SUNBORN (GIBRALTAR) LIMITED

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SUNBORN (GIBRALTAR) LIMITED

CONTENTS

SUNBORN (GIBRALTAR) LIMITED

COMPANY INFORMATION

Director

Hans Niemi

Auditors

AMS Limited
Suite 16
Water Gardens 5
Gibraltar

Registered Office

57/63 Line Wall Road
Gibraltar

The Board of Directors
SUNBORN (GIBRALTAR) LIMITED
57/63 Line Wall Road
Gibraltar

Report on the Special Purpose Financial Statements

Opinion
We have audited the special purpose financial statements of **Sunborn (Gibraltar) Limited** (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. These financial statements have been prepared by management based on International Financial Reporting Standards as adopted by European Union for the inclusion in the prospectus in connection with the admission to listing of Sunborn (Gibraltar) Limited's Senior Secured Bond at NASDAQ Stockholm.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of the loss and cashflows for the year then ended and

- have been properly prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going concern
In forming our opinion on the special purpose financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 2 to the accounts concerning the Company's ability to continue as going concern. As explained in Note 2 to the accounts, indicate the existence of a possible uncertainty which may cast doubt about the Company's ability to continue as going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as going concern.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements – continued
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters
The special purpose financial statements are prepared for the inclusion in the prospectus in connection with the admission to listing of Sunborn (Gibraltar) Limited's Senior Secured Bond at NASDAQ Stockholm. As a result, these financial statements may not be suitable for another purpose.

Sunborn (Gibraltar) Limited has prepared a separate set of statutory financial statements for the year ended 31 December 2017 in accordance with Gibraltar Company Law and Gibraltar Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Sunborn (Gibraltar) Limited dated 30 April 2017.

Adrian Stevenson
Statutory auditor
For and on behalf of
AMS Limited
Suite 16
Water Gardens 5
Gibraltar

23 July 2018

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	**2017** £	2016 £
Rental income from group company	6, 17	**3,500,000**	2,700,000
Depreciation	5, 9	**(3,481,622)**	(3,481,622)
Administrative expenses	7	**(217,313)**	(435,103)
Operating loss		**(198,935)**	(1,216,725)
Foreign exchange loss		**(39,701)**	(3,782,798)
Finance costs	8	**(3,702,459)**	(3,473,419)
Loss before income tax		**(3,941,095)**	(8,472,942)
Income tax expense		**-**	-
Loss for the year		**(3,941,095)**	(8,472,942)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(3,941,095)**	(8,472,942)
Attributable to:			
Equity holder of the Company		**(3,941,095)**	(8,472,942)

The notes on pages 9 to 26 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

BALANCE SHEET
As at 31 December 2017

	Note	2017 £	2016 £	As at 1 January 2016 £
ASSETS				
Non-current assets				
Investment property	9	**90,103,561**	93,582,366	97,016,482
Property plant and equipment	10	**50,128**	-	-
		90,153,689	93,582,366	97,016,482
Current assets				
Receivables from group companies	11	**1,237,183**	231,918	784,370
Other receivables		**127,065**	37,645	-
Cash and cash equivalents		**1,677,331**	11,924	1,956
Total current assets		**3,041,579**	281,487	786,326
Total assets		**93,195,268**	93,863,853	97,802,808
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	**3,000**	3,000	2,000
Share premium	12	**15,604,000**	15,604,000	-
Retained loss		**(13,721,677)**	(9,780,582)	(1,307,640)
Total equity		**1,885,323**	5,826,418	(1,305,640)
LIABILITIES				
Non-current liabilities				
Borrowings from group companies	13	**40,996,911**	41,406,880	53,144,617
Borrowings	14	**49,677,226**	45,988,410	45,618,197
Other payables		-	-	311,036
Total non-current liabilities		**90,674,137**	87,395,290	99,073,850
Current liabilities				
Payables to group companies	15	**263,450**	263,450	-
Other payables	16	**372,358**	378,695	34,598
Total current liabilities		**635,808**	642,145	34,598
Total liabilities		**91,309,945**	88,037,435	99,108,448
Total equity and liabilities		**93,195,268**	93,863,853	97,802,808

Approved by the Board on the 23 July 2018

Hans Niemi, *Director*

The notes on pages 9 to 26 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2017

	Share capital £	Share premium £	Retained Loss £	**Total Equity £**
Balance at 1 January 2016	2,000	-	(1,307,640)	(1,305,640)
Transaction with owners:				
Issue of ordinary shares	1,000	15,604,000	-	15,605,000
Total comprehensive loss for the year	-	-	(8,472,942)	(8,472,942)
Balance at 31 December 2016	3,000	15,604,000	(9,780,582)	5,826,418
Total comprehensive loss for the year	-	-	(3,941,095)	(3,941,095)
Balance at 31 December 2017	**3,000**	**15,604,000**	**(13,721,677)**	**1,885,323**

The notes on pages 9 to 26 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

For the year ended 31 December 2017

	Note	2017 £	2016 £
Operating activities			
Operating loss		**(198,935)**	(1,216,725)
Adjustment for:			
Depreciation	5,9	**3,481,622**	3,481,622
Net foreign exchange differences		**(39,701)**	84,465
Change in working capital:			
Change in receivables from group companies		**(1,005,265)**	552,452
Change in other receivables		**(89,420)**	(37,645)
Change in payables to group companies		**-**	263,450
Change in other payables		**(6,338)**	33,062
Net cash flows generated from operations before interest payments		**2,141,963**	3,160,681
Interest paid	8	**(3,702,459)**	(3,473,419)
Net cash flows used in operations		**(1,560,496)**	(312,738)
Cash used in investing activities			
Additions in investment property	9	**(2,817)**	(47,506)
Purchase of property, plant and equipment	10	**(50,128)**	-
		(52,945)	(47,506)
Cash flows from financing activities			
Repayment of borrowings from Group company	8	**(409,969)**	-
Proceeds from borrowings	14	**51,459,340**	370,212
Repayment of borrowings	14	**(45,988,410)**	-
Transaction costs paid	14	**(1,782,114)**	-
Net cash flows from financing activities		**3,278,847**	370,212
Net increase in cash and cash equivalents		**1,665,406**	9,968
Cash and cash equivalents at 1 January		**11,924**	1,956
Cash and cash equivalents at 31 December		**1,677,330**	11,924

The notes on pages 9 to 26 form part of these financial statements.

1. General information

Sunborn (Gibraltar) Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The registered address of Sunborn (Gibraltar) Limited is 57/63 Line Wall Road, Gibratar and its business address is 35 Ocean Village Promenade, Gibraltar. Sunborn (Gibraltar) Limited owns a luxury yacht hotel docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn Gibraltar Resort Limited, who runs the operations in accordance with a lease contract. The Yacht hotel is equipped with 189 cabins, including 22 suites. There are also conference facilities for up to 400 delegates, restaurants, bars fitness center, spa and lounges inside the Yacht hotel. The Company had no employees in 2016 and 2017. The Company is wholly owned by Sunborn Gibraltar Holdings Limited and its ultimate parent is Sunborn Oy, a company registered in Finland and owned by the Niemi family who are also based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

The special purpose financial statements of the Company have been prepared for the inclusion in the prospectus in connection with the admission to listing of Sunborn (Gibraltar) Limited's Senior Secured Bonds to NASDAQ Stockholm.

The Board of Directors of Sunborn (Gibraltar) Limited has authorised these special purpose financial statements for issue on 23 July 2018.

This special purpose financial statements are not the statutory financial statements of the Company. The statutory financial statements of the Company for the year ended 31 December 2017 has been prepared in accordance with Gibraltar Company Law and Gibraltar Financial Reporting Standards.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. All amounts in the notes are shown in Pounds Sterling (£), unless otherwise stated.

2.1 Basis of preparation

The special purpose financial statements have been prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) and as adopted by the European Union (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). The financial statements have been prepared on a historical cost basis, unless otherwise stated.

Transition to IFRS

For all periods up to and including the year ended 31 December 2017, the Company has prepared statutory financial statements in accordance with applicable Gibraltar Generally Accepted Accounting Practice, including Gibraltar Financial Reporting Standards ('GFRS 102') as modified by section 1A applicable to small entities. The Company is also subject to the requirements of the Gibraltar Companies Acts 2014.

2. Summary of significant accounting policies – continued

2.1 Basis of preparation – continued

These special purpose financial statements for the year ended 31 December 2017 with comparative information for the year ended 31 December 2016 are the first set of the financial statements that the Company has prepared in accordance with IFRS. In preparing these special purpose financial statements the Company applies IFRS 1 First-time adoption of International Financial Reporting Standards with the date of transition 1 January 2016.

Management notes that there have been no requirements to make changes to the balance sheet as at 1 January 2016 except for the reclassification of Vessels and improvements to Investment Property category which was previously included as Tangible Asset in GFRS 102. Moreover, there were no requirement of restatements in the figures thus reconciliation statement needs not to be prepared in accordance with IFRS 1.

The financial statements are presented in Sterling Pounds (£), which is also the Company's functional currency and economic environment in which its trades.

Going concern

The Company has incurred net losses since inception in 2013 and for the years ended 31 December 2017 and 2016, the Company reported losses of £8.5m and £3.9m, respectively. The losses consist mainly of depreciation of the vessel and unrealized exchange rate differences arising from the borrowings from the parent company.

The Company's sole purpose is to own the vessel "Sunborn Gibraltar Yacht" converted into a Yacht hotel and lease the vessel out to Sunborn (Gibraltar) Resort Limited through an internal bareboat agreement. The Company has primarily relied upon financing raised through the borrowings from the group companies and bonds from external parties as well as from shares issued to the parent company Sunborn (Gibraltar) Holdings Limited. In April 2016, Sunborn International Oy transferred the company's borrowing amounting to £15.6m to Sunborn (Gibraltar) Holdings Limited and thereafter was converted to company's equity to provide additional capital. The borrowings were converted to Sterling Pounds to avoid unrealised losses.

The financial information in these financial statements has been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

After review of the future operating and financing costs of the Company in conjunction with the cash held at 31 December 2017, management believes the Company has sufficient funds to continue as a going concern for the foreseeable future. Moreover, the company's ultimate parent has confirmed its willingness to provide financial support to allow the company to operate and meet its liabilities as and when required.

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

The following amendments have been included in these special purpose financial statements:

- Statement of Cashflows*: Amendments to IAS 7.* In January 2016, the IASB issued Disclosure Initiative which amended IAS 7, Statement of Cash Flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company adopted these amendments on 1 January 2017, which did not have a material impact on the Company's financial statements.

- IAS 12*, Income Taxes.* In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) which amended IAS 12, Income Taxes. The amendments primarily were issued to clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value. The Company adopted these amendments on 1 January 2017 and it did not have a material impact on the Company's financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards are not yet effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these financial statements. The Company has not early adopted any of the following new standards or amendments to existing standards and does not expect these new standards or amendments to existing standards to have a material impact on the financial statements:

- *Revenue - IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018).* The standard specifies how and when the company will recognise revenue as well as requiring the company to provide users of its financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
- *Financial instruments - IFRS 9, Financial Instruments (effective 1 January 2019).* This standard replaces the multiple classification and measurement models in IAS 39 and it will bring changes to classification and measurement of financial assets, their impairment assessment and hedge accounting. The Company does not hold financial assets for investing or trading purposes. The Company has mainly lease receivables from its sister company Sunborn Gibraltar Resort Limited.

2. Summary of significant accounting policies - continued

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's financial statements are presented in Pounds Sterling (£), which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the finance items in the statements of comprehensive income.

2.4 Investment property

The Company's vessel (converted to a Yacht Hotel) which is leased out under operating lease to sister company, Sunborn (Gibraltar) Resorts Limited is presented as investment property in the balance sheet because of the vessel's physical characteristics resembling that of a building (walls, floors, roof, windows), permanently moored at Ocean Village, in Gibraltar and that the future rental cash flows to be earned from the vessel depend largely upon its permanent location.

An investment property is measured initially at its cost. Directly attributable transaction costs are included in the initial measurement. The Company has measured the investment property at fair value as at 1 January 2016, as the Company has applied the exemption provided in IFRS 1 to use the fair value of the investment property as deemed cost at the date of transition to IFRS. Any improvement costs for the renovation and repair that add value to vessel are capitalized as additions to the vessel and depreciated over the shorter of the improvements' estimated useful lives or that of the Yacht hotel.

2. Summary of significant accounting policies - continued

2.4 Investment property- continued

Subsequently, the investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the cost to the residual value over their estimated useful lives. The estimated useful life of the vessel divided to its significant components is presented in the table below:

Vessel - 40 years

Vessel improvements - shorter of remaining life of the vessel or useful life of the vessel improvement (3 to 25 years)

Furniture and fittings - 10 years

The useful economic lives, residual values and the depreciation methods adopted are reviewed by the director annually.

All repairs and maintenance costs are charged to the statement of the comprehensive income during the financial year in which they are incurred.

Investment property are subject to an impairment review if there are events or changes in circumstances which indicate that their carrying amount may not be recoverable in full. The impairment review comprises a comparison of the carrying amount of the assets with their recoverable amount, which is the higher of net realisable value and value in use. The carrying value of an asset is written down by the amount of any impairment and this loss is recognised in the statement of the comprehensive income in the year in which it occurs. If an external event gives rise to the reversal of an impairment loss, the reversal is recognised in the profit and loss account by increasing the carrying amount of the asset in the year in which it occurs.

2.5 Property, plant and equipment

Property, plant and equipment which comprise of motor vehicle are stated at purchase cost less accumulated depreciation and/or accumulated impairment losses, if any.

The estimated cost and accumulated depreciation of replaced or refurbished components are written off and any resulting losses are recognised in the Statement of Comprehensive Income. Depreciation is calculated using the straight-line method to allocate their cost to their estimated residual values over their estimated useful lives.

The useful economic life of the motor vehicle is 3 years.

The useful economic lives, residual values and the depreciation methods adopted are reviewed by the management annually.

2. Summary of significant accounting policies - continued

2.6 Loans and receivables

The Company classifies all its financial assets in into category "Loans and receivables". Loans and receivables are included in current assets, expect for maturities greater than 12 months after the end of the reporting period in which case they are classified as non-current assets. Loans and receivables are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost less provision for impairment. Loans and receivables are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company transfers the financial asset or the group of financial assets in question.

2.7 Financial liabilities

Financial liabilities of the Company consist of borrowings and other payables. A financial liability is derecognised when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings using the effective interest method.

2.9 Other payables

Other payables consist of interest and other accruals. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.10 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash deposits at banks and in hand.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies - continued

2.12 Recognition of rental income

The Company recognises rental income from renting out the Yacht hotel "The Sunborn Gibraltar" to Sunborn (Gibraltar) Resorts Limited based on yearly payments determined by the contracting parties. The lease of the Yacht hotel is classified as operating lease since the Company retains a significant share of risks and rewards of ownership. Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.11 Operating lease

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Income derived under this type of lease is recognised to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.12. Segment reporting

The Company only has one operation (owning and leasing the Yacht hotel), so it constitutes a single operating segment. The chief operating decision maker is determined as the Board of Directors of the Company who monitors the result of the Company after its establishment based on the rental income generated from the lease agreement less operating expenses.

2.13 Current and deferred income tax

The company had tax losses since its inception therefore has not recorded any tax expense during these periods to 31 December 2017. Income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Risk management

3.1 Financial risk factors

The Company's financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk. Financial risk management carried out by the management of the Company aims to protect the Company against unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

(a) Foreign exchange risk

The objective of foreign exchange risk management is to reduce the uncertainty caused by fluctuations in foreign exchange rates in the Company's profit and loss, cash flows and balance sheet to an acceptable level for the Company.

3.1 Financial risk factors – continued

(a) Foreign exchange risk - continued

A large portion of the Company's income is denominated in Sterling Pounds. The Company is exposed to foreign currency risk, inter alia, through the Bonds, which are denominated in Euro. To the extent that foreign exchange rate exposures are not hedged, any fluctuations in currencies may adversely affect the Company's financial results in ways unrelated to its operations. These developments could have an adverse effect on the Company's business, financial position, results of operations and future prospects and thereby, on the Company's ability to fulfil its obligations under the Bonds.

The depreciation of the exchange rate should be significant before it would weaken the Company's debt service capacity going forward. The management of the Company continuously monitors the development of the GBP/EUR exchange rate and decides on necessary actions to be taken. The EUR denominated borrowings and cash balances on the balance sheet in the periods presented are as follows:

GBP thousand	31 Dec 2017	31 Dec 2016	1 Jan 2016
Borrowings	-	(9,488)	(9,118)
Bond	(49,677)	-	-
Cash and cash equivalents	1,677	-	-

3. Risk management - continued

3.1 Financial risk factors - continued

At December 31, 2017, if the Sterling Pound (£) strengthened/weakened by 5 % against the Euro, unrealized exchange gain/loss for the year would have been £ 2.4 million higher/lower (£ 0.5 million higher/lower). Due to the risk of Sterling/Euro depreciation and potential impact to the Company's debt service capacity, management have arranged with group's ultimate parent company Sunborn Oy an open window forward rate contract and this facility is available for an amount corresponding to the bond coupon payments.

(b) Interest rate risk

The Company has issued senior secured bonds during year 2017 that carries variable interest rate. The nominal value of the bonds is EUR 58 million in total and they carry interest at rate of 5% as at 31 December 2017 consisting of margin of 5% plus 3-month Euribor. Cash and cash equivalents do not carry significant interest. Interest rate risk has not been hedged. The management of the Company monitors changes in the interest rate level and its possible impact on future cash out flows. The need for any hedging activity is assessed continuously. Had interest rates been 0,5 percentage points higher, the Company's profit after tax would have been £123 thousand less. Decrease in interest rates would not have any material impact due to the interest rate floor of 0 % in the bonds and loan receivable in respect to the reference rate.

(c) Credit risk

Credit risk is the risk that the other party to the loans and receivables will cause a financial loss for the Company by failing to discharge an obligation. Credit risk arises from rental receivables from Sunborn (Gibraltar) Resort Limited and cash and cash equivalents and the cash deposit held (cash collateral) at banks.

The Company has leased the Yacht hotel to its sister company Sunborn (Gibraltar) Resort Limited under a long-term lease contract. The lease receivables from Sunborn (Gibraltar) Resort Limited amounted to approximately £1.2 million on 31 December 2017 (£0.2 million on 31.12.2016). These receivables carry normal credit risk related to intra-group receivables. Financial activities of the group companies are directed by common management.

Cash and cash equivalents and the cash deposit (cash collateral) are held in reputable Gibraltar banks, whose credit ratings are strong.

There are no past due or impaired receivables on the Company's balance sheet.

3. Risk management - continued

3.1 Financial risk factors – continued

(d) Liquidity risk and refinancing risk- continued

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Company's business needs or high extra costs are incurred for arranging them. Refinancing risk is the risk that refinancing of the existing borrowings and/or raising new funding will not be available or is available at high price.

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long–run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Company's liquidity position is monitored by the management of the Company. The business related to the vessel is estimated to be profitable without non-cash item depreciation and the lease term in the lease agreement is for approximately 10 years as at 31 December 2017.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level on 31 December 2017.

31 Dec 2017

GBP thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	263	-	-	40,997	**41,260**
Other payables	372	-	-	-	**372**
Senior secured bond	-	-	-	49,677	**49,677**
Senior secured bond, interest payments	2,573	2,573	2,573	4,531	**12,250**
Total	3,108	2,573	2,573	51,635	**103,559**

31 Dec 2016

GBP thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	263	-	-	41,407	41 ,670
Trade and other payable	379	-	-	-	379
Borrowings	45,988	-	-	-	45 988
Borrowings, interest payments	3,093	-	-	-	3,093
Total	49,723	-	-	41,407	91,130

The refinancing risk is managed by securing the refinancing early enough. The management of the Company believes it is able to refinance the bonds at or before maturity due to the long-term lease contract of the vessel with the long term. The committed lease contract period continues after the maturity of the bonds for approximately 5 more years.

4.2 Capital risk management

Capital of the Company as monitored by the management consists of borrowings and equity as shown in the balance sheet.

The capital management is based on the evaluation of essential risks concerning the Company. The management of the Company monitors equity ratio. Capital of the Company is managed through equity instalments and if required the group company loans may be converted to equity to strengthen the capital structure of the Company.

The bond terms include an asset cover ratio covenant, which requires the Company, together with the guarantor, to maintain the asset cover ratio of minimum 110.00%. The covenant is calculated based on the market value of the yacht hotel calculated by approved shipbroker appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company. The Company has not breached the covenant.

5. Critical accounting estimates and judgements

The preparation of financial statements in compliance with IFRS requires making estimates and assumptions. Application of accounting policies requires making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions, and judgements are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under current circumstances.

5.1 Fair value measurement of the vessel

As the Company prepares its special purpose financial statements using IFRS, it can use the exemption included in IFRS 1 to measure investment property at fair value and use this fair value as the deemed cost at the date of transition to IFRS. The fair value of the vessel at the date of transition to IFRS was determined based on the valuations dated 21 April 2015 prepared by Daniel Santos of ALTUM, Ingeniería y Servicios, S.L., an independent valuer who is a Senior Naval Architect with almost 15 years of experience, largely in Shipping and Shipbuilding companies of ships of all kinds, with long experience in contracting ships. Based on the valuation, the vessel is recognised on the balance sheet at the date of transition at fair value of EUR 129 million (GBP 97 million). There was no adjustment made in the carrying amounts reported at the transition date as the carrying value of the vessel approximates that of its fair value determined by the valuer.

5.2 Useful life and residual value of the Vessel

The vessel has been built as permanently floating real-estate and hull and structure is designed to have a technical lifespan of over 70 years, subject to normal maintenance and upkeep over the lifespan. In addition to the high technical specification of the hull and its protection systems, the vessel is typically moved only once every 10 to 15 years for refitting and is not normally subjected to adverse sea conditions, salt water, and friction. As a non-moving vessel, it will not be impacted by encounters with land or vessels. Management of the Company has made estimates on the depreciation period and residual value of the vessel. The management had previously estimated that the useful life of the vessel was 30 years for the hull and structure and 10 years for the interior and fittings. On transition from previous GAAP to IFRS, management have reassessed this estimate to be an error and, supported by external evidence, estimate that the useful life of the vessel to be 40 years. The depreciation therefore would have been £843,226 less for the financial periods ended 31 December 2016 and 31 December 2017.

Should certain factors or circumstances cause the Company to revise its estimates of the vessel's useful lives or projected residual values, depreciation expense could be materially higher or lower. If the estimated average vessel's useful life had reduced or increased by one year, depreciation expense for 2017 would have increased/decreased by approximately GBP £64,864.

6. Rental income from group company

Rental income comprises income generated from lease of its vessel, which was refurbished into a Yacht hotel, to its sister company Sunborn (Gibraltar) Resort Limited. The lease term is 10 years with fixed monthly lease from 1 June 2017 and in force until terminated by the company subject to three months' prior notice.

At 31 December 2017, the future minimum lease payments from the lease contract are as follows:

	2017	2016
	£	£
Within one year	**3,000,000**	2,700,000
In two to five years	**12,000,000**	13,500,000
More than five years	**13,500,000**	10,800,000

7. Administrative expense

	2017	2016
	£	£
Audit fees	**-**	22,480
Other expenses	**217,313**	412,623
	£ 217,313	£ 435,103

8. Finance cost

	2017	2016
	£	£
Interest to Sunborn International Oy	**614,953**	409,969
Interest to others	**3,087,506**	3,063,450
	£ 3,702,459	£ 3,473,419

9. Investment property

	Vessel including improvements	Furniture & fittings	Total
	£	£	£
Cost			
At 1 January 2016- deemed cost	96,718,969	428,571	97,147,540
Additions resulting from subsequent expenditure)	26,231	21,275	47,506
At 31 December 2016	101,993,152	449,846	97,195,046
Additions	-	2,817	2,817
At 31 December 2017	101,993,152	452,663	97,197,863
Depreciation			
At 1 January 2016	-	131,058	131,058
Charge in the year	3,372,902	108,720	3,481,622
At 31 December 2016	8,620,854	239,778	3,612,680
Charge for the year	3,372,902	108,720	3,481,622
At 31 December 2017	11,993,756	348,498	7,094,302
Net book value			
At 31 December 2017	**£ 89,999,396**	**£ 104,165**	**£ 90,103,561**
At 31 December 2016	£ 93,372,298	£ 210,068	£ 93,582,366
At 1 January 2016	£ 96,718,969	£ 297,513	£ 97,016,482

The vessel is registered in Finland but located in Gibraltar, where it is leased under a lease agreement to Sunborn (Gibraltar) Resort Limited, which runs the hotel operations of the Yacht hotel. Sunborn Gibraltar is responsible for the maintenance, the mooring fee, certain insurances, marketing of the vessel and any other such operational costs for operating the Yacht hotel. The Company has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull. The highest and best use of the investment property does not differ from its current use.

10. Property, plant and equipment

	Motor vehicle
	£
Cost	
At 1 January 2016	-
Additions	-
At 31 December 2016	-
Additions	50,128
At 31 December2017	50,128
Depreciation	
At 1 January 2016	-
Charge for the year	-
At 31 December 2016	-
Charge for the year	-
At 31 December 2017	-
Net book value	
At 31 December 2017	**£ 50,128**
At 31 December 2016	£ -
At 1 January 2016	£ -

11. Receivables from group companies

	2017	2016	1 January 2016
	£	£	£
Receivable from:			
Sunborn (Gibraltar) Resorts Limited	**1,227,202**	221,937	221,937
Sunborn (Gibraltar) Holdings Limited	**2,817**	2,817	2,817
Casino Sunborn (Gibraltar) Limited	**7,164**	7,164	7,164
Others	**-**	-	37,645
	£1,237,183	£231,918	£269,563

Receivables from group companies are unsecured, interest free and payable on demand.

12. Equity

The number of ordinary shares outstanding since the company's inception was 2000 shares. In 2016, borrowings from the group company were converted into equity thereby increasing the authorized ordinary share capital by 1,000 at a premium of £15,604 per share resulting to a share premium of £15,604,000. The Company has not distributed any dividend and the bond agreement set some restrictions for distribution of dividend.

	2017	2016	1 January 2016
Authorised:			
Ordinary shares of £1 each	**£3,000**	£3,000	£2,000
Issued, called up and fully paid:			
Ordinary shares of £1 each	**£3,000**	£3,000	£2,000

13. Borrowings from group company- non-current liabilities

	2017	2016	1 January 2016
Payables to:			
Sunborn International Oy	**£40,996,911**	£41,406,880	£53,144,617

Borrowings from Sunborn International Oy are secured by the by a second lien mortgage in the company's vessel and repayable on at the request of the lender. Interest accrues at the rate of 1.5% per annum.

The lender has confirmed that the loan will not be repayable in the next twelve months.

14. Borrowings – non-current liabilities

Borrowings are analysed as follows:

	2017	2016	1 January 2016
Wholly repayable within five years	**£ 49,677,226**	£ 45,988,410	£ 45,618,197
Details of loans wholly repayable within five years are as follows:			
Secured loan of £36,500,000 repayable in 2018 paid in 2017	-	36,500,000	36,500,000
Secured loan of €12,500,000 repayable in 2018 pain in 2017	-	9,488,410	9,118,197
5% senior secured bond of € 58,000,000 repayable on 5 September 2022	**51,459,340**	-	-
Less: transaction costs	**(1,782,114)**	-	-
	£ 49,677,226	£ 45,988,410	£ 45,618,197

In 2016, the Company was granted a loan facility agreement by a certain financing company, whereby the Company was advanced loans of £36,300,000 and €12,500,000. The loan accrues interest at a rate of 5.5% for the first twelve interest periods and 6.5% for eight interest periods after that. Each interest period is a period of three months and the interest is payable at the end of a period.

On 31/8/2017, the company issued a € Senior Secured Bonds with nominal value of EUR 58 million repayable in 2022. The contractual interest is 5% plus Euribor and the effective interest is 5.83%. The proceeds of the bonds were used to pay the secured loans with the financing company.

Fair value of the bonds equals the carrying amount as it was withdrawn during the year at market terms.

14. Borrowings – non-current liabilities - continued

Collaterals and guarantee given

The bonds are secured by a 1st lien mortgage in the vessel and the cash held at bank. The bonds are also secured by a floating charge agreement over the assets, rights, intellectual property and revenues including relevant insurances. The bank accounts have been pledged to secure the bond repayments, however they can be used by the Company in the ordinary course of business.

Moreover, Sunborn International Oy has pledged its shares in the Company and Sunborn Gibraltar Holdings Limited and Sunborn (Gibraltar) Resort Limited to secure the repayment of the bonds.

15. Payables to group companies – current liabilities

	2017	2016	1 January 2016
	£	£	£
Payables to:			
Sunborn International Oy	**113,450**	113,450	-
Sunborn International (UK) Limited	**150,000**	150,000	-
	£263,450	£263,450	£ -

Payables to group companies are unsecured, interest free and repayable on demand.

16. Other payables – current liabilities

	2017	2016	1 January 2016
	£	£	£
Other creditors	**163,217**	233,007	-
Interest accrued	**209,141**	-	-
Other accruals	-	145,689	34,598
	£372,358	£378,696	£34,598

17. Related party transactions

The Company's related parties are its ultimate parent company Sunborn Oy, other Sunborn Group entities, the board of directors and key management of the Company and the Board of Directors and management of the ultimate parent company, together with their close family members, and companies controlled by these individuals.

The following transactions were carried out with related parties:

	2017	2016	1 January 2016
	£	£	£
Rental income from Sunborn (Gibraltar) Resort Limited	**3,500,000**	2,700,000	2,400,000
Interest paid to Sunborn International Oy	**(614,953)**	(409,969)	-

The transactions were entered into on bases determined between the director of the Company and the related parties in the ordinary course of business.

Year end balances arising from receivables and payables to and from Group companies are noted in notes 9, 11 and 13.

Sunborn International Oy, Sunborn (Gibraltar) Holdings Limited and Sunborn (Gibraltar) Resorts Limited are guarantors of the Company's borrowings.