SUNBORN GIBRALTAR

QUARTERLY FINANCIAL REPORT
1 October – 31 December 2019
SUNBORN (GIBRALTAR) LIMITED

sunborn

CONTENTS

PERIOD ENDED 31 DECEMBER 2019 REPORT

Operating costs are in line with previous year.

Key Figures Issuer Sunborn (Gibraltar) Limited

GBP thousand	1 Oct-31 Dec 2019	1 Oct-31 Dec 2018	1 Jan -31 Dec 2019	1 jan- 31 Dec 2018
Rental income	795	930	3,180	3,180
EBITDA	723	875	2,974	2,984
Investment property (yacht hotel)	85,128	87,633	85,128	87,633
Total Equity			7,724	8,251
Bond			48,300	50,461

Key Figures Operator Sunborn (Gibraltar) Resort Limited

GBP thousand	1 Oct-31 Dec 2019	1 Oct-31 Oct 2018	1 Jan -31 Dec 2019	1 jan- 31 Dec 2018
Turnover	2,291	2,545	10,764	10,693
EBITDAR	517	613	3,327	3,106

Chief Executive Director, Hans Niemi

“Issuer rental income and costs in Q4 and FY19 were in line with budget. Operator FY19 performance was satisfactory however in Q4 revenue and EBITDA were below budget and expectations due to larger than expected impact of Brexit (date was set for October 31, 2019). Q4 total turnover ended down by -10 % at 2,291 M (2.545 M) due to reduction in leisure segments bracing for Brexit. FY19 turnover still ended with +1 % YoY, but due to good performance seen up until Q4. Operator EBITDA in Q4 was -16 % YoY whilst overall FY19 EBITDA ended at +7 % YoY. During the period, management continued to drive efforts towards BAR, MICE and Public segments in rooms for the winter months as well as taking several expense saving measures”.

General

Sunborn Gibraltar Ltd 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 major restaurants, three bars, casino and lounges inside the yacht hotel. Sunborn Gibraltar’s sole operation consists of acting as a lessor of the yacht hotel. Sunborn Gibraltar Ltd had no employees on and 2018.

The company prepares its accounts and quarterly reporting in accordance with IFRS and made available according to the rules and regulations of NASDAQ Stockholm.

PERIOD ENDED 31 DECEMBER 2019 REPORT – Continued

Issuer Sunborn Gibraltar Ltd Financial summary 1 January – 31 December 2019

Sunborn receives lease income from the management company. Lease income was £3.18M in 2019 (£3.18M in 2018). Operating costs were in line with previous year.

The value of the Yacht hotel is at €113.6M based on the latest valuation report dated May 2019.

Operator Financial summary 1 October – 31 December 2019

Brexit continues to play a significant role in the leisure segment particularly in the months of April, November and December. Management renegotiated new arrangements with some larger corporate accounts in the early autumn which positively affected the corporate segment where occupancy this period increased by +14% YoY.

Management strategy has continued to seek higher room occupancy which resulted in a FY +5% YoY. The MICE and Government segments were up significantly this year due to the summer island games and renegotiated rates as well as some positive group activity.

Business environment

The months of November and December experienced a decline in leisure business as expected due to the published Brexit date of 31 October, other than this there were no notable changes in the business environment.

Guest satisfaction continues to be excellent reflected by Trip Advisor rating of #1, Booking.com rating of 9.0/10, Hotels.com rating of 9.2/10, Expedia.com 4.6/5 during the period and maintains the AA rating of Five Star for the hotel and 2 Rosettes for the main restaurant.

During the period, the number of airline movements decreased slightly by 2% YoY, however, positively improved overall for the year at +13% for the FY. For the months 1-10, the number of passengers were just over +14% YoY. However, in the months 11-12 there was a decrease of passengers by -4% YoY. FY experienced a positive increase YTD of +11,4% YoY.

Continued lobbying with the Gibraltar Tourist Board and airlines to increase flights as this maintains a direct affect in the hotel occupancy.

Notable events during and after the end of the reporting period

Government has issued guidance towards preparation and precautions for COVID-19 outbreak globally. UK has officially left the EU 1.1.2020 and the transition period ends 31.12.2020 while the future relationship is being negotiated. Brexit related disruption could take place and needs to be prepared for towards the end of the financial year depending on the progress with the trade agreement negotiations.

Estimate future development

The company estimates that its financial performance and debt service capacity will remain stable.

PERIOD ENDED 31 DECEMBER 2019 REPORT – Continued

Short-term risks and uncertainties

The Company´s financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk, refinancing risk and business interruption due to incidents relating to environmental and or public health risks. The current COVID-19 outbreak globally could negatively affect Gibraltar tourism market.

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 unfavorable developments at the group level.

High volatility in pound sterling versus euro is expected to continue with a risk of a further depreciation of the pound that could in the short to intermediate term impact negatively on operational costs and profitability.

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable 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.

STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Oct-31 Dec 2019	1 Oct-31 Dec 2018	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Rental income from group companies	3	795	930	3,180	3,180
Depreciation	4	(630)	(389)	(2,522)	(2,522)
Other operating expenses		(72)	(55)	(206)	(196)
Operating profit		**92**	**486**	**452**	**462**
Waiver of loan from holding company			10,000		10,000
Foreign exchange loss/gain		2,540	(423)	2,540	(423)
Finance cost - amortisation of borrowing cost		(97)	(97)	(386)	(386)
Finance cost - group borrowings		(116)	(154)	(465)	(615)
Finance costs - other borrowings		(674)	(666)	(2,668)	(2,672)
Finance costs, net		1,653	(1,340)	(979)	(4,096)
Profit/(loss) before taxes		**1,745**	**9,146**	**(527)**	**6,366**
Income tax expense		-	-	-	-
Profit/(loss) for the period		**1,745**	**9,146**	**(527)**	**6,366**
Total comprehensive income/(loss) for the period		**1,745**	**9,146**	**(527)**	**6,366**

STATEMENT OF FINANCIAL POSITION

GBP thousand	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Investment property	4	85,128	87,633
Property plant and equipment	5	17	34
		85,145	87,667
Current assets			
Receivables from group companies		1,943	1,682
Other Receivables		334	69
Cash and cash equivalents		1,061	1,366
Total current assets		3,338	3,117
Total assets		88,483	90,784
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	6	3	3
Share premium	6	15,604	15,604
Capital reserves	6	10,000	10,000
Retained result		(17,883)	(17,356)
Total equity		7,724	8,251
LIABILITIES			
Non-current liabilities		30,997	30,997
Borrowings		48,300	50,461
Total non-current liabilities		79,297	81,458
Current liabilities			
Payables to group companies		1,093	631
Other payables		369	444
Total current liabilities		1,462	1,075
Total liabilities		80,759	82,533
Total equity and liabilities		88,483	90,784

STATEMENT OF CHANGES IN EQUITY

GBP thousand	Share capital	Share premium	Capital reserve	Retained earnings	**Total equity**
Equity at 1 Jan 2018	3	15,604	-	(13,722)	**1,885**
Result for the period to 31 Dec 2018	-	-	-	6,366	**6,366**
Total comprehensive income for the year	-	-	-	6,366	**6,366**
Transfer from retained earnings to capital reserve account	-	-	10,000	(10,000)	**-**
Equity at 31 Dec 2018	3	15,604	10,000	(17,356)	**8,251**
Result for the period to 30 Dec 2019	-	-	-	(527)	**(527)**
Total comprehensive income for the period	-	-	-	(527)	**(527)**
Equity at 31 December 2019	3	15,604	10,000	(17,883)	**7,724**

STATEMENT OF CASH FLOWS

GBP thousand	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Operating activities		
Operating profit	452	462
Adjustment for:		
Depreciation	2,522	2,522
Net foreign exchange differences	-	-
Change in working capital:		
Change in receivables from group companies	(261)	(445)
Change in other receivables	(265)	(17)
Change in payables to group companies	(3)	-
Change in other payables	(75)	71
Net cash flows generated from operations before interest payments	2,370	2,593
Interest paid	(2,668)	(2,672)
Net cash flows used in operations	(298)	(79)
Cash used in investing activities		
Additions in investment property	-	(35)
		(35)
Cash flows from financing activities		
Repayment of borrowings from Group company	-	(172)
Transaction costs paid	(7)	(25)
Net cash flows from financing activities	(7)	(197)
Net decrease in cash and cash equivalents	(305)	(311)
Cash and cash equivalents at 1 January	1,366	1,677
Cash and cash equivalents at 31 December	1061	1,366

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 center, spa and lounges inside the Yacht hotel. The Company had no employees during the nine months to 30 September 2019 or during 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

Basis of preparation

This financial report for the period ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The year-end financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2018, as well as on the new and updated IFRS standards described below.

The preparation of the year-end financial report 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 actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2018

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.

New IFRS standards adopted by the Company

The adaptation of IFRS 16, *Leases,* effective for the Financial Statements from 1 January 2019 resulted in change in accounting policies, however there are no adjustments to the amounts recognised in this report.

IFRS 16, Leases are affected primarily the accounting by lessees and resulted in the recognition of almost all leases on balance sheet by the lessees. The accounting by lessors are not significantly changed. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As the Company is currently acting as lessor in its one lease agreement, the standard has had no material impact on the Company's financial statements. However, there are new disclosure requirements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

Going concern

The Company has incurred net losses since inception in 2013. . The losses consist mainly of depreciation of the vessel and unrealized exchange rate differences arising from the borrowings from the parent company.

The Company's sole purpose is to own the vessel "Sunborn Gibraltar Yacht" converted into a Yacht hotel and lease the vessel out to Sunborn (Gibraltar) Resort Limited through an internal bareboat agreement. The Company has primarily relied upon financing raised through the borrowings from the group companies and bonds from external parties as well as from shares issued to the parent company Sunborn (Gibraltar) Holdings Limited. In April 2016, Sunborn International Oy transferred the company's borrowing amounting to £15.6m to Sunborn (Gibraltar) Holdings Limited and thereafter was converted to company's equity to provide additional capital. The borrowings were converted to Sterling Pounds to avoid unrealised losses. Again, in September 2018, £10M of borrowings from Sunborn International Oy have been converted to 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.

After review of the future operating and financing costs of the Company in conjunction with the cash held at 31 December 2019, 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.

3. Rental income from related parties

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.

4. Investment property

GBP thousand	Vessel incl improvements	Furniture & Fittings	Total
Cost			
At 01 January 2018	101,993	453	102,446
Additions	-	34	34
At 31 December 2018	101,993	487	102,480
Additions	-	-	-
At 31 December 2019	101,993	487	102,480
Depreciation			
At 1 January 2018	11,994	348	12,342
Charge for the period	2,477	28	2,505
At 31 December 2018	14,471	376	14,847
Charge for the period	2,477	28	2,505
At 31 December 2019	16,948	404	17,352
Net book value			
t 31 December 2019	**85,045**	**83**	**85,128**
At 31 December 2018	87,522	111	87,633
At 01 January 2018	90,000	104	90,104

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

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

The value of the Yacht hotel is at 113,6 M€ according the latest valuation report May 2019.

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

4. Investment property - *continued*

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

5. Property, plant and equipment

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

Depreciation is charged so as to write off the cost of assets at their estimated useful lives of 3 years.

6. Equity & Capital Reserve

Share Capital	As at 31 December 2019 and 31 December 2018 No.	£
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.

7. Borrowings– non-current liabilities

Borrowings are analysed as follows:

GBP thousand	31 Dec 2019	31 Dec 2018
Wholly repayable within five years	**48,300**	50,461

Details of loans wholly repayable within five years are as follows:		
5% senior secured bond of € 58,000,000 repayable on 5 September 2022	**49,341**	51,882
Less: transaction costs	**(1,041)**	(1,421)
	48,300	50,461

7. Borrowings non-current liabilities - *continued*

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

Fair value of the bonds equals the carrying amount.

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 repayment, 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.

8. Related parties

Transactions with related parties

The Company's related parties are its 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:

	Income/(Expense)			
GBP thousand	**1 Oct – 31 Dec 2019**	1 Oct – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Sunborn (Gibraltar) Resort	**795**	930	3,180	3,180
Sunborn International Oy	**(116)**	(153)	(464)	(615)

	31 Dec 2019		31 Dec 2018	
GBP thousand	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	**1,904**		1,672	-
Sunborn (Gibraltar) Holdings	**3**		3	-
Casino Sunborn (Gibraltar)	**7**		7	-
Sunborn Internatioanl UK	**29**			
Sunborn International Oy		**31,995**		31,533
Sunborn Oy		**95**		95
Total	**1,943**	**32,090**	**1,682**	**31,628**

Appendix 1

Sunborn (Gibraltar) Resort Limited

Unaudited Income Statement, Balance Sheet and Statement of Cash Flow:

Unaudited Income Statement

	Unaudited 31 Dec 19 £	Audited 31 Dec 18 £
REVENUE	10,763,789	10,693,332
Cost of sales		
Food	616,646	669,395
Beverage	232,135	231,064
Agent commission	328,342	301,337
Other	80,544	37,945
	1,257,666	1,239,741
GROSS PROFIT	9,506,123	9,453,591
Administrative and other expenses	(6,178,262)	(6,347,382)
EBITDAR	3,327,861	3,106,209
Rent cost due to related entity	(3,180,000)	(3,180,000)
Depreciation	(144,703)	(101,048)
Interest expense	(2,922)	(3,256)
Result before tax	236	(178,095)
Taxation	-	-
Result for the year	236	(178,095)

Unaudited Balance Sheet

	Unaudited 31 Dec 19 £	Audited 31 Dec 18 £
Fixed assets		
Tangible fixed assets	204,435	291,522
Current Assets		
Inventories	133,331	130,622
Trade and other receivables	1,558,588	1,377,984
Cash at bank	81,211	28,949
	1,773,130	1,537,555
Current Liabilities		
Trade and other payables	3,191,045	3,032,789
Finance lease obligation	10,785	10,004
	3,201,830	3,042,793
Current Assets less Current Liabilities	(1,428,700)	(1,505,238)
Non-current liabilities		
Finance lease obligation	16,623	27,408
Total Assets less Liabilities	(1,240,888)	(1,241,124)
Capital and Reserves		
Called up share capital	2,000	2,000
Profit & loss account	(1,242,888)	(1,243,124)
	(1,240,888)	(1,241,124)

Unaudited Statement of Cash Flows

	Unaudited Year ended 31-Dec-19 £	Audited Year ended 31-Dec-18 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit/(loss)	236	(178,095)
Finance lease interest	2,922	3,256
Operating profit/ (loss)	**3,158**	**(174,839)**
Depreciation	144,703	101,048
Movement in inventories	(2,709)	(6,760)
Increase in debtors	(180,604)	(119,023)
Increase in creditors	158,256	370,062
Net cash inflow from operating activities	**122,804**	**170,488**
Cash flow from investing activities		
Purchase of tangible fixed assets	(57,616)	(282,941)
Cash flow from financing		
Repayment of obligations under finance lease	(12,926)	(7,540)
Taxation		
Corporation tax paid	-	-
Increase/(decrease) in cash	52,262	(119,993)
Reconciliation of net cash flow to movement in net funds		
Cash at bank at 1 January	28,949	148,942
Cash at bank at 31 December	81,211	28,949
Increase/(decrease) in cash in year	**52,262**	**(119,993)**