

SUNBORN



GIBRALTAR



FINANCIAL STATEMENTS 2017
30/4/2018

sunborn

REPORT OF BOARD OF DIRECTORS 2017**Key Figures Sunborn Gibraltar Ltd**

GBP thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income	3 500	2 700
EBITDA	3 283	2 265
Yacht Hotel (book value)	90 154	93 583
Total Equity	1 885	5 826
Bond	49 677	
Intercompany loan	40 997	40 997

Key Figures Sunborn Gibraltar Resort Ltd

GBP thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Turnover	11 122	10 243
Profit before rent	3 601	2 782

Chief Executive Director, Hans Niemi

“The lease proceeds from the operating partner Sunborn Gibraltar Resort Ltd in 2017 were according to our expectations. Q1-Q3 exceeded our targets but in Q4 2017 the operating company missed its targets due to the unexpected bankruptcy of Monarch Airlines as it was announced on 2nd October. The Monarch bankruptcy caused disruption to clients travel to and from Gibraltar and resulted in unforeseen room booking cancellations amounting to GBP 421K for the period October to December reducing performance for Q4. Although the disruption caused by the shutdown of Monarch routes is expected to be temporary, we do however expect it to impact our leisure segments in 2018 Q1 and Q2, while the slots left open by Monarch are replaced by other carriers, British Airways and Easyjet, both having announced major increases in flight capacity to Gibraltar since Monarch’s closure.

The Sunborn Gibraltar Yacht hotel is well positioned in the market enjoying excellent ratings and is the only five star rated hotel in the jurisdiction. The hotel Sky Restaurant received its second Rosette rating in 2017, boasting now two Rosettes. Overall the hotel resort has continued its leading hotel position in Gibraltar. The Gibraltar economy is growing at a steady state exceeding that of EU average and travel and hospitality market is doing well and we expect the current favorable trading conditions to exist for the foreseeable future.

The company prepares its accounts and quarterly reporting according to Gibraltar GAAP until the Bond has been listed on NASDAQ Stockholm after which the reporting will be prepared in accordance with IFRS and made available according to the rules and regulations of NASDAQ Stockholm.”

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 rooms, 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 2016 and 2017.

Sunborn Gibraltar Ltd Financial summary 1 January - 31 December 2017

Sunborn receives lease income from the management company. Lease income was 3,5 M€ in 2017 (2,7 M€ in 2016).

The value of the Yacht hotel is unchanged at 129,0 M€ according the latest valuation report. The next valuation report will be available 2Q 2018.

Key Figures Sunborn Gibraltar Resort Ltd Financial summary 1 January - 31 December 2017

Hotel was performing well with turnover in 1-12 2017 amounting to 11,1 M€ (10,2 M€) and increasing by 8,6 % YoY. Revpar for the whole financial year however was improved by +15 % despite the underperformance of Q4 due to the Airline closure.

Notable events during the reporting

As at 6 September 2017 the Company issued senior secured bonds with nominal amount of EUR 58 million to certain qualified institutional investors mainly to finance the existing debt. The bonds are denominated in euros and mature by 5 September 2022. The contractual interest is 5.0 % plus 3-month Euribor.

From 1st October 2017 Sunborn Resorts incorporated the La Sala restaurant into hotel food and beverage department and the after a brief transition period, the restaurant was performing well and as forecasted.

2nd October 2017 Monarch Airlines announced bankruptcy and all flights to and from Gibraltar were cancelled with immediate effect causing hotel cancellations amounting to £421K for the period October to December. The Monarch bankruptcy caused disruption to clients travel to and from Gibraltar and resulted in unforeseen room booking cancellations amounting to GBP 421K for the period October to December reducing performance for Q4. Although the disruption caused by the shutdown of Monarch routes is expected to be temporary, we do however expect it to impact our leisure segments in 2018 Q1 and Q2, while the slots left open by Monarch are replaced by other carriers, British Airways and Easyjet, both having announced major increases in flight capacity to Gibraltar since Monarch's closure.

During the year, exchange rates continued to be volatile. According to Sunborn's financial strategy, the management of the company closely monitors the development of the GBP/EUR exchange rate and on 5 October 2017 decided to enter into a EURGBP open window forward rate contract for period 5th October 2017 until 29th September 2018 for an amount corresponding to the bond coupon payments to be made in these periods.

Business environment

Apart from the intermediate effects of the fewer flights into Gibraltar, no other significant changes in business environment.

Issuer continued to be a SPV with no other purpose than owning the Sunborn Gibraltar Yacht hotel. The vessel is leased out to Sunborn Gibraltar Resort Ltd through an internal bareboat agreement between the Issuer. Sunborn Gibraltar Resort Ltd paid Sunborn Gibraltar Ltd a fixed sum of GBP 250,000 per month in lease and additional rent GBP 500,000 in December.

Customer satisfaction continues to be excellent reflected in the current score of 9.1/10 on Booking.com, 4,5/5 on Hotels.com and 4.6/5 on Expedia.

Estimate future development

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

Notable events after the end of the reporting period

No significant event to report.

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 and refinancing risk.

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 risk of depreciation of the GBP against EUR and its possible negative impact on the returns is hedged. Floating interest rate risk has not been hedged.

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.

SUNBORN (GIBRALTAR) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SUNBORN (GIBRALTAR) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2017

CONTENTS	PAGE
Company Information	1
Director's Report	2 – 3
Independent Auditors' Report to the Members	4 – 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of changes in shareholders' equity	9
Statement of cash flow	10
Accounting Policies and Notes to the Accounts	11 – 18

SUNBORN (GIBRALTAR) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

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

SUNBORN (GIBRALTAR) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The director presents his annual report and audited accounts for the year to 31 December 2017.

Activities and review of business

The Company's principal activity is the holding of a vessel which has been refurbished into a 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.

During the year the Company raised finance through the issuance of €58M Senior Secured Bonds repayable in 2022.

Results and dividends

The Company has made a loss of £ 3,941,095 for the year (2016: loss of £ 8,472,942).

The directors do 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.

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 Gibraltar Accounting Standards.

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.

SUNBORN (GIBRALTAR) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

Statement of directors' responsibilities - Continued

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.

By Order of the Board



Hans Niemi
Director

27 April 2018

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), which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, statement of cash flows and the statement of changes in shareholders' equity for the year then ended, 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 2017 and of the loss and cashflows for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; 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.

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.

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

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.
- 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.

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

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.

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

30 April 2018 .

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2017

	<u>Note</u>	2017 £	2016 £
TURNOVER	3	3,500,000	2,700,000
Depreciation		(3,481,622)	(3,481,622)
Administrative expenses	5	(217,313)	(435,103)
Operating loss		<u>(198,935)</u>	<u>(1,216,725)</u>
Foreign exchange loss		(39,701)	(3,782,798)
Interest payable and similar charges	6	(3,702,459)	(3,473,419)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,941,095)</u>	<u>(8,472,942)</u>
Tax on ordinary activities		-	-
LOSS FOR THE FINANCIAL YEAR		<u>(3,941,095)</u>	<u>(8,472,942)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>£ (3,941,095)</u>	<u>£ (8,472,942)</u>

The notes on pages 11 to 18 form part of these accounts.

SUNBORN (GIBRALTAR) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

		2017	2016
	<u>Note</u>	£	£
FIXED ASSETS			
Tangible assets	7	90,153,689	93,582,366
CURRENT ASSETS			
Debtors	8	1,364,248	269,563
Cash at bank		1,677,331	11,924
		3,041,579	281,487
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(635,808)	(642,146)
NET CURRENT ASSETS/(LIABILITIES)		2,405,771	(360,658)
TOTAL ASSETS LESS CURRENT LIABILITIES		92,559,460	93,221,708
CREDITORS: AMOUNTS FALLING DUE AND PAYABLE AFTER MORE THAN ONE YEAR	10	(90,674,137)	(87,395,290)
NET ASSETS		£ 1,885,323	£ 5,826,418
CAPITAL AND RESERVES			
Called up share capital	12	3,000	3,000
Share premium		15,604,000	15,604,000
Retained earnings		(13,721,677)	(9,780,582)
TOTAL EQUITY		£ 1,885,323	£ 5,826,418

Approved by the Board on 27 April 2018

Hans Niemi
Director

The notes on pages 11 to 18 form part of these accounts.

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31st DECEMBER 2017

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Retained Earnings</u> £	<u>Total</u> £
Balance at 1 January 2016	2,000	-	(1,307,640)	(1,305,640)
Issue of share capital	1,000	15,604,000	-	15,605,000
Total comprehensive loss for the year	-	-	(8,472,942)	(8,472,942)
Balance as at 31 December 2016	3,000	15,604,000	(9,780,582)	5,826,418
Total comprehensive loss for the year	-	-	(3,941,095)	(3,941,095)
Balance as at 31 December 2017	<u>£ 3,000</u>	<u>£ 15,604,000</u>	<u>£ (13,721,677)</u>	<u>£1,885,323</u>

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss	(198,935)	(1,216,725)
Depreciation	3,481,622	3,481,622
Effects from foreign exchange translations	(39,701)	(3,782,798)
(Increase)/decrease in debtors	(1,094,685)	514,807
(Decrease)/increase in creditors	(6,338)	296,512
Net cash inflow/(outflow) from operating activities	<u>2,141,963</u>	<u>(706,582)</u>
Return on investments and servicing of finance		
Interest paid	(3,702,459)	(3,473,419)
Capital expenditure		
Purchase of tangible fixed assets	(52,945)	(47,506)
Taxation		
Corporation tax paid	-	-
Financing		
Issue of share capital at premium	-	15,605,000
Amounts repaid to parent company	(409,969)	(11,737,737)
Increase in borrowing	51,459,340	370,212
Repayment of borrowings	(45,988,410)	-
Transaction costs paid	(1,782,114)	-
	<u>3,278,847</u>	<u>4,237,475</u>
Increase in cash	<u>£ 1,665,406</u>	<u>£ 9,968</u>
Reconciliation of net cash flow to movement in net funds		
Cash at bank at 1 January	11,924	1,956
Cash at bank at 31 December	1,677,330	11,924
Increase in cash in year	<u>£ 1,665,406</u>	<u>£ 9,968</u>

The notes on pages 11 to 18 form part of these accounts.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. COMPANY INFORMATION

Sunborn (Gibraltar) Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The Company is wholly owned by Sunborn Oy a company registered in Finland.

The address of its registered office is as shown on page 1. The principal place of business is at 35 Ocean Village, Gibraltar.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable Gibraltar Generally Accepted Accounting Practice, including Financial Reporting Standards ('FRS 102') as modified by section 1A applicable to small entities. FRS 102 as modified by section 1A applicable to small entities issued by the Financial Reporting Council was adopted by the Gibraltar Society of Accountants to be part of Gibraltar Accounting Standards - Gibraltar Generally Accepted Accounting Practice.

The financial statement of the Company had been prepared in compliance with FRS 102 as modified by section 1A applicable to small entities as it applies to the financial statements of the Company for the year-ended 31 December 2017. The Company is also subject to the requirements of the Gibraltar Companies Acts 2014.

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

Going concern

After reviewing the Company's forecasts and projections, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Moreover, Sunborn International Oy, the parent company confirmed that it will provide adequate financial support if required.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Turnover

Turnover represents lease income generated from the rental of its vessel, which was refurbished into a hotel, to its sister company Sunborn (Gibraltar) Resort Limited.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 profit and loss account on a straight-line basis over the period of the lease.

Foreign exchange

Transactions in foreign currencies are translated into Euro at the rate of exchange ruling at the date of transaction. Exchange gains or losses arising in the ordinary course of business are included in the profit for the year.

Tangible assets

Tangible assets are stated at purchase cost, together with any incidental costs of acquisition less accumulated depreciation. Interest payable on finance obtained to acquire assets is capitalised until all of the activities that are necessary to get the tangible fixed asset ready for use are complete. Improvement costs that add value to the vessel are capitalised as additions to the vessel and depreciated over the shorter of the improvements estimated useful economic lives or that of the vessel.

The estimated cost and accumulated depreciation of replaced or refurbished vessel components are written off and any resulting losses are recognised in operating expenses. 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 assets is as follows:

Vessel	- 30 years
Vessel improvements	- shorter of remaining life or useful life (3 to 25 years)
Furniture and fittings	- 10 years
Other assets	- 3 years

Tangible fixed assets are classified in this category if they acquired principally for the purpose of holding them for the long term. All repairs and maintenance costs, including minor improvement costs and dry dock costs, are charged to the profit and loss account during the financial year in which they are incurred.

Impairment of assets

Assets 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 profit and loss account 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.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets - *continued*

The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not occurred.

Debtors

Debtors are included in current assets, except for maturities greater than twelve months after the end of the reporting year which are classified as part of fixed assets.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as fixed liabilities. Creditors are recognised initially at fair value and subsequently measured at their recoverable value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the year of the borrowings using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Current and deferred taxation

Where necessary, provision at the applicable rate is made for corporation tax payable on profits for the year, taking into account any available tax losses.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the taxable profits and the results are stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet dates.

Deferred tax is measured on a non-discounted basis.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

4. DIRECTOR REMUNERATION AND NUMBER OF EMPLOYEES

The company has no employees. All services provided to the Company are through Group entities.

The director did not receive any emoluments from the Company for his services during the current or preceding year.

5. ADMINISTRATION EXPENSES

	2017	2016
	£	£
Audit fees	-	22,480
Other expenses	217,313	412,623
	<u>£ 217,313</u>	<u>£ 435,103</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Interest paid to Group	614,953	409,969
Interest paid to others	3,087,506	3,063,450
	<u>£ 3,702,459</u>	<u>£ 3,473,419</u>

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

7. TANGIBLE ASSETS

	<u>Other assets</u>	<u>Furniture & fittings</u>	<u>Vessel including improvements</u>	<u>Total</u>
	£	£	£	
COST				
At 1 January 2017	-	449,846	101,993,152	102,442,998
Additions	50,128	2,817	-	52,945
At 31 December 2017	50,128	452,663	101,993,152	102,495,943
DEPRECIATION				
At 1 January 2017	-	239,778	8,620,854	8,860,632
Charge for the year	-	108,720	3,372,902	3,481,622
At 31 December 2017	-	348,498	11,993,756	12,342,254
NET BOOK VALUE				
At 31 December 2017	£ 50,128	£ 104,165	£ 89,999,396	£ 90,153,689
At 31 December 2016	£ -	£ 210,068	£ 93,372,298	£ 93,582,366

The vessel 'The Sunborn Gibraltar' was acquired from the company's parent, Sunborn International Oy, in 2013 for a value of £87,538,500 (€105,000,000). During 2015 the Company has been able to claim for reimbursement of costs from its parent amounting to £6,349,650, for costs incurred in relation to the conversion of the vessel into a hotel. The cost of the improvements includes capitalised finance costs of £338,077.

On 21st April 2015, the vessel was valued by an externally qualified surveyor at €129,000,000.

The vessel and its improvements, together with the Company's interest in the insurances of the vessel have been pledged as security for the Company's borrowings (see note 11).

8. DEBTORS

	2017	2016
	£	£
Amounts due by group companies	1,237,183	231,918
Other debtors	127,065	37,645
	<u>£ 1,364,248</u>	<u>£ 269,563</u>

Amounts due by group companies are unsecured, interest free and payable on demand.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

9. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Amounts due to group companies	263,450	263,450
Other creditors	163,217	233,007
Accruals	209,141	145,689
	<u>£ 635,808</u>	<u>£ 642,146</u>

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

10. CREDITORS: AMOUNT FALLING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Amounts due to group companies	40,996,911	41,406,880
Loans (see note 11)	49,677,226	45,988,410
	<u>£ 90,674,137</u>	<u>£ 87,395,290</u>

Amounts due to group companies are due to Sunborn International Oy which are secured and repayable on at the request of the lender. Interest accrues at the rate of 1.5% per annum.

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

11. LOANS

Loans repayable, included within creditors, are analysed as follows:

	2017	2016
Wholly repayable within five years	£ 49,677,226	£ 45,988,410

Details of loans wholly repayable within five years are as follows:

Secured loan of £36,500,000 repayable in 2018	-	36,500,000
Secured loan of €12,500,000 repayable in 2018	-	9,488,410
5% secured loan of € 58,000,000 repayable on 5 September 2022	51,459,340	-
Less: transaction costs	(1,782,114)	-
	<u>£ 49,677,226</u>	<u>£ 45,988,410</u>

12. CALLED UP SHARE CAPITAL

	2017	2016
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

13. TRANSACTIONS WITH RELATED PARTY

The following transactions were carried out with related parties:

	2017	2016
Sales to related parties	£ 3,500,000	£ 2,700,000

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 loans to and from Group companies are noted in notes 8, 9 and 10.

Sunborn Oy and Sunborn International Oy, are also guarantors to the Company's borrowings (note 11).

SUNBORN (GIBRALTAR) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

14. IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of Sunborn (Gibraltar) Limited is Sunborn (Gibraltar) Holdings Limited. Sunborn (Gibraltar) Holdings Limited is 100% owned by Sunborn International Oy, who in turn is owned by Sunborn Oy.

Sunborn Oy is owned by The Niemi family who are regarded by the director to be the ultimate controlling party.

SUNBORN (GIBRALTAR) RESORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

SUNBORN (GIBRALTAR) RESORT LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Page
Company Information	1
Director's Report	2
Report of the Independent Auditors	4
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Shareholders' Equity	9
Statement of cash flow	10

SUNBORN (GIBRALTAR) RESORT LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTOR: Hans Niemi

SECRETARY: Line Secretaries Limited

REGISTERED OFFICE: 57/63 Line Wall Road
Gibraltar

REGISTERED NUMBER: 109487

AUDITORS: AMS Limited
Statutory Auditors
Suite 16
Water Gardens 5
Gibraltar

SUNBORN (GIBRALTAR) RESORT LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The director presents his report with the audited financial statements of the Company for the year ended 31 December 2017.

Principal activities

The Company's principal activity is that of providing hotel accommodation and restaurant and bar services to customers.

Results and dividends

The Company made a profit of £21,131 (2016: £95,590).

The director does not recommend the payment of a dividend.

Directors

The director as shown on page 1 has held office during the whole of the period from 1 January 2017 to the date of this report.

Statement of directors' responsibilities

The director is responsible for preparing the Director's 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 Director has elected to prepare the financial statements in accordance with Gibraltar Financial Accounting Standards.

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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Gibraltar Companies Act 2014 and other applicable legislation. He is 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.

SUNBORN (GIBRALTAR) RESORT LIMITED

DIRECTOR'S REPORT - Continued

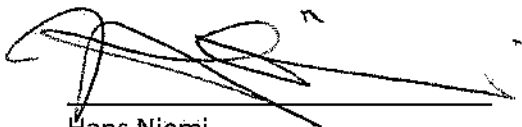
FOR THE YEAR ENDED 31 DECEMBER 2017

Disclosure of information to the auditors

The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. The director confirms that there is no relevant information that he knew of and of which he knew the company's auditors are unaware.

Auditors

The auditors, AMS Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.



Hans Niemi
Director

Date: 27 APRIL 2018

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Sunborn Gibraltar Limited** (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, 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 2017 and of the company's profit and cashflows for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards;
- 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.

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 Gibraltar Financial Reporting Standards, 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUNBORN (GIBRALTAR) RESORT LIMITED - Continued

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.
- 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 OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUNBORN (GIBRALTAR) RESORT LIMITED - Continued

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:

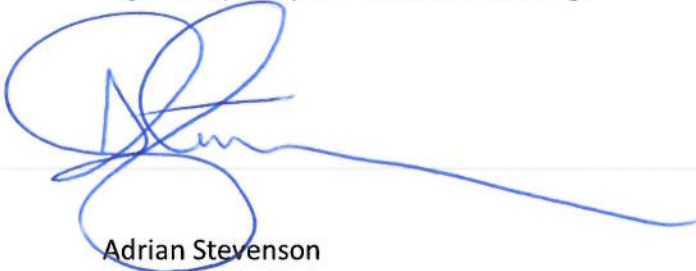
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

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.

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
For and behalf of
AMS Limited
Statutory auditor
Suite 16
Watergardens 5
Gibraltar

30 April 2018 -

SUNBORN (GIBRALTAR) RESORT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2017

	<u>Note</u>	2017 £	2016 £
TURNOVER	3	11,121,844	10,242,518
Cost of sales	5	(1,091,484)	(1,148,707)
		-----	-----
Gross profit		10,030,360	9,093,810
Administrative expenses	6	(10,009,229)	(9,011,897)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,131	81,914
Tax on ordinary activities	7	-	13,676
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		21,131	81,914
Other comprehensive income		-	-
		-----	-----
TOTAL COMPREHENSIVE INCOME		£ 21,131	£ 81,914
		=====	=====

The notes on pages 11 to 18 form part of these accounts.

SUNBORN (GIBRALTAR) RESORT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		109,629		93,916
CURRENT ASSETS					
Inventories		123,862		53,804	
Debtors	8	1,258,961		807,851	
Cash at bank	14	<u>148,942</u>		<u>127,369</u>	
		1,531,765		989,024	
CREDITORS: Amounts falling due and payable within one year	9	<u>(2,704,423)</u>		<u>(2,167,100)</u>	
NET CURRENT LIABILITIES			<u>(1,172,658)</u>		<u>(1,178,076)</u>
NET LIABILITIES			£ <u>(1,063,029)</u>		£ <u>(1,084,160)</u>
CAPITAL AND RESERVES					
Called up share capital	10		2,000		2,000
Retained earnings			<u>(1,065,029)</u>		<u>(1,086,160)</u>
EQUITY SHAREHOLDERS' FUNDS			£ <u>(1,063,029)</u>		£ <u>(1,084,160)</u>

The financial statements were approved by the Director on 27 April 2018



Hans Niemi
Director

The notes on pages 11 to 18 form part of these accounts.

SUNBORN (GIBRALTAR) RESORT LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 DECEMBER 2017

	<u>Share Capital</u> £	<u>Retained Earnings</u> £	<u>Total</u> £
Balance at 1 January 2016	2,000	(1,181,750)	(1,179,750)
Total comprehensive income for the financial year	-	95,590	95,590
Balance as at 31 December 2016	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	<u>£ 2,000</u>	<u>£ (1,065,029)</u>	<u>£ (1,063,029)</u>

SUNBORN (GIBRALTAR) LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	21,131	81,914
Depreciation	79,666	86,971
Movement in inventories	(70,058)	7,403
Increase in debtors	(451,110)	(98,416)
Increase/(decrease) in creditors	537,323	(73,816)
Net cash inflow from operating activities	<u>116,952</u>	<u>4,056</u>
Capital expenditure		
Purchase of tangible fixed assets	(95,379)	(30,524)
Taxation		
Corporation tax paid	-	-
Increase/(decrease) in cash	<u>£ 21,573</u>	<u>£ (26,468)</u>
Reconciliation of net cash flow to movement in net funds		
Cash at bank at 1 January	127,369	153,837
Cash at bank at 31 December	148,942	127,369
Increase/(decrease) in cash in year	<u>£ 21,573</u>	<u>£ (26,468)</u>