 and 29 July 2014 options had all lapsed by 31 December 2016. The expected volatility is based on comparative volatility for similar companies. The expected life is the average period to exercise. The risk-free rate of return is the yield on zero-coupon US government bonds of a term consistent with the assumed option life.

Notes to the Financial Statements

A reconciliation of option movements for the year to 31 December 2016 is set out below:

	2016		2015	
	Number of options '000	**Weighted average exercise price (pence)**	Number of options '000	Weighted average exercise price (pence)
Outstanding at start of year	**9,550**	**10.0**	11,457	9.9
Granted	**18,500**	**1.0**	-	-
Exercised	**-**	**-**	-	-
Lapsed	**(9,550)**	**(9.9)**	(1,907)	(9.8)
Outstanding at end of year	**18,500**	**1.0**	9,550	10.0

No options were exercisable at year end (2015: 17,200 options at an exercise price of 42.5p).

19. RELATED PARTY TRANSACTIONS

Group undertakings

Snoozebox Limited settles administrative costs incurred by the Company. Proceeds from the share issue during the previous year were passed to Snoozebox Limited.

		GROUP		COMPANY	
Relationship	**Type of transaction**	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Key management personnel and related companies	Cost for provision of services		6	**-**	-
	Income for provision of services		(4)	**-**	-
	Amounts receivable at 31 December	**-**	-	**-**	-
	Amounts payable at 31 December	**-**	-	**-**	-
Group undertakings	Cost for provision of services	**-**	-	**-**	1,859
	Charge for management services	**-**	-	**-**	(2,045)
	Interest on amount receivable	**-**	-	**-**	(2,577)
	Amounts receivable at 31 December before provision	**-**	-	**50,317**	45,793
	Amounts receivable at 31 December after provision for impairment	**-**	-	**-**	-

The Company amounts receivable from Group undertakings increased during the year as a result of the Company's issue of new shares in January 2016 and subsequent transfer of the net cash inflow to a Group undertaking.

Notes to the Financial Statements

20. LEASE COMMITMENTS

Obligations under finance leases

Future minimum lease payments and their present value under finance lease agreements were as follows:

	GROUP 2016			GROUP 2015		
	Total finance lease £'000	**Future interest charges £'000**	**Capital element of finance lease £'000**	Total finance lease £'000	Future interest charges £'000	Capital element of finance lease £'000
Within 1 year	**980**	**612**	**368**	1,959	863	1,096
Between 1 and 5 years	**7,710**	**1,975**	**5,735**	7,676	2,225	5,451
After 5 years	**2,042**	**251**	**1,791**	2,678	217	2,461
	10,732	**2,838**	**7,894**	12,313	3,305	9,008

The finance lease liabilities are disclosed as current and non-current liabilities based on the finance lease agreements in place at 31 December 2016. No amendments have been made to these disclosures following the concessions made by the primary lender as disclosed in note 2 which had the effect of removing all the obligations falling due within 12 months of the balance sheet date.

Obligations under finance leases are stated net of unamortised arrangement costs of £373,000 (2015: £443,000).

On 2 September 2014, the Group entered into a sale and leaseback arrangement whereby it sold its first-generation portable hotel rooms to a provider of asset finance (the primary lender) and leased them back for a primary term of 7.5 years with secondary periods available. The assets under lease include 578 rooms in the amount of £10,000,000, which was drawn down on 24 October 2014. Snoozebox Limited is the Group's borrowing party.

At initiation, the leaseback arrangement contained the following key terms:

- a fixed schedule of cash repayments for the term of the agreement;
- an embedded finance rate of 9.5% per annum; and
- an obligation to maintain a cash balance (an escrow balance) in a bank account managed by the Group charged in favour of the lender for the term of the lease, with £1.3m placed into this escrow account attracting a nominal credit interest rate at initiation. This escrow balance has been reported as 'Restricted cash and cash equivalents'. The balance to be retained in escrow was to be calculated following the end of a financial year based on EBITDA performance for that prior year and the prospective EBITDA performance for the next year. Where EBITDA performance fell below a minimum multiple of annual rent payments, additional cash was required to be added to the escrow account, and, where it fell above the minimum, cash was permitted to be withdrawn from the escrow account.

In the first half of 2016, the Group initiated discussions with its primary lender seeking an amendment to its debt servicing obligations. The following amendments were subsequently agreed with the primary lender in November 2016:

- Debt servicing payments for each of the quarters ending January 2017, April 2017 and July 2017 were reduced to interest only, resulting in quarterly payments due of £0.18m per quarter. The total payable over these three quarters was reduced to £0.54m compared to £1.4m of capital and interest debt servicing payments that was due for these three quarters prior to the amendment;
- Subsequent debt servicing quarterly payments commencing October 2017 would comprise interest and capital resulting in quarterly payments due of £0.5m per quarter, giving a total interest and capital debt servicing payment of £2.0m per annum, a level consistent with the £2.0m due per annum prior to the amendment. Debt servicing payments remained due in January, April, July and October each year, with the overall repayment term unchanged and a final quarterly payment due in April 2022;
- The escrow balance held by the Group in a 'restricted cash' bank account, equal to £1.3m at the date of the amendment (£1.3m at 31 December 2015), was transferred to the primary lender and applied against the outstanding capital balance, reducing the gross outstanding capital balance due under the finance lease. As set out in note 22, the escrow balance was reduced to nil as result of this transfer; and
- The requirement to maintain an escrow balance based on financial performance and certain other obligations was suspended pending the outcome of discussions with the primary lender, which are ongoing at the date of these financial statements.

Further to the November 2016 debt amendment noted above, in the short term and by concession with rights reserved, the primary lender has (immediately prior to the date of this report) agreed not to enforce the quarterly debt capital and interest payment obligations for July 2017 through to and including April 2018 (totalling £1.7m). In addition, both parties have commenced discussions concerning the longer-term capital structure of the Group, which if successfully concluded would result in a more sustainable long-term capital structure for the Group in its restructure form.

The lease finance is secured on the fixed assets included in the sale and leaseback arrangement.

The Company has no obligations under finance leases.

Obligations under operating leases

At the year end, the Group and Company had outstanding commitments under non-cancellable operating leases that expire as follows:

	GROUP		COMPANY	
Plant and equipment lease commitments	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Operating lease payments:				
Within 1 year	**106**	134	**-**	3
Between 1 and 5 years	**14**	120	**-**	-
After 5 years	**-**	-	**-**	-
	120	254	**-**	3

All amounts relate to premises, plant, equipment and vehicle leases.

Notes to the Financial Statements

21. CAPITAL COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

	2016	2015
	£'000	£'000
Authorised and contracted – contracts for capital expenditure	**-**	50

The capital commitment related to Hotel room stock.

The Company has issued a parent guarantee in favour of the Group's primary asset based finance lender guaranteeing the obligations of the Company's subsidiary Snoozebox Limited.

An accident involving a contractor occurred on a landowner's outbuildings adjacent to one of our Event deployments in summer 2016. Sadly, the contractor died in hospital a few days later. The Health and Safety Executive ("HSE") has commenced an accident investigation, which is continuing. It is currently not possible to determine with any degree of certainty what, if any, financial penalties may be levied on the Company or Group. The Directors have assessed the situation and made no provision in these financial statements for any potential financial impact of this accident or investigation. We continue to cooperate fully with the HSE and at such time as the quantum and likelihood of any penalty is able to be reliably determined further disclosure or provision may be required in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

22. NOTES SUPPORTING THE CASH FLOW STATEMENT

Cash and cash equivalents for the purposes of the cash flow statement comprise:

	GROUP	
	2016	2015
	£'000	£'000
Restricted cash and cash equivalents	**-**	1,281
Cash and cash equivalents	**2,360**	2,345
	2,360	3,626

In November 2016, the Group agreed an amendment to its debt servicing obligations as set out in note 20 which included the utilisation of the restricted cash and cash equivalents balance in settlement of an element of the capital balance outstanding with the primary lender.

Directors and Advisors

Directors

C Errington	Executive Chairman (appointed director 8 January 2016)
S East	Non-Executive director and Chairman of the Audit Committee
H Scrimgeour	Non-Executive director and Chairman of the Remuneration Committee

Advisors

Auditor	BDO LLP, 55 Baker Street, London, W1U 7EU
Bankers	The Royal Bank of Scotland, 47 Haymarket, London, SW1Y 4SE
Nominated Adviser	Panmure Gordon & Co, One New Change, London, EC4M 9AF
Registrars	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU
Solicitors	Irwin Mitchell LLP, 40 Holborn Viaduct, London, EC1N 2PZ

Company

Registered office	60 Trafalgar Square, London, WC2N 5DS
Registered number	8013887
Company Secretary	G Raven (appointed 30 November 2016)

Perivan Financial Print 245734