

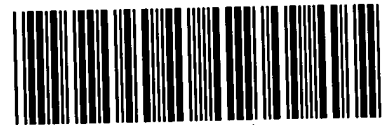
Company Registration No. 08866498

Safestay plc

Report and Financial Statements

31 December 2024

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Safestay plc

Report and financial statements 2024

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Strategic Report

Chairman's Statement

Introduction

2024 was a year of important strategic and operational development for Safestay. The Group made encouraging progress across several of its core operational KPIs as it benefited from important investments made in recent years in people, technology, and the customer proposition.

FY24 overview

During the year we signalled our longer-term growth ambitions, outlining our intention to double the size of our portfolio over the medium term. We increased the tempo of new hostel acquisitions with the addition of four new properties as well as the surrender of the Vienna Hotel lease. As a result, at the year-end, Safestay's international footprint comprised 20 properties (2023: 17), of which 17 were operational with the remaining three in development.

Safestay's portfolio is located across prime locations within key destination cities. It is these outstanding locations, combined with our steadfast focus on delivering on our mission to provide a safe, inclusive, and enjoyable space for our customers at fantastic value, that underpins the continued demand for and the growing awareness of the Safestay brand amongst our core customer base of young travellers, families, and business travellers.

In 2024, we were pleased to welcome 447,926 customers for a record total of 931,688 bed nights (2023: 848,633), driven by a strengthened occupancy rate of 75.2% (2023: 71.4%). Whilst Average Bed Rate decreased by 10% to £21.43 (2023: £23.74) reflecting market wide pressures on pricing, we were pleased to broadly maintain Total Revenue per Available Bed at £18.58 (2023: £18.93). This was supported by our strategic focus on non-accommodation revenue, which increased by 29.8% year-on-year (2023: 17.6%). Included within this, food & beverage sales increased year-on-year by 25.6% (2023: 37.5%).

Our focus on delivering an outstanding customer experience combined with measures to maintain strong overall Revenue per Available Bed resulted in a strong financial performance despite a challenging macroeconomic backdrop. The Group achieved record revenue of £23.0m (including discontinued operations) (2023: £22.5m), with growth impacted by the significant movement in the value of the Euro (resulting in an impact of £0.3m). Adjusted EBITDA was slightly below the prior year at £6.5m (2023: £6.8m). For further details, please see the Chief Financial Officer's review set out on pages 12 to 16.

Our leading customer proposition

Safestay operates in the exciting and growing hostel segment of the global hospitality market. Our hostels offer both private and shared rooms to ensure broad customer appeal, which are complemented by comprehensive ancillary facilities that drive increased spend. These include all-day food and beverage menus as well as breakfast and late-night licensed bars, laundry, and luggage storage facilities.

The global hostel market is large and expanding quickly. Worth approximately US\$5.85bn in 2025, it is estimated to grow to US\$13.68bn by 2033 (The Market Data Forecast, 2024). Overall market growth

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is driven by increasing consumer trends towards great value travel accommodation, the rise in international travel by Millennial and Gen-Z customer demographics and the rise in solo and experiential travel (Research & Markets, 2024). To develop improved understanding of our customers' priorities, last year the Group undertook an initial guest survey which saw us seek feedback from a small sample of 300 Safestay customers in November 2024. From this, we understand that price, location, and safety are the key drivers for them choosing to stay with us. We are confident that the Group is well placed to continue to capitalise on these structural growth trends over the coming years.

Board Updates

Stephen Moss resigned as a Director and as Chair of both the Remuneration and Audit & Risk Committees on 29 March 2024. On behalf of the Board, I would like to thank Stephen, for his invaluable contribution to the Group over the last 10 years. Following Stephen's resignation, Michael Hirst was appointed as Chair of both the Remuneration and Audit & Risk Committees.

Ongoing Board Priorities

As a Board, we are wholeheartedly committed to ensuring that Safestay executes its strategy to create value for all stakeholders, including our shareholders. In this context, the Board has three distinct priority areas: Environmental, Social and Governance ("ESG"), People, and Strategic Execution.

ESG

We are mindful that, as the business continues to grow, we always operate in a way that is mindful and responsible towards our people, the environment, and the communities in the areas where we operate. We are committed to fostering a sustainable and responsible approach to hospitality. We understand the importance of preserving our environment and supporting local communities for the benefit of future generations.

As a Board, we strive to achieve higher levels of sustainability performance and when possible, look for opportunities to make improvements across our operations. This is an important factor for our key demographic market.

More information on the Group's sustainability strategy is available in [the Section 172 statement which is set out on pages 7 to 11 of this Annual Report].

People

An ongoing focus of the Board is to ensure that we have the right executive team in place to deliver the Group's growth strategy and create shareholder value. We have assembled a strong leadership team across the business and have over the past two years also strengthened the Group's centralised services through the development of the Group's Commercial Hub in Warsaw.

Our people are at the heart of our business, and the continued strong performance of the Group and progress against our long-term strategy would be impossible without their hard work and commitment to ensuring that every Safestay guest has a memorable experience. I would like to take this opportunity to thank them for all their hard work during the year.

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With this in mind, during 2024 we continued to focus on improving staff engagement and training. In September 2024, we completed the successful roll-out of the multilingual online training platform MAPAL. This was complemented by the launch of STAYconnect, our internal website that brings together resources for our employees on marketing, policies and procedures, internal announcements, and company news. We look forward to utilising these platforms over the coming years to further build staff engagement and skills.

Strategic execution

As a Board we are proud of the progress delivered in 2024, which was a year of record revenue and exciting portfolio expansion. We have a clear strategic vision to develop Safestay into one of the world's leading hostel operators, and remain firmly focused on the execution of our clear growth strategy to deliver this.

During the year we successfully increased the Group's overall funding capacity by securing a single £16m five-year term loan, with the addition of a new £2.5m revolving credit facility. We also secured additional funding of £1.2m, which was utilised for the purchase of the freehold property in Brighton in June 2024.

FY25 Outlook

Safestay delivered encouraging progress during 2024, including the return to active portfolio expansion. In 2025 to date, we have continued to deliver important strategic initiatives. In January, we announced our partnership with Cloudbeds, an award-winning hospitality management system. This partnership will drive financial and operational efficiencies while further enhancing the guest experience. In April, we were pleased to secure planning permission for our Brighton site, which we are excited to open during 2026.

During H1 2025, consumer confidence among Safestay's core customers has remained under pressure. This has resulted in a continued competitive pricing environment with customers booking later than has historically been the case.

From April 2025, the UK Employers' National Insurance rate increased from 13.8% to 15.0%, accompanied by a rise in the maximum Employment Allowance from £5,000 to £10,500. We estimate that this change will have an annual impact of £154,000 on the Group.

The Board remains excited about Safestay's prospects, with several further expansion opportunities being appraised. We believe that Safestay has a highly relevant customer proposition in a growing market, and as such is well placed to deliver its medium-term ambitions of doubling the size of its portfolio.



Larry Lipman

Chairman

20 June 2025

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Business Model

The Safestay business model is to develop and operate a brand of contemporary, well-located hostels in the UK and key tourist cities in Europe. The Safestay brand is positioned at the premium end of the hostel spectrum appealing to a broad range of guests. Core elements of the model are:

- **Development:** Identifying potential properties in target cities, acquiring the leasehold or freehold in the properties and their contemporary, stylish refurbishment to fit with the Safestay brand
- **Operations:** Deploying strong hostel expertise, cost control and technology to drive efficiency and achieve best-in-class operating margins
- **Brand:** Building Safestay's brand value
- **Scale:** Building the platform to efficiently add further hostels to the Group
- **People:** Investing in the right people where automation cannot be adopted; and
- **Guest experience:** Providing a comfortable, safe, and enjoyable stay in our hostels for a reasonable price underpinned by a relentless focus on customer satisfaction, a strong community experience and repeat stays.

Our Strategy

Safestay's strategy is focused on creating value for all our stakeholders by actively pursuing attractive expansion opportunities whilst maximising revenues and margins through operational excellence.

This evolved three-pillar strategy is underpinned by our ongoing investment in our people, brand, and customer proposition, and is always led by our mission to provide a safe, inclusive, and enjoyable space for every individual to connect, explore, and make lifelong memories.

During the year, the Group made strong progress against each of its strategic pillars:

1. Strategic portfolio expansion

We have a proven track record of both opportunistically and strategically acquiring high quality, high potential sites in key locations within popular cities across Europe. The nature of our business, specifically our ability to combine shared dormitory rooms of varying sizes as well as private rooms and differing types of communal areas, enables us to acquire, refurbish and integrate well-located sites into our portfolio that often due to their configuration or listed status cannot typically be taken on for other uses. We continue to be encouraged by the volume and quality of available properties on the market that suit our internal acquisition criteria, and going forward will continue to capitalise on these opportunities where the Board believes such acquisitions will deliver long-term, sustainable shareholder value.

In May 2024, Safestay's strong presence in Spain was cemented with the freehold acquisition of a fifth location, in the ancient Spanish city of Cordoba, for €2.0m. Formerly a hotel, the site is undergoing a conversion process to a 100-bed hostel. As with all the new acquisitions, sales and EBITDA are expected to increase significantly in subsequent years as the full impact of the branding and refurbishment takes effect.

In June 2024, we built on Safestay's already-strong UK presence by acquiring the freehold of a Grade II listed property in Brighton with the potential for a 220-bed hostel located just 600 metres from the popular seafront. Post year end, in April 2025, we secured planning approval to commence a £1.0m conversion at the site. The total acquisition consideration of £2.3m was funded from existing cash

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resources and a £1.2m loan, the details of which can be found in the Chief Financial Officer's review set out on pages 12 to 16.

All acquisitions have been or will be updated in line with the recently launched Safestay 'blueprint' and will benefit from the Group's well-invested marketing and bookings infrastructure, systems, and processes.

Alongside the acquisitions made during 2024 we were pleased to open our hostel in Edinburgh. This site was acquired in December 2023 for a cash consideration of £4.3m and following a six-month refurbishment, the site welcomed guests for the first time in June 2024 in time for the world-famous Edinburgh Fringe Festival and the Taylor Swift: Eras Tour. A Category A listed building located on Cowgate, in an area known for its lively pub, club, bar and restaurant scene and within walking distance of Edinburgh's attractions including The Royal Mile and Edinburgh Castle, this location is performing well.

The Group made one disposal during the year when the Board took the decision to surrender the lease for Safestay Vienna.

The Group's portfolio at year-end totalled 20 sites, comprising 3,383 beds (2023: 3,255 beds) across 17 operational locations and three in development (2023: 17 sites comprising 16 operational and one in development).

2. *Exploring capital-light expansion through management and franchising opportunities*

In addition to the continued expansion of the Safestay portfolio through leasehold and freehold property acquisitions, we continue to explore other financially attractive opportunities to expand our portfolio including franchising, partnership programmes and property management agreements. These require reduced capital input whilst enabling Safestay to leverage its key strengths – including its brand, marketing and operational capabilities – to drive incremental growth.

Under a management contract model, Safestay receives a fixed management fee plus a percentage of revenue and profits above certain levels.

In 2024 we were pleased to sign the first such agreement – a 20-year term management contract to operate a 120-bed hostel in the Costa Blanca, Spain. With our experience of operating in the Spanish market, Safestay is well-placed to integrate this site, which is located on the iconic Calpe Seafront, and to establish enhanced levels cross-marketing opportunities and trading. Refurbishment work began in June 2024 and the hostel will open to guests once the licence has been obtained. Under the terms of the management contract, Safestay receives a fixed management fee plus a percentage of revenue and profits above certain levels.

We look forward to exploring other such opportunities that suit our criteria and align with the Safestay brand and believe this structure represents a significant opportunity for the business over the long-term. During the year, we completed the creation of brand, building design and operations guidelines to support these growth opportunities.

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3. Driving operational excellence to maximise revenues

The third key pillar of the Group's growth strategy is to drive sustainable, long-term growth through implementing operational excellence across all aspects of our business. We are focused on optimising the key performance indicators of occupancy and Revenue per Available Bed ("RevPAB"); maximising direct and group-related bookings, which carry a higher profitability, through direct marketing spend; and supporting growth in ancillary services, namely food and beverage sales and sales of site-specific services including luggage storage, and laundry facilities. All of this is supported by our Commercial Hub in Warsaw, which oversees revenue management, sales and marketing, and critical HR functions.

During the year occupancy rose by 3.8% to 75.2% (2023: 71.4%). This strong year-on-year increase reflected the effectiveness of the Group's marketing function as well as the recovery in group bookings, which represented 16% of accommodation revenue (2023: 13%). Considering the challenging sales environment, the Board took the decision to protect overall yield through a focus on RevPAB over Average Bed Rate, which during the year decreased by 10% to £21.43 (2023: £23.74). This reduction was offset by a pleasing 26% uplift in non-accommodation spend to broadly maintain RevPAB at £18.56 (2023: £18.93).

We made excellent progress against this pillar during the year, including the implementation of several important long-term projects which will provide a strong foundation for Safestay to continue to maximise revenue opportunities across our sites and customer base. Further detail on these initiatives is shared below.

We continued to focus on maximising direct bookings, which carry a higher margin due to the lack of commissions passed onto online travel agent partners. These represented 38% of accommodation sales during the year (2023: 30%) reflecting a recovery in group bookings and effective investment in the Group's marketing capabilities.

Investment in our teams, technology and processes remains a key priority for the Group to support its ability to scale in line with our long-term growth ambitions, enhance the Safestay proposition and drive efficiencies. We were pleased to complete a number of important operational projects that support this, particularly the implementation of market-leading technologies and the standardisation of practices and policies.

An example of this included an agreement announced at the beginning of 2025 to incorporate Cloudbeds, a hospitality management platform into our operations. The integration of this system is now complete, and management is confident this will improve operational and financial efficiencies, provide better data analytics for marketing and improve the end-to-end customer experience. It is complemented by the launch of a new purchasing and authorisation system and the continued use of proven AI-driven pricing software Pricepoint, to maximise yields.

To facilitate Safestay's continued expansion we have assessed the Group's processes regarding future site expansion and have implemented a new hostel 'blueprint' which will ensure the smooth and efficient implementation of our brand and design across all new sites.

We continue to invest in our guest proposition to drive higher customer satisfaction scores, looking to utilise technology and automation when appropriate. During the year we installed our first 'keyless' door lock system enabling guests to use their mobile phone as a room key.

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Section 172(1) Statement

The Directors are aware of their duty under Section 172(1) of the Companies Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to (amongst other matters):

- the likely consequences of any decisions in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct;
- the need to act fairly as between members of the Group.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA CA06.

Customers

Our customers value safe and affordable accommodation in desirable locations, delivered with a consistently high standard of service. Guest satisfaction is closely tied to comfort, value for money, and the overall hostel experience, making it central to our long-term success.

Customer engagement is a key performance indicator for the Group. We actively gather and analyse guest feedback through TrustYou, which consolidates guests reviews across our 17 operational sites. This enables us to monitor satisfaction trends and identify areas for improvement. Feedback directly informs enhancements to our service offering and operational standards.

Employees

Employees are at the heart of the hospitality industry and the Directors recognise that the long-term success of the Group and its ability to continue to expand its unique pan-European hostel network relies on a strong Group culture, employees' wellbeing, and effective health and safety measures.

To support this, we actively support career progression through structured training, development programs, and succession planning, ensuring employees can grow within the Group. In the year, we also established new reward and recognition frameworks that regularly acknowledge individual achievements as well as long service to motivate and retain talent. As part of our commitment to employee wellbeing and engagement, we introduced a new benefits scheme, "*Be Our Guest*" offering free and discounted stays across our hostels, reinforcing our appreciation for staff contributions and enabling them to experience our product first-hand.

Employee wellbeing remains a priority, and we uphold high health and safety standards through regular risk assessments, safety training, and compliance measures to ensure a secure working environment.

Some Board Meetings take place in our hostels to encourage direct contact between the Board and the operational teams. Bi-annual meetings are organised with all operational managers to share best practice, Group information and help build a positive culture amongst the teams.

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Suppliers

The Board recognises that suppliers play a crucial role in delivering quality services and products that support Group operations. Our suppliers seek fair, transparent, and stable commercial relationships that allow them to operate with certainty and mutual benefit.

Where possible, the Group forms long-term relationships with suppliers, so that the Group and its suppliers have a more certain environment in which to operate, with fair pricing, regular price reviews and fair negotiations. This also applies to landlords of the 12 hostels operated by the Group under lease agreements.

Shareholders

In addition to the Company's Annual General Meeting, the Directors hold meetings with institutional shareholders following the release of full year and interim results and remain available for ad-hoc meetings throughout the year. The Executive Directors have participated in investor events to present their business and strategy and obtain live and direct feedback. The Group website includes an investor section where shareholders can find all relevant information and reports.

The Board believes communication with stakeholders helps to shape and adapt the Group's strategy and ultimately contributes to maintaining a high standard of business conduct. The Directors will always assess the consequences of any decision over the long term. For example, decisions over whether to acquire or develop new properties follows a rigorous process involving long term financial assessment and commercial study, all in conjunction with the funding capabilities of the Group. Similarly, the Group uses customer satisfaction reports to help allocate the way funds are deployed under an annual capital expenditure improvement programme to enhance the experience of customers and ultimately safeguard brand equity.

The Group complies with the UK's Quoted Companies Alliance Corporate Governance code for Small and Mid-Size Quoted Companies (the "QCA Code") and further information is publicised in the investor section of the Group website (<https://www.safestay.com/investors/>).

The Group has chosen to adopt the updated QCA Code 2023 ahead of the required implementation date. The principles and disclosures outlined in this set of accounts align with the updated Code.

Engagement with the wider community

The Board recognises that hostels are deeply rooted in the communities in which the Group operates. Local communities are interested in economic contribution, job opportunities, environmental responsibility, and respectful integration into the local area.

To support these interests, we are committed to hiring locally wherever possible, providing job opportunities to residents and contributing to the local economy. We offer competitive salaries and hourly rates in line with, or above, local market standards. By employing local staff, we also ensure our hostels reflect the culture and character of each location, enriching the experience for both employees and guests.

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We are mindful of our environmental impact and take steps to operate sustainably. This includes initiatives such as energy-efficient upgrades, waste reduction programmes, and responsible sourcing of local goods and services. See “Streamline Energy and Carbon Reporting” on page 21 for more details. In addition, our teams are encouraged to build positive relationships with local businesses, residents, and authorities to support harmonious, long-term community engagement.

By integrating these practices into our operations, we aim to be a responsible and valued presence in every location where we operate.

Anti-bribery

The Group is committed to the prevention of bribery by those employed and associated with it and is committed to carrying out business fairly, honestly and openly, with zero-tolerance towards bribery. All employees have a responsibility to prevent, detect and report all instances of bribery as stated in our employee handbook.

Social matters

Safestay provided jobs for 317 people in 2024 (2023: 283)

The Group operates in 11 different countries and has established local operating entities in each of the countries where our hostels are located. This gives us the ability to hire employees locally and offer them employment contracts and social benefits in full compliance with each relevant jurisdiction. This also includes the relevant level of hospitality training as well as mandatory training courses.

Maintaining a reputation for high standards of business conduct

The Board is mindful that the continued growth and success of the Group is dependent upon maintaining high standards of business conduct, including:

- The ability to successfully compete within the market, to attract and retain guests, and to service these guests to a high standard;
- The ability to attract and retain high quality employees;
- The ability to attract investors and to meet their expectations of good governance and sound business conduct;
- The ability to meet the Group’s regulatory obligations, and to meet the expectations of relevant regulatory bodies.

This mindset underpins the formulation of the Group’s strategy and is evident throughout the Board’s decision-making process.

Ensuring that members of the Company are treated fairly

The Board ensures that the Group’s shareholders are treated equally and fairly, regardless of the size of their shareholding or their status as a private or institutional shareholder. The Group provides clear and timely communications to all shareholders in their chosen communication medium, as well as via the Group’s website and via a Regulatory News Service. All holders of Ordinary shares are able to vote at general meetings of the Group.

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Environment

The Group is mindful of the importance of reducing environmental impact wherever possible and has implemented several initiatives to achieve a sustainable future. The Group intends to continuously review and increase its efforts in this area. As an example, in all Safestay properties, we minimise the use of plastics wherever possible seeking more sustainable alternatives. This enables us to reduce our environmental footprint and helps us build a reputation with our guests as it meets their environmental expectations. We reuse and recycle the plastic we do use.

We are also constantly reviewing our CO2 emissions. We are committed to reducing Scope 1 and 2 emissions - for example, we have begun the incorporation of water-saving products in our showers to encourage our guests to be mindful of water wastage. We will also look to reduce Scope 3 emissions working only with trusted suppliers. Additionally, we are exploring the possibility of working with train and other public transport companies to reduce the carbon footprint of our guests.

We have a unique carbon impact tool which we offer to our guests. This gives them the opportunity to test their carbon impact by using an online carbon calculator on our website with the aim to increase the overall awareness and desire to act responsibly during their journey.

More information is available on our website at <https://www.safestay.com/corporate-social-responsibility>.

Employee diversity

The Group is committed to diverse representation at all levels and continuing to diversify our recruitment at all levels, including the most senior.

The following table reports on the gender diversity of the Group's senior employees at 31 December 2024:

	Male	Female
Directors	5	1
Senior Managers	3	4

Employment of disabled people

It is the policy of the Group to employ disabled persons in the job suited to their aptitudes, abilities and qualifications whenever practicable, to endeavour to continue to employ those who become disabled whilst in the Group's employment and to provide disabled employees with the same opportunities for promotion, career development and training as those afforded to other employees.

Human rights

The Group is committed to respecting human rights within our business by complying with all relevant laws and regulations. We prohibit any form of discrimination, forced, trafficked or child labour and are committed to safe and healthy working conditions for all individuals, whether employed by the Group directly or by a supplier in our supply chain.

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Legal and ethical conduct

The Group has comprehensive measures to meet its statutory requirements across all areas of its operation, and those expected by our customers and employees, as necessary, for the long-term success of the business. Risks in this area can occur from corruption, bribery, and human rights abuses, including discrimination, harassment, and bullying. The Group has training programmes for all employees. We take a zero-tolerance approach to bribery and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective procedures to counter bribery as documented in the Group anti-bribery policy signed by the Directors.

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Chief Financial Officer's review

It continues to be a challenging trading environment, with significant consumer price pressure and rising costs affecting large parts of the Financial Year 2024 and subsequently. However, I am pleased to announce record revenues (including discontinued operations) of £23.0m (2023: £22.5m) and Adjusted EBITDA (including discontinued operations) of £6.5m (2023: £6.8m).

Financial Key Performance Indicators

	2024	As Restated 2023
Occupancy %	75.2%	71.4%
Average Bed Rate	£21.43	£23.74
Room Revenues (£'000):		
Continuing Operations	19,488	19,190
Discontinued Operations	474	953
Total	19,962	20,143
Total Revenues (£'000)		
Continuing Operations	22,497	21,493
Discontinued Operations	512	997
Total	23,009	22,490
Net cash generated from operations (£'000)		
Continuing Operations	6,751	7,672
Discontinued Operations	117	383
Total	6,868	8,055
Net assets per share	47p	50p
Adjusted EBITDA (£'m)		
Continuing Operations	6.3	6.7
Discontinued Operations	0.2	0.1
Total	6.5	6.8
Finance Cost (£'000)		
Continuing Operations	3,229	3,173
Discontinued Operations	192	239
Total	3,421	3,412
Earnings per share		
Continuing Operations	(1.97p)	(1.51p)
Discontinued Operations	0.60p	(0.58p)
Total	(1.37p)	(2.09p)

Occupancy is calculated by dividing the number of beds sold over the year with the number of beds available when the hostels were open during the same period. Occupancy for the year was 75.2% (2023: 71.4%), primarily as a result of management's approach to attract more customers by offering a lower Average Bed Rate ("ABR").

ABR is calculated by dividing room revenues by the number of beds sold over the period. ABR for the year was £21.43 (2023: £23.74).

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Revenue

Total revenue (including discontinued operations) for the year ended 31 December 2024 increased to £23.0m (2023: £22.5m), up 2% on the previous year.

Room revenue (including discontinued operations) was £20.0m (2023: £20.1m) and food and beverage and ancillary sales were £3.0m (2023: £2.4m) as a result of an increased strategic focus on these revenue streams.

Sales in the UK business increased by 8% to £9.0m (2023: £8.3m) due to the opening of the Edinburgh hostel in June 2024, which contributed £0.9m in sales during the year. UK sales accounted for 39% (2023: 37%) of revenue generated by the Group. Sales from our overseas businesses totalled £14.0m (2023: £14.2m), representing a 1% decrease year-on-year. This is largely due to unfavourable movements in the Euro, which had an estimated impact on revenue of £0.3m in the year.

Adjusted EBITDA

The Directors consider that an adjusted EBITDA, a non-statutory measure, provides a key measure of performance since it removes the impact of non-trading activities. These non-trading activities are considered adjusting items. Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation, and one-off non-recurring adjusting items ("adjusting items"). Following the introduction of IFRS16 from 1 January 2019, rent charges are no longer included in EBITDA as they are shown in lease finance and right-of-use depreciation.

Adjusting items include professional fees relating to leasehold acquisitions; one-off legal fees relating to COVID subsidy investigations and insurance claims; the impairment of the fixed assets and right of use assets in Bratislava; and one-off profits relating to the surrender of the Vienna Hotel lease in July 2024.

Adjusted EBITDA fell by 4% in the year to £6.5m (2023: £6.8m). Adjusted EBITDA margins were down 2% to 28% driven largely through a fall in the ABR year-on-year. The impact on EBITDA for the fall in ABR represents £2.0m. The Group has mitigated the decline in ABR through increased focus on other revenue streams (such as food and beverage) which rose by 29.8% year-on-year to £3.0m (2023: £2.3m) as well as an overall increase in the total bed nights sold in the year, which rose by 10% to 931,688 (2023: 848,633).

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A reconciliation of operating profit to adjusted EBITDA has been performed below:

	2024	As Restated 2023
	£'000	£'000
Adjusted EBITDA is as follows:		
Operating Profit (including discontinued operations)	3,405	2,281
<i>Add back:</i>		
Depreciation	1,291	938
Right of Use Depreciation	2,054	2,408
Amortisation	36	18
Actual EBITDA	6,786	5,645
Impairment of goodwill	-	880
Impairment of tangible fixed assets	428	148
Adjusting items (refer to note 5)	(297)	26
Fair value movement of derivatives	13	-
Profit on disposal of assets	(400)	-
Share based payment expense	-	54
Adjusted EBITDA	6,530	6,753

Finance Costs

Finance costs (note 6) were £3.4m (2023: £3.4m) as follows:

	2024	2024	2024	2023
	<i>Discontinued operations</i>	<i>Continuing operations</i>	Total	£'000
	£'000	£'000	£'000	£'000
Interest on bank overdrafts and loans	-	1,455	1,455	1,340
Amortised loan arrangement fees	-	140	140	68
Interest expense for lease arrangements	192	1,424	1,616	1,725
Property financing expense	-	222	222	315

The Group recorded finance income of £12k (2023: £36k).

The Group refinanced all its borrowings in January 2024 into a single £16m Term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for 5 years and were provided by existing lender HSBC.

The Term Loan interest rates are £4.4m at 3.955%, £10m at SONIA but capped at 4.75% with a floor of 3% and £1.6m at SONIA, all with an additional margin of 2.6%. The RCF has a rate of SONIA plus a margin of 2.85%. The Term Loan is repayable at £0.1m per quarter from March 2025 together with a final payment at completion. Interest on both the Term Loan and RCF is payable quarterly from March 2024.

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The Term Loan replaces the previous interest only £12.7m facility with HSBC and enabled the repayment of the outstanding CBILS loan of £3.25m which carried a significantly higher interest rate.

In April 2025, the Group obtained an extra £0.5m Revolving Credit Facility for future expansion at a rate of SONIA plus a margin of 2.85% which has not been drawn down yet. The potential facility will reduce by £0.1m per month from June to October 2025.

In addition, the Group has a loan in Germany (£0.1m) as well as a loan in relation to the purchase of the freehold property in Brighton, totalling £1.2m that was taken out in June 2024. The term of this loan was extended post year end from December 2025 to December 2026. The interest on this loan is paid monthly and the loan is fully repayable on 31 December 2026.

Since the introduction of IFRS 16 from 1 January 2019, our hostel leases have been accounted for as lease liabilities. At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The rental charge is replaced with interest and depreciation. In 2024, the finance costs include £1.6m of lease interest (2023: £1.7m).

Earnings per Share

The Group made a loss after tax of £0.9m in the year (2023 restated: loss of £1.4m). Earnings per share for the year were a loss of 1.37p compared to a loss of 2.09p in 2023 (as restated). This improvement is largely due to the surrender of the Vienna Hotel lease.

Cash flow, capital expenditure and debt

Net cash generated from operations was £6.9m (2023 restated: £8.1m) primarily due to the reduction in ABR, being only partially offset by tight cost control.

The Group had cash balances of £1.4m at 31 December 2024 (2023: £2.0m). This reduction is largely due to the freehold purchases in Brighton and Cordoba, totalling £4.0m, as well as a further £1.8m of capital expenditure relating largely to Edinburgh, and smaller projects across other properties within the portfolio.

Outstanding bank debt at 31st December 2024 was £20m (2023: £16m) and is broken down as follows:

	2024	2023
	£m	£m
Main Loan	16.0	12.7
Revolving Credit Facility	2.5	-
CBILS	-	3.3
Germany	0.1	0.2
Brighton	1.2	0.0
Capitalised Loan Fees	(0.3)	(0.1)

Lease liabilities decreased to £23.7m (2023: £26.0m), primarily as a result of £3.6m in rent payments made during the year. In addition, lease modifications were recognised during the year in accordance with the terms of the lease agreements.

The gearing ratio (exclusive of lease liabilities) is 59% (2023: 50%).

Net asset value per share in 2024 is 47p (2023: 50p).

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Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ended 31 December 2024, the Directors have considered the Group's cash flow, liquidity, and business activities.

During 2024, the Group recorded an adjusted EBITDA of £6.5m (2023: £6.8m).

In January 2024, the Group refinanced all its existing borrowings into a single £16.0m Term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for five years and were provided by existing lender HSBC. In June 2024, the Group took out a £1.2m loan in relation to Brighton, due to be fully repaid in December 2025. Post year end this was extended to December 2026. In addition, in April 2025, a new £0.5m RCF was made available for expansion.

In June 2025, the Group signed a settlement agreement in relation to a business interruption insurance claim covering the COVID-19 period. The net settlement amount, after deduction of loss assessor fees, totals £1.4m.

As part of their going concern assessment, the Directors have prepared forecasts for a minimum period of twelve months from the date of approval of the financial statements. In addition, certain adverse scenarios have been considered for the purposes of stress and sensitivity testing. Refer to note 1 for further information on the assumptions and judgements applied.

Upon consideration of this analysis and the principal risks faced by the Group, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Non-financial KPIs

The Board also considers non-financial KPIs when evaluating the performance of the business. The Directors consider Guest Response Scores to be a key metric of the business's performance, guest satisfaction and marketing effectiveness.

The following guest satisfaction metrics are derived from TrustYou, an independent guest feedback platform, and are based on data collected across all 17 operational Safestay sites:

	2024	2023
Overall Guest Recommendation Rate	87%	87%
Location	90%	90%
Value-for-Money	81%	81%

While there were no movements in the scores year-on-year, the ability to maintain consistently strong results reflects the Group's continued operational focus to deliver quality.

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Principal risks and uncertainties

Management has completed a full review of the risks which may arise from within or outside of the business and may have an impact on the Group.

The impact of the environment on the Group's operations has been assessed and there is a strategy to reduce this risk as explained in the Environment section above. No other emerging risks have been identified at this point. There has been no identified change in the principal risks and uncertainties.

The principal risks and uncertainties that could potentially have a material impact on the Group's performance are presented below.

Business risks

Safestay operates in the hospitality and tourism industry which, over the years, has experienced fluctuations in trading performance. Traditionally, the hotel sector's performance has tracked macro-economic trends, feeling the strain during the economic downturn, and becoming more buoyant during recovery. The hostel sector, which leans more heavily on leisure travellers and has a lower price point, has proved more resilient and has delivered more robust cash flows through the economic cycle and has quickly recovered from isolated terror acts which may limit travel in the short term. The hospitality sector in the UK continues to face a number of cost headwinds from the National Living Wage, commodity price inflation, foreign exchange rate fluctuations and the hangovers from the UK's departure from the European Union and the consequences of that.

A proportion of Safestay's business in the UK comes from Europe, including several school groups. In addition, over 60% of the turnover is generated from hostels located in mainland Europe. The business is therefore highly vulnerable to changes in the source market, schools' education, travel policies and any fluctuations arising in the market from the 'Brexit' process and travel restrictions implemented by the governments, or the school governance bodies.

Conversely, this balance between the UK and mainland Europe offers a natural hedging against fluctuations of each local market and currency where Safestay operates.

There is also the risk of higher energy and other supply costs. A utility broker is helping to identify opportunities for reducing consumption, other cost savings are being targeted and cost pressure on consumers can result in a desire to stay in hostels rather than budget hotels.

The Group's brand is a key asset, and its value is closely tied to guest experience, service quality, and public perception. There is a risk of reputational damage from operational failures, negative publicity, or brand infringement. To mitigate this, the Group maintains brand standards across all locations, actively monitors guest feedback, and takes prompt action to address issues. Brand assets are also legally protected by registered trademarks.

IT and system risks

Safestay's property management and accounting systems are deployed via SaaS (software as a service). As such, the Group is dependent on robust internet connectivity and the resilience of the provider's third-party data centre and back-up protocols to operate. Whilst the arrangement carries risks, these are deemed to be reduced when compared to an in-house option which would lead to higher management overhead costs for the business. Management believes this current arrangement is more suitable to the business needs as well as being more cost effective due to the small size of our business. The other systems used are not deemed to be business critical.

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The Group contracts the maintenance of the IT infrastructure with an external provider and has a cloud based back up system to secure all data which are not already covered via other SaaS suppliers. This is a more robust and flexible option compared to an internally managed solution.

In addition, the Group recognises the growing risk of cyber threats, including phishing attacks, malware, and unauthorised access to systems, which could result in operational disruption, financial loss, or breaches of data privacy.

To mitigate these risks, the Group has implemented multi-factor authentication across key systems, provides staff training to raise awareness of phishing and cyber threats, and conducts simulated phishing tests. Firewalls, anti-malware protection, regular system updates, and data recovery protocols are also in place to support resilience and ensure business continuity.

Property risks

The Group operates hostels across Europe, many under lease agreements, exposing it to risks such as rising rental costs, lease renewals on unfavourable terms and landlord financial stability. Macroeconomic factors and local regulatory changes may also affect property costs and expansion opportunities.

In addition, the Group must maintain its properties to ensure safety, compliance, and guest satisfaction as failure to do so could lead to increased costs, reputational harm, or regulatory breaches.

To mitigate these risks, the Group conducts thorough due diligence before entering lease agreements, maintains strong landlord relationships, and regularly reviews its property portfolio to ensure alignment with strategic goals. Maintenance is managed through a proactive programme supported by planned capital investment.

Expansion and regulatory risks

Accessing expansion opportunities at the right price and in the right locations is, by its nature, an opportunistic exercise. Whilst the leadership team has a track record in securing properties to support business growth, and the fact that the market should offer more real estate opportunities in the coming years, there is no guarantee that future opportunities can be secured but opportunities should increase with the alternative of converted office and retail asset classes.

Expansion in new jurisdictions and changes in regulation in countries where Safestay already operates is creating an environment where it is more likely to be in regulatory breach compared to a group which would only trade in one country. Safestay plc is a listed business and as such is bound to a very high level of compliance. The Board is composed of six experienced Non-Executive and Executive Directors who have proven experience in hospitality and marketing as well as a strong understanding of regulatory and compliance topics. Moreover, the Group works with local law firms in each country where it operates to gain access to the local expertise and guarantee full local compliance, notably via the obtention of relevant licences. As opposed to other hospitality sectors, such as sharing economy or private rental, the hostel sector is built on strong regulation plus existing fundamentals and trade licences, which makes it less likely to require the introduction of more strict regulations.

Financial risk

In January 2024, the Group refinanced its existing borrowings into a single £16m Term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for 5 years and were provided by existing lender HSBC.

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The Term Loan interest rates are £4.4m at 3.955%, £10m at SONIA but capped at 4.75% with a floor of 3% and £1.6m at SONIA, all with an additional margin of 2.6%. The RCF has a rate of SONIA plus a margin of 2.85%. The Term Loan is repayable at £0.1m per quarter from March 2025 together with a final payment at completion. Interest on both the Term Loan and RCF is payable quarterly from March 2024.

The Term Loan replaces the previous interest only £12.7m facility with HSBC and enabled the repayment of the outstanding CBILS loan of £3.25m, which carried a significantly higher interest rate.

In April 2025, the Group obtained an extra £0.5m Revolving Credit Facility for future expansion at a rate of SONIA plus a margin of 2.85% which has not been drawn down yet. The potential facility will reduce by £0.1m per month from June to October 2025.

Any increases in SONIA or base rate will increase the cost of these loans and therefore impact the net profit of the business (a 0.5% change in interest rate would impact the net profit before tax by £92,475 (2023: £92,500)). Strict financial controls are in place to ensure that monies cannot be expended above the available limits or to breach any banking covenants.

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

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

Financial risk management

The Group's financial instruments comprise bank loans, lease liabilities, cash and cash equivalents, and various items within trade and other receivables and payables that arise directly from its operations.

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

Interest rate risk

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

Liquidity risk

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

The business continues to service this debt and make the interest payments as they fall due. There are no off-balance sheet financing arrangements or contingent liabilities.

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Foreign currency risk

The Group is exposed to foreign currency risk from overseas subsidiaries with Group transactions carried out in Euros. Exposure to currency exchange rates arises from the Group's overseas sales and purchases, which are primarily denominated in Euros. This risk is mitigated by each hostel holding a denominated bank account in the country of operation. The Group monitors cashflows and considers foreign currency risk when making intra-group transfers.

Interest rate risk management

The Group is exposed to interest rate risk on its borrowings and carefully manages its interest rate risk on an ongoing basis. In January 2024, the Group refinanced its existing borrowings and added a £2.5m Revolving Credit Facility ("RCF").

This risk is mitigated as the Term Loan interest rates are £4.4m at 3.955%, £10m at SONIA but capped at 4.75% with a floor of 3% with only £1.6m subject to changes in SONIA.

Interest rate sensitivity

The sensitivity analysis in the paragraph below has been determined based on the exposure to interest rates for all borrowings subject to interest charges at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

Based on bank borrowings, at 31 December 2024, if interest rates were 0.5% higher or (lower) and all other variables were held constant, the Group's net profit would increase or decrease by £92,475 (2023: £92,500). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

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

For more details, refer to note 22.

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Streamline Energy and Carbon Reporting ("SECR")

Introduction: Fostering A Sustainable And Responsible Approach To Hospitality

The Board of Safestay understands the importance of preserving our environment for the benefit of future generations. Together with the Group's guests, employees and partners, Safestay is committed to fostering a more sustainable world, one stay at a time.

Framework & Governance

The Board recognises that the Group's operations have an environmental impact and has a commitment to overseeing the Group's climate and environmental related risks and opportunities.

For 2024, the Group commissioned its first carbon-footprint study. Going forward and for future years, the Board is committed to monitoring, reporting on and reducing greenhouse gas emissions (GHG) emissions, striving to achieve continuously higher levels of sustainability performance.

Energy Consumption and GHG Emissions

Consistent with the Streamlined Energy and Carbon Reporting legislation (SECR), and as a quoted company, Safestay is required to report its energy consumption and GHG emissions (Scope 1 and Scope 2) at a group level. The following sources of GHG emissions are within the scope of this reporting:

- Scope 1 (direct emissions): stationary combustion (natural gas); fugitive emissions;
- Scope 2 (indirect emissions): purchased electricity.

The table below presents Safestay's energy usage, associated emissions, energy efficiency actions and energy performance under SECR. The reporting was conducted by EnVISION, which follows the Accounting and Reporting Principles established by the standard ISO 14064-1:2018.

In 2024, Safestay's total energy consumption was 5768.13 MWh and GHG emissions (location-based approach) were 1123.55 tCO₂. The intensity ratio was 181.64 MWh per 1000 m² Gross Floor Area, and 35.38 tCO₂e per 1000 m² Gross Floor Area. The following table shows a summary of the Group's Energy Consumption and GHG Emissions in 2024:

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Emission and Energy Source	Energy Consumption (MWh)	GHG Emissions (tCO2e)
	2024	2024
Combustion of Natural Gas	3746.45	685.23
Fugitive emissions	-	19.73
Scope 1 (total)	3746.45	704.96
Grid-Supplied Electricity (location-based)	2021.68	418.59
Scope 2 (total)	2021.68	418.59
Gross Total (Scope 1 and 2)	5768.13	1123.55
Intensity Ratio (per 1,000m sq. Gross Floor Area); total area of 31,755m sq.	181.64	35.38

Base Year

This carbon-footprint study will serve as the so-called "base-year" going forward. This baseline will be used by the Board to monitor trends in the organisation's performance in terms of emissions. The calculation of Energy Consumption and GHG emissions will be done annually to support the company's ambition to reduce its carbon footprint and allow for a clear communication of results achieved.

Ongoing Improvements & Reduction Targets

Safestay continues to implement several initiatives to achieve ongoing improvements to its carbon footprint, with the Board committed to continuously reviewing and increasing the Group's efforts in several key areas. The following key focus areas include certain recommendations from EnVISION to reduce Safestay's GHG emissions by 25% from the baseline year (2024) to 2030, consistent with Paris Agreement aligned strategies.

The Board recognises that activities from Scope 1 represented 63% of the Group's total GHG emissions (location-based approach) in 2024, and priority therefore should be given to initiatives that reduce emissions from this scope.

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Five Key Focus Areas:

1. Staff and Guest Education

Safestay's employees receive ongoing training and education on sustainable practices, empowering them to champion sustainability within its hostels and inspire the Group's guests to adopt environmentally responsible behaviour.

The Group aims to continually raise awareness among its guests about sustainability and environmental responsibility through signage, literature and engaging initiatives during their stay. The Group organises and promotes eco-friendly tours and activities that highlight the natural beauty of the region and its importance for conservation.

2. Energy Efficiency

Safestay strives to minimise its energy consumption by implementing energy-efficient technologies, using LED lighting, and encouraging guests to conserve energy during their stay. Based on recommendations from EnVISION, the Board is committed to exploring a broad range of initiatives to be more energy efficient, thereby reducing Scope 1 and Scope 2 emissions over the coming years, including:

- Where viable, investigating the possibility of using efficient processes such as heat pumps to heat hostels, which could reduce Natural Gas consumption;
- Implementing policies to switch off lights, screens and other equipment in hostels at the end of the day;
- Setting air conditioning units' temperatures to 24°C in winter and 19°C in Summer;
- Installing sensors in areas of non-permanent use, like toilets, storage areas etc;
- Defining a procurement policy to ensure all new equipment is energy efficient;
- Displaying energy consumption indicators to raise awareness among staff and guests;
- Encouraging staff and guests to suggest energy performance improvement actions.

3. Waste Reduction

We are dedicated to reducing waste across our hostels through recycling programmes, reduced use of plastics and working with suppliers who share our commitment to reducing packaging waste.

4. Water Conservation

We actively promote water-saving practices among our guests and staff and continuously explore innovative ways to reduce water consumption in our operations.

5. Sustainable Sourcing

We prioritise local and sustainable sourcing of products, including food, linens, cleaning products and amenities, to support local economies and reduce our carbon footprint.

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Strategic Report

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



Paul Hingston
Chief Financial Officer
20 June 2025

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Corporate Governance Statement

Introduction from the Chairman

The Board of Directors (the “Board”) of Safestay plc (the “Company”) recognises the importance of, and is committed to, high standards of corporate governance. We believe strong corporate governance is the key to delivering high performance as a business and ensuring success for its stakeholders. Accountability to our stakeholders, including shareholders, guests, suppliers, and employees is key to our governance approach.

Therefore, and in compliance with the updated AIM Rules for Companies, the Company has chosen to formalise its governance policies by complying with the UK’s Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the “QCA Code”).

The annual financial statements for the Company for the year ended 31 December 2024 have been prepared in accordance with the Company’s obligations as an AIM company and the requirements of the QCA Code.

To underpin the importance of high standards of corporate governance within the Company, the Board has taken the decision to apply the updated QCA Code (2023) earlier than is required. We have set out the new requirements below and how we comply with each principle.

All Directors are fully aware of their duties and responsibilities under the QCA Code. As at the date of this report, we consider we are in full compliance with the requirements of the new QCA Code (2023). We continue to review for best practice and will update this report accordingly as we do so, at least annually.



Larry Lipman
Chairman
20 June 2025

Corporate Governance Statement

The Quoted Companies Alliance's Ten Principles of Corporate Governance

The Group applies the QCA Code to ensure the long-term success of the Group. By applying the Code, the Group will benefit from improved governance, and ultimately therefore promotion of long-term value for shareholders.

Further details of how the Group applies each principle of the code is outlined below:

1. Establish a purpose, strategy and business model which promote long-term value for shareholders

The Group's strategy and business model is discussed within the Strategic Report on pages 4 to 6. This evolved three-pillar strategy is underpinned by our ongoing investment in our people, brand, and customer proposition, and is led at all times by our mission to provide a safe, inclusive, and enjoyable space for every individual to connect, explore, and make lifelong memories.

2. Promote a corporate culture that is based on ethical values and behaviours

The culture of the Group is set by the Board, and the Directors are committed to promoting a culture of honesty and ethical behaviours. All new staff receive training and information on the values and culture of the Group as well as regular updates to these, to ensure that the culture and behaviours reflected in the business support the Group's long-term strategy. This is evidenced by the launching of a new training platform, Mapal. Mapal provides our employees with vital training to ensure consistency across the properties, but also to foster environments that allow our employees to thrive.

In 2024, the Group launched a company intranet to provide a central source of information for all employees on policies, culture, and expected behaviours. This platform plays a key role in supporting staff training and aligning behaviours with the Group's commitment to delivering high-quality guest experiences. Key policies include Whistleblowing, Anti-Bribery, Anti-Slavery and Anti-Human Trafficking, Safeguarding, as well as Personal Data and Data Protection. These resources help ensure employees understand their responsibilities, follow operational best practices, and contribute to a safe, ethical, and efficient working environment.

3. Seek to understand and meet shareholder needs and expectations

The Board understands the importance of ensuring and maintaining regular dialogue with shareholders. The Chairman, Chief Financial Officer ("CFO") and the Chief Operating Officer ("COO") manage investor relations. The ultimate responsibility for ensuring a satisfactory dialogue with Shareholders sits with the Board. The Group's financial PR agency leads the preparation, coordination, and communication of all dealings with the financial community and is the primary point of contact for shareholders and third parties.

4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long term success.

The Group considers the key stakeholders in the business to be its customers, employees, suppliers, and shareholders.

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The Board understands that the Group's long-term success relies heavily upon strong relations with each of their stakeholders and they must ensure that the needs of each are understood and met.

The Board is committed to ensuring a continuous and open dialogue with its stakeholders, both internal and external. Further details can be found in the Section 172 Statement on pages 7 to 11.

The Board also considers the impacts of the Group on the environments in which it operates, and identifying areas where it can mitigate the impact.

5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.

The Board and Audit Committee regularly review the risk register, and in particular the principal risks facing the business, and challenge management to ensure that appropriate mitigations are in place to manage risks within the Board's agreed appetite. During 2024, the Audit Committee received regular updates on the documentation of the Group's internal control framework and the development of a formal testing programme to provide additional assurance around the effectiveness of risk management and internal control systems.

In order to ensure that the Group has fully understood its exposure to risk, each key area of the business is reviewed on an annual basis to ensure that any key risks are identified and monitored. A risk register is maintained to track the risks identified as part of these reviews.

The risks outlined in the Strategic Report on pages 17 to 20 are those which the Board believes are the most significant to the Group's business model and most likely to prevent the Group from achieving its strategic objectives. There may be additional risks and uncertainties that are currently unknown or currently believed to be immaterial that may also have an adverse effect on the Group.

6. Establish and maintain the board as a well-functioning, balanced team led by the chair.

The Board consists of six Directors: three Executive Directors and three Non-Executive Directors. Two of the three Non-Executive Directors (Sarah Whiddett and Michael Hirst OBE) are independent, in line with the QCA Code's guidance. Paul Cummins, due to his employment with Pyrrho Investments Limited (the largest shareholder in Safestay plc), is not considered to be independent. The Non-Executive Directors have been selected with the objective to further support the breadth of skills and experience of the Board and bring constructive challenge to the Executive Directors. They are also responsible for ensuring the effective running of the Board's Committees and ensuring that the Committees support the strategic priorities of the Board.

The Board Members are:

- Larry Lipman – Chairman
- Paul Hingston – Chief Financial Officer
- Peter Zielke – Chief Operating Officer
- Michael Hirst OBE – Independent Non-Executive Director and Chair of the Audit and Risk and Remuneration Committees

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- Sarah Whiddett – Independent Non-Executive Director and member of the Audit and Risk and Remuneration Committees
- Paul Cummins – Non-Executive Director

The Executive Directors of the Company are employed on a full-time basis. Non-Executive Directors are required to devote such time to the Group's affairs as is necessary to discharge their duties, and this may change from time to time. The Board meets at least ten times per year, with additional meetings convened as necessary. All Directors are required to attend all Board meetings and Committee meetings as necessary.

The attendance record of each of the Directors at full Board and the Committees of the Board is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Paul Cummins	18/18		
Paul Hingston	18/18	3/3	
Michael Hirst	18/18	3/3	N/A
Larry Lipman	18/18		
Stephen Moss	6/6*		
Sarah Whiddett	17/18	3/3	N/A
Peter Zielke	18/18		

*Stephen Moss stepped down from his roles on the Board and both the Audit and Risk and Remuneration Committees on 29 March 2024. He attended all available meetings up to that date.

Please note that Paul Hingston attended the Audit Committee meetings in an advisory capacity. Attendance of Executive Directors at Remuneration and Audit Committee meetings are by invitation only.

Due to the size of the business, the Board of Directors does not consider the need for a Nominations Committee. They will review this over time and evaluate the need for one in future periods.

7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.

The Board considers that it has sufficient skills and experience to enable it to execute its duties and responsibilities effectively given the nature and size of the Group. The Directors have a wide range of skills and experience as outlined in the Director biographies on pages 31 to 33.

Both Paul Hingston and Paul Cummins maintain their technical skills by participating in Continuing Professional Development. The remainder of the Board ensure they are up-to-date on industry standards and training.

Where the Board considers that it does not possess the necessary expertise or experience, it will engage the services of professional advisers or consultants. The Directors receive regular

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updates from external advisers on legal requirements and regulations as well as remuneration matters and corporate governance best practice. The Chair has the ultimate responsibility for corporate governance.

8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board has reviewed its Financial Position and Prospects Procedures Memorandum designed to outline the roles of the Board and the Sub-Committees amongst other things. This has given the Board a clear benchmark which they can evaluate the Board's performance against. In line with best practice and the newly applicable requirements of the QCA Code, the Board intends to undertake regular evaluations of the Board and the Sub-Committees.

9. Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture.

The Remuneration Committee has established a remuneration policy which it feels best supports the long-term success of the Company. Where possible, any discretionary remuneration provided to the Board or our employees are not tied to any performance metrics, as the Committee feels this is the most effective way to promote a Company culture based on ethical behaviours.

Further details of the remuneration policy are set out in the Remuneration Committee report on pages 37 to 42.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

The Group communicates with its shareholders through:

- The Annual Report and Accounts
- Half-Year report announcements
- RNS announcements
- AGM
- Investor relation programme
- The Company website (www.safestay.com)

Board Responsibilities

Executive Directors

The Chairman and Chief Operating Officer and Chief Financial Officer have separate, clearly defined roles. Their roles and responsibilities are set out below:

- **Chairman:** *Larry Lipman*
As Chairman, Larry is responsible for the leadership of the Board and ensuring its effective

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operation. He plays a key role in shaping the Group's strategic direction, overseeing business development, and ensuring the Board remains focused on its long-term objectives.

- **Chief Operating Officer (COO):** *Peter Zielke*
Peter oversees the day-to-day operations of the Group's hostel network, ensuring the delivery of high-quality service, operational efficiency, and health and safety compliance. As COO, he is also responsible for people management and supporting the implementation and development of the Group's business model across all locations.
- **Chief Financial Officer (CFO):** *Paul Hingston*
Paul manages the Group's financial strategy, funding, and reporting. As CFO, he ensures strong financial controls, compliance with regulatory requirements, and the delivery of timely and accurate financial information to support strategic decision-making. The CFO also oversees risk management and investor relations.

Non-Executive Directors

The Non-Executive Directors play a vital role in providing independent oversight and ensuring effective governance across the Group. Their responsibilities include:

Strategy: To challenge constructively and to contribute to the development of strategy;

Performance: Scrutinising the performance of management in meeting agreed goals and objectives and to monitor the reporting of performance;

Risk and Controls: Ensuring that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and

Remuneration: Overseeing the framework for executive remuneration, including determining appropriate levels of reward to align with performance and shareholder interests.

Main Activities During the Year

During the year, the Board focused on a range of strategic, operational, and financial matters, including:

- Approval of the Annual Report, Half-Year Report, and financial statements
- Review and approval of the Group's annual budget
- Oversight and implementation of the Group's strategic objectives
- Review and development of the brand and marketing strategy
- Approval of the acquisitions of the Cordoba, Brighton, and Budapest properties
- Approval of a new management agreement for the Calpe property
- Surrender of the Vienna Hotel lease

Safestay plc

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Directors' biographies

Larry Lipman (Chairman)

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

Paul Hingston (Chief Financial Officer & Company Secretary)

Paul is a KPMG qualified FCA Chief Financial Officer with an MBA.

Significant board level experience in the UK and overseas has involved operating in a wide variety of sectors including Leisure, Travel, Hospitality, Aviation and Construction. He was most recently Group Finance Director of Starboard Hotels Ltd.

In addition to working with operational teams to optimise business performance, often during periods of rapid growth, Paul has worked extensively on financing strategy with corporate finance advisers, banks, private equity funds and other City investors. Paul's expertise in optimising value from the interaction of Finance with the other functions of the business has been applied across a variety of corporate structures including plcs, privately owned and private equity backed businesses. Additionally, he is the Business Members Representative on the Management Committee for the Beds, Bucks and Herts Society of Chartered Accountants.

Peter Zielke (Chief Operating Officer)

Peter joined Safestay plc in February 2023. His international hospitality career spans over 25 years with management and director positions held in Germany, the UK, Russia, New Zealand and other countries. He started his career in his hometown Weimar, Germany at renowned Hotel Elephant. Most recently, he was Director of Operations for the South-UK region for Kew Green Hotels, where he was in charge of Marriott International and IHG branded properties. He also gained considerable brand knowledge in previous roles at Hilton and Millennium & Copthorne Hotels at which he completed various operational strategy reviews. His expertise in optimising revenue, marketing and operational management is extremely valuable for Safestay in enhancing its market position. Peter was Chairman of the Gatwick Hotels Association until March 2023 and a member of various business focus groups.

Michael Hirst OBE (Remuneration and Audit and Risk Committee Chair)

Michael is the former Chairman of the UK Events Industry Board, advising Ministers on how to increase the value of international business events held in the UK. He also served on the Tourism Industry Council, a collaboration between the UK Government and the tourism industry focusing on improving the tourism sector. He is an Executive Committee member and past Chairman of the Business Visits & Events Partnership (now titled UKEVENTS), representing Britain's Events Industry

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and a past chair and director of The Tourism Alliance, bringing together all the major tourism organisations in the UK.

He is a Director of CP Holdings Ltd, a diversified industrial and services group, which includes hotels and thermal spas in in the UK and Central Europe and a service office business in the UK.

He is a former consultant to CBRE Hotels, the world's leading hotel property experts. He also advises hospitality and tourism businesses and has acted as an arbitrator for the International Court of Arbitration in hotel dispute resolution.

Michael Hirst was awarded an OBE for services to tourism in Britain and awarded the Joint Meetings Industry Council Unity Award, for his significant contribution to the advancement of the international Meetings Industry. He was awarded a Lifetime Achievement Award for his distinguished career in hospitality, leisure and tourism by the International Hotel Investment Forum and most recently awarded a Fellowship by the Event and Visual Communications Association.

He was a board member of the Ladbroke Group plc where he was Chairman and CEO of Hilton International and voted "Corporate Hotelier of the World" by HOTELS Magazine.

Stephen Moss (Remuneration and Audit Committee)

Stephen is Chairman of Grosvenor Securities Limited, a Central London commercial property investment and development company. He is past Chairman of Bibendum PLB, the leading wine and spirit distributors and, prior to that, CEO of BCP Airport Parking which he grew to become the UK's largest airport car parking booking platform. Stephen founded Springboard in 1990, a charity which promotes careers in hospitality, leisure and tourism, of which he remains President, and its board and corporate partners include many of the UK's top hotel groups. He is now Chair of London Youth, Chairman of Trustees of London's top-ranked comprehensive school and of a leading demographic and social research think tank. In 1992 he was awarded an MBE for services to the restaurant industry and, in 2002, a CBE for his contribution towards education and training. Stephen stepped down from his role as non-executive director, as well as his roles as Chairman of the Remuneration and Audit Committee. The Board thanks him for his services and wishes him the best in the future.

Paul Cummins (Non-Executive Director)

Paul is a qualified chartered accountant and is currently Investment Director of Pyrrho Investments Ltd, Safestay's largest shareholder. He has previously worked at Nomura International in both Hong Kong and London as a proprietary trader, and worked at KPMG in Hong Kong and BDO in London. He is currently Chairman of Pacific Jade Holdings Ltd, a Hong Kong based tax and company secretarial business.

Sarah Whiddett (Remuneration and Audit and Risk Committee)

Sarah Whiddett has over 18 years' experience in B2B and B2C Insights, CX and Marketing. Currently, she is a Strategic Client Partner for Kantar, a leading global data, insight and consultancy agency. She leads a global matrix team of over 30 people on 3 of Kantar's largest global accounts worth over £24m per annum. Sarah works across brand strategy, innovation, analytics, customer experience, creative and media, and is instrumental in leading the UK activation of global sustainability marketing campaigns at Kantar. She was previously Chair and Director of AURA, the UK's biggest client-side research networking and events organisation, and prior to that held numerous leadership positions at food and drinks wholesaler Bidfood. Alongside these roles, Sarah has been involved in extensive

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public speaking and industry engagement, judging awards, running scholarship selection panels, press engagement, mentoring and teaching. She was selected for the Kantar Women in Leadership program in 2022, and the Marketing Academy Scholarship in 2019.

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Audit Committee report

I am pleased to introduce the report of the Audit Committee for the year ended 31 December 2024.

Best practice recommends that all members of the Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that at least one such member has recent and relevant financial knowledge. Accordingly, the Committee comprises of both independent Non-Executive Directors, with Paul Hingston supporting in an advisory capacity.

The Committee provides support to the Board in meeting its statutory responsibilities as set out in the QCA Code. The Board's view is that the skills and experience of the Committee members are very much relevant to the Group's business, as evidenced by the biographies within the Directors page in the Directors' report. The Committee also monitors the integrity of the financial statements of the Company and meets regularly with management and HaysMac LLP (the Group's external auditors) to review and monitor the financial reporting process, the statutory audit of the consolidated financial statements, audit procedures, risk management, internal controls and financial matters.

HaysMac LLP was reappointed as external auditor of the Group to conduct the audit of the Group's financial statements for the financial year to 31 December 2024 and their re-appointment as auditor for the following financial year will be subject to approval by shareholders at the 2025 Annual General Meeting. External audit partners are rotated every five years. The current external audit partner is Laura Mott. The external auditors present in advance of the year end their approach to the forthcoming audit and present their findings from the audit following the completion of their work. The Committee assesses the performance of the external auditors on an annual basis and based on this review the Committee recommends the appointment, re-appointment, or removal of the Company's external auditors to the Board.

The Committee was chaired by Stephen Moss and I was also part of the Committee. Following Stephen Moss's resignation in March 2024, I became the Chair and Sarah Whiddett was appointed to the Committee.

The Committee meets at least annually with the Company's external auditors. The Committee has a minimum of 2 meetings per year. They review the audit plan at the start of the annual audit, plus the audit findings and the draft annual accounts before they are submitted to the Board for approval. The Committee generally also meets to follow up the audit action plan and risk assessment report during the year. The external auditors have unrestricted access to the Committee. Both the Committee and the Board keep the external auditor's independence under close scrutiny. The Group also receives a formal statement of independence and objectivity from the external auditors each year.

Three meetings were held in 2024 and all were both attended by myself and Sarah Whiddett, with Paul Hingston attending in an advisory capacity.

The Committee's activities and areas of focus during the year were the following:

- Key assumptions used in the cash forecast prepared by the Directors in relation to the Going Concern note;

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- Review of the management paper in relation to key assumptions used in the impairment test as at 31 December 2024 under IAS 36;
- Review of the management paper in relation to the valuation of the assets under IAS 16 and IFRS16;
- Board governance, including the Committee and the procedure for assessing the Group's key risks.
- The classification of Vienna as discontinued operations and assets and liabilities held-for-sale under IFRS 5.
- Review of accounting relating to the acquisition of the freehold properties in Cordoba and Brighton

Significant issues considered in relation to the financial statements

The Committee reviewed the financial statements, with particular attention to accounting policies and areas of judgement.

The key matters considered by the Committee in respect of the year ended 31 December 2024 are set out below:

- **Assets held for sale and discontinued operations:** The Committee reviewed Management's assessment on the application of IFRS 5 for the property located in Vienna to ensure that the judgements applied were deemed to be reasonable.
- **Impairment of goodwill and fixed assets:** The Committee reviewed Management's assessment of impairment on the goodwill balances relating to Lisbon and Berlin as well as the fixed asset balances related to Bratislava. They challenged Management's assumptions of future cashflows to ensure they were reasonable.
- **Freehold Property Acquisitions:** The Committee reviewed Management's assessment on whether the purchase of the freehold property constituted a business combination under IFRS 3 to ensure that the judgements applied were deemed to be reasonable. Following this review, it was concluded that the transaction did not meet the criteria to be classified as a business combination.
- **Going Concern:** The Committee reviewed Management's assessment of Going Concern and evaluated the assumptions and forecasts supporting the entity's ability to continue as a going concern for the foreseeable future. The details of this can be found in the Chief Financial Officer's Review on page 16.

Risk management and internal control

The Board has overall responsibility for maintaining sound internal control and risk management systems and has delegated responsibility to monitor their effectiveness to the Committee.

The system of internal control comprises high level Group-wide controls, controls operating within individual properties and controls over processes. Policies, procedures and clearly defined levels of delegated authority have been communicated across the Group, and Management has identified the key operational financial processes which exist within the business and implemented internal controls over these processes in addition to the higher-level review and authorisation-based controls. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements. The Committee is satisfied that the system of controls is sufficient for a Group of Safestay's size and complexity.

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Auditors

On 19 November 2024 the Group's auditor changed its name from Haysmacintyre LLP to HaysMac LLP.

Internal Audit

The Group does not currently have an internal audit function; and the Committee supports Management's view that there is no need, at present, to establish an internal audit function given the operational scale of the business as well as the fact that where possible, the Group avoids cash payments.

The Committee gains assurance over the effectiveness of the internal control framework through regular reporting by the finance team (including reviewing the risk register and internal control matrix), and this will be further enhanced through reporting against the more formal controls testing and review process currently being developed by management.

The Committee will keep this under consideration and will review the need for an internal audit function on an annual basis.

Michael Hirst

Michael Hirst OBE
Chair of the Audit Committee
20 June 2025

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Remuneration Committee Report

As Chair of the Remuneration Committee (the "Committee"), I am pleased to present the report of the Committee for the year ended 31 December 2024.

Membership, role and responsibilities

As an AIM-listed company, we are not required to comply with the Listing Rules of the Financial Conduct Authority, or the requirements of Schedule 8 (Quoted Companies Directors Remuneration Report) as amended by the provisions of The Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (SI 2008/410) (the "Regulations") or the UK Corporate Governance Code. However, noting the Group has chosen to comply with the UK's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code"), the Board considers it appropriate for the Group to provide shareholders with additional information in respect of executive remuneration where appropriate.

I was appointed the Committee's Chair following Stephen Moss's resignation as chair of the Remuneration Committee in March 2024. I would like to thank Stephen for his services as Committee Chair. Following Stephen's resignation, Sarah Whiddett was appointed to the Committee. Both Sarah and I are considered independent by the Board within the meaning of the QCA Code.

The Committee operates under Terms of Reference approved by the Board. The terms of reference are subject to an annual review by the Committee.

The Committee is responsible for reviewing the performance of the Executive Directors and within the terms of the agreed remuneration policy, determining their remuneration packages, including, where appropriate, bonuses and the grant of share options.

Activity during the year

The Committee had planned to meet, but due to external circumstances, the meeting had to be deferred until 2025. The last review occurred in October 2023. There were no changes to any executive remuneration during FY2024.

Remuneration policy

The objective of the Group's remuneration policy is to attract, motivate, and retain high quality individuals who will contribute to the success of the Group.

The table below summarises the key elements of the remuneration policy for Executive Directors and Senior Management:

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Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance Metric
Base Salary	To help recruit and retain high performing Executive Directors. It should reflect the individuals' skills and experience within the role.	Salaries will normally be reviewed annually, taking into account performance, experience, responsibilities, relevant market information and the level of workforce pay increases.	Annual increases will usually be commensurate with those of the wider workforce. Further increases may be considered if there are significant changes in responsibility or scope of the role, sustained increase in the size of the business, or if there are significant movements in market rates. New joiners, where pay is initially set below market levels, may benefit from larger increases as their salary is progressed towards the market rate based on their development in the role.	A broad-based assessment of individual and Group performance is considered as part of any salary review.
Pension	To provide cost-effective, yet market-competitive, retirement benefits.	Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement.	Executive and Non-Executive Directors receive statutory minimum pension contributions, in line with legislation, and with all other UK employees.	None
Annual Bonus	To help recruit and retain high-performing Executive Directors.	Executives are all eligible to receive bonus incentives, at the discretion of the Remuneration Committee. Any awards are deemed to be ad-hoc.	Bonuses are provided on an ad-hoc basis. It is the Committee's preference to provide longer term incentives to align the Executive Director's interests to the wider business.	None
Long Term Incentives	To incentivise and reward long term performance and value creation. To aid retention and align the interest of Executive and Non-Executive Directors and shareholders in the long term.	Executives are both eligible to receive share option incentives, at the discretion of the Remuneration Committee. Any awards are deemed to be ad-hoc.	There is no limit to the number of share option awards available at any one time. However, the committee exercises judgement to ensure that any awards are commensurate to the employee/Executive Director who receives the award.	None

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Directors' service contracts

Larry Lipman has a contract terminable on 6 months' notice. All the other Directors have contracts terminable by either party upon three months' written notice except for Paul Cummins, who has a contract that is terminable by either party at any time, due to the fact that he is employed by Pyrrho Investments Limited.

The Directors' service contracts contain no provision for fixed termination payments.

Directors' emoluments (audited)

The emoluments of the Directors of the Company for the year ended 31 December 2024 were as follows:

Name	Salary and fees £'000	Pension £'000	Benefits in kind £'000	Annual Bonus £'000	Long Term Incentives £'000	2024 Total £'000
Executive directors						
Larry Lipman	120	-	-	-	-	120
Paul Hingston	150	5	-	-	-	155
Peter Zielke	125	1	-	-	-	126
Non-executive directors						
Michael Hirst	35	-	-	-	-	35
Paul Cummins	35	1	-	-	-	36
Stephen Moss	9	-	-	-	-	9
Sarah Whiddett	35	-	-	-	-	35
Total	509	7	-	-	-	516

The comparative for the 31 December 2023 is as follows:

Name	Salary and fees £'000	Pension £'000	Benefits in kind £'000	Annual Bonus £'000	Long Term Incentives £'000	2023 Total £'000
Executive directors						
Larry Lipman	105	-	-	-	-	105
Paul Hingston	143	4	-	-	-	147
Peter Zielke	105	4	-	-	-	109
Non-executive directors						
Michael Hirst	33	-	-	-	-	33
Paul Cummins	9	-	-	-	-	9
Stephen Moss	31	-	-	-	-	31
Sarah Whiddett	20	-	-	-	-	20
Total	446	8	-	-	-	454

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Directors' interests in shares

The following Directors directly own share capital in the Company:

	Ordinary shares of 1p each	
	Fully paid number	Percentage %
Larry Lipman	346,054	0.5
Michael Hirst	97,142	0.2

Larry Lipman also owns one-third of the share capital of Safeland Holdings (2008) Corporation ("SHC") a corporation incorporated in Panama and 2% of Safeland plc, a company incorporated in the UK. SHC owned 3,112,484 ordinary shares in the Company, representing 4.8% of the Company's shares in issue as at 31 December 2024. SHC owned 83.4% of Safeland plc. Safeland plc owned 2,597,334 ordinary shares of the Company, representing 4.0% of the Company's shares in issue at 31 December 2024. Paul Cummins is not considered to be independent as he is employed by Pyrrho Investments Limited which is a significant shareholder in the Company, owning 19,025,638 ordinary shares representing 29.3% of the Company's shares in issue at 31 December 2024.

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Directors' interests in options over the equity share capital of the Company at 31 December 2024 were:

	Granted	Lapsed	At 31 December 2024	Exercise Price	Exercisable From	Exercisable To
Larry Lipman	396,521		396,521	15 p	01/01/2024	31/12/2031
	300,000		300,000	15 p	01/01/2024	31/12/2031
	400,000		400,000	15 p	01/01/2024	31/12/2031
	37,100		37,100	9 p	01/01/2024	31/12/2031
	20,900		20,900	15 p	01/01/2024	31/12/2031
	25,700		25,700	13 p	01/01/2024	31/12/2031
	25,700		25,700	13 p	01/01/2024	31/12/2031
	23,900		23,900	14 p	01/01/2024	31/12/2031
	22,300		22,300	15 p	01/01/2024	31/12/2031
	22,300		22,300	15 p	01/01/2024	31/12/2031
	19,700		19,700	15 p	01/01/2024	31/12/2031
	18,600		18,600	15 p	01/01/2024	31/12/2031
	20,900		20,900	15 p	01/01/2024	31/12/2031
Michael Hirst*	4,600		4,600	9 p	01/01/2024	31/12/2031
	2,600		2,600	15 p	01/01/2024	31/12/2031
	3,200		3,200	13 p	01/01/2024	31/12/2031
	3,200		3,200	13 p	01/01/2024	31/12/2031
	3,000		3,000	14 p	01/01/2024	31/12/2031
	2,800		2,800	15 p	01/01/2024	31/12/2031
	2,800		2,800	15 p	01/01/2024	31/12/2031
	2,400		2,400	15 p	01/01/2024	31/12/2031
	2,300		2,300	15 p	01/01/2024	31/12/2031
	2,600		2,600	15 p	01/01/2024	31/12/2031
Paul Hingston	400,000		400,000	15 p	01/01/2024	31/12/2031
Stephen Moss*	11,200		11,200	9 p	01/01/2024	31/12/2031
	6,300		6,300	15 p	01/01/2024	31/12/2031
	7,700		7,700	13 p	01/01/2024	31/12/2031
	7,700		7,700	13 p	01/01/2024	31/12/2031
	7,200		7,200	14 p	01/01/2024	31/12/2031
	6,700		6,700	15 p	01/01/2024	31/12/2031
	6,700		6,700	15 p	01/01/2024	31/12/2031
	5,900		5,900	15 p	01/01/2024	31/12/2031
	5,600		5,600	15 p	01/01/2024	31/12/2031
	6,300		6,300	15 p	01/01/2024	31/12/2031
Peter Zielke	300,000		300,000	24 p	01/01/2024	31/12/2031

*The options granted in the first 7 months of 2021 were received by the Directors in exchange for a 40% reduction in their salary to reduce the operating costs of the Group during the lockdown period.

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Approval

This report was approved by the Remuneration Committee and signed on its behalf by:

Michael Hirst

Michael Hirst OBE
Chair of the Remuneration Committee
20 June 2025

Safestay plc

Directors Report

The Directors present the Directors' Report on the affairs of Safestay plc (the "Company") together with the audited consolidated financial statements, for the year ended 31 December 2024.

Directors

The directors who have served in the year to 31 December 2024 were as follows:

Larry Lipman
Paul Hingston
Peter Zielke
Michael Hirst OBE
Paul Cummins
Stephen Moss CBE (resigned 29 March 2024)
Sarah Whiddett

Directors' indemnity provisions

The Group has granted an indemnity to each of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. The Company purchases Directors and Officers liability insurance which gives appropriate cover for any legal action brought against its Directors. Such qualifying indemnity provision remains in force as at the date of approving the Directors' Report.

Other substantial shareholdings

The Company had been notified of the following shareholdings which constitutes three per cent or more of the total issued ordinary shares of the Company as at 31 December 2024.

	Ordinary shares of 1p each	
	Fully paid Number	Percentage %
Pyrrho Investments	19,025,638	29.30
BGF	11,791,661	18.16
Chelverton Asset Management	4,361,764	6.72
Mr Peter O'Reilly	4,294,961	6.61
Bredbury Limited	3,129,665	4.82
Safeland Holdings (2008) Corporation	3,112,484	4.79
Mr Peter Leslie Squire	2,700,000	4.16
Safeland plc	2,597,334	4.00
Mrs JD Squire	2,300,000	3.54
Hargreaves Lansdown	2,093,715	3.22

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Directors Report

Dividends

The Directors have not recommended the payment of a dividend for the year (2023: nil).

Conflicts of interest

Under the articles of association of the Company and in accordance with the provisions of the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. However, the Directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial year ended 31 December 2024, the Directors have authorised no such conflicts or potential conflicts in accordance with the above procedures.

Director Independence

The appointment of the Non-Executive Directors is designed to provide balance between those with detailed knowledge of business operations, and those who are independent to provide the right level of scrutiny to the business operations. Both Sarah Whiddett and Michael Hirst are considered to be independent Non-Executive Directors, whilst Paul Cummins is not deemed to be independent due to his employment with Pyrrho Investments Limited, who at the reporting date, had a 29.3% ownership in Safestay plc.

Streamlined Energy & Carbon Reporting

The SECR disclosure requirement has been addressed within the "Streamlined Energy & Carbon Reporting" section on pages 21 to 24.

Safestay plc

Directors Report

Auditors

HaysMac LLP has indicated its willingness to continue in office as auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

On 19 November 2024 the Group's auditor changed its name from Haysmacintyre LLP to HaysMac LLP.

Post balance sheet events

On 2 April 2025, the planning permission to convert the Brighton site was approved.

In addition, the maturity of the Group's £1.2m loan has been extended, with full repayment now scheduled for December 2026, as opposed to the original date of December 2025.

In June 2025, the Group signed a settlement agreement in relation to a business interruption insurance claim covering the COVID-19 period. The net settlement amount, after deduction of loss assessor fees, totals £1.4m. This income would typically be recognised within "Other Income" in the Group's consolidated statement of comprehensive income.

Statement of disclosure of information to the auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Future Developments

Details of the Group's future developments are provided within the Strategic Report on page 4.

Employees and social matters

The Strategic Report outlines the position of the Group with regard to social, environmental matters and employment of disabled persons.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare consolidated accounts under UK-adopted International Accounting Standards. 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 Company and the Group and the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

Safestay plc

Directors Report

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

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

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and the financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and they are fair, balanced and understandable.

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

To the best of our knowledge:

- Company and Group financial statements, prepared in accordance with International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This report was approved by the Board of Directors and signed on behalf of the Board.



Larry Lipman
Chairman
20 June 2025

Independent Auditor's Report to the Members of Safestay plc

Independent auditor's report to the members of Safestay plc

Opinion

We have audited the financial statements of Safestay plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Cash Flows, Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Reporting Financial Standards (IFRSs) as adopted by the United Kingdom.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom and in accordance with the requirements of the Companies Act 2006; and
- the Parent Company's financial statements have been properly prepared in accordance with IFRS as adopted by the United Kingdom and in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

For the year ended 31 December 2024, the Group undertook all its trading activities through its wholly owned subsidiaries. The scope of our audit work was therefore the audit of the Group, which included the parent company and its subsidiaries. All audit work to respond to the risks of material misstatement of both the Group and Parent Company was performed directly by the group audit engagement team.

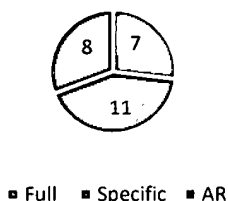
The scope of the audit and our audit strategy was developed by using our audit planning process to obtain and update our understanding of the Group, its activities, internal control environment, and likely future developments. Our audit testing was informed by this understanding of the Group and accordingly was

Independent Auditor's Report to the Members of Safestay plc

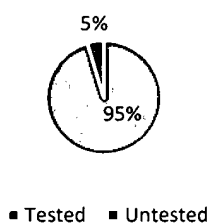
designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

Audit work to respond to the assessed risks was performed directly by the group audit engagement team who performed full scope audit procedures on the six UK subsidiaries, being Safestay (HP) Limited, Safestay (Elephant & Castle) Limited, Safestay (Edinburgh) Limited, Safestay (Edinburgh) Hostel Limited, Safestay (York) Limited and Safestay (York) Hostel Limited. The remaining two UK subsidiaries, WXYZ2 Limited and Safe Hostels Limited, are exempt from audit under the s479 parent company guarantee audit exemption and so were not subject to statutory audit and therefore assessed alongside the remaining overseas subsidiaries subject to specific scope audit procedures or analytical procedures. Specific scope audits were planned and performed to provide sufficient audit evidence based on the size of these subsidiaries compared to the size of the group and group materiality. Our group scoping ensured that we achieved at least 90% coverage of our key audit matters and at least 75% coverage across all other balances.

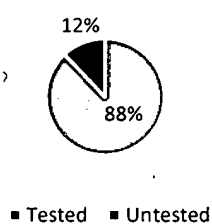
Group Scoping



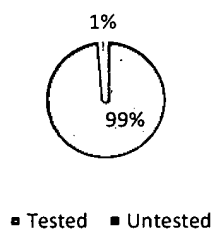
Revenue Scoping



Profit scoping



Assets Scoping



There have been no component auditors used in this engagement. All work was completed by the group audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of

Independent Auditor's Report to the Members of Safestay plc

the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
<p>Group Revenue (Note 2)</p> <p>The key risks surrounding income have been assessed individually, with risk assessments being performed for each element of revenue recognition.</p> <p>The possible risk of fraud in revenue recognition is reduced in respect of the automatic postings of daily accommodation and food & beverage sales. This is on the basis that these transactions are made up a large volume of small value transactions which are recognised at the point of sale. As such the point of revenue recognition is non-complex and involves little judgement.</p> <p>Cut off risk is also not deemed to be significant as the recognition criteria is not complex or subjective. Accommodation revenue is recognised on the date of stay and food and beverage sales are recognised at the point of sale. The distinct recognition dates provides limited subjectivity in recognition and reduces risk of misstatement.</p> <p>Therefore, journals to revenue within the expected revenue cycle of journal postings are not considered to be a significant risk.</p> <p>However, as the Group is listed and revenue is a key KPI for the Group, there are incentive for the overstatement of revenue. Therefore, there remains a significant risk around the manual posting of journals to revenue, outside of the normal revenue cycle, to overstate reported revenue.</p>	<p>We have undertaken the following procedures to verify the appropriateness of revenue recognition:</p> <ul style="list-style-type: none"> - Evaluated the processes and controls relating to the recognition of revenue and related balance sheet accounts; - Performed cash to revenue reconciliations for each trading entity; - Performed reconciliations from the EPOS system to the trial balance of each subsidiary; - Performed cut off testing for accommodation revenue looking at bookings straddling year end, ensuring that appropriate portions of revenue were recognised in the period of stay. - Utilised data analytics software to identify any unusual transactions that are posted outside of the 'normal' revenue cycle. We then substantively tested any exceptions to ensure they were free from material fraud or error; - During our income testing we tested commissions charged at source for each trading entity in scope, as a reconciling item between total cash received and expected revenue. During this testing we noted a difference between total expenditure per the TB and expected commissions expenses per the Hostelworld annual sales reports. On review it was confirmed that this was due to VAT incorrectly being recorded at 20% on commissions via the daily EPOS postings, whereas VAT was 0% per the Hostelworld invoices. The impact of this was quantified over the prior 4 years, being the maximum period in which errors should be corrected with HMRC. This was corrected as a prior year

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Key Audit Matter	How our scope addressed this matter
	<p>adjustment – see note 26 for correcting journals.</p> <ul style="list-style-type: none"> - Our review also included an assessment of the appropriateness of the recognition of trade receivables, accrued income and the completeness of deferred income.
<p>Management override of controls</p> <p>Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits. The specific risk to the Group is the manipulation of journal entries and accounting estimates, including assessments of asset impairment, assessments of debtor recoverability, discount rates used in the calculation of IFRS 16 leases and the valuation of the properties.</p>	<p>Controls Approach</p> <ul style="list-style-type: none"> - We have reviewed the controls of the business and performed walkthrough tests of the controls to determine any weaknesses which could lead to management override of controls. This was with particular reference to areas that we felt could have weaker controls in place. <p>Substantive Audit Approach</p> <ul style="list-style-type: none"> - We considered and reviewed all areas requiring judgement or estimates in order to assess the appropriateness of the judgements and estimates made by management. - We inquired with management personnel to understand their controls and risk assessment procedures and if they consider any other areas which may be susceptible to risk of material misstatement due to fraud. - We have tested a number of journal entries made as part of the year-end financial reporting process and those made in the year. These journals were selected based on our assessment of high-risk features, in particular journal entries posted with round sum values, blank descriptions, keywords, closing entry or from unusual posters. We have ensured these are in the normal course of business, have a valid business rationale and have been appropriately authorised.
<p>Right of use assets and lease liabilities (IFRS16) (Note 11 & 17)</p>	<p>As part of our audit procedures we:</p>

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Key Audit Matter	How our scope addressed this matter
<p>The Group holds a significant number of its hostel properties on long term leasehold contracts.</p> <p>As at 31 December 2024, the Group recognised right of use assets with a carrying value of £20.4m and related lease liabilities totalling £23.7m. These assets and liabilities are material to the Group and there is a risk that they have been incorrectly calculated under IFRS16.</p> <p>The leasehold contracts contain clauses to increase rental charges if certain inflationary thresholds are breached. There is a risk that the list of modifications is incomplete and/or the IFRS lease liability and right of use assets has not been correctly adjusted.</p> <p>A level of judgement is required to assess the Incremental Borrowing Rate (IBR) for both lease additions and modifications.</p>	<ul style="list-style-type: none"> - Obtained the IFRS 16 model and the underlying calculations for each lease and checked the arithmetic accuracy of these. - Obtained lease agreements for each property leased within the group and reviewed each agreement against the inputs of the model. - Obtained details of all lease modifications which were agreed during the year and compared the terms of each against the inputs of the model. - Reviewed and assessed management's assessment for the calculation of IBR rates for all lease additions and modifications and challenged the reasonableness of the assumptions of the assumptions made by management in respect of them. - Performed sensitivity analysis to assess the possible impact of changes to the IBR rate on the capitalised right of use asset and lease liability values.
<p>Valuation of freehold and leasehold property (Note 11)</p> <p>The Group owns five freehold properties, three in the UK and one in Pisa, Italy and one leasehold property in the UK.</p> <p>The Group carries all freehold and leasehold properties at a revalued amount, which is the fair value of the items at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.</p> <p>The fair value assessment is judgemental and includes assessing the appropriateness of the key assumptions used in the valuation by directors and external valuers.</p>	<p>As part of our audit procedures we:</p> <ul style="list-style-type: none"> - Obtained valuation reports from external valuers and challenged the reasonableness of the key assumptions, judgements and estimates within them. - Assessed key estimates such as discount rates, EBITDA forecasts and inflation rates in line with our work performed on forecasts within our impairment reviews noted below. - Verified these key estimates to supporting calculations, and / or third-party sources where applicable. - Evaluated the experience, competence and independence of the external valuers to assess whether they had the required capabilities to provide the valuation services that they had been charged with.

Independent Auditor’s Report to the Members of Safestay plc

Key Audit Matter	How our scope addressed this matter
<p>Management has obtained an external valuation for each of the freehold and leasehold properties in the current reporting periods.</p> <p>Increasing interest rates are expected to have had significant impacts on property valuations in the year, increasing the likelihood that the properties could be inappropriately valued. Freehold and leasehold property valuations contain significant assumptions and judgements and therefore there is a risk that the valuation is not materially accurate or has been applied incorrectly in the financial statements.</p>	<ul style="list-style-type: none"> - Assessed whether movements in fair value have been appropriately recorded in the financial statements. - Reviewed the appropriateness of the accounting treatment of revaluation gains in the current and previous financial years. - Reviewed the appropriateness and completeness of disclosures included in the financial statements.
<p>Impairment of Goodwill (Note 12), tangible fixed assets (Note 11), investment in subsidiaries (Note 4 – Parent) and intercompany receivables (Note 5 – Parent).</p> <p>Included in the Group’s Statement of Financial Position is Goodwill of £10.4m (2023: £10.9m) and tangible fixed assets including right-of-use assets of £76.5m (2023: £73.7m).</p> <p>In addition, included in the Parent Company’s Statement of Financial Position are investments in subsidiaries of £9.3m (2023: £9.3m) and intercompany receivables of £23.7m (2023: £21.1m).</p> <p>Given that the Group, and a number of subsidiaries to which the balances relate are loss making, there is a risk that the Groups Goodwill, and Parent Company’s investment in subsidiaries and intercompany receivables should be impaired.</p> <p>The impairment review of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future</p>	<p>We obtained and critically assessed management’s impairment assessment of these balances, which largely related to forecasts of the subsidiaries’ performance to which these balances are attributable. As part of our audit procedures we:</p> <ul style="list-style-type: none"> - Challenged the reasonable of key assumptions used in the formation of expected future revenues by CGU. This included a review of projected occupancy and forecasted revenue per available room. - Assessed the reasonableness of revenue growth rates applied year on year, with reference to third party sources. - Assessed the completeness and accuracy of forecasted expenditure in line with actuals from the current year and contracts for committed expenditure in future periods. - Assessed the appropriateness of the discount factor used in the calculation of the present value of future forecasts. This involved an agreement to third party sources and contracted agreements. - Ensured that forecasted future revenues were only included for the period up to the end of

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Key Audit Matter	How our scope addressed this matter
<p>cash flows and the assumptions made in relation to the forecasted performance of the subsidiaries to which the balances relate.</p> <p>The effect of this is that the recoverable amount of Goodwill, Investment in subsidiaries and intercompany receivables has a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements. Therefore, there is a risk that they require impairment.</p>	<p>the contracted lease term, taking into account any options to extend.</p> <ul style="list-style-type: none"> - Assessed the sensitivity analysis presented by management detailing the headroom for each subsidiary. - Performed our own sensitivity analysis to assess the level of headroom regarding the balance of goodwill, investments in subsidiaries and intercompany receivables.
<p>Going Concern</p> <p>Due to the cashflow issues raised during conversations with management, there is increased risk around the group's ability to meet its liabilities for at least 12 months from the reporting date.</p> <p>The current negative macro-economic environment is a further external indicator of potential going concern risk. The cost-of-living crisis has resulted in a reduction in consumer spending and also lead to increases in direct costs.</p> <p>The going concern review is highly subjective due to the inherent uncertainty involved in forecasting future cash flows and assumptions. This therefore increases the risk that the group may have material uncertainty.</p>	<p>We obtained and critically assessed management's concern assessment, which largely related to cashflow forecasts of the Group's performance. As part of our audit procedures we:</p> <ul style="list-style-type: none"> - We carried out a detailed review of management's going concern assessment, including reviewing budgets and cash flow forecasts for at least 12 months from the date of signing the financial statements. - We reviewed management's key assumptions and judgements in the forecasts and challenge these and obtain evidence where appropriate. - We performed sensitivity analysis on the budgets and cash flows to assess the impact on turnover and key costs. - We reviewed post year end management accounts and compared these to budgets. We also reviewed the cash position up to the date of signing the financial statements to assess the risk of liquidity issues. - We considered the impact of loans falling due within 12 months of signing the audit report and impact of overclaimed VAT (see note 1 for further detail) on the Group's going concern assessment. As disclosed in note 28, following the year end the Group have extended their current £1.2m Brighton loan until December

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Key Audit Matter	How our scope addressed this matter
	<p>2026 and obtained £1.4m in business interruption insurance claim. The Group demonstrates sufficient cash headroom after considering the VAT repayment inclusive of estimated fines and penalties.</p> <ul style="list-style-type: none"> - We reviewed financing agreements for any evidence of covenants in place. We also assessed the ability of the group to meet covenants and repayment of capital and interest since the year end and going forward for 12 months from date of signing.

Our application of materiality

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £1,900,000. This was determined as being 2% of the Group's gross assets. Gross assets have been selected as a benchmark because net assets per share is it is a Key Performance Indicator of the Group and gross assets are a key driver of this. Gross assets also reflect the high asset base of the Group which is required to continue to operate its daily trade.

In addition to this, a lower area specific materiality was set at £460,000 for all areas except for leasehold and freehold property, and those intrinsically linked to them such as the revaluation reserve, deferred tax on revaluations and goodwill. This was determined as 2% of revenue as it is also a Key Performance Indicator of the Group and stakeholders are principally interested in the underlying performance of the Group. Consideration was given as to whether a profit-based area specific materiality should be used however on the basis that the Group is loss making it was concluded that it was more appropriate to base the area specific materiality on revenue.

On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 65% of materiality, being £1,240,000 on full materiality and £299,000 on area specific materiality. The reporting threshold to the audit committee was set at 5% of materiality, being £95,100 and £23,000 respectively. If in our opinion, differences below this level warranted reporting on qualitative grounds, these would also be reported.

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We have determined Parent Company materiality to be £886,000. This was determined as being 2% of gross assets. Gross assets was selected as the benchmark as the Parent company is a holding company and does not generate revenue. Therefore, the gross asset position is considered to be the area of principal interest for the stakeholders.

Because of our risk assessment and review of the Parent Company's control environment, performance materiality was set at 65% of materiality, being £576,000 for total materiality. The reporting threshold to the Audit Committee was set at 5% of materiality, being £44,300. If in our opinion, differences below this level warranted reporting on qualitative grounds, these would also be reported.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included but was not limited to:

- Obtaining management's assessment of going concern and supporting cash flow forecasts covering up to 31 December 2029, and challenging the reasonableness of the assumptions, current and historic trading performance, estimates and judgements that support them.
- Reviewing and considering of the appropriateness of downside and stressed scenarios of trading performance and cash flow forecasts prepared by management;
- Reviewing and considering compliance with bank loan covenants during the period ended 31 December 2024 and as prospectively forecast to 30 June 2026;
- Challenging and assessing the underlying assumptions of the cashflow forecasts and considering whether the period of the forecast is appropriate and;
- Reviewing post balance sheet trading performance and cash flow to assess the reasonableness of management's forecasting, including an assessment of the impact of post balance sheet events.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Independent Auditor's Report to the Members of Safestay plc

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

Independent Auditor's Report to the Members of Safestay plc

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the Group and trade regulations, such as minimum wage regulation and food standards requirements and AIM listing rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

Independent Auditor's Report to the Members of Safestay plc

- Inspecting correspondence with regulators and tax authorities;
- Evaluating management's controls designed to prevent and detect irregularities;
- Discussion with management regarding the relevant laws and regulations that apply to the Group and its subsidiaries, with specific tests completed to ensure compliance with National Minimum Wage requirements and hygiene standards.
- Reviewing board meeting minutes for any details on ongoing legal cases or known regulatory breaches.
- Reviewing legal expenses to assess for evidence of contingent liabilities.
- Holding discussions with management regarding the risk of breaches of AIM rules, as well as discussing this with the Company's NOMAD;
- Reviewing revenue recognition throughout the year to ensure that it has been correctly accounted for. Specifically this involved targeted journals testing around manual journals posted to revenue and journals outside of the normal revenue cycle;
- Identifying and testing journals, in particular journal entries posted with round sum values, blank descriptions, keywords, closing entry or from unusual posters; and
- Challenging assumptions and judgements made by management in their critical accounting estimates, particularly in relation: to assumptions made in preparing value in use calculations for impairment assessments in respect of goodwill, tangible fixed assets and investments in subsidiaries; their assessment of the recoverability of intercompany debtors and the calculation of discount rates used in lease valuations and freehold property valuations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Independent Auditor's Report to the Members of Safestay plc

Use of our report

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

HaysMac LLP

Laura Mott (Senior Statutory Auditor)

For and on behalf of HaysMac LLP, Statutory Auditors
10 Queen Street Place
London
EC4R 1AG
20 June 2025

Safestay plc

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	Note	2024 £'000	As Restated 2023 £'000
Loss for the year		(891)	(1,358)
Exchange differences on translating foreign operations	19	(812)	6
Property revaluation	11	1,181	3,904
Deferred tax on property revaluation		(1,038)	(171)
Total comprehensive income/(loss) for the year attributable to owners of the parent company		(1,560)	2,381

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

Safestay plc

Consolidated Statement of Financial Position

As at 31 December 2024

		31 December 2024	As Restated 31 December 2023
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment (including right of use asset)	11	76,507	73,709
Intangible assets	12	150	71
Goodwill	12	10,383	10,896
Lease assets	17	143	297
Deferred tax asset	18	4,392	5,488
Fair Value of Financial Assets		24	-
Total non-current assets		91,599	90,461
Current assets			
Inventory		39	26
Trade and other receivables	13	981	1,054
Lease assets	17	140	142
Current tax asset		120	134
Cash and cash equivalents	14	1,430	1,998
Total current assets		2,710	3,354
Total assets		94,309	93,815
Current liabilities			
Borrowings	16	(4,164)	(932)
Lease liabilities	17	(1,815)	(1,793)
Liabilities held for sale	4	-	(504)
Trade and other payables	15	(5,084)	(4,299)
Current liabilities		(11,063)	(7,528)
Non-current liabilities			
Borrowings	16	(22,569)	(22,354)
Lease liabilities	17	(21,891)	(24,250)
Deferred tax liabilities	18	(8,022)	(7,359)
Total non-current liabilities		(52,482)	(53,963)
Total liabilities		(63,545)	(61,491)
Net assets		30,764	32,324
Equity			
Share capital	19	649	649
Share premium account	19	23,959	23,959
Other components of equity	19	21,282	21,951
Retained earnings		(15,126)	(14,235)
Total equity attributable to owners of the parent company		30,764	32,324

Safestay plc

Consolidated Statement of Financial Position

As at 31 December 2024

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

These financial statements were approved by the Board of Directors and authorised for issue on 20 June 2025.

Signed on behalf of the Board of Directors



Larry Lipman
Chairman

Safestay plc

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Share capital £'000	Share premium £'000	Other Components of Equity £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2023	647	23,904	18,158	(12,477)	30,232
Prior Year Adjustment (note 25)	-	-	-	(400)	(400)
Balance as at 1 January 2023 (as restated)	647	23,904	18,158	(12,877)	29,832
Comprehensive income					
Loss for the year as restated	-	-	-	(1,358)	(1,358)
Other comprehensive income					
Movement in translation reserve	-	-	6	-	6
Property revaluation reserve	-	-	3,904	-	3,904
Deferred tax on property revaluation	-	-	(171)	-	(171)
Total comprehensive income			3,739	(1,358)	2,381
Transactions with owners					
Issue of shares	2	55	-	-	57
Share based payment charge for the period	-	-	54	-	54
Balance at 31 December 2023 (as restated)	649	23,959	21,951	(14,235)	32,324
Comprehensive income					
Loss for the year	-	-	-	(891)	(891)
Other comprehensive income					
Movement in translation reserve	-	-	(812)	-	(812)
Property revaluation reserve	-	-	1,181	-	1,181
Deferred tax on property revaluation	-	-	(1,038)	-	(1,038)
Balance at 31 December 2024	649	23,959	21,282	(15,126)	30,764

Safestay plc

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 £'000	As Restated 2023 £'000
Cash flow from operating activities			
Loss for the year		(891)	(1,358)
Tax charge		191	226
Depreciation, amortisation		3,381	3,364
Net finance costs		3,421	3,413
Share based payment charge		-	54
Impairment charges		428	1,028
Profit on sale of fixed assets		(400)	-
(Increase)/decrease in inventories		(12)	(2)
Decrease in lease asset debtor		-	153
Decrease in trade and other receivables		229	253
Increase in trade and other payables		524	993
Cash generated from operations attributable to continuing operations		6,871	8,124
Income tax received/(paid)		(3)	(69)
Total net cash inflow from operating activities		6,868	8,055
Cash flow from investing activities			
Purchases of property, plant and equipment		(6,097)	(4,977)
Purchases of intangible assets		(115)	(80)
Interest received		12	35
Total net cash outflow from investing activities		(6,200)	(5,022)
Cash flow from financing activities			
Share issue		-	57
Principal elements of lease payments		(3,709)	(3,639)
Interest paid		(1,453)	(1,274)
Loan repayments		(16,029)	(1,000)
Loan received		19,695	-
Fair value movement in financial assets		(24)	-
Total net cash outflow from financing activities		(1,520)	(5,856)
Cash and cash equivalents at beginning of year		2,038	5,226
Net cash flows (used in)/generating from operating, investing and financing activities		(852)	(2,823)
Differences on exchange		244	(365)
Cash and cash equivalents at end of year (including discontinued operations)	4, 14	1,430	2,038

Safestay plc

Notes to the Consolidated Financial Statements

1. General Information

Corporate Information

Safestay plc, the “Company” together with its subsidiaries, “the Group”, is a public limited company, limited by share capital, whose shares are publicly traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales. The principal activity for the Group is hostel operation. The registered number of the Group is 08866498 and its registered address is 1a Kingsley Way, London, N2 0FW.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards as adopted by the UK (“IFRS”) in conformity with the requirements of the Company Act 2006.

Basis of preparation

The consolidated financial statements have been presented in sterling, prepared under the historical cost convention, except for the revaluation of freehold properties and right of use assets.

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2024.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Safestay plc and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company with adjustments made to their financial statements to bring their accounting policies in line with those used by the Group.

The financial results of subsidiaries are included in the consolidated financial information from the date that control commences, being where the Group controls more than 50% of a subsidiary’s share capital, until the date that control ceases. The consolidated financial information presents the results of the companies within the same group. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed below.

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Notes to the Consolidated Financial Statements

New standards, amendments and interpretations adopted

The following standards are applicable for financial years beginning on/after 1 January 2024:

- IFRS10 – Sale or contribution of assets between an investor and its associate or joint venture
- IFRS16 - Lease liability in a sale and leaseback
- IAS 1 – Classification of liabilities as current or non-current
- IAS 1 – Non-current liabilities with covenants
- IAS 12 - International tax reform - pillar two model rules
- IFRS18 – Presentation and Disclosure in Financial Statements

When applied, none of these amendments have a material impact on the Group.

New standards, amendments and interpretations issued but not yet effective

The following standards are applicable for financial years beginning on/after 1 January 2025:

- IAS 21 – Lack of Exchangeability

The following standards are applicable for financial years beginning on/after 1 January 2026:

- IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

When applied, none of these amendments are expected to have a material impact on the Group.

Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ended 31 December 2024, the Directors have considered the Group's cash flow, liquidity, and business activities.

During 2024, the Group recorded an adjusted EBITDA of £6.5m (2023: £6.8m).

During 2024, the Group refinanced all its existing borrowings in January 2024 into a single £16.0m Term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for five years and were provided by existing lender HSBC. In June 2024, the Group took out a £1.2m loan in relation to Brighton, due to be fully repaid in December 2025. Post year end this was extended from December 2025 to December 2026. Also in April 2025, a new £0.5m RCF was made available for expansion.

In June 2025, the Group signed a settlement agreement in relation to a business interruption insurance claim covering the COVID-19 period. The net settlement amount, after deduction of loss assessor fees, totals £1.4m.

As part of their going concern assessment, the Directors have prepared forecasts for a minimum period of twelve months from the date of approval of the financial statements. In addition, certain adverse scenarios have been considered for the purposes of stress and sensitivity testing. Refer to Section A of this note for further information on the assumptions and judgements applied.

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Notes to the Consolidated Financial Statements

Upon consideration of this analysis and the principal risks faced by the Group, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report based on the forecast prepared. Accordingly, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

In addition, certain adverse scenarios have been considered for the purposes of stress and sensitivity testing.

A downside case was considered whereby EBITDA was reduced by 5% for the forecasted period to June 2026. In this scenario, the Group has sufficient liquidity to remain in compliance with its covenant obligations.

A severe downside case whereby EBITDA was reduced by 20%. In this scenario, there would not be any expected breaches of the covenant obligations and doesn't factor in any mitigating actions such as reducing labour spend and controllable costs. This severe case was modelled to provide comfort over the Group's headroom on its covenants and is not considered to be a realistic scenario.

Upon consideration of this analysis and the principal risks faced by the Group, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

(A) Accounting Policies

Revenue

To determine whether to recognise revenue, the Group follows a 5-step process in accordance with IFRS 15

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is stated net of VAT and is gross of travel agency commission with the Group being the principal in all third-party booking arrangements. It comprises revenues from overnight hostel accommodation, the sale of ancillary goods and services such as food & beverage and merchandise.

Accommodation and the sale of ancillary goods and services are recognised when provided.

In accordance with IFRS 16, the Group accounts for its subleases as operating leases as they do not transfer substantially all the risks and rewards of ownership to the lessee.

The Group recognises income from lease payments from operating leases as income on a straight-line basis over the term of the contract.

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Notes to the Consolidated Financial Statements

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

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

There are no significant judgements or estimations made in calculating and recognising revenue.

Revenue is not materially accrued or deferred between one accounting period and the next.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers ("CODM"), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors. Currently the operating segments are the operation of hostel accommodation in the UK and Europe. An additional geographical area has been identified in respect of Spain as disclosed in note 2.

Taxation

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

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

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

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

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling which is the Group's functional currency.

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Notes to the Consolidated Financial Statements

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are generally recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of income statement and within finance costs. All other exchange gains and losses are presented in the statement of profit or loss within administrative expenses.

Non-monetary items that are measured at fair-value in a foreign currency are translated using the exchange rates at the date when fair-value was determined. Translation differences on assets or liabilities carried at fair-value are reported as part of the fair-value gain or loss.

The results and financial position of foreign operations that have a functional currency different to the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated using the closing rate at the date of that statement of financial position.
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates.
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair-value adjustments arising on the acquisition of a foreign operation are treated as the assets and liabilities of the foreign operation and translated at the closing rate.

Business combinations

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

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

Prior Year Adjustments

Prior year adjustments are recognised where changes in accounting policy or misstatements identified in respect of previously reported amounts have a material impact on the prior year comparatives.

Assets and liabilities held for sale & discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale. Assets held in Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets included in Assets held for sale are not depreciated or amortised. Assets and liabilities classified as held for sale are presented in current assets and current liabilities separately from the other assets and liabilities in the balance sheet.

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Notes to the Consolidated Financial Statements

A discontinued operation is a component of the Group that has been disposed of, distributed or is classified as held for sale or distribution and that represents a separate major line of business. The results of discontinued operations are presented separately in the consolidated income statement, the consolidated statement of other comprehensive income and the consolidated statement of cash flows and comparatives are restated on a consistent basis.

Deferred Consideration

Deferred payments made in relation to acquisitions of subsidiaries and business are accounted for their discounted value in trade and other payable. Any difference between the discounted value and the cash consideration at the time of the payment, is recognised as an interest charge in the income statement.

Property, plant and equipment

Freehold property and Lease assets are stated at fair value and revalued periodically in accordance with IAS 16 Property Plant and Equipment. Valuation surpluses and deficits arising in the period are included in the statement of Comprehensive Income. All other property, plant and equipment are recognised at historical cost less depreciation and are depreciated over their useful lives. The applicable useful lives are as follows:

Fixtures, fittings and equipment	3-5 years
Freehold properties	50 years
Leasehold properties	Term of the lease

Land is not depreciated.

Leasehold land and buildings relate to property from financing transactions related to Safestay Elephant and Castle. The sale of the property in 2017 was agreed with an institutional buyer in exchange for 150 year geared ground rent leases. The significant risks and rewards of ownership were retained, and the exercise to repurchase these properties is "almost certain". The contract took the legal form of the sale and leasebacks. However, the economic substance of the original transactions in 2017 meant that the lease has historically been treated as owned by Safestay. Therefore, the transactions are classified as leasehold land and buildings.

Impairment of property, plant and equipment

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

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

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Notes to the Consolidated Financial Statements

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

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

Goodwill

Goodwill represents the future economic benefits arising from a business combination, measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. A review of the carrying value of goodwill is carried out annually.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. The Directors consider each individual hostel to be a separate cash generating unit for impairment purposes and, as explained in note 12 to the financial statements, each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets

Costs that are directly attributable to a project's development phase, including capitalised internally developed software, are recognised as intangible assets using the cost model, provided they meet all of the following recognised:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software, and
- the software will generate probable future economic benefits.

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Notes to the Consolidated Financial Statements

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date, which is deemed to be the cost going forward.

The leasehold rights and tenancy subleases relate to intangible assets acquired in a business combination as outlined in note 12.

Assets with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives as set out above.

The following useful lives are applied:

- 10 years for the life of the interest in the head lease
- 13 years for tenancy sublease
- 3 years for website development.

Residual values and useful lives are reviewed at each reporting date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventory

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

Financial assets measured at amortised cost

Financial assets held at amortised costs are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Financial assets measured at fair value

Derivative financial assets are measured at fair value plus transaction costs at the date of initial recognition. Any subsequent movements in fair value are recorded in the income statement. The Group has decided not to apply hedge accounting in relation to these derivative financial assets.

Cash and cash equivalents

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

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Notes to the Consolidated Financial Statements

Trade and other receivables

Trade and other receivables are measured at initial recognition at transaction price plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method. The Group recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors. Management have considered the ECL for trade receivables as immaterial given the majority of sale receipts are obtained prior to the stay.

Credit risk

The Group assesses impairment on a forward-looking basis using the expected credit loss method and has applied the simplified approach which uses the lifetime expected loss provision for all trade and other receivables. The Group has no significant history of non-payment; as a result, the expected credit losses on financial assets are not material.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities. Other financial liabilities are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method.

Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Where there are extension options, management have made an accounting policy choice that these are loan commitments from the holder of the debt instrument that does not need to be separately accounted for.

Loan arrangement fees

The loan arrangement fees are offset against the loan balance and amortised over the term of the loan to which they relate as part of the effective interest rate calculation.

Trade and other payables

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

Leases

The Group has leases for hostels across Europe. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Leases of property generally have a lease term ranging from 5 years to 50 years.

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Notes to the Consolidated Financial Statements

For any new property asset contracts entered on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - The Group has the right to operate the asset; or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

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Notes to the Consolidated Financial Statements

The Group has elected to take the exemption not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group defines leases of low value assets as being any lease agreement where the total value of payments made across the lease term is less than £10,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Measurement of the Right-of-use Assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

The Group accounts for its sub leases as finance leases with reference to the right-of-use asset arising from the head lease. The Group has not offset the assets and liabilities of the head lease and sub lease, nor the income and expenditure arising from these contracts. A lease receivable is recognised in the statement of financial position in respect of the net investment in the sub lease. The net investment in the sub lease is assessed annually for any indicators of impairment.

Equity

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

Share Capital

Share capital represents the nominal value of shares issued.

Share premium account

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

Retained earnings

Retained earnings represent undistributed cumulative earnings.

Equity Instruments

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

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Notes to the Consolidated Financial Statements

Other Components of Equity

Merger reserve

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

Revaluation reserve

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

Translation Reserve

Translation Reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into presentational currency.

Share based payment reserve

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

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

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

Dividends

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

Critical accounting judgements and key sources of estimation and uncertainty

The fair value of the Group's property is the main area within the financial information where the Directors have exercised significant estimates.

Judgements

- The Group has identified certain costs and income as exceptional in nature in that, without separate disclosure, would distort the reporting of the underlying business. A degree of judgement is required in determining whether certain transactions merit separate presentation to allow shareholders to better understand financial performance in the year, when compared with that of previous years and trends. This is set out in note 5. The value for these costs in the Consolidated Income statement for the year ended 31 December 2024 is £68,000 (2023: £26,000). The value of income classified as exceptional in the Consolidated Income statement for the year ended 31 December 2024 is £365,000 (2023: £nil).
- Extension options for leases: In accordance with IFRS 16, when the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. Management generally includes extensions when the option to extend can be unilaterally exercised by the tenant provided the hostel under lease is expected to continue to be profitable for the Group after the extension is exercised.
- The Group has an option to repurchase the leasehold property at Elephant & Castle after 25 years. The Directors have considered whether the option would be exercised and have concluded that for commercial reasons, the option would not be taken. If the option were to be taken, the property finance liability at 31 December 2024 would be £9.0m (2023: £8.7m), and finance charges relating to the liability would total £0.5m (2023: £0.5m).
- The Group has identified that a portion of the freehold property in Edinburgh has been leased out to a third party. The Directors have considered whether the portion of the property leased out to a third party constitutes investment property under IAS 40. The Directors concluded that due to the specific leasing arrangements with the third party, it was appropriate to consider the space as freehold property. If the treatment were to be considered as investment property, the property would be held at fair value per the valuation report of £3.3m (2023: £1.8m). The fair value gain of £1.5m would be recognised in the income statement. The impact on depreciation would equate to a reduction in depreciation expense of £0.1m per annum.
- The Group, where the interest rate implicit in the lease cannot be practicably determined, has used the incremental borrowing rate (based on a quoted rate from an external lender as at the date of inception or most recent modification of the lease) instead to calculate the present value of the minimum lease payments. The nature and therefore small changes in the incremental borrowing rate could have a material impact on the financial statements. In 2024 this ranged from 3.6% to 8.4% (2023: from 3.25% to 3.8%). At 31 December 2024, lease liabilities totalled £23.7m (2023: £26.0m) and finance charges relating to lease liabilities for the year totalled £1.6m (2023: 2.0m).

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Notes to the Consolidated Financial Statements

Estimates

- Assessment of impairment of goodwill, property, plant and equipment (including right of use assets) and the ability for the Group to continue as a going concern requires estimation of future cash flows, which are uncertain, discounted to present value which also requires estimation by management. The key assumptions used to calculate the value in use (VIU) to test the goodwill for each cash generating units (CGUs) are detailed in note 12. A Pre-tax discount rate of 12.89% (2023: 9.7%) has been calculated using weighted average cost of capital. An assessment was made on the differing risks between countries in which the hostels operate based on country risks. Based on the assessment it was concluded that the differences between discount rates between each CGU is not material. The assets are similar in nature, with all CGUs providing the provision of hostel accommodation and therefore similar cashflows and therefore the risk associated with the assets is considered to be consistent between CGUs. As such one discount rate has been utilised for the purposes of performing an impairment review. At 31 December 2024, Goodwill totalled £10.3m (2023: £10.9m) and impairment charges totalled £nil (2023: £0.9m). At 31 December 2024, property plant and equipment (including right of use assets) totalled £76.5m (2023: £73.7m) and impairment charges totalled £0.4m (2023: £0.1m).
- As outlined in the accounting policy, the financial statements have been prepared under the historical cost convention except for the revaluation of the freehold properties and lease assets (in respect of Elephant and Castle). The Group is required to value properties on a sufficiently regular basis by using open market values to ensure that the carrying value does not differ significantly from their fair values. Valuations are performed by qualified valuers using open market values, which reflect the estimated selling price in an arms-length transaction and includes assumptions of future income levels and trading potential for each hostel as other factors including location and tenure. Key valuation estimates include the discount rate, capitalisation rate, inflation rate, and running yield. Further details can be found in the Valuation Methodology section of note 11. The Group has used external valuations on freehold properties and leased assets under financing transactions, as outlined in note 11. Based on the market data assessed and internal assessment of each property, management does not consider that the fair value differs materially from the carrying value. Management is confident that the carrying value is deemed reasonable at 31st December 2024.
- The estimated useful lives which are used to calculate depreciation of property, plant and equipment are based on the length of time these are expected to generate income and be of benefit to the Group. Depreciation methods, useful economic lives and residual values are reviewed at each reporting date and adjusted if appropriate. Property plant and equipment totalled £76.5m at 31 December 2024 (2023: £73.7m) and depreciation charges totalled £3.3m (2023: £3.3m).
- The Group has recognised deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses (before the latter expire). The Directors consider the likelihood that the Group will generate taxable profits is probable, and as such, recognises deferred tax assets related to tax losses in full. Deferred tax assets at

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31 December 2024 totalled £4.4m (2023: £5.5m). Deferred tax charges for the year ended 31 December 2024 totalled £0.7m (2023: £0.2m).

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Notes to the Consolidated Financial Statements

2. SEGMENTAL ANALYSIS

An analysis of the Group's revenue from external customers for each major product and service category is as follows:

	2024	2023
	£'000	£'000
Hostel accommodation	19,962	20,143
Food and Beverages sales	1,915	1,525
Other income	1,132	822
Total Income	23,009	22,490
Like for like income	21,373	21,485

Like-for-like income relates to all turnover less turnover associated with the newly operating properties, Edinburgh and Cordoba as well as discontinued operating segments.

The Group recognises income from lease payments from operating leases as income on a straight-line basis over the term of the contract.

Operating segments are reporting in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODMs, who monitor the performance of these operating segments as well as deciding on the allocation of resources to them, have been identified as the Executive Directors. Currently the operating segments are the operation of hostel accommodation in the UK and Europe.

An additional material geographical area has been identified in respect of Spain to meet the disclosure requirements of IFRS 8 due to its significance to the Group.

The Group provides a shared services function to its operating segments and reports these activities separately. Management does not consider there to be any other material reporting segments. Management revisits this at each year end.

The most important measures used to evaluate the performance of the business are revenue, EBIDTA and adjusted EBITDA, which is the operating profit after excluding depreciation and amortisation, and removing non-recurring expenditure which would otherwise distort the cash generating nature of the segment.

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2024	UK	Spain	Europe	Shared services	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000s	£'000
Revenue	8,986	5,953	7,540	18	512	23,009
Profit/(loss) before tax	1,355	(456)	324	(1,630)	391	(16)
Add back: Finance income and costs	315	1,066	790	1,058	192	3,421
Add back: Depreciation & Amortisation	623	1,206	1,211	335	6	3,381
EBITDA	2,293	1,816	2,325	(237)	589	6,786
Impairment	-	-	428	-	-	428
Profit on disposal of assets	-	-	-	4	(404)	(400)
Fair value movements of derivatives	-	-	-	13	-	13
Exceptional & Share based payment expense	-	-	(344)	21	26	(297)
Adjusted EBITDA	2,293	1,816	2,409	(199)	211	6,530
Total assets	45,573	16,235	18,120	14,381	-	94,309
Total liabilities	(13,322)	(10,742)	(7,085)	(32,396)	-	(63,545)

2023 as restated	UK	Spain	Europe	Shared services	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	8,270	5,349	8,871	-	22,490
Profit/(loss) before tax (including discontinued operations)	2,252	(448)	(1,269)	(1,667)	(1,132)
Finance income and costs	315	278	493	2,326	3,412
Depreciation & Amortisation	432	1,198	1,195	539	3,364
EBITDA	2,999	1,028	419	1,198	5,644
Impairment	-	-	1,028	-	1,028
Adjusting Items & Share based payment expense	-	-	-	80	80
Adjusted EBITDA	2,999	1,028	1,447	1,278	6,752
Total assets	40,939	15,788	21,253	15,835	93,815
Total liabilities	(11,471)	(11,881)	(7,930)	(30,209)	(61,491)

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The Group's non-current assets (other than financial instruments and deferred tax assets) are located into the following geographic regions:

	2024	2023
	£'000	£'000
UK	45,034	40,472
Spain	15,428	14,976
Rest of Europe	17,193	19,650
Shared services	13,944	15,363
Total	<u>91,599</u>	<u>90,461</u>

3. COST OF SALES

	2024	2024	2024	As Restated
	Continuing	Discontinuing	Total	2023
	Operations	Operations	Operations	£'000
	£'000	£'000	£'000	£'000
Food and drinks	650	20	670	635
Direct room supplies and sales commissions	3,289	95	3,384	3,438
Total	<u>3,939</u>	<u>115</u>	<u>4,054</u>	<u>4,073</u>

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Notes to the Consolidated Financial Statements

4. DISCONTINUED OPERATIONS AND LIABILITIES HELD FOR SALE

Following the classification of the asset group of “Vienna Hotel” as held-for-sale in September 2023, the operational performance was classified as discontinued. The Hostel formed part of the Europe operating segment. The lease for the Vienna Hotel was surrendered on 31 July 2024.

		2024	As Restated 2023
	Note	£000s	£000s
Revenue		512	996
Cost of sales	3	(115)	(227)
Gross profit		397	769
Administrative expenses	5	186	(905)
Operating profit		583	(136)
Finance income and costs	6	(192)	(239)
Profit/(loss) before tax		391	(375)
Profit/(loss) after tax for discontinuing operations		391	(375)
		2024	2023
		£000s	£000s
Property plant and equipment (including right-of-use asset)		-	3,884
Trade and other payables		-	(187)
Lease Liabilities		-	(4,291)
Cash and cash equivalents		-	40
Trade and other receivables		-	50
Liabilities held for sale		-	(504)

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		As Restated
	2024	2023
Cash flow from operating activities		
Loss for the year	1,062	(377)
Tax charge	-	1
Depreciation, amortisation and impairment	7	264
Net finance costs	-	239
(Increase)/decrease in inventories	3	2
Decrease in trade and other receivables	21	(52)
Increase in trade and other payables	(133)	306
Lease modification	(843)	-
Net Cash generated from operations attributable to discontinued operations	<u>117</u>	<u>383</u>
Cash flow from investing activities		
Purchases of property, plant and equipment	-	(9)
Net cash used in discontinued investing activities	<u>-</u>	<u>(9)</u>
Cash flow from financing activities		
Principal elements of lease payments	(293)	(419)
Loan repayments	192	(80)
Net cash used in discontinued financing activities	<u>(101)</u>	<u>(499)</u>
Cash and cash equivalents at beginning of year	40	162
Net cash flows (used in)/generating from operating, investing and financing activities	16	(125)
Differences on exchange	11	3
Cash and cash equivalents at end of year	<u><u>67</u></u>	<u><u>40</u></u>

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Notes to the Consolidated Financial Statements

5. ADMINISTRATIVE EXPENSES

	2024	2024	2024	2023
	Continuing	Discontinued	Total	
	Operations	Operations	Total	
	£'000	£'000	£'000	£'000
Staff costs (see note 10)	7,654	176	7,830	7,093
Legal and professional fees	1,034	14	1,048	781
Property costs	448	-	448	344
Depreciation and amortisation	3,375	6	3,381	3,364
Impairment of goodwill	-	-	-	880
Impairment of tangible fixed assets	428	-	428	148
Share option expenses	-	-	-	54
Adjusting items: one-off legal and other	(323)	26	(297)	26
Profit on disposal of assets	4	(404)	(400)	-
Fair value movements of derivatives	13	-	13	-
Other expenses	3,103	(4)	3,099	3,446
	15,736	(186)	15,550	16,136

6. FINANCE COSTS

	2024	2024	2024	2023
	Continuing	Discontinued	Total	
	Operations	Operations	Total	
	£'000	£'000	£'000	£'000
Interest on bank and other loans	1,455	-	1,455	1,340
Amortised loan arrangement fees	140	-	140	68
Interest expense for lease arrangements	1,424	192	1,616	1,725
Property financing expense	222	-	222	315
	3,241	192	3,433	3,448

Finance income for the year totalled £12k (2023: £36k).

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7. LOSS FOR THE FINANCIAL YEAR

The audit fees disclosed in 2024 represent the fees payable for the audit for the year ended 31 December 2024.

	2024 £'000	2023 £'000
Loss for the financial period is arrived at after charging:		
Depreciation on owned assets	1,291	938
Depreciation of assets under lease liabilities	2,054	2,408
Amortisation of intangible assets	36	18
CLA Evelyn Partners Limited Auditor's remuneration for audit services	-	40
HaysMac LLP additional charge relating to 2023 audit services	110	-
HaysMac LLP Auditor's remuneration for audit services	196	175

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

	2024 £'000	2023 £'000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements:		
CLA Evelyn Partners Limited audit of the Group and Company's annual accounts	-	40
HaysMac LLP additional charge relating to 2023 audit services	110	-
HaysMac LLP audit of the Group and Company's annual accounts	131	110
HaysMac LLP audit of the subsidiaries' annual accounts	65	65

CLA Evelyn Partners audit charge in 2023 relates to agreed overruns relating to 2022 annual accounts agreed post signing of the 2022 annual accounts.

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Notes to the Consolidated Financial Statements

8. TAX

The Group tax charge is made up as follows:

	2024 £'000	2023 £'000
Current tax		
Corporation tax on profits for the year	5	13
Adjustments for corporation tax on prior periods	-	-
Other local taxes	186	38
Total current tax	191	51
Deferred tax	684	96
Adjustments for deferred tax in prior periods	-	79
Effect of increased tax rate on opening balance	-	-
Total tax charge	875	226

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

	2024 £'000	As Restated 2023 £'000
Loss before tax	(407)	(1,358)
Tax at the standard UK corporation tax rate of 25% (2023: 23.52%)	(102)	(319)
Fixed asset differences	91	43
Adjustment for tax rate differences in foreign jurisdictions	(1)	-
Adjustments for tax on prior periods - deferred tax	174	-
Adjustments for tax on prior periods - deferred tax	175	79
Other tax adjustments, reliefs and transfers	-	-
Remeasurement of deferred tax for changes in tax rates	-	1
Deferred tax not recognised	192	(16)
Factors affecting charge for the period		
Non-deductible items and other timing differences	190	417
Chargeable gains/(losses)	-	-
Foreign exchange differences	156	21
Deferred tax eliminated	-	-
Group tax charge	875	226

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The Group has a deferred tax liability of £4.8m (2023: £3.3m) related to the potential future gain on property revaluations.

The Finance Bill 2021 included legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. This rate change is included above as the Finance Bill 2021 has been substantively enacted.

The Finance Bill 2023 includes legislation to implement the Organisation for economic Co-operation and Development ("OECD") Base Erosion and Profit Shifting ("BEPS") Pillar two income inclusion rule ("IIR") in the United Kingdom ("UK"). The legislation introduces a multination top-up tax ("MTUT") and the domestic top-up tax ("DTT") and both will apply to large multination enterprises for accounting periods beginning on or after 31 December 2023. The legislation is not thought to have any impact on the Group tax charge.

9. PROFIT/(LOSS) PER SHARE

	2024	As Restated 2023
	£'000	£'000
Basic profit/(loss) per share from:		
Continuing Operations	(1.97p)	(1.51p)
Discontinued Operations	0.60p	(0.58p)
Diluted profit/(loss) per share from:		
Continuing Operations	(1.87p)	(1.44p)
Discontinued Operations	0.57p	(0.55p)

Basic loss per share has been calculated by dividing the loss attributable to shareholders by the weighted average number of shares in issue during the period.

Diluted loss per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares, such as share option awards.

The number of shares used in calculating basic and diluted loss per share are reconciled below:

	2024	2023
Weighted average number of ordinary shares (000s) for the purposes of basic loss /earnings per share	64,935	64,869
Effect of dilutive potential ordinary shares (000s)	3,441	3,441
Weighted average number of ordinary shares (000s) for the purposes of diluted profit/(loss) per share	68,376	68,310

The total number of shares in issue as at 31 December 2024 was 64,935,414.

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10. STAFF COSTS

The average monthly number of employees (including Directors) during the year was:

	2024	2023
	Number	Number
Hostel operation	311	277
Directors	6	6
	<u>317</u>	<u>283</u>

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

	2024	2024	2024	2023
	Continuing	Discontinued	Total	Total
	Operations	Operations	Total	Total
	£'000	£'000	£'000	£'000
Wages and salaries	6,545	151	6,696	6,073
Social security costs	1,066	25	1,091	978
Pension costs	43	-	43	42
Total staff costs	<u>7,654</u>	<u>176</u>	<u>7,830</u>	<u>7,093</u>

Directors' Remuneration

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

	2024	2023
	£'000	£'000
Short term employee benefits	486	446
Pension	7	8
Share based payment charges	-	57
	<u>493</u>	<u>511</u>

The highest paid director received total remuneration of £155k (2023: £147k) including pension contributions of £5k (2023: £4k). There are a total of 3 directors receiving pension contributions.

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

Details of directors share options is provided in the Directors' Remuneration Report.

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Notes to the Consolidated Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Freehold land and buildings £'000	Right of Use Assets £'000	Leasehold land and buildings £'000	Leasehold improve- ments £'000	Fixtures, fittings & equipment £'000	Assets under construction £'000	Total £'000
At 1 January 2023	12,039	38,540	26,799	4,731	4,179	-	86,288
Transfers	-	-	-	680	(720)	40	-
Reclassification as held for sale	-	(5,246)	-	-	(56)	-	(5,302)
Additions	2,522	-	-	4	337	2,114	4,977
IFRS lease modification	-	323	-	-	-	-	323
Revaluation	2,411	-	221	-	-	-	2,632
Exchange movements	27	(194)	-	24	(32)	-	(175)
At 1 January 2024	16,999	33,423	27,020	5,439	3,708	2,154	88,743
Transfer	2,114	-	-	-	-	(2,114)	-
Additions	2,880	-	-	62	742	2,413	6,097
Disposals	-	-	-	-	(86)	-	(86)
IFRS lease modification	-	151	-	-	-	-	151
Revaluation	1,004	-	-	-	-	-	1,004
Surrender of Vienna Lease	-	-	-	-	(48)	-	(48)
Exchange movements	(140)	(952)	-	(17)	(195)	-	(1,304)
At 31 December 2024	22,857	32,622	27,020	5,484	4,121	2,453	94,557
Depreciation & Impairment							
At 1 January 2023	322	9,076	596	1,277	2,959	-	14,230
Transfer	-	-	-	526	(526)	-	-
Reclassification as held for sale	-	(1,388)	-	-	(30)	-	(1,418)
Charge for the period	169	2,408	185	318	266	-	3,346
Impairment	-	83	-	65	-	-	148
Revaluation	(491)	-	(781)	-	-	-	(1,272)
At 1 January 2024	-	10,179	-	2,186	2,669	-	15,034
Transfers	-	-	-	-	-	-	-
Charge for the period	453	2,054	188	322	328	-	3,345
Disposals	-	-	-	-	(86)	-	(86)
Revaluation	(453)	-	276	-	-	-	(177)
Impairment	-	235	-	154	39	-	428
Surrender of Vienna Lease	-	-	-	-	(24)	-	(24)
Exchange movements	-	(239)	-	(82)	(149)	-	(470)
At 31 December 2024	-	12,229	464	2,580	2,777	-	18,050
Net book value:							
At 31 December 2024	22,857	20,393	26,556	2,904	1,344	2,453	76,507
At 31 December 2023	16,999	23,244	27,020	3,253	1,039	2,154	73,709

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Freehold properties

The freehold values relate to the five following hostels:

- The £2.8m value of the freehold in **York** is based on the external valuations as at 31 December 2024 prepared by Cushman and Wakefield.
- The freehold of the **Glasgow** property acquired in October 2019 for £3.2m and which has undergone renovation for £0.4m. The £5.5m value of the freehold in Glasgow is based on the external valuations as at 31 December 2024 prepared by Cushman and Wakefield.
- The £6.7m value of the freehold in **Edinburgh** is based on the external valuations as at 31 December 2024 prepared by Cushman and Wakefield. The freehold was acquired in December 2023 for £4.3m and underwent refurbishment totalling £1.2m.
- The hostel in **Pisa** was acquired in June 2019 for £3.0m, of which £2.3m for the freehold. The £6.2m value of the freehold in Pisa is based on the external valuations as at 31 December 2024 prepared by Cushman and Wakefield.
- The freehold of the **Córdoba** property was acquired in May 2024 for £1.7m. The external valuation at 31 December 2024 prepared by Cushman and Wakefield valued the property at £2.1m.

If the properties had been accounted for under the historic cost accounting rules, they would have been accounted for as follows:

	2024	2023
	<i>£'000s</i>	<i>£'000s</i>
Historic Cost including Renovations	15,637	10,639
Accumulated Depreciation	(1,313)	(1,012)
	<u>14,324</u>	<u>9,627</u>

Details of the revaluation surplus, including the movement during the period, are presented in the Statement of Changes in Equity (SOCIE) on page 64.

Leasehold, land and buildings

The Group has used external valuations on Elephant & Castle. The London Elephant & Castle leasehold was independently valued on 31 December 2024 at £26.8m. The valuation was performed by Cushman and Wakefield. The Group has accounted for the finance transactions as interest-bearing borrowings secured on the original properties held. The historic carrying value is £15.5m, which is the initial value at date of inception of the lease plus £2.5m of additions, less £3.0m of depreciation charges.

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Leasehold improvements

Leasehold improvements comprise the capitalised refurbishment costs incurred by the Group on the leased properties.

Valuation process

The Group provides information to valuers, including profit and cashflow forecasts along with asset-specific business plans. These independent external valuers hold recognised and relevant and professional qualifications and have recent experience in the location and category of the properties being valued. The valuers use this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the directors. Cushman & Wakefield were engaged to value properties now valued at £50.1m (including fixtures & fittings).

Valuation fees are a fixed amount agreed between the Group and the valuers in advance of the valuation and are not linked to the valuation output.

Valuation methodology

The value is assessed by adopting the income approach to valuation adopting a discounted cashflow approach. Under this approach it is assumed that the property is held for a period of 10 years and the net present value of the earnings during this period are added to the exit value which is discounted to present day values. Adopting an income approach also requires the analysis of comparable transactions in the market to assess the rates of returns investors are prepared to accept at the date of valuation.

The table below provides details of the assumptions used in the valuation of the properties:

Location	Discount rate	Capitalisation rate	Inflation rate	Running Yield
Elephant & Castle	9.0%	7.9%	2.5%	6.67% - 7.38%
Glasgow	11.3%	9.3%	2.5%	9.24% - 9.62%
Edinburgh	10.0%	8.0%	2.5%	5.72% - 6.34%
York	11.0%	7.9%	2.5%	8.11% - 9.45%
Pisa	10.0%	8.0%	2.5%	(0.88)% - 9.67%
Cordoba	8.8%	6.8%	2.5%	5.08% - 7.22%

Capital Commitments

There were no capital commitments at the year-end (2023: £0.7m).

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12. INTANGIBLE ASSETS AND GOODWILL

	Website £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2023	139	13,505	13,644
Additions	80	-	80
Exchange differences	-	(238)	(238)
At 31 December 2023	219	13,267	13,486
Additions	115	-	115
Exchange differences	-	(509)	(509)
At 31 December 2024	334	12,758	13,092
Amortisation and Impairment			
At 1 January 2023	130	1,491	1,621
Impairment	-	880	880
Charge for the period	18	-	18
At 31 December 2023	148	2,371	2,519
Write off on Surrender of Vienna Hotel Lease	-	4	4
Charge for the period	36	-	36
At 31 December 2024	184	2,375	2,559
Net book value:			
At 31 December 2024	150	10,383	10,533
At 31 December 2023	71	10,896	10,967

Goodwill

Goodwill in a business combination is allocated to the cash generating units ("CGUs") that are expected to benefit from that business combination. The Group's CGUs have been defined as each operating hostel. This conclusion is consistent with the approach adopted in previous years and with the operational management of the business.

Impairment

Goodwill is not amortised but tested annually for impairment. The recoverable amount of each CGU is determined from value in use ("VIU") calculations based on future expected cash flows discounted to present value using an appropriate pre-tax discount rate.

Goodwill carrying values as at 31 December 2024 are shown below:

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CGU	2024		2023	
	Goodwill	Headroom	Goodwill	Headroom
	£000s	£000s	£000s	£000s
Madrid	2,071	2,329	2,173	-
Paris	11	-	11	-
Gothic	679	2,561	712	1,307
Lisbon	1,266	-	1,328	220
Prague	198	366	207	248
Barcelona Passeig De Gracia	1,577	6,966	1,654	69
Vienna	-	-	5	184
Brussels	1,239	3,828	1,300	2,428
Pisa	743	7,672	779	2,924
Berlin	902	346	947	-
Athens	1,130	732	1,185	550
Warsaw	567	1,798	595	692
	10,383	26,598	10,896	8,622

There were no impairment charges relating to goodwill for the year ended 31 December 2024 (2023: £0.9m). Goodwill relating to the Vienna Hotel was written off.

The key assumptions used in the VIU calculations for all hostels are based on forecasts approved by management performed for a 5-year period:

- A pre-tax discount rate of 12.89% (2023: 9.7%) was calculated using weighted average cost of capital. An assessment was made on the differing risks between countries in which the hostels operate. Based on the assessment it was concluded that the differences between discount rates between each CGU are not material. The assets are similar in nature, with all CGUs providing the provision of hostel accommodation and therefore similar cashflows and therefore the risk associated with the assets is considered to be consistent between CGUs. As such one discount rate has been utilised for the purposes of performing an impairment review.
- Goodwill was assessed for impairment based on the remaining lease term, consistent with the lease term used for the associated right-of-use asset. In addition, an estimated exit value was included, determined by applying a long-term growth rate of 2.0% in perpetuity.
- The estimated average bed rate, along with revenue and costs, is projected to increase annually by 2.5% in line with assumed inflation.
- Occupancy is projected to increase by 1% year-on-year over the forecasted period.
- After the 5-year period, a flat growth rate of 2.5% was applied to the discounted cashflows.

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Discount Rate

The Group calculates a WACC applying local government bond yields and tax rates. For reference the Group WACC for Safestay plc was 12.89% (2023: 9.7%). The discount rate applied to a CGU represents a pre-tax rate that reflects the market assessment of the time value of money as at 31 December 2024 and the risks specific to the CGU.

13. TRADE AND OTHER RECEIVABLES

	2024	As Restated 2023
	£'000	£'000
Trade receivables	105	154
Other receivables	400	431
Prepayments and accrued income	476	469
	<u>981</u>	<u>1,054</u>

Credit risk is the risk that a counterparty does not settle its financial obligation with the Company. At the year end, the Company has assessed the credit risk on amounts due from suppliers, based on historic experience, meaning that the expected lifetime credit loss was immaterial. Further details on this can be found in note 1.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 – the identified impairment loss was none. At year end the Group held a rental deposit of £324,000, which is due to be recovered in more than one year.

14. CASH AND CASH EQUIVALENTS

	2024	2023
	£'000	£'000
Cash and cash equivalents	<u>1,430</u>	<u>1,998</u>

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

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Notes to the Consolidated Financial Statements

15. TRADE AND OTHER PAYABLES

	2024	As Restated 2023
	£'000	£'000
Due in less than one year		
Trade payables	484	572
Social security and other taxes	1,176	1,197
Corporation tax	187	-
Other creditors	107	156
Accruals and deferred income	3,130	2,374
	<u>5,084</u>	<u>4,299</u>

16. BORROWINGS

	2024	2023
	£'000	£'000
At amortised cost		
Bank and other loans repayable within one year	4,246	1,000
Loan arrangement fees	(85)	(68)
Property Finance Liability	3	-
	<u>4,164</u>	<u>932</u>
Bank and other loans repayable within more than one year	15,595	15,180
Loan arrangement fees	(200)	-
Property Finance Liability	7,174	7,174
	<u>22,569</u>	<u>22,354</u>

In January 2024, the Group refinanced its existing borrowings into a single £16m term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for 5 years and were provided by the existing lender HSBC.

The Term Loan interest rates are £4.4m at 3.955%, £10.0m at SONIA but capped at 4.75% with a floor of 3.0%, all with an additional margin of 2.6%. The RCF has a rate of SONIA plus a margin of 2.85%. The Term Loan is repayable at £0.1m per quarter from March 2024, together with a final payment at completion. Interest on both the Term Loan and RCF is payable quarterly.

The Term Loan replaced the previous interest only £12.7m facility with HSBC and enabled the repayment of the outstanding Coronavirus Business Interruption Loan Scheme ("CBILS") loan of £3.3m, which carried a significantly higher interest rate.

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In addition to the Group refinancing, a supplementary £1.2m loan was obtained from the trustees of the Sheldon Pension Fund and Sentpark Capital Limited in June 2024, in order to facilitate the purchase of a freehold property located in Brighton, United Kingdom. The loan was made to Safe Hostels Limited (a 100% owned subsidiary of Safestay plc) with Safestay plc writing a written guarantee. The interest rate on the loan is 1% per month and is serviced monthly, plus arrangement and exit fees of 1%. This loan has an 18-month term and was initially repayable in December 2025. Post year end, the term of the loan was extended to December 2026.

Non-Current Liabilities with Covenants

As disclosed in note 1, the Group has adopted the amendments to IAS 1 relating to the classification of non-current liabilities with covenants. In accordance with these amendments, the Group provides the following information regarding loan covenants associated with the £16.0m Term Loan and £2.5m RCF:

1. Historical Interest Cover

The Group must maintain a minimum historical interest cover as follows:

Period	Minimum Historical Interest Cover (%)
31 Dec 2024 – 31 Mar 2025	150%
1 Apr 2025 – 30 Jun 2025	150%
1 Jul 2025 – 30 Sep 2025	165%
1 Oct 2025 – 31 Dec 2025	175%

2. Loan to Value (LTV)

The Group must ensure that the LTV does not, at any time, exceed 50%.

3. Minimum EBITDA

On the specified test dates, the Group must meet the following EBITDA thresholds:

Test Date	Minimum EBITDA
31 Dec 2024	£2,000,000

4. Debt Service Cover Ratio (DSCR)

From 31 March 2025, the Group is required to maintain a minimum DSCR of 125% on each Test Date:

Period Ending	Minimum DSCR (%)
31 Mar 2025	125
30 Jun 2025	125
30 Sep 2025	125
31 Dec 2025	125

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5. Debt Leverage

The maximum debt leverage ratio allowed under the agreement is:

Relevant Period	Maximum Ratio
12 months to 31 Dec 2024	9:1
12 months to 31 Mar 2025	8:1
12 months to 30 Jun 2025	8:1
12 months to 30 Sep 2025	8:1
12 months to 31 Dec 2025	8:1

The Directors have prepared forecasts for a minimum period of twelve months from the date of approval of the financial statements. Based on this they are confident that the covenants in this period will be met and there is sufficient headroom to cover certain adverse scenarios.

After the year-end, the terms of the Group's banking facility were amended, resulting in changes to the historical interest cover and debt leverage ratio covenants. These adjustments were implemented to better reflect current trading conditions and to provide the Group with greater flexibility in managing its obligations.

17. LEASES

Lease assets are presented in the statement of financial position as follows:

	2024	2023
	£'000	£'000
Current	140	142
Non-current	143	297
Total	283	439

The lease asset relates fully to our contract with Casa Suecia where the Group has outsourced, on a revenue share basis, our Madrid food and beverage operations.

This is a contract where Safestay receives the higher of a minimum guaranteed rent or an agreed % of the food and beverage revenue in return for Casa Suecia receiving the profit from this income stream by managing this part of the operation with its own staff. This arrangement commenced in July 2021 and is for an initial five years.

In our lease asset calculations, the Directors have assumed the net profit of Casa Suecia did not exceed the variable threshold.

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2024

	Minimum lease receipts due						Total
	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	After 5 years	
Lease receipts	149	149	-	-	-	-	298
Finance income	(9)	(6)	-	-	-	-	(15)
Net present values	140	143	-	-	-	-	283

2023

	Minimum lease receipts due						Total
	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	After 5 years	
Lease receipts	156	156	153	-	-	-	465
Finance income	(15)	(9)	(3)	-	-	-	(27)
Net present values	141	147	150	-	-	-	438

Lease liabilities are presented in the statement of financial position as follows:

	2024	2023
	£'000	£'000
Current	1,815	1,793
Non-current	21,891	24,250
Total	23,706	26,043

Total cash outflow for leases for the year ended 31 December 2024 was £3.4m (2023: £3.6m).

The Group has leases for hostels across Europe. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset and any additional consideration is recognised through the income statement. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (note 11).

The hostel in London Kensington Holland Park has a term of 50 years. There is no purchase option in this lease.

Lease payments are generally linked to annual changes in an index (either RPI or CPI). However, the Group has leases in Lisbon and Kensington Holland Park for which a portion of the rentals are linked to revenue. The variable portion of the lease in Lisbon and Kensington Holland Park are accounted for as a variable rent over the period it relates to.

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Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over hostels or hotels, the Group must keep those properties in a good state of repair and return the properties in good condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Hostel buildings	11	4 - 40 years	11	9	0	10	0

In addition to the above, there is the London Kensington Holland Park lease which ends in 2065. There are no such options as above.

There is a short-term lease commitment relating to the commercial hub in Warsaw. The total commitment is £60k (2023: £18k).

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Lease liabilities

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2024 is as follows:

2024

	Minimum lease payments due			Total
	Within 1 year	1-5 years	After 5 years	
Lease payments	3,085	11,249	21,756	36,090
Finance charges	(1,270)	(3,887)	(7,227)	(12,384)
Net present values	1,815	7,362	14,529	23,706

2023

	Minimum lease payments due			Total
	Within 1 year	1-5 years	After 5 years	
Lease payments	3,156	11,740	24,642	39,538
Finance charges	(1,363)	(4,295)	(7,837)	(13,495)
Net present values	1,793	7,445	16,805	26,043

18. DEFERRED INCOME TAX

	Deferred tax assets £'000	Deferred tax liabilities £'000	Total £'000
Balance as at 1 January 2023	7,226	(8,737)	(1,511)
Recognised in the income statement	(1,724)	1,549	(175)
Adjustments for amendments to IAS 12	(14)	-	(14)
Recognised included directly in equity	-	(171)	(171)
Balance at 31 December 2023	5,488	(7,359)	(1,871)
Recognised in the income statement	(1,065)	381	(684)
Adjustments for amendments to IAS 12	(31)	(6)	(37)
Recognised included directly in equity	-	(1,038)	(1,038)
Recognised in other comprehensive income	-	-	-
Balance at 31 December 2024	4,392	(8,022)	(3,630)

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19. EQUITY

CALLED UP SHARE CAPITAL

	£'000
Allotted, issued and fully paid	
64,935,414 Ordinary Shares of 1p each as at 1 January 2024 & 31 December 2024	649
	<u>649</u>

Share capital represents the nominal value of shares issued.

At 31 December 2024, the ordinary shares rank pari passu. There are no changes to the voting rights of the ordinary shares since the reporting date. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share the meetings of the Company. Ordinary shareholders are also entitled to repayment of capital.

In addition to called up share capital, there are 3,441,189 (2023: 3,441,189) potential shares relating to share options. The value of shares relating to share options totals £34k (2023: £34k).

SHARE PREMIUM

	£'000
Share premium as at 1 January 2024 & 31 December 2024	<u>23,959</u>

OTHER COMPONENTS OF EQUITY

	Merger reserve	Share based payment reserve	Revaluation reserve	Translation reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2023	1,772	292	15,996	98	18,158
Share based payment charge	-	54	-	-	54
Property revaluation	-	-	3,904	-	3,904
Deferred tax on property revaluation	-	-	(171)	-	(171)
Exchange differences on translating foreign operations	-	-	-	6	6
At 31 December 2023 as restated	1,772	346	19,729	104	21,951
Property revaluation	-	-	1,181	-	1,181
Deferred tax on property revaluation	-	-	(1,038)	-	(1,038)
Exchange differences on translating foreign operations	-	-	-	(812)	(812)
At 31 December 2024	1,772	346	19,872	(708)	21,282

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Merger reserve

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

Revaluation reserve

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

Translation Reserve

Translation Reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into presentational currency.

The Group recognised a translation reserve movement of £812k (2023: £6k), primarily driven by significant exchange rate fluctuations on the consolidation of foreign subsidiaries, particularly due to the strengthening of the Pound Sterling against the Euro.

Share based payment reserve

The equity settled share-based payment reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised

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20. SHARE BASED PAYMENTS

The Company operates a share-based payments scheme for Directors as outlined in the Directors' Remuneration Report. Share options were awarded as part of longer-term incentives.

The option holder may only exercise the option if, on the date of exercise, the market value targets are achieved.

No share options were granted in the year (2023: 300,000) and the average share price target for options issued in 2024 was nil p (2023: 24p).

Grant date	Exercise price per share (pence)	Period within which options are exercisable	Number of share options outstanding	
			2024	2023
2-May-14	15p	01/01/2024 to 31/12/2031	396,521	396,521
12-May-14	50p	01/01/2024 to 31/12/2031	528,695	528,695
21-May-14	50p	21/05/2017 to 20/05/2024	132,173	132,173
1-Jan-19	15p	01/01/2024 to 31/12/2031	300,000	300,000
26-Jun-19	15p	01/01/2024 to 31/12/2031	100,000	100,000
5-Sep-19	15p	01/01/2024 to 31/12/2031	100,000	100,000
2-Jan-20	15p	01/01/2024 to 31/12/2031	600,000	600,000
31-Oct-20	9p	01/01/2024 to 31/12/2031	78,900	78,900
30-Nov-20	15p	01/01/2024 to 31/12/2031	44,400	44,400
31-Dec-20	13p	01/01/2024 to 31/12/2031	54,600	54,600
31-Jan-21	13p	01/01/2024 to 31/12/2031	54,600	54,600
28-Feb-21	14p	01/01/2024 to 31/12/2031	50,800	50,800
31-Mar-21	15p	01/01/2024 to 31/12/2031	47,400	47,400
30-Apr-21	15p	01/01/2024 to 31/12/2031	47,400	47,400
31-May-21	15p	01/01/2024 to 31/12/2031	41,800	41,800
30-Jun-21	15p	01/01/2024 to 31/12/2031	39,500	39,500
31-Jul-21	15p	01/01/2024 to 31/12/2031	44,400	44,400
14-Apr-22	15p	01/01/2024 to 31/12/2031	400,000	400,000
9-Nov-22	16p	01/01/2024 to 31/12/2031	30,000	30,000
25-Nov-22	16p	01/01/2024 to 31/12/2031	50,000	50,000
15-Aug-23	24p	01/01/2024 to 31/12/2031	300,000	300,000
			3,441,189	3,441,189

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The share options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. The share options that were issued in 2022 have a vesting period to 1 January 2024 and have no minimum price condition. The options are forfeited if the employee leaves the Group before the options vest. Details of these share options are summarised in the table below:

	2024	2024	2023	2023
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Brought forward 1 January	3,441,189	22.4p	3,397,589	21.5p
Exercised during the period	-	-	(256,400)	12.9p
Issued in the period	-	-	300,000	24.0p
Outstanding at 31 December	3,441,189	22.4p	3,441,189	22.4p
Exercisable at end of the period	3,441,189	22.4p	132,173	50.0p

No options were exercised in the year.

The fair value of the share options was calculated using the Black Scholes model. There was no charge was taken though the income statement in 2024 as no options vested in the year (2023: £60k).

The inputs are as follows:

	2024	2023
Closing price of Safestay plc	-	23.5p
Weighted average share price	-	23.6p
Weighted average exercise price	-	24.2p
Expected volatility	-	25%
Average vesting period	-	1.0 years
Risk free rate	-	1.93%
Expected dividend yield	-	0.00%

The expected volatility percentage was derived from the quoted share prices since flotation.

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21. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption contained within IAS 24 – ‘Related Party Disclosures’ from the requirement to disclose transactions between wholly owned group companies as these have been eliminated on consolidation.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below:

	2024	2023
	£'000	£'000
Short term employee benefits	486	446
Pension	7	8
Share based payment charges	-	57
	<u>493</u>	<u>511</u>

Further information about the remuneration of individual directors is provided in the Directors’ Remuneration Report.

Details of Directors’ share options is provided in the Directors’ Remuneration Report and in note 20 of the accounts. The Directors’ share options have been audited.

Safestay plc has a common directorship with Safeland plc. In the year, Safestay plc rented premises from Safeland plc on non-commercial terms. Total rent paid to Safeland plc was £50,000 (2023: £50,000).

22. FINANCIAL INSTRUMENTS

Capital management

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

The Board’s policy is to maintain a strong capital base with a view to underpinning investor, creditor and market confidence and sustaining the future development of the business. The Board regularly monitors cash balances across the Group and evaluates borrowing levels to ensure an appropriate gearing ratio is maintained. Through the Board’s careful monitoring of its capital, it has allowed us to purchase two freehold properties in the year entirely through a combination of cash generated from the business and strategic finance transactions. It has successfully refinanced in January 2024 to more favourable terms (please refer to note 27 for more information) which will reduce the cash outflows relating to interest charges and capital repayments. Capital consists of ordinary shares, other capital reserves and retained earnings. To this end, the Board monitors the Group’s

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performance at both a corporate and individual asset level and sets internal guidelines for interest cover and gearing.

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

	2024	As Restated
	£'000	2023
		£'000
Share capital	649	649
Share premium account	23,959	23,959
Retained earnings	(15,126)	(14,235)
Merger reserve	1,772	1,772
Share based payment reserve	346	346
Revaluation reserve	19,872	19,729
Translation reserve	(708)	104
Bank and other loans	19,841	16,180
Property Finance Liability	7,177	7,174
Lease liabilities	23,706	26,043

The Group has no externally imposed capital requirements.

Significant Accounting Policies

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

Categories of financial instruments

At 31 December 2024, the Group held the following financial assets:

	2024	As Restated
	£'000	2023
		£'000
Trade and other receivables (note 13)	981	1,054
Corporation Tax Asset	120	134
Cash and cash equivalents (note 14)	1,430	1,998
Cash and cash equivalents from discontinued operations (note 4)	-	40
	2,531	3,226

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At 31 December 2024, the Group held the following financial liabilities:

	2024	As Restated
	£'000	2023
		£'000
Bank and other loans (note 16)	19,841	16,180
Property financing liabilities (note 16)	7,177	7,174
Lease liabilities (note 17)	23,706	26,043
Trade and other payables (note 15)	5,084	4,299
	<u>55,808</u>	<u>53,696</u>

All financial assets and liabilities are measured at amortised cost.

The carrying amounts of the Group's bank and other loans and overdrafts, lease obligations and trade and other payables approximate to their fair value. Total financial liabilities excludes deferred tax balances.

	2024	As Restated
	£'000	2023
		£'000
Total liabilities (excluding deferred tax)	(55,523)	(54,132)
Cash and cash equivalents (note 14)	1,430	1,998
Cash and cash equivalents from discontinued operations (note 4)	-	40
Net Debt	<u>(54,093)</u>	<u>(52,094)</u>

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Financial risk management

The Group's financial instruments comprise bank and other loans, lease liabilities, cash and cash equivalents, and various items within trade and other receivables and payables that arise directly from its operations.

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

Foreign currency risk

The Group is exposed to foreign currency risk from overseas subsidiaries with Group transactions carried out in Euros. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros.

This risk is mitigated by each hostel holding a denominated bank account in the country of operation. The Group monitors cashflows and considers foreign currency risk when making intra-group transfers.

Foreign transactions are translated into the functional currency at the exchange rate ruling when the transaction is entered. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates, of monetary assets and liabilities are recognised in the income statement.

The Group has performed a sensitivity analysis to determine the impact of a fluctuation in exchange rate on the business. In the year ended 31 December 2024, the value of the Sterling closing rate strengthened by 5% against the Euro. The Group have assumed that a 10% fluctuation in the Euro exchange rate provides a reasonable basis for stress and sensitivity testing:

	Profit before tax (losses)/gains 2024 £'000	Equity (losses)/gains 2024 £'000	Profit before tax (losses)/gains 2023 £'000	Equity (losses)/gains 2023 £'000
10% Strengthening of Sterling versus the Euro	(194)	(740)	(157)	(1,590)
10% Weakening of Sterling versus the Euro	236	905	172	1,749

The Group is also impacted by the fluctuations in the Czech Koruna and Polish zloty, however the impact of these currencies is considered immaterial to the Group.

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Interest rate risk

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

The Group is exposed to interest rate risk on its borrowings. The £16.0m main facility has an interest rate of 2.65% above the London inter-bank offer rate ("LIBOR"). The RCF has an interest rate of 2.85% above LIBOR. The Group carefully manages its interest rate risk on an ongoing basis. When the bank loan was refinanced in 2020, LIBOR and the bank base rates were significantly lower, and therefore the Board did not implement an active risk management policy. Given the uncertainty with interest rate fluctuations in the United Kingdom market, the Board took the decision to fix a portion of the loan facility at a set rate, and further set a portion of the main loan facility under a cap and collar transaction to limit the variability of future cash outflows and protect the Group. Given that the majority of the loans are held in the United Kingdom, the Board considers the United Kingdom interest rate level as the key concentrated risk. Changes in interest rates for loans held in other countries are not expected to have a material impact on the Group.

The sensitivity analysis in the paragraph below has been determined based on the exposure to interest rates for all borrowings subject to interest charges at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

Based on bank borrowings, at 31 December 2024, if interest rates were 0.5% higher or (lower) and all other variables were held constant, the Group's net profit would increase or decrease by £92,475 (2023: £92,500). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit Risk

Credit risk arises from the Group's cash balances held with counterparties and trade and other receivables. Credit risk is the risk of financial loss to the Group if a third-party owing monies to the Group fails to meet its contractual obligations. The Group limits its exposure to credit risk from trade receivables by establishing policies to limit the levels of cash owed by third party customers, such as guests paying in advance of their stays. Lease income relating to Edinburgh and Madrid operates on normal payment terms of 30 days. Where payments are not made within these normal payment terms, the credit risk is considered to have increased since initial recognition and when the customer defaults on their debts, it is determined that the receivables are credit-impaired. The Group defines a default as aged debtor balances of over a year, or if other information comes to light that suggests a customer can not satisfy their debts. In the case of a default, the Group would provide in full for any balance outstanding for that customer.

Trade receivables are measured at amortised cost and total £0.1m at 31 December 2024 (2023: £nil). Based on the comments above the Group does not consider there to be any significant concentrations of risk in relation to trade and other receivables. In addition, based on historical

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Notes to the Consolidated Financial Statements

default rates and adjusted forward-looking macroeconomic data, the Group has assessed the expected lifetime credit loss in this respect to be £nil (2023: £nil).

All cash balances are held with reputable financial institutions and the Board monitors its exposure to counterparty risk on an ongoing basis. The Group attempts to mitigate credit risk by assessing financial counterparties.

Given the nature of the Group's operations, the Directors do not consider the Group's credit risk, which arises mainly from cash held with mainstream UK banks, to be significant.

The Group's financial assets, which are exposed to credit risk, are as follows:

	2024	As Restated 2023
	£'000	£'000
Trade receivables	105	154
Cash and cash equivalents	1,430	1,998
	<u>1,535</u>	<u>2,152</u>

The directors are not aware of any factors affecting the recoverability of outstanding balances as at 31 December 2024.

Liquidity risk management

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

Liquidity risk

All of the Group's long-term bank borrowings are secured on the Group's property portfolio. If the value of the portfolio were to fall significantly, the Group risk breaching borrowing covenants. The Board regularly review the Group's gearing levels, cash flow projections and associated headroom and ensure that excess banking facilities are available for future use. Liquidity risk is considered across all regions in which the Group operates in, on the basis that short term debt obligations arise through normal trading. The concentration of the risk exists most in the UK, due to the fact that the Group debt obligations are held there.

The business continued to manage its liquidity risk following the successful refinancing of the Group debt obligations in January 2025. Repayment of the main loan facility begins in March 2025.

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The business continues to service this debt and make the interest payments as they fall due. There are no off-balance sheet financing arrangements or contingent liabilities.

Liquidity and interest risk analysis

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

	Less than			Later than		Total £'000
	1 year £'000	1-2 years £'000	3-5 years £'000	5 years £'000		
Variable interest rate borrowings	5,594	1,529	17,462	21	24,606	
Property finance liabilities	219	219	657	30,441	31,536	
Trade and other payables	5,084	-	-	-	5,084	
Lease liabilities	3,304	5,930	5,944	21,815	36,993	
	14,201	7,678	24,063	52,277	98,219	

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

23. FAIR VALUES OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2023				
Freehold Property	-	-	16,999	16,999
Leasehold Property	-	-	27,020	27,020
	-	-	44,019	44,019
2024				
Freehold Property	-	-	22,857	22,857
Leasehold Property	-	-	26,800	26,800
	-	-	49,657	49,657

The Group's freehold and leasehold property asset is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are

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Notes to the Consolidated Financial Statements

developed in close consultation with management. The valuation process and fair value changes are reviewed by the directors at each reporting date.

24. ANALYSIS OF NET DEBT

	31st December 2023	Cash Flows £'000	Edinburgh Renovation £'000	Acquisition of Brighton & Cordoba £'000	New Loans £'000	Loan Repay- -ments £'000	Finance Expenses £'000	31st December 2024 £'000
Cash at bank and in hand	1,998	1,187	(1,207)	(3,929)	19,410	(16,029)	-	1,430
Bank and Other Loans	(16,180)	5	-	-	(19,695)	16,029	-	(19,841)
Loan Arrangement Fees	68	(68)	-	-	285	-	-	285
Property Finance Liability	(7,174)	(3)	-	-	-	-	-	(7,177)
Lease Liabilities	(26,043)	3,953	-	-	-	-	(1,616)	(23,706)
	(47,331)	5,074	(1,207)	(3,929)	-	-	(1,616)	(49,009)

25. OTHER COMMITMENTS AND GUARANTEES

The bank loan held by the Group of £18.5m is secured against the Group's assets, including freehold properties of £15.0m, leasehold properties totalling £26.8m and trade and other receivables relating to UK properties.

In June 2024, the Group took out an additional loan of £1.2m from the trustees of the Sheldon Pension Fund and Sentpark Capital Limited.

The Group also has guarantees totalling £1.0m in relation to ongoing leases.

26. PRIOR YEAR RESTATEMENT

During the current year, the Group identified the incorrect accounting treatment of VAT on certain OTA ("Online Travel Agent") commissions. Specifically, where OTAs remitted amounts net of their commission fees, the Group recognised the gross receipts in accordance with IFRS 15 to reflect the appropriate revenue and commission expense. However, the related commission expense had been incorrectly reduced by the applicable local VAT rate, on the assumption that VAT was chargeable and recoverable.

It has since been determined that, under EU VAT rules, these OTA services are subject to the Reverse Charge mechanism and therefore no VAT should have been claimed. As a result, the VAT creditor and OTA commission expenses were understated in the previously reported financial statements.

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Notes to the Consolidated Financial Statements

In 2021 and 2022, the VAT treatment was correct, however it was determined that the OTA commission expense was understated and as a result there has been an adjustment to Retained Earnings and Trade Receivables. There was also a reclassification between Trade receivables and Trade payables due to this adjustment.

Accordingly, the prior year comparatives have been restated to correct this error. The impact of the restatement is as follows:

	2023	2023	2023
<i>Income Statement</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Cost of Sales	(3,811)	(35)	(3,846)
Loss for the year from continuing operations	(948)	(35)	(983)
Net loss from discontinued operations	(376)	1	(375)
Loss for the year	(1,324)	(34)	(1,358)
	2023	2023	2023
<i>Statement of Financial Position</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Trade and Other Payables	(4,018)	(281)	(4,299)
Liabilities Held for Sale	(506)	2	(504)
Trade and Other Receivables	1,210	(156)	1,054
Retained Earnings brought forward	(12,477)	(400)	(12,877)
Loss for the Year	(1,324)	(34)	(1,358)
Retained Earnings	(13,801)	(434)	(14,235)
Other Components of Equity	21,952	(1)	21,951
	2023	2023	2023
<i>Statement of Cash Flows</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Decrease in Trade and Other Receivables	136	117	253
Increase in Trade and Other Payables	1,076	(83)	993
Loss for the Year	(1,324)	(34)	(1,358)

These adjustments have been reflected in the restated comparative figures presented in these financial statements.

Notes to the Consolidated Financial Statements

27. CONTROLLING PARTY

The directors do not believe there is an ultimate controlling party.

28. POST BALANCE SHEET EVENTS

In April 2025, the planning permission to convert the Brighton site was approved.

In addition, the maturity of the Group's £1.2m loan has been extended, with full repayment now scheduled for December 2026, as opposed to the original date of December 2025.

In June 2025, the Group signed a settlement agreement in relation to a business interruption insurance claim covering the COVID-19 period. The net settlement amount, after deduction of loss assessor fees, totals £1.4m. This income would typically be recognised within "Other Income" in the Group's consolidated statement of comprehensive income.

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Company Statement of Financial Position

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Property, plant and equipment	2	9,413	9,811
Intangible assets	3	116	65
Investments	4	9,265	9,265
Intercompany receivable	5	23,731	21,059
Fair Value of Financial Derivative		24	-
Total non-current assets		42,549	40,200
Current assets			
Trade and other receivables	5	204	167
Cash at bank and in hand	6	233	141
Total current assets		437	308
Total Assets		42,986	40,508
Current Liabilities			
Bank Loans	8	(2,835)	(932)
Lease liabilities	9	(138)	(132)
Trade and other payables	7	(19,502)	(17,482)
Current Liabilities		(22,475)	(18,546)
Non-current liabilities			
Bank loans	8	(15,395)	(14,995)
Lease liabilities	9	(8,265)	(8,403)
Total non-current liabilities		(23,660)	(23,398)
Total liabilities		(46,135)	(41,944)
Net assets		(3,149)	(1,436)
Equity			
Share capital	10	649	649
Share premium account	11	23,959	23,959
Merger reserve		1,772	1,772
Share based payment reserve		346	346
Profit and loss account		(29,875)	(28,162)
Equity attributable to the owners of the parent company		(3,149)	(1,436)

Safestay plc

Company Statement of Financial Position

As at 31 December 2024

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement and Statement of Comprehensive Income account for the year. The Company's loss for the year was £1,713k (2023: £3,044k).

These financial statements were approved by the Board of Directors and authorised for issue on 20 June 2025.



Larry Lipman

Director

Safestay plc

Company Statement of Changes in Equity

31 December 2024

	Share Capital £'000	Share premium account £'000	Merger Reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2023	647	23,904	1,772	292	(25,118)	1,497
Comprehensive income						
Loss for the year	-	-	-	-	(3,044)	(3,044)
Total comprehensive loss	-	-	-	-	(3,044)	(3,044)
Transactions with owners						
Share issue	2	55	-	-	-	57
Share based payment charge for period	-	-	-	54	-	54
At 31 December 2023	649	23,959	1,772	346	(28,162)	(1,436)
Comprehensive income						
Loss for the year	-	-	-	-	(1,713)	(1,713)
Total comprehensive loss	-	-	-	-	(1,713)	(1,713)
At 31 December 2024	649	23,959	1,772	346	(29,875)	(3,149)

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Company Statement of Cash Flows
As at 31 December 2024

	2024	2023
	£'000	£'000
Loss after tax	(1,713)	(3,044)
Tax charge	-	13
Adjustments for:		
Finance cost	1,825	1,731
Finance income	(776)	(777)
Share based payment charge	-	54
Impairment of investments	1,333	639
Expected credit loss on intercompany balances	-	770
Depreciation	393	475
Amortisation	30	18
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(37)	(122)
Increase in trade and other payables	194	211
Income tax paid	-	(13)
Net cash used in operating activities	<u>1,249</u>	<u>(45)</u>
Investing activities		
Interest received	12	34
Proceeds on disposal of PPE	5	-
Purchase of tangible fixed assets	-	(10)
Purchase of intangible assets	(81)	(74)
Net cash (outflow) / inflow from investing activities	<u>(64)</u>	<u>(50)</u>
Financing activities		
Share issue	-	57
Movement in intercompany	(1,424)	367
New Loans	18,495	-
Loan repayments	(15,995)	(1,000)
Lease principal payments	(450)	(450)
Fees on refinancing	(327)	-
Fair value movement in financial assets	(24)	-
Interest paid	(1,368)	(1,258)
Net cash generated / (outflow) from financing activities	<u>(1,093)</u>	<u>(2,284)</u>
Cash and cash equivalents at beginning of year	141	2,520
Net increase in cash and cash equivalents	92	(2,379)
Cash and cash equivalents at end of year	<u>233</u>	<u>141</u>

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Notes to the Company Financial Statements

31 December 2024

1. STAFF COSTS

The average monthly number of employees (including Directors) during the year was:

	2024	2023
Administration	12	10
Directors	6	6
	<u>18</u>	<u>16</u>

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

	2024	2023
	£'000	£'000
Wages and salaries	1,055	842
Social security costs	111	96
Pension costs	18	17
Total staff costs	<u>1,184</u>	<u>955</u>

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

	2024	2023
	£'000	£'000
Short term employee benefits	486	446
Pension	7	8
Share based payment charges	-	57
	<u>493</u>	<u>511</u>

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

Details of directors' share options is provided in the Directors' Remuneration Report.

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Notes to the Company Financial Statements

31 December 2024

2. PROPERTY, PLANT AND EQUIPMENT

	Right of use assets buildings £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2023	8,868	3,149	95	-	12,112
Additions	-	-	4	6	10
Recognition of right of use asset under IFRS 16	206	-	-	-	206
At 31 December 2023	9,074	3,149	99	6	12,328
Additions	-	-	1	-	1
Transfer	-	-	-	(6)	(6)
At 31 December 2024	9,074	3,149	100	-	12,323
Depreciation					
At 1 January 2023	1,062	890	90	-	2,042
Charge for the year	312	161	2	-	475
At 31 December 2023	1,374	1,051	92	-	2,517
Charge for the year	232	158	5	-	395
At 31 December 2024	1,606	1,209	97	-	2,912
Net book value					
At 31 December 2024	7,468	1,941	4	-	9,413
At 31 December 2023	7,700	2,098	7	6	9,811

Leasehold improvements comprise the capitalised refurbishment costs incurred by the Company on the leased properties.

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Notes to the Company Financial Statements

31 December 2024

3. INTANGIBLE ASSETS

	Website Development £'000	Total £'000
Cost		
At 1 January 2023	139	139
Additions	74	74
At 31 December 2023	213	213
Additions	81	81
At 31 December 2024	294	213
Depreciation		
At 1 January 2023	130	130
Charge for the year	18	18
At 31 December 2023	148	148
Charge for the year	30	30
At 31 December 2024	178	148
Net book value		
At 31 December 2024	116	116
At 31 December 2023	65	65

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Notes to the Company Financial Statements

31 December 2024

4. INVESTMENT IN SUBSIDIARIES

Significant Accounting Policy

The investment in the Company's subsidiaries is recorded at cost less provisions for impairment. Carrying values are reviewed for impairment annually to determine if there is any indication that any of the investments might be impaired. The Company uses forecast cash flow information and estimates of future growth to assess whether investments are impaired. Impairments are recognised in the income statement.

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2023	9,904
Impairment	(639)
At 31 December 2023 & 31 December 2024	<u>9,265</u>
Net book value	
At 31 December 2024	<u>9,265</u>
At 31 December 2023	<u>9,265</u>

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Notes to the Company Financial Statements

31 December 2024

Shares in subsidiary undertakings

The subsidiaries at 31 December 2024 and their principal activities are as follows:

Direct ownership

WXYZ2 Limited	Investment activities (dormant)	
Safestay (York) Limited	Property owning activities	
Safestay (Edinburgh) Limited	Property owning activities	
Safestay (Edinburgh) Hostel Limited	Property owning activities and Hostel operation	
Safestay (Elephant and Castle) Limited	Hostel operation	
Safestay (HP) Limited	Hostel operation	
Safe Hostels Limited	Hostel operation	
Safestay Hostels Madrid SL	Holding company (Spain)	Calle Sagasta 22, Madrid 28004
Safestay France SAS	Hostel operation (France)	11 Rue de Cambrai, CS 90042, Paris
Safestay España S.L	Hostel operation (Spain)	Street Vigatans 5-9, Barcelona 08003
Equity Point Lisboa Unipessoal Lda.	Hostel operation (Portugal)	Travessa do Fala-So9, Lisbon 1250-109
Equity Point Prague, s.r.o	Hostel operation (Czech Republic)	Ostrovni 131/15, Prague, Nove Mesto 110 00
GELS BVBA	Holding company (Belgium)	Av. Louise 209A, 1050 Brussels
SSD Safestay Deutschland GmbH	Holding Company (Germany)	Bayreuther Str. 10 in 10789 Berlin
Safestay Italia Srl	Holding Company (Italy)	Via Privata Maria Teresa 4, 20123 Milano
Safestay Athens Hostel	Hostel operation (Greece)	Ag.Theklas 10, Monastiraki, 10554 Athens
Dream Hostel SK sro	Hostel operation (Slovakia)	Leškova 4932/9A, Bratislava 81104
Dream Hostel SP zoo	Hostel operation (Poland)	55 Krakowskie Przedmieście Str, Warsaw 00-071
Safestay Hungary KFT	Hostel operation (Hungary)	1066 Budapest ,O utca 37. fszt. 1.

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Notes to the Company Financial Statements

31 December 2024

Indirect ownership

Safestay (York) Hostel Ltd	Hostel operation	
U Hostels Albergues Juveniles S.L	Hostel operation (Spain)	Calle Sagasta 22, Madrid 28004
Arcadie SA	Hotel operation (Belgium)	Rue Grétry 53, 1000 Bruxelles
Safestay Hostel GmbH	Dormant	Schubertring 6, 1010 Wien
Hotel Auberge GmbH	Hostel operation (Germany)	Bayreuther Str. 10 in 10789 Berlin
Hpisa srl	Hostel operation (Italy)	Via Filippo Corridoni No 29, Pisa, CAP 56125

All subsidiaries are incorporated in Great Britain and registered in England and Wales and share the same registered address as the parent company, unless otherwise stated. All subsidiaries are 100% owned. Under s479A-479C of the Companies Act 2006, Safe Hostels Limited is exempt from audit by parent guarantee.

5. TRADE AND OTHER RECEIVABLES

	2024	2023
	£'000	£'000
Due within one year:		
Other receivables and prepayments	204	167
	<u>204</u>	<u>167</u>
Due over one year:		
Amounts due from subsidiary undertakings	<u>23,731</u>	<u>21,059</u>

Credit risk is the risk that a counterparty does not settle its financial obligation with the Company.

At the year end, the Company has assessed the credit risk on amounts due from subsidiary undertakings. No interest is charged on these balances. The company has considered the recoverability of the trade receivables and determined an expected credit loss in line with IFRS 9. Provisions for bad debts in relation to amounts due from subsidiary undertakings totalled £1.3m (2023: £0.8m).

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Notes to the Company Financial Statements

31 December 2024

6. CASH AND CASH EQUIVALENTS

	2024 £'000	2023 £'000
Cash and Cash-Equivalents	<u>233</u>	<u>141</u>

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value. Cash and cash equivalents comprise cash.

7. TRADE AND OTHER PAYABLES

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

	2024 £'000	2023 £'000
Trade payables	344	-
Amounts due to subsidiary undertakings	18,246	16,420
Other payables	912	1,062
	<u>19,502</u>	<u>17,482</u>

No interest is charged on these subsidiary undertakings.

8. BANK AND OTHER FINANCE LOANS

	2024 £'000	2023 £'000
Bank Loan	18,495	15,995
Loan arrangement fees	(265)	(68)
	<u>18,230</u>	<u>15,927</u>

In January 2024, the Group refinanced its existing borrowings into a single £16m term Loan and added a new £2.5m Revolving Credit Facility ("RCF") to support future growth plans. The new Term Loan and RCF are for 5 years and were provided by the existing lender HSBC.

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Notes to the Company Financial Statements

31 December 2024

The Term Loan interest rates are £4.4m at 3.955%, £10.0m at SONIA but capped at 4.75% with a floor of 3.0%, all with an additional margin of 2.6%. The RCF has a rate of SONIA plus a margin of 2.85%. The Term Loan is repayable at £0.1m per quarter from March 2024, together with a final payment at completion. Interest on both the Term Loan and RCF is payable quarterly.

The Term Loan replaced the previous interest only £12.7m facility with HSBC and enabled the repayment of the outstanding Coronavirus Business Interruption Loan Scheme ("CBILS") loan of £3.3m, which carried a significantly higher interest rate.

Any increases in SONIA or base rate will increase the cost of these loans and therefore impact the net profit of the business (a 0.5% change in interest rate would impact the net profit before tax by £92,475). Strict financial controls are in place to ensure that monies cannot be expended above the available limits or to breach any banking covenants.

The bank loan is repayable as follows:

	2024	2023
	£'000	£'000
Within one year	2,835	932
After more than one year	15,395	14,995
	<u>18,230</u>	<u>15,927</u>

9. OBLIGATIONS UNDER LEASE LIABILITIES

	Minimum lease payments due			Total
	Within 1 year	1 to 5 years	After 5 years	
	£'000	£'000	£'000	£'000
31-Dec-2024				
Lease payments	446	1,600	14,000	16,046
Finance charges	(308)	(1,188)	(6,147)	(7,643)
Net present values	<u>138</u>	<u>412</u>	<u>7,853</u>	<u>8,403</u>
31-Dec-2023				
Lease payments	450	1,646	14,400	16,496
Finance charges	(318)	(1,214)	(6,429)	(7,961)
Net present values	<u>132</u>	<u>432</u>	<u>7,971</u>	<u>8,535</u>

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Notes to the Company Financial Statements

31 December 2024

The Company has treated the Holland Park and head office leases as lease liabilities in accordance with IFRS 16.

The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Company's lease obligations is approximately equal to their carrying amount. The Company's lease liabilities disclosed above are in sterling.

10. SHARE CAPITAL

	£'000
Allotted, issued and fully paid	
64,679,014 Ordinary Shares of 1p each as at 1 January 2024 & 31 December 2024	<u>649</u>

At the 31 December 2024, the ordinary shares rank pari passu. There are no changes to the voting rights of the ordinary shares since the reporting date. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share in the meetings of the Company. Ordinary shareholders are also entitled to repayment of capital.

In addition to called up share capital, there are 3,441,189 (2023: 3,441,189) potential shares relating to share options. The value of shares relating to share options totals £34k (2023: £34k).

11. SHARE PREMIUM

	£'000
Brought forward at 1 January 2024	23,959
Share issue	-
Carried forward at 31 December 2023	<u>23,959</u>

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Notes to the Company Financial Statements

31 December 2024

12: SHARE BASED PAYMENTS

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

Grant date	Exercise price per share (pence)	Period within which options are exercisable	Number of share options outstanding	
			2024	2023
2-May-14	15p	01/01/2024 to 31/12/2031	396,521	396,521
12-May-14	50p	01/01/2024 to 31/12/2031	528,695	528,695
21-May-14	50p	21/05/2017 to 20/05/2024	132,173	132,173
1-Jan-19	15p	01/01/2024 to 31/12/2031	300,000	300,000
26-Jun-19	15p	01/01/2024 to 31/12/2031	100,000	100,000
5-Sep-19	15p	01/01/2024 to 31/12/2031	100,000	100,000
2-Jan-20	15p	01/01/2024 to 31/12/2031	600,000	600,000
31-Oct-20	9p	01/01/2024 to 31/12/2031	78,900	78,900
30-Nov-20	15p	01/01/2024 to 31/12/2031	44,400	44,400
31-Dec-20	13p	01/01/2024 to 31/12/2031	54,600	54,600
31-Jan-21	13p	01/01/2024 to 31/12/2031	54,600	54,600
28-Feb-21	14p	01/01/2024 to 31/12/2031	50,800	50,800
31-Mar-21	15p	01/01/2024 to 31/12/2031	47,400	47,400
30-Apr-21	15p	01/01/2024 to 31/12/2031	47,400	47,400
31-May-21	15p	01/01/2024 to 31/12/2031	41,800	41,800
30-Jun-21	15p	01/01/2024 to 31/12/2031	39,500	39,500
31-Jul-21	15p	01/01/2024 to 31/12/2031	44,400	44,400
14-Apr-22	15p	01/01/2024 to 31/12/2031	400,000	400,000
9-Nov-22	16p	01/01/2024 to 31/12/2031	30,000	30,000
25-Nov-22	16p	01/01/2024 to 31/12/2031	50,000	50,000
15-Aug-23	24p	01/01/2024 to 31/12/2031	300,000	300,000
			3,441,189	3,441,189

Safestay plc

Notes to the Company Financial Statements

31 December 2024

The share options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The options are forfeited if the employee leaves the Group before the options vest. Details of these share options are summarised in the table below:

	2024	2024	2023	2023
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Brought forward 1 January	3,441,189	22.4p	3,397,589	21.5p
Exercised during the period	-	-	(256,400)	12.9p
Issued in the period	-	-	300,000	24.0p
Outstanding at 31 December	3,441,189	22.4p	3,441,189	22.4p
Exercisable at end of the period	3,441,189	22.4p	132,173	50.0p

No options were exercised in the year.

The fair value of the share options was calculated using the Black Scholes model. There is a charge of £nil taken through the income statement (2023: £60k).

	2024	2023
Closing price of Safestay plc	-	23.5p
Weighted average share price	-	23.6p
Weighted average exercise price	-	24.2p
Expected volatility	-	25%
Average vesting period	-	1.0 years
Risk free rate	-	1.93%
Expected dividend yield	-	0.00%

The expected volatility percentage was derived from the quoted share prices since flotation.

13. RELATED PARTY TRANSACTIONS

The remuneration of the Company's Directors, who are the key management personnel of the Group, is set out in note 10 of the Group financial statements. Further information about the remuneration of individual Directors and the Directors' share options is provided in the Directors' Remuneration Report.

Safestay plc

Officers and professional advisors

Directors

Larry Lipman
Paul Hingston
Peter Zielke
Michael Hirst OBE
Paul Cummins
Sarah Whiddett

Chairman
Chief Financial Officer & Company Secretary
Chief Operating Officer
Non-Executive Director
Non-Executive Director
Non-Executive Director

Registered Office

1a Kingsley Way
London
N2 0FW

Company Number

08866498

Nominated Adviser and Broker

Shore Capital & Corporate Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Corporate Solicitor

Shepherd and Wedderburn LLP
9 Haymarket Square
Edinburgh
EH3 8FY

Auditor

HaysMac LLP
10 Queen Street Place
London
EC4R 1AG

Registrar

MUFG Corporate Markets
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Bankers

HSBC Bank plc
69 Pall Mall
St James's
London SW1Y 5EY

Directors

The directors who have served in the year to 31 December 2024 were as follows:

Larry Lipman
Paul Hingston
Peter Zielke
Michael Hirst OBE
Paul Cummins
Stephen Moss CBE (resigned 29 March 2024)
Sarah Whiddett