

# SUNBORN GIBRALTAR



**QUARTERLY FINANCIAL REPORT**

**1 October – 31 December 2023**

**SUNBORN (GIBRALTAR) LIMITED**

**sunborn**

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**PERIOD ENDED 31 DECEMBER 2023 REPORT**
**Key Figures Issuer Sunborn (Gibraltar) Limited**

	1 Oct-31 Dec 2023	1Oct-31 Dec 2022	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
GBP thousand				
Rental income	1,230	795	4,750	3,180
EBITDA	1,177	756	4,489	3,034
Investment property (yacht hotel)			77,343	78,707
Total Equity			5,118	5,742
Bond			50,449	51,170

**Key Figures Operator Sunborn (Gibraltar) Resort Limited**

	1 Oct-31 Dec 2023	1Oct-31 Dec 2022	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
GBP thousand				
Turnover	2,365	2,599	10,171	10,672
EBITDAR	287	674	2,263	3,338

**Chief Executive Director, Hans Niemi**

Issuer lease income increased to 1.230 MGBP (+55 % YoY) due to higher borrowing costs. The operator faced a challenging year end with total revenue in Q4 below last year. Profitability was under significant pressure from stagnant tourism volumes and business travel combined with material increases in costs - minimum wage, mooring fees and goods and services. Incoming flights to Gibraltar continue at levels below pre-2020 correlating directly to occupancy. Management focus is to increase revenue, occupancy and profitability to support the significantly higher financing costs – however an improvement in market conditions and flight volumes is required. Refinancing process for bond is ongoing and the company has initiated a written procedure to extend maturity by 6 months to conclude financing negotiations impacted by macroeconomic environment, higher for longer rates policy and volatile global environment for hospitality and commercial real-estate. Gibraltar continues negotiations for concluding border and trade agreement with EU-UK-Spain.

**General**

Sunborn (Gibraltar) Limited owns a luxury yacht hotel “Sunborn Gibraltar” docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn (Gibraltar) Resort Ltd. The hotel operations of the yacht hotel Sunborn Gibraltar are run by management company Sunborn (Gibraltar) Resort Ltd in accordance with the lease contract. The yacht hotel is equipped with 189 cabins, including 22 suites, conference, and ball room facilities for up to 400 delegates, two restaurants, three bars, entertainment, and lounges inside the yacht hotel. Sunborn Gibraltar Ltd’s sole operation consists of acting as a lessor of the yacht hotel.

**Issuer Sunborn Gibraltar Ltd Financial summary 1 October -31 December 2023**

The Issuer Sunborn Gibraltar Ltd lease income in Q4 2023 from the Operator was 1.230 MGBP (Q4 2022: 0.795 MGBP). Lease increased to support increase in borrowing costs. Operational costs were in line with expectations, but interest expenses have increased significantly.

The fair value of the Yacht hotel is at 108.6 MEUR based on the latest valuation report dated May 2023.

## Operator Financial summary 1 October – 31 December

For the period, Total Revenue came in at 2,36 MGBP (-9 % YoY 2022). Rooms revenue fell short 10 % YoY due to decrease in Occupancy of 12 %, while retaining ADR levels at +3 % YoY but ultimately RevPar was down (-11 %). Costs of goods sold (CoGS) have been managed positively with a decrease of (-3 % YoY). Reacting to the market environment, management reduced expenses where possible in staffing levels and purchases including its utilities costs down (- 7 % YoY). In addition, aggressive marketing campaigns with travel operators helped raise occupancy throughout the period however not enough to offset the diminished corporate and MICE business. Unfortunately, due to unfavourable inflation levels the mooring fees (rent) have increased materially.

The largest factors impacting operating profit were minimum wage increase as per government policy, increase in mooring Fees and vessel lease (+55 % YoY) to cover higher Issuer borrowing costs. A slowdown in Occupancy and Room Revenue essentially flows down directly to the bottom line.

Looking forward, Q1 2024 is showing signs of improvement, Total Revenues in the quarter are forecasted up by 25 %, +400k YoY (£2,070mil vs. £1,670) and EBITDA up +300k YoY (£339k vs. £39k).

KPI's for Q4 2023 vs. Q4 2022

	Overall Q4 23	October	November	December	Total Revenue was down YoY by -9 % mainly due to overall corporate booking and MICE business lagging with company's minimizing business travel/expense. EBITDAR directly negatively affected due to lower total revenue and higher cost of goods sold (CoGS), Payroll (Gov't mandated Minimum Wage increase in August).
Total Revenue M£	£2.36	£0.87	£0.69	£0.80	
+/- YOY %	-9%	-13%	-3%	-8%	
EBITDAR M£	£0.29	£0.22	£0.01	£0.05	
+/- YOY %	-57%	-35%	-85%	-58%	
Revenue split					
Rooms Revenue	62%	72%	66%	47%	Revenue ratio unusually split particularly in December mainly due to higher F&B revenues. C&B revenues particularly were high because of office Christmas parties as well as successful Christmas and NYE events.
Food and Beverage	32%	23%	28%	46%	
Other	6%	5%	6%	7%	
YoY Change %	Overall Q4 23	October	November	December	Room ADR maintained a positive result however occupancy diminished overall. FIT increased by +51 % YoY due to aggressive campaigns in an effort to raise occupancy however it was not enough to offset the decrease in corporates/MICE.
ADR	3%	7%	5%	-5%	
Occupancy	-12%	-21%	-9%	1%	
RevPar	-11%	-16%	-8%	-4%	

## Business environment

In the rooms business mix, the retail room rates were down by -25 %, Corporate -10 % as well as MICE down -31 %, however, Government was up due to various groups from hospitals and travel/tourism, subsequently FIT was up +51 % due to package campaigns with key travel partners.

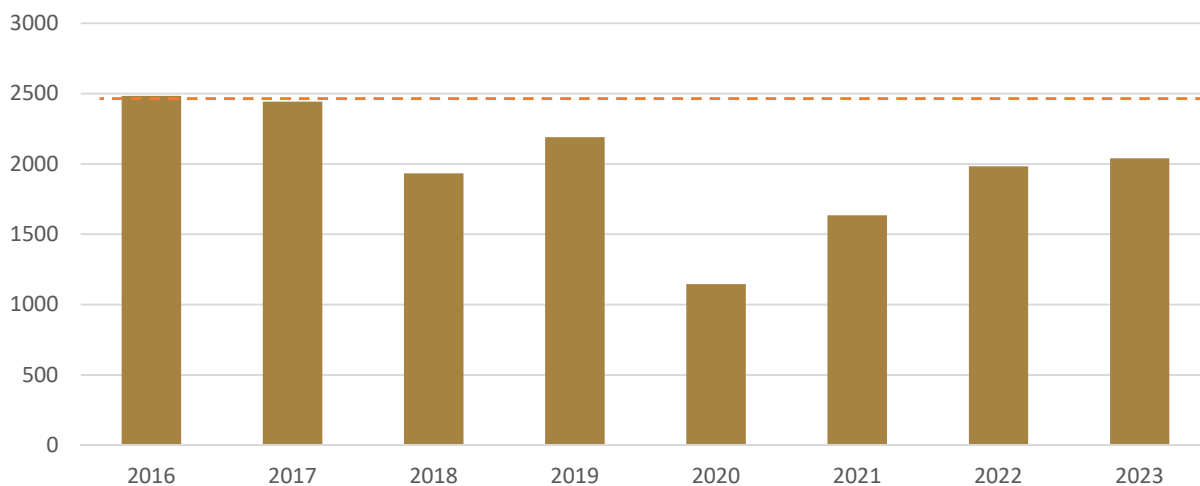
During the period of Q4, 2023, the hotel maintained high levels of Guest satisfaction ratings reflected by Trip Advisor rating of #2, Booking.com rating of 8.5/10, Hotels.com rating of 9.2/10, Expedia.com 9.2/10 during the period.

The hotel market in Gibraltar, comprised of 5 hotels, with 593 hotel rooms, is significantly impacted by the amount of short let apartments in the market. Short stay rental apartments are unregulated, require no hotel fire or safety requirements and are not subject to tourism tax. The increasing inventory is competing with and impacting hotel room demand and according to data from Air DNA and Booking.com sources, apartment units have increased exponentially within the year from 278 units recorded in May 2023 to 424 units in November 2023, suggesting an increase of +52 % of new inventory in 2023 and more developments are ongoing with volumes expected to increase. In addition, the number of hotel rooms may increase over the next 3 to 5 years, if some of the planned new hotel projects materialise. Whilst Sunborn is the only five-star hotel in Gibraltar and reliant on luxury segment travel, demand for hotel rooms in the midmarket and B&B sector continues to benefit from the construction activities, shipping crews and other non-luxury sector clients seeking budget accommodation.

The number of flights for the Q1 2024 have been reduced by 3 per week and going forward EasyJet has cancelled 3 flights per week compared to 2023. The number of flights remains well below the years of 2016-2019. The availability, consumer cost and volume of flights into Gibraltar correlates strongly with our hotel room bookings as the vast majority of Sunborn clients fly into Gibraltar.

The sustainability of Gibraltar's hotel market with continued increases in short lets and further hotel room capacity in perspective of the current room occupancy, performance and flight volumes is at risk going forward without a material and prompt increase in overnight visitor numbers.

Flight Arrivals GIB 2016-2023



Source: <https://www.gibraltairairport.gi/about-us/air-traffic-statistics>

In May 2023, the hotel was inspected and received the continued AA-rating of Five Star for the hotel and 2 Rosettes for the main restaurant. The Sunborn remains the only 5 star rated hotel in Gibraltar.



### **Notable events during and after the end of the reporting period and estimated future developments**

In February 2024 the Company issued a Written Procedure seeking a further extension of 5 March 2024 maturity by 6 months to 5 September 2024 to conclude the refinancing negotiations currently underway. The voting period for this amendment will end 18 March 2024, but the company is expecting to announce the results sooner. The Company is engaged in negotiations for refinancing or solutions for repaying the bond prior to extended maturity. To provide certainty to bondholders during the WP voting process, the Company and Agent have already agreed to move forward the original Maturity date to the 27 March 2024. The WP terms and conditions have received wide support from the largest bondholders prior to issue.

The market conditions are clearly challenging, but the management believes that a financing solution will be reached within the extended period. Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 4 %). The company is expecting to conclude a redemption offer that will reflect the solution currently under negotiation and subject to agreement.

Covenants are tested on a quarterly basis. On 31 December 2023, under the high interest market conditions, the Issuer failed the minimum cash covenant, on the Maintenance Test agreed under the Financial Undertakings. Since the Maintenance Test was not met, the parent company will provide a subordinated shareholder loan as an Equity Cure, in an amount sufficient to ensure compliance with the Q4 Maintenance Test for minimum cash covenant.

It is expected that under current challenging trading conditions which are expected to continue in the intermediate term, the company is reliant on continued support from its parent group to support the higher financing costs and adhering to agreed financial covenants.

We are glad to report, Gibraltar as a jurisdiction was removed from the Grey List of the FATF (Financial Action Task Force) in February 2024, which is expected to positively impact refinancing negotiations.

### **Short-term risks and uncertainties**

Sunborn Gibraltar's financial risks related to business are market risk (including interest rate risk), credit risk, liquidity risk, refinancing risk and business interruption due to incidents relating to environmental and or public health risks.

Floating interest rate risk has not been hedged and could negatively and materially impact Sunborn Gibraltar's liquidity.

As per the Written Procedure issued in February, the company is requesting an extension of the bond maturity by six months to September 5, 2024. Company is engaged in negotiations for refinancing or other solutions for repaying the bond prior to extended maturity and management believes that a conclusion will be reached within the requested extension period. Management estimates the fair market value of company hotel asset is well in surplus of the third-party debt and liabilities, and expects agreement with new lenders, investors and current shareholders to refinance or repay the current bond and liabilities.

Continued UK inflationary pressure may yet cause further increases in cost of materials and labour, consequently requiring faster than expected price development for sales and short-term fluctuations in profit margins as the business adapts to volatile market conditions.

The Company is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP. The management of the company closely monitors the development of the GBP/EUR exchange rate and aims to protect the Company against unfavourable developments at the group level.

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.

Risks related to the border and land access to Gibraltar from Spain if the EU-UK-Gibraltar treaty is not ratified. A border disruption or temporary closure could impact pricing and availability of goods and services from Spain and ease of accessing Gibraltar for our clients and staff.

The war in Ukraine and Israel-Gaza is not estimated to directly impact on the company's operations but indirectly may have *inter alia* macroeconomic, policy and financial cost consequences.

STATEMENT OF COMPREHENSIVE INCOME

GBP (in thousands)	Note	1 Oct-31 Dec 2023	1 Oct-31 Dec 2022	1 Jan-31 Dec2023	Audited 1 Jan- 31 Dec 2022
Rental income from group companies	3	1,230	795	4,750	3,180
Depreciation	4	(359)	434	(1,435)	(1,436)
Other operating expenses		(53)	(39)	(261)	(146)
<b>Operating profit</b>		<b>818</b>	<b>1,190</b>	<b>3,054</b>	<b>1,598</b>
Waiver of intercompany loan		-	-		4,000
Foreign exchange (loss)/gain		(29)	(403)	1,137	(2,715)
Finance cost - amortisation of borrowing cost		(119)	(122)	(417)	(407)
Finance cost - group borrowings		(82)	(97)	(330)	(390)
Finance costs - other borrowings		(1,105)	(720)	(4,068)	(2,601)
Finance costs, net		(1,335)	(1,342)	(3,678)	(2,112)
<b>Profit/(loss) before taxes</b>		<b>(516)</b>	<b>(152)</b>	<b>(624)</b>	<b>(514)</b>
Income tax expense		-	-	-	-
<b>Profit/(loss) for the period</b>		<b>(516)</b>	<b>(152)</b>	<b>(624)</b>	<b>(514)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(516)</b>	<b>(152)</b>	<b>(624)</b>	<b>(514)</b>



**BALANCE SHEET**

GBP (in thousands)	Note	Unaudited 31 December 2023	Audited 31 December 2022
<b>ASSETS</b>			
Non-current assets			
Investment property	4	77,343	78,707
Property, plant and equipment		-	-
Total non-current assets		77,343	78,707
Current assets			
Receivables from group companies	7	3,843	1,584
Other receivables		266	326
Cash and cash equivalents		42	1,013
Total current assets		4,151	2,923
Total assets		81,494	81,629
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	5	3	3
Share premium	5	15,604	15,604
Capital reserves		19,000	19,000
Accumulated Deficit		(29,489)	(28,865)
Total equity		5,118	5,742
<b>LIABILITIES</b>			
Non-current liabilities			
Payables to group companies	7	21,997	21,997
Borrowings	6	0	51,170
Total non-current liabilities		21,997	73,167
Current liabilities			
Borrowings	6	50,449	0
Payables to group companies	7	3,609	2,394
Other payables		321	327
Total current liabilities		54,379	2,721
Total liabilities		76,376	75,888
Total equity and liabilities		81,494	81,629

STATEMENT OF CHANGES IN EQUITY

GBP (in thousands)	Share capital	Share premium	Capital reserve	Retained earnings	Total equity
<b>Equity at 1 Jan 2022</b>	3	15,604	15,000	(24,352)	<b>6,255</b>
Income for the period	-	-	-	(514)	<b>(514)</b>
Capital contribution by parent company			4,000	(4,000)	-
<b>Equity at 31 Dec 2022</b>	-	-	<b>19,000</b>	<b>(28,865)</b>	<b>5,742</b>
Equity at 1 Jan 2023	3	15,604	19,000	(28,865)	5,742
Income for the period	-	-	-	(624)	<b>(624)</b>
<b>Equity at 31 December 2023</b>	<b>3</b>	<b>15,604</b>	<b>19,000</b>	<b>(29,489)</b>	<b>5,118</b>

## STATEMENT OF CASH FLOWS

For the period ended 31 December 2023

GBP thousand	Unaudited 1 Jan - 31 Dec 2023	Audited 1 Jan - 31 Dec 2022
<b>Operating activities</b>		
Operating profit/ (loss)	3,054	1,598
<b>Adjustment for:</b>		
Depreciation	1,435	1,436
<b>Change in working capital:</b>		
Change in receivables from group companies	(2,259)	212
Change in other receivables	60	(48)
Change in payables to group companies	885	(20)
Change in other payables	(6)	( 13)
Net cash flows from operations before interest payments	3,169	3,167
Interest paid	(4,068)	(2,600)
Net cash flows from operations	(899)	567
<b>Cash used in investing activities</b>		
Additions in investment property	(72)	-
<b>Net cash flows used in investing activities</b>	-	0
<b>Cash flows from financing activities</b>		
Finance costs incurred for borrowings from Group company		
Proceeds from borrowings	0	-
Repayment of borrowings	0	-
Transaction costs paid	-	(651)
Net decrease in cash and cash equivalents	( 971)	(84)
Cash and cash equivalents at 1 January	1,013	1,098
Cash and cash equivalents at 31 Dec	42	1,013

## NOTES TO THE 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, Gibraltar, and its business address: 35 Ocean Village Promenade, Gibraltar, GX111AA. 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 centre, spa and lounges inside the Yacht hotel. The Company had no employees during 2023 or during 2022. 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 50 years of experience in the hospitality sector.

### 2. Summary of significant accounting policies

#### Basis of preparation

This condensed interim financial report for 12 months ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 interim Financial Reporting, as adopted by the European Union.

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the audited financial statements for year ended 31 December 2022.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2022.

The financial statements are presented in thousands of sterling pounds unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

#### Going concern

##### *Net losses*

The Company has incurred net losses consisting mainly of depreciation and unrealized foreign exchange rate differences arising from the borrowings. The Company's sole purpose is to own the vessel "Sunborn Gibraltar Yacht" 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 £ 15.6 M 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. Further conversions have been carried

out in September 2018 (£ 10 M) and in December 2020 (£ 5 M) and in December 2022 (£ 4 M) converting debt liabilities to Sunborn International Oy into company's equity.

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. Management estimates the fair market value of company hotel asset is well in surplus of the third-party debt and liabilities, and expects agreement with new lenders, investors and current shareholders to refinance or repay the current bond and liabilities.

Under current trading conditions, which are expected to continue in the intermediate term, the company is reliant on continued support from its parent company to support the higher financing costs and adhering to agreed financial covenants. The company's parent group has confirmed its willingness to provide support to allow the company to operate and meet its obligations.

### **3. Rental income from related parties**

Rental income comprises income generated from lease of its vessel to its sister company Sunborn Gibraltar Resort Limited. The lease term is 10 years with fixed monthly lease GBP 350,000. Bareboat charter agreement in force until terminated by the company subject to three months' prior notice. Rental income relates to investment property, see note 4 for details.

Future minimum lease payment:

GBP thousand	31 Dec 2023	31 Dec 2022
Within 1 year	1,050	795
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
Between 3 and 4 years	-	-
Between 4 and 5 years	-	-
Later than 5 years	-	-
<b>Total</b>	<b>1,050</b>	<b>795</b>

#### 4. Investment property

	Vessel incl improvements	Furniture & Fittings	Total
GBP thousand			
Cost			
At 1 January 2022	101,993	496	102,490
Additions	-	-	-
At 31 December 2022	101,993	496	102,490
Additions	-	72	-
At 31 December 2023	101,993	568	102,490
Depreciation			
At 1 January 2022	21,887	460	22,347
Charge for the period	1,419	28	1,436
At 31 December 2022	23,306	477	23,783
Charge for the period	1,415	20	1,435
At 31 December 2023	24,721	497	25,218
Net book value			
<b>At 31 December 2023</b>	<b>77,272</b>	<b>71</b>	<b>77,343</b>
At 31 December 2022	78,687	20	78,707
At 1 January 2022	80,106	36	80,142

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 investment property is carried at deemed cost as of 1 January 2016, which was its fair value, less any accumulated depreciation and any accumulated impairment losses.

The fair value of the Yacht hotel is at 108.6 MEUR according to the latest valuation report June 2023.

Management have reviewed the estimation of the useful life of the vessel as well as consideration for the residual value at the end of the useful life. Based on several considerations including:

- Comparison to similar vessels located in London which have had lifespans of over 100 years.
- Previous comparisons to sea going vessels were not accurate. The vessel remains stationary and is expected to do so for the short to medium term.

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:	50 years (previously used 40 years)
Vessel improvements:	Shorter of remaining vessel life or useful life of improvements (3 to 25 years)
Furniture and fittings:	10 years

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

## 5. Equity & Capital Reserve

	31 Dec 2023 No.	31 Dec 2022 £
Share Capital		
Authorised, allotted, called up and fully paid shares of £1 each	3,000	3,000

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.

## 6. Borrowings

Borrowings are analysed as follows:

GBP thousands	31-Dec 2023	31-Dec 2022
	50,449	51,170
Details of loans wholly repayable within 5 years are as follows:		
Senior secured bond SE00102296632 due 27/3/2024 or later date according to WP	50,564	51,699
Less transaction cost	( 115)	( 529)
	50,449	51,170

On 5 September 2017, the Company issued a Senior Secured Bonds with nominal value of EUR 58 million repayable in September 2022. The Company completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Stockholm on 30 August 2018. The contractual interest is 5 % plus Euribor and the effective interest is 5.67 %.

In a written procedure initiated on 26 June 2022 and closed on 25 July 2022, a requisite majority of the holders of the Bonds gave their consent to certain requested amendments to the Terms and Conditions and extension of maturity for repayment until 5 March 2024 with early repayment rights. As a result of 2022, written procedure amendment and waivers, amendment fee of 50 bp was agreed to be paid at maturity date.

In 21 February 2024 the company issued a written procedure seeking a further extension of 6 months to 5 September 2024 to conclude the refinancing negotiations currently underway. The voting period for this amendment will end 18 March 2024, but the company is expecting to announce the results sooner. Company is engaged in negotiations for refinancing or solutions for repaying the bond prior to new extended maturity.

The bonds are denominated in euros. The bonds shall be redeemed on maturity date at nominal amount in addition to 4 % call premium. The company is expecting to conclude a redemption offer reflecting the terms and conditions of new financing or other solutions currently under negotiation and subject to agreement.

The management estimated that the fair value of the borrowings approximates the carrying amounts of the bonds.

#### 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.

As a result of the new Amended and Restated Terms and Conditions Sunborn International Holding Oy has entered into an Additional Guarantee Agreement, as principal obligor, guarantee to the Agent and Bondholders the punctual performance of the Company's obligations under the Bond's Finance Documents.

The bond terms include an asset cover ratio covenant, which requires the Company to maintain the asset cover ratio of minimum 140.0 %. The covenant is calculated based on the market value of the Yacht hotel calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company.

The bond terms also include a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment and an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.1 times the net finance charges.

Covenants are tested on a quarterly basis. On 31 December 2023, under the high interest market conditions, the Issuer failed the minimum cash covenant, on the Maintenance Test agreed under the Financial Undertakings. Since the Maintenance Test was not met, the parent company will provide a subordinated shareholder loan as an Equity Cure, in an amount sufficient to ensure compliance with the Q4 Maintenance Test for minimum cash covenant.



It is expected that under current trading conditions - expected to continue in the intermediate term - the company is reliant on continued support from its parent group to support the higher financing costs and adhering to agreed financial covenants.

## 7. Related parties

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 parent company, together with their close family members, and companies controlled by these individuals.

The following table summarises the Company's transactions and outstanding balances with related parties during or at the end of the years presented:

GBP thousand	1 Oct-31 Dec 2023	1 Oct-31 Dec 2022	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Sunborn (Gibraltar) Resort rent	1,230	795	4,750	3,180
Sunborn International Oy interest	( 82)	( 97)	( 330)	( 390)
	31-Dec-23		31-Dec-22	
GBP thousand	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	3,840	86	1,581	86
Sunborn (Gibraltar) Holdings	3	885	3	-
Sunborn International Oy	-	24,482	-	24,152
Sunborn Finance Oyj	-	58	-	58
Sunborn International Holding Oy	-	95	-	95
<b>Total</b>	<b>3,843</b>	<b>25,606</b>	<b>1,584</b>	<b>24,391</b>

## 8. Events after the balance sheet date

In February 2024 the Company issued a Written Procedure seeking a further extension of 5 March 2024 maturity by 6 months to 5 September 2024 to conclude the refinancing negotiations currently underway. The voting period for this amendment will end 18 March 2024, but the company is expecting to announce the results sooner. Company is engaged in negotiations for refinancing or solutions for repaying the bond prior to extended maturity. In order to provide certainty to bondholders during the WP voting process, the Company and Agent have already agreed to move forward the original Maturity date to the 27 March 2024. The WP terms and conditions have received wide support from the largest bondholders prior to issue.

On 31 December 2023, under the high interest market conditions, the Issuer failed the minimum cash covenant, on the Maintenance Test agreed under the Financial Undertakings. Since the Maintenance Test was not met, the parent company will provide a subordinated shareholder loan as an Equity Cure, in an amount sufficient to ensure compliance with the Q4 Maintenance Test for minimum cash covenant.

**Appendix 1**

**Sunborn (Gibraltar) Resort Limited**

**Unaudited Income Statement**

GBP thousand

	Unaudited 3 months ended 31 Dec 23	Unaudited 3 months ended 31 Dec 22	Unaudited 12 months ended 31 Dec 23	Audited 12 months ended 31 Dec 22
REVENUE	2,365	2,599	10,171	10,672
Cost of sales				
Food	172	146	582	487
Beverage	57	54	247	214
Agent commission	42	85	219	264
Other	43	53	181	165
	314	337	1,230	1,130
GROSS PROFIT	2,051	2,261	8,941	9,541
Administrative and other expenses	(1,764)	(1,588)	(6,678)	(6,203)
EBITDAR	287	674	2,263	3,338
Rent cost due to related entity	(1,230)	(795)	(4,750)	(3,180)
Depreciation	(50)	(42)	(190)	(145)
Interest expense	(23)	(19)	(79)	(75)
Result before tax	(1,016)	(855)	(2,756)	(63)
Taxation	-	-	-	-
Result for the year	(1,016)	(855)	(2,756)	(63)

## Unaudited Balance Sheet

GBP thousand

	Unaudited 31 Dec 23 £	Audited 31 Dec 22 £
Fixed assets		
Tangible fixed assets	254	294
Current Assets		
Inventories	111	113
Trade and other receivables	1,075	1,384
Cash at bank	315	104
	1,501	1,601
Current Liabilities		
Trade and other payables	7,122	3,013
Permitted loan facility	-	-
	7,122	3,013
Current Assets less Current Liabilities	(5,621)	(1,412)
Non-current liabilities		
Other payables		1,494
Permitted loan facility	1,500	1,500
Total Assets less Liabilities	(6,868)	(4,112)
Capital and Reserves		
Called up share capital	2	2
Profit & loss account	(6,870)	(4,114)
	(6,868)	(4,112)

**Unaudited Statement of Cash Flows**

GBP thousand

	Unaudited 12 months ended 31-Dec-23 £	Audited 31 Dec 22 £
Reconciliation of operating loss to net cash flows from operating activities		
Operating profit	(2,756)	(63)
Interest expense	79	75
Operating profit	(2,627)	13
Depreciation	190	145
Movement in inventories	3	(12)
Movement in debtors	309	(86)
Movement in creditors	2,536	121
Net cash flows from operating activities	360	182
Cash flow from investing activities		
Purchase of tangible fixed assets	(149)	(165)
Cash flow from financing		
Other borrowings		
Equity Cure		
Repayment of obligations under finance lease		(5)
Taxation	-	
Increase in cash	211	11
Reconciliation of net cash flows to movement in net funds		
Cash at bank at 31 Dec	315	104
Cash at bank at 1 January	104	93
Increase in cash in year	211	11