SUNBORN GIBRALTAR

QUARTERLY FINANCIAL REPORT

1 January – 31 March 2024

SUNBORN (GIBRALTAR) LIMITED

sunborn

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PERIOD ENDED 31 MARCH 2024 REPORT

Key Figures – Issuer Sunborn (Gibraltar) Limited

GBP thousand	1 Jan – 31 Mar 2024	1 Jan – 31 Mar 2023	1 Jan – 31 Dec 2023
Rental income	1,050	1,050	4,750
EBITDA	1,003	1,010	4,490
Investment property (yacht hotel)	76,983	78,348	77,343
Total equity	5,130	5,773	5,119
Bond	49,863	50,807	50,449

Key Figures – Operator Sunborn (Gibraltar) Resort Limited

GBP thousand	1 Jan – 31 Mar 2024	1 Jan – 31 Mar 2023	1 Jan – 31 Dec 2023
Turnover	1,964	1,671	10,171
EBITDAR	164	39	2,263

Chief Executive Director, Hans Niemi

Issuer lease income was £1,05M (£1,05M) and costs and EBITDA were in line with last year and budget. Operator Total Revenue in the period was 1,964 MGBP, up +18 % YoY 2023. A decent result for the quietest period of the year, however still well below 2019 pre-pandemic performance. Rooms revenue exceeded the previous year by 0,269 MGBP at +24% % due to an increase in Occupancy of +33 %, although ADR level decreased -7 % YoY but ultimately RevPar was up +22 %. Costs of Goods Sold (CoGS) have been managed positively during the period resulting in an increase of GOP by +17 % YoY. Material increases in costs - minimum wage, mooring fees and goods and services continue to impact EBITDAR. Incoming flights to Gibraltar continue at levels below pre-2020 correlating to occupancy. Management focus is to increase revenue, occupancy and profitability to support the significantly higher financing costs – however an improvement in market conditions and flight volumes is required. Refinancing process for bond is ongoing and a written procedure was initiated on February 21, 2024, and concluded on March 18, 2024 to extend maturity by 6 months to conclude financing negotiations impacted by macroeconomic environment, higher for longer rates policy and volatile global environment for hospitality and commercial real-estate. Gibraltar continues negotiations for concluding border and trade agreement with EU-UK-Spain.

General

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

Issuer Sunborn Gibraltar Ltd Financial summary 1 January- 31 March 2024

The Issuer Sunborn Gibraltar Ltd lease income in Q1 2024 from the Operator was 1.050 MGBP (Q1 2023: 1.050 MGBP). Lease continues at higher level to historical levels to support increased borrowing costs. Operational costs were in line with expectations, but interest expenses have increased significantly. The parent company contributed an equity cure in form of capital loan to support liquidity.

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

Operator Financial summary 1 January- 31 March

For the period, Total Revenue came in at 1,964 MGBP +18 % YoY 2023. Rooms revenue exceeded the previous year by 0.269 MGBP at +24% % due to an increase in Occupancy of +33 %, although ADR level decreased -7 % YoY but ultimately RevPar was up +22 %. Costs of Goods Sold (CoGS) have been managed positively during the period resulting in an increase of GOP by +17 %. The improvement in results for the period for Q1 are positive, however still below historic pre-pandemic levels, comparing Revenue £1.96 to £2.3 MGBP (2019) and EBITDAR £0.164 to £0.578 MGBP (2019), also considering impact of inflation. Reacting to the market environment, management reduced expenses where possible in staffing levels and purchases resulting in EBITDA of +8 % (+327% YoY). In addition, aggressive winter marketing campaigns raised over 0.182 MGBP for Q1.

KPI's for Q1 2024 vs. Q1 2023

	Q1 24	January	February	March	
Total Revenue M£	£1.96	£0.55	£0.65	£0.76	Total Revenue was up YoY by +18% mainly due to overall positive corporate group booking. MICE business was down YoY. EBITDAR up YoY due to overall higher revenues while managing operating costs.
+/- YOY %	18%	22%	22%	11%	
EBITDAR M£	£0.16	£0.00	£0.05	£0.11	
+/- YOY %	327%	105%	317%	21%	
Revenue split					
Rooms Revenue	72%	74%	72%	70%	Increase of 22% in F&B revenues YoY however the ratio of F&B to rooms was lower due to focus of strategy on higher room revenue.
Food and Beverage	22%	20%	22%	24%	
Other	6%	6%	6%	5%	

YoY Change %	Q1 24	January	February	March	
ADR	-7%	-8%	-3%	-9%	Room ADR reduced YoY due to aggressive lower rate sales campaigns and higher corporate business, conversely impacting positively occupancy rate and RevPar up +22%
Occupancy	33%	57%	13%	20%	
RevPar	22%	45%	23%	9%	

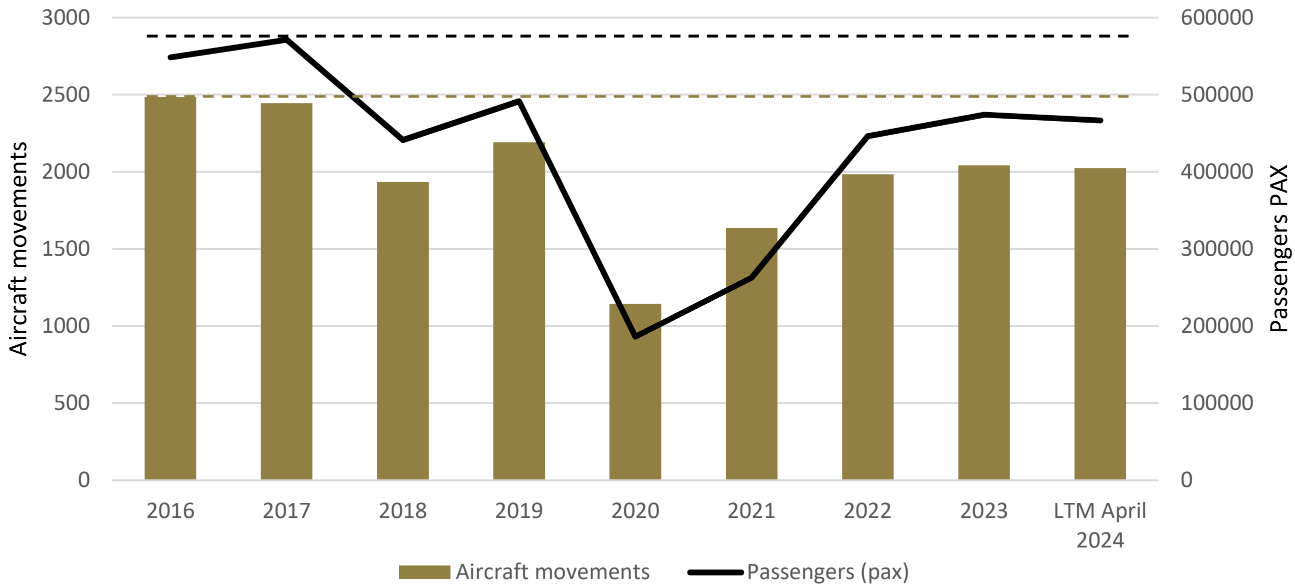
Business environment

In the rooms business mix, Best Available Rate (BAR) increased +21 % YoY as well Corporate a significant increase of +51 % mainly due to two factors : 1) a new client company entering Gibraltar and 2) a large gaming company returning to bring additional room nights in the Corporate segment. Tour Operators contributed to a rise in the FIT segment to +18 %. The MICE segment experienced a decrease of 12 % due to less company groups and incentives business as well as less frequent weddings. The Government segment remained flat YoY. Food and Beverage Total Revenue increased YoY by +14%, primarily Breakfast sales due to higher rooms occupancy.

During the period of Q1, 2024, the hotel continues to maintain high levels of Guest satisfaction ratings reflected by Trip Advisor rating of #2, Booking.com rating of 8.5/10, Hotels.com rating of 9.2/10, Expedia.com 9.2/10 during the period.

The hotel market in Gibraltar, comprised of 5 hotels, with 593 hotel rooms, continues to be negatively impacted by growing short let apartments volume in the market. According to data from Air DNA and Booking.com, short let apartment units have increased to over +400 units recorded as of May 2024. In addition, the number of hotel rooms may increase further over the next 3 to 5 years, if planned new hotel projects materialise. Whilst Sunborn is the only five-star hotel in Gibraltar and reliant on luxury segment travel, demand for hotel rooms in the midscale market and "Air BnB" sector benefit from the construction of residential apartment buildings, shipping crews and other midclass or budget accommodation demand.

The sustainability of Gibraltar's luxury and upscale hotel market with continued increases in short lets and further mid-scale hotel room capacity, in perspective of the current room occupancy, performance and flight volumes is at risk going forward without a material and prompt increase in overnight visitor numbers historically only possible with an increased number of flights. The number of flights for the period of January to April 2024 have decreased YoY by -3.2 %. Full flight and passenger volumes through 2016-2023 and LTM April 2024 below:



(Aircraft movements counted as arrival and departure = 1 movement, LTM means last twelve months)
Source: https://www.gibraltarairport.gi/about-us/air-traffic-statistics

In May 2024, the hotel was inspected and received the continued AA-rating of Five Star for the hotel and 2 Rosettes for the main restaurant. The Sunborn remains the only 5 star rated hotel in Gibraltar.

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

In February 2024 the Company issued a Written Procedure seeking a further extension of 5 March 2024 maturity by 6 months to 5 September 2024 to conclude the refinancing negotiations currently underway. The WP terms and conditions received wide support from the largest bondholders.

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

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

The last written procedure approved on 18th of March 2024, allowed the issuer to focus its activity in exploring various solutions to redeem the bond at its new maturity.

The bond was issued under operating and financing conditions that due to circumstances beyond the control of the issuer, no longer exist. The present and foreseeable business activity is not expected to cover materially increased interest costs. The parent group has supported the bond through the challenges of the pandemic and subsequent higher interest costs, by providing additional security and cash injections as equity cure.

High inflation and higher for longer rates policy risk the ability of operations to cover the high interest costs and continuing rise in operating expenses, however the market value of company assets is estimated by management to exceed the company's current and long-term liabilities providing grounds for continued going concern operation.

The parent group's ability to further cover losses is limited and furthermore, the bond terms restrict equity cure arrangements to once every twelve months, resulting in potential breaches of cash or performance covenants due to higher financing costs that now exceed historical EBITDA levels.

Therefore, and in order to avoid negative implications that these covenant defaults will impact ability to secure the full redemption of the bonds, the company has decided to prepare a further written procedure – aimed to be issued in the beginning of June - to manage the situation.

Short-term risks and uncertainties

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

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

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

Company bond is approaching new extended maturity on September 5, 2024. In response, we have enlisted financial advisors and are in active discussions to secure refinancing prior to this date. The prevailing conditions in the high-yield and commercial real estate markets, coupled with a challenging business environment in Gibraltar and performance that falls short of our expectations, compound the complexity of these negotiations.

The Company is exploring various solutions, including the availability of continued financing arrangement in Gibraltar based on current and expected future performance, also considering the moveable nature of company assets, alternative solutions. As of the approval date of our financial statements, we have not secured a definitive refinancing agreement nor decided on other strategic alternatives. Should the Company fail to secure the necessary refinancing, there would be significant doubt about its ability to continue as a going concern and the assumption of ongoing operations could be deemed inappropriate, necessitating the revaluation of company assets to their recoverable amounts and possibly leading to the recognition of additional liabilities.

The bond terms require redemption at nominal value plus a call premium of 110% on the maturity date. We anticipate finalizing a redemption offer that will reflect both the terms of the refinancing or other means of repayment under discussion and the outcomes of these negotiations, which remain subject to reaching a definitive agreement.

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

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

Financial risk management carried out by the management of the Company aims to protect the Company against unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

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

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

STATEMENT OF COMPREHENSIVE INCOME

GBP (in thousands)	Note	1 Jan-31 Mar 2024	1 Jan-31 Mar 2023	Audited 1 Jan- 31 Dec 2023
Rental income from group companies	3	1,050	1,050	4,750
Depreciation	4	(360)	(359)	(1,435)
Other operating expenses		(47)	(40)	(260)
Operating profit		642	651	3,055
Waiver of intercompany loan		-	-	
Foreign exchange (loss)/gain		695	432	1,138
Finance cost - amortisation of borrowing cost		(115)	(65)	(417)
Finance cost - group borrowings		(82)	(82)	(330)
Finance costs - other borrowings		(1,129)	(905)	(4,068)
Finance costs, net		(631)	(620)	(3,677)
Profit/(loss) before taxes		12	31	(623)
Income tax expense		-	-	-
Profit/(loss) for the period		12	31	(623)
Total comprehensive income/(loss) for the period		12	31	(623)

BALANCE SHEET

GBP (in thousands)	Note	Unaudited 31 March 2024	Audited 31 December 2023	Unaudited 31 March 2023
ASSETS				
Non-current assets				
Investment property	4	76,983	77,343	78,348
Property, plant and equipment		-	1	-
Total non-current assets		76,983	77,344	78,348
Current assets				
Receivables from group companies	7	4,654	3,766	2,554
Other receivables		222	258	454
Cash and cash equivalents		13	42	1,032
Total current assets		4,889	4,066	4,040
Total assets		81,872	81,409	82,388
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	5	3	3	3
Share premium	5	15,604	15,604	15,604
Capital reserves		19,000	19,000	19,000
Accumulated Deficit		(29,477)	(29,488)	(28,834)
Total equity		5,130	5,119	5,773
LIABILITIES				
Non-current liabilities				
Payables to group companies	7	21,997	21,997	21,997
Borrowings	6	0	0	0
Total non-current liabilities		21,997	21,997	21,997
Current liabilities				
Borrowings	6	49,863	50,449	50,807
Payables to group companies	7	4,562	3,523	3,361
Other payables		320	321	450
Total current liabilities		54,745	54,293	54,618
Total liabilities		76,742	76,290	76,615
Total equity and liabilities		81,872	81,409	82,388

STATEMENT OF CHANGES IN EQUITY

GBP (in thousands)	Share capital	Share premium	Capital reserve	Retained earnings	**Total equity**
Equity at 1 Jan 2023	3	15,604	19,000	(28,865)	**5,742**
Income for the period	-	-	-	(623)	**(623)**
Capital contribution by parent company					-
Equity at 31 Dec 2023	**3**	**15,604**	**19,000**	**(29,488)**	**5,119**
Equity at 1 Jan 2024	3	15,604	19,000	(29,488)	5,119
Income for the period	-	-	-	12	**12**
Equity at 31 March 2024	**3**	**15,604**	**19,000**	**(29,476)**	**5,131**

STATEMENT OF CASH FLOWS

For the period ended 31 March 2024

GBP thousand	Unaudited 1 Jan - 31 Mar 2024	Unaudited 1 Jan - 31 Mar 2023	Audited 1 Jan - 31 Dec 2023
Operating activities			
Operating profit/ (loss)	641	651	3,055
Adjustment for:			
Depreciation	360	359	1,435
Change in working capital:			
Change in receivables from group companies	(888)	(962)	(2,174)
Change in other receivables	36	(136)	60
Change in payables to group companies	957	885	799
Change in other payables	(1)	123	(6)
Net cash flows from operations before interest payments	1,105	920	3,168
Interest paid	(1,129)	(905)	(4,068)
Net cash flows used in operations	(23)	15	(900)
Cash used in investing activities			
Additions in investment property	-	-	(72)
Net cash flows used in investing activities	0	-	(72)
Cash flows from financing activities			
Finance costs incurred for borrowings from Group company			
Proceeds from borrowings	0	4	-
Repayment of borrowings	0		-
Transaction costs paid	(6)	4	0
Net decrease in cash and cash equivalents	(29)	19	(971)
Cash and cash equivalents at 1 January	42	1,013	1,013
Cash and cash equivalents at 31 Dec	13	1,032	42

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn (Gibraltar) Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The registered address of Sunborn (Gibraltar) Limited is 57/63 Line Wall Road, Gibraltar, and its business address: 35 Ocean Village Promenade, Gibraltar, GX111AA. Sunborn Gibraltar Limited owns a luxury yacht hotel docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn (Gibraltar) Resort Limited, who runs the operations in accordance with a lease contract. The Yacht hotel is equipped with 189 cabins, including 22 suites. There are also conference facilities for up to 400 delegates, restaurants, bars fitness centre, spa and lounges inside the Yacht hotel. The Company had no employees during 2023 or during 2022. The Company is wholly owned by Sunborn (Gibraltar) Holdings Limited, and its ultimate parent is Sunborn Oy, a company registered in Finland and owned by the Niemi family who are also based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants, and other high-quality property, and has more than 50 years of experience in the hospitality sector.

2. Summary of significant accounting policies

Basis of preparation

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

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the audited financial statements for year ended 31 December 2023.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2023.

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

Going concern

Management has conducted a thorough evaluation of the Company's capacity to continue operations into the foreseeable future. A critical aspect of this assessment is the upcoming maturity of the Company's bond on September 5, 2024. In anticipation of this event we have engaged financial advisors to aid in securing refinancing. This initiative reflects our resilience and strategic foresight, despite the challenging conditions prevailing in the finance and commercial real estate sectors.

As of the date of approval of these financial statements, the company has not secured a definitive loan agreement for refinancing. However, based on our historical success in securing necessary funding, we remain optimistic about our ability to finalize refinancing arrangements. Despite this confidence, the current uncertainty about the availability of funding raises substantial doubt about the company's ability to continue as a going concern. Should the company fail to obtain refinancing, the assumption of ongoing operations may no longer be valid. This condition would necessitate the revaluation of assets at their recoverable amount and could result in the recognition of additional liabilities.

Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium. The company is expecting to conclude a redemption offer that will reflect the availability and terms and conditions of refinancing currently under negotiation and subject to agreement. Furthermore, the Company shall on the Final Maturity Date, pay an amendment fee for the 2022 amendment in an amount equal to 0.50 percent of the nominal amount.

The Company aims to finalize its bond refinancing during the summer. However, as of the approval date of these financial statements, no commitments have yet been made, and negotiations are ongoing with counterparts. This situation introduces a material uncertainty regarding the adequacy and availability of future funding.

Net losses

The Company has incurred net losses consisting mainly of depreciation and unrealized foreign exchange rate differences arising from the borrowings. The Company's sole purpose is to own the vessel "Sunborn Gibraltar Yacht" and lease the vessel out to Sunborn (Gibraltar) Resort Limited through an internal bareboat agreement. The Company has primarily relied upon financing raised through the borrowings from the group companies and bonds from external parties as well as from shares issued to the parent company Sunborn (Gibraltar) Holdings Limited. In April 2016, Sunborn International Oy transferred the company's borrowing amounting to £ 15.6 M to Sunborn (Gibraltar) Holdings Limited and thereafter was converted to company's equity to provide additional capital. The borrowings were converted to Sterling Pounds to avoid unrealised losses. Further conversions have been carried out in September 2018 (£ 10 M) and in December 2020 (£ 5 M) and in December 2022 (£ 4 M) converting debt liabilities to Sunborn International Oy into company's equity.

The financial information in these financial statements has been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. Management estimates the fair market value of company hotel asset is well in surplus of the third-party debt and liabilities, and expects agreement with new lenders, investors and current shareholders to refinance or repay the current bond and liabilities.

3. Rental income from related parties

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

Future minimum lease payment:

GBP thousand	31 Mar 2024	31 Dec 2023
Within 1 year	1,050	1,050
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
Between 3 and 4 years	-	-
Between 4 and 5 years	-	-
Later than 5 years	-	-
Total	1,050	1,050

4. Investment property

GBP thousand	Vessel incl improvements	Furniture & Fittings	Total
Cost			
At 01 January 2023	101,993	497	102,490
Additions	-	72	72
At 31 December 2023	101,993	569	102,562
Additions			
At 31 March 2024	101,993	569	102,561
Depreciation			
At 01 January 2023	23,306	476	23,783
Charge for the period	1,419	16	1,436
At 31 December 2023	24,726	493	25,219
Charge for the period	355	4	359
At 31 March 2024	25,081	497	25,578
Net book value			
At 31 March 2024	76,912	72	76,983
At 31 December 2023	77,267	75	77,343
At 01 January 2023	78,687	20	78,707

The vessel is registered in Finland and located in Gibraltar, where it is leased under a lease agreement to Sunborn (Gibraltar) Resort Limited, which runs the hotel operations of the Yacht hotel. Sunborn Gibraltar is responsible for the maintenance, the mooring fee, certain insurances, marketing of the vessel and any other such operational costs for operating the Yacht hotel. The Company has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull.

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

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

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

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

Depreciation is calculated using the straight-line method to allocate the cost to the residual value over their estimated useful lives. The estimated useful life of the vessel divided to its significant components is presented in the table below:

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

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

5. Equity & Capital Reserve

	31 Mar 2024	**31 Dec 2023**
	No.	**£**
Share Capital		
Authorised, allotted, called up and fully paid shares of £1 each	**3,000**	3,000

The number of ordinary shares outstanding since the company's inception was 2000 shares. In 2016, borrowings from the group company were converted into equity thereby increasing the authorized ordinary share capital by 1,000 at a premium of £15,604 per share resulting to a share premium of £15,604,000.

The Company has not distributed any dividend and the bond agreement set some restrictions for distribution of dividend.

6. Borrowings

Borrowings are analysed as follows:

GBP thousands	**31-Mar 2024**	31-Dec 2023	31-Mar 2023
	49,863	50,449	50,807
Details of loans wholly repayable within 5 years are as follows:			
Senior secured bond SE00102296632 due 27/3/2024 or later date according to WP	**49,863**	50,564	51,271
Less transaction cost		(115)	(464)
	49,863	50,449	50,807

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

In a written procedure initiated on 26 June 2022 and closed on 25 July 2022, the majority of bondholders approved several amendments to the Terms and Conditions. These amendments included an extension of the maturity date to March 5, 2024, and the introduction of early repayment rights. Additionally, as part of the 2022 amendments, an amendment fee of 50 basis points was agreed to be paid at the bond's maturity.

A subsequent written procedure, initiated on February 21, 2024, and concluded on March 18, 2024, saw bondholders consenting to further changes. These included another extension of the maturity date, this time to September 5, 2024. The Company is currently engaged in negotiations to refinance or develop other repayment solutions for the bond before this newly extended maturity date.

The bonds, denominated in euros, will be redeemed at their nominal amount plus a call premium on the maturity date, 106 per cent to 5 June 2024 and 110 per cent at extended maturity. The Company is optimistic about concluding a redemption offer that will reflect the terms of the new financing arrangements or other solutions that are currently under negotiation and pending finalization.

Management estimates that the fair value of the borrowings closely approximates the carrying amounts of the bonds, indicating a stable valuation in line with market conditions.

Collaterals and guarantee given

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

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

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

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

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

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

The parent group's ability to further cover losses is limited and furthermore, the bond terms restrict equity cure arrangements to once every twelve months, resulting in potential breaches of cash or performance covenants due to higher financing costs that now consistently exceed historical EBITDA levels.

Therefore, and in order to avoid negative implications that these covenant defaults will impact ability to secure the full redemption of the bonds, the company has decided to prepare a further written procedure – aimed to be issued in the beginning of June - to manage the situation.

7. Related parties

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

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

GBP thousand	**1 Jan-31 Mar 2024**	**1 Jan-31 Mar 2023**	**1 Jan-31 Dec 2 023**
Sunborn (Gibraltar) Resort rent	**1,050**	1050	**4,750**
Sunborn International Oy interest	**(82)**	(82)	**(330)**

	31.maalis.24		31.joulu.23	
GBP thousand	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	**4 891**	**86**	3 755	0
Sunborn (Gibraltar) Holdings	**3**	**1 756**	3	885
Sunborn International Oy	**-**	**24 542**	-	24 482
Sunborn Finance Oyj	**-**	**58**	-	58
Sunborn Oy	**-**	**95**	-	95
Total	**4 894**	**26 537**	3 758	25 520

8. Events after the balance sheet date

As of the date these financial statements were approved, the company has not yet secured a binding loan offer or alternative sources of refinancing. This creates a significant uncertainty regarding the adequacy of future funding, which casts substantial doubt on the company's ability to continue its operations. Should the company fail to obtain refinancing, the premise of ongoing operations may no longer be tenable. Consequently, this would necessitate the revaluation of assets to their recoverable amounts and might lead to the recognition of additional liabilities.

The parent group’s ability to further cover losses is limited and furthermore, the bond terms restrict equity cure arrangements to once every twelve months, resulting in potential breaches of cash or performance covenants due to higher financing costs that now exceed historical EBITDA levels.

Therefore, and in order to avoid negative implications that these covenant defaults will impact ability to secure the full redemption of the bonds, the company has decided to prepare a further written procedure – aimed to be issued in the beginning of June - to manage the situation.

Appendix 1

Sunborn (Gibraltar) Resort Limited

Unaudited Income Statement

GBP thousand

	Unaudited 3 months ended 31 Mar 24	Unaudited 3 months ended 31 Mar 23	Audited 12 months ended 31 Dec 23
REVENUE	1,964	1,671	10,171
Cost of sales			
Food	115	91	582
Beverage	31	41	247
Agent commission	37	30	219
Other	26	19	181
	210	182	1,230
GROSS PROFIT	1,755	1,489	8,941
Administrative and other expenses	(1,591)	(1,450)	(6,678)
EBITDAR	164	39	2,263
Rent cost due to related entity	(1,050)	(1,050)	(4,750)
Depreciation	(47)	(44)	(190)
Interest expense	(25)	(19)	(79)
Result before tax	(958)	(1,074)	(2,756)
Taxation	-	-	-
Result for the year	(958)	(1,074)	(2,756)

Unaudited Balance Sheet

GBP thousand

	Unaudited 31 Mar 24 £	Audited 31 Dec 23 £	Unaudited 31 Mar 23 £
Fixed assets			
Tangible fixed assets	220	254	299
Current Assets			
Inventories	116	111	120
Trade and other receivables	1,181	1,081	1,508
Cash at bank	39	313	103
	1,336	1,505	1,731
Current Liabilities			
Trade and other payables	7,881	2,954	5,716
Permitted loan facility	1,500	1,500	-
	9,381	4,454	5,716
Current Assets less Current Liabilities	(8,045)	(2,950)	(3,985)
Non-current liabilities			
Other payables		4,171	
Permitted loan facility			1,500
Total Assets less Liabilities	(7,826)	(6,868)	5,186
Capital and Reserves			
Called up share capital	2	2	2
Profit & loss account	(7,828)	(6,870)	(5,188)
	(7,826)	(6,868)	(5,186)

Unaudited **Statement** of Cash Flows

GBP thousand

	Unaudited 3 months ended 31-Mar-24 £	Unaudited 3 months ended 31-Mar-23 £	Audited 31 Dec 23 £
Reconciliation of operating loss to net cash flows from operating activities			
Operating profit	(958)	(1,074)	(2,756)
Interest expense	25	19	79
Operating profit	(933)	(1,055)	(2,677)
Depreciation	47	44	190
Movement in inventories	(5)	(6)	3
Movement in debtors	(101)	(124)	303
Movement in creditors	731	1,189	2,540
Net cash flows from operating activities	(261)	48	358
Cash flow from investing activities			
Purchase of tangible fixed assets	(13)	(49)	(149)
Cash flow from financing			
Other borrowings			
Equity Cure			
Repayment of obligations under finance lease	-	-	-
Taxation	-	-	-
Increase in cash	(274)	(1)	209
Reconciliation of net cash flows to movement in net funds			
Cash at bank at 31 Mar /31 Dec	39	103	313
Cash at bank at 1 January	313	104	104
Increase in cash in year	(274)	(1)	209