SUNBORN INTERNATION (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY NUMBER 03843168

CONTENTS OF THE FINANCIAL STATEMENTS

SUNBORN INTERNATION (UK) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

Directors:	Pekka Niemi Hans Niemi
Secretary:	Goodwille Limited
Registered office:	St James House 13 Kensington Square London W8 5HD
Registered number:	03843168 (England and Wales)
Independent Auditor:	Harmer Slater Limited Salatin House 19 Cedar Road Sutton SM2 5DA

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company is that of leasing a yacht, the Sunborn Princess, which is used as a luxury floating hotel and restaurant from the ship.

DIRECTORS

The directors of the company during the year and up to the approval of the financial statements were:

Pekka Niemi
Hans Niemi

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016 (2015: £nil).

FINANCIAL INSTRUMENTS

Details of financial instruments and their associated risks are given in note 17 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) of which the auditor is unaware.

AUDITOR

Harmer Slater Limited are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

SMALL COMPANIES PROVISION STATEMENT

The directors have taken advantage of the small companies exemptions provided by sections 414B and 415A of the Companies Act 2006 from the requirement to prepare a strategic report and in preparing the directors' report on the grounds that the company is entitled to prepare its financial statements for the year in accordance with small companies' regime.

ON BEHALF OF THE BOARD ON 21 FEBRUARY 2017

Authorised signatory of
Goodwille Limited
Company secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATION (UK) LIMITED

We have audited the financial statements of Sunborn International (UK) Limited which comprise the statements of comprehensive income, the statements of financial position, the statements of changes in equity, the statements of cash flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATION (UK) LIMITED

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and as at 31 December 2015 and of the profit/loss for the periods then ended;

- the financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of director's remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Ransford Agyei-Boamah (Senior Statutory Auditor)
For and on behalf of Harmer Slater Limited, Statutory Auditor
Salatin House
19 Cedar Road
Sutton
Surrey
SM2 5DA

21 February 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016	2015
Continuing operations		**£**	£
Revenue		2,638,890	2,531,615
Cost of sales		(2,577,140)	(2,485,960)
Gross profit		61,750	45,655
Administrative expenses		(145,286)	(24,796)
Operating (loss)/profit	*4*	(83,536)	20,859
Finance income	*5*	1,966,309	727,258
Finance costs	*6*	(1,966,309)	(727,258)
Net financing income		-	-
(Loss)/profit before tax		(83,536)	20,859
Income tax expense	*7*	-	-
Loss/profit for the year attributable to the shareholder		(83,536)	20,859
Total comprehensive (loss)/profit for the year attributable to the shareholder		(83,536)	20,859

(Loss)/profit per share

	Note	2016	2015
		£	£
Basic and diluted (loss)/profit per share	*8*	(0.56)	0.14

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016**	2015	1.1.2015
		£	£	£
Assets				
Property, plant and equipment	*9*	1,051,131	1,182,522	1,313,913
Total non-current assets		1,051,131	1,182,522	1,313,913
Trade and other receivables	*10*	1,316,919	19,067,706	234,000
Cash and cash equivalents	*11*	5,437	1,604	385,674
Total current assets		1,322,356	19,069,310	619,674
Total assets		2,373,487	20,251,832	1,933,587
Equity attributable to the shareholder				
Issued capital	*12*	150,000	150,000	150,000
Accumulated losses		(953,845)	(870,309)	(891,168
Total equity		(803,845)	(720,309)	(741,168)
Liabilities				
Interest-bearing loans and borrowings	*13*	-	19,973,099	-
Total non-current liabilities		-	19,973,099	-
Trade and other payables	*14*	3,177,332	999,042	2,674,755
Total current liabilities		3,177,332	999,042	2,674,755
Total liabilities		3,177,332	20,972,141	2,674,755
Total equity and liabilities		2,373,487	20,251,832	1,933,587

ON BEHALF OF THE BOARD:

H Niemi
Director
Approved and authorised for issue by the Board on 21 February 2017

SUNBORN INTERNATION (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2015	150,000	(891,168)	6,587,527
Comprehensive income			
Profit for the year	-	20,859	20,859
Total comprehensive income for the year	-	20,859	20,859
Balance at 31 December 2015	150,000	(870,309)	(720,309)
Balance at 1 January 2016	150,000	(870,309)	(720,309)
Comprehensive income			
Loss for the year	-	(83,536)	(83,536)
Total comprehensive income for the year	-	(83,536)	(83,536)
Balance at 31 December 2016	150,000	(953,845)	(803,845)

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Operating (loss)/profit	(83,536)	20,859
Depreciation	131,391	131,391
Foreign exchange differences	-	(127,887)
Decrease/(increase) in receivables	577,703	(569,448)
Increase/(decrease) in payables	2,097,116	(248,323)
Net cash utilised in operating activities	2,722,674	(793,408)
Cash flows from investing activities		
Investing in group undertakings	17,254,258	(19,563,761)
Net cash generated from investing activities	17,254,258	(19,563,761)
Cash flows from financing activities		
Loans (repaid)/received	(19,973,099)	19,973,099
Net cash (utilised)/generated from financing activities	(19,973,099)	19,973,099
Net increase/(decrease) in cash and cash equivalents	3,833	(384,070)
Cash and cash equivalents at beginning of period	1,604	385,674
Cash and cash equivalents at end of period	5,437	1,604

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operation and going concern

Sunborn International (UK) Limited ('the company') is a private company limited by share capital incorporated in England under the Companies Act. Its parent and ultimate holding entity is Sunborn OY, an undertaking incorporated in Finland. The address of the company's registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 2.

These financial statements have been prepared under the going concern concept on the basis that the parent undertaking has agreed to continue to provide adequate funds to enable the company to meet its liabilities as they fall due.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and preceding year.

Statement of compliance

The financial statements of the company have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union. These are the first financial statements prepared under IFRS (see note 21 for explanation of transition to IFRS). They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the IASB but are not yet effective will have a material impact on the financial statements.

Basis of preparation

The financial statements are presented in GBP, rounded to the nearest pound.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities. The company bases its estimates on historical results, taking into consideration the arrangement with the lessee. Revenue consists of rental income from renting out “Sunborn London”. Rental income from operating leases is recognised on a straight-line basis over the lease term.

The company has leased out the hotel yacht “Sunborn London” to ISS Facility Services Ltd. The company is entitled to certain fees, partially fixed and partially variable (contingent). The initial agreement was signed between Sunborn International Oy and ISS in 2014, however it was novated by an amendment in 2015 to the company. In 2016, the contract was amended to change the lease term from 10 to 15 years.

Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting 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 and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

- Furniture and fittings 25% reducing balance
- Improvements to property 10 years straight line

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payable

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 over the period of the borrowings using the effective interest method. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either a) discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or b) is legally released from the primary responsibility for the liability (or part of it either by process of law or by the creditor). 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, shall be recognised in profit or loss.

Leases

Company as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Sunborn UK has leased yacht hotel “Sunborn London” from its sister company Sunborn London Oy under operating lease terms. The company has also agreements in place for mooring and docking of the yacht hotel “Sunborn London” at the Royal Victoria Dock in the London Borough of Newham.

Company as a lessor

Company has leased yacht hotel “Sunborn London” to ISS Facility Services Ltd under operating lease terms. Rental income is recognised on a straight-line basis over the lease term.

Operating segments

The company’s operations relate to the leasing of a luxury floating hotel and as such has only one operating segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Operating profit

The operating profit is after charging/(crediting):	2016	2015
	£	£
Depreciation of owned assets	131,391	131,391
Foreign currency gains	-	127,883
Auditor's remuneration:		
Audit of these financial statements	3,250	3,400

The directors review the nature and extent of non-audit services to ensure that independence is maintained.

4. Personnel expenses

Number of employees

The average number of employees during the year was as follows:

	2016	2015
Directors	2	2

No remuneration was paid to the directors during the year (2015 - £nil)

5. Finance income

	2016	2015
	£	£
Interest on loan to parent undertaking	1,966,309	727,258

6. Finance costs

	2016	2015
	£	£
Interest on bank borrowings	1,966,309	662,985
Finance charges	-	64,273
	1,966,309	727,258

7. Income tax expense
Recognised in the income statement

	2016	2015
	£	£
Current tax expense		
Current year	10,471	11,755
	10,471	11,755

Reconciliation of effective tax rate	2016	2015
	£	£
(Loss)/profit before tax	(83,536)	20,859
Income tax using the UK corporation tax rate of 20%	(16,707)	4,172
Depreciation in excess of capital allowances	5,043	382
Unrelieved tax losses carried forward/(utilised)	11,664	(4,554)
Income tax charge	-	-

There are £1,385,762 of unused tax losses (2015 - £1,327,443) for which no deferred tax asset is recognised in the Statement of financial position.

8. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of £83,536 (2015: profit of £20,859) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2016 of 150,000 (2015: 150,000) calculated as follows:

Profit attributable to ordinary shareholders

	2016	2015
	£	£
(Loss)/profit for the period	(83,536)	20,859
(Loss)/profit attributable to ordinary shareholders	(83,536)	20,859

Weighted average number of ordinary shares

	2016	2015
	Number	Number
Number of shares in issue at beginning of year	150,000	150,000
Weighted average number of ordinary shares in issue for the year	150,000	150,000

There is no difference between the basic and diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Property, plant and equipment

	Improvements to property
	£
Cost	
Balance at 1 January 2015	1,313,913
Balance at 31 December 2015	1,313,913
Balance at 1 January 2016	1,313,913
Balance at 31 December 2016	1,313,913
Depreciation	
Balance at 1 January 2015	-
Depreciation charge for the period	131,391
Balance at 31 December 2015	131,391
Balance at 1 January 2016	131,391
Depreciation charge for the period	131,391
Balance at 31 December 2016	262,782
Net book value	
At 1 January 2015	1,313,913
At 31 December 2015	1,182,522
At 31 December 2016	1,051,131

10. Trade and other receivables

	2016	2015	1.1.2015
	£	£	£
Trade receivables	225,745	4,015	234,000
Amounts due from group undertakings	1,091,174	18,264,258	-
Prepayments and accrued income	-	799,433	-
	1,316,919	19,067,706	234,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Cash and cash equivalents

	2016	2015	1.1.2015
	£	£	£
Bank balances	5,437	1,604	385,674
Cash and cash equivalents	5,437	1,604	385,674

12. Capital and reserves

Share capital

	2016		2015		1.1.2015	
	No. '000	£	No. '000	£	No. '000	£
Authorised, allotted, called up and fully paid shares of £1 each	150,000	150,000	150,000	150,000	150,000	150,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The company has one class of share capital which carry no right to fixed income.

The retained profit reserve represents cumulative profit or losses net of dividends paid and other adjustments.

Capital management

The objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of its shareholder.

The company's capital was as follows:

	2016	2015	1.1.2015
	£	£	£
Cash and cash equivalents	5,437	1,604	385,674
Debentures, bank loans and hire purchase	-	(19,973,099)	-
Net debt	5,437	(19,971,495)	385,674
Equity	(803,845)	(720,309)	(741,168)
Total capital	(798,408)	(20,691,804)	(355,494)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings. For more information about the company's exposure to interest rate and foreign currency risk, see note 17.

	2016	2015	1.1.2015
	£	£	£
Non-current liabilities			
Bank loans – secured	-	19,973,099	-
	-	19,973,099	-

Sunborn International (UK) Ltd financed its activities through external borrowing in September 2015. The facility loan was drawn down to refinance the debt of Sunborn International Oy. The facility loan was denominated in British pounds and carried an interest rate of 13%. The bank loan was initially repayable in September 2018, although early repayment option existed in case of an IPO. The loan was secured by the vessel, "Sunborn London".

The fair value of the borrowings equals their carrying amount, as the borrowings are based on variable interest rate and their fair values do not significantly deviate from their fair value. The measurement was done using Level 3 inputs.

14. Trade and other payables

	2016	2015	1.1.2015
	£	£	£
Trade payables	2,323	4,282	126,427
Amounts owed to group undertakings	3,040,000	860,000	2,287,390
Other payables	131,113	131,260	62,839
Accruals and deferred income	3,896	3,500	198,099
	3,177,332	999,042	2,674,755

15. Commitments and contingent liabilities

As at 26 September 2016 Sunborn London Oy issued a senior secured bond of 32 million euros to certain qualified institutional investors in order to finance the existing debt of Sunborn International (UK) Ltd.

In 2016, Sunborn International (UK) Ltd issued an unconditional and irrevocable Norwegian law on-demand guarantee. This is to guarantee to the institutional investors the punctual performance by Sunborn London Oy under the bond terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Operating leases

The lease agreement with related party Sunborn London Oy can be terminated with 6 months' notice. The lease agreement for mooring has been signed for 5 years, with no renewal option. The lease agreement for docking is for 10 years and includes a renewal option for another 5 years.

The lease agreements do not include purchase options and do not impose restrictions on the company, such as those concerning dividends and additional debt.

17. Financial instruments

The principal financial assets comprise: cash and cash equivalents; amounts due from group undertakings; and trade and other receivables. The financial liabilities comprise: trade payables; amount due the parent undertaking; other payables; accrued expenses; and interest bearing loans and borrowings.

All of the financial liabilities are measured at amortised cost and their financial assets are classified as loans and receivables and measured at amortised cost.

The company held the following categories of financial instruments at 31 December 2016:

	2016	2015	2014
	£	£	£
Financial assets			
Loans and receivables:			
Trade receivables	225,745	4,015	234,000
Amounts owed by group undertakings	1,091,174	18,264,258	-
Prepayments and accrued income	-	799,433	-
Cash at bank	5,437	1,604	385,674
Total financial assets	1,322,356	19,069,310	619,674

Liabilities at amortised cost or equivalent:	2016	2015	2014
	£	£	£
Trade payables	(2,324)	(4,282)	(126,427)
Amount owed to group undertakings	(3,040,000)	(860,000)	(2,287,390)
Other payables	(131,113)	(131,260)	(62,839)
Accruals and deferred income	(3,896)	(3,500)	(198,099)
Loans and borrowings	-	(19,973,099)	-
Total financial liabilities	(3,177,333)	(20,972,141)	(2,674,755)

The directors determine, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are liquidity risk, credit risk, market risk and interest rate risk each of which is discussed below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial instruments

Liquidity risk
Liquidity risk arises from the management of working capital and the finance and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The trade payables, other payables and accrued expenses are generally due between one and three months and the other financial liabilities are due as follows:

	2016	2015
	£	£
Due within one year	-	-
Due within one to two years	-	-
Due within two to three years	-	19,973,099
	-	19,973,099

Credit risk
The principal financial assets are bank balances and cash, trade and other receivables. The credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful debts. It is company policy to assess the credit risk of new customers and to factor the information from these credit ratings into future dealings with the customers. At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Ageing of trade receivables at 31 December 2016 was as follows:

	2016	2015
	£	£
Due within 30 days	222,240	4,015
Over 90 days	3,505	-
	225,745	4,015

17. Financial instruments (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company's market risks arise from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements (interest rate risk). The company is not exposed to foreign exchange rate risk as all its financial assets and liabilities are denominated in British pound. The company has no significant exposure to price risk as it does not hold any equity securities or commodities.

Interest rate risk
Details of the company's borrowings are described in note 13 and comprise of a secured bank loan.

Company's interest rate risk principally arises from long-term loan receivable and borrowing. As they bear variable interest rates, they expose the company to cash flow interest rate risk. On the other hand, not having loan receivables and borrowings at fixed rates, does not expose the company to fair value interest rate risk. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

Company's interest rate risk is monitored on a regular basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

Fair values
In the directors' opinion there is no material difference between the book value and fair value of any of the financial instruments.

Classes of financial instruments
The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. All the company's financial assets are categorised as receivables and all financial liabilities are measured at amortised cost.

18. Related parties

The company's related parties are Sunborn group entities controlled by Sunborn Oy and the board of directors of the company, the board of directors of the parent company Sunborn Oy together with their close family members, and companies controlled by these individuals.

The cost of sales for the company arises from a single lease contract with its sister company Sunborn London Oyj (since August 2016) and before August 2016 with Sunborn International Oy, under which the Sunborn London Oyj has leased the yacht hotel to the company to enable rental income to be earned. The lease expense from the contract during 2016 amounted to £2,580,000 (2015: £2,483,100).

Further related party transactions included the loan of £150,000 to Sunborn Gibraltar, a member of the Sunborn Oy group. The loan is interest fee and repayable on demand.

19. Critical accounting estimates and judgements

The details of the accounting policies are presented in accordance with International Financial Reporting Standards as set out in Note 2 to the financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The risk associated with going concern as explained in note 1 is considered by management to be the only critical judgement and estimate for investors to understand when considering some of the processes and reasoning that go into the preparation of the company's financial statements, providing some insight also to uncertainties that could impact the company's financial results.

20. Smallest and largest group accounts

The smallest and largest group in which the results of the company are consolidated is that of Sunborn Oy, the financial statements of which can be obtained from Juhana Hertuan Puistokatu 23, 20100 Turku, Finland.

21. Non adjusting events after the financial period

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements.

22. Transition to IFRS

As stated in the significant accounting policies, these are the first financial statements prepared in accordance with IFRS.

The significant accounting policies have been applied in preparing the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2015 and in the preparation of an opening IFRS balance sheet at 1 January 2015 (the date of transition).

In preparing its opening IFRS statement of financial position, the company did not need to make any adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The transition from UK GAAP to IFRS did not affect the financial position and financial performance.

IFRS1 exemptions

The company has not applied any exemptions from full retrospective application under IFRS 1.