

5 September 2024

Safestay plc

("Safestay", the "Company" of the "Group")

Interim Results

23% increase in EBITDA reflects strong strategic progress and operational leverage

Accelerated expansion in 2024 to date with four outstanding new sites added to the portfolio, strengthening the Group's platform for long-term growth

Safestay (AIM: SSTY), one of Europe's largest hostel groups, is pleased to announce its Interim Results for the six months to 30 June 2024 (H1 2024 or the "Period").

H1 2024 Financial Highlights:

- Revenue from continuing operations increased 6.6% to £10.7 million (H1 2023: £10.0 million)
- Adjusted EBITDA for continuing operations increased 23.1% to £3.2 million (H1 2023: £2.6 million) reflecting strong operational leverage, increased mix of sales through direct channels, and tight cost control, resulting in a 4% improvement to the EBITDA margin to 30% (H1 2023: 26%)
- Adjusted Earnings Per Share from continuing operations of 0.16p (H1 2023: Adjusted loss per share of 1.46p)
- Loss Before Tax from continuing operations of £113k (H1 2023: loss of £947k); Profit for the period attributable to owners of the parent company (also known as profit after tax) of £63k (H1 2023: loss of £1,003k)
- Successful debt refinancing with HSBC in January 2024 to increase the Group's overall funding capacity and support its long-term growth plans. Existing borrowings refinanced into a single £16 million five-year Term Loan with the addition of a new £2.5 million Revolving Credit Facility ("RCF")
- Net cash generated from operations was £5.0 million (H1 2023: £5.4 million).
- Cash at bank was £2.1 million, broadly in line with the balance at 31 December 2023 (FY 2023: £2.0 million). The year-on-year decrease (H1 2023: £7.1m) primarily reflects £4.3 million paid for the Edinburgh acquisition in H2 2023 as well as the acquisitions made during the Period, outlined below.
- 17.2% increase in net asset value per share to 49.8p (H1 2023: 42.5p) reflecting the strength of the Group's portfolio.

H1 2024 Operational Highlights:

- 6.0% increase in bed nights to 412,442 (H1 2023: 389,124), of which 42.3% were booked through direct and non-commissionable channels (H1 2023: 26.9%) reflecting a step-change in marketing capabilities and supported by a gradual recovery in group bookings, which represent 23% of accommodation sales in the period (H1 2023: 13%)
- Occupancy rate of 70.6%, a 1.8% increase year on year (H1 2023: 68.8%), nearing pre-pandemic levels (H2 2019: 71.1%)
- Total REVPAV increased 3.2% to £18.28 (H1 2023: £17.72) reflecting management focus on driving overall revenue and supported by significantly increased sales of ancillary services
- Average Bed Rate ("ABR") of £22.15, a 4.5% decline year on year (H1 2023: ABR: £23.18) but remains ahead of pre-pandemic levels (H1 2019: £21.19)
- Successful opening of Edinburgh Cowgate Hostel in June 2024 following acquisition in 2023 with very encouraging initial trading.
- Strategic portfolio expansion with the addition of three new properties during the Period:
 - in April 2024, the Group signed its first management contract to run the resort-based, 120-bed Calpe Seafront Hostel on Spain's Costa Blanca;
 - in May 2024, the Group acquired the *Hotel Lineros* in the heart of Cordoba for a cash consideration of €2 million. The property is currently being converted into a 100-bed hostel and is the Group's fifth in Spain; and
 - in June 2024, the Group acquired a freehold property in the Centre of Brighton for £2.3 million. The Group intends to convert the property into a 220-bed premium hostel and is the Group's sixth site in the UK.

Current Trading & Outlook

- Strong momentum has continued into Q3 with sales to the end of August significantly ahead of last year supporting strong overall occupancy levels across the two peak summer months
- Forward bookings for the remainder of 2024 and into 2025 comfortably ahead of the prior year supported by continuing recovery in group bookings
- Strategic decision taken to surrender the lease for the Group's 52-room hotel in Vienna, removing the only loss-making property in the Group's portfolio and enabling the redeployment of capital where there are stronger returns
- Fourth new property added to the portfolio in the year to date with the acquisition of a leasehold city centre site in Budapest in August, Hungary, building on the Company's established Eastern European presence in the Czech Republic, Slovakia and Poland

Larry Lipman, Chairman of the Group, commented:

"2024 so far has been a period of significant strategic progress for Safestay as we have continued to strengthen our position as one of Europe's leading hostel operators. During the first half of the year, we successfully added to our portfolio with two very exciting new properties in Spain, taking us to five in the market and giving us increased critical mass to drive synergies and revenue growth. We also acquired a fantastic new site in central Brighton - taking us to six in the UK - and, early in H2, entered the Budapest hostel market to expand our reach in Eastern Europe."

the Budapest hostel market to expand our reach in Eastern Europe.

In addition to our portfolio expansion, we have continued to focus on driving organic growth through operational excellence, supporting a 23.1% increase in Adjusted EBITDA in H1. Our strong trading momentum has continued into H2 with encouraging sales performances and occupancy rates across the peak summer months of July and August.

Safestay's portfolio now comprises 20 sites with 17 currently serving guests in premium locations across some of Europe's great destination cities. In addition to remaining focused on delivering organic growth through our operational initiatives, we will continue to actively evaluate new opportunities where well located, attractive sites become available. We are excited by the significant long-term growth opportunities available to us as an established international operator in the highly fragmented and significant global hostel market."

Copies of this announcement are available on the Company's website, www.safestay.com

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Website www.safestay.com

Vox Markets page <https://www.voxmarkets.co.uk/company/SSTY/news/>

Instagram page www.instagram.com/safestayhostels/

Chairman's Statement

Introduction

During H1 2024 Safestay delivered a period of important strategic, operational, and financial progress. The appeal of Safestay's portfolio of premium hostels remains very strong amongst its core customer base of young travellers, families, and business travellers. This resulted in a 6.0% increase in bed nights sold during the period to 412,442 (H1 2023: 389,124), of which 42.3% were booked through more profitable direct and non-commissionable channels (H1 2023: 26.9%).

The increasing demand for our great value hostels continues to be supported by the growing popularity of the Safestay brand as well as the strength of the Group's outstanding locations across highly popular European travel locations. As a result, we delivered sales growth of 6.6% to £10.7 million. This was driven by a 1.8% increase in occupancy to 70.6% (H1 2023: 68.8%) and a 54.6% increase in non-accommodation sales to £1.6m (H1 2023: £1.0 million), in line with our main operational KPIs of increasing occupancy and total revenue per available bed ('total REVPA').

We are pleased to report a 23.1% increase to Adjusted EBITDA for continuing operations to £3.2 million (H1 2023: £2.6 million), reflecting continued revenue growth, tight cost control and the business's operational leverage.

Strategic portfolio expansion

Safestay operates in the significant and fragmented international hostel market, which is estimated to grow to US 8.89 billion by 2027 (Source: Markets and Research, August 2022). Overall market growth continues to be driven by increasing consumer trends towards great value travel accommodation and the rise in international travel by Millennial and Gen-Z customer demographics. Our strategy is focused on continuing to drive organic revenue growth through operational excellence whilst also actively pursuing strategic expansion opportunities where great sites become available.

Safestay is an experienced acquirer of hostels and we have a proven track record of quickly integrating and improving the performance of acquired sites. We are well-positioned to take advantage as hostels and other buildings capable of being converted to hostels come to the market, but only if all internal criteria are met. Overall, our core offer of a comfortable and safe stay in beautiful, often iconic buildings that are centrally located, in well-known and popular cities, remains unchanged. During the first half of the year, we returned to more aggressive expansion of the portfolio with three new sites added across attractive European travel locations and building further critical mass in both Spain and the UK.

In April we signed an initial 20-year term management contract to run the resort-based 120 bed Calpe Seafront Hostel on Spain's Costa Blanca. The Calpe Seafront hostel is located opposite Salt Lake, home to flocks of greater flamingos, five minutes' walk from Arenal-Bol beach and a 45-minute drive from Alicante airport. It was acquired after the hostel had been put into administration during the pandemic, when trading was severely curtailed. The hostel has been closed since. As an established hostel operator in Spain, we are well positioned to take over the management under the Safestay brand and incorporate it into the Group's booking system. Prior to the pandemic, the Calpe Seafront was a successful brand, and we are confident of being able to quickly re-establish trading and return it to being a successful business. The Group has already completed some minor refurbishment work and is targeting re-opening the property in Q4 2024 under Safestay branding, subject to receipt of necessary licences. Under the management contract, Safestay receives a fixed management fee plus a percentage of revenue and profits above certain levels. The Board believes this new operating model for the Group offers an exciting template for further potential management outsourcing transactions.

In May we continued to build critical mass in the Spanish market with the acquisition of *Hotel Lineros* in Cordoba for €2.0 million funded from the Group's existing cash resources. Hotel Lineros is a spectacular building and a natural fit with the Group's portfolio of unique properties. The hotel is ideally located just a short walk from Cordoba's famous ancient mosque, La Mezquita, which attracts 1.5 million visitors each year. The historic city centre is also a major tourist destination and a UNESCO world heritage site. The property is currently run as a hotel, and whilst undergoing a conversion process, is expected in the eight months to 31 December 2024 to generate meaningful revenue for the Group.

In June we acquired a freehold property in the centre of Brighton with the intention of converting it into a 220-bed hostel, subject to planning permission. The property is in the heart of Brighton - a city which attracts over 11 million visitors per year - and set over five stories. The cost of conversion is estimated at £1.0 million and should take approximately six months once planning permission is received. In its first year of trading, sales and EBITDA are projected to be £750,000 and £250,000 respectively. The total acquisition consideration was £2.3 million funded by the Group's existing cash resources and a new £1.2 million loan from the trustees of the Sheldon Pension Fund and Sentpark Capital Limited.

Operational Excellence

In addition to strategically expanding our portfolio, a key pillar of the Group's growth strategy is focused on driving organic revenue growth through operational excellence. Under the guidance of our Chief Operating Officer, Peter Zielke, a primary aim has been to lift all operational standards across the portfolio and create unique experiences for our guests that will, in turn, underpin sustainable revenue growth.

Key operational focus areas for the Group include driving occupancy rates; increasing Total REVPA; increasing bookings through commission-free own channels supported by effective, digital-led marketing; and increasing non-accommodation sales through the provision of ancillary services to guests who are staying at our hostels. All of this is supported by our Commercial Hub in Warsaw, which was established in 2023 and is a one-stop shop for revenue management, sales and marketing, and critical HR functions.

Occupancy during the period was 70.6%, a 1.8% increase year on year (H1 2023: 68.8%), nearing pre-pandemic levels (H2 2019: 71.1%). Occupancy naturally increases over the summer and so the average for the year is expected to be higher and broadly in-line with 2019 at 71%. This improvement reflects increasing demand for Safestay's customer proposition as well as the success of our marketing initiatives and a gradual recovery in Group bookings, which represented 23% of accommodation sales in the period compared to just under 13% in the prior year.

Average Bed Rate ("ABR") fell 4.5% year-on-year (H1 2023: ABR £23.18) against the backdrop of wider consumer price pressures across the whole portfolio. In Spring 2024, management made strategic decisions to protect overall yield in lieu of ABR. These decisions meant that the Group delivered an increase of Total REVPA by 3.2% to £18.28 (H1 2023: £17.72), aided by the Group's sharpened focus on increasing sales of food and beverage and ancillary services including laundry facilities, towel rentals, and secure luggage storage. Our dynamic pricing software, PricePoint, allows us to swiftly implement changes in pricing strategy every two minutes as the market changes.

Since 1 January 2023, the Group has returned to an annual capex budget equivalent to 3.0% of annual revenue. This is essential to maintaining the Group's reputation as a leading premium hostel operator and to protecting the quality of the portfolio by ensuring that every site remains in excellent condition.

Financial Review

The Group generated revenues from continuing operations of £10.7 million (H1 2023: £10.0 million), a 6.6% increase on the prior period. Within this, accommodation sales increased 1.3% to £9.1 million (H1 2023: £9.0 million) and non-accommodation sales increased 54.6% to £1.6m (H1 2023: £1.0 million).

Adjusted EBITDA from continuing operations increased by 23.1% to £3.2 million (H1 2023: £2.6 million). The Adjusted EBITDA margin increased 4.0% to 29.6% (H1 2023: 25.6%) reflecting a more benign cost inflation compared to the prior period, the increased proportion of sales generated through direct channels, tight cost control, and the Group's operational leverage.

The Group recorded a loss before tax from continuing operations of £113k (H1 2023: loss of £947k) and a profit for the period attributable to the owners of the parent company of £63k (H1 2023: loss of £1,003k). The Group recorded Earnings Per Share ("EPS") from continuing operations of 0.16p (H1 2023: loss of 1.46p) and basic loss per share from discontinued operations of 0.07p (H1 2023: loss of 0.08p). As always, most income is expected to be generated in the second half of the year and the Board therefore anticipates reporting further profitable growth in H2.

Net cash generated from operations was £5.0 million (H1 2023: £5.4 million), primarily due to tax payments on overseas profits.

Group bank borrowings as at 30 June 2024 were £19.8 million (H1 2023: £16.6 million). Cash at bank was £2.1 million, broadly in line with its balance at 31 December 2023 (FY 2023: £2.0 million). The year-on-year decrease (H1 2023: £7.1m) reflects £4.3 million paid for the Edinburgh acquisition in the prior year as well as the acquisitions during the period, outlined above.

In January, the Group announced the refinancing of all its existing borrowings into a single £16.0 million Term Loan and added a new £2.5 million 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. The Term Loan interest rates are £4.4 million at 3.955%, £10 million at SONIA but capped at 4.75% with a floor of 3% and £1.6 million 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 £0.1 million 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 £12.7 million facility with HSBC and enables the repayment of the outstanding CBILS loan of £3.3 million which carried a significantly higher interest rate.

Current Trading & Outlook

We are very pleased with the strategic progress made during the first half of the year. This strong momentum has continued into H2 so far with strong occupancy levels in July and August and sales significantly ahead of last year at the end of August. Forward bookings for the remainder of 2024 and into 2025 are comfortably ahead of the prior year supported by a continuing recovery in group bookings. As a result of the Group's progress in H1 and its trading momentum the Board anticipates delivering further profitable growth in H2.

Since the period end, we have continued to develop our portfolio including through the acquisition in August of a leasehold city centre site in Budapest, Hungary, building on Safestay's established Eastern European presence in the Czech Republic, Slovakia, and Poland. In August we also took the strategic decision to surrender the lease for the Group's 52-room hotel in Vienna, removing the only loss-making property in the Group's portfolio and enabling the redeployment of capital where there are stronger returns.

In June, we successfully opened our Edinburgh Cowgate hostel following its acquisition in 2023 and we have been very encouraged by early trading and positive customer feedback, with particularly strong occupancy rates over the summer months including during the Edinburgh Fringe festival.

In the longer-term, the Board remains highly confident in Safestay's significant growth prospects. These are underpinned by the Group's growing portfolio of premium hostels in outstanding locations, as well as the Group's ability to leverage its established systems, brand, and proven operational capabilities to a sizeable and growing total addressable market. As a result, we look forward to the future with optimism and confidence.

Kevin Linnam, Chairman

5 September 2024

CONSOLIDATED INCOME STATEMENT

		Half year to 30-Jun 2024 Unaudited	Half year to 30-Jun 2023 Unaudited As restated	Year to 31 December 2023 Audited
	Note	Total £'000	Total £'000	Total £'000
Revenue	3	10,684	10,022	21,493
Cost of sales		(1,704)	(1,723)	(3,811)
Gross profit		8,980	8,299	17,682
Administrative expenses		(7,518)	(7,724)	(15,231)
Operating profit		1,462	575	2,451
Finance income and costs		(1,575)	(1,522)	(3,173)
Loss before tax		(113)	(947)	(722)
Tax		220	(1)	(226)
Profit / (loss) for the period from continuing operations		107	(948)	(948)
Net loss from discontinued operations	4	(44)	(55)	(376)
Profit / (loss) for the financial period attributable to owners of the parent company		63	(1,003)	(1,324)
Basic profit / (loss) per share from continuing operations	5	0.16p	(1.46p)	(1.46p)
Basic profit / (loss) per share from discontinued operations	5	(0.07p)	(0.08p)	(0.58p)
Diluted profit / (loss) per share from continuing operations	5	0.16p	(1.40p)	(1.39p)
Diluted profit / (loss) per share from discontinued operations	5	(0.06p)	(0.08p)	(0.55p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year to 30 June 2024 Unaudited	Half year to 30 June 2023 Unaudited As restated	Year to 31 December 2023 Audited
	Total £'000	Total £'000	Total £'000
Profit / (loss) for the period	63	(1,003)	(1,324)
Exchange differences on translating foreign operations	(491)	(1,729)	7
Property revaluation	-	-	3,904
Deferred tax on property revaluation	-	-	(171)
Total comprehensive (expense)/income for the period attributable to owners of the parent company	(428)	(2,732)	2,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2024 Unaudited	As restated 30 June 2023 Unaudited	31 December 2023 Audited	As restated 31 Jan 2023 Audited
Note	£'000	£'000	£'000	£'000
Non-current assets				

Non-current assets

Property, plant and equipment (including right of use asset)	6	77,659	68,310	73,709	72,058
Intangible assets		136	9	71	9
Goodwill		10,660	11,663	10,896	12,014
Lease assets		220	440	297	453
Deferred tax asset		5,314	7,402	5,488	7,226
Fair value of financial assets		10	-	-	-
Total non-current assets		93,999	87,824	90,461	91,760
Current assets					
Inventory		50	26	26	24
Trade and other receivables		1,318	707	1,210	1,122
Lease assets		141	135	142	139
Current tax asset		274	49	134	66
Cash and cash equivalents		2,139	7,261	1,998	5,226
Total current assets		3,922	8,178	3,510	6,577
Total assets		97,921	96,002	93,971	98,337
Current liabilities					
Borrowings	7	(267)	(1,108)	(932)	(925)
Lease liabilities		(1,818)	(1,810)	(1,793)	(1,871)
Liabilities held for sale		(470)	-	(506)	-
Trade and other payables		(6,067)	(5,537)	(4,018)	(3,128)
Current liabilities		(8,622)	(8,455)	(7,249)	(5,924)
Non-current liabilities					
Borrowings	7	(26,427)	(22,554)	(22,354)	(23,095)
Lease liabilities		(23,386)	(29,030)	(24,250)	(30,349)
Deferred tax liabilities		(7,155)	(8,385)	(7,359)	(8,737)
Total non-current liabilities		(56,968)	(59,969)	(53,963)	(62,181)
Total liabilities		(65,590)	(68,424)	(61,212)	(68,105)
Net assets		32,331	27,578	32,759	30,232
Equity					
Share capital		649	649	649	647
Share premium account		23,959	23,959	23,959	23,904
Other components of equity	8,9	21,461	16,450	21,952	18,158
Retained earnings	8,9	(13,738)	(13,480)	(13,801)	(12,477)
Total equity attributable to owners of the parent company		32,331	27,578	32,759	30,232

Condensed consolidated statement of changes in equity

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2024	649	23,959	21,952	(13,801)	32,759
Comprehensive Income					
Profit for the period	-	-	-	63	63
Other comprehensive income					
Movement in translation reserve	-	-	(491)	-	(491)
Balance at 30 June 2024	649	23,959	21,461	(13,738)	32,331

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2023 as restated	647	23,904	18,158	(12,477)	30,232
Comprehensive income					
Loss for the period (as restated - see note 9)	-	-	-	(1,003)	(1,003)
Other comprehensive income					
Movement in translation reserve	-	-	(1,729)	-	(1,729)
Total comprehensive loss	-	-	(1,729)	(1,003)	(2,732)

Transactions with owners

Share issue	2	55	-	-	57
Share based payment charge for the period	-	-	21	-	21
Balance at 30 June 2023	649	23,959	16,450	(13,480)	27,578

	Share Capital	Share premium account	Other Components of Equity	Retained earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2023 as restated	647	23,904	18,158	(12,477)	30,232
Comprehensive income					
Loss for the year				(1,324)	(1,324)
Other comprehensive income					
Movement in translation reserve			7		7
Property revaluation reserve			3,904		3,904
Deferred tax on property revaluation	-	-	(171)	-	(171)
Total comprehensive income	-	-	3,740	(1,324)	2,416
Transactions with owners					
Share Issue	2	55	-	-	57
Share-based payment charge for the period	-	-	54	-	54
Balance at 31 December 2023	649	23,959	21,952	(13,801)	32,759

Consolidated Statement of Cashflows

	Period to 30 June 2024	Period to 30 June 2023	Year to 31 December 2023
Note	Unaudited £'000	As Restated Unaudited £'000	Audited £'000
Cash flow from operating activities			
Profit/(loss) for the period	63	(1,003)	(1,324)
Tax charge	(220)	(1)	226
Depreciation, amortisation	1,705	1,973	3,364
Net finance costs	1,574	1,522	3,413
Share based payment charge	-	21	54
Impairment charges	-	-	1,028
(Increase)/decrease in inventories	(23)	1	(2)
Decrease in lease asset debtor	78	18	153
(Increase)/decrease in trade and other receivables	(118)	413	136
Increase in trade and other payables	2,011	2,407	1,076
Fair value movement of derivatives	26	-	-
Cash generated from operations attributable to continuing operations	5,096	5,351	8,124
Income tax received/(paid)	(140)	28	(69)
Total net cash inflow from operating activities	4,956	5,379	8,055
Cash flow from investing activities			
Purchases of property, plant and equipment	(5,685)	(183)	(4,977)
Purchases of intangible assets	(39)	-	(80)
Interest received	10	11	35
Total net cash outflow from investing activities	(5,714)	(172)	(5,022)
Cash flow from financing activities			
Share issue	-	57	57
Proceeds from new borrowings	19,695	-	-
Payment of fees related to new borrowings	(311)	-	-
Principal elements of lease payments	(1,821)	(1,505)	(3,639)
Interest paid	(675)	(775)	(1,274)
Loan repayments	(15,995)	(500)	(1,000)
Total net cash outflow from financing activities	893	(2,723)	(5,856)
Cash and cash equivalents at beginning of period	2,038	5,226	5,226

Net cash flows (used in)/generating from operating, investing and financing activities		135	2,484	(2,823)
Differences on exchange		48	(449)	(365)
Cash and cash equivalents at end of period (including discontinued operations)	4	2,221	7,261	2,038

1 General Information

Safestay plc, the "Company" together with its subsidiaries, "the Group", is a public limited company whose shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered number of the Group is 08866498 and its registered address is 1a Kingsley Way, London, N2 0FW.

2 Basis of Preparation

The consolidated interim financial information has been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

The Group's Annual Report and Accounts for the period ended 31 December 2024 are expected to be prepared under IFRS.

The comparative information for the period ended 30 June 2023 in this interim report does not constitute statutory accounts for that period under section 435 of the Companies Act 2006.

Statutory accounts for the period ended 31 December 2023 have been delivered to the Registrar of Companies.

The auditors' report on the statutory accounts for 31 December 2023 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Significant Accounting Policies

The consolidated interim financial information has been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts for the period ended 31 December 2023 which is published on the Safestay website, located at www.safestay.com. At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective and have not been adopted early by the Group. The impact of these standards is not expected to be material.

In adopting the going concern basis for preparing these financial statements, the Directors have considered the business model and strategies, as well as taking into account the current cash position and facilities.

Based on the Group's cashflow forecasts, the Directors are satisfied that the Group will be able to operate within the level of its current facilities for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the Directors consider it appropriate for the Group to adopt the going concern basis in preparing these financial statements.

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 December 2023 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2024 and 30 June 2023 is unaudited.

These condensed interim financial statements have not been audited, do not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2023.

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

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 2023.

New Accounting Policies

Due to the refinancing and the subsequent hedging arrangements agreed in January 2024 the Group has considered the need to apply hedge accounting on the two derivatives for the interim financial information. The Group has decided not to apply hedge accounting on the two derivatives. Fair value movements in these financial assets and liabilities will be recorded through the income statement.

New standards and interpretations effective in the year

No new standards have been implemented this year that have a material impact on the business.

3 Segmental Analysis

	Unaudited 6 months to 30 June 2024 £000	Unaudited 6 months to 30 June 2023 £000	Audited Year to 31 December 2023 £000
Hostel accommodation	9,136	9,021	19,190
Food and Beverages sales	1,001	689	1,495
Other income	547	312	808
Total income from continuing operations	10,684	10,022	21,493

Unaudited 6 months to 30 June 2024 (continuing operations)	UK £'000	Spain £'000	Europe £'000	Shared services £'000	Total £'000
Revenue	4,183	2,986	3,515	-	10,684
Profit/(loss) before tax	1,626	512	463	(2,714)	(113)
Add back: Finance income and costs	115	-	(19)	1,479	1,575
Add back: Depreciation & Amortisation	256	599	440	410	1,705
EBITDA	1,998	1,111	884	(826)	3,167
Exceptional & Share based payment expense	-	-	-	-	-
Adjusted EBITDA	1,998	1,111	884	(826)	3,167
Total assets	44,794	16,987	20,414	15,726	97,921
Total liabilities	(13,318)	(12,250)	(7,973)	(32,049)	(65,590)

Unaudited 6 months to 30 June 2023 (continuing operations)	UK £'000	Spain £'000	Europe £'000	Shared services £'000	Total £'000
Revenue	3,556	2,477	3,989	-	10,022
Profit/(loss) before tax	931	96	499	(2,473)	(947)
Add back: Finance income and costs	98	-	16	1,408	1,522
Add back: Depreciation & Amortisation	298	549	615	511	1,973
EBITDA	1,327	645	1,130	(554)	2,548
Exceptional & Share based payment expense	-	-	-	21	21
Adjusted EBITDA	1,327	645	1,130	(533)	2,569
Total assets	34,969	16,335	24,309	20,389	96,002
Total liabilities	(12,227)	(12,168)	(12,681)	(31,348)	(68,424)

Audited 12 months to 31 December 2023 (continuing operations)	UK £'000	Spain £'000	Europe £'000	Shared services £'000	Total £'000
Revenue	8,270	5,349	7,874	-	21,493
Profit/(loss) before tax	2,293	(431)	(918)	(1,666)	(722)
Add back: Finance income and costs	315	278	254	2,326	3,173
Add back: Depreciation & Amortisation	432	1,198	931	540	3,101
EBITDA	3,040	1,045	267	1,200	5,552
Impairment	-	-	1,028	-	1,028
Exceptional & Share based payment expense	-	-	-	80	80
Adjusted EBITDA	3,040	1,045	1,295	1,280	6,660
Total assets	40,944	15,818	21,551	15,658	93,971
Total liabilities	(11,424)	(11,853)	(7,904)	(30,031)	(61,212)

Total liabilities for the Europe segment for the period ending 30 June 2024 includes £470k of liabilities held for sale (30 June 2023: £nil). Total liabilities for the Europe segment for the year ending 31 December 2023 includes £506k of liabilities held for sale.

4 Discontinued Operations

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.

	6 months to 30 June 2024 Unaudited £000s	6 months to 30 June 2023 Unaudited £000s	Year to 31 December 2023 Audited £000s
Revenue	448	450	996
Cost of sales	(95)	(160)	(228)
Gross profit	353	290	768
Administrative expenses	(232)	(223)	(905)
Operating profit	121	67	(137)
Finance income and costs	(165)	(122)	(239)
Profit/(loss) before tax	(44)	(55)	(376)
Loss after tax for discontinuing operations	(44)	(55)	(376)

	Unaudited 30 June 2024 £000s	Unaudited 30 June 2023 £000s	Audited 31 December 2023 £000s
Property plant and equipment (including right-of-use asset)	3,579	-	3,884
Trade and other payables	(293)	-	(187)
Lease Liabilities	(3,869)	-	(4,291)
Cash and cash equivalents	82	-	40
Trade and other receivables	31	-	48
Liabilities held for sale	(470)	-	(506)

	6 months to 30 June 2024 Unaudited £'000	6 months 30 June 2023 Unaudited £'000	Year to 31 December 2023 Audited £'000
Cash flow from operating activities			
Loss for the year	(44)	(55)	(376)
Tax charge	-	-	1
Depreciation, amortisation and impairment	-	-	264
Net finance costs	165	122	239
(Increase)/decrease in inventories	(1)	-	2
Decrease in trade and other receivables	17	45	(54)
Increase in trade and other payables	200	106	306
Net Cash generated from operations attributable to discontinued operations	337	218	382
Cash flow from investing activities			
Purchases of property, plant and equipment	(44)	(16)	(9)
Net cash used in discontinued investing activities	(44)	(16)	(9)
Cash flow from financing activities			
Principal elements of lease payments	(251)	(211)	(419)
Loan repayments	-	-	(80)
Net cash used in discontinued financing activities	(251)	(211)	(499)
Cash and cash equivalents at beginning of year	40	162	162
Net cash flows (used in)/generating from operating, investing and financing activities	42	(9)	(126)
Differences on exchange	-	-	4
Cash and cash equivalents at end of year	82	153	40

5 Earnings Per Share

	Period to 30 June 2024	Period to 30 June 2023	Period to 31 December 2023
...	...	...	...

	Unaudited £'000	Unaudited £'000	Audited £'000
Basic profit/(loss) per share from:			
Continuing Operations	0.16p	(1.46p)	(1.46p)
Discontinued Operations	(0.07p)	(0.08p)	(0.58p)
Diluted profit/(loss) per share from:			
Continuing Operations	0.16p	(1.40p)	(1.39p)
Discontinued Operations	(0.06p)	(0.08p)	(0.55p)

Basic profit/(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 profit/(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 profit/(loss) per share are reconciled below:

	30 June 2024	30 June 2023	31 December 2023
Weighted average number of ordinary shares (000s) for the purposes of basic earnings per share	64,935	64,802	64,869
Effect of dilutive potential ordinary shares (000s)	3,441	3,142	3,441
Weighted average number of ordinary shares (000s) for the purposes of diluted profit/(loss) per share	68,376	67,944	68,310

6 Fixed Assets

	Freehold land and buildings	Right of Use Assets	Leasehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 Jan 2024	16,999	23,244	27,020	3,253	1,039	2,154	73,709
Transfers	2,114	-	-	-	-	(2,114)	-
Additions	2,688	-	-	20	585	2,392	5,685
Depreciation	(163)	(1,037)	(94)	(161)	(231)	-	(1,686)
IFRS 16 Lease Modification	-	321	-	-	-	-	321
Exchange Differences	(7)	(368)	-	65	(60)	-	(370)
Revaluation	-	-	-	-	-	-	-
At 30 June 2024	21,631	22,160	26,926	3,177	1,333	2,432	77,659
At 1 Jan 2023	11,717	29,464	26,203	3,454	1,220	-	72,058
Transfers	-	-	-	154	(194)	40	-
Additions	-	-	-	-	183	-	183
Depreciation	(113)	(1,146)	(298)	(215)	(146)	-	(1,918)
IFRS 16 Lease Modification	-	29	-	-	-	-	29
Exchange Differences	(260)	(479)	-	(1,014)	(287)	(2)	(2,042)
At 30 June 2023	11,344	27,868	25,905	2,379	776	38	68,310
At 1 Jan 2023	11,717	29,464	26,203	3,454	1,220	-	72,058
Transfers	-	-	-	154	(194)	40	-
Reclassification as held for sale	-	(3,858)	-	-	(26)	-	(3,884)
Additions	2,522	-	-	4	337	2,114	4,977
Depreciation	(169)	(2,408)	(185)	(318)	(266)	-	(3,346)
Impairment	-	(83)	-	(65)	-	-	(148)
IFRS 16 Lease Modification	-	323	-	-	-	-	323
Revaluation	2,902	-	1,002	-	-	-	3,904
Exchange Differences	27	(194)	-	24	(32)	-	(175)
At 31 December 2023	16,999	23,244	27,020	3,253	1,039	2,154	73,709

7 Borrowings

	Unaudited 30 June 2024 £'000	Unaudited 30 June 2023 £'000	Audited 31 December 2023 £'000
At amortised cost			
Bank Loan repayable within one year	349	1,108	1,000
Property finance liability	3	-	-
Loan arrangement fees	(85)	-	(68)
	<u>267</u>	<u>1,108</u>	<u>932</u>
 Bank Loans repayable within more than one year	 19,495	 15,495	 15,180
Property finance liability	7,175	7,087	7,174
Loan arrangement fees	(243)	(28)	-
	<u>26,427</u>	<u>22,554</u>	<u>22,354</u>

In January 2024, the Group refinanced its existing borrowings into a single £16.0 million Term Loan and added a new £2.5 million 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 £4.4 million at 3.955%, £10.0 million at SONIA but capped at 4.75% with a floor of 3% and £1.6 million 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 £0.1 million 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 Group have entered into two hedging arrangements on the term loan, one being an interest rate swap of 3.955% for £4.4 million, and the other being a cap and collar with a floor of 3% and a cap of 4.75% for £10.0 million. The Group have decided not to apply hedge accounting on these two transactions and will record any fair value movements through the income statement. The fair value of these financial assets at 30 June 2024 is £26k (30 June 2023: £nil).

The Term Loan replaces the previous interest only £12.7 million facility with HSBC and enabled the repayment of the outstanding CBILS loan of £3.3 million, which carried a significantly higher interest rate.

In June 2024, the Group acquired a freehold property located in Brighton, United Kingdom, for a consideration of £2.3 million, funded through both the Group's existing cash balances, and a £1.2 million loan from the trustees of the Sheldon Pension Fund and Sentpark Capital Limited.

The loan will be made to Safe Hostels Limited (a 100% owned subsidiary of Safestay plc) with Safestay plc providing a written guarantee. The interest rate on the loan is 1% per month and is serviced monthly, plus there are arrangement and exit fees of 1% each. The repayment date is 18 months after the drawdown date.

8 Deferred Tax

The adoption of the amendments to IAS 12 effective 1 January 2023, resulted in an increase in deferred tax assets of £5.8 million, an increase in deferred tax liabilities of £5.4 million and an increase in brought forward retained earnings of £0.4 million as at 1 January 2023. These arise from timing difference between right-of-use assets and lease liabilities under IFRS 16.

The adoption of the amendments results in an increase in deferred tax assets of £5.6 million, an increase in deferred tax liabilities of £5.0 million, an increase in brought forward retained earnings of £0.4 million as at 30 June 2023 and a decrease in tax charges of £0.2 million.

9 Prior Year Restatements

Following a review of the share options workings for the year ended 31 December 2023, it was noted that in prior years 1.4 million share options in relation to option holders who had since left the business and were no longer entitled to those options, had not been cancelled. The impact of this has been that the share option charge in prior years has been overstated. Therefore a prior year adjustment to the 1 Jan 2023 comparatives has been made in respect of this which has resulted in a reduction in the share based payment reserve of £0.3m at 1 January 2023 and a corresponding increase in retained earnings of £0.3m at 1 January 2023 and 30 June 2023.

10 Post Balance Sheet Events

On 1 August 2024, the Group surrendered the lease for its 52-room hotel in Vienna (the "Hotel") to the Hotel's landlord, Hotel la Prima GmbH. Under the terms of the surrender agreement, the total consideration payable by Safestay is €532,000, representing historic COVID-deferred rent. BOSU SBS Hotel GmbH, the new tenant for the Hotel, has agreed to pay Safestay €275,000, which will be used by the Company to pay down the consideration. In addition, to complete the transaction Safestay will pay a further €107,000 from a historic rent deposit account and €150,000 from the Company's existing cash resources to settle the outstanding balance.

On 8 August 2024, the Group announced an acquisition of a leasehold property in Budapest, Hungary, by its wholly owned subsidiary Safestay Hungary kft.

Safestay Hungary kft has signed a five-year lease for the property from Curzon Capital kft and under the terms of the agreement has the option to extend this over two additional five-year terms. The first eight months of the property's €150,000 annual rent will be waived while Safestay obtains the required licence to operate the property as a hostel and, subsequently, refurbishes the property at an anticipated cost of €600,000.

Should Safestay be unable to secure the correct licence, the agreement will be terminated. Once operational, the Budapest hostel is expected to contribute estimated revenue of approximately

€350,000 and EBITDA after rent of €50,000 to the Group during its first year of operation. This is expected to increase as the site matures.

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