FINANCIAL STATEMENTS 2018
SUNBORN (GIBRALTAR) LIMITED

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SUNBORN (GIBRALTAR) LIMITED

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SUNBORN (GIBRALTAR) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTOR:	Hans Niemi
SECRETARY:	Line Secretaries Limited
REGISTERED OFFICE:	57/63 Line Wall Road Gibraltar
REGISTERED NUMBER:	109414
AUDITORS:	AMS Limited Suite 16 Water Gardens 5 Gibraltar

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his annual report and audited accounts for the year to 31 December 2018.

Activities and review of business
The Company's principal activity is rental of the luxury yacht hotel docked at Ocean Village in Gibraltar to its sister company Sunborn (Gibraltar) Resort Limited, which 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 Director considers that the level of business during the year was satisfactory. It is expected that this level of activity will be continued in the ensuing year.

Results and dividends
The Company has made a profit of £ 6,365,274 for the year (2017: loss of £3,941,095).

The director does not recommend the payment of a dividend.

Directors
The director who served office during the whole of the period 1 January 2016 to the date of this report was as shown on page 1.

Financial risk management
The Company's activities expose it to a variety of financial risks. In particular, the exposure to market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk, which has been disclosed in note 3 to the financial statements.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which meet the requirements of the Gibraltar Companies Act 2014. In addition, the Directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

Statement of directors' responsibilities - Continued

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit and 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 estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that 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 Companies Act and other applicable legislation. 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

AMS Limited are willing to stand for reappointment at the next Annual General Meeting.

Hans Niemi
Director
30th April 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNBORN (GIBRALTAR) LIMITED

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **Sunborn (Gibraltar) Limited** (the Company), for the year ended 31 December 2018, which comprise the statement of financial position, the statement of comprehensive income, statement of cash flows, the statement of changes in shareholders' equity, and notes to the financial statements, including a summary of significant accounting policies.

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 2018 and of the profit and cashflows for the year then ended;

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

- have been prepared in accordance with the Companies Act 2014.

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.

Emphasis of matter - Going concern
In forming our opinion on the 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.

Audit approach
Materiality
- Overall materiality: £907,835, which represents 1 % of total assets of the Company.

Key audit matters
- Revenue recognition
- • Investment property valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Our application of materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	£907,835
How we determined it	1 % of of the Total assets of the Company.
Rationale for the materiality benchmark applied	We have applied the Total assets benchmark as, in our view, it is the key driver for the principal sers of the financial statements. We also believe this will provide an appropriate and consistent year-on year basis for our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the company	**How our audit addressed the key audit matter**
Revenue recognition Refer to Accounting policies and note 5. Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract. There is a risk that the rental income is booked to a wrong period.	We reviewed the appropriateness of the company´s accounting policies regarding revenue recognition. We assessed compliance with policies in terms of applicable accounting standards. In audit of revenue recognition, we focused on lease agreement. We tested the booked revenue by comparing it to the lease agreement.

Key audit matters - continued

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Valuation of investment property Refer to Accounting policies and note 8. Company´s investment property consists of a Yacht hotel. The company's investment property is exposed to impairment risk. The possible need for impairment on property investment is evaluated at least once a year. If an asset item is recognized on the balance sheet at a value higher than the recoverable amount, an impairment loss is recorded. The valuation of investment property is a key audit matter due to the size of the balance sheet item and as the accounting for investment property requires management's judgment over timing of recognition of impairment and especially over fair valuation of the investment property.	We reviewed the company´s process and control environment for investment property. We assessed the management´s ability to make assumptions and estimations when assessing the recoverable amount of investment property. In our assessment, we focused on cash flow forecast, useful lifetime of investment property and to the discount rate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and International Financial Reporting Standards as adopted for use in the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

- 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 directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on other matter prescribed by the Companies Act 2014
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Use of our report
This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** £	2017 £
Rental income from group company	5, 16	**3,180,000**	3,500,000
Depreciation	8	**(2,521,739)**	(3,481,622)
Administrative expenses	6	**(196,246)**	(217,313)
Operating profit/(loss)		**462,015**	(198,935)
Waiver of intercompany loan	12	**10,000,000**	-
Foreign exchange loss		**(423,400)**	(39,701)
Finance costs	7	**(3,673,341)**	(3,702,459)
Profit/(loss) before income tax		**6,365,274**	(3,941,095)
Income tax expense		**-**	-
Profit/(loss) for the year		**6,365,274**	(3,941,095)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**6,365,274**	(3,941,095)
Attributable to:			
Equity holder of the Company		**6,365,274**	(3,941,095)

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £	2017 £
ASSETS			
Non-current assets			
Investment property	8	**87,633,136**	90,103,561
Property plant and equipment	9	**33,419**	50,128
		87,666,555	90,153,689
Current assets			
Receivables from group companies	10	**1,682,492**	1,237,183
Other receivables		**68,693**	127,065
Cash and cash equivalents		**1,365,758**	1,677,331
Total current assets		**3,116,943**	3,041,579
Total assets		**90,783,498**	93,195,268
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	**3,000**	3,000
Share premium	11	**15,604,000**	15,604,000
Capital reserve		**10,000,000**	-
Retained loss		**(17,356,403)**	(13,721,677)
Total equity		**8,250,597**	1,885,323
LIABILITIES			
Non-current liabilities			
Borrowings from group companies	12	**30,996,911**	40,996,911
Borrowings	13	**50,461,800**	49,677,226
Total non-current liabilities		**81,458,711**	90,674,137
Current liabilities			
Payables to group companies	14	**630,676**	263,450
Other payables	15	**443,514**	372,358
Total current liabilities		**1,074,190**	635,808
Total liabilities		**82,532,901**	91,309,945
Total equity and liabilities		**90,783,498**	93,195,268

Approved by the Board on the 30th April 2019

Hans Niemi
Director

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018

	Share capital £	Share premium £	Capital reserve £	Retained earnings £	**Total Equity £**
Balance at 1 January 2017	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
Total comprehensive profit for the year	-	-	-	6,365,274	6,365,274
Transfer from retained earnings to capital reserve account	-	-	10,000,000	(10,000,000)	-
Balance at 31 December 2018	**3,000**	**15,604,000**	**10,000,000**	**(17,356,403)**	**8,250,597**

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CASHFLOWS
For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Operating loss	**462,015**	(198,935)
Adjustment for:		
Depreciation	**2,521,739**	3,481,622
Net foreign exchange differences	**(423,400)**	(39,701)
Change in working capital:		
Change in receivables from group companies	**(445,309)**	(1,005,265)
Change in other receivables	**38,169**	(89,420)
Change in payables to group companies	**367,226**	-
Change in other payables	**71,156**	(6,338)
Net cash flows generated from operations before interest payments	**2,591,596**	2,141,963
Interest paid	**(2,671,831)**	(3,702,459)
Net cash flows used in operations	**(80,235)**	(1,560,496)
Cash used in investing activities		
Additions in investment property	**(34,605)**	(2,817)
Purchase of property, plant and equipment	**-**	(50,128)
	(34,605)	(52,945)
Cash flows from financing activities		
Repayment of borrowings from Group company	**(171,551)**	(409,969)
Proceeds from borrowings	**-**	51,459,340
Repayment of borrowings	**-**	(45,988,410)
Transaction costs paid	**(25,182)**	(1,782,114)
Net cash flows from financing activities	**(196,733)**	3,278,847
Net (decrease)/increase in cash and cash equivalents	**(311,573)**	1,665,406
Cash and cash equivalents at 1 January	**1,677,330**	11,924
Cash and cash equivalents at 31 December	**1,365,757**	1,677,330

The notes on pages 11 to 30 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, Gibraltar 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 2017 and 2018. 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.

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

These 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.

Gibraltar legislation applied in the preparation of these financial statements is the Companies Act 2014.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

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

2. Summary of significant accounting policies – continued

2.1 Basis of preparation – continued

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. Although the company had earned a profit of £6.4m, the profit was mainly from the borrowings waived by Sunborn International Oy amounting to £10m. Without including this the company reports a loss of £3.6m which consist mainly of depreciation of the vessel and unrealised exchange rate differences arising from borrowings denominated in Euro.

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. During the year, Sunborn International Oy waived a portion of borrowings to the Company in the amount of £10m which was subsequently transferred to capital reserve.

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 2018, 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 Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenues from Contracts with Customers standard on the 1 January 2018) which replaces the IAS 18 and IAS 11 revenue recognition standards and related interpretations.

IFRS 15 standard applies a five-step model to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time.

The Company's revenue consists of rental revenues from rental of vessel and its improvements recognised as income under IAS 17 Leases standard. All the company's revenue for the year ended 31 December 2018 and 2017 comprise the rental of the vessel and its improvements and therefore the adoption of this standard did not have any material impact on the Company's result and financial position.

IFRS 9 Financial Instruments

On the 1 January 2018, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014). IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and (ii) financial liabilities, and (iii) impairment for financial assets. Details of these new requirements as well as their impact on the Company's financial statements are described below.

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

(i) Classification and measurement of financial assets applicable from 1 January 2018

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income (FVTOCI) or Fair Value through Profit and Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
				£'000	£'000	£'000
1	Loan receivables (Note 11)	Loan and receivables	Financial assets at amortised cost	1,237	Nil	1,237
2	Other receivables	Loan and receivables	Financial assets at amortised cost	127	Nil	127
3	Cash and cash equivalents	Loan and receivables	Financial assets at amortised cost	1,677	Nil	1,677
4	Borrowings and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	91,000	Nil	91,000

The change in measurement category of the different financial assets and liabilities have had no impact on their respective carrying amounts on initial application.

(ii) Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. There has been no impact on the financial statements.

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

(iii) Impairment of financial assets

The company assesses impairment based on expected credit losses (ECL) model of trade receivables. During the year and preceding year, all of the company's receivables were amounts owed from group companies which in the director's opinion were not impaired therefore no impairment loss allowance were provided.

(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 2018 and have not been applied in preparing these financial statements:

- IFRS 16 Leases standard will be applied to lease accounting from 1 January 2019. The standard does not change significantly the lessor accounting, as the Company only acts as lessor in one lease agreement, the new standard is not expected to have material impact to the company's result or financial position. There will be some new disclosure requirements.

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. Summary of significant accounting policies - continued

2.3 Foreign currency translation - continued

2.4 Investment property

The Company's vessel (converted to a Yacht Hotel) which is leased out under operating lease 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.

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. Summary of significant accounting policies - continued

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.

2.6 Financial instruments - Financial Instruments: Recognition and Measurement

Loan and receivables are initially recognised when they are originated. Other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instruments. Financial instruments carried on the statement of financial position include loan receivables, other receivables, cash and cash equivalents, and borrowings and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

(a) Loan receivables

Loan receivables are stated at proceeds issued net of transactions costs.

(b) Other receivable

Other receivables are stated at cost.

(c) Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Borrowings and other payable

Other payables are recognised at their nominal value.

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. Summary of significant accounting policies - *continued*

2.6 Financial instruments - Financial Instruments: Recognition and Measurement - *continued*

Fair value measurement principles
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The Company measures the fair value of an instrument, using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, if there is no quoted price in an active market. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Amortised cost measurement principles
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment
Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of profit or loss and other comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of profit or loss and other comprehensive income.

Derecognition
A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished or when the obligation specified in the contract is discharged, cancelled or expires.

Assets held for trading that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the average cost method to determine the gain or loss on derecognition.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies - continued

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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 2018. 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.

2. Summary of significant accounting policies - continued

2.11 Current and deferred income tax - continued

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.

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 2018**	31 Dec 2017
Bond	**(50,462)**	(49,677)
Cash and cash equivalents	**1,180**	1,677

3. Risk management - continued

3.1 Financial risk factors – continued

(a) Foreign exchange risk - continued

At December 31, 2018, if the Sterling Pound (£) strengthened/weakened by 5 % against the Euro, unrealized exchange gain/loss for the year would have been £ 2,463,000 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 2018 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 2018 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 £ 259,000 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 £1.7 million on 31 December 2018 (2017: £1.2 million). 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

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 9 years as at 31 December 2018.

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 2018.

31 Dec 2018

GBP thousand	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Total**
Payables to group companies	631	-	-	30,997	**31,628**
Other payables	444	-	-	-	**444**
Senior secured bond	-	-	-	50,462	**50,462**
Senior secured bond, interest payments	2,594	2,594	2,594	1,766	**9,548**
Total	3,669	2,594	2,594	83,225	**92,082**

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**

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.

3. Risk management - continued

3.2 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 during the year not breached the covenant.

4. 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.

4.1 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 as supported by external evidence, estimated that the useful life of the vessel to be 40 years.

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 2018 would have increased/decreased by approximately GBP £70,105.

5. 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 2018, the future minimum lease payments from the lease contract are as follows:

	2018	2017
	£	£
Within one year	**3,000,000**	3,000,000
In two to five years	**12,000,000**	12,000,000
More than five years	**10,500,000**	13,500,000

6. Administrative expense

	2018	2017
	£	£
Audit fees	**-**	-
Other expenses	**196,246**	217,313
	£ 196,246	£ 217,313

7. Finance cost

	2018	2017
	£	£
Interest to Sunborn International Oy	**614,954**	614,953
Interest to others	**3,058,387**	3,087,506
	£ 3,673,341	£ 3,702,459

8. Investment property

	Vessel including improvements	Furniture & fittings	Total
	£	£	£
Cost			
At 1 January 2017	101,993,152	449,846	102,442,998
Additions	-	2,817	2,817
At 31 December 2017	101,993,152	452,663	102,445,815
Additions	-	34,605	34,605
At 31 December 2018	101,993,152	487,268	102,480,420
Depreciation			
At 1 January 2017	8,620,854	239,778	8,860,632
Charge in the year	3,372,902	108,720	3,481,622
At 31 December 2016	11,993,756	348,498	12,342,254
Charge for the year	2,477,048	16,447	2,493,495
At 31 December 2017	14,470,804	364,945	14,835,749
Net book value			
At 31 December 2018	**£ 87,522,348**	**£ 110,788**	**£ 87,633,136**
At 31 December 2017	£ 89,999,396	£ 104,165	£ 90,103,561

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.

On 6th June 2018, the vessel was valued by an externally qualified surveyor at €116,500,000.

9. Property, plant and equipment

	£
Cost	
At 1 January 2017	-
Additions	50,128
At 31 December 2017	50,128
Additions	-
At 31 December2018	50,128
Depreciation	
At 1 January 2017	-
Charge for the year	-
At 31 December 2017	-
Charge for the year	16,709
At 31 December 2018	16,709
Net book value	
At 31 December 2017	**£ 33,419**
At 31 December 2016	£ 50,128

10. Receivables from group companies

	2018	2017
	£	£
Receivable from:		
Sunborn (Gibraltar) Resorts Limited	**1,672,511**	1,227,202
Sunborn (Gibraltar) Holdings Limited	**2,817**	2,817
Casino Sunborn (Gibraltar) Limited	**7,164**	7,164
	£ 1,682,492	£1,237,183

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

11. Share capital

	2018	2017
Authorised:		
3,000 ordinary shares of £1 each	**£ 3,000**	£ 3,000
Issued, called up and fully paid:		
3,000 ordinary 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 authorised 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.

12. Borrowings from group company- non-current liabilities

	2018	2017
Payables to:		
Sunborn International Oy	**£ 30,996,911**	£40,996,911

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.

During the year, Sunborn International Oy agreed to waive £10,000,000 of debt due by the Company.

13. Borrowings – non-current liabilities

Borrowings are analysed as follows:

	2018	2017
Wholly repayable within one to four years	**£ 50,461,800**	£ 49,677,226
Details of loans wholly repayable within five years are as follows:		
5% senior secured bond of € 58,000,000 repayable on 5 September 2022	**51,882,740**	51,459,340
Less: transaction costs	**(1,420,940)**	(1,782,114)
	£ 50,461,800	£ 49,677,226

On 31 August 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%.

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

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.

14. Payables to group companies – current liabilities

	2018	2017
	£	£
Payables to:		
Sunborn Oy	**94,850**	113,450
Sunborn International Oy	**535,826**	-
Sunborn International (UK) Limited	**-**	150,000
	£ 630,676	£263,450

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

15. Other payables – current liabilities

	2018	2017
	£	£
Other creditors	**234,374**	163,217
Accruals	**209,140**	209,141
	£ 443,514	£ 372,358

16. 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:

	2018	2017
	£	£
Rental income from Sunborn (Gibraltar) Resort Limited	**3,180,000**	3,500,000
Interest paid to Sunborn International Oy	**(614,954)**	(614,953)

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.

SUNBORN (GIBRALTAR) RESORT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2018

	Note	**2018**	2017
		£	£
TURNOVER	3	**10,685,061**	11,121,844
Cost of sales	5	**(1,239,741)**	(1,091,484)
Gross profit		**9,453,591**	10,030,360
Administrative expenses	6	**(9,628,430)**	(10,009,229)
OPERATING (LOSS)/PROFIT		**(174,839)**	21,131
Finance lease interest		**(3,256)**	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(178,095)**	21,131
Tax on ordinary activities	7	**-**	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(178,095)**	21,131
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME		**£ (178,095)**	£ 21,131

SUNBORN (GIBRALTAR) RESORT LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018	2017
		£	£
FIXED ASSETS			
Tangible assets	8	**291,522**	109,629
CURRENT ASSETS			
Inventories		**130,622**	123,862
Debtors	9	**1,377,984**	1,258,961
Cash at bank and in hand		**28,949**	148,942
		1,537,555	1,531,765
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	**(3,042,793)**	(2,704,423)
NET CURRENT LIABILITIES		**(1,505,238)**	(1,172,658)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,213,716)**	(1,063,029)
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	11	**(27,408)**	-
NET LIABILITIES		**£ (1,241,124)**	£ (1,063,029)
CAPITAL AND RESERVES			
Called up share capital	12	**2,000**	2,000
Profit and loss account		**(1,243,124)**	(1,065,029)
Equity shareholders’ funds		**£ (1,241,124)**	£ (1,063,029)

SUNBORN (GIBRALTAR) RESORT LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
31 DECEMBER 2018

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2017	2,000	(1,086,160)	(1,084,160)
Total comprehensive income for the financial year	-	21,131	21,131
Balance as at 31 December 2017	2,000	(1,065,029)	(1,063,029)
Total comprehensive loss for the financial year	-	(178,095)	(178,095)
Balance as at 31 December 2018	**£ 2,000**	**£ (1,243,124)**	**£ (1,241,124)**

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss	**(178,095)**	21,131
Finance lease interest	**3,256**	-
Operating (loss)/profit	**(174,839)**	21,131
Depreciation	**101,048**	79,666
Movement in inventories	**(6,760)**	(70,058)
Increase in debtors	**(119,023)**	(451,110)
Increase in creditors	**370,062**	537,323
Net cash inflow from operating activities	**170,488**	116,952
Cash flow from investing activities		
Purchase of tangible fixed assets	**(282,941)**	(95,379)
Cash flow from financing		
Repayment of obligations under finance lease	**(7,540)**	-
Taxation		
Corporation tax paid	**-**	-
(Decrease)/increase in cash	**£ (119,993)**	£ 21,573
Reconciliation of net cash flow to movement in net funds		
Cash at bank at 1 January	**148,942**	127,369
Cash at bank at 31 December	**28,949**	148,942
(Decrease)/increase in cash in year	**£ (119,993)**	£ 21,573

SUNBORN (GIBRALTAR) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SUNBORN (GIBRALTAR) LIMITED

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SUNBORN (GIBRALTAR) LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTOR:	Hans Niemi
SECRETARY:	Line Secretaries Limited
REGISTERED OFFICE:	57/63 Line Wall Road Gibraltar
REGISTERED NUMBER:	109414
AUDITORS:	AMS Limited Suite 16 Water Gardens 5 Gibraltar

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his annual report and audited accounts for the year to 31 December 2018.

Activities and review of business
The Company's principal activity is rental of the luxury yacht hotel docked at Ocean Village in Gibraltar to its sister company Sunborn (Gibraltar) Resort Limited, which 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 Director considers that the level of business during the year was satisfactory. It is expected that this level of activity will be continued in the ensuing year.

Results and dividends
The Company has made a profit of £ 6,365,274 for the year (2017: loss of £3,941,095).

The director does not recommend the payment of a dividend.

Directors
The director who served office during the whole of the period 1 January 2016 to the date of this report was as shown on page 1.

Financial risk management
The Company's activities expose it to a variety of financial risks. In particular, the exposure to market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk, which has been disclosed in note 3 to the financial statements.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which meet the requirements of the Gibraltar Companies Act 2014. In addition, the Directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards as adopted for use in the European Union.

Statement of directors' responsibilities - Continued

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit and 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 estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records that 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 Companies Act and other applicable legislation. 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

AMS Limited are willing to stand for reappointment at the next Annual General Meeting.

Hans Niemi
Director
30th April 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNBORN (GIBRALTAR) LIMITED

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **Sunborn (Gibraltar) Limited** (the Company), for the year ended 31 December 2018, which comprise the statement of financial position, the statement of comprehensive income, statement of cash flows, the statement of changes in shareholders' equity, and notes to the financial statements, including a summary of significant accounting policies.

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 2018 and of the profit and cashflows for the year then ended;

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

- have been prepared in accordance with the Companies Act 2014.

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.

Material uncertainty relating to going concern
In forming our opinion on the 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.

Audit approach
Materiality
- Overall materiality: £907,835, which represents 1 % of total assets of the Company.

Key audit matters
- Revenue recognition
- Investment property valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Our application of materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	£907,835
How we determined it	1 % of of the Total assets of the Company.
Rationale for the materiality benchmark applied	We have applied the Total assets benchmark as, in our view, it is the key driver for the principal sers of the financial statements. We also believe this will provide an appropriate and consistent year-on year basis for our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the company	**How our audit addressed the key audit matter**
Revenue recognition Refer to Accounting policies and note 5. Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract. There is a risk that the rental income is booked to a wrong period.	We reviewed the appropriateness of the company´s accounting policies regarding revenue recognition. We assessed compliance with policies in terms of applicable accounting standards. In audit of revenue recognition, we focused on lease agreement. We tested the booked revenue by comparing it to the lease agreement.

Key audit matters - continued

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Valuation of investment property Refer to Accounting policies and note 8. Company's investment property consists of a Yacht hotel. The company's investment property is exposed to impairment risk. The possible need for impairment on property investment is evaluated at least once a year. If an asset item is recognized on the balance sheet at a value higher than the recoverable amount, an impairment loss is recorded. The valuation of investment property is a key audit matter due to the size of the balance sheet item and as the accounting for investment property requires management's judgment over timing of recognition of impairment and especially over fair valuation of the investment property.	We reviewed the company's process and control environment for investment property. We assessed the management's ability to make assumptions and estimations when assessing the recoverable amount of investment property. In our assessment, we focused on cash flow forecast, useful lifetime of investment property and to the discount rate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and International Financial Reporting Standards as adopted for use in the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

- 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 directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on other matter prescribed by the Companies Act 2014
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Use of our report
This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

30TH April 2019

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 £	2017 £
Rental income from group company	5, 16	**3,180,000**	3,500,000
Depreciation	8	**(2,521,739)**	(3,481,622)
Administrative expenses	6	**(196,246)**	(217,313)
Operating profit/(loss)		**462,015**	(198,935)
Waiver of intercompany loan	12	**10,000,000**	-
Foreign exchange loss		**(423,400)**	(39,701)
Finance costs	7	**(3,673,341)**	(3,702,459)
Profit/(loss) before income tax		**6,365,274**	(3,941,095)
Income tax expense		-	-
Profit/(loss) for the year		**6,365,274**	(3,941,095)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**6,365,274**	(3,941,095)
Attributable to:			
Equity holder of the Company		**6,365,274**	(3,941,095)

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 £	2017 £
ASSETS			
Non-current assets			
Investment property	8	**87,633,136**	90,103,561
Property plant and equipment	9	**33,419**	50,128
		87,666,555	90,153,689
Current assets			
Receivables from group companies	10	**1,682,492**	1,237,183
Other receivables		**68,693**	127,065
Cash and cash equivalents		**1,365,758**	1,677,331
Total current assets		**3,116,943**	3,041,579
Total assets		**90,783,498**	93,195,268
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	**3,000**	3,000
Share premium	11	**15,604,000**	15,604,000
Capital reserve		**10,000,000**	-
Retained loss		**(17,356,403)**	(13,721,677)
Total equity		**8,250,597**	1,885,323
LIABILITIES			
Non-current liabilities			
Borrowings from group companies	12	**30,996,911**	40,996,911
Borrowings	13	**50,461,800**	49,677,226
Total non-current liabilities		**81,458,711**	90,674,137
Current liabilities			
Payables to group companies	14	**630,676**	263,450
Other payables	15	**443,514**	372,358
Total current liabilities		**1,074,190**	635,808
Total liabilities		**82,532,901**	91,309,945
Total equity and liabilities		**90,783,498**	93,195,268

Approved by the Board on the 30th April 2019

Hans Niemi
Director

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Share capital £	Share premium £	Capital reserve £	Retained earnings £	**Total Equity £**
Balance at 1 January 2017	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
Total comprehensive profit for the year	-	-	-	6,365,274	6,365,274
Transfer from retained earnings to capital reserve account	-	-	10,000,000	(10,000,000)	-
Balance at 31 December 2018	**3,000**	**15,604,000**	**10,000,000**	**(17,356,403)**	**8,250,597**

The notes on pages 13 to 32 form part of these financial statements.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CASHFLOWS

For the year ended 31 December 2018

	2018	2017
	£	£
Operating activities		
Operating loss	**462,015**	(198,935)
Adjustment for:		
Depreciation	**2,521,739**	3,481,622
Net foreign exchange differences	**(423,400)**	(39,701)
Change in working capital:		
Change in receivables from group companies	**(445,309)**	(1,005,265)
Change in other receivables	**38,169**	(89,420)
Change in payables to group companies	**367,226**	-
Change in other payables	**71,156**	(6,338)
Net cash flows generated from operations before interest payments	**2,591,596**	2,141,963
Interest paid	**(2,671,831)**	(3,702,459)
Net cash flows used in operations	**(80,235)**	(1,560,496)
Cash used in investing activities		
Additions in investment property	**(34,605)**	(2,817)
Purchase of property, plant and equipment	**-**	(50,128)
	(34,605)	(52,945)
Cash flows from financing activities		
Repayment of borrowings from Group company	**(171,551)**	(409,969)
Proceeds from borrowings	**-**	51,459,340
Repayment of borrowings	**-**	(45,988,410)
Transaction costs paid	**(25,182)**	(1,782,114)
Net cash flows from financing activities	**(196,733)**	3,278,847
Net (decrease)/increase in cash and cash equivalents	**(311,573)**	1,665,406
Cash and cash equivalents at 1 January	**1,677,330**	11,924
Cash and cash equivalents at 31 December	**1,365,757**	1,677,330

The notes on pages 11 to 30 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, Gibraltar 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 2017 and 2018. 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.

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

These 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.

Gibraltar legislation applied in the preparation of these financial statements is the Companies Act 2014.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

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

2. Summary of significant accounting policies – continued

2.1 Basis of preparation – continued

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. Although the company had earned a profit of £6.4m, the profit was mainly from the borrowings waived by Sunborn International Oy amounting to £10m. Without including this the company reports a loss of £3.6m which consist mainly of depreciation of the vessel and unrealised exchange rate differences arising from borrowings denominated in Euro.

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. During the year, Sunborn International Oy waived a portion of borrowings to the Company in the amount of £10m which was subsequently transferred to capital reserve.

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 2018, 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 Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenues from Contracts with Customers standard on the 1 January 2018) which replaces the IAS 18 and IAS 11 revenue recognition standards and related interpretations.

IFRS 15 standard applies a five-step model to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time.

The Company's revenue consists of rental revenues from rental of vessel and its improvements recognised as income under IAS 17 Leases standard. All the company's revenue for the year ended 31 December 2018 and 2017 comprise the rental of the vessel and its improvements and therefore the adoption of this standard did not have any material impact on the Company's result and financial position.

IFRS 9 Financial Instruments

On the 1 January 2018, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014). IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and (ii) financial liabilities, and (iii) impairment for financial assets. Details of these new requirements as well as their impact on the Company's financial statements are described below.

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

(i) Classification and measurement of financial assets applicable from 1 January 2018

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income (FVTOCI) or Fair Value through Profit and Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
				£'000	£'000	£'000
1	Loan receivables (Note 11)	Loan and receivables	Financial assets at amortised cost	1,237	Nil	1,237
2	Other receivables	Loan and receivables	Financial assets at amortised cost	127	Nil	127
3	Cash and cash equivalents	Loan and receivables	Financial assets at amortised cost	1,677	Nil	1,677
4	Borrowings and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	91,000	Nil	91,000

The change in measurement category of the different financial assets and liabilities have had no impact on their respective carrying amounts on initial application.

(ii) Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. There has been no impact on the financial statements.

2. Summary of significant accounting policies - continued

2.2 Changes in accounting policy and disclosures - continued

(a) New and amended standards adopted by the company - continued

(iii) Impairment of financial assets

The company assesses impairment based on expected credit losses (ECL) model of trade receivables. During the year and preceding year, all of the company's receivables were amounts owed from group companies which in the director's opinion were not impaired therefore no impairment loss allowance were provided.

(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 2018 and have not been applied in preparing these financial statements:

- IFRS 16 Leases standard will be applied to lease accounting from 1 January 2019. The standard does not change significantly the lessor accounting, as the Company only acts as lessor in one lease agreement, the new standard is not expected to have material impact to the company's result or financial position. There will be some new disclosure requirements.

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. Summary of significant accounting policies - continued

2.3 Foreign currency translation - continued

2.4 Investment property

The Company's vessel (converted to a Yacht Hotel) which is leased out under operating lease 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.

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. Summary of significant accounting policies - continued

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.

2.6 Financial instruments - Financial Instruments: Recognition and Measurement

Loan and receivables are initially recognised when they are originated. Other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instruments. Financial instruments carried on the statement of financial position include loan receivables, other receivables, cash and cash equivalents, and borrowings and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

(a) Loan receivables

Loan receivables are stated at proceeds issued net of transactions costs.

(b) Other receivable

Other receivables are stated at cost.

(c) Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Borrowings and other payable

Other payables are recognised at their nominal value.

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. Summary of significant accounting policies - *continued*

2.6 Financial instruments - Financial Instruments: Recognition and Measurement - *continued*

Fair value measurement principles
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The Company measures the fair value of an instrument, using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, if there is no quoted price in an active market. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Amortised cost measurement principles
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment
Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of profit or loss and other comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of profit or loss and other comprehensive income.

Derecognition
A financial asset is derecognised when the Company no longer has control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished or when the obligation specified in the contract is discharged, cancelled or expires.

Assets held for trading that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the average cost method to determine the gain or loss on derecognition.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies - continued

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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 2018. 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.

2. Summary of significant accounting policies - continued

2.11 Current and deferred income tax - continued

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.

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 2018**	31 Dec 2017
Bond	**(50,462)**	(49,677)
Cash and cash equivalents	**1,180**	1,677

3. Risk management - continued

3.1 Financial risk factors – continued

(a) Foreign exchange risk - continued

At December 31, 2018, if the Sterling Pound (£) strengthened/weakened by 5 % against the Euro, unrealized exchange gain/loss for the year would have been £ 2,463,000 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 2018 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 2018 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 £ 259,000 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 £1.7 million on 31 December 2018 (2017: £1.2 million). 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

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 9 years as at 31 December 2018.

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 2018.

31 Dec 2018

GBP thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	631	-	-	30,997	**31,628**
Other payables	444	-	-	-	**444**
Senior secured bond	-	-	-	50,462	**50,462**
Senior secured bond, interest payments	2,594	2,594	2,594	1,766	**9,548**
Total	3,669	2,594	2,594	83,225	**92,082**

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**

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.

3. Risk management - continued

3.2 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 during the year not breached the covenant.

4. 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.

4.1 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 as supported by external evidence, estimated that the useful life of the vessel to be 40 years.

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 2018 would have increased/decreased by approximately GBP £70,105.

5. 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 2018, the future minimum lease payments from the lease contract are as follows:

	2018	2017
	£	£
Within one year	**3,000,000**	3,000,000
In two to five years	**12,000,000**	12,000,000
More than five years	**10,500,000**	13,500,000

6. Administrative expense

	2018	2017
	£	£
Audit fees	**-**	-
Other expenses	**196,246**	217,313
	£ 196,246	£ 217,313

7. Finance cost

	2018	2017
	£	£
Interest to Sunborn International Oy	**614,954**	614,953
Interest to others	**3,058,387**	3,087,506
	£ 3,673,341	£ 3,702,459

8. Investment property

	Vessel including improvements	Furniture & fittings	Total
	£	£	£
Cost			
At 1 January 2017	101,993,152	449,846	102,442,998
Additions	-	2,817	2,817
At 31 December 2017	101,993,152	452,663	102,445,815
Additions	-	34,605	34,605
At 31 December 2018	101,993,152	487,268	102,480,420
Depreciation			
At 1 January 2017	8,620,854	239,778	8,860,632
Charge in the year	3,372,902	108,720	3,481,622
At 31 December 2016	11,993,756	348,498	12,342,254
Charge for the year	2,477,048	16,447	2,493,495
At 31 December 2017	14,470,804	364,945	14,835,749
Net book value			
At 31 December 2018	**£ 87,522,348**	**£ 110,788**	**£ 87,633,136**
At 31 December 2017	£ 89,999,396	£ 104,165	£ 90,103,561

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.

On 6th June 2018, the vessel was valued by an externally qualified surveyor at €116,500,000.

9. Property, plant and equipment

	£
Cost	
At 1 January 2017	-
Additions	50,128
At 31 December 2017	50,128
Additions	-
At 31 December2018	50,128
Depreciation	
At 1 January 2017	-
Charge for the year	-
At 31 December 2017	-
Charge for the year	16,709
At 31 December 2018	16,709
Net book value	
At 31 December 2017	**£ 33,419**
At 31 December 2016	£ 50,128

10. Receivables from group companies

	2018	2017
	£	£
Receivable from:		
Sunborn (Gibraltar) Resorts Limited	**1,672,511**	1,227,202
Sunborn (Gibraltar) Holdings Limited	**2,817**	2,817
Casino Sunborn (Gibraltar) Limited	**7,164**	7,164
	£ 1,682,492	£1,237,183

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

11. Share capital

	2018	2017
Authorised:		
3,000 ordinary shares of £1 each	**£ 3,000**	£ 3,000
Issued, called up and fully paid:		
3,000 ordinary 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 authorised 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.

12. Borrowings from group company- non-current liabilities

	2018	2017
Payables to:		
Sunborn International Oy	**£ 30,996,911**	£40,996,911

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.

During the year, Sunborn International Oy agreed to waive £10,000,000 of debt due by the Company.

13. Borrowings – non-current liabilities

Borrowings are analysed as follows:

	2018	2017
Wholly repayable within one to four years	**£ 50,461,800**	£ 49,677,226

	2018	2017
Details of loans wholly repayable within five years are as follows:		
5% senior secured bond of € 58,000,000 repayable on 5 September 2022	**51,882,740**	51,459,340
Less: transaction costs	**(1,420,940)**	(1,782,114)
	£ 50,461,800	£ 49,677,226

On 31 August 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%.

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

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.

14. Payables to group companies – current liabilities

	2018	2017
	£	£
Payables to:		
Sunborn Oy	**94,850**	113,450
Sunborn International Oy	**535,826**	-
Sunborn International (UK) Limited	**-**	150,000
	£ 630,676	£263,450

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

15. Other payables – current liabilities

	2018	2017
	£	£
Other creditors	**234,374**	163,217
Accruals	**209,140**	209,141
	£ 443,514	£ 372,358

16. 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:

	2018	2017
	£	£
Rental income from Sunborn (Gibraltar) Resort Limited	**3,180,000**	3,500,000
Interest paid to Sunborn International Oy	**(614,954)**	(614,953)

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.