

29 June 2026

Safestay plc

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

Final Results

Improved liquidity and reduced debt alongside strategic progress despite a challenging trading environment

Safestay (AIM: SSTY), the owner and operator of an international brand of contemporary hostels, is pleased to announce its audited final results for the year ended 31 December 2025 (the "Year").

Financial highlights:

- Group revenue of £20.6 million (2024: £23.0 million including discontinued operations) and Adjusted EBITDA of £3.7 million (2024: £6.5 million), reflecting challenging trading conditions across several of the Group's European markets
- UK revenue decreased by 6% to £8.5 million (2024: £9.0 million) accounting for 41% (2024: 39%) of Group revenue
- Overseas revenue of £12.1 million (2024: £14.0 million), representing a 13.5% decrease year on year
- Non-cash goodwill and fixed asset impairment charges of £6.0 million (2024 restated: £3.1 million) and a loss on disposal of assets of £1.4 million
- Reflecting the lower EBITDA year on year and non-cash impairment, described above, the Group reported a loss after tax of £10.1 million (2024 restated¹: loss of £3.5 million) and a loss per share of 15.48p (2024 restated¹: loss of 5.46p)
- Available cash balances at 31 December 2025 of £2.7 million (2024: £1.4 million) reflecting the sale and franchise of the Edinburgh freehold property and hostel, the sale and lease back of the Group's Brighton freehold property and the Covid-19 related insurance claim
- Net asset value per share of 22.21p (2024 restated: 43.32p) in part reflecting the sales of the Edinburgh and Brighton properties
- Gross debt (excluding lease liabilities and property finance liabilities) was significantly reduced to £14.1 million (2024: £19.5 million), strengthening the balance sheet and improving financial resilience

¹ 2024's figures have been restated as set out in Note 12 to these financial statements

Strategic and operational highlights:

- 6% decrease in total bed nights to 877,674 (2024: 931,688); occupancy decreased to 70.0% (2024: 75.2%). On a like for like basis, excluding Vienna (15,967 bed nights), the decrease was 4%
- Group bookings at 16% of overall accommodation sales (2024: 16%)
- Increase in non-accommodation revenue helped to offset a decrease in average bed rate ("ABR") reflecting the highly competitive pricing environment. As a result, Revenue Per Available Bed ("RevPAB") decreased to £16.43 (2024: £18.56)
- Safestay retained more revenue per booking than the industry average, with direct bookings representing 37.5% of sales (2024: 38%), versus a global rate of 26.3% (D E D G E Hotel Distribution Report 2025)
- The Company's footprint expanded to 22 properties in 2025, including hotels operated directly, under development, and under franchise, compared with 19 in 2024. Following the disposals of Glasgow and Berlin in 2026, the adjusted total stands at 20 properties. This growth reflects continued progress in strengthening the portfolio and diversifying operations across different models. Franchising remains relatively underdeveloped within the hostel market and represents a significant opportunity for Safestay
- The new Naples property, located within a converted monastery, offers a distinctive customer experience and marks the Group's second site in Italy, a priority market for future growth

Post balance sheet events:

- On 29 May 2026, exchange contracts were signed for the disposal of the Glasgow freehold property for £5.1 million. The proceeds will be allocated to loan repayments and working capital, enhancing liquidity and supporting Safestay's asset light expansion strategy across Europe. Our new Naples site became operational in Q1 2026, and our Brighton site is expected to open during summer 2026, enhancing estate capacity and quality
- On 3 June 2026, Safestay plc announced the closure of its Berlin Kurfürstendamm property and the liquidation of Hotel Auberge GmbH, following operational pressures, significant investment needs, and a lease termination effective December 2026. The Board, advised independently, determined liquidation as the most appropriate course to mitigate further losses

Current trading and outlook:

- In the year to date, ABR is marginally ahead of the prior year. However, occupancy levels have been impacted by consumer behaviour changes as a result of the conflict in the Middle East as well as by tourist levies introduced in several European destinations, which are increasing the overall cost of travel
- The Board remains mindful of continuing cost pressures including increased business rates and employment costs in the UK and VAT changes in Europe. Against this backdrop, management remain focused on proactive cost control and pricing optimisation
- The Board also continues to consider various strategic options to deliver sustainable growth and to crystallise value for shareholders, including potential further disposals and/or sale and leasebacks of certain of the Company's properties
- Looking ahead, the Board remains positive about Safestay's long-term prospects as an established international operator in the significant and fragmented European hostel market

Larry Lipman, Chairman of Safestay, said:

"Against the backdrop of a challenging pan-European trading environment, during 2025 the Board took proactive measures to manage the composition of the portfolio, significantly strengthen the balance sheet, and improve long-term performance. This included the sale of two freehold sites in the UK in Edinburgh and Brighton, whilst continuing to strategically expand the portfolio in attractive locations, with three new hostels added in Italy and Austria.

"Our focus remains on delivering sustainable growth and creating value for shareholders, underpinned by a leading customer proposition. With a strong brand in the European hostel market, well-invested systems and a pipeline of growth opportunities including franchising, we remain confident in Safestay's ability to deliver sustainable growth and shareholder value creation."

The Company's report and accounts for the year ended 31 December 2025 will be available later today on its website, <https://www.safestay.com/investors/> and will be posted to shareholders shortly.

The Company intends to convene its Annual General Meeting in due course and a further announcement will be made regarding the date, time and venue of the meeting.

ENDS

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Website www.safestay.com

Instagram page www.instagram.com/safestayhostels/

About Safestay PLC

[Safestay](#) PLC, one of Europe's largest hostel groups, operates in the exciting and growing hostel segment of the global hospitality market. Worth approximately US 6.53bn in 2026, it is estimated to grow to US 15.25bn by 2034 (The Market Data Forecast, 2025).

Safestay's operational sites of 20 premium hostels and one hotel offer guests both private and shared rooms in destination cities across the UK, Spain, Belgium, Czech Republic, Greece, Italy, Poland, Portugal, Austria and Slovakia.

Safestay's mission at each of its locations is to provide a safe, inclusive, and enjoyable space that caters to the needs of different travellers. Its properties offer first-class locations and thoughtful designs that cater for the different needs of travellers, from digital nomads to backpackers and from families to group travellers.

Safestay's pan-European locations include:

- [Kitzbühel Alpine, Austria \(Franchise\)](#)
- [Kitzbühel Centre, Austria \(Franchise\)](#)
- [Brussels Grand Place, Belgium](#)
- [Prague Charles Bridge, Czechia](#)
- [Athens Monastiraki, Greece](#)
- [Naples, Italy](#)
- [Pisa Centrale, Italy](#)
- [Warsaw Old Town, Poland](#)
- [Lisbon Bairro Alto, Portugal](#)
- [Bratislava Presidential Palace, Slovakia](#)
- [Barcelona Gothic, Spain](#)
- [Barcelona Passeig de Gracia, Spain](#)
- [Calpe Seafront, Spain](#) (in development)
- [Córdoba Mezquita Catedral, Spain](#)
- [Madrid Central, Spain](#)
- [Brighton, UK](#)
- [Edinburgh Cowgate, UK](#) (Franchise)
- [London Elephant & Castle, UK](#)

- [London Kensington Holland Park, UK](#)
- [York Micklegate, UK](#)

Chairman's Statement

Introduction

The Group delivered several important strategic and operational initiatives during 2025 to support progress against its long-term strategy for growth and shareholder value creation. These included proactive management of the portfolio, actions to strengthen the balance sheet, and the openings of the Group's first franchise operations.

However, the sustained challenging trading environment across the Group's European portfolio meant that Group revenue for the year declined to approximately £20.6 million (2024: £23 million). Adjusted EBITDA decreased to approximately £3.7 million (2024: £6.5 million) reflecting the revenue performance as well as inflationary pressures, in particular, higher staff costs across several of the Group's UK and European properties. The Group reported a statutory loss after tax of £10.1 million for the year (2024 restated: loss of £3.5 million), which included goodwill and fixed asset impairment charges of £6.0 million (2024 restated: £3.1 million) and a loss on disposal of assets of £1.4 million.

FY25 overview

During the year, aligned with our strategy to crystallise value for shareholders while supporting sustainable long-term growth, we took actions to improve liquidity and reduce bank debt through the sale and franchise of our Edinburgh freehold property and hostel and the sale and lease back of our Brighton freehold property. These transactions generated cash proceeds and enabled the Group to reduce borrowings, although they also resulted in an accounting loss on disposal of £1.4 million. We also continued to expand our hostel portfolio adding three new properties: one in Naples, Italy and two sites in Kitzbühel, Austria under a franchise model. As a result, at the year end, our portfolio consisted of 22 hostels, including two in development and three operated on a franchise basis (2024: 19 hostels including three in development and zero operated on a franchise basis).

Further to the freehold property sales described above, as well as the award in June 2025 of a Covid-19 related business interruption insurance claim totalling £1.4 million - classified as other operating income - the Group's cash at bank at 31 December 2025 was £2.7 million, a 93% increase year-on-year (2024: £1.4 million), and gross debt, excluding lease liabilities and property finance liabilities, was significantly reduced to £14.1 million (2024: £19.5 million). This should be read alongside the reduction in net assets to £14.4 million (2024 restated: £28.1 million). During the year, impairment charges of £4.0 million (2024 restated: £2.6 million) were recognised in respect of goodwill and £2.0 million (2024: £0.4 million) in relation to fixed assets. The goodwill impairment reflects the reassessment of expected future cash flows following weaker trading performance. In addition, property revaluation losses of £5.7 million (2024: gains of £1.1 million) were recorded against tangible fixed assets. Collectively, these impairment charges and revaluation adjustments had a material impact, significantly reducing net assets.

Given the challenging trading environment described above, total bed nights decreased by 6% to 877,674 (2024: 931,688) and the occupancy rate was 70% (2024: 75.2%). ABR decreased by 6% to £20.06 (2024: £21.43) reflecting the highly competitive pricing environment across the European hostel market. As a result, total RevPAB decreased to £16.43 (2024: £18.56). Forward bookings at 1 January 2026 were £3.1 million (1 January 2025: £4.7 million). Net asset value per share was 22.21p (2024 restated: 43.32p).

For further details of our financial performance during the year, please see the Chief Financial Officer's review set out in the Group's Annual Report.

Our highly relevant customer proposition

Safestay's European 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 our differentiated offer amongst our core customer base of young travellers, families and business travellers.

Safestay operates in the growing hostel segment of the global hospitality market. Worth approximately US 6.53bn in 2026, it is estimated to grow to US 15.25bn by 2034 (The Market Data Forecast, 2025).

To improve our understanding of our customers' priorities, in December 2025 we conducted a survey of a nationally representative sample of 2,000 UK travellers who have either taken a European city break in the past 12 months or plan to go on a European city break in the coming 12 months. The data reinforced the strength and relevance of our customer proposition:

- Location is the key priority: 71% of UK travellers say a prime city-centre location is critical when choosing city-break accommodation, compared with just 7% who prioritise luxury facilities.
- Strong price sensitivity: One in five travellers (22%) target "extreme value", looking to pay less than £49 per person per night for a European city break, while only 12% are willing to spend more than £100.
- Budgets under pressure: Although more than half of travellers (56%) plan to travel more often in 2026, almost a third (29%) expect to spend less - with cheaper accommodation being the main lever.

From this, we understand that location and price remain key drivers for our customers choosing to stay with us. We are confident that the Group is well placed to capitalise on these important drivers of customer preference over the coming years.

Board Updates

In June 2025, Carlos Salas Dual was appointed as Chief Financial Officer, replacing Paul Hingston. Carlos is a Chartered Certified Accountant with extensive experience in senior financial management roles across a range of sectors, most recently acting as Group Financial Controller for Gibraltar-based MH Bland Group of Companies.

Following the year end, in May 2026, Davide Caschili was appointed to the Board as Chief Operating Officer with effect from 10 June 2026, succeeding Peter Zielke, who will step down from his executive responsibilities but will remain on the Board for a period to support an orderly transition. Davide Caschili has more than 25 years of hospitality experience, with a strong track record in hostel and hybrid hospitality operations across the UK, Italy and the US, most recently as Head of Operations UK & Ireland at Edyn Group. On behalf of the Board, I would like to thank Peter for his commitment and significant contributions to Safestay over the last three years.

Ongoing Board Priorities

The Board remains focused on ensuring that Safestay executes its strategy in a disciplined and sustainable manner to create long-term value for all stakeholders, including our shareholders. In support of this objective, the Board continues to prioritise three key areas: Environmental, Social and Governance ("ESG"), People, and Strategic Execution.

ESG

As Safestay continues to grow its European portfolio, the Board remains mindful of the impact our activities have on our people, the environment and the communities in which we operate. We therefore seek to operate our hostels in a way that minimises environmental impact while supporting the local communities that make our destinations vibrant and attractive to travellers.

People

Ensuring that Safestay has the right leadership, culture and organisational capabilities to deliver its strategy remains a core priority for the Board.

Over recent years we have strengthened the senior leadership team and continued to develop the Group's operational infrastructure. A key component of this has been the ongoing development of Safestay's Commercial Hub in Warsaw, which supports the Group's growing portfolio through centralised expertise in areas such as revenue management, marketing and digital services.

Our people remain fundamental to the long-term success of the business and satisfaction of our guests. On behalf of the Board, I would like to thank all Safestay colleagues for their continued commitment and contribution during the year.

Strategic execution

The Board remains focused on executing Safestay's strategy to crystallise value for shareholders while supporting sustainable growth. During 2025, the Group continued to deliver progress despite the challenging trading backdrop across the European hospitality sector. Key developments during the year included selected disposals of UK assets alongside continued expansion of the Group's European portfolio together with the introduction of new capital-light growth initiatives including franchising.

FY26 Current Trading & Outlook

In the year to date, ABR is marginally ahead of the prior year. However, occupancy levels have been impacted by consumer behaviour changes as a result of the conflict in the Middle East as well as by tourist levies introduced in several European destinations, which are increasing the overall cost of travel.

The Board remains mindful of continuing cost pressures including increased business rates and employment costs in the UK and VAT changes in Europe. Against this backdrop, management remain focused on proactive cost control and pricing optimisation.

The Board also continues to consider various strategic options to deliver sustainable growth and to crystallise value for shareholders, including potential further disposals and/or sale and leasebacks of certain of the Company's properties.

Looking ahead, the Board remains positive about Safestay's long-term prospects as an established international operator in the significant and fragmented European hostel market.

Larry Lipman
Chairman
29th June 2026

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: Expansion is being pursued through a capital light strategy, supported by leasehold arrangements, partnerships, and alliances, with contemporary, stylish refurbishments ensuring consistency 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 focus on customer satisfaction, a strong community experience and repeat stays.

Operational Review 2025

Through a balanced expansion strategy across key European destinations and a strong focus on maximising revenue through operational excellence, Safestay seeks to create value for all of its stakeholders. In a particularly challenging climate, the business proved both resilient and responsive to macroeconomic pressures, as we focused on strengthening brand recognition, leveraging technology as a platform for growth and progressing a more capital-light operating model.

Resilience in a challenging environment

Price pressures dominated the wider hostel market in 2025, driven by a combination of increased competition from lower-cost long-haul destinations and rising operating costs, including increased business rates and employment costs in the UK, VAT changes in Europe and the introduction of tourist levies in certain destinations, which will increase travel costs for consumers.

Despite these headwinds, management remains focused on proactive cost control and selective pricing adjustments to safeguard profitability while seeking to maintain occupancy and service standards. Safestay also demonstrated relative outperformance compared to global averages. According to Cloudbeds, global hostel Average Daily Rates (ADR) fell by 8.2% between 2024 and 2025. Safestay's ABR declined by 6% to £20.06 (2024: £21.43) across the portfolio. Similarly, while UK hostel occupancy declined by 11.6%, Safestay recorded a significantly smaller reduction of 3.9%, helping to mitigate the decline in RevPAB.

With over 877,000 overnight stays across the portfolio, this performance reflects both the strength of the brand and the effectiveness of operational and strategic interventions during the year - delivered across three core areas of focus.

1. Technology as a platform for growth

Following the implementation of Cloudbeds, a single integrated property management system across the Group, we enhanced our ability to manage pricing, availability, reservations and payments in real time. This centralised platform improved data visibility and consistency across the portfolio, enabling faster and more informed commercial decision-making, supporting dynamic pricing strategies, and reducing operational inefficiencies. This approach, alongside our central booking office in Warsaw, underpinned efforts to drive direct bookings, reduce reliance on third-party online travel agents and protect margins. With a 37.5% direct booking rate, versus a global rate of 26.3%, Safestay retained more revenue per booking than the industry average.

We also implemented a focused search engine optimisation strategy, supported by optimised content and blog activity. By enhancing brand visibility across both traditional and AI-driven search platforms, this investment helped strengthen the booking pipeline in late 2025 - stabilising rates and providing a platform for more assertive pricing into 2026.

Strong early performance this year reflects the success of this approach. As does the entry of the US into the top five source countries for Safestay guests. Following a direct digital marketing campaign in North and South America, the US is now our fifth largest market, demonstrating growing international recognition and the emergence of new demand channels.

2. A carefully considered, capital-light expansion strategy

Alongside disciplined day-to-day cost control - including careful supplier negotiation and a deliberate decision not to reduce headcount - we took strategic action to strengthen the balance sheet and improve capital efficiency. The sale and franchise-back of the Edinburgh property released capital while keeping the asset within the Safestay portfolio. Similarly, the transition of the Brighton property from an ownership to a lease model reduced debt and interest exposure while maintaining brand presence in a key UK destination.

This capital-light approach supports a more flexible and scalable growth model, and enabled our continued expansion across Europe. In June 2025, we signed a 12-year lease for a new 300-bed hostel in Naples, which commenced operations in Q1 2026 and is expected to be fully operational for summer 2026. Located within a converted monastery, the property offers a distinctive customer experience and marks our second site in Italy, a priority market for future growth.

3. Brand strength through new franchisees and partnerships

While well established in the hotel sector, franchising remains relatively underdeveloped within the hostel market and represents a significant opportunity for Safestay. We continued to expand our franchise network this year, signing two new properties in the high-end ski resort of Kitzbühel, Austria. These additions support our move towards an asset-light strategy, while the brand's strength is expected to support demand for franchise partners.

Beyond portfolio growth, we continued to explore partnerships that enhance brand reach and customer access. A new marketing alliance with Zostel in India provides mutual promotional and cross-selling opportunities, with shared service delivery and ethical standards - strengthening Safestay's positioning as a global platform for like-minded travellers.

Chief Financial Officer's review

The challenging trading environment across the Group's European portfolio meant that Group revenue for the year declined to approximately £20.6 million (2024: £23.0 million). Adjusted EBITDA decreased to approximately £3.7 million (2024: £6.5 million) reflecting the revenue performance as well as inflationary pressures, in particular, higher staff costs across several of the Group's UK and European properties and significant pricing pressures on consumers.

Financial Key Performance Indicators

	As restated	
	2025	2024
Occupancy %	70.0%	75.2%
Average Bed Rate	£20.06	£21.43
Room Revenues (£'000):		
Continuing Operations	17,609	19,488
Discontinued Operations	-	474
Total	17,609	19,962
Total Revenues (£'000)		
Continuing Operations	20,586	22,497
Discontinued Operations	-	512
Total	20,586	23,009
Net cash generated from operations (£'000)		
Continuing Operations	4,519	6,751
Discontinued Operations	-	117
Total	4,519	6,868
Net assets per share	22.21p	43.32p
Adjusted EBITDA (£'m)		
Continuing Operations	3.7	6.3
Discontinued Operations	-	0.2
Total	3.7	6.5
Finance Cost (£'000)		
Continuing Operations	3,128	3,229
Discontinued Operations	-	192
Total	3,128	3,421
Earnings per share		
Continuing Operations	(15.48p)	(6.06p)
Discontinued Operations	-	0.60p
Total	(15.48p)	(5.46p)

Occupancy is calculated by dividing the number of beds sold over the year by the number of beds available when the hostels were opened during the same period. Occupancy for the year was 70.0% (2024: 75.2%) primarily reflecting

hotels were opened during the same period. Occupancy for the year was 70.0% (2024: 70.2%), primarily, reflecting softer demand across several European markets and reduced group bookings in certain locations.

ABR is calculated by dividing room revenues by the number of beds sold over the year. ABR for the year was £20.06 (2024: £21.43). Although ABR was lowered in selected periods to stimulate demand, this was not sufficient to offset the wider market driven decline in occupancy.

Revenue

Total revenue for the year ended 31 December 2025 decreased to £20.6 million (2024: £23.0 million including discontinued operations), down 10.5% on the previous year. Revenue from continuing operations decreased by 8.5% to £20.6 million (2024: £22.5 million).

Room revenue was £17.6 million (2024: £20.0 million) and food and beverage and ancillary sales were flat at £3.0 million (2024: £3.0 million).

Sales in the UK business decreased by 6% to £8.5 million (2024: £9.0 million). UK sales accounted for 41% (2024: 39%) of revenue generated by the Group. Sales from our overseas businesses totalled £12.1 million (2024: £14.0 million), representing a 14% decrease year-on-year.

Adjusted EBITDA

The Directors consider that 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 cost and right-of-use depreciation.

Given the challenging trading environment, Adjusted EBITDA fell by 43% in the year to £3.7 million (2024: £6.5 million), total bed nights decreased by 6% to 877,674 (2024: 931,688) and the occupancy rate was 70% (2024: 75%). The Average Bed Rate decreased by 6% to £20.06 (2024: £21.43) reflecting the highly competitive pricing environment. As a result, total Revenue Per Available Bed decreased to £16.43 (2024: £18.56).

A reconciliation of operating (loss) / profit to Adjusted EBITDA has been performed below:

	As restated	
	2025	2024
	£'000	£'000
Adjusted EBITDA is as follows:		
Operating (loss) / profit (including discontinued operations)	(6,933)	756
Add back:		
Depreciation	1,502	1,291
Right of Use depreciation	2,238	2,054
Amortisation	37	36
Reported EBITDA	(3,156)	4,137
Impairment of goodwill	3,974	2,649
Impairment of tangible fixed assets	2,021	428
Revaluation of fixed assets	615	-
Adjusting items	-	(297)
Fair value movement of derivatives	102	13
Loss/(profit) on disposal of assets	1,413	(400)
Covid insurance claim net income	(1,262)	-
Share based payment (credit) / expense	(2)	-
Adjusted EBITDA	3,705	6,530

The comparative figures for 2024 presented in the reconciliation table have been restated to reflect the impairment of goodwill of approximately £2.6 million. This adjustment ensures comparability with the current year's presentation. Further details of the restatement are provided in Note 12.

As outlined in the Strategic Report, the Group reported a statutory loss after tax of £10.1 million (2024 restated: £3.5 million), which includes goodwill and fixed asset impairment charges of £6.0 million (2024 restated: £3.1 million). This write-down of approximately £6.0 million represents the principal driver of the loss for the year.

Finance Costs

Finance costs were £3.1 million (2024: £3.4 million) as follows:

	2025	2025	2025	2024	2024	2024
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest on bank overdrafts and loans	0	1,447	1,447	0	1,455	1,455
Amortised loan arrangement fees	0	65	65	0	140	140
Interest expense for lease arrangements	0	1,402	1,402	192	1,424	1,616
Property financing expense	0	216	216	0	222	222

The Group recorded finance income of £2,000 (2024: £12,000).

The Group refinanced all of its borrowings in January 2024 into a single £16 million term loan (the "Term Loan") and added a new £2.5 million Revolving Credit Facility ("RCF") to support future growth plans. The 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 became repayable at £0.1 million per quarter from March 2025, with the fourth quarter repayment leaving the account on 2 January 2026. Interest in both the Term Loan and RCF continues to be payable quarterly. In 2025, the Group also repaid the full £2.5 million Revolving Credit Facility, made a further £1.8 million repayment on the main Term Loan and £1.2 million to Sheldon Pension Fund and Sentpark Capital Limited. Total

repayments in the year amounted to £5.5 million. An additional £0.3 million was repaid in January 2026 against the Term Loan.

In addition, the Group has a loan in Germany (£0.1 million) and previously held a loan in relation to the purchase of the freehold property in Brighton, totalling £1.2 million. This Brighton related loan was fully repaid in December 2025 following the sale and leaseback of the Brighton property.

Since the introduction of IFRS 16 from 1 January 2019, the Group's 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 2025, the finance costs include £1.4 million of lease interest (2024: £1.6 million).

Earnings per Share

The Group made a loss after tax of £10.1 million in the year (2024 restated: loss of £3.5 million). Earnings per share for the year were a loss of 15.48p compared to a loss of 5.46p in 2024 (as restated), or a loss of 6.06p from continuing operations. The increased loss is primarily attributable to lower occupancy levels and a reduced ABR, together with an impairment charge of £6.0 million relating to tangible fixed assets and goodwill.

Cash flow, capital expenditure and debt

Net cash inflow from operating activities was £4.5 million (2024: £6.9 million) primarily due to the reduction in ABR, being only partially offset by tight cost control.

The Group had cash balances of £2.7 million at 31 December 2025 (2024: £1.4 million).

Outstanding bank debt at 31st December 2025 was £14.1 million (2024: £19.5 million) and is broken down as follows:

	2025 £m	2024 £m
Term Loan	14.2	16.0
Revolving Credit Facility	-	2.5
CBILS	-	-
Germany	0.1	0.1
Brighton	-	1.2
Capitalised Loan Fees	(0.2)	(0.3)

Lease liabilities increased to £27 million (2024: £23.7 million), primarily as a result of lease modifications. In addition, lease modifications were recognised during the year in accordance with the terms of the lease agreements.

The Group also holds a £7.2 million (2024: £7.2m) property finance liability, which forms part of total borrowings. This balance relates to financing secured against Elephant and Castle and remains a material component of the Group's overall debt structure.

The gearing ratio (exclusive of lease liabilities) is 52% (2024: 59%).

Net asset value per share in 2025 was 22.21p (2024: 43.32p).

Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ended 31 December 2025, the Directors have considered the Group's cash flow, liquidity, and business activities.

During 2025, the Group recorded Adjusted EBITDA of £3.7 million (2024: £6.5 million).

During 2025, Safestay took significant steps to strengthen its balance sheet and secure long-term operational flexibility through the sale and franchising of its Edinburgh Cowgate property and the sale and leaseback of its Brighton freehold property. The Edinburgh transaction, completed on 1 December 2025, generated £5.35 million in cash proceeds while retaining brand presence under a 10 year franchise agreement, providing fixed annual income of £75,000 plus performance based fees. Similarly, the Brighton transaction delivered £3.125 million in proceeds under a 15 year leaseback arrangement, with a rent free period supporting the Group's £1.0 million investment in converting the property into a 200 bed hostel scheduled to open in summer 2026. Together, these transactions provided liquidity to repay indebtedness, enhance working capital, and underpin Safestay's ongoing growth ambitions while maintaining operational integration of key assets within its platform.

In May 2026, the Group exchanged contracts for the sale of its Glasgow freehold property for £5.1 million. The transaction forms part of the Group's ongoing strategy to improve cash flow, reduce indebtedness, and strengthen the balance sheet. The net proceeds will be applied towards loan repayments and working capital requirements, thereby enhancing financial resilience. Importantly, this disposal is aligned with the Group's medium and long term strategy to expand its footprint across Europe, focusing on asset light growth through franchising and leasehold structures.

In June 2026, the Group served notice to terminate its lease at Safestay Berlin Kurfürstendamm ahead of the contractual expiry on 31 December 2026. The Property is operated through Hotel Auberge GmbH, an indirect wholly owned subsidiary of Safestay plc. Following termination of the lease, the Group intends to place Hotel Auberge GmbH into liquidation. Exiting the site now is expected to improve the Group's future cash profile and remove a loss-making operation from the portfolio.

The Board considers that the combination of strengthened liquidity, reduced leverage, and continued operational integration of key assets provides a robust platform to support the Group's going concern assumption and delivery of its strategic ambitions.

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, being 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 18 operational Safestay sites:

	2025	2024
Overall Guest Recommendation Rate	72%	87%
Location	94%	90%
Value-for-Money	85%	81%

While guest recommendation rates declined year on year, stronger scores in location and value for money underscore the Group's sustained focus on delivering quality.

The Group is investing targeted capex to bring all sites to premium status, while also enhancing customer service processes to ensure timely handling of complaints and improved guest satisfaction. These measures are expected to mitigate the impact and support recovery in performance.

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 economic downturns, 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 59% of the turnover is generated from hostels located in mainland Europe. The business is therefore exposed to changes in the source market, schools' education and travel policies and any fluctuations arising in the market from the 'Brexit' process and travel restrictions implemented by governments, or school governance bodies.

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

There is also the risk of higher energy and other supply costs. The Company is seeking to mitigate the risk of higher energy costs by engaging a utility broker to help identify opportunities for reducing consumption, and other cost savings are being targeted.

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 considered by management 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 the Group's business. The other systems used are not deemed to be business critical.

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 is 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, there can be no guarantee that future opportunities will be secured on acceptable terms. The Board believes that changes in the real estate market, including the potential availability of converted office and retail assets, may create opportunities for the Group over time.

Expansion in new jurisdictions and changes in regulation in countries where Safestay already operates increase the complexity of the Group's compliance obligations when compared with a business operating in a single jurisdiction. 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 experience in hospitality and marketing as well as

Our experienced Non-Executive and Executive Directors have 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 local expertise and support local compliance, including in relation to obtaining relevant licences. As opposed to other hospitality sectors, such as the sharing economy or private rental, the hostel sector is built on strong regulation plus existing fundamentals and trade licences, which may reduce the likelihood of sudden regulatory change compared with less regulated accommodation models.

Financial risk

The Group refinanced all its borrowings in January 2024 into a single £16 million Term Loan and added a new £2.5 million Revolving Credit Facility ("RCF") to support future growth plans. The 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 became repayable at £0.1 million per quarter from March 2025, with the fourth quarter repayment leaving the account on 2 January 2026. Interest in both the Term Loan and RCF continues to be payable quarterly. In 2025, the Group also repaid the full £2.5 million Revolving Credit Facility, made a further £1.8 million repayment on the Term Loan and £1.2 million to Sheldon Pension Fund and Sentpark Capital Limited. Total repayments in the year amounted to £5.5 million. An additional £0.3 million was repaid in January 2026 against the Term loan.

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 £87,975 (2024: £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.

A proportion of Safestay's business comprises group bookings and there is a risk of booking cancellations which could 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 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.

Brand and customer perception risk

Safestay's brand and financial performance could be adversely affected by negative customer reviews arising from poor service standards or inconsistent guest experiences. The Group mitigates this risk through a strong operational focus on customer service, with particular emphasis on cleanliness, safety and staff training, which are subject to regular internal reviews and audits. Guest feedback is actively monitored across major online booking and review platforms, enabling management to identify issues promptly and implement corrective actions at property level. Ongoing initiatives include enhanced service standards, improved response times to customer feedback, targeted staff training programmes and continuous investment in property maintenance. Management believes these measures support positive guest experiences, protect brand reputation and contribute to improving customer review scores over time.

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 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 risks breaching borrowing covenants. The Board regularly reviews the Group's gearing levels, cash flow projections and associated headroom and ensures that appropriate 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

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. During the year, the Group also repaid the full £2.5 million Revolving Credit Facility, made a further £1.8 million repayment on the Term Loan and £1.2 million to Sheldon Pension Fund and Sentpark Capital Limited.

This risk is mitigated as 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% with only £1.6 million 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 2025, 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 £87,975 (2024: £92,475). 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 appropriate banking facilities are available for future use. All of the Group's long-term bank borrowings are secured on the Group's property portfolio.

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

Consolidated Income Statement for the Year Ended 31 December 2025

	Note	2025 Total £'000	As restated 2024 Total £'000
Revenue	2	20,586	22,497
Cost of sales		(3,951)	(3,939)
Gross profit		16,635	18,558
Administrative expenses		(16,706)	(15,736)
Impairment of fixed assets	5,6	(5,995)	(2,649)
Revaluation of property	5	(615)	-
Loss on disposal of property, plant and equipment		(1,413)	-
Other operating income		1,161	-
Operating (loss)/profit		(6,933)	173
Finance income and costs		(3,128)	(3,229)
Loss before tax		(10,061)	(3,056)
Tax credit / (charge)	4	7	(875)
Loss for the year from continuing operations		(10,054)	(3,931)
Net profit / (loss) from discontinued operations	3	-	391
Loss for the financial year attributable to owners of the parent company		(10,054)	(3,540)
Loss per share from continuing operations		(15.48p)	(6.06p)
Basic profit / (loss) per share from discontinued operations		-	0.60p
Diluted loss per share from continuing operations		(15.48p)	(6.06p)
Diluted profit / (loss) per share from discontinued operations		-	0.57p

Consolidated Statement of Comprehensive Income

	2025 £'000	As restated 2024 £'000
Loss for the year	(10,054)	(3,540)
Exchange differences on translating foreign operations	64	(812)
Property revaluation	(5,062)	1,181
Deferred tax on property revaluation	1,362	(1,038)
Total comprehensive loss for the year attributable to owners of the parent company	(13,690)	(4,209)

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

Consolidated Statement of Financial Position

	Note	31 December 2025 £'000	As restated 31 December 2024 £'000
Non-current assets			
Property, plant and equipment (including right of use asset)	5	62,550	76,507
Intangible assets	6	78	150
Goodwill	6	3,760	7,734
Lease assets		-	143
Deferred tax asset		4,635	4,392
Fair Value of Financial Assets		-	24
Total non-current assets		71,023	88,950
Current assets			
Inventory		41	39
Trade and other receivables		1,233	981
Lease assets		151	140
Current tax asset		141	120
Cash and cash equivalents		2,742	1,430
Total current assets		4,308	2,710
Total assets		75,331	91,660

Total assets		13,331	31,000
Current liabilities			
Borrowings	8	(490)	(4,164)
Lease liabilities		(2,254)	(1,815)
Fair Value of Financial Liabilities		(12)	-
Trade and other payables	7	(5,049)	(5,084)
Current liabilities		(7,805)	(11,063)
Non-current liabilities			
Borrowings	8	(20,821)	(22,569)
Lease liabilities	9	(24,743)	(21,891)
Deferred tax liabilities		(6,745)	(8,022)
Fair Value of Financial Liabilities		(792)	-
Total non-current liabilities		(53,101)	(52,482)
Total liabilities		(60,906)	(63,545)
Net assets		14,425	28,115
Equity			
Share capital		649	649
Share premium account		23,959	23,959
Other components of equity		16,719	21,282
Retained earnings		(26,902)	(17,775)
Total equity attributable to owners of the parent company		14,425	28,115

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

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other Components of Equity £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2024	649	23,959	21,951	(14,235)	32,324
Comprehensive income					
Loss for the year (as previously stated)	-	-	-	(891)	(891)
Prior year adjustment (note 12)	-	-	-	(2,649)	(2,649)
Loss for the year (as restated)	-	-	-	(3,540)	(3,540)
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)
Total comprehensive income (as restated)	-	-	(669)	(3,540)	(4,209)
Balance at 31 December 2024 (as restated)	649	23,959	21,282	(17,775)	28,115
Comprehensive income					
Loss for the year	-	-	-	(10,054)	(10,054)
Disposal of Edinburgh	-	-	(896)	896	-
Derecognition of share options	-	-	(31)	31	-
Other comprehensive income					
Movement in translation reserve	-	-	64	-	64
Property revaluation reserve	-	-	(5,062)	-	(5,062)
Deferred tax on property revaluation	-	-	1,362	-	1,362
Balance at 31 December 2025	649	23,959	16,719	(26,902)	14,425

Consolidated Statement of Cash Flows

	2025	As restated 2024
	£'000	£'000
Cash flow from operating activities		
Loss for the year	(10,054)	(3,540)
Tax credit / (charge)	(7)	191
Depreciation, amortisation	3,777	3,381
Net finance costs	3,128	3,421
Share based payment credit / (charge)	(2)	-
Revaluation of assets	615	-
Impairment charges	5,995	3,077
Loss/(profit) on sale of fixed assets	1,413	(400)
(Increase)/decrease in inventories	(2)	(12)
Decrease in lease asset debtor	132	-
(Increase)/Decrease in trade and other receivables	(252)	229

(Decrease)/Increase in trade and other payables	(35)	524
Cash generated from operations attributable to continuing operations	4,708	6,871
Income tax received/(paid)	(189)	(3)
Total net cash inflow from operating activities	4,519	6,868
Cash flow from investing activities		
Purchases of property, plant and equipment	(581)	(6,097)
Purchases of intangible assets	(1)	(115)
Sale of property, plant and equipment	7,983	-
Sale of intangible assets	36	-
Interest received	2	12
Total net cash outflow from investing activities	7,439	(6,200)
Cash flow from financing activities		
Principal elements of lease payments	(3,644)	(3,709)
Interest paid	(1,436)	(1,453)
Loan repayments	(5,520)	(16,029)
Loan received	-	19,695
Fair value movement in financial assets/liabilities	102	(24)
Total net cash outflow from financing activities	(10,498)	(1,520)
Cash and cash equivalents at beginning of year	1,430	2,038
Net cash flows generated from / (used in) operating, investing and financing activities	1,460	(852)
Differences on exchange	(148)	244
Cash and cash equivalents at end of year (including discontinued operations)	2,742	1,430

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 of 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 Companies 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 2025.

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.

New standards, amendments and interpretations adopted

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

- IAS 21 - Lack of Exchangeability

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 2026:

- IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
- IFRS 18 (effective from 1st January 2027)

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 2025, the Directors have considered the Group's cash flow, liquidity, and business activities.

During 2025, the Group recorded Adjusted EBITDA of £3.7m (2024: £6.5m). Additionally, 2026 forward bookings are running at a satisfactory level.

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 Term Loan and RCF are for five years and were provided by existing lender HSBC. During 2025, the Group repaid the full £2.5m Revolving Credit Facility, and made a further £1.8m repayment on the Term Loan and £1.2m to Sheldon Pension Fund and Sentpark Capital Limited. 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. This Brighton related loan was fully repaid in December 2025 following the sale and leaseback of the Brighton property.

In May 2026, the Group exchanged contracts for the sale of its Glasgow freehold property for £5.1 million. The transaction forms part of the Group's ongoing strategy to improve cash flow, reduce indebtedness, and strengthen the balance sheet. The net proceeds will be applied towards loan repayments and working capital requirements, thereby enhancing financial resilience. Importantly, these disposals are aligned with the Group's medium and long term strategy to expand its footprint across Europe, focusing on asset light growth through franchising and leasehold structures. The Board considers that the combination of strengthened liquidity, reduced leverage, and continued operational integration of key assets provides a robust platform to support the Group's going concern assumption and delivery of its strategic ambitions.

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 this note for further information on the assumptions and judgements applied.

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 30 June 2027. In this scenario, the Group has sufficient liquidity to remain in compliance with its covenant obligations.

A severe downside case was considered whereby EBITDA was reduced by 20%. In this scenario, there would not be any expected breaches of the covenant obligations and the scenario does not 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, being 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

The following accounting policies are applied by the Group and Parent Company (as relevant).

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.

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.

Revenue in the Parent Company consists primarily of franchise fee income and other operating income. Franchise fee income is recognised when the Parent Company's contractual right to consideration arises, which is generally at the point of invoicing under the terms of the franchise agreement. Other operating income is recognised when it is earned and can be measured reliably, typically when the underlying transaction or event giving rise to the income has occurred. All revenue is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes.

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.

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 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.

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 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.

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 businesses are accounted for at their discounted value in trade and other payables. 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. The contract took the legal form of a sale and leaseback. 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.

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 cash-generating unit to be a separate cash generating unit for impairment purposes and, as explained in note 6 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 criteria:

- 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.

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 6.

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 cost 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.

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 sale.

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 had made an accounting policy choice that these are loan commitments from the holder of the debt instrument that do 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.

Investment in subsidiary (Parent Company only)

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.

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 1 year to 50 years.

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 being 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, and 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.

The Group's lease accounting policy requires that, for lease modifications not accounted for as separate leases, the lease liability is re measured using a revised Incremental Borrowing Rate (IBR) at the effective date of the modification with a corresponding adjustment to the right of use asset, whereas for contractual inflationary increases such as index linked uplifts, the original IBR determined at lease commencement is retained and the liability is adjusted prospectively for the revised cash flows without recalculating the discount rate.

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.

Sale and leaseback transactions

The Group may enter into sale and leaseback arrangements as part of its capital and property management strategy. Where a sale is achieved at fair value, any resulting gain or loss is recognised in the income statement at the point of disposal. The associated lease is accounted for in accordance with IFRS 16, with a right-of-use asset and corresponding lease liability recognised on the balance sheet. Where the transaction does not occur at fair value, adjustments are made to reflect prepaid or additional financing elements as appropriate. Such transactions enable the Group to optimise capital allocation while retaining operational use of key assets.

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.

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

- 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 2025 would be £7.2m (2024: £8.5m), and finance charges relating to the liability would total £0.2m (2024: £0.5m).
- Where the interest rate implicit in the lease cannot be practicably determined, the Group 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 2025 this ranged from 3.6% to 8.3% (2024: from 3.6% to 8.3%). At 31 December 2025, lease liabilities totalled £27m (2024: £23.7m) and finance charges relating to lease liabilities for the year totalled £1.4m (2024: £1.6m).

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 6. A Pre-tax discount rate of 10.51% (2024: 12.89%) 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 2025, goodwill totalled £3.8m (2024 restated: £7.7m) and impairment charges totalled £4.0m (2024 restated: £2.6m). At 31 December 2025, property plant and equipment (including right of use assets) totalled £62.6m (2024: £76.5m) and impairment charges totalled £2.0m (2024 restated: £0.4m).
- The accounting for the November 2025 sale and leaseback transaction involves significant estimates and judgements. In particular, management's determination of the present value of future lease payments (PVFLP) and the incremental borrowing rate (IBR) applied under IFRS 16 materially affect the measurement of the lease liability. The PVFLP was calculated at £2.02m using an IBR of 6.57%, derived from SONIA plus the Group's loan margin, and cross checked against external financing terms. In addition, the fair value of the property disposed (£2.4m per Cushman & Wakefield valuation dated 9 September 2025) was used to assess the gain/loss on disposal and the extent of rights transferred. As the PVFLP exceeded the fair value, no gain was recognised, and excess proceeds of £0.73m were treated as a separate financial liability.
- Impairment of investments in subsidiaries and the recoverability of intercompany debtor balances are significant areas of judgement for the Parent Company. During the year, the Parent Company recognised impairments of £271K against investments in subsidiaries (2024: £639K) and £2.3m against intercompany debtor balances (2024: £1.3m). These assessments require management to evaluate the financial performance and net asset position of subsidiaries, as well as the ability of intercompany counterparties to settle outstanding balances. Such impairments directly impact the Parent Company's reported results and equity and therefore represent critical accounting estimates.
- 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 arm's length transaction and include assumptions of future income levels and trading potential for each hostel, as well as other factors including location and tenure. Key valuation estimates include the discount rate

each hostel, as well 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 6. The Group has used external valuations on freehold properties and leased assets under financing transactions, as outlined in note 6. 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. At 31 December 2025, the Group's freehold properties were valued at £15.2 million (2024: £22.9 million), and a total revaluation loss of £5.7 million (2024: revaluation gain of £1.2 million) was recognised in the year, reflected in the profit and loss account (£0.6 million) and other comprehensive income (£5.1 million).

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 £62.6m at 31 December 2025 (2024: £76.5m) and depreciation charges totalled £3.7m (2024: £3.3m).

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that they will be recovered. In practice, deferred tax assets in respect of tax losses are primarily recognised within the parent entity, where their utilisation is supported by the existence of taxable temporary differences and, where appropriate, expected future taxable profits. Tax losses arising in subsidiary entities are generally not recognised unless there is sufficient evidence that they will be recoverable. Deferred tax assets arising from temporary differences related to IFRS 16 lease accounting are recognised only to the extent that they offset corresponding deferred tax liabilities arising on right-of-use assets. Accordingly, the recognition of deferred tax assets across the Group is predominantly supported by the existence of taxable temporary differences rather than assumptions of future profitability across all entities. Deferred tax assets at 31 December 2025 amounted to £4.6m (2024: £4.4m), and the deferred tax credit recognised in the income statement for the year ended 31 December 2025 was £0.1m (2024: charge of £0.7m).

2. SEGMENTAL ANALYSIS

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

	2025	2024
	£'000	£'000
Hostel accommodation	17,609	19,962
Food and Beverages sales	2,018	1,915
Other income	959	1,132
Total Income	20,586	23,009
Like for like income	20,586	21,373

Like for like income represents revenue generated from sites that were operational in both the current and prior year, thereby excluding the impact of acquisitions, disposals, or closures. This measure provides a comparable view of underlying performance by removing year on year distortions and is presented alongside Total Income for clarity.

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 reported 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, EBITDA 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.

2025	UK	Spain	Europe	Shared services	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	8,468	5,186	6,925	7	-	20,586
Profit/(loss) before tax	(663)	(4,627)	227	(4,998)	-	(10,061)
Add back: Finance income and costs	391	629	273	1,835	-	3,128
Add back: Depreciation & Amortisation	871	1,388	1,165	353	-	3,777
EBITDA	599	(2,610)	1,665	(2,810)	-	(3,156)
Impairment	-	3,703	2,292	-	-	5,995
Loss on disposal of assets	-	-	-	1,413	-	1,413
Revaluation of property	-	615	-	-	-	615
Fair value movements of derivatives	-	-	-	102	-	102
Exceptional & Share based payment expense	-	-	40	(1,304)	-	(1,264)
Adjusted EBITDA	599	1,708	3,997	(2,599)	-	3,705
Total assets	33,056	11,549	15,791	14,935	-	75,331
Total liabilities	(13,771)	(12,666)	(8,509)	(25,960)	-	(60,906)

Shared Discontinued

2024 as restated	UK	Spain	Europe	Shared services	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	8,986	5,953	7,540	18	512	23,009
Profit/(loss) before tax	1,355	(864)	(1,917)	(1,630)	391	(2,665)
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	1,408	84	(237)	589	4,137
Impairment	-	408	2,669	-	-	3,077
(Profit)/Loss 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	15,827	15,879	14,381	-	91,660
Total liabilities	(13,322)	(10,742)	(7,085)	(32,396)	-	(63,545)

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

	As restated	
	2025	2024
	£'000	£'000
UK	32,575	45,034
Spain	10,804	15,020
Rest of Europe	14,898	14,952
Shared services	12,746	13,944
Total	71,023	88,950

3. 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 in 2024. The Hostel formed part of the Europe operating segment. The lease for the Vienna Hotel was surrendered on 31 July 2024.

	2025	2024
	£000s	£000s
Revenue	-	512
Cost of sales	-	(115)
Gross profit	-	397
Administrative expenses	-	186
Operating profit	-	583
Finance income and costs	-	(192)
Profit/(loss) before tax	-	391
Profit/(loss) after tax for discontinuing operations	-	391

	2025	2024
	£000s	£000s
Property plant and equipment (including right-of-use asset)	-	-
Trade and other payables	-	-
Lease Liabilities	-	-
Cash and cash equivalents	-	-
Trade and other receivables	-	-
Liabilities held for sale	-	-

	2025	2024
	£000s	£000s
Cash flow from operating activities		
Loss for the year	-	1,062
Tax charge	-	-
Depreciation, amortisation and impairment	-	7
Net finance costs	-	-
(Increase)/decrease in inventories	-	3
Decrease in trade and other receivables	-	21
Increase in trade and other payables	-	(133)
Lease modification	-	(242)

Lease modification	-	(843)
Net Cash generated from operations attributable to discontinued operations	-	117
Cash flow from investing activities		
Purchases of property, plant and equipment	-	-
Net cash used in discontinued investing activities	-	-
Cash flow from financing activities		
Principal elements of lease payments	-	(293)
Loan repayments	-	192
Net cash used in discontinued financing activities	-	(101)
Cash and cash equivalents at beginning of year	-	40
Net cash flows (used in)/generating from operating, investing and financing activities	-	16
Differences on exchange	-	11
Cash and cash equivalents at end of year	-	67

4. TAX

The Group tax charge is made up as follows:

	2025 £'000	2024 £'000
Current tax		
Corporation tax on profits for the year	168	5
Adjustments for corporation tax on prior periods	-	-
Other local taxes	-	186
Total current tax	168	191
Deferred tax	(175)	684
Total tax charge	(7)	875

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

	2025 £'000	As restated 2024 £'000
Loss before tax	(10,061)	(3,057)
Tax at the standard UK corporation tax rate of 25% (2024: 25%)	(2,515)	(764)
Fixed asset differences	331	91
Adjustment for tax rate differences in foreign jurisdictions	-	(1)
Adjustments for tax on prior periods - deferred tax	17	349
Deferred tax not recognised	499	192
Factors affecting charge for the period		
Timing difference not recognised in the computation	17	-
Non-deductible items and other timing differences	1,466	852
Chargeable gains/(losses)	186	-
Foreign exchange differences	(8)	156
Group tax (credit)/charge	(7)	875

The Group has a deferred tax liability of £6.7m (2024: £8.0m).

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Right of Use Assets	Leasehold land and buildings	Leasehold improve-ments	Fixtures, fittings and equipment	Assets under construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2024	16,999	33,423	27,020	5,439	3,708	2,154	88,743
Transfers	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 1 January 2025	22,857	32,622	27,020	5,484	4,121	2,453	94,557
Transfers	-	-	-	-	-	-	-

Additions	21	2,174	-	14	234	312	2,755
Disposals	(6,432)	(206)	-	-	(302)	(2,469)	(9,409)
IFRS lease modification	-	3,239	-	-	-	-	3,239
Exchange movements	504	190	-	(5)	(137)	27	579
At 31 December 2025	16,950	38,019	27,020	5,493	3,916	323	91,721
Depreciation & Impairment							
At 1 January 2024	-	10,179	-	2,186	2,669	-	15,034
Transfer	-	-	-	-	-	-	-
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 1 January 2025	-	12,229	464	2,580	2,777	-	18,050
Transfers	-	-	-	-	-	-	-
Charge for the period	266	2,238	187	330	719	-	3,740
Disposals	(107)	(206)	-	-	(128)	-	(441)
Revaluation	1,567	-	4,110	-	-	-	5,677
Impairment	-	1,983	-	-	-	-	1,983
Exchange movements	-	196	-	(34)	-	-	162
At 31 December 2025	1,726	16,440	4,761	2,876	3,368	-	29,171
Net book value:							
At 31 December 2025	15,224	21,579	22,259	2,617	548	323	62,550
At 31 December 2024	22,857	20,393	26,556	2,904	1,344	2,453	76,507

Freehold properties

The freehold values relate to the 4 following hostels:

- The £2.4m value of the freehold in **York** is based on the external valuations as at 31 December 2025 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 £5.2m value of the freehold in Glasgow is based on the external valuations as at 31 December 2025 prepared by Cushman and Wakefield.
- The hostel in **Pisa** was acquired in June 2019 for £3m, of which £2.3m for the freehold. The £6.6m value of the freehold in Pisa is based on the external valuations as at 31 December 2025 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 2025 prepared by Cushman and Wakefield valued the property at £1m.

Leasehold, land and buildings

The Group has used external valuations on Elephant & Castle. The London Elephant & Castle leasehold was independently valued on 31 December 2025 at £22.4m. 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 £14.7m, which is the initial value at date of inception of the lease plus £2.5m of additions, less £3.8m of depreciation charges.

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 £37.6m (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%	2.0%	6.02% - 8.44%
Glasgow	11.3%	9.3%	2.0%	9.43% - 10.96%
York	11.0%	9.0%	2.0%	7.64% - 10.73%
Pisa	10.0%	8.0%	2.0%	8.04% - 9.59%
Cordoba	9.3%	7.3%	2.0%	(1.31)% - 9.67%

During the year, the Group recognised total revaluation losses of £5.7m, primarily arising from a significant downward adjustment in property valuations due to weaker market conditions and reduced expected future cash flows. These losses were charged against the revaluation reserve where available, with the remainder recognised in the consolidated income statement in accordance with IAS 16.

Capital Commitments

There were no capital commitments at the year-end.

6. INTANGIBLE ASSETS AND GOODWILL

	Website £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2024	219	13,267	13,486
Additions	115	-	115
Exchange differences	-	(509)	(509)
At 31 December 2024	334	12,758	13,092
Disposal of Edinburgh	(36)	-	(36)
Additions	1	-	1
Exchange differences	-	-	-
At 31 December 2025	299	12,758	13,057
Amortisation and Impairment			
At 1 January 2024	148	2,371	2,519
Impairment (as restated)	-	2,653	2,653
Charge for the period	36	-	36
At 31 December 2024 (as restated)	184	5,024	5,208
Impairment	-	3,974	3,974
Charge for the period	37	-	37
At 31 December 2025	221	8,998	9,219
Net book value:			
At 31 December 2025	78	3,760	3,838
At 31 December 2024	150	7,734	7,884

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 2025 are shown below:

CGU	2025	2025	As restated 2024	As restated 2024
	Goodwill £000s	Headroom £000s	Goodwill £000s	Headroom £000s
Madrid	692	-	1,663	-
Paris	-	-	11	-
Gothic	679	1,596	679	2,561
Lisbon	-	-	482	-
Prague	-	-	-	-
Barcelona Passeig De Gracia	-	-	1,577	6,966
Brussels	1,239	4,639	1,239	2,959
Pisa	-	-	743	2,999
Berlin	-	-	190	-
Athens	583	-	583	-
Warsaw	567	195	567	1,481
	3,760	6,430	7,734	16,966

The impairment charges relating to goodwill for the year ended 31 December 2025 were £4.0m (2024 restated: £2.6m).

The key assumptions used in the VIU calculations are based on this five year horizon. For leasehold properties, the forecasts are extended across the full contractual lease term, with the initial five years prepared in detail and subsequent periods extrapolated using assumed annual movements. As projections extend beyond five years, this longer period is considered justified because it reflects the contractual lease term and the expected economic benefits over the life of the asset:

A pre-tax discount rate of 10.51% (2024: 12.89%) 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 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 1.25% 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 1.6% 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.

Discount Rate

The Group calculates a WACC applying local government bond yields and tax rates. For reference the Group WACC for Safestay plc was 10.51% (2024: 12.89%). 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 2025 and the risks specific to the CGU.

Sensitivity Analysis

The Group has performed sensitivity analyses on the key assumptions underpinning the value in use calculations. A reasonably possible increase of 1.0% in the pre-tax discount rate would reduce total headroom by approximately £0.6m, eliminating headroom in Warsaw and resulting in further impairment in CGUs with no headroom, including Madrid and Athens. Similarly, a reduction of 1.0% in forecast occupancy growth or long term revenue growth would reduce headroom by approximately £0.4m and £0.5m respectively, which could lead to further impairment in Madrid and Athens and the elimination of headroom in Warsaw.

Under a combined downside scenario of a 1.0% increase in discount rate together with a 1.0% reduction in both occupancy and revenue growth, total headroom would reduce by approximately £1.4m. This would result in additional impairment in Madrid and Athens and a deficit in Warsaw.

At 31 December 2025, Warsaw had limited headroom of £0.2m and is particularly sensitive to changes in assumptions. A reasonably possible increase in the discount rate of approximately 0.3% or a reduction in forecast cash flows of approximately 3%-4% would be sufficient to eliminate headroom. Madrid and Athens currently have no headroom and are therefore most sensitive to adverse changes in assumptions.

7. TRADE AND OTHER PAYABLES

	2025	2024
	£'000	£'000
Due in less than one year		
Trade payables	768	484
Social security and other taxes	1,943	1,176
Corporation tax	106	187
Other creditors	75	107
Accruals and deferred income	2,157	3,130
	5,049	5,084

8. BORROWINGS

	2025	2024
	£'000	£'000
At amortised cost		
Bank and other loans repayable within one year	532	4,246
Loan arrangement fees	(45)	(85)
Property Finance Liability	3	3
	490	4,164
Bank and other loans repayable within more than one year	13,785	15,595
Loan arrangement fees	(135)	(200)
Property Finance Liability	7,171	7,174
	20,821	22,569

The Group refinanced its borrowings in January 2024 into a £16.0 million term loan facility and a £2.5 million revolving credit facility ("RCF") with HSBC UK Bank plc, both with an original term of five years. During the year, the facility agreement was amended and restated on 8 April 2025 to revise certain financial covenants and terms, and a further amendment agreement was entered into in January 2026. The amended agreements confirmed the continuation of the existing facilities, subject to updated covenant thresholds and conditions.

The term loan carries interest at a combination of fixed and variable rates linked to SONIA, with applicable margins ranging between 2.6% and 2.85%, while the RCF is subject to SONIA plus a margin of 2.85%. Scheduled amortisation of the term loan commenced in March 2025 at £0.1 million per quarter. During the year ended 31 December 2025, the Group fully repaid the £2.5 million RCF and made additional repayments totalling £1.8 million on the term loan, together with £1.2 million repaid to other lenders, resulting in total repayments of £5.5 million in the year. A further £0.3 million repayment was made in January 2026. The facilities are repayable by the contractual termination date, being January 2029, unless repaid earlier in accordance with the terms of the agreement. The Group remains subject to financial covenants, including interest cover, debt service cover ratio and leverage tests, as amended during the period.

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 £14.1m Term Loan:

1. Historical Interest Cover

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

Period	Minimum Historical Interest Cover (%)
31 Dec 2025 - 31 Dec 2026	150%

2. Loan to Value (LTV)

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

3. Debt Service Cover Ratio (DSCR)

From 31 March 2025, the Group is required to maintain a minimum DSCR of 110% on each Test Date:

Period Ending	Minimum DSCR (%)
1 Jan 2026 - 31 Dec 2026	110

4. Debt Leverage

The maximum debt leverage ratio allowed under the agreement is:

Relevant Period	Maximum Ratio
12 months to 31 Dec 2026	9:1

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.

9. LEASES

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

	2025 £'000	2024 £'000
Current	151	140
Non-current	-	143
Total	151	283

The Group's lease asset relates to its contract with Casa Suecia, under which food and beverage operations at the Madrid hostel have been outsourced on a revenue share basis. Safestay receives the higher of a minimum guaranteed rent or an agreed percentage of food and beverage revenue, while Casa Suecia retains the profit from this income stream by managing the operation with its own staff. This arrangement commenced in July 2021 for an initial five year term. In calculating the lease asset, the Directors have assumed that Casa Suecia's net profit did not exceed the variable threshold.

In accordance with IFRS 16 disclosure requirements, the Group reports the following lease related expenses and commitments:

- **Short term leases (IFRS 16 para. 6):** Expenses of £0.3m in FY25 (FY24: £0.4m).
- **Variable lease payments not included in lease liabilities:** £0.2m in FY25 (FY24: £0.2m).
- **Sale and leaseback transactions:** The Brighton freehold property was sold and leased back in FY25, resulting in a loss on disposal of £1.4m (FY24: nil).
- **Leases not yet commenced and significant commitments:** At 31 December 2025, the Group was committed to a 12 year lease for a new 300 bed hostel in Naples, Italy, with a contracted annual lease expense of approximately £0.4m (FY24: nil). In addition, following the Brighton sale and leaseback, a long term lease arrangement for the Brighton hostel commences in summer 2026, with an annual lease expense of approximately £0.3m (FY24: nil).
- **Franchise back arrangements:** The Edinburgh property was franchised back to the Group during FY25. While this did not create a lease liability, it is disclosed as part of the Group's capital light strategy.

2025

	Minimum lease receipts due					
	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	After 5 years
Lease receipts	154		-	-	-	154
Finance income	(3)		-	-	-	(3)
Net present values	151		-	-	-	151

2024

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

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

	2025	2024
	£'000	£'000
Current	2,254	1,815
Non-current	24,743	21,891
Total	26,997	23,706

Total cash outflow for leases for the year ended 31 December 2025 was £3.6m (2024: £3.4m).

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 5).

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.

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	13	1-39 years	13	9	0	10	0
Office buildings	2	1-2 years	2	2	0	0	0

There is a short-term lease commitment relating to the head office in Kingsley Way. The total commitment is £228k (2024: £60k).

Lease liabilities

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2025 is as follows:

2025

	Minimum lease payments due			
	Within 1 year	1-5 years	After 5 years	Total
Lease payments	3,599	16,325	24,994	44,918
Finance charges	(1,345)	(4,446)	(12,130)	(17,921)
Net present values	2,254	11,879	12,864	26,997

2024

	Minimum lease payments due			
	Within 1 year	1-5 years	After 5 years	Total
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

10. ANALYSIS OF NET DEBT

	31st December 2024	Cash Flows	New Loans	Loan Repayments	Finance Expenses/Amortisation	31st December 2025
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,430	1,312	-	-	-	2,742

Bank and Other Loans	(19,841)	-	-	5,520	-	(14,321)
Loan Arrangement Fees	285	-	-	-	(105)	180
Property Finance Liability	(7,177)	3	-	-	-	(7,174)
Lease Liabilities	(23,706)	(3,291)	-	-	-	(26,997)
	(49,009)	(1,976)	-	5,520	(105)	(45,570)

11. OTHER COMMITMENTS AND GUARANTEES

The bank loan held by the Group of £14.1m is secured against the Group's assets, including freehold properties of £15.2m, leasehold properties totalling £24.9m and trade and other receivables relating to UK properties.

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

12. PRIOR YEAR RESTATEMENT

During the current year, the Group identified an error in the calculation of goodwill impairment. Specifically, the impairment charge had been incorrectly determined in the previously reported financial statements. Following a detailed review, it was established that the goodwill impairment was understated.

As a result, the accounts have been restated to reflect the correct impairment charge, increasing the expense by £2.6 million. This has resulted in an increase in the loss for 2024 and a corresponding reduction in net assets compared with amounts previously reported.

The restatement ensures that the carrying value of goodwill and the related impairment expense are appropriately presented in accordance with IFRS requirements.

	2024	2024	2024
<i>Income Statement</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Goodwill & Fixed asset impairment	-	(2,649)	(2,649)
Loss for the year from continuing operations	(1,282)	(2,649)	(3,931)
Net profit from discontinued operations	391	-	391
Loss for the year	(891)	(2,649)	(3,540)

	2024	2024	2024
<i>Statement of Financial Position</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Goodwill	10,383	(2,649)	7,734
Retained Earnings brought forward	(14,235)	-	(14,235)
Loss for the Year	(891)	(2,649)	(3,540)
Retained Earnings	(15,126)	(2,649)	(17,775)

	2024	2024	2024
<i>Statement of Cash Flows</i>	As Previously Stated	Adjustment	As Restated
	£'000	£'000	£'000
Impairment charges	428	2,649	3,077
Loss for the Year	(891)	(2,649)	(3,540)
Loss per share from continuing operations	(1.97p)	(4.09p)	(6.06p)
Basic profit / (loss) per share from discontinued operations	0.60p	-	0.60p
Diluted loss per share from continuing operations	(1.97p)	(4.09p)	(6.06p)
Diluted profit / (loss) per share from discontinued operations	0.60p	-	0.60p

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

13. POST BALANCE SHEET EVENTS

In Q1 2026, the Naples property commenced operations, marking the successful completion of its mobilisation and opening phase. The Brighton site is expected to become operational in time for summer 2026, subject to final confirmation, with redevelopment works currently underway to prepare the property for launch. These developments form part of the Group's broader strategy to expand operational capacity and enhance the quality of its estate.

In May 2026, the Group exchanged contract for the sale of its Glasgow freehold property for £5.1 million. The transaction forms part of the Group's ongoing strategy to improve cash flow, reduce indebtedness, and strengthen the balance sheet. The net proceeds will be applied towards loan repayments and working capital requirements, thereby enhancing financial resilience. Importantly, these disposals are aligned with the Group's medium and long term strategy to expand its footprint across Europe, focusing on asset light growth through franchising and leasehold structures. The Board considers that the combination of strengthened liquidity, reduced leverage, and continued operational integration of key assets provides a robust platform to support the Group's going concern assumption and delivery of its strategic ambitions.

On 3 June 2026, Safestay plc announced that its Berlin Kurfürstendamm property, operated through Hotel Auberge GmbH, will be closed and the subsidiary liquidated. This decision was driven by a combination of operational and commercial pressures, including the deteriorating condition of the property, significant investment requirements, and receipt of a formal lease termination notice from the landlord, effective December 2026. After obtaining independent legal advice, the Board concluded that liquidation of Hotel Auberge GmbH was the most appropriate course of action to mitigate further losses and address the contractual position.



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